

**Operating and Financial Review**  
*for the year ended 31 July 2014*





## **Sheffield Hallam University Operating and Financial Review 2013/14**

Introduction to the Operating and Financial Review from the Vice-Chancellor	3
Strategic Aims	4
Learning, Teaching and the Student Experience	5
Educational Portfolio	7
Research and Innovation	9
Estates Development and Sustainability	10
Managing and Developing our People	11
Equality and Diversity	12
Key Performance Indicators	13
Risks and Uncertainties	14
Corporate Governance	16
Delivery of Public Benefit	21
Financial Review	22
Independent Auditor's Report to the Board of Governors of Sheffield Hallam University	26
Financial Statements	28
Notes to the Financial Statements (including memberships of the Board of Governors and its' Committees, related party transactions, transactions with trustees and providers of financial services)	34



## Introduction to the Operating and Financial Review from the Vice-Chancellor

With over 34,700 students, we continue to be one of the largest universities in the country in terms of student enrolments. Performance continues to be good in the University's well-established areas of strength, such as maintaining a balance between widening participation, responsible recruitment, entry standards and student retention and success.

Demand for places remains strong. We received nearly 40,000 UCAS applications for undergraduate entry in 2013/14, making us the eighth most popular institution in the UK in terms of undergraduate applications. We also received over 10,200 applications for full-time postgraduate taught courses starting in 2013/14.

Our National Student Survey (NSS) results improved substantially this year, with overall satisfaction increasing from 83% in 2013 to 86% in 2014. This is due to the ongoing efforts of all our staff to improve the experience of our students.

In 2013/14, we received £3.9m from HEFCE in quality-related (QR) funding, which has been used to support our focus on internationally excellent research. For the Research Excellence Framework (REF) 2014, the University made submissions to eleven strategic priority units of assessment. We have also developed a new Research and Innovation Strategy, to ensure the sustainability of our key subject areas and activities.

In May 2014 we launched the Sheffield Institute of Education (SloE). The Institute was formed by bringing together all of our educational expertise, including two academic departments and two research centres.

Enhancing our estate continues to be a priority. Our aim is to provide a high quality, safe and sustainable estate that supports our academic activities, enhances the student and staff experience, and projects our academic identity. Capital projects that have taken place throughout 2013/14 include:

- the official opening of the £6m Sheffield Hallam University Sports Park and Graham Solley Pavilion;
- a new £27m Heart of the Campus teaching and learning facility at our Collegiate Campus;
- a two-year, £6 million project to improve teaching and learning facilities for the University's Department of Maths and our Materials and Engineering Research Institute (MERI);
- completion of a £2m makeover of the Collegiate Learning Centre;
- a new building for the Sheffield Institute of Education, part of a £110m investment programme;

We have had another successful year financially, generating a surplus of £12.4m (compared to £14.3m in 2012/13). We continue to generate an appropriate level of income to invest in delivering our priorities.

We have continued to make significant senior appointments this year, most notably recruiting a new Deputy Vice-Chancellor and a new Pro Vice-Chancellor for Research and Innovation. We have also introduced a senior staff grade Professor role, to recognise the value and contribution that Professors make to the academic standing of the University.

This year Sheffield Hallam sponsored the Yorkshire Grand Départ, the opening stages of Tour de France 2014, known as the world's greatest cycling race. Amongst many other activities, we used our sponsorship to promote the University in over 200 schools and colleges involving over 1,000 pupils. Many of the schools and colleges were part of our Associate School and College Partnership. We also built new relationships with schools and colleges along the route in Leeds, Bradford, York and Harrogate.

During 2013/14 we re-focused our priorities into a new University Strategy to 2020. Over eighteen months we explored the aims and ambitions of the University, with input from all staff. The new strategy is being delivered from 2014/15, supported by a suite of implementation plans. In the context of ongoing and significant change in the sector, we believe that Sheffield Hallam remains well placed to respond to future challenges and opportunities.

Professor Philip Jones  
Vice-Chancellor

## Strategic Aims

### Our vision

By 2015 we will be an established top 50 UK university known for the quality of our teaching and learning and with a particular commitment to education for employment. Our research strength will be concentrated in specific subject areas, but will be world class and designed to promote solutions that have made a positive impact on quality of life, solutions to questions of public policy, and contribute to the knowledge economy. We will be known for the quality and range of our partnerships with the professions, business, industry and government.

### Our academic aims

- to provide a high quality, vibrant and challenging learning experience to all our students
- to provide academically strong, relevant and financially viable programmes that are responsive to changing market conditions
- to create an innovative research environment within the University and use our skills to support innovation externally, working with organisations and companies to achieve economic and social transformation

### Our enabling aims

We will seek to deliver these aims through the following strategic enablers:

- managing and developing our people
- improving operational effectiveness
- enhancing our estate
- maintaining financial sustainability

The University annually agrees a set of University-wide operational priorities, delivery of which is designed to drive progress towards achieving the overall aims and objectives of the Corporate Plan, and to ensure that identified risks to the delivery of our business are well-managed. Progress against these priorities is reported in this Operating and Financial Review.

During the 2013/14 academic year we developed our new University Strategy to 2020. Over eighteen months we explored the aims, priorities and ambitions for the University in the short, medium and long term with input from University Executive Group, Board of Governors, Pro-Vice Chancellors, Directors, and all staff. The strategy was approved by the University Board of Governors on 25 March 2014. The new strategy will be implemented from 2014/15. Beginning in autumn 2014, we will publish the priorities for the year, along with more detailed plans, through which we will deliver the strategy. We will also continue our conversation with staff about how they will deliver the strategy.

## Learning, teaching and the student experience

Our student experience is characterised by its commitment to inspiring students to achieve their potential, enhancing student employability for a wide range of professions, and developing its learners to be confident communicators, capable of effectively using digital tools and resources.

Work continues on a series of initiatives aimed at improving our student experience. During 2013/14, we prioritised the following improvements to the quality of our learning, teaching, and student experience:

- implementing a new integrated course monitoring and action planning process (MAAP), and exploring the introduction of a universal course and module evaluation and feedback system
- continuing to develop and implement clear professional standards for teaching and research staff, including the development of career pathways that recognise teaching excellence
- continuing to embed course focus and leadership, including course-based student timetables
- improvements to the learning and teaching environment, including a full review and revision of our Academic Awards Framework (approved by our Academic Board on 10 December 2013, for phased implementation to be completed by the end of 2015/16), and preparation for the introduction of a more consistent Academic Calendar for 2014/15, improving timetabling and the student experience
- supporting the development of professional standards throughout the University, including the launch of a new Manager Portal in June 2014, enabling line managers to operate more effectively

### Student support

The University provides many support services to students, including a Matrix-accredited Student Services Centre on both campuses, a free University English Scheme, a Matrix-accredited disabled student support centre and Autism Centre, an OFSTED-registered nursery, and a Distance Learner Support Service (DLSS).

The University has an outstanding and sustained track record in achieving an inclusive profile across its student population, combined with strong student retention. Our retention rates have closely followed the HEFCE benchmark for many years, with our most recent statistics showing that 93.0% of full-time Year 1 degree students continue or qualify at the University following their year of entry (HEFCE benchmark 92.6%). Our projected outcomes consistently perform above the HEFCE benchmark, with our most recent statistics showing that 83.7% of full-time degree students are expected to qualify with a degree (HEFCE benchmark 79.9%). Continuing to improve the University's performance in the retention, success and progression of students is one of the key objectives in our Access Agreement 2015/16.

### Student satisfaction

Our key measure for improvements in the student experience is the National Student Survey (NSS), which is one of the University's key performance indicators. Our results for 2014 show that overall the satisfaction of final year undergraduate students has increased to 86%, from 83% in 2013. This significant achievement is due to the ongoing efforts of all staff to improve the experience we offer our students through our teaching, support and services. The percentage of students agreeing that staff have made the subject interesting increased to 84%, from 80% in 2013. The percentage of students agreeing that they have received sufficient advice and support with their studies increased to 82%, from 78% in 2013.

We participate in the Postgraduate Taught Experience Survey (PTES) and the Postgraduate Research Experience Survey (PRES). In 2014, the overall satisfaction of postgraduate taught students increased to 82%, from 81% in 2013. In 2013, the overall satisfaction of postgraduate research students was 90%.

### Employability

During 2013/14, we have been supporting increased graduate employability by delivering improvements to the way in which the Employability Strategy and its outcomes are managed.

The University's Employability Strategy includes a student and graduate employability offer. The core offer comprises:

- planned and supported work-related or work-based learning as an accredited module or core/mandatory component of their course of study
- development of high-level employability-related transferable attributes embedded within the curriculum

- integrated and timetabled career planning and preparation for employment
- personal and professional development planning and personalised professional support to monitor progress and support transition to the world of work

The move to a new Academic Framework provides an opportunity to ensure that all courses include entitlements around employability skills, work-based or work-related learning, career management skills, and professional development planning. We have been emphasising the importance of employer engagement and involvement in the design of curricula.

Our new Careers and Employability Centre opened on 6 March 2014, providing students and graduates with careers workshops and employer-led networking sessions.

Employability and employer engagement are now overseen by a newly established Employer Engagement Board, chaired by the Deputy Vice Chancellor.

A key measure of the employability of our graduates is the Destination of Leavers from Higher Education (DLHE) survey, which asks graduates about their employment situation six months after completing their studies. Our results for 2014 (which reflect the outcomes for 2012/13 graduates) show that:

- 94% of our full-time first degree graduates were in work or further study, compared to 89% in 2013.
- 8% of our full-time first degree graduates were in further study only, compared to 11% in 2013.
- 58% of our full-time first degree graduates in employment were in professional/managerial jobs, compared to 59% in 2013.
- Of all our graduates in employment who declared their salary, the largest proportion (31%) said they were earning £20,000-£24,999, compared to 30% in 2013.

## Educational portfolio

We have a wide portfolio of undergraduate and postgraduate courses. We deliver full-time, part-time and distance learning courses at home and internationally.

One of our three key academic aims has been to provide academically strong, relevant and financially viable programmes that are responsive to changing market conditions, with an objective to ensure that we continuously develop and improve the curriculum to provide strong academic content, meet student demand and support the needs of employers and the professions.

During the year 2013/14, we have been developing our taught portfolio by improving the efficiency of delivery, developing the postgraduate portfolio, reviewing all home and international partnership activity, and developing our international recruitment strategy. To improve the efficiency of our undergraduate and postgraduate taught portfolio, we have focused on reducing complexity in delivery models. To this end we have begun an ongoing subject-based portfolio review, which will be informed by determining the future size and shape of the University, and conducting a stock-take of our curricula priority areas, plus a detailed understanding of market trends.

On 21 May 2014, we launched the Sheffield Institute of Education (SIOE). The Institute was formed by bringing together all of our educational expertise (two academic departments and two research centres) into a single facility. From May 2015, the Institute will be under one roof on our city centre campus.

### Student recruitment

In 2012/13, we received nearly 40,000 UCAS applications for undergraduate programmes starting in 2013/14, including over 37,000 applications from the UK. We were the 8<sup>th</sup> most popular higher education institution in the UK for UCAS applications. Our total number of pre-clearing applications fell slightly when compared to the previous year. Our sector market share of pre-clearing applications also fell, as did our pre-clearing applications-to-acceptances ratio. Our total number of pre-clearing acceptances remained stable.

In 2009/10 and 2010/11 application years, we were below the sector average for the percentage of applications we accepted through clearing. In 2011/12 and 2012/13 application years, we have seen a much greater emphasis on clearing, with a notable increase in the number of students we have accepted through clearing, in line with the national picture. This has raised the percentage of applications we accept through clearing, so that it is now in line with the sector average.

Our undergraduate student recruitment may be considered in the context of ongoing and significant change in the sector, including the introduction of the new fee regime for students starting in 2012/13, and changes to the student number control in 2014/15 and 2015/16; as well as internal changes, such as our planned reduction in applications due to the removal of some areas of our provision.

We received over 10,200 applications for full-time postgraduate taught courses starting in 2013/14.

### Student Profile<sup>1</sup>

In 2012/13, we were the fourth largest university in the UK, with 34,718 enrolled students, of which 27,039 (78%) were undergraduates and 7,679 (22%) were postgraduates.

In 2012/13, our average UCAS tariff score for new young full-time first degree students with A Levels was 311. This was lower than our tariff score of 315 in the previous year, reflecting a fall in the sector average tariff score from 360 to 356. However, we have exceeded our goal to increase entry standards to at least 310 points by 2015.

We have a diverse student body. In 2012/13:

- 18,940 (55%) of our students were female and 15,778 (45%) were male
- 3,599 (10%) of our students declared that they had a disability
- 30,375 (87%) of our students were home fee students and 4,343 (13%) were overseas fee students
- 87.1% of our home fee students were White, 5.2% were Asian, 3.4% were Black and 0.5% were Chinese
- 5,737 (84%) of our new full-time undergraduates were young (aged 21 or under on entry)

<sup>1</sup> Based on the University's latest Higher Education Statistics Agency (HESA) Student Return (2012/13).  
Sheffield Hallam University **Operating and Financial Review**

- 13,821 (47%) of our home UK students were from the Yorkshire and the Humber region

We recruit a large proportion of students from South Yorkshire, which has one of the lowest rates of participation in higher education in the UK. We are committed to growing aspirations, attainment, and progression for young people and adults in under-represented communities. One of the strategic aims of our Access Agreement 2015/16 is to be recognised for the participation of students from a wide range of backgrounds in higher education, and for adding value to their futures. We are working in partnership with a range of stakeholders, including the University of Sheffield, to ensure our success.

In 2012/13, of our new, young (aged 21 or under on entry), full-time undergraduate UK-domiciled students:

- 96.9% were from state schools or colleges
- 40.0% were from National Statistics Socio-Economic Classification (NS-SEC) social classes 4-7<sup>2</sup>
- 17.4% were from low participation neighbourhoods

The University's performance is above benchmarks for all three of the Higher Education Funding Council for England (HEFCE) UK Performance Indicators (UKPIs) shown above.

In 2013/14, our home full-time undergraduate tuition fee was £9,000. Our arrangements for fees and bursaries ensure that access to higher education is not restricted by the ability to pay fees.

### **International**

In 2012/13, we had 2,931 new overseas fee student enrolments (compared to 2,712 in 2011/12). 1,338 (46%) were from Malaysia, 855 (29%) were from China, and 140 (5%) were from India.

A new five-year University Recruitment Strategy 2015-2020 is currently in development. This will address the aims of diversification and mitigation of an over-reliance on a small number of markets (such as China) and small number of subject areas (such as management) for international recruitment.

### **Partnerships**

In 2013/14, we had 55 collaborative partnerships, including twenty-two overseas partners, four UK universities and eleven UK Further Education Colleges.

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<sup>2</sup> The National Statistics Socio-Economic Classification assigns family occupation classes. NS-SEC 4-7 includes small employers and self-employed (4), lower supervisory and technical occupations (5), semi-routine (6) and routine (7) occupations.

## Research and Innovation

Our research has established national and international excellence in selected areas, underpinned by strong performance in the Research Assessment Exercise 2008, which rated 68% of our research activity at 2\* (international quality) or above. We have a good track record of working with organisations to apply the outputs of our research.

During 2013/14, our focus has been on preparation of the University's submission for the Research Excellence Framework (REF) 2014. In November 2013, the University made submissions to eleven strategic priority units of assessment for REF 2014. Our next focus has been on developing a Research and Innovation Strategy to ensure the sustainability of the subject areas and activities which the University wishes to support. Academic Board approved the new Research and Innovation Strategy in February 2014.

Our research and innovation agenda is defined and developed by the Research Management Group (chaired by the Pro Vice-Chancellor for Research and Innovation). Decisions regarding research and innovation policy are made by the Research and Innovation Committee (RIC), which, in turn, advises the Academic Board.

Our ethics policies and procedures ensure research is conducted to the highest standards. The University is committed to and compliant with the Universities UK Concordat to Support Research Integrity, and implementation is overseen by the University Research Ethics Committee.

### Research Funding

In 2013/14, we received £3.9m from HEFCE in quality-related (QR) funding, which has been used to support our focus on internationally excellent research. We were awarded twenty research grants during 2013/14 (excluding contract research), with an income value of around £2.7m. We were awarded four European grants under the Framework Seven Programme (FP7), with an income value of £1.6m.

### Knowledge Exchange

As of August 2014, we have a portfolio of twelve Knowledge Transfer Partnerships (KTPs), generating income of over £1.5m over their lifetimes (with an average KTP lifetime of two years). We have a strong process for new applications and an aspirational target of a steady state of twenty KTPs. During 2013/14, projects have included the development of innovative and low bio-persistent glass fibres for use in the refractories industry, and the manufacturing scale-up of a super strength steel alloy for use in the transport sector, which will deliver both commercial and environmental benefits.

We have been working with the Sheffield City Region (SCR) Local Enterprise Partnership (LEP) in priority areas such as creative and digital, health care technologies and advanced manufacturing.

## **Estates development and sustainability**

Our aim is to provide a high quality, safe and sustainable estate that supports the development of our academic activities, enhances the student and staff experience, and projects our academic identity.

Capital projects that have been taking place throughout 2013/14 include:

- the official opening of the £6m 22-acre Sheffield Hallam University Sports Park and Graham Solley Pavilion on 6 November 2013
- a new £27m 7,200 metre square Heart of the Campus teaching and learning facility at Collegiate Campus, to include a new café and social learning spaces, to be completed by autumn 2014
- a two-year, £6 million project to improve teaching and learning facilities for the University's Department of Maths and Materials and Engineering Research Institute (MERI), including new purpose-built laboratories and office space for MERI, and relocating the Department of Maths into MERI's former headquarters, specifically redesigned to students' needs, for completion in May 2015
- completion of a £2m makeover of the Collegiate Learning Centre, creating a vibrant new learning environment, with more group spaces, energy-efficient lighting, better heating, and a new PC suite
- a new building in Charles Street for our new Sheffield Institute of Education (SIOE), part of a £110m investment programme, to be completed by autumn 2015
- new external signage, making our presence in the city much more noticeable
- upgraded external lighting to ensure the safety of both staff and students
- and lift refurbishments

On 29 July 2014 the Board of Governors approved the new University Estate Strategy to 2020, aligned to the new University Strategy, and the new Estates Capital Plan, which supports the development of both formal and informal learning spaces, and a sense of place and academic identity.

### **Sustainability**

In August 2014, we refreshed and extended our Sustainability Framework, with revised targets for 2014/15.

A sustainability policy has been in place at the University since 2000. Since then we have developed a comprehensive range of policies and action plans. Public reporting of our performance against these policies and plans has taken place on an annual basis since 2003. The purpose of the Sustainability Framework is to draw together these different strands of policy, activity, drivers and future challenges in relation to sustainability into one overarching document in order to improve:

- Understanding of our position in relation to this subject.
- Our future performance.
- Information to enable staff, students, partners and other stakeholders to support our objectives.
- Support of our good reputation.

We achieved Gold performance band (90-94% score) in the Business in the Community 2014 Environment Index.

## Managing and developing our people

Our staff are vital for the delivery of our core aims and for ensuring our future success. We are committed to the recruitment, retention, reward and development of a high-calibre and engaged workforce.

In this changing environment, we ensure that we articulate a clear rationale for any changes that need to take place, and in doing so we consult with our staff on all major changes that affect them, while reaffirming our commitment to partnership working with our recognised trade unions.

As at 31 July 2014, we had 4,800 staff, including 2,350 academic staff (including associate lecturers). 2,777 (58%) of our staff were female, and 2,023 (42%) of our staff were male.

Preparation has been underway to run our Employee Opinion Survey in November 2014. The survey was previously run in 2008, and again in 2011. Results from the survey will be transformed into local actions and influence a University-wide action plan.

### Academic Workforce Development

Since September 2012 we have made some significant senior appointments, most notably recruiting a new Deputy Vice-Chancellor, a new Director of Corporate Affairs, a new Pro Vice-Chancellor for Research and Innovation, and new Pro Vice-Chancellor Deans for three of our four faculties.

A priority for 2013/14 has been to improve succession planning, with a particular focus on academic leadership and management. A needs analysis on leadership development has been completed. The analysis identified the main challenges to developing the strategic and business capabilities of academic leaders, and work has been progressing with faculties to deliver specific activities that will impact on academic leadership capability.

During 2013/14, we have implemented a senior staff grade Professor role. The purpose of this change is to recognise the value and contribution that Professors make to the academic standing of the University. Work has continued to create a process for progression to Reader by academic merit, so that there is a clear academic career path.

Another priority for 2013/14 has been to continue to develop and implement clear professional standards and expectations for teaching and research staff. Significant progress continues to be made towards Higher Education Academy (HEA) accreditation.

Plans are in place to ensure successful re-accreditation of our Continuing Professional Development (CPD) Scheme by the HEA, due in July 2015. A comprehensive programme of CPD activities is available to our academic and professional services staff. In November 2013, this was complemented by the introduction of an Academic CPD Portal.

## Equality and Diversity

We are committed to the promotion of equality of opportunity and to creating and sustaining an inclusive culture in which there is high quality, vibrant learning experience unhampered by artificial barriers.

The Equality Information Report 2014 was published in January 2014, and provides information about the protected characteristics of our students and our employees, as well as potential students and employees, based on the data currently available. It is used to inform policy development and decision-making to ensure the University maintains and enhances its inclusive environment.

The Equality Highlights report, the first report of its kind, was published in 2013/14. This focuses on the 2012/13 academic year, highlighting activities related to equality and diversity, and includes stories reflecting some of the University's successes, as well as five role models - individuals who are making a real difference to the lives of students and staff alike.

### Key achievements for 2013/14

The University will be supporting the attainment of Athena SWAN institutional silver status by 2016. Athena SWAN champions have been appointed in all STEM departments in order to progress this work. The Athena SWAN Charter recognises excellence in science, engineering and technology (SET) employment for women in higher education.

Human Resources have designed a development programme on unconscious bias awareness for all employees, in response to the findings in the Equality Information Report 2014. Three pilots were delivered in March, and work is now underway to explore how this programme can be offered across the University (combining an online module with face-to-face training) and how elements can be incorporated into other programmes (such as Recruitment and Selection).

The University's Equality Priorities have been refreshed in light of the new University Strategy and issues identified in our Equality Information Report. The refresh reflects changes in expectations within the sector, such as the enhanced equality requirements of Access Agreements, the QAA code of practice, and funding requirements. The priorities await approval by the University's Board of Governors in October 2014.

To measure the university's efforts in tackling discrimination and creating an inclusive place to study and work, two external benchmarking exercises have been completed. Feedback will be received in October 2014 and January 2015, and the outcomes will be fed into the Equality Priorities action plan.

## Key Performance Indicators

Our Refreshed Corporate Plan 2011-2013 relates to the period 2011/12 to 2013/14 and is monitored by our Corporate Performance Framework. This framework sets out the indicators that we use to measure progress towards meeting our overall mission, vision, aims and objectives. The indicators are reported at University, Faculty, Academic Department and Course level (where available). The highest level indicators within the framework are reported below.

### Our vision

- By 2015 we will be an established top 50 university in the UK known for the quality of our teaching and learning with a particular commitment to education for employment.
- Our research strength will be concentrated within specific subject areas, but will be world class and designed to promote solutions that have made a positive impact on quality of life, solutions to questions of public policy, and contribute to the knowledge economy.
- We will be known for the quality and range of our partnerships with the professions, business, industry and government.

Vision Indicator (Rank)	2011/12	2012/13	2013/14
The Guardian League Table	83	72	73
The Times/Sunday Times League Table	73	77	62

Sources: *The Guardian, The Times*

Vision Indicator	2008	2014
Research Power Ranking	66	TBC

Sources: *Research Assessment Exercise 2008, Research Excellence Framework 2014*

### Our academic aims

- To provide a high quality, vibrant and challenging learning experience to all our students.

Key Performance Indicator	2011/12	2012/13	2013/14
% Overall Student Satisfaction	82%	83%	86%
% students agreed "Staff have made the subject interesting."	80%	80%	84%
% students agreed "I have received sufficient advice and support with my studies."	78%	78%	82%

Source: *National Student Survey*

- To provide academically strong, relevant and financially viable programmes that are responsive to changing market conditions.

Key Performance Indicator	2010/11	2011/12	2012/13
% of employed full-time first degree graduates in professional/managerial jobs	56%	59%	58%

Source: *Destination of Leavers from Higher Education survey*

### Our enabling aims

- Maintaining financial sustainability.

Key Performance Indicator	2011/12	2012/13	2013/14
Income vs budget (£)	£3.9m favourable	£2.1m favourable	£2.1m favourable
(%)	1.6%	0.9%	0.8%
Expenditure vs budget (£)*	£0.8m favourable	£9.0m favourable	£4.1m favourable
(%)*	0.3%	3.9%	1.7%

\*Before FRS 17 adjustments and excluding profit/loss on fixed asset disposals

Source: *Internal Management reporting*

## Risks and Uncertainties

Our 2013/14 Corporate Risk Register covers thirteen areas of risk.

### Student recruitment

We are an institution that derives the majority of its income from tuition fees and teaching grants, and from allocations and commissions for the training of teachers and healthcare professionals. At a time of increased uncertainty within the higher education sector, it is vital that we are able to sustain levels of student recruitment, or our income will reduce and our sustainability will be threatened. We will fail to attract enough students if we do not have an attractive academic portfolio that is marketed effectively. The actions to manage the risks to recruiting full-time undergraduate, part-time postgraduate taught, and international students include: an integrated approach to pricing for all areas of the portfolio; a review of the services available to local and regional schools and colleges; monitoring the effectiveness of the Access Agreement in Widening Participation; improvements to marketing and communications for student recruitment; and a review of scholarships and bursaries.

### Student experience, learning and teaching

Delivering a high quality, vibrant and challenging learning experience is one of the academic aims of the University. We measure our success with student satisfaction surveys such as the National Student Survey (NSS) and the Destination of Leavers from Higher Education (DLHE) survey. If we fail to improve the quality of our education, ensure high academic standards, and ensure high levels of student satisfaction, we will not deliver against our aims, and this will damage our reputation and our ability to recruit students. The actions to manage the risks to student experience, learning and teaching include: implementing the Student Experience Programme (initiatives to improve student satisfaction and retention); implementing faculty and department NSS action plans; developing an action plan for achieving HEA accreditation for academic staff; and developing CPD opportunities for academic and professional staff.

### Research and Innovation

The University has a strong reputation for applied research in selected areas, and for associated knowledge exchange with industry, the public, and third sectors. However, volatility in the research funding environment may affect our ability to develop and maintain a thriving and sustainable research and innovation base, which may then threaten our ability to recruit high quality research staff and research students, produce a high quality submission for Research Excellence Framework (REF) 2020, and secure external income to invest in our research. The actions to manage the risks to research and innovation include: developing a post-REF 2014 strategy aligned to the new University Strategy; developing research staff and postgraduate research students; and strengthening marketing of our international research strengths and competitive knowledge transfer areas.

### Reputation

Reputation is a key factor in student choice in an increasingly competitive higher education marketplace. If we fail to maintain or improve our reputation, our ability to attract students and staff, and therefore our sustainability, will be threatened. Reputation is also important for attracting income from a range of other sources. The actions to manage the risks to our reputation include: a responsive web presence; developing a media relations strategy; protecting the institution from negative coverage; developing the internal communications culture; delivering a suite of corporate reputation events; and aligning our annual cycle of events with specific sectors of business, the region, and other influential stakeholders. Student experience, learning and teaching, and research and innovation are also strong determinants of reputation.

### Other risks

The other corporate risks that have been addressed throughout 2013/14 are:

- *Contract provision (healthcare and teacher education): Student recruitment.* If we do not achieve our target level of student number allocations and commissions from the National College for Teaching and Leadership (NCTL) and Department of Health (DH), our ability to recruit future students will be threatened.
- *Contract provision (healthcare and teacher education): Quality.* If we fail to assure the quality of our contract provision to the commissioners' satisfaction, including that of the partners on whom we are dependent, our ability to maintain our student number allocations and commissions will be threatened.
- *People.* External pressures and changes to our academic portfolio and its delivery may challenge our workforce. Not having the right people with the right skills and the right culture in the right places may

affect our ability to meet our objectives. Failure to meet our objectives could damage the staff and student experience, and our reputation.

- *Operational effectiveness - processes.* If planned process improvements are not implemented effectively, then we will be unable to achieve our planned benefits, or their competitive advantage. Costs will be too high, and the quality of services will not meet expectations.
- *Operational effectiveness - Information Systems and Technology.* If we fail to manage current service delivery effectively, then this may lead to student and staff dissatisfaction, which could damage our reputation. If we fail to prioritise IT developments, then this may constrain our ability to support academic activities and exploit IT to achieve our ambitions.
- *Operational effectiveness - service continuity.* If we do not plan effectively for major incidents, then should they occur, we may experience severe disruption. This may have a negative impact of the student and staff experience, or lead to contractual failures which will damage our reputation.
- *Graduate employment.* If we fail to improve graduate employment levels, then our reputation may be damaged, which will weaken our ability to recruit students and develop relationships with employers.
- *Estates.* If our estate is not of sufficient quality and quantity to match our current and future activities, then there will be a negative impact on the student and staff experience, which may have a negative impact on our reputation and our ability to recruit future students.
- *Financial sustainability.* If we do not align our income and costs, we will be unable to fund our activities. This will weaken our ability to develop and sustain the University as a successful higher education provider, and will damage our reputation. This risk may materialise if we fail to achieve income targets, such as recruiting sufficient student numbers, or manage costs at the agreed level.

## Corporate Governance

### 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 to 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 as defined under the Charity Act 1993 and by virtue of its incorporation under the 1988 Act. As an exempt charity the University is regulated by HEFCE by virtue of the Charities Act 2006 (now consolidated into the Charities Act 2011).

### Public benefit

The Board of Governors has complied with its duty to have due regard to the guidance on public benefit published by the Charity Commission and particularly to its supplementary public benefit guidance on the advancement of education, in accordance with the requirements of HEFCE acting as principal regulator of English higher education institutions under the Charities Act 2006 (now consolidated into the Charities Act 2011). See the Delivery of Public Benefit section for details of how we deliver our aims for the public benefit.

### Our approach to corporate governance

We are committed to best practice in all aspects of corporate governance. We aim to conduct our business in accordance with the principles identified in the Committee on Standards in Public Life (Nolan Committee) and the Committee of University Chairs (CUC) Guide for Members of Higher Education Governing Bodies in the UK. The Board of Governors has adopted the CUC's Governance Code of Practice and work is ongoing to ensure that governance practice remains consistent with the principles of the code. In line with the recommendation in the CUC Governance Code of Practice, the Board of Governors formally undertakes five yearly reviews of effectiveness and the most recent review was completed in autumn 2011.

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.

### Internal control

Our review of the effectiveness of internal control is informed by the work of internal audit, which operates to standards set out in the Code of Ethics and International Standards (March 2004) of the Institute of Internal Auditors (IIA) and that organisation's position statement on the role of internal audit in enterprise-wide risk management (September 2004).

The review of the effectiveness of internal control is also informed by the work of Executive Managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Our systems of internal control are based on an ongoing 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 there is a process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2014 and up to the date of approval of the Operating and Financial Review: that it is regularly reviewed by the Board of Governors; and that it accords with HEFCE guidance and the internal control guidance for directors on the combined code as deemed appropriate for higher education.

The following mechanisms are in place to support the University's overall system of internal control:

- The Audit Committee receives regular reports on how the University's corporate risks are being managed and requires regular reports from managers on steps they are taking to manage risks in their areas of responsibility to ensure that risk management processes are embedded and effective. The Board of Governors receives an annual report on risk management following the Executive Group's annual risk review.

- The Audit Committee receives reports from Internal Audit, which include an independent opinion on the adequacy and effectiveness of the University's system of internal control, together with any recommendations for improvement.
- 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 to delivery of objectives in their areas of responsibility including progress reports on key strategies and initiatives.

In addition, the following tools are in place to manage risk across the University:

- A risk management policy.
- A statement of the University's risk appetite. In common with other organisations, we are involved in a wide range of activities and therefore do not have a generic tolerance for risk. In some areas we have to be risk averse, such as matters of finance. In others we would be regarded as a risk taking University, for example in areas of research and academic development.
- A Risk Management Group, a body that has overall responsibility for overseeing and monitoring risk mitigation and prevention within the University.
- A Corporate Risk Register of strategic risks. Strategic risks are associated with delivery of the University's objectives and are monitored by the Risk Management Group. The University Executive Group undertakes an annual risk review to consider the corporate risks and refresh the Corporate Risk Register for the coming academic year.
- Proximate risks which require urgent attention are monitored by the University Executive Group.
- A risk management handbook, containing details of our risk management framework and a toolkit to provide operational guidance for identifying, assessing and managing risks at all levels.
- Risk management processes that are embedded within our business planning processes. Faculties and directorates are required to identify and record risks associated with delivery of their strategic and operating priorities and to implement and monitor the effectiveness of any actions put in place to mitigate these risks. Faculties and directorates are able to escalate risks that are rising rapidly or are highly imminent to the Risk Management Group for consideration.
- Risk management processes that are embedded in our approach to the management of change and, specifically, in the governance of corporate programmes and projects.

### **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, all but one 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 the strategic development of the University.

By custom and under the Memorandum of Assurance and Accountability with HEFCE, the Board of Governors has responsibilities for the ongoing strategic direction of the University, approval of major developments, and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies.

The policy implications of strategic developments in higher education as they affect the experience of University students are kept under review through a University/Students' Union Liaison Group. 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 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

Autumn 2013 induction and finance training events were held for new members of the Board in advance of the first board meeting of the year. During this year members of the Board were offered opportunities to develop their knowledge of the University with: a visit to the Sheffield Hallam Students' Union; a visit to the Faculty of Health and Wellbeing; a presentation by the Director of Corporate Affairs on stakeholder perception; a workshop to clarify a decision on the University's borrowing facility with the bank which the Board of Governors was invited to approve at its business meeting in July 2014. An informal meeting with the Deputy Chief Executive of HEFCE offered an opportunity for governors to discuss developments affecting the higher education sector.

The Board of Governors operates with a committee structure comprising:

- Finance and Employment Committee
- Remuneration Committee
- Nominations Committee
- 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.

The Vice-Chancellor and Clerk to the Board of Governors hold regular meetings with the board officers (chair and deputy chair of the board and the chair of each of its subcommittees) throughout the course of this year in order to co-ordinate effectively the business of the board and to brief board officers on key developments between board/committee meetings.

### **Finance and Employment Committee**

The Finance and Employment Committee monitors progress in respect of the strategic development of the University in the areas of finance, estate and capital programmes, and human resource and employment matters on behalf of the Board of Governors. The Committee considers, and from time to time reviews, the University's Financial, Estates and Human Resources strategies and monitors the implementation of these strategies.

The Committee also 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 University's Financial Regulations; the write-off of irrecoverable debts; insurance arrangements; arrangements for the execution of estate, building and other capital programmes within the strategic framework and annual capital budgets approved by the Board; and major agreements entered into with Trades Unions.

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 University's Financial Regulations; estate, building and other capital programmes within the strategic framework approved by the Board; annual revenue and capital budgets and longer term projections; and employment policies within the strategic framework approved by the Board.

### **Remuneration Committee**

This committee has responsibility for determining salaries and conditions of service for Board appointments which are the Vice-Chancellor, the Deputy Vice-Chancellor, the Director of Finance, and the Secretary and Registrar and Clerk to the Board. More generally, it advises the Vice-Chancellor on the salaries and conditions of service of senior managers.

### **Nominations Committee**

The Nominations Committee considers nominations for filling vacancies in the Board of Governors' membership under the University's Instrument of Government, as well as membership of the Board's Committees.

## **Audit Committee**

The Audit Committee meets 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 HEFCE 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 our 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 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 Memorandum of Assurance and Accountability agreed between HEFCE 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; and
- 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 HEFCE and the National College for Teaching and Leadership (NCTL), 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; and
- secure the economical, efficient and effective management of the Group's resources and expenditure.

### Going concern

The University's academic activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 3 to 25. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 25.

The University has considerable financial resources together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Board of Governors believe that the University is well placed to manage its risks successfully despite the current uncertain economic outlook. The Board of Governors have a reasonable expectation that the University have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.



Geoff Dawson  
Chairman of the Board of Governors



P A Jones  
Vice-Chancellor

## **Delivery of Public Benefit**

### **Aims and objectives of Sheffield Hallam University**

The University's charitable purpose is the advancement of education. We deliver this charitable purpose for the public benefit, by delivering on our strategic aims through our Corporate Plan. Students of the University are the immediate beneficiaries; however we also seek to improve our offer to past and potential students and the local community. Beneficiaries of our teaching and research activities also include local, national and international businesses and charities, public sector organisations and community groups, their customers and clients, and the wider Sheffield City Region.

### **Improving access and providing opportunities to participate in higher education**

We have a strong track record in widening access and participation for under-represented groups, clearly evidenced by our consistently high performance against HEFCE UK Performance Indicators. We have a reputation for recruiting and securing high rates of retention across a broad range of social backgrounds.

We have been successful across a range of long-term outreach initiatives to raise aspirations, awareness and applications to higher education. This can be seen in the growth and impact of the Associate Schools and Colleges Partnership (ASCP), a network of key schools and colleges within a 50-mile radius of the University, which will be ten years old in 2016. Within the Sheffield City Region, the network includes 55 schools and colleges located in areas with the lowest rates of higher education participation. Our applications and enrolments through this network account for around 43% of undergraduate entrants.

The Higher Education Progression Partnership (HEPP) is a partnership between Sheffield Hallam University, the University of Sheffield, colleges, schools, local authorities and employers within the Sheffield City Region. In 2013/14, HEPP entered its second full year of operation against a three-year business plan to 2015. Its impact will be evaluated towards the end of 2014 to inform decisions on continuation and funding from 2015/16.

We were one of the first six universities to receive the Buttle UK Quality Mark, which is awarded to education providers who demonstrate commitment to young people in and leaving care. The scope of our work with Looked-after children and Care leavers (LAC) has increased, through strategic partnerships with the University of Sheffield and local authorities and a programme of in-reach and taster activity. Its impact is seen in the year-on-year growth of LAC students enrolling at the University.

Our COMPACT Scheme (to support learners facing acute disadvantage) supported 220 students in 2012/13, with 106 (48%) enrolling at the University in September 2013, a 5% increase in the rate of progression.

Our arrangements for fees and bursaries are set out in our Access Agreement 2015/16, which has been approved by the Office for Fair Access (OFFA). These arrangements ensure that access to higher education is not restricted by the ability to pay fees. Developments in the Access Agreement 2015/16 include:

- Restructuring our bursary model to support all 'OFFA countable' students with incomes under £42,600.
- Introducing a new 3-year bursary for all students with incomes between £25,000 and £42,600.
- Introducing a new Year 1 bursary of £200 for all students with incomes under £25,000.
- Introducing a new financial hardship fund valued at £900,000 in 2014/15, rising to £1m in 2015/16.

### **Research and knowledge transfer**

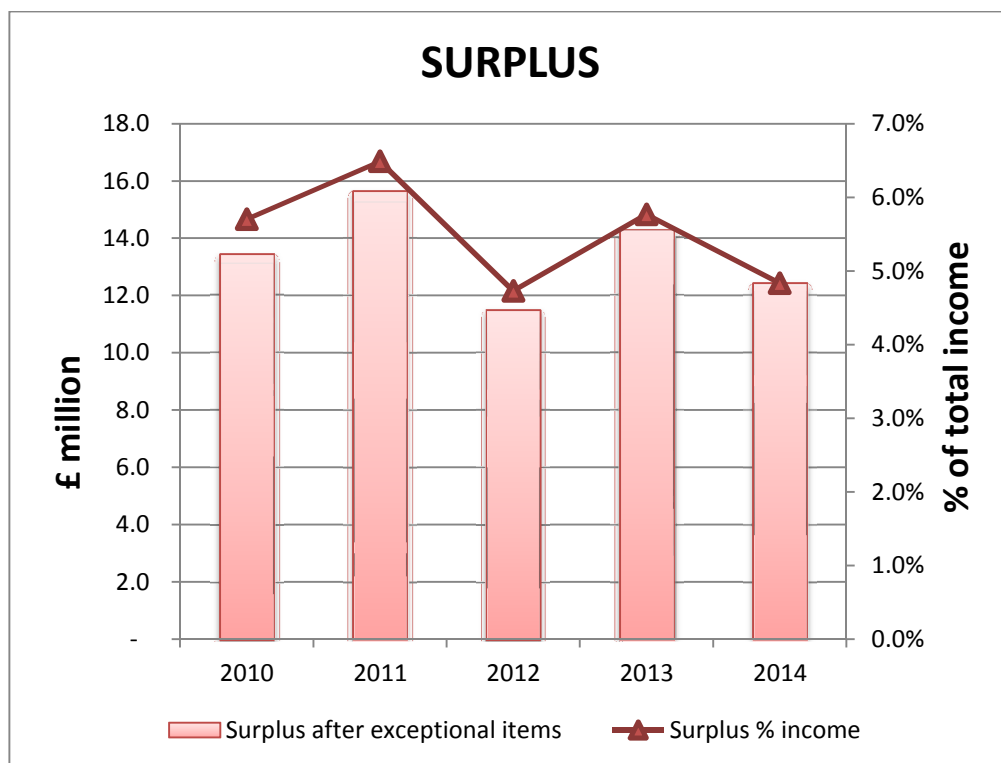
It is a primary charitable purpose of the University to encourage and support research by staff and students that will extend existing knowledge and contribute to our educational programmes. We are committed to furthering the dissemination and utilisation of research within the wider research community and beyond, for instance, via SHURA (Sheffield Hallam University Research Archive), an open access repository containing the scholarly outputs and publications of researchers at the University.

Any private benefit arising from commercially-funded research and knowledge transfer activity is incidental to our principle aim of advancing education. Arrangements for the diversion of revenue arising from the successful exploitation of our ideas are set out in the University's Intellectual Property Policy. A principle of public benefit is that benefits must be balanced against any detriment or harm. To this end our researchers must comply with our robust ethical policies and procedures. Every research project must be undertaken in accordance with commonly agreed standards of good practice.

## Financial Review

The results for the year ended 31 July 2014 show the University had another successful year, generating a surplus of £12.4m (2013: £14.3m). This demonstrates the continued strong performance and financial strength of Sheffield Hallam University despite the Higher Education environment undergoing a period of significant change and uncertainty. The new University Strategy builds on our current position in order to ensure continued financial stability.

### Surplus

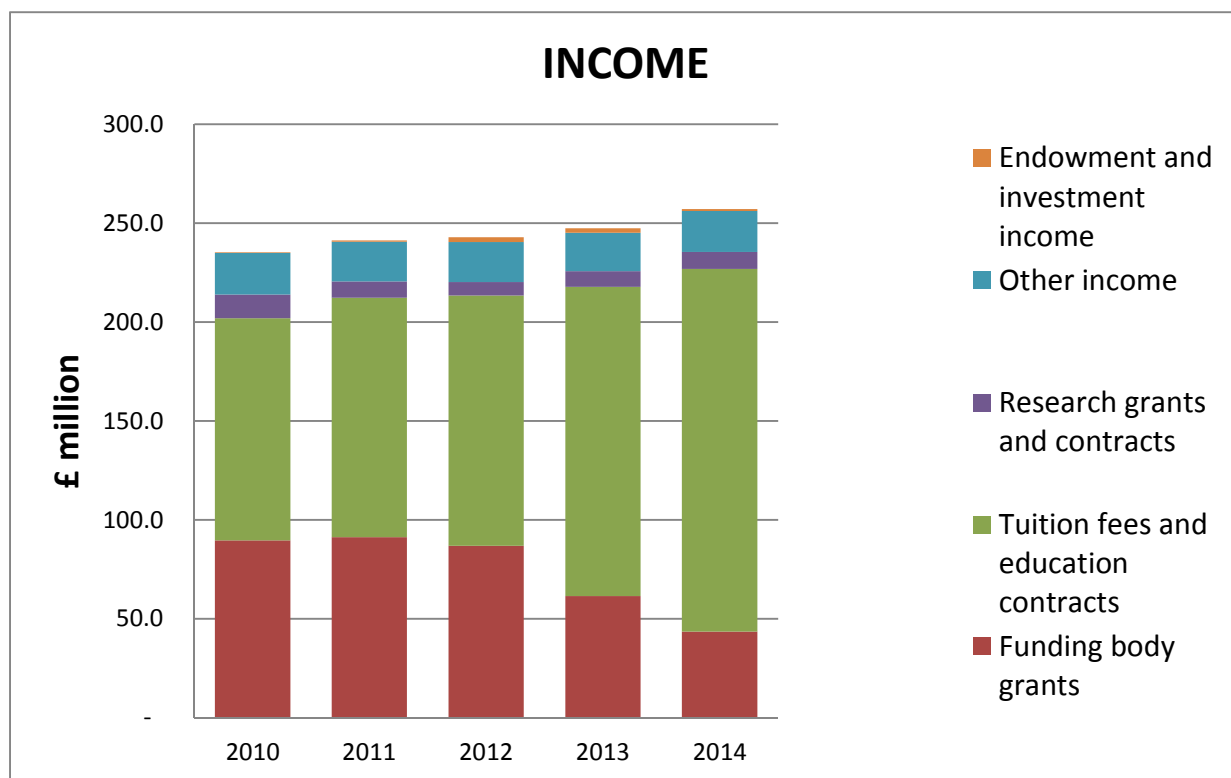


The University has generated surpluses consecutively for the last seventeen years.

The surplus for the year has reduced by £1.9m in comparison to the prior year. In 2014 an exceptional item reduced the surplus by £2.0m, relating to the demolition of buildings prior to the construction of the new Heart of Campus at Collegiate Campus. In contrast last year the sale of Psalter Lane Campus resulted in an exceptional item that increased the surplus by £3.6m.

Operating surpluses will be used to fund the investment programme determined by the new University Strategy.

## Income

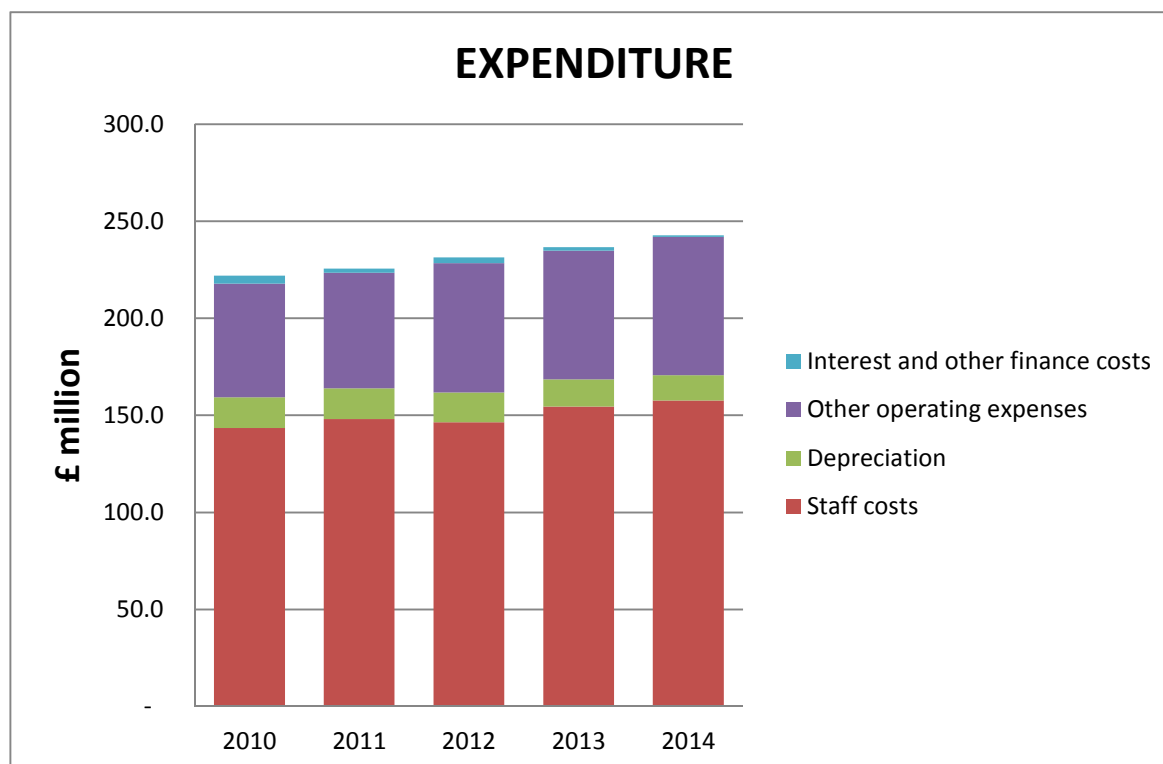


Income has increased by 4.0% to £257.1m (2013: £247.3m). This is the second year of changes to the student funding regime which has seen funding body grants reduce and tuition fees increase. Tuition fee income has increased by 17.4% to £183.4m since 2012/13, and by 44.9% since the change was introduced in 2011/12. Fees from NHS contracts have reduced by 5.5% to £27.5m (2013: £29.1m) and overseas income has increased by 2.0% to £29.3m (2013: £28.7m).

Overall student numbers have remained at similar levels to the previous year. Full time undergraduate students from the UK and the European Union decreased by 2.4% whilst students from countries outside the European Union increased by 21.4%. The ability to continue to attract overseas students despite the competitive environment is important to ensure income stream diversification.

Research income for the year has grown by 7.6% to £8.5m due to an increase in research supported by European Union funding. Other income has increased by 5.8% to £20.6m (2013: £19.5m) and investment income has decreased by 48.9% to £1.1m. The fall in investment income is due to reduced interest rates offered by financial institutions and placement in instant access accounts (which generally have lower yields) prior to a decision on the loan term borrowing strategy taken in July 2014.

## Expenditure



Expenditure increased during the year by 2.6% to £242.7m (2013: £236.7m).

Staff costs have increased by 2.0% from £154.5m to £157.6m, reflecting incremental progression and national pay awards, increased employer pension contribution rates and a 2.4% increase in staff numbers. These upward cost pressures were partially offset by a £0.8m year on year fall in restructuring costs and a £1.2m reduced adjustment for pension liabilities (FRS17). Staff costs excluding FRS17 and restructuring costs represent 60.5% of total income, an improvement from 60.9% in the previous year. The University Strategy acknowledges the need to reduce the staff cost percentage despite upward cost pressures to ensure continued financial sustainability.

Other operating expenses have increased by 7.8% to £71.3m (2013: £66.2m). This increase is partly due to investment in information technology, equipment and learning materials.

### Capital expenditure

During the year, the University has undertaken several significant capital projects, spending £34.1m (2013: £21.2m). Key projects include the Heart of Campus teaching and learning facility at Collegiate Campus which is due for completion in autumn 2014, the commencement of construction of the Institute of Education at Charles Street and the redevelopment of the Sheffield Hallam University Sports Park and Graham Solley Pavillion.

Capital expenditure has been funded by internally generated funds and £1.7m of capital grants received in the year.

### Cash and borrowing

The University's cash generation continues to be strong with net cash inflow from operations totalling £17.8m (2013: £18.7m). These cash surpluses have been used to fund the University's capital program.

In 2013/14 capital expenditure of £34.1m was funded by the current year surplus and cash deposits. This has reduced the net funds (cash deposits less borrowing) from £69.3m to £55.9m.

At the Board of Governors meeting in July 2014, the decision was taken to convert the existing £74m revolving credit facility into an unsecured term loan at the point the revolving facility terminated on 31 July 2014. The £74m term loan is repayable over 23 years to 2037. An interest rate hedge is in place covering £40m which will protect the University from significant increases in interest rates. The remaining

£34m is at a variable interest rate.

Short term deposits have increased by £25.5m to £130.8m as the loan has been fully drawn. The full loan draw down has increased borrowing from £37.0m at 31 July 2013 to £74.0m 31 July 2014.

### **Balance sheet**

Net assets at 31 July 2014 were £148.7m, a slight increase from £148.1m at 31 July 2013. The increase of £19.0m in tangible fixed assets due to the capital investment program was offset by a reduction in net funds to finance this capital investment and a £10.5m increase in the pension liability from £61.1m to £71.6m. The pension liability relates to the Local Government Pension Scheme (LGPS) which is treated as a defined benefit scheme, where the assets and liabilities are recognised in the balance sheet. The University also participates in the Teacher's Pension Scheme and Universities Superannuation Scheme but is not required to report its share of the assets and liabilities.

Net current assets have increased by £25.3m to £107.7m, primarily due to the full draw down of the loan facility which has been invested in short term deposits.

## **Independent auditors' report to the Board of Governors of Sheffield Hallam University**

We have audited the financial statements of Sheffield Hallam University for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body 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 as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the governing body and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education

### **Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice**

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council.

**Matter on which we are required to report by exception**

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds

27 November 2014

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**for the year ended 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>INCOME</b>			
Funding body grants	2	43,488	61,496
Tuition fees and education contracts	3	183,401	156,225
Research grants and contracts	4	8,521	7,921
Other income	5	20,613	19,479
Endowment and investment income	6	1,119	2,188
		<hr/>	<hr/>
Total income		<b>257,142</b>	<b>247,309</b>
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	7	157,582	154,543
Depreciation	8	13,050	14,043
Other operating expenses	9	71,345	66,162
Interest and other finance costs	10	744	1,924
		<hr/>	<hr/>
Total expenditure	11	<b>242,721</b>	<b>236,672</b>
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at valuation and before tax		<b>14,421</b>	<b>10,637</b>
		<hr/>	<hr/>
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and tax		<b>14,421</b>	<b>10,637</b>
		<hr/>	<hr/>
Surplus before exceptional items		<b>14,421</b>	<b>10,637</b>
Exceptional items:			
Disposals of fixed assets	12	(1,994)	3,626
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and disposal of fixed assets and tax		<b>12,427</b>	<b>14,263</b>
		<hr/>	<hr/>
Surplus for the year retained within general reserves		<b>12,427</b>	<b>14,263</b>
		<hr/>	<hr/>
All results are from continuing operations			

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**for the year ended 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
Surplus on continuing operations before taxation		14,421	10,637
Revaluation surpluses realised on disposal of properties	25	451	1,300
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	25	329	331
		<hr/>	<hr/>
Historical cost surplus for the year before taxation		<b>15,201</b>	<b>12,268</b>
		<hr/>	<hr/>
Historical cost surplus for the year after taxation		<b>15,201</b>	<b>12,268</b>
		<hr/>	<hr/>

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
Surplus on continuing operations after depreciation of assets at valuation, disposal of fixed assets and tax		12,427	14,263
New endowments	16	1	25
Endowment income retained for the year	16	(20)	(12)
Actuarial (loss)/gain in respect of the pension scheme	24	(8,673)	12,569
		<hr/>	<hr/>
Total recognised gains relating to the year		<b>3,735</b>	<b>26,845</b>
		<hr/>	<hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		120,622	93,777
Total recognised gains for the year		3,735	26,845
		<hr/>	<hr/>
Closing reserves and endowments		<b>124,357</b>	<b>120,622</b>
		<hr/>	<hr/>

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED BALANCE SHEET**  
**as at 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2013 £000</b>
<b>FIXED ASSETS</b>					
Tangible assets	12	184,197		165,244	
Investments	15	45		42	
			184,242		165,286
<b>ENDOWMENT ASSETS</b>	16		546		565
<b>CURRENT ASSETS</b>					
Stocks		90		99	
Debtors	17	20,172		19,407	
Short term deposits		130,833		105,369	
Cash at bank and in hand		591		413	
		151,686		125,288	
<b>CREDITORS</b> – amounts falling due within one year	18	(43,984)		(42,933)	
<b>NET CURRENT ASSETS</b>			107,702		82,355
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			292,490		248,206
<b>CREDITORS</b> – amounts falling due after more than one year	19	(71,594)		(37,000)	
<b>PROVISION FOR LIABILITIES</b>	21	(625)		(2,028)	
			(72,219)		(39,028)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			220,271		209,178
<b>PENSION LIABILITY</b>	24		(71,595)		(61,113)
<b>TOTAL NET ASSETS</b>			<b>148,676</b>		<b>148,065</b>
<b>DEFERRED CAPITAL GRANTS</b>	22		24,319		27,443
<b>ENDOWMENTS</b> – expendable	16		546		565
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	23	179,169		164,124	
Pension reserve	24	(71,595)		(61,113)	
Revaluation reserve	25	15,721		16,501	
Capital reserve	26	516		545	
			123,811		120,057
<b>TOTAL NET ASSETS</b>			<b>148,676</b>		<b>148,065</b>

The financial statements on pages 28 to 62 were approved on behalf of the Board of Governors on 25 November 2014.

Geoff Dawson, Chairman of the Board of Governors



P A Jones, Vice-Chancellor



**SHEFFIELD HALLAM UNIVERSITY**  
**UNIVERSITY BALANCE SHEET**  
**as at 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2013 £000</b>
<b>FIXED ASSETS</b>					
Tangible assets	13	184,168		155,753	
Investments	15	42		15,807	
			184,210		171,560
<b>ENDOWMENT ASSETS</b>	16		546		565
<b>CURRENT ASSETS</b>					
Stocks		90		100	
Debtors	17	19,270		18,946	
Short term deposits		130,833		105,369	
Cash at bank and in hand		479		391	
		150,672		124,806	
<b>CREDITORS</b> – amounts falling due within one year	18	(42,940)		(42,420)	
<b>NET CURRENT ASSETS</b>			107,732		82,386
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			292,488		254,511
<b>CREDITORS</b> – amounts falling due after more than one year	19	(71,594)		(52,765)	
<b>PROVISION FOR LIABILITIES</b>	21	(625)		(2,028)	
			(72,219)		(54,793)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			220,269		199,718
<b>PENSION LIABILITY</b>	24		(71,595)		(61,113)
<b>TOTAL NET ASSETS</b>			<b>148,674</b>		<b>138,605</b>
<b>DEFERRED CAPITAL GRANTS</b>	22		24,319		27,443
<b>ENDOWMENTS</b> – expendable	16		546		565
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	23	179,167		154,664	
Pension reserve	24	(71,595)		(61,113)	
Revaluation reserve	25	15,721		16,501	
Capital reserve	26	516		545	
			123,809		110,597
<b>TOTAL NET ASSETS</b>			<b>148,674</b>		<b>138,605</b>

The financial statements on pages 28 to 62 were approved on behalf of the Board of Governors on 25 November 2014.

Geoff Dawson, Chairman of the Board of Governors



P A Jones, Vice-Chancellor



**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
Net cash inflow from operating activities	30	17,759	18,744
Return on investments and servicing of finance	31	1,067	1,445
Capital expenditure and financial investment	32	(32,318)	(14,773)
		<hr/>	<hr/>
Net cash (outflow)/inflow before use of liquid resources and financing		(13,492)	5,416
Management of liquid resources		(25,445)	30,906
Financing	33	37,000	(37,000)
		<hr/>	<hr/>
Decrease in cash in the year		<b>(1,937)</b>	<b>(678)</b>
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash in the year		(1,937)	(678)
Increase/(Decrease) in cash in liquid resources		25,445	(30,906)
Change in debt	33	(37,000)	37,000
		<hr/>	<hr/>
(Decrease)/Increase in net funds		<b>(13,492)</b>	<b>5,416</b>
Net funds at 1 August		69,347	63,931
		<hr/>	<hr/>
Net funds at 31 July	34	<b>55,855</b>	<b>69,347</b>
		<hr/>	<hr/>

# **SHEFFIELD HALLAM UNIVERSITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of principal policies**

#### **Accounting convention**

The financial statements 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 2007 and applicable United Kingdom Accounting Standards.

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2014. Intra-group transactions are eliminated on consolidation.

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.

#### **Going concern**

The Consolidated and University Accounts are prepared on a going concern basis as per the Operating Financial Review report on page 20.

#### **Recognition of income**

Income from specific grants from the Higher Education Funding Council for England, 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. Income received in excess of expenditure is held as a deferred creditor; expenditure in excess of related income is charged during the year in which it is incurred. 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 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.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

All other income is credited to the Income and Expenditure Account in the period in which it is earned.

#### **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. Foreign exchange gains/losses are dealt with in the Income and Expenditure Account for the financial year.

## Notes to the financial statements

### 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 purchase cost greater than £5,000. The life of the asset is dependent on its categorisation within 16 categories, ranging from 2 to 10 Years.

### Subsequent expenditure on existing fixed assets

Expenditure incurred on tangible fixed assets 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; and
- significant extension of the assets life beyond that conferred by repairs and maintenance.

### Heritage assets

Works of art and other valuable artefacts are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

**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 costs of fitting out 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 from the date of expected use. Depreciation on all other equipment is calculated on a straight line basis from the month of purchase, over the life of the asset category.

- Motor vehicles and office equipment – three years
- Computers – four to five years
- Furniture – five years
- Scientific equipment – two to ten years

**Assets under construction**

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.

**Heritage assets**

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

**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.

**Assets held for resale**

Tangible fixed assets surplus to requirements are transferred to current assets at depreciated cost.

**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.

### **Taxation status**

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively 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.

### **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.

### **Retirement benefits**

The University contributes to the Universities Superannuation Scheme (USS), the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). All schemes are defined benefit schemes but the USS and TPS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS17 'Retirement benefits' these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable.

The University is able to identify its share of assets and liabilities of the LGPS and therefore fully adopts FRS17.

**2. Funding body grants**

	<b>2014 £000</b>	<b>2013 £000</b>
Higher Education Funding Council for England		
Recurrent grant	34,156	46,665
Specific grants	3,241	2,490
National College for Teaching and Leadership		
Recurrent grant	1,248	3,181
Specific grants	150	2,858
Deferred capital grants released in year (Note 22)		
Buildings	1,759	1,840
Equipment	2,934	4,462
	<b>43,488</b>	<b>61,496</b>

**3. Tuition fees and education contracts**

	<b>2014 £000</b>	<b>2013 £000</b>
Full-time undergraduate home and EU students	109,413	83,259
Full-time postgraduate home and EU students	8,088	5,781
Part-time undergraduate home and EU students	5,246	4,536
Part-time postgraduate home and EU students	2,722	3,378
Overseas students	29,281	28,722
Fees from NHS contracts	27,493	29,086
Other fees and support grants	1,158	1,463
	<b>183,401</b>	<b>156,225</b>

**4. Research grants and contracts**

	<b>2014 £000</b>	<b>2013 £000</b>
Research Councils	614	923
UK based charities	672	764
UK central government bodies, local authorities and health authorities	3,489	3,277
UK industry, commerce and public corporations	455	423
EU government bodies	2,842	1,838
EU other	120	214
Other overseas	200	235
Other sources	129	247
	<b>8,521</b>	<b>7,921</b>

**5. Other income**

	<b>2014 £000</b>	<b>2013 £000</b>
Residences, catering and conferences	4,872	4,933
Other services rendered	4,472	4,408
Release of deferred capital grants (Note 22)	113	181
Other income	11,156	9,957
	<b>20,613</b>	<b>19,479</b>

**6. Endowment and investment income**

	<b>2014 £000</b>	<b>2013 £000</b>
Income from restricted expendable endowments (Note 16)	23	15
Income from short term investments	1,096	2,173
	<b>1,119</b>	<b>2,188</b>

**7. Staff costs**

<b>Staff costs</b>	<b>2014 £000</b>	<b>2013 £000</b>
Wages and salaries	128,304	124,926
Social security costs	10,331	10,132
Occupational pension scheme costs (Note 27)		
Employer contributions	16,838	15,453
FRS17 adjustments	1,399	2,559
Restructuring costs	710	1,473
	<b>157,582</b>	<b>154,543</b>

<b>Emoluments of the Vice-Chancellor</b>	<b>2014 £000</b>	<b>2013 £000</b>
Salary	257	244
Other benefits	3	2
	<b>260</b>	<b>246</b>
Pension contributions	-	-
	<b>260</b>	<b>246</b>

During the year the Vice-Chancellor received a bonus of £10,000 (2013: nil). Due to length of service in the USS pension scheme, the Vice-Chancellor agreed with the University that it should cease making contributions and instead make a payment to him in lieu. This has not affected the total amount of remuneration he receives from the University.

**7. Staff costs (continued)**

<b>Remuneration of other higher paid staff, excluding employer pension contributions, fall within the following bands:</b>	<b>2014 Number</b>	<b>2013 Number</b>
£100,000 - £109,999	1	1
£110,000 - £119,999	2	3
£120,000 - £129,999	5	2
£130,000 - £139,999	3	2
£140,000 - £149,999	1	1
£150,000 - £159,999	-	-
£160,000 - £169,999	-	-

<b>Average number of staff employed during the year was made up as follows:</b>	<b>2014 Number of FTE's</b>	<b>2013 Number of FTE's</b>
Faculty/Research Institute based	2,052	2,020
Academic support departments	316	330
Project and Central initiatives	59	43
Administration	899	849
Other	244	243
	<b>3,570</b>	<b>3,485</b>

<b>Compensation for loss of office payable to senior post holders</b>	<b>2014 £000</b>	<b>2013 £000</b>
Compensation payable	-	-

During the year, no compensation was paid to any senior post-holder (2013: no compensation paid). Any severance pay is agreed in accordance with the Institutions' Remuneration Committee.

**8. Depreciation**

<b>The depreciation charge has been funded by:</b>	<b>2014 £000</b>	<b>2013 £000</b>
Deferred capital grants released (Note 22)	4,806	6,483
General income	7,915	7,229
Revaluation reserve released (Note 25)	329	331
	<b>13,050</b>	<b>14,043</b>

**9. Other operating expenses**

	<b>2014 £000</b>	<b>2013 £000</b>
Premises costs	10,684	9,534
Furniture and supplies	2,035	1,805
Equipment and consumables	4,767	3,406
Operating lease expenditure	2,032	2,028
Books and periodicals	3,712	2,799
Staff development and training	1,188	1,454
Staff travel expenses	3,446	2,931
Other staff costs	438	486
Students grants and expenses	9,537	9,697
Grants to Sheffield Hallam University Union of Students	2,465	2,244
Computers and IT	9,395	7,547
Printing and stationery	1,530	1,618
Marketing and publicity	4,190	4,357
Hospitality	215	305
Postage and communications	874	895
Professional services	7,801	7,941
External auditor's remuneration in respect of audit services	58	58
External auditor's remuneration in respect of non-audit services	53	78
Internal audit services	143	220
Course and exam expenses	3,628	4,485
Bad debts	245	432
Agency staff	858	1,042
Other expenses	2,051	800
	<b>71,345</b>	<b>66,162</b>

**10. Interest and other finance costs**

	<b>2014 £000</b>	<b>2013 £000</b>
Loans not wholly repayable within five years	334	497
Pension finance costs (Note 27)	410	1,427
	<b>744</b>	<b>1,924</b>

**11. Analysis of total expenditure by activity**

	<b>2014 £000</b>	<b>2013 £000</b>
Academic departments	115,259	113,509
Academic services	40,633	37,391
Administration and central services	41,375	38,301
Premises	24,871	24,381
Residences, catering and conferences	4,752	4,821
Research grants and contracts	9,080	8,874
Other expenses	6,751	9,395
	<b>242,721</b>	<b>236,672</b>

**12. Tangible fixed assets – Consolidated**

	<b>Land and Buildings</b>			<b>Assets under construction</b>	<b>Equipment</b>	<b>Heritage assets</b>	<b>Total</b>
	<b>Freehold</b>	<b>Long lease hold</b>	<b>Short lease hold</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation/cost</b>							
At 1 August 2013							
Valuation	23,086	-	-	-	-	515	23,601
Cost	191,302	556	1,951	19,868	60,453	-	274,130
Additions at cost	615	469	-	31,079	1,960	-	34,123
Transfer at cost	8,721	-	-	(13,476)	4,755	-	-
Disposals at:							
– Valuation	(824)	-	-	-	-	-	(824)
– Cost	(3,011)	-	-	-	(8,854)	-	(11,865)
At 31 July 2014							
Valuation	22,262	-	-	-	-	515	22,777
Cost	197,627	1,025	1,951	37,471	58,314	-	296,388
<b>Depreciation</b>							
At 1 August 2013	86,759	295	1,951	-	43,482	-	132,487
Charge for year	8,176	27	-	-	4,847	-	13,050
Eliminated in disposals	(1,861)	-	-	-	(8,708)	-	(10,569)
At 31 July 2014	93,074	322	1,951	-	39,621	-	134,968
<b>Net Book Value</b>							
At 31 July 2014	<b>126,815</b>	<b>703</b>	<b>-</b>	<b>37,471</b>	<b>18,693</b>	<b>515</b>	<b>184,197</b>
At 31 July 2013	<b>127,629</b>	<b>261</b>	<b>-</b>	<b>19,868</b>	<b>16,971</b>	<b>515</b>	<b>165,244</b>

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.

The disposal of freehold land and buildings with a net book value of £2,121,000 gave rise to a loss on disposal of £1,994,000. This is treated as an exceptional item in the Consolidated Income and Expenditure Account.

**13. Tangible fixed assets – University**

	<b>Land and Buildings</b>			<b>Assets under construction</b>	<b>Equipment</b>	<b>Heritage assets</b>	<b>Total</b>
	<b>Freehold</b>	<b>Long lease hold</b>	<b>Short lease hold</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation/cost</b>							
At 1 August 2013							
Valuation	23,086	-	-	-	-	515	23,601
Cost	175,537	16,321	1,951	19,868	60,387	-	274,064
Additions at cost	615	469	-	31,079	1,960	-	34,123
Transfer at cost	24,486	(15,765)	-	(13,476)	4,755	-	-
Disposals at:							
– Valuation	(824)	-	-	-	-	-	(824)
– Cost	(3,011)	-	-	-	(8,854)	-	(11,865)
At 31 July 2014							
Valuation	22,262	-	-	-	-	515	22,777
Cost	197,627	1,025	1,951	37,471	58,248	-	296,322
<b>Depreciation</b>							
At 1 August 2013	80,452	16,060	1,951	-	43,449	-	141,912
Charge for year	8,176	27	-	-	4,842	-	13,045
Transfers	6,307	(15,765)	-	-	-	-	(9,458)
Eliminated in disposals	(1,861)	-	-	-	(8,707)	-	(10,568)
At 31 July 2014	93,074	322	1,951	-	39,584	-	134,931
<b>Net Book Value</b>							
At 31 July 2014	<b>126,815</b>	<b>703</b>	<b>-</b>	<b>37,471</b>	<b>18,664</b>	<b>515</b>	<b>184,168</b>
At 31 July 2013	<b>118,171</b>	<b>261</b>	<b>-</b>	<b>19,868</b>	<b>16,938</b>	<b>515</b>	<b>155,753</b>

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.

The disposal of freehold land and buildings with a net book value of £2,121,000 gave rise to a loss on disposal of £1,994,000. This is treated as an exceptional item in the Consolidated Income and Expenditure Account.

The University acquired freehold land and buildings at a cost of £15,765,000 from a wholly owned subsidiary, Collegiate Properties (2) Limited. These assets were previously leased from Collegiate Properties (2) Limited.

**14. Heritage assets**

The University holds a number of assets which are of historic and artistic value which are being maintained principally for their contribution to knowledge and culture.

The collection has been independently valued by Vivienne Milburn Limited Antiques Values & Auctioneers at a value of £515,070 and the assets have been capitalised at this value.

**15. Investments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investment in subsidiary companies at cost	-	-	-	9,750
Loan to Collegiate Properties (2) Limited	-	-	-	6,015
Other investments	45	42	42	42
	<b>45</b>	<b>42</b>	<b>42</b>	<b>15,807</b>

During the year Collegiate Properties (2) Limited, a wholly owned subsidiary, was dissolved. The subsidiary leased properties to the University. On expiry of the lease arrangements, the properties were transferred to the University and the outstanding loan was settled.

<b>Group Undertakings</b>	<b>Principal Activity</b>	<b>Percentage of Ordinary Shares Held</b>
Collegiate Properties Ltd	Dormant	100
Sheffield Hallam Innovation and Enterprise Ltd	Holding company	100
Sheffield Hallam University Enterprises Ltd	Trading activities	100
Sheaf Innovations Limited	Research	24.9
Barrcoat AB	Research	20.6
Xeracarb Limited	Research	9.24
O&N Contracting Ltd	Voluntary Liquidation 2014	-

During the year the following subsidiary companies were dissolved:

3D Imaging Technology Ltd, Collegiate Library Services Ltd, Collegiate Properties (2) Ltd, Collegiate Properties (3) Ltd, Hallam Biotechnology Ltd, Hallam Immunotech Ltd, Hallam Proteonics Ltd, Sheffield Hallam Property Company Ltd and Virtual Learning Systems Ltd.

**16. Endowment assets**

<b>Restricted expendable endowments:</b>	<b>Consolidated and University</b>	
	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
At 1 August	565	552
Income for year	3	3
New endowments invested	1	25
Transferred to Income and Expenditure account	(23)	(15)
	<hr/>	<hr/>
At 31 July	<b>546</b>	<b>565</b>
	<hr/>	<hr/>
Representing		
Prize funds	244	265
Other funds	302	300
	<hr/>	<hr/>
	<b>546</b>	<b>565</b>
	<hr/>	<hr/>

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

**17. Debtors**

<b>Amounts falling due within one year:</b>	<b>Consolidated</b>		<b>University</b>	
	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Debtors	13,335	12,610	12,455	12,031
Prepayments	3,524	3,662	3,524	3,662
Accrued income	3,313	3,135	3,185	3,248
Amounts owed by group undertakings	-	-	106	5
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>20,172</b>	<b>19,407</b>	<b>19,270</b>	<b>18,946</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**18. Creditors – amounts falling due within one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payments received on account	12,289	15,209	12,053	15,124
Trade creditors	7,511	9,454	7,493	9,423
Social security and other taxation payable	3,622	3,417	3,622	3,379
Accruals and deferred income	16,041	14,853	15,251	14,494
Unsecured loans (Note 20)	2,406	-	2,406	-
Bank overdraft	2,115	-	2,115	-
	<b>43,984</b>	<b>42,933</b>	<b>42,940</b>	<b>42,420</b>

**19. Creditors – amounts falling due after more than one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Unsecured loans (Note 20)	71,594	37,000	71,594	37,000
Obligation under finance leases	-	-	-	15,765
	<b>71,594</b>	<b>37,000</b>	<b>71,594</b>	<b>52,765</b>

	<b>Consolidated</b>		<b>University</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Analysis of finance leases:</b>				
Due within one year	-	-	-	15,765
	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,765</b>

**20. Borrowings**

	<b>Consolidated and University</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of unsecured loans:</b>		
Due within one year	2,406	-
Due between one and two years	2,462	-
Due between two and five years	7,679	-
Due in five years or more	61,453	37,000
	<hr/>	<hr/>
	<b>74,000</b>	<b>37,000</b>
	<hr/>	<hr/>

The University had a revolving credit facility arranged with Barclays Bank Plc from 31 July 2007 to 31 July 2014. On 31 July 2014, the University opted to convert the £74m revolving credit facility to a term loan for 23 years to 2037. The interest is charged at a fixed rate on £40m and a variable rate on the remaining £34m. The facility is unsecured.

**21. Provisions for liabilities**

	<b>Consolidated and University</b>			
	<b>Pensions</b>	<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2013	345	751	932	2,028
Created in year	77	344	-	421
Utilised in year	(108)	(694)	-	(802)
Released in year	(33)	(57)	(932)	(1,022)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2014	<b>281</b>	<b>344</b>	<b>-</b>	<b>625</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The pension provision is in respect of pension enhancements payable on behalf of staff who had taken early retirement. This will be utilised over the period of 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 and administrative portfolio. This is expected to be utilised during 2014/15.

The other provision was for the cost of potential refunds of income to HEFCE based on actual student numbers. This was released in the year after the final submission was completed and no refunds were due.

**22. Deferred capital grants**

	<b>Funding Councils £000</b>	<b>Consolidated and University Other Grants £000</b>	<b>Total £000</b>
At 1 August 2013			
Buildings	22,625	810	23,435
Equipment	3,973	35	4,008
<b>Total</b>	<b>26,598</b>	<b>845</b>	<b>27,443</b>
Cash received			
Buildings	-	-	-
Equipment	1,529	153	1,682
<b>Total</b>	<b>1,529</b>	<b>153</b>	<b>1,682</b>
Released to Income and Expenditure account			
Buildings	1,759	107	1,866
Equipment	2,934	6	2,940
<b>Total</b>	<b>4,693</b>	<b>113</b>	<b>4,806</b>
At 31 July 2014			
Buildings	20,866	703	21,569
Equipment	2,568	182	2,750
<b>Total</b>	<b>23,434</b>	<b>885</b>	<b>24,319</b>

**23. Income and expenditure reserve**

	<b>2014 £000</b>	<b>Consolidated 2013 £000</b>	<b>2014 £000</b>	<b>University 2013 £000</b>
As at 1 August	164,124	144,215	154,664	135,228
Surplus retained for the year	12,427	14,263	21,885	13,790
Release from revaluation reserve	780	1,631	780	1,631
Release from capital reserve	29	29	29	29
Add back pension reserve	1,809	3,986	1,809	3,986
<b>As at 31 July</b>	<b>179,169</b>	<b>164,124</b>	<b>179,167</b>	<b>154,664</b>

## 24. Pension reserve

	<b>Consolidated and University</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
As at 1 August	(61,113)	(69,696)
Actuarial (loss)/gain in respect of the pension scheme deficit	(8,673)	12,569
Deficit retained within reserves	(1,809)	(3,986)
	<hr/>	<hr/>
As at 31 July	<b>(71,595)</b>	<b>(61,113)</b>
	<hr/>	<hr/>

## 25. Revaluation reserve

	<b>Consolidated and University</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
As at 1 August	16,501	18,132
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(329)	(331)
Release to Income and Expenditure reserve revaluation surpluses realised on disposal of properties	(451)	(1,300)
	<hr/>	<hr/>
As at 31 July	<b>15,721</b>	<b>16,501</b>
	<hr/>	<hr/>

## 26. Capital reserve

	<b>Consolidated and University</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
As at 1 August	545	574
Release to Income and Expenditure reserve	(29)	(29)
	<hr/>	<hr/>
As at 31 July	<b>516</b>	<b>545</b>
	<hr/>	<hr/>

**27. Pension costs**

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS).

<b>Total pension cost for the year</b>	<b>2014 £000</b>	<b>2013 £000</b>
Contributions paid:		
Teachers' Pension Scheme	8,301	8,096
Universities Superannuation Scheme:	1,395	1,369
Local Government Pension Scheme	7,142	5,988
	<b>16,838</b>	<b>15,453</b>
FRS17 charge:		
Local Government Pension Scheme	1,399	2,559
	<b>18,237</b>	<b>18,012</b>
Total pension cost		

**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.

Following the recommendations of Lord Hutton on public sector pensions, a valuation as at 31 March 2012 has been undertaken by the Government Actuary's Department in line with the revised valuation directions determined by Her Majesty's Treasury.

The report confirms that the employer contribution rate for the Teachers' Pension Scheme will increase from 14.1% to 16.4% and that the employer cost cap (the mechanism by which the scheme costs are managed in the long term) is 10.9%. The new rates will come into effect from 1 September 2015.

The employer contribution rate is expected to be reassessed at the next actuarial valuation to be carried out as at 31 March 2016 (and each subsequent 4 years). The next revision to the employer contribution rate is expected to take effect from 1 April 2019.

Latest actuarial valuation	31 March 2012
Discount rate per annum (real)	3.00%
Long term salary increases per annum	4.75%
Pension increases per annum	2.00%
Value of notional assets at date of last valuation	£176,600m
Value of liabilities at date of last valuation	£191,500m
Notional past service deficit	£15,000m

As at 31 March 2014 the scheme had net liabilities of £250.3bn (2013: £225.0bn).

A new scheme ("the 2015 Scheme") is being introduced from 1 April 2015 and most existing Scheme members will transfer to the 2015 Scheme on 1 April 2015. The 2015 Scheme will be based on career average, rather than final salary.

## 27. Pension costs (continued)

From 1 April 2012 tiered contribution rates have been used. The rates applied for each salary band:

	2013/14	2014/15
£1 - £14,999	6.4%	6.4%
£15,000 - £25,999	7.0%	7.2%
£26,000 - £31,999	7.9%	8.3%
£32,000 - £39,999	8.8%	9.5%
£40,000 - £44,999	9.2%	9.9%
£45,000 - £74,999	10.1%	11.0%
£75,000 - £99,999	10.6%	11.6%
£100,000 or more	11.2%	12.4%

There was a balance of £1,211,000 owing by the University at 31 July 2014 (2013: £1,160,000)

### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Due to the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents 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 valuation	31 March 2011
Investment returns per annum – past service	6.1%
Investment returns per annum – future service	6.1%
Salary scale increases per annum	4.4% plus short term at 3.65%
Pension increases per annum	3.4% for 3 years and 2.6% thereafter
Value of assets of the scheme at date of last valuation	£32,433m
Value of the scheme's technical provisions	£35,344m
Indicating a shortfall of	£2,910m

The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% 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, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level was 82%.

The results of the next actuarial valuation at 31 March 2014 are due in 2015. As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The contribution rate for final salary members has been 7.5% and for career average members 6.5%

The institution contribution rate has been 16% of pensionable salaries.

There was no balance owing by the University at 31 July 2014 (2013: £185,000)

### Correcting the shortfall

The Trustees have determined (after consultation with the Employers) a recovery plan to pay off the shortfall by 31 March 2021.

### Periods up to 31 March 2017

The Employers' deficit contributions in the first six years of the recovery plan will amount to 16% p.a. of salaries less the blended Employer future service cost of accrual.

### Periods after 31 March 2017 until 31 March 2021

The Employers will pay an additional 2% of salaries (in excess of the blended Employer future service cost of accruals).

Based on data, models and assumptions used by the Trustee for the purposes of the 31 March 2011 actuarial valuation, the estimated blended joint member/employer future service rates are expected to be approximately:

Date	Year	Contribution rate
31/3/2011 - 31/3/2012	1	20.1%
31/3/2012 - 31/3/2013	2	19.9%
31/3/2013 - 31/3/2014	3	19.6%
31/3/2014 - 31/3/2015	4	19.3%
31/3/2015 - 31/3/2016	5	19.0%
31/3/2016 - 31/3/2017	6	18.7%
31/3/2017 - 31/3/2018	7	18.4%
31/3/2018 - 31/3/2019	8	18.1%
31/3/2019 - 31/3/2020	9	17.8%
31/3/2020 - 31/3/2021	10	17.5%

This table will be updated/re-calibrated at each triennial valuation.

Indications are that the 31 March 2014 actuarial valuation of the scheme will show that the deficit has increased significantly since 2011. This is likely to result in higher contribution rates when the recovery plan is revisited.

## 27. Pension costs (continued)

### 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 2010.

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 paid for the year ended 31 July 2014 was £10,294,000 of which employers contributions totalled £7,122,000 and employees contributions totalled £3,172,000. The current contribution rates are 18% (2013: 13.3%) for employers and employees are on a sliding scale based on earnings, the rate varying between 5.5% and 7.5% (2013: between 5.5% and 7.5%).

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary.

There was a balance of £1,043,000 owing by the University at 31 July 2014 (2013: £768,000).

The material assumptions used by the actuary for FRS 17 at 31 July 2014 were:

	<b>2014</b>	<b>2013</b>
Rate of increase in salaries	4.15%	4.05%
Rate of increase in pensions in payment	2.4%	2.3%
Discount rate	4.6%	4.3%
Inflation assumption	2.4%	2.3%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>At 31 July 2014</b>	<b>At 31 July 2013</b>
Retiring today		
Males	22.9	21.8
Females	25.5	24.7
Retiring in 20 years		
Males	25.2	23.7
Females	28.3	26.6

**27. Pension costs (continued)****Scheme assets**

The assets in the LGPS scheme and expected rate of return were:

	<b>Long term return %</b>	<b>2014 Fund value £000</b>	<b>Long term return %</b>	<b>2013 Fund value £000</b>	<b>Long term return %</b>	<b>2012 Fund value £000</b>
Equities	7.0%	130,049	7.0%	118,030	7.0%	106,143
Government Bonds	3.2%	27,838	3.3%	26,790	2.5%	23,642
Other Bonds	4.1%	14,025	4.3%	12,813	3.4%	13,370
Property	6.2%	22,950	5.7%	18,442	6.0%	15,652
Cash/Liquidity	0.5%	3,825	0.5%	3,883	0.5%	4,239
Other	7.0%	13,813	7.0%	14,171	0%	-
		<hr/>		<hr/>		<hr/>
		<b>212,500</b>		<b>194,129</b>		<b>163,046</b>
		<hr/>		<hr/>		<hr/>

**27. Pension costs (continued)**

The following amounts at 31 July were measured in accordance with the requirements of FRS 17:

<b>Analysis of the amount shown in the balance sheet</b>	<b>2014 £000</b>	<b>2013 £000</b>
Total fair value of assets	212,500	194,129
Present value of funded scheme liabilities	(284,010)	(255,164)
Present value of unfunded scheme liabilities	(85)	(78)
	<hr/>	<hr/>
Deficit in scheme – Net pension liability	<b>(71,595)</b>	<b>(61,113)</b>
	<hr/>	<hr/>
<b>Amounts charged to operating surplus</b>	<b>2014 £000</b>	<b>2013 £000</b>
Current service cost	(8,571)	(8,687)
Past service cost	-	(18)
Settlements and curtailments	(51)	(24)
	<hr/>	<hr/>
Total operating charge	<b>(8,622)</b>	<b>(8,729)</b>
	<hr/>	<hr/>
<b>Amounts charged to interest payable</b>	<b>2014 £000</b>	<b>2013 £000</b>
Expected return on pension scheme assets	11,476	9,199
Interest on pension scheme liabilities	(11,886)	(10,626)
	<hr/>	<hr/>
Net charge	<b>(410)</b>	<b>(1,427)</b>
	<hr/>	<hr/>
<b>Amounts recognised in statement of total recognised gains and losses</b>	<b>2014 £000</b>	<b>2013 £000</b>
Actual return less expected return on pension scheme assets	1,931	17,687
Change in financial and demographic assumptions underlying the scheme liabilities	(10,604)	(5,118)
	<hr/>	<hr/>
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses	<b>(8,673)</b>	<b>12,569</b>
	<hr/>	<hr/>

**27. Pension costs (continued)**

<b>Movement in deficit in the year</b>	<b>2014 £000</b>	<b>2013 £000</b>
Deficit in scheme at 1 August	(61,113)	(69,696)
Current service costs	(8,571)	(8,687)
Contributions	7,223	6,170
Past service costs	(51)	(42)
Other finance costs	(410)	(1,427)
Actuarial (loss)/gain	(8,673)	12,569
	<hr/>	<hr/>
Deficit in scheme at 31 July	<b>(71,595)</b>	<b>(61,113)</b>
	<hr/>	<hr/>
<b>Analysis of the movement in the present value of scheme liabilities</b>	<b>2014 £000</b>	<b>2013 £000</b>
Liabilities at 1 August	255,242	232,742
Service cost	8,571	8,705
Interest cost	11,886	10,626
Employee contributions	3,172	2,993
Actuarial loss	10,604	5,118
Benefits paid	(5,431)	(4,966)
Settlements and curtailments	51	24
	<hr/>	<hr/>
Liabilities at 31 July	<b>284,095</b>	<b>255,242</b>
	<hr/>	<hr/>
<b>Analysis of the movement in the market value of scheme assets</b>	<b>2014 £000</b>	<b>2013 £000</b>
Assets at 1 August	194,129	163,046
Expected return on assets	11,476	9,199
Actuarial gain	1,931	17,687
Employer contributions	7,223	6,170
Employee contributions	3,172	2,993
Benefits paid	(5,431)	(4,966)
	<hr/>	<hr/>
Assets at 31 July	<b>212,500</b>	<b>194,129</b>
	<hr/>	<hr/>

The estimated contribution to the defined benefit scheme for the year 2014/15 is £7,267,000.

**27. Pension costs (continued)**

<b>History of experience gains and losses</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2012 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Actual return less expected return on pension scheme assets	1,931	17,687	(3,725)	5,382	11,325
% of scheme assets	0.9%	9.1%	2.3%	3.5%	8.2%
Experience gains and losses arising on scheme liabilities	(1,817)	-	-	(1,910)	(2,803)
% of present value of scheme liabilities	0.6%	0%	0%	0.9%	1.4%
Total amount recognised in statement of total recognised gains and losses	(8,673)	12,569	(11,039)	5,815	8,522
% of present value of scheme liabilities	3.1%	4.9%	4.7%	2.8%	4.4%

**28. Lease obligations**

	<b>Consolidated</b>		<b>University</b>	
<b>Annual rentals under operating lease commitments as at 31 July expiring:</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Buildings</b>				
Within one year	202	347	202	347
Between one and five years	1,122	1,099	1,122	1,099
Over five years	594	553	594	553
<b>Equipment</b>				
Within one year	32	24	32	24
Between one and five years	287	216	287	216
	<b>2,237</b>	<b>2,239</b>	<b>2,237</b>	<b>2,239</b>

**29. Capital commitments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2014 £000</b>	<b>2013 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>
Commitments contracted at 31 July	29,728	25,461	29,728	25,461
Authorised but not contracted at 31 July	9,264	10,039	9,264	10,039
	<b>38,992</b>	<b>35,500</b>	<b>38,992</b>	<b>35,500</b>

**30. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	<b>2014 £000</b>	<b>2013 £000</b>
Operating surplus	14,421	10,637
Depreciation	13,050	14,043
Deferred capital grants released income	(4,806)	(6,483)
Investment income	(1,119)	(2,188)
Interest payable	334	497
Decrease in stocks	9	27
(Increase)/Decrease in debtors	(1,054)	3,311
Decrease in creditors	(3,482)	(5,061)
Decrease in provisions	(1,403)	(25)
Pension costs less contributions payable	1,809	3,986
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>17,759</b>	<b>18,744</b>
	<hr/>	<hr/>

**31. Returns on investments and servicing of finance**

	<b>2014 £000</b>	<b>2013 £000</b>
Income from endowments	3	3
Income from short term investments	1,385	1,944
Interest paid	(321)	(502)
	<hr/>	<hr/>
	<b>1,067</b>	<b>1,445</b>
	<hr/>	<hr/>

**32. Capital expenditure and financial investment**

	<b>2014 £000</b>	<b>2013 £000</b>
Tangible assets acquired	(34,123)	(21,222)
Receipts from sale of fixed assets	125	5,328
Deferred capital grants received	1,682	1,096
Endowments received	1	25
Financial investment acquired	(3)	-
	<hr/>	<hr/>
	<b>(32,318)</b>	<b>(14,773)</b>
	<hr/>	<hr/>

**33. Financing**

	<b>2014 £000</b>	<b>2013 £000</b>
New loans	37,000	-
Repayments	-	(37,000)
	<b>37,000</b>	<b>(37,000)</b>

**34. Analysis of changes in net funds**

	<b>At 1 August 2013 £000</b>	<b>Cash Flows £000</b>	<b>Non-Cash Changes £000</b>	<b>At 31 July 2014 £000</b>
Cash at bank and in hand	413	178	-	591
Endowment bank balance	565	(19)	-	546
Bank overdraft	-	(2,115)	-	(2,115)
	<b>978</b>	<b>(1,956)</b>	<b>-</b>	<b>(978)</b>
Debts due within one year	-	-	(2,406)	(2,406)
Debts due after one year	(37,000)	(37,000)	2,406	(71,594)
Short term deposits	105,369	25,464	-	130,833
	<b>69,347</b>	<b>(13,492)</b>	<b>-</b>	<b>55,855</b>

**35. Access funds**

	<b>2014 £000</b>	<b>2013 £000</b>
Funding Council Access grants	610	581
Interest earned	1	1
	<b>611</b>	<b>582</b>
Disbursed to students	(611)	(570)
Grants to be disbursed	-	<b>12</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.

**36. National College for Teaching and Leadership**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Initial Teacher Training Bursaries</b>		
Funds received	2,866	3,086
Disbursed to students	(2,819)	(2,847)
	<hr/>	<hr/>
Unspent funds to be recovered	<b>47</b>	<b>239</b>
	<hr/>	<hr/>

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.

### 37. 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 directors, employees or partners.

Nonetheless the Governors consider it appropriate to disclose the following transactions for the period covered by the Financial Statements where a parent company directorship or partner status in a professional firm is involved.

Professor Philip Jones, Vice-Chancellor and member of the Board of Governors, was a director of Yorkshire Universities which received payments from the University of £31,120 (2012/13: £28,070) in relation to membership subscriptions and a part contribution to the funding of a post to co-ordinate communications between Universities in the regional and local enterprise partnerships (LEPs). Professor Jones was a member of the Board of the National Science Learning Centre which made payments to the University of £842,658 (2012/13: £917,407) in relation to the running of the Science Learning Centre Derbyshire, Yorkshire and the Humber North East. In addition, the University made payments of £4,481 (2012/13: £2,564) to the National Science Learning Centre for design and print and events.

Mr Geoff Dawson, a Governor, was a director of the University and Colleges Employers Association (UCEA) which received payments of £12,182 (2012/13: £11,620) in relation to the annual subscription to UCEA, staff development and the UCEA Senior Staff Remuneration Survey. Mr Geoff Dawson was a member of the Board of the Leadership Foundation for Higher Education which received payments from the University of £23,145 (2012/13: £16,785) in relation to the provision of training and staff/governor development.

Mr Neil MacDonald, a Governor from 31 July 2013, was a director of Sheffield Children's Hospital Foundation Trust which made payments to the University of £97,773 (2012/13: £87,670) in relation to consultancy services, collaborative research, collaborative provision, tuition fees, facilities and catering. In addition, the University made payments of £32,575 (2012/13: £63,681) to Sheffield Children's Hospital Foundation Trust in relation to teaching, placements, third party course provision and professional fees/charges.

Mr Stuart Britland, a Governor, was a director of Sheffield International Venues Limited from September 2013 which received payments of £296,208 (2012/13: £311,666) in relation to provision of sporting facilities, events/conferences; facilities for University Graduation and examinations; estates charges, advertising boards and athletics memberships for University athletics club. In addition, the University received payments of £6,092 (2012/13: £4,754) from Sheffield International Venues Limited in relation to survey costs and Active University Swim. Payments to Stuart Britland Advisory Services, a business owned by Mr Stuart Britland, a Governor, are detailed in note 38.

Dr Julie Morrissy, a Governor from 15 October 2013, was a partner at Irwin Mitchell LLP which received payments of £148,013 (2012/13: £65,056) in relation to professional fees and disbursements. In addition, Irwin Mitchell made payments of £1,710 (2012/13: £2,970) in relation to sponsorship of awards and an expert witness investigation and report.

The following Executive Officers of Sheffield Hallam University Union of Students were members of the Board of Governors during the 2013-14 financial year:

- Mr H Duffy was a member of the Board of Governors from July 2013 to June 2014;
- Mr J Saydraouten was a member of the Board of Governors from July 2013 to June 2014;
- Ms E Connor was a member of the Board of Governors from July 2014 and her period of office continues to June 2015; and

- Mr E Cleaver was a member of the Board of Governors from July 2014 and his period of office continues to June 2015.

Sheffield Hallam University made payments to the Sheffield Hallam University Union of Students of £2,628,425 (2012/13: £2,439,002) in relation to the yearly grant made to the Students' Union by the University; Sport Hallam subscriptions and other sports charges; estates and facilities charges; catering and hospitality; printing, marketing and merchandising; uniforms and clothing; technical support/services and grants and contributions to Nightline and Employability Project. Sheffield Hallam University received payments from the Sheffield Hallam University Union of Students of £393,653 (2012/13: £389,312) in relation to estates and facilities charges, charges for IT support and equipment and sports charges.

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

### **38. Transactions with trustees**

Members of the Board of Governors are trustees of the University as an exempt charity. The University is required under the Financial Memorandum to include in its audited financial statements information about payments to or on behalf of trustees, including expenses; payments to trustees for serving as trustees (and waivers of such payments); and payments for services provided to the University by its trustees.

As an employee of the University Professor Philip Jones received remuneration in connection with his employment and this is disclosed in note 7 of the Operating and Financial Review.

Ms Nicola Haywood-Alexander, a Governor, was a member of staff of the University elected as a governor by and from the professional services staff of the University from 1 August 2012 to 8 November 2013. Mr Dan Bye, a Governor, was a member of staff of the University elected as a governor by and from the professional services staff of the University from 25 March 2014 onwards. Dr Steve Jones and Dr Christine O'Leary were governors and members of academic staff of the University elected by and from the academic staff of the University for the year ended 31 July 2014. As such they were paid by the University in connection with their employment but received no supplementary payment for their membership of Board of Governors.

Mr Stuart Britland, a Governor, was the owner of Stuart Britland Advisory Services, which received payments of £4,992 (2012/13: £4,992) in relation to provision of specialist management advice.

During 2013/14, expenses in relation to travel, subsistence, training and THES subscriptions totalling £12,000 (2012/13: £8,000) were paid to or on behalf of sixteen (2012/13: eight) members of the Board of Governors.

Other than expenses, members of the Board of Governors did not receive any payments or other benefits for serving on the Board. In addition, other than the transactions with trustees listed above members of the Board of Governors did not receive any payments for services provided by the member of the Board to the University. Transactions with related parties are declared in note 37.

## **BOARD OF GOVERNORS FOR THE YEAR ENDED 31 JULY 2014**

David Bradley  
Stuart Britland  
Dan Bye (appointed to the Board on 25 March 2014)  
Emmet Cleaver (student nominee July 2014 - June 2015)  
Emily Connor (student nominee July 2014 - June 2015)  
Geoff Dawson (Chair)  
Janet Dean  
Rosemary Downs (leave of absence from 19 March 2013 to 31 December 2013)  
Howard Duffy (student nominee July 2013 - June 2014)  
Nicola Haywood-Alexander (left the Board on 8 November 2013)  
Prof Philip Jones (Vice-Chancellor)  
Dr Steve Jones  
Christopher Kinsella  
Neil MacDonald  
Adeeba Malik (left the Board on 9 September 2013)  
Dr Julie Morrissy (appointed to the Board on 15 October 2013)  
Dr Christine O'Leary  
Josh Saydraouten (student nominee July 2013 - April 2014)  
Beryl Seaman CBE (left the Board on 31 December 2013)  
Prof Judy Simons  
Dr Stephen Timothy  
Prof. Paul Wiles

The following were appointed to the Board of Governors from 1 August 2014 and were members of the Board on the date at which the Operating and Financial Review was formally approved:

Christopher Kenny

Rosemary Downs was a member of the Board for the year ended 31 July 2014. Ms Downs was granted leave of absence from her duties as a member of the Board from 19 March 2013 until 31 December 2013.

## **MEMBERSHIP OF BOARD OF GOVERNORS' COMMITTEES FOR YEAR ENDED 31 JULY 2014**

### **FINANCE AND EMPLOYMENT COMMITTEE**

David Bradley  
Stuart Britland (Deputy Chair)  
Geoff Dawson  
Janet Dean (Chair)  
Prof Philip Jones (Vice-Chancellor)  
Neil MacDonald  
Adeeba Malik (left the Committee on 9 September 2013)  
Dr Stephen Timothy

### **NOMINATIONS COMMITTEE**

Geoff Dawson (Chair)  
Howard Duffy  
Prof Philip Jones (Vice-Chancellor)  
Neil MacDonald  
Rona O'Brien (appointed 19 March 2013 and left the Committee 4 April 2014)  
Dr Christine O'Leary  
Beryl Seaman (left the Committee on 31 December 2013)  
Prof Judy Simons (Deputy Chair)

## **REMUNERATION COMMITTEE**

Geoff Dawson (Chair)  
Janet Dean (Deputy Chair of the Board)  
Prof Philip Jones (Vice-Chancellor)  
Christopher Kinsella  
Prof Judy Simons  
Prof Paul Wiles

## **AUDIT COMMITTEE**

Rosemary Downs (leave of absence 19 March 2013 to 31 December 2013)  
Christopher Kinsella  
Prof Judy Simons (Deputy Chair to 31 December 2014, Chair from 1 January 2014 onwards)  
Beryl Seaman CBE (Chair to 31 December 2013)  
Jenny Brown (external co-option)  
Rick Plews (external co-option)  
Dr Julie Morrissy (from 25 March 2014)  
Prof Paul Wiles

## **PROVIDERS OF FINANCIAL SERVICES**

External auditor  
Deloitte LLP  
1 City Square  
Leeds  
LS1 2AL

Internal auditor  
KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

Banker  
HSBC  
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Sheffield  
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Insurer  
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