

**Sheffield
Hallam
University**



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

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INTRODUCTION FROM THE VICE CHANCELLOR

We live in changing times. Whether in technology or work, culture or environment, society or community, we are surrounded by sometimes exciting, sometimes destabilising change. Sheffield Hallam is determined to rise to the challenges of our time, drawing on expert knowledge, innovative thinking and wide perspectives to offer creative and imaginative solutions.



The most significant development of the past year was the publication of our new strategy. *Transforming Lives*, approved by our Board of Governors in February sets an ambitious course for the University's future, extending its influence and enhancing further its effectiveness. *Transforming Lives* draws together the University's over-arching aim to transform lives, by shaping our students' futures and preparing them for life after graduation; and by creating knowledge through research and industry partnerships that provide practical solutions to some of the world's most pressing challenges.

At the core of *Transforming Lives* are two simple ideas: enhancing quality and building distinctiveness. The two go together: we will maximize our impact on the world through our distinctiveness and the quality of what we do. Our history, values and place make us special - an applied university at the heart of Sheffield's region. Our challenge now as a university is to be consistently excellent in realising this mission. To do this we need to raise the ambition, performance and contribution of the University, using our resources to be outstanding at what we do and to drive change in society for the better. We are committed to tackling the challenges and divisions we all see through the way we shape futures, create knowledge, lead locally and engage globally.

We have made a good start. Many university strategies fail because there is no clear implementation framework; we published our implementation plan at the start. In March, we revamped the University's

governance structure around the new strategy, which forces us to engage with the strategy's long-term aims and immediate priorities. Each of our four strategic pillar boards are overseeing new programmes of work to help us achieve our mission. Together, they will make the University different and yet more effective at what it does.

There are lots of developments to report at Sheffield Hallam this year. Excellent teaching and research has taken place. Our overall student satisfaction scores improved to 86% of final year undergraduate students saying they were satisfied with their experience at Sheffield Hallam, placing us in the top 50 universities in the country. Satisfaction with teaching quality and with our learning resources also improved, and satisfaction with learning technology improved by four percentage points to place us fourteenth in the sector.

We were rated Silver in the Teaching Excellence Framework (TEF) which reflects that Sheffield Hallam delivers high quality teaching, learning and outcomes for our students. I am extremely proud of the work of colleagues at Sheffield Hallam which has contributed to our Silver rating and I look forward to building on this achievement in the coming years.

We make a distinctive contribution through our research, which has a positive impact around the world. Just one example is the Hallam Energy: Clean India Mission - our researchers are working with the Indian

government to build a new power plant which will process a third of New Delhi's waste as part of the Indian government's £9 billion 'Clean India Mission'. Closer to home, each year we work with hundreds of local businesses to solve industrial problems through our research and innovation, and this year launched the Sheffield Innovation Programme (SHIP) with the Local Enterprise Partnership (LEP) to enable regional SMEs to access academic expertise to stimulate innovation and deliver new products and services to the market.

In 2017, we celebrate our 25th anniversary of becoming a University as a result of the 1992 reforms to the higher education sector, though our history in the city of Sheffield goes back much further than that. We have helped to shape an exceptional city that has great promise for the future: for the thousands of people who choose to study here and for the businesses who work with us to solve their challenges nationally and internationally from our Yorkshire base. I am immensely proud to lead Sheffield Hallam through its next phase and to show the world what a university genuinely focused on transforming lives can do.

Professor Chris Husbands
Vice-Chancellor



STRATEGIC REVIEW

UNIVERSITY OVERVIEW

Sheffield Hallam is a university at the heart of its city. We have a long and proud history which dates back to the opening of two schools in Sheffield in the nineteenth century which focused on design, technology and education, and later became the foundations for Sheffield Polytechnic. We were granted university status in 1992 and became Sheffield Hallam University. At our heart remains a focus on the practical and the applied.

Our teaching and research is delivered through four faculties, which incorporate 18 academic departments and 18 research centres and institutes. Each faculty is led by a Pro Vice-Chancellor and Dean who is a member of the University Leadership Team and is also responsible for a cross-University portfolio. Our faculties are:

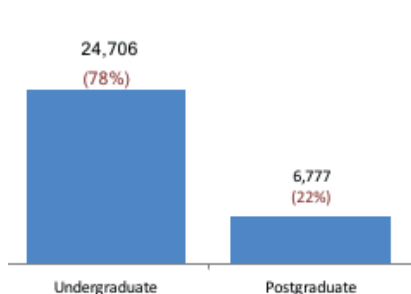
- Arts, Computing, Engineering and Sciences
- Development and Society
- Health and Wellbeing
- Sheffield Business School

We are a large University with over 31,000 students, 4,500 staff, and a truly comprehensive range of research and teaching provision.

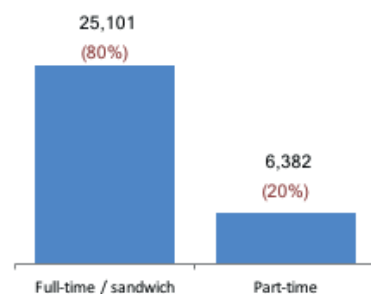
We are a major provider of teacher training and our Sheffield Institute of Education is highly regarded nationally. Each year we have around 900 full-time PGCE students and a further 200 on first degree courses leading to qualified teacher status. Each year, we also enrol over 1,000 new students on undergraduate Nursing, Midwifery and Allied Health Profession pre-registration provision.

Sheffield Hallam is above all, a university for Sheffield and its region. We are an applied university, serving an economically deprived region. Every year, the University delivers economic, social and cultural benefits for the city of Sheffield and beyond. An independent report commissioned by the University in 2015 found that the University contributes £80 million to the local economy, or £44 for every person living in the city, and that in Sheffield alone, one in every 42 jobs is in some way dependent on Sheffield Hallam University.

STUDENTS BY LEVEL OF STUDY (2015/16)



STUDENTS BY MODE OF STUDY (2015/16)



UNIVERSITY STRATEGY

This year we began to implement a new strategy focused on transforming lives. The new strategy sets a vision for Sheffield Hallam University as the world's leading applied university. Over the next few years this strategy will deliver transformative change to our academic portfolio and student experience, our creation and dissemination of knowledge and innovation, the way in which we engage our region and globally, and in the way we operate.

Our vision sets a course for the long term. It provides a coherent framework for sustained improvement, whilst retaining flexibility to respond to circumstances, challenges and opportunities in an increasingly uncertain environment.

Our strategic vision is to be the world's leading applied university, achieving outstanding outcomes for our students and our city, showing the world what a university genuinely focused on changing lives can achieve.

We will do this by:

SHAPING FUTURES

Our students will be confident, creative, resilient and responsible - prepared for whatever they decide to do

CREATING KNOWLEDGE

Our research and our industry partnerships will provide innovative, practical solutions to real challenges

LEADING LOCALLY AND ENGAGING GLOBALLY

Our place at the heart of this city and region, and our international connections, are fundamental to what we do

BUILDING A GREAT UNIVERSITY

Our success depends on our professionalism and quality right across the organisation

OUR OPERATING ENVIRONMENT

In 2016/17 we implemented streamlined governance structures and decision-making, designed to support strong leadership; delivery of our strategy; the removal of unnecessary bureaucracy and delay in our decision-making throughout the University. We now have four new strategic pillar boards in place, each chaired by a member of the University Leadership Team, with responsibility for a different area of strategy implementation.

New appointments to Sheffield Hallam University's leadership team have been made this year to help prepare the University for the opportunities and challenges that lie ahead, including Pro-Vice Chancellor Student Experience, Chief Operating Officer, Chief Finance and Planning Officer, and Director of Policy and Projects. We appointed Lord Kerslake as the new Chair of our Board of Governors. Our Vice Chancellor was the first Chair of the Teaching Excellence Framework, and has been appointed as the Chair of the HESA Board.

The external environment in which we operate is vastly different from just a few years ago.

Funding structures are now completely different, with the majority of our income coming directly from tuition fees, future levels of which are uncertain, with these costs borne by individual students and repaid after graduation. There have been changes to student financial support arrangements and the gradual transition from grants to loans for both tuition fee and maintenance support across all areas of our undergraduate portfolio.

The higher education market is increasingly

competitive due both to the removal of student number controls in 2015/16 and slower growth in the student population than has been experienced in recent years as a result of the demographic decline in the number of 18 year-olds. Changing student behaviours due to the new student finance regime, and reforms to GCSE and A-level curriculum affecting the qualifications that students obtain before entering higher education are also having an impact.

The Teaching Excellence Framework, for which we received a Silver award this year, also has the potential to be a major, and as yet unknown, factor in student choice.

The Higher Education and Research Act 2017 will completely re-shape the higher education landscape, and will bring a range of reforms to our sector due to be implemented next year with the inauguration of the Office for Students as our principal regulator, and UK Research and Innovation overseeing research policy and funding. We continue to engage with sector bodies to anticipate and respond to these changes.

Brexit brings many challenges and uncertainties relating to our European staff and students and their rights to reside, work and study in the UK. This has an impact on our ability to recruit and retain staff and students.

The UK's decision to leave the EU also constitutes a radical shift in the economic and social framework for industrial policy, business innovation and high quality science. We have been very competitive in recent years in securing EU research funding, which now makes up a higher proportion of Sheffield Hallam University's research funding than grants from the UK-based regulated funders, and that funding continues to be at risk, and will need to be re-thought and possibly re-negotiated. Our staff have collaborated with staff from European institutions on projects investigating and responding to issues from cyber security across the EU to addiction and recovery, to developing coatings for automotive parts in the engineering sector, and this research expertise impacts positively upon our teaching delivery. Staff and students from across the EU enhance the diversity of our institution and enrich the learning experience for all, and we do not want this to be diminished in a post-Brexit environment.





SHAPING FUTURES

AIMS

- Our students will be confident, creative, resilient and responsible - prepared for whatever they decide to do.
- we will offer an innovative and coherent applied curriculum
- we will deliver consistently excellent teaching
- we will cultivate an environment in which all our students are challenged, supported and encouraged to succeed during and after their time at Sheffield Hallam
- we will educate our students as confident, world-ready citizens

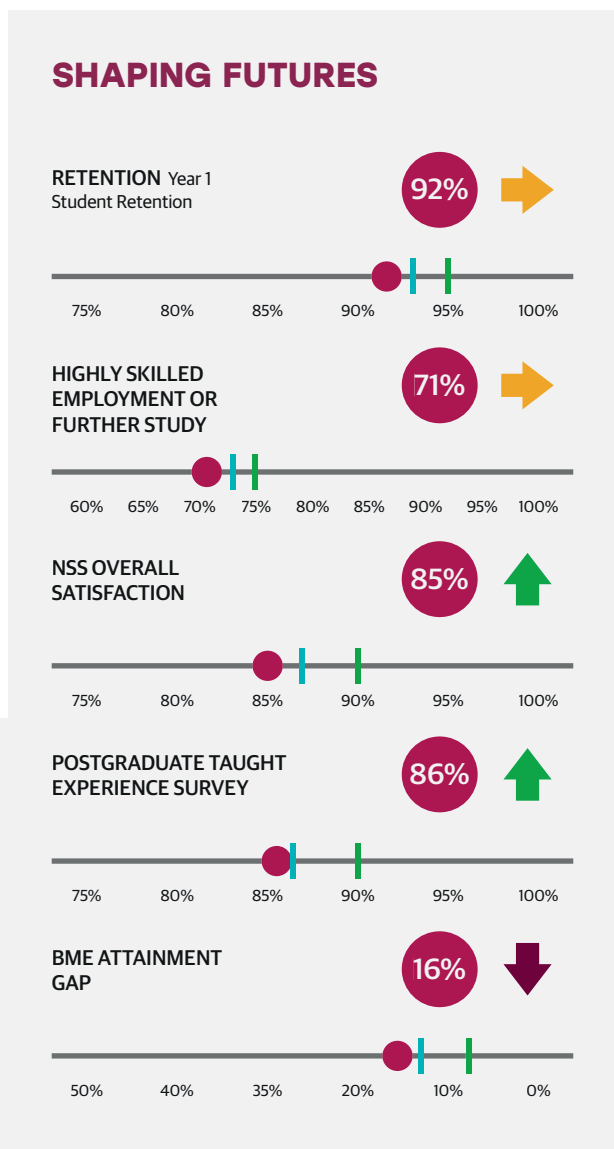
RISKS

- attraction and retention of required student numbers in a changing further and higher education market-place
- ensuring teaching quality improves in line with and beyond student expectations and competitors
- deterioration in student outcomes (satisfaction, attainment, employability)

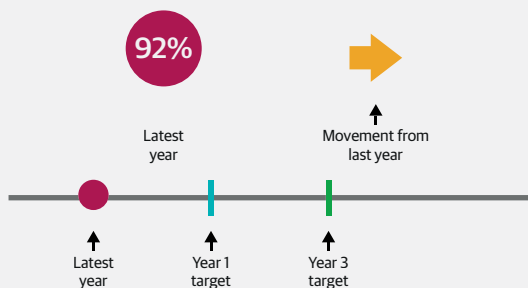
MEASURING SUCCESS (KPIs)

We will:

- enhance student success by ensuring more students complete their studies: improved retention of students
- shape life chances by helping more of our students gain highly skilled employment: higher rates of highly skilled employment
- improve our ability to shape our students' futures by increasing satisfaction with the University: greater overall student satisfaction
- improve our ability to shape life chances by closing the attainment gap between our minority students and others: eliminate the Black Minority Ethnic (BME) attainment gap



HOW DO I READ THE KPIs?



PROGRESS THIS YEAR

We offer a comprehensive portfolio of undergraduate, taught postgraduate, doctoral and continuing professional development courses. We deliver full-time, part-time and distance-learning provision at home and internationally. In 2016/17, we delivered over 600 courses. New provision for 2016/17 has included the introduction of programmes in the disciplines of Chemical Engineering, Physics and Economics, and the development of Degree Apprenticeships in healthcare, engineering and construction. Over half of our courses were accredited by professional, statutory and regulatory bodies such as the British Psychological Society (BPS) or the Royal Institute of British Architects (RIBA).

In 2016/17 we had educational partnerships with 11 institutions overseas, 11 FE colleges in the UK, 4 NHS Trusts and 28 schools consortiums. We work closely with education partners in our region to aid progression, ambition and advancement, and to meet local workforce demand. For example, this year we have developed a foundation degree in Health and Social Care, with a step-on clinical practice route into years 2 and 3 of our pre-registration provision, which is being delivered in eight colleges locally.

This year, one of the immediate priorities we identified to achieve our strategic aims in this area was to take clear, targeted action to move us from pockets of excellence towards delivery of consistently outstanding outcomes across the whole student lifecycle. Priority areas are being grouped together under one programme, encompassing retention and our wider student support offer, closing our BME attainment gap, improving assessment and feedback, and employability.

Our learning environment is designed to support students' academic, personal and professional development. All undergraduate students, at all levels, have an Academic and Professional Advice Tutor who students meet on a one-to-one or group basis, to discuss academic progress, professional development and employability support, as well as a named Student Support Officer embedded in their department at the point of course delivery. This is supported by a central Student Support team to provide specialist support to students who may be experiencing difficulties at key stages in the student lifecycle. An impact of our approach to personalised academic and pastoral support is that we perform very strongly for the retention of our students. In 2015/16, 91% of new students at Sheffield Hallam continued into the following year. We aim to further improve retention rates and ensure that all our students can be supported to succeed on their course, and a dedicated programme of work including developing and implementing 'proofs of concept' and introducing new support roles in each faculty will be progressed in 2017/18.

For our students graduating in 2015/16, we improved performance against our University KPI target of reducing the attainment gap between our BME and White students, though we recognise that at a 16% point difference in the proportions of students achieving firsts and 2:1s between BME and White students, this continues to be an issue for us. Work will continue into 2017/18 under the delivering consistently outstanding outcomes programme, with all academic departments to have BME action plans and action research projects around inclusive practice, and BME engagement and success in place, in order that we can share best practice and repeat those interventions proven to have an impact on securing successful outcomes for our students.

Action has also been taken to improve teaching quality this year through the use of continuous improvement plans for all courses, and NSS action plans at department level, addressing 'overall student satisfaction', 'teaching on my course', and 'assessment and feedback'. In the 2017 National Student Survey (NSS) of final year undergraduates, we achieved an overall student satisfaction score of 85%, an improvement of 1% point on the previous years' performance. This puts us in the top 50 universities in the country, with Sheffield Hallam moving up to 46th out of 121 higher education institutions in England. A number of our courses scored 100% satisfaction, including mechanical engineering, sociology, fashion, human biology, forensic accounting and international business.

In the Postgraduate Taught Experience Survey (PTES), we achieved an overall student satisfaction score of 85%, an increase of one percentage point on the previous year's result.

In the biennial Postgraduate Research Experience Survey (PRES), we achieved an overall satisfaction score of 82%, which is one percentage point higher than our 2015 result, and in line with the sector average. Our strongest performing areas were around the quality of our research supervision and the development of our doctoral students' research skills. We remain in line with, or above, the sector average in all areas except research culture, which is one percentage point below the sector benchmark.

For our students graduating in 2015/16, 93% of all graduates were in work or further study six months after graduation as measured by the Destination of Leavers from Higher Education (DLHE) survey. 69% of those who were in work secured professional or managerial employment. 42% of graduates who were in work were employed in the Sheffield city region, and 63% of these already lived in the city region before they came to study at Sheffield Hallam.

Our Careers and Employability Service delivers a highly visible careers and progression support service at the heart of the University through the flagship Careers and Employability Centre which hosts a programme of enterprise, career management and employability skills workshops, employer presentations and one-to-one appointments with advisors. The gradual introduction of self-service

appointments and increased visibility of the service has resulted in a 26% increase in the number of students engaging with the service and attending our events during 2016/17. Each of our four faculties has a dedicated Careers and Enterprise Team, with advisers responsible for specific academic departments and subject disciplinary caseloads.

In 2016/17 we further developed and delivered targeted employability schemes including:

- Career Impact Programme, our employability skills programme for high achieving students from disadvantaged backgrounds, with 81 participants, 90% of whom went on to secure highly skilled employment

- Career Mentoring Scheme, which matched 87 students with professionals to provide industry insights and networking opportunities
- Sheffield Hallam Internship Scheme, which provided funding for 98 students to undertake a four-week summer work experience placement, to help their transition to graduate employment
- RISE Programme, which emulates a large corporate graduate development scheme, specifically developed for SMEs in the Sheffield City Region, which placed 91 Sheffield Hallam graduates

PRIORITIES FOR NEXT YEAR

We will deliver the consistently outstanding outcomes programme with an immediate focus on enhancing retention and closing the BME attainment gap; and implementation of a new employability plan including the launch of a new employability partnership model, new graduate internship scheme and new graduate support programme.

To support our work on enhancing student retention, we will make progress on learner analytics and attendance monitoring systems development and data analysis, as well as learning lessons from the proof of concept approach described already.

Our quality assurance processes and regulatory frameworks are essential to ensuring we are delivering outstanding teaching quality and student outcomes. Our processes are being reviewed and this will continue into 2017/18, with a focus on our student assessment and progression regulations.

We will design and deliver a co-ordinated programme of professional development to support course teams in delivering the Shaping Futures priorities of our Transforming Lives strategy.

In order to further embed a culture of educational excellence in the University, we will invest in the establishment of a strong professional academic community and create the 'Hallam Guild', the focus of which will be to incubate and scale outstanding learning and teaching innovations, and provide an environment for using practice-based research for the benefit and enhancement of institutional approaches to learning and teaching.



CREATING KNOWLEDGE

AIMS

- Our research and partnerships will provide innovative, practical solutions to real-world challenges.
- we will be recognised internationally for research which has real social, economic and cultural impact
- we will identify and seize opportunities to lead in new and emerging areas
- we will apply research to enrich students' learning and work with others to ensure translation into practice

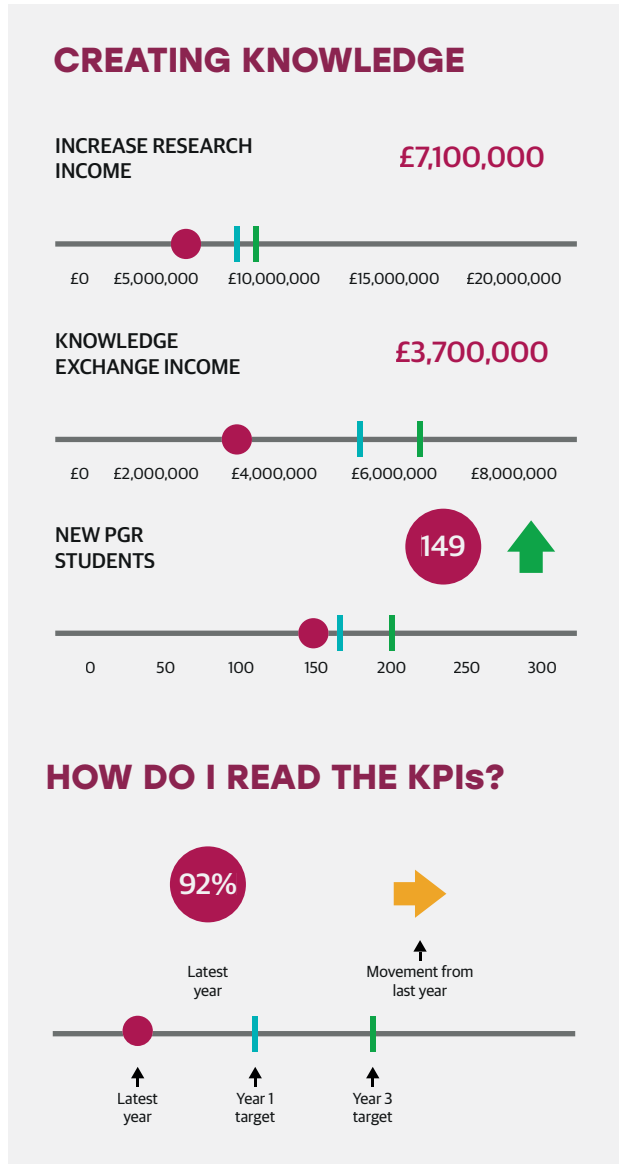
MEASURING SUCCESS (KPIs)

We will:

- build our capacity to exert influence on solving real world problems by increasing the size and quality of our research: increased research income and market share of research grant and contract income
- increase the influence we have on the world by applying our knowledge to real-world problems: increased income from knowledge exchange and commercialisation of research
- increase our contribution to creating knowledge by boosting postgraduate research numbers: increased postgraduate research student numbers

RISKS

- failure to develop and assure a thriving and sustainable research and innovation base



PROGRESS THIS YEAR

In 2016/17 we received £4.6 million from HEFCE in quality-related (QR) income, and secured research grants worth over £4.2 million from regulated funders. These have included a Medical Research Council project to develop a novel hydrogel for degenerative disc disease - a condition that costs the NHS over £1 billion a year; a project for the Engineering and Physical Sciences Research Council to examine content creation and consumption by older people in the digital age; two projects for the government's Industrial Strategy Challenge Fund to solve manufacturing challenges; and an Innovate UK project to develop a wearable wristband medical device that enables constant monitoring of people with long-term conditions with the aim of preventing unplanned hospital admissions and keeping people well at home.

We have also secured and delivered research contracts for, amongst others, the International Tennis Federation, Welsh Boxing, British Paralympic Swimming, British Wheelchair Basketball, the BBC, the Social Mobility Commission, HEFCE, the Joseph Rowntree Foundation and Sport England.

As an institution we are here to make a difference. The work we do with business makes a measurable positive impact on their profitability, which in turn has a positive impact on the regional and national economy. As at 31 July 2017, we had a portfolio of 16 active Knowledge Transfer Partnerships (KTPs). Over the course of the year we have worked with organisations ranging from Sheffield Teaching Hospitals NHS Trust, to regional manufacturing company Penny Hydraulics. This year we have also carried out 81 consultancy projects for clients including GU Puds, Gillette and Unilever, delivering innovative solutions to real-world problems, helping to create jobs and increase profit for these companies.

The Sheffield Innovation Programme (SHIP) launched this year - a regional initiative which aims to stimulate business growth and promote the development of long-term relationships between Sheffield Hallam University, the University of Sheffield, and SMEs in the Sheffield City Region by providing access to a broad range of academic expertise and university facilities - such as bespoke research and innovation-based consultancy, industry workshops and other events, to stimulate innovation and deliver new products and services to the market.

We also have an excellent track record in developing cross-disciplinary networks, drawing together disciplines to address real-world problems. For example, this year our researchers from games design, engineering and healthcare have developed a product which is changing the lives of amputees, with the potential to change the way the NHS trains people to use prosthetic limbs. Next year, we will develop two further cross-disciplinary networks with critical mass to drive innovation and quality in research, the first of which will support the Health Innovation Campus.

We carried out our Mini-REF exercise in the first half of 2017, with more than 500 research-active staff submitting outputs for review, to provide the University with assurance and oversight of the quality of research outputs and to ensure that we are making satisfactory progress towards the Research Excellence Framework (REF) 2021.

We are committed to enhancing the impact of our research and this year delivered our first university-wide academic impact day to support our researchers to participate in public engagement activities, and have entered into a partnership with The Conversation publication to increase the profile and reach of our research.

As part of the work to enhance the impact of our research, we are supporting entrepreneurship in all corners of the University. We have created a proof of concept fund - the Innovation Accelerator Fund - which will operate over the next two academic years, with an investment of £300,000. This is designed to further support entrepreneurship by providing financial support to aid the commercialisation of research in the period when funding is unlikely to be available from other sources, such as the Research Councils. A new Innovation Advisory Board has been formed to provide advice on which are our most promising propositions and how we can best develop them to attract external investment.

This year, we retained the HR Excellence in Research Award from the European Commission, which demonstrates our commitment to the principles of the Concordat to Support Researcher Development and reflects the genuine progress made to support researcher development here at Sheffield Hallam, including commitment to our researcher development programme, SHaRD.



PRIORITIES FOR NEXT YEAR

We will make targeted investments in areas where we can make a distinctive contribution, and annually will provide additional support to one of our highest-performing research centres. We have ambitious plans based around our Advanced Wellbeing Research Centre, for a globally leading edge Health Innovation Campus based at Sheffield's Olympic Legacy Park. The Health Innovation Campus is genuinely visionary. It builds on our expertise to be a pioneering centre for practical innovations to improve health and wellbeing, intervening to promote health as well as to stave-off ill-health. But it goes much further. It seeks to revitalise an urban development site by focusing research and innovation on some of the most compelling challenges we face as a society.

Work on strengthening our research community and developing a clear set of expectations for staff around research and scholarship took place in 2016/17, including improving the academic appraisal process to enable a greater focus on performance management. This work will continue next year, including finalising our new approach to academic work planning to ensure that more staff in our academic departments have a combination of teaching, research, practice and enterprise activities; developing a new CPD programme for researchers with an enhanced focus on entrepreneurship; reviewing the support provided for research across the University as we prepare for the next REF as part of our review of Professional Services led by the Building a Great University Board; and work on a university-wide approach to the recruitment of researchers.





**LEADING LOCALLY AND
ENGAGING GLOBALLY**

AIMS

- Our place at the heart of this city and region, and our international connections are fundamental to what we do
- we will work with others to enhance economic growth, educational health and quality of life in our region
- we will deepen and extend our global engagement - linking Sheffield to the world and the world to Sheffield

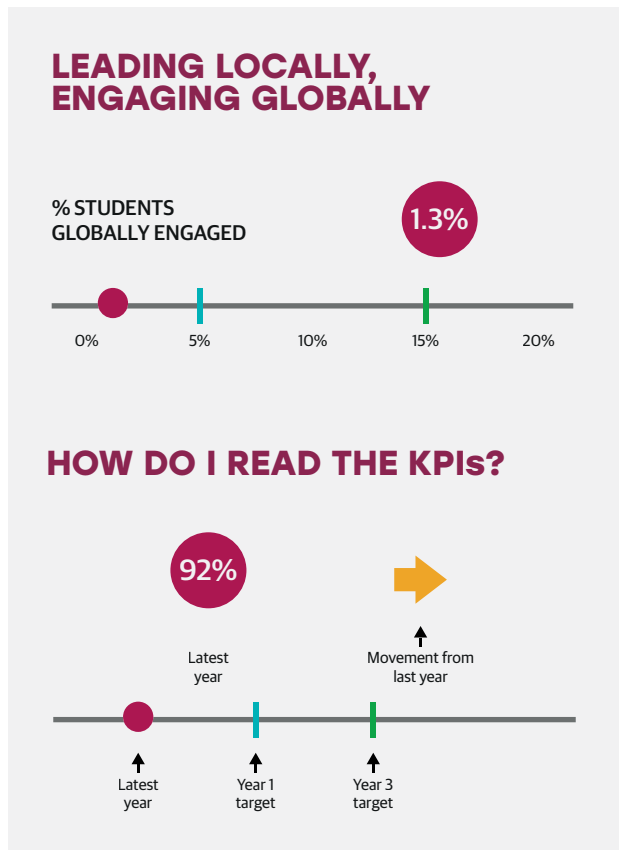
RISKS

- reduction in international recruitment and transnational education (TNE) partnership activity
- failure to engage effectively within our region

MEASURING SUCCESS (KPIs)

We will:

- extend our influence on education in the city region: increased progression from partners schools and colleges
- be a model for the ways in which a university can lead economic development by deepening relationships: increased business-to-business income (including CPD, consultancy, contract research, use of our facilities)
- provide a transformational international experience for our students: increase the proportion of our students undertaking international placements



PROGRESS THIS YEAR

Our place at the heart of our city region and our important international connections are fundamental to what we do. We link Sheffield to the world, and the world to Sheffield.

Along with the University of Sheffield and Sheffield Teaching Hospitals NHS Foundation Trust, this year we outlined a 25-year Sheffield City Region Vision to maximise the area's potential to compete on the world stage for the benefit of its people, the region and the UK. We have been recognised across the higher education sector as an example of how a university can help drive forward the economic, social and cultural prosperity of its region.

We have committed to leading a programme to drive long-term improvements in the educational health of our region called South Yorkshire Futures, through the work of our Sheffield Institute for Education, recognised nationally for excellence and innovation in learning and teaching. The programme will focus on early years education, improving school attainment, and raising aspirations and supporting improved progression into higher education and work in South

Yorkshire, sharing expertise and ensuring that no school is isolated from expertise and improvement. The programme is being actively supported by the Department for Education which has seconded a senior civil servant to lead South Yorkshire Futures and is enthusiastic about the programme as an innovative example of a university engaging with schools and colleges to improve educational outcomes.

We have also commenced a programme to ensure that more university staff can act as school and college governors across the Sheffield city region, raising awareness within our university of school governance and governor opportunities locally, and to increase the numbers and impact of our staff governors, particularly in those schools and colleges in challenging circumstances. We plan to build on this by supporting staff governors and building a community of practice that facilitates the exchange of experience, knowledge and the practice of effective governance, to help them connect their schools with universities and contribute to in-school strategies around careers and course/subject choice advice, to facilitate progression to higher education

Sheffield Hallam University has been one of the pioneers in the higher education sector for the delivery of higher and degree apprenticeships in partnership with employers, and we offer a high quality higher and degree apprenticeship portfolio. In 2016/17 we delivered programmes in subject areas identified as important to the success of the Sheffield city region, including healthcare, construction, engineering and computing. We have successfully secured a contract to deliver chartered management degree apprenticeships to 44 senior managers at Morrisons, and will deliver the course from October 2017.

Sheffield Hallam University has educational partnerships in China, Botswana, Malaysia, Hong Kong, Germany, Sri Lanka and India. We have developed provision with the Northern Consortium (NCUK), which delivers courses around the world to help international students prepare for HE study in the UK. We have commenced a review of our transnational education partnerships to provide a framework for future partnership development, building a limited number of dynamic and influential partnerships with like-minded institutions.

PRIORITIES FOR NEXT YEAR

We will implement our revised strategy for working with FE colleges in our region, to support our mission of transforming lives and our position as university of choice for young people in the Sheffield city region aspiring to higher education. Our relationships with FE partners also form an important part of the South Yorkshire Futures programme to improve both aspiration and attainment levels from early years through to further and higher education, and which will move into the delivery phase next year.

We wish to develop as a globally connected and influential university by integrating an international perspective into our curriculum and our wider student experience. We will implement our global engagement plan from the beginning of the 2017/18 academic year which includes immediate actions to support outward student mobility.



**BUILDING A GREAT
UNIVERSITY**

AIMS

Our success depends on professionalism and quality right across the organisation. We will:

- provide an outstanding environment in which to study, research and work
- look radically at the way we work, developing organisational arrangements which enable us to respond quickly to new opportunities
- reduce complexity and allow staff to concentrate on securing excellence consistently across the University
- attract and retain the best people, embracing diversity and creating an exciting workplace of shared expertise
- operate sustainably, investing in realising our goals and considering the long-term in all our decisions

RISKS

- changes in the funding environment
- failure to build and maintain high levels of staff engagement
- failure to develop a physical estate that responds to changing needs
- inability to respond appropriately to advances in information systems technology and to respond to changing needs
- threat of cyber-security attack

MEASURING SUCCESS (KPIs)

We will:

- put our students and clients at the centre of our service design and provisions: monitor ratio of professional services to academic staff and improve student to academic staff ratios
- embed our position in the community by ensuring that our workforce reflects the diversity of our community: increased proportion of our workforce from BME backgrounds
- make sure that the University is here for the long-term by ensuring sustainability and efficiency: increased cash flow as a percentage of income

BUILDING A GREAT UNIVERSITY

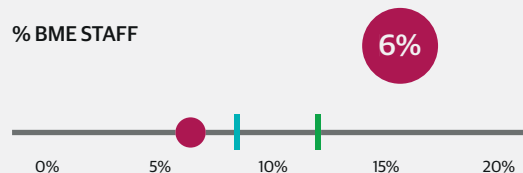
RATIO OF PROFESSIONAL SERVICES STAFF TO ACADEMIC STAFF

	Professional Services Staff	Academic Staff
2015/6	1.30	1.00

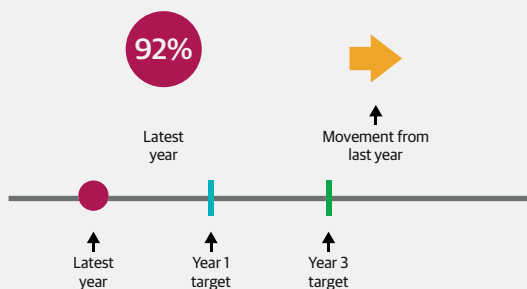
STUDENT STAFF RATIO



% BME STAFF



HOW DO I READ THE KPIS?



PROGRESS THIS YEAR

Once our new strategy was formally adopted by our Board of Governors, we set about reviewing our governance arrangements to ensure that we had the right structures in place to support strategy delivery and bring about the changes needed to achieve our mission. New governance structures were designed to align all of our operations to one of four strategic pillar boards chaired by a member of the University Leadership Team, supported by a limited number of committees. The boards are now fully up and running with a stronger portfolio governance model to oversee programmes of work associated with the delivery of our Transforming Lives strategy.

A programme to review the support provided by our professional services across the University commenced this year, with the aim of strengthening the impact and coherence of our professional and support staff across the whole university and ensuring that we are set up in the best possible way to support and drive delivery of the strategy.

We have developed and begun to implement a systems and technology plan for our digital estate which sets out a clear and ambitious vision for our digital infrastructure and how we will use it.

We are also developing a long-term vision and plan for our physical estate which sets out a clear direction for our estate for the next 15 years. The master planning work aims to address the pressures that have been identified across the estate, such as capacity issues in some of our most popular subject areas and put in place clear plans for the delivery of maintenance, major refurbishment and new build projects.

A new University Financial Plan was agreed this year, in order to enable the Transforming Lives strategy and the changes required to achieve our mission including a new internal funding model and a clear understanding of future income requirements.

We are committed to increased diversity in our academic and professional community, and building career development routes which ensure that all our staff can thrive as the University develops its distinctiveness and quality.

We recognise that our workforce could be more diverse and continue to be active participants in Athena Swan, and work with Race for Opportunity and Stonewall to evaluate our progress on diversity matters. We are focusing on actions to increase workforce diversity such as exploring how job descriptions and adverts are written and monitoring the progress of candidates from underrepresented groups through our selection process, in order to identify and take action on any issues that are identified.

To achieve our aim of creating an outstanding environment in which to study, research and work, we have developed a new 'Hallam Deal' for our staff, setting out both the University's commitment to, and investment in, its staff, as well as what the University expects in return. This will encompass work already underway around academic work planning, promotion, and reward and recognition frameworks for our teaching and research staff.

PRIORITIES FOR NEXT YEAR

We will focus on finalising and implementing the plans being developed this year in respect of our physical estate, our digital estate and our people.





CHARITABLE STATUS AND DELIVERY OF PUBLIC BENEFIT

Sheffield Hallam University has exempt charitable status as defined by the Charities Act 1993. Our charitable purpose is the advancement of education. We deliver this charitable purpose for the public benefit through implementing our strategy and delivering our mission to transform lives.

Our current and potential future students are the immediate beneficiaries of our learning and teaching activity, through our focus on shaping our students' futures. We also offer services to our network of alumni to enable them to thrive after graduation and to succeed in whatever they choose to do.

We take steps to ensure that all those who are eligible can be considered for a place at Sheffield Hallam University through a fair and transparent Admissions Policy.

We have an excellent demonstrable track record of delivering innovative outreach activity to raise aspirations and awareness of the benefits of higher education amongst young people and their parents and advisors, mature students, and other groups within our community. Our outreach work is increasingly targeted towards geographical areas and student groups with historically low rates of progression to higher education, as well as younger age groups, including a longitudinal programme of sequential roadshows and taster activities; a successful BME paramedicine project; mentoring for students in target schools; and new content designed to engage white, working class males, a group who are the least likely to apply to, and enter university. This translates into improved rates of progression to higher education, both to our university and elsewhere amongst students from non-traditional backgrounds. The 2016 Social Market Foundation's Widening Participation report showed that we are making a greater contribution than the higher education sector overall towards meeting the government's social mobility goal to double the rate of participation in higher education for young students from disadvantaged backgrounds.

Maximum tuition fee limits for our fee regulated courses are prescribed by government, currently in the Education (Student Fees, Awards and Support (Amendment) Regulations 2017. Our tuition fees and related charges are reviewed annually and are made publicly available to current and potential students.

Our arrangements for fees financial support are set out in our Access Agreement, approved by the Director for Fair Access to Higher Education. We seek to ensure that access to higher education at Sheffield Hallam University is not restricted by the ability to pay fees or living costs. In 2016/17 we invested over £4.5 million in cash-in-hand financial support and fee waivers for our students, including:

- High Achievement bursary to attract, retain and reward the prior attainment of these students
- Sheffield Hallam financial bursary for students from low income households, who make up almost half of our new undergraduate student intake each year
- Care Leavers bursary to provide a guaranteed package of accommodation and financial support for young students who have been in local authority care prior to arriving at Sheffield Hallam University
- Performance Athletes bursary
- Hardship Fund to support those students in greatest need and who are facing immediate financial hardship during their time at Sheffield Hallam
- Sandwich placement year fee waiver to incentivise take-up of this option, which has a positive impact on our students' progression to highly skilled employment after graduation

Beneficiaries of our research and knowledge exchange activity include the UK government and its agencies, policymakers, public sector organisations, charities, community groups, and regional, national

and international businesses, and in turn, their clients and customers, through our focus on creating knowledge that provides practical solutions to real world problems.

Any private benefit arising from our research and knowledge exchange activity is incidental to our principal charitable purpose of the advancement of education. The arrangements for the diversion of any revenue arising from the successful exploitation of our ideas are set out in our Intellectual Property Policy.

A principle of public benefit is that benefits must be balanced against harm or detriment. All our research undergoes ethical scrutiny to ensure that it is conducted to the highest ethical standards and to protect the integrity of this research, as set out in our Research Ethics Policy.

Some of our research includes the participation of volunteers. Our Research Ethics Policy ensures that their needs are put first at all times and that our researchers do everything possible to fully inform people who have consented to take part. A risk assessment approach is encouraged to safeguard the physical and psychological wellbeing of participants and researchers.

Sheffield Hallam is committed to making our research as widely available as possible and supports the principles of open access to make the outputs of publicly-funded research available through unrestricted online access. Our Open Access Policy requires all staff to deposit their final research outputs into Sheffield Hallam's institutional online repository, SHURA, within three months of publication, in line with HEFCE's guidance on open access.

Many of our Research Centres and Institutes also deliver free seminar programmes and public lecture series', providing students, staff, members of the public and other stakeholders, the opportunity to engage with cutting edge research.



OPERATIONAL REVIEW

EDUCATION

In 2015/16, 31,284 students were studying at Sheffield Hallam at undergraduate, taught postgraduate and doctoral level, on full-time, part-time and distance learning courses. We are the 6th largest university in the country in terms of student enrolments.

We continue to be hugely popular in terms of applications, despite the challenges faced in the extremely competitive higher education market. We received over 34,000 UCAS Home / EU applications for full-time undergraduate courses starting in 2016/17, and achieved an increase in acceptances of 1% on the previous year in the context of a 4% reduction in applications across the sector overall; as well as almost 12,000 applications for postgraduate courses, and over 9,000 applications from international students for courses across our whole portfolio.

In 2017 we won the Times Higher Education Leadership and Management (THELMA) Outstanding Student Admissions Strategy award for our excellence in recruitment practice such as our student-led call centre to support prospective applicants which led to increased attendance at open days, and our innovative approach to social media and student-led video content which reached over 14.2 million people in 2016.

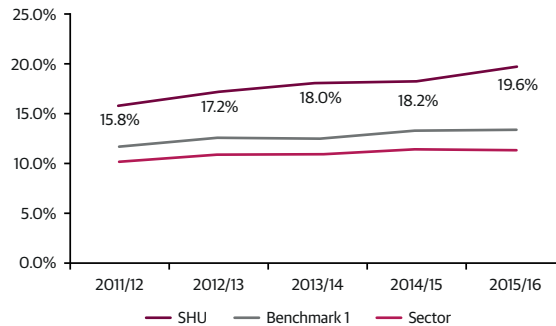
We work in partnership with more than 100 schools, colleges and charities in the Sheffield city region to raise aspirations and educational attainment, and to improve progression rates to higher education. We have continued to increase and extend our outreach activity in schools, colleges and community settings, and won a peer-nominated Higher Education Liaison Officers Association (HELOA) Innovative Practice Award in 2017 for our roadshows with school pupils in Years 7-11. We had over 50,000 participants in outreach activity in 2016/17. Evaluation of activity shows that 60% of post-16 participants felt more positive about going to university after taking part, and 49% felt more positive and well-informed about their options after school / college.

This year we were chosen to lead, with the University of Sheffield, the HEFCE-funded National Collaborative Outreach Programme (NCOP) in South Yorkshire, North Derbyshire and North Nottinghamshire, focused on improving rates of progression to higher education amongst young people in targeted geographical areas, attracting almost £13 million income over four years.

We have consistently excellent performance in the HESA UK widening participation performance indicators, outperforming our benchmarks and the sector average since records began. Widening participation and improving access to higher education for disadvantaged and under-represented groups and supporting success across the student lifecycle are core to what we do, and we are driven by a profound institutional commitment to transforming the life

chances of our students.

Proportion of new, young, full-time first degree entrants from low-participation neighbourhoods:

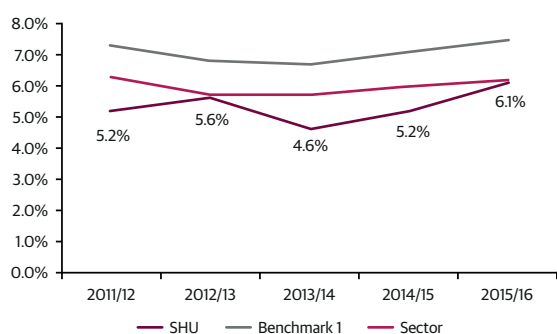


We offer a wide range of support services for our students. Our new student academic skills service, The Bridge, launched in 2016/17, giving all of our students access to a wide range of skills support, both through the provision of online self-help resources and via a continual programme of small group workshops, forums and weekly drop-in sessions including:

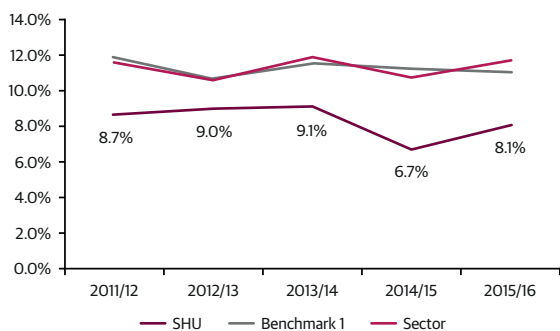
- academic skills workshops such as writing for academic purposes, literature reviews, referencing, improving critical writing, assignment planning, dissertation writing forums, and exam preparation sessions
- maths support
- statistics support
- University English Scheme
- Language Advisory Service
- student wellbeing workshops such as managing finances and managing anxiety

Higher proportions of our new students continue with their studies after their first year than our benchmarks and the average amongst all higher education providers in the UK, and we outperform many providers with a much less diverse student profile with regard to the retention of our students, as measured by the HESA UK performance indicators. This is testament to the personalised academic and pastoral support that we provide for all our students to enable them to succeed.

Non-continuation of young, full-time first degree entrants after Year 1:



Non-continuation of mature, full-time first degree entrants after Year 1:



Alongside our full-time First Degree provision, retention rates for our full-time Other Undergraduate provision and our part-time Undergraduate provision are excellent compared to the rest of the higher education sector, in the case of part-time students, achieving student retention rates over 15 percentage points more positive than the sector overall.

RESEARCH

In the year ended 31 July 2017, Sheffield Hallam University had been awarded over 50 research grants from regulated funders, an increase of 21% on the previous year, generating income of £4.2 million, an increase of 38% on the previous year.

The number of applications to regulated funders decreased this year. All grant applications are now peer reviewed prior to submission, in line with our new Peer Support Policy, to focus on improving proposal quality and increasing success rates.

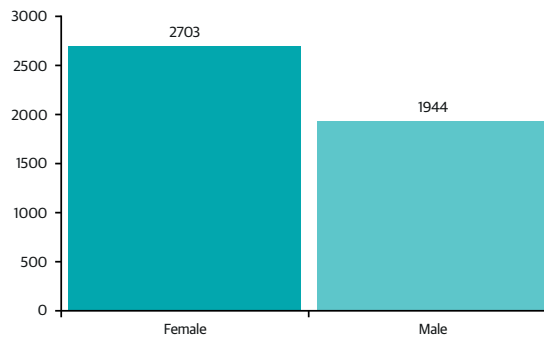
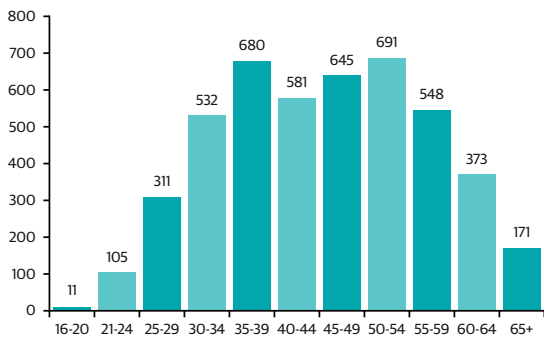
We have had 419 research publications so far this calendar year and we are currently on track to exceed last year's volume of publications. We have had over 6,000 citations so far this calendar year.

In the year ended 31 July 2017, we entered into 126 new research contracts, and 273 new consultancy contracts.

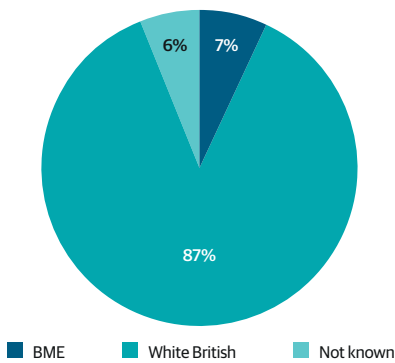
STAFF

As at 31 July 2017, Sheffield Hallam University had 4,647 staff (FTE 3,433), of which 2272 (49%) were academic staff and 2375 (51%) were non-academic. Staff headcount has increased by 49 (1%) on 2016, although FTE is virtually unchanged.

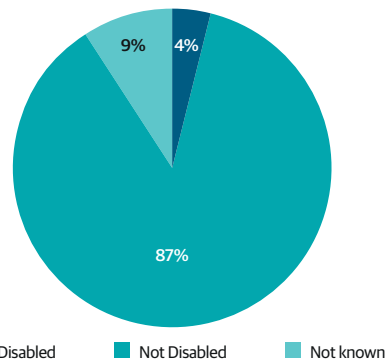




AGE



GENDER



ETHNICITY

58% of our staff are female, compared to a sector benchmark of 54%.

87% are White and 7% are Black and Minority Ethnic (BME), compared to sector benchmarks of 82% and 13% respectively. A range of targeted activity is both underway and planned throughout the next year to address both the attraction and retention of BME staff.

The age profile of the University has remained largely unchanged with 76% of university staff aged between 35 and 64. Only 3% of staff are aged below 25, whilst 4% are over 65 - a percentage that continues to grow following the abolition of the default retirement age.

DISABILITY

Sickness absence for the 12 month period to 31 July 2017 is 3%, an increase from 2.8% 12 months ago, compared to a sector average of 2.7% based on the UCEA sickness survey.

Sheffield Hallam is a Level 2 Disability Confident employer with plans to progress to Level 3. As such, we actively look to improve the attraction and recruitment of disabled people by connecting with local and national disability organisations. We provide a fully inclusive and accessible recruitment process, guaranteeing an interview to applicants who meet the essential criteria and declare a disability, making reasonable adjustments when required throughout the application process. The University is committed to retaining employees who

suffer ill health or who become disabled during their employment. This is achieved by seeking Occupational Health advice on any adjustments which may need to be made to enable the employee to continue in employment. This could include the provision of specialist equipment, adjustments to roles and responsibilities and working patterns, job redesign or re-deployment. We recognise the need to do more to understand the experience of disabled staff and have identified this as an action in our revised Equality Priorities.

The University has an Information and Consultation Committee (ICC) which meets on a bi-monthly basis. The membership of the committee is made up of senior management, trade union and staff representatives. The ICC is a forum for discussion and consultation on matters affecting the University and its staff such as business strategy, financial performance, student recruitment and organisational change. The Vice Chancellor also holds regular all staff briefings on strategic issues affecting the University and its staff. The University has well established collective and individual consultation processes linked to organisational change.

This year we implemented new health and safety governance arrangements, resulting in a new committee working at a strategic level. The Health, Safety and Wellbeing service has made progress integrating digital solutions into the heart of how the University manages health and safety. This has resulted in significant improvement in eLearning and online incident recording. Action is also being taken to provide digital tools to support compliance and risk assessment processes. Our Facilities Directorate has achieved certification to BS OHSAS 18001, the best practice framework for an occupational health and safety management system.

Wellbeing has also been incorporated into the work of the new University Health and Safety committee, with plans to audit and benchmark the organisation against the Workplace Wellbeing Charter, as well as to focus on mental health and on musculoskeletal issues. The Staff Wellbeing website was redesigned and relaunched in September 2016 directing staff to a wide range of wellbeing support that is available to them. Staff engagement with our Wellness service continues to be high, particularly for the annual health-checks. A number of workshops have been delivered to staff and managers on Mental Health and a Mental Health First Aid training programme will be rolled out across the University in 2017/18.



ESTATES

In 2016/17 we have invested approximately £30m in our estate. Achievements in 2016/17 include:

- a new STEM facility opened officially to staff and students in April 2017. The centrepiece of a two-year, £11m refurbishment of our Sheaf and Eric Mensforth Buildings at City Campus is the creation of the Hertha Ayrton STEM Centre. The space, which now links the two existing buildings, supports high-quality STEM (Science, Technology, Engineering and Maths) activities. The development includes galleries, collaborative spaces and social learning as well as a cutting-edge chemistry lab and modern new engineering provision. It also includes a SCALE UP facility which is supporting the delivery of new teaching and learning methods
- a new state of the art facility for Digital Technology Services staff. The project has seen the refurbishment of office and reception areas, the creation of a new help point, establishing a City Hub, the complex migration of a data centre and the vacation of leased premises which will result in an improved service and reduce operating costs for the University
- two of the University's recent capital projects (the Sheffield Institute of Education's new home at Charles Street and the Sheffield Institute of Arts' new home at the Head Post Office) were nominated as 'best building' in the Sheffield Design Awards 2016. Our Charles Street building was also shortlisted for the RICS (Royal Institution of Chartered Surveyors) Awards 2017, Yorkshire & Humber in the Regeneration category
- being shortlisted for Outstanding Estates Strategy in this year's Times Higher Education Leadership & Management Awards (THELMAs).

Priorities for 2017/18 include:

- the £15m Advanced Wellbeing Research Centre (AWRC) development, which is set to become the most advanced research and development centre for physical activity in the world, creating innovations in sport, healthcare, physical activity and leisure to help people move more. The Centre will have facilities such as a 7.5 metre high indoor laboratory, 3rd generation pitch with cameras and tracking instruments, 3D biomechanical and gait analysis and scanning, a manufacturing workshop, MRI, CT, ultrasound, body composition measurement and physiological testing and a technology demonstration hub. The project is underway and due to complete in 2019
- the creation of the National Centre of Excellence in Food Engineering (NCEFE), which will provide a hub for collaboration between the food industry and Sheffield Hallam expertise, developing innovative engineering solutions and supporting the development of critical skills. This project is also underway and is due to complete in 2019.



ENVIRONMENTAL SUSTAINABILITY

In 2016/17 Sheffield Hallam University continued to invest resources into its environmental management and sustainability programmes. Key successes have included:

- the University was awarded a 2:1 class award in the 2016 People and Planet university league, ranking 32nd out of 150 higher education institutions according to environmental credentials and achievements
- four of our schemes were shortlisted in two categories of the EAUC Green Gown Awards, for our partnership work on the SNUG programme to improve the environmental efficiency standards of private accommodation in Sheffield (Community award) and for the way we manage the environmental impacts from our waste, fleet and printing (Facilities and Services award)
- the University has continued to be externally accredited to both ISO 14001 (environmental) and ISO 50001 (energy) management systems. In August 2016, we were one of the first higher education institutions to transition to the 2015 version of the ISO 14001 standard ensuring senior management are more involved in the processes and a life cycle approach to our activities is adopted
- we achieved 4 out of 5 stars in the fleet recognition scheme 'Eco Stars' to externally validate our approach to improving efficiency, reducing fuel consumption and emissions, and making savings

- we have been a Fairtrade-certified organisation since 2007.
- the Granary catering outlet at our Collegiate site has achieved the highest Sustainable Restaurant Association award rating (3 stars) following its second year of accreditation
- the Students' Union has achieved Green Impact 'working towards' accreditation under the new methodology launched this year
- a new university environmental plan was approved in June 2017 to highlight the work being undertaken to manage the environmental risks identified in the environmental policy. The plan shows how the University will meet its environmental targets by 2020, in areas such as energy and waste reduction, and increasing levels of green infrastructure and biodiversity.



DIGITAL AND TECHNOLOGY

This year, a major restructure of our Digital and Technology Service concluded without any disruption to ongoing university technology use. The purpose of the restructure was to refocus our service around themes of sustainability, professionalism and a commitment to deliver change rapidly.

A complete redesign of our virtual learning environment (VLE), Blackboard, has streamlined, sharpened and invigorated the content used to deliver learning. The virtual learning environment was used over 59 million times by students in 2016/17, an increase of 7% from the previous year.

The Digital and Technology service has supported the introduction of online marking by academics, deploying laptops to academic staff alongside the provision of software developments and support for flexible and mobile working. The student VLE supported an increase in online coursework submissions from 75,712 in 2015/16 to 130,584 this year.

We also supported the deployment of a paperless solution for processing both undergraduate and postgraduate applications; the online application form received nearly 1700 applications in the first month of use.

Improvements were made to systems used during the clearing process for entry into the 2016/17 academic year which resulted in a 7% increase in calls answered; operators were able to answer every single call which was made to the University.

An IT Best Practice programme has delivered a number of improvements which include resolving over 95% of 63,132 service requests to target.

Cyber Security has remained a priority. Our firewall and other defences block an average of 500 million suspicious and hostile attacks per week, whilst our patch management regime protected the University from those attacks which affected the NHS and national and international business. The high quality of cyber improvement work has enabled the University to achieve Cyber Security accreditation which has enabled us to secure research funding worth over £10m.

A continued vigilance against cyber threat and associated need to continually improve defence will be a priority in the next year. Other priorities for 2017/18 will include:

- Windows 10 and Office 2016 deployments
- data centre resilience will be improved by the reduction of on premise use
- institutional focus on customer relationship management (CRM)
- a finance systems review
- lecture capture improvements
- attendance monitoring and learner analytics work.



EQUALITY AND DIVERSITY

Our institutional approach to equality and diversity was strengthened this year with:

- the appointment of a Pro Vice-Chancellor role to lead on Academic Staffing and Equalities
- equality KPIs in our Transforming Lives strategy
- a new Equality and Diversity Committee working at a strategic level, with a more diverse membership
- direct reporting to our four strategic pillar boards on equality and diversity matters
- a two-tier governance structure and robust process for managing Athena SWAN work specifically, and gender equality more broadly

The University continues to engage in the Athena SWAN charter which now recognises work undertaken to address gender equality more broadly, and not just barriers to progression that affect women. This includes the disciplines of arts, humanities, social sciences, business and law (AHSSBL) as well as professional and support roles and transgender staff and students.

The Department of Natural and Built Environment was awarded Bronze in April 2017. The University is working towards renewing our Institutional award. Our departments of Computing, Engineering and Maths (STEM) and the Sheffield Institute of Education (AHSSBL) are working towards submissions.

The University continues to work with Stonewall and in January 2017 became a Global Diversity Champion. In March 2017 Stonewall delivered an exciting and informative induction session to a wide range of Hallam staff from across the University.

The University continues to engage locally by sponsoring a number of community and collaborative events. In 2016/17 these have included:

- International Women's Day: collaboration with the University of Sheffield to offer a day of development opportunities for female staff.
- Sheffield Hallam's Annual Athena SWAN Lecture: A long running collaboration between Sheffield Hallam and the University of Sheffield celebrating world class research in STEM.
- South Yorkshire LGBT Awards: the first of its kind in South Yorkshire to celebrate individuals and groups who have made outstanding contributions. Sheffield Hallam sponsored the 'Rising Star' category which was won by Hallam Alumnus, Luke Allen.
- Outcome LGBT Portraits Exhibition: In collaboration with Sheffield Institute of Arts, SIGNAL (Sheffield Hallam's staff LGBT network) and Arachne Press, Outcome is a touring project that celebrates the diverse and varied roles LGBT+ people can and do fulfil and challenges stereotypes.
- Sheffield Pinknig "Sheffield's largest City Centre LGBT family event": an opportunity to promote Sheffield Hallam to current and prospective students, staff and supporters.
- Pride Sheffield (July 2017): An annual free festival bringing together the Lesbian, Gay, Bisexual, Trans and Non-binary community and their friends, families and allies. An opportunity to promote Sheffield Hallam to current and prospective students, staff and supporters.

Over the course of the next 3 years the University Equality and Diversity ambitions will focus on the following areas:

- bringing about a step change in race equality and diversity with an emphasis on having a positive impact on the success and progression of students and staff from different racial and ethnic backgrounds
- continuing to eradicate gender disparities and building on the work undertaken with respect to the Athena SWAN agenda
- ensuring an inclusive, accessible and open learning and working environment for all staff and advancing equality of opportunity for LGBT+ and disabled staff and students





FINANCIAL STRATEGY AND PERFORMANCE

Our financial planning is critical to enabling the implementation of the Transforming Lives strategy. We will make significant revenue investments over the next two years in order to deliver future financial benefits. The financial impact of these investments will be to convert our underlying operational surplus for 2017 into an operational deficit for 2018 and 2019.

Our strategy prioritises financial sustainability and this is supported by the Building a Great University pillar board. We measure our success in this area using a KPI of operating cashflow as a percentage of income. During 2017 we have achieved a slight growth in our income in a challenging market and improved our operating cashflow as a percentage of income.

Our net funds have increased by £4.7m after investing £21.2m in our estate and discharging loan payments of £4.6m. Due to strong performance over the past few years the University has sufficient cash balances and reserves to fund planned deficits in the short term.

Financial Summary	2017			2016		
	Underlying £m	Adjustment £m	Reported £m	Underlying £m	Adjustment £m	Reported £m
Income	265.3	2.8*	268.1	263.9	2.6	266.5
Operating surplus/(deficit) as a % of income	5.2 2.0%	(8.1)**	(2.9) (1.0%)	8.0 3.0%	(4.9)	3.1 1.2%
Net cash inflow from operating activities as a % of income			27.1 10.1%			25.7 9.7%
Net funds (cash and short term deposits less loan)			48.6			43.9
Net assets			182.2			165.0

* Deferred capital grant income
** Pension accounting charges

OPERATING RESULTS

Our Statement of Comprehensive Income in the financial statements shows a reported deficit for the year of £2.9m, representing 1.0% of income (2016: a surplus of £3.1m representing 1.2% of income).

Whilst we have reported a deficit for the year, the underlying operating performance of the University remains positive. We achieved an operating surplus for 2017 of £5.2m, representing 2.0% of income (2016: 3.0% of income). We monitor the underlying operating performance by reviewing income excluding deferred capital grant income; and expenditure excluding certain non-cash pension accounting charges. The pension accounting adjustments this year were significant at £8.1m cost (2016: £4.9m cost) and reflect a fall in the net discount rate driving the defined benefit accounting for the Local Government Pension Scheme.

Last year we reported our first financial statements prepared in accordance with FRS 102. Following major changes to our balance sheet on transition to the new accounting standard, the University's financial performance is inevitably bearing the continued impact within pension costs and depreciation charges.

The University is forecasting significant revenue investment over the next two years which will also have an impact on the overall reported financial performance. As a result of this and in response to the changes imposed by FRS102 described above, the potential impacts of BREXIT and an unstable political and economic environment additional work has been carried out to provide assurance in the ability of the University to operate as a going concern.

Staff costs as a % of income have increased from 62.6% to 65.0% (and from 61.5% to 63.9% excluding restructuring costs) after accounting for all pension charges required under FRS 102.

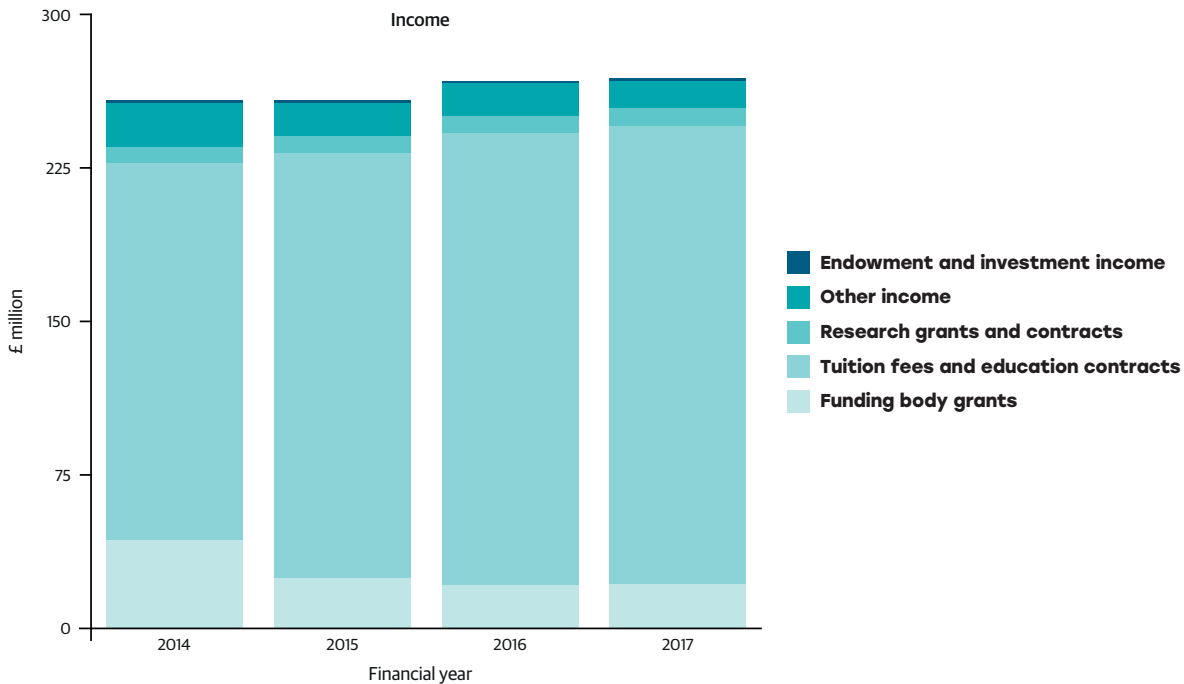
Other operating expenses have decreased as a % of income from 26.6% to 26.0%.

Depreciation has increased from 7.5% to 7.9% of income year on year.

Interest and other finance charges have decreased slightly as a % of income from 2.2% to 2.1%.

INCOME

Income has increased by 0.6% to £268.1m (2016: £266.5m).



Tuition fee income has increased overall by £3.2m (1.5%) to £222.4m compared to 2016.

Overall student numbers of over 31,000 were consistent with 2016.

A strong round of recruitment resulted in income from full-time home and EU students increasing in total by £6.6m, of which £1.5m of the increase relates to postgraduates (boosted by the new postgraduate loan system and an increased intake to teacher training courses).

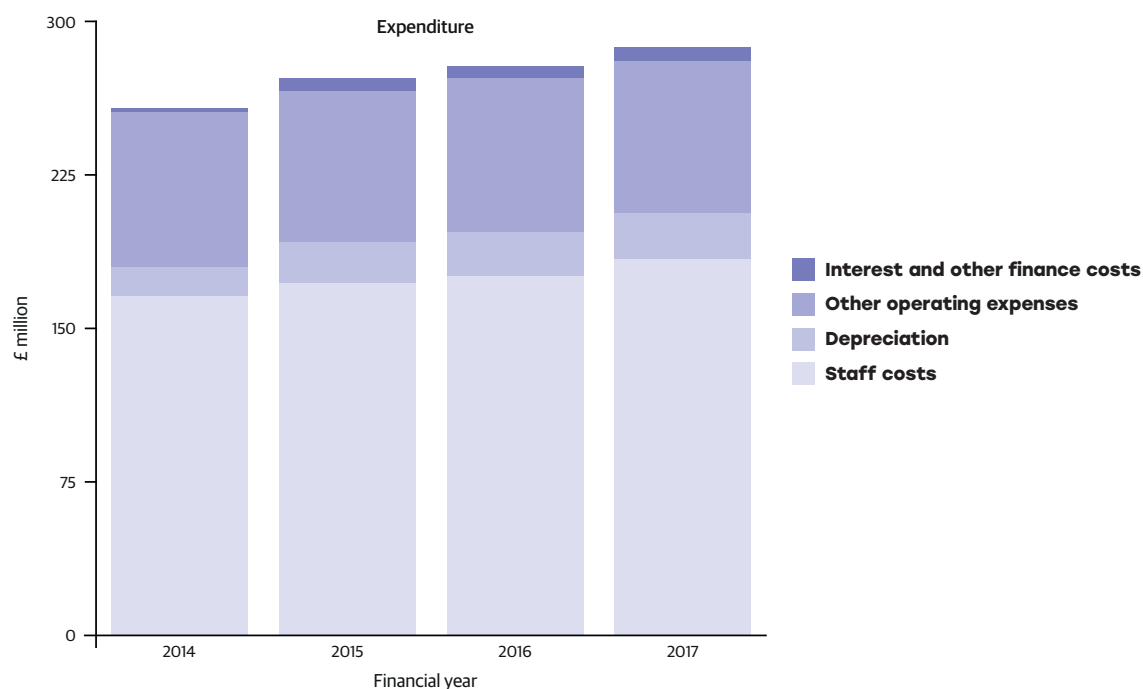
Income from overseas students has fallen for the second year to £21.7m (2016: £24.8m). Market conditions for international students have proved to be increasingly challenging and the University is continuing to put actions in place to diversify its international student body.

Research grants and contract income for the year is consistent year on year at £8.0m. Following the same trend as last year, there has been a reduction in research funded by EU government and other EU organisations of £0.8m, offset by increases from research councils and UK charities.

Other income has decreased by 11.6% to £14.1m (2016: £15.9m).

EXPENDITURE

Expenditure increased during the year by 2.9% to £270.9m (2016: £263.4m).



Wages and salaries costs have increased by 1.3% to £132.2m, reflecting marginal rate and increment increases where staff numbers are consistent year-on-year. The University has seen an overall 4.6% increase in staff costs from £166.7m to £174.4m. The increase reflects a £3.5m increase in pension costs (largely as a result of a £3.2m increase in defined benefit accounting adjustments in addition to increased employer pension contribution rates), a £2.3m increase in social security costs (following the implementation of the state pension reform in April 2016 and the new apprenticeship levy from April 2017) and

£0.2m in higher restructuring costs. Staff costs as a % of income have increased from 62.6% to 65.0%. The Transforming Lives strategy acknowledges the need to reduce the staff cost percentage, despite upward cost pressures, to ensure continued financial sustainability and further work is being done in this area.

Other operating costs have decreased slightly by 1.7% to £69.7m (2016: £70.9m). A range of short-term measures focused on cost reduction were put in place for 2016/17, supplementing long-term financial management controls.

Depreciation for the year has increased by £1.1m to £21.1m, reflecting the impact of continued investment in the University's estate.

Interest and other finance costs are consistent at £5.7m. Loan interest is £2.1m (2016: £2.3m) and finance charges on pension schemes are £3.6m (2016: £3.5m). The pension finance charges are encompassed in the £8.1m non-cash accounting adjustments referred to in the Operating results analysis.

CAPITAL EXPENDITURE

During the year, the University has undertaken a number of significant capital projects, investing £21.2m (2016: £32.4m). Key projects include the creation of the Hertha Ayrton STEM Centre involving a £11m refurbishment of our Sheaf and Eric Mensforth buildings at City Campus; and a range of refurbishment and IT improvements across the estate.

The capital expenditure has been funded by internally generated funds. Capital grants of £2.1m received in the year were offset by the repayment of a grant of £2.7m on a project that was withdrawn last year.

BALANCE SHEET

The University balance sheet remains strong with net assets of £182.2m (2016: £165.0m). The increase in net assets of £17.2m is significantly influenced by the £20.1m actuarial gain on the Local Government Pension Scheme (LGPS), which is treated as a defined benefit scheme.

The actuarial gain on the LGPS pension scheme results from changes in actuarial assumptions and is recorded in Other Comprehensive Income in the Statement of Comprehensive Income under FRS 102. The LGPS pension provision represents the present value of the future obligations over and above the value of the fund's assets.

Pension liabilities and provisions overall have fallen by £12.4m to £131.3m (2016: £143.7m). The LGPS pension liability has reduced by £12.1m to £122.8m. This is the result of a £20.1m actuarial gain (see above), offsetting finance costs of £3.6m and service costs in excess of contribution of £4.5m. The restructuring provision has increased by £0.6m and other provisions relating to the estate have reduced by £0.8m.

Net funds (cash plus short term deposits less borrowings) have increased by £4.7m to £48.6m. The University continues to generate significant cash from its operating activities with a net cash inflow of £27.1m (2016: £25.7m). The unsecured loan balance at the year-end is £66.6m (2016: £69.1m). Interest is charged at a fixed rate on £37.1m (2016: £38.1m) and at a variable rate on the remaining £29.6m (2016: £31.0m).

Other significant movements in net assets include a decrease in the net book value of fixed assets of £3.7m (after depreciation of £21.1m); an increase in Assets Held for Resale in respect of freehold land of £0.6m; and a £2.4m decrease in capital accruals.



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 are currently 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 University 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). Further information on how the University delivers its charitable objectives for the public benefit can be found on page 22 of the Annual Report.

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) Higher Education Code of Governance (the Code).

In November 2015 the Board of Governors received a report on a review by the Chair of the Board and the Clerk of the governing body's current arrangements against the requirements of the Higher Education Code of Governance. At its meeting in November 2015 the Board was satisfied that current governance arrangements met the requirements of the Code in full.

The Board of Governors commissioned an independent review of its effectiveness in 2015/16 in line with the Code's recommendation that reviews take place every four years, and the Board discussed the independent report and recommendations at its meeting on 26 July 2016. The Board established a working group that considered further the independent report and actions needed, and reported to the July 2017 meeting of the Board that the implementation of the resulting action plan was broadly complete. Further work by the group to reform the Instrument and Articles of Government will continue in 2017/18 and the group will report to the Board.

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 internal and external auditors in their annual opinion, 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 2017 and up to the date of approval of the financial statements; 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 and Risk 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 Audit and Risk 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 and Risk 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 and process which identifies risks to the University's strategy from the strategic to the operational level.
- a risk rating system to ensure that the likelihood and impact of each risk is analysed.
- a risk appetite statement to assist in risk / reward decision making
- a reporting system which ensures that risks are published and reviewed throughout the organisation and presented in a standardised format to the University Leadership Team, Audit and Risk Committee, and Board of Governors

The Memorandum of Assurance and Accountability requires the University to report any material adverse event, other significant event or a serious incident to HEFCE. During 2016/17 no such reports were made to HEFCE.

The University has a number of small prize funds that may constitute paragraph 28 (Charities Act 2011 schedule 3) connected charities but are below the threshold for individual reporting. Consolidated information about the prize funds is available in the University.



**SUMMARY OF
THE UNIVERSITY'S
STRUCTURE OF
CORPORATE
GOVERNANCE**

BOARD OF GOVERNORS

The University's Board of Governors comprises lay, staff and student members appointed under the Instrument of Government of the University. The roles of chair and deputy chair of the Board of Governors are separate from the role and office of the Vice-Chancellor. Members during 2016/17 were:

David Bradley

Dan Bye

Geoff Dawson

(Chair) to 6 October 2016

and member to 31 December 2016

Karen Finlayson

- member from 4 April 2017

Prof Chris Husbands

(Vice-Chancellor)

Dr Peter Jones

Dr Steve Jones

Christopher Kenny

Lord Robert Kerslake

(Chair) from 6 October 2016

Prof Christopher Kinsella

Neil MacDonald

Dr Julie Morrissy

Meg Munn

Peter Neild

(student nominee July 2016 - June 2017)

Julietta Patnick

- member from 1 January 2017

Luke Renwick

(student nominee July 2017 - June 2018)

Davey Silver

(student nominee July 2017 - June 2018)

Prof Judy Simons

(Deputy Chair of the Board)

Penny Thompson

- member from 4 April 2017

Dr Stephen Timothy

Prof Paul Wiles

Emily Wilkes

(student nominee July 2016 - June 2017)

Prof Jeffery Bale and Mr Kevin Taylor were appointed to the Board of Governors from 1 August 2017 and were members of the Board on the date on which the Annual Report and Financial Statements were approved.

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 via separate events.

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 implications of strategy and how to improve student engagement are considered via a University / Students' Union partnership group, Engage. 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.

Induction and finance training events were held for new members of the Board in autumn 2016 and spring 2017. During this year members of the Board were offered opportunities to develop their knowledge of the University with a tour of the University's clearing operations in summer 2016 and in 2017 tours of its libraries and the estate. In addition there were governors' roundtable discussions with students in

May 2017, a workshop in June 2017 which provided governors with an understanding of the changing legal and good practice measures in the area of fundraising, as well as assurance in respect of governors' obligations as trustees and, in July 2017 governors' briefings on the developing University Financial Plan.

The Board of Governors operates with a committee structure comprising:

- Finance and Employment Committee
- Remuneration Committee
- Nominations Committee
- Audit and Risk Committee

In addition, a new Academic Assurance Committee of the Board of Governors has been established from 1 August 2017. This new Committee will help the Board fulfil its requirement, set out in the Memorandum of Assurance and Accountability, to provide assurance to HEFCE on the University's approach to continuous improvement of the student academic experience, and the reliability of degree standards.

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 held 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 plans and monitors implementation of these plans.

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 Trade 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.

The Committee assists the Board of Governors to discharge its responsibilities under s22(2)(g) of the Education Act 1994 by considering the Students' Union grant for recommendation to the Board and receiving reports from the Chief Finance and Planning Officer on the monitoring of the Students' Union's performance against its budget. Members during 2016/17 were:

David Bradley
Geoff Dawson
to 6 October 2016
Prof Chris Husbands
(Vice-Chancellor)
Neil MacDonald
(Chair)
Meg Munn
Dr Stephen Timothy
(Deputy Chair)
Lord Kerslake
from 1 January 2017

REMUNERATION COMMITTEE

This committee has responsibility for determining salaries and conditions of service for Board appointments which are the Vice-Chancellor, the Chief Finance and Planning Officer, the Chief Operating Officer and Clerk to the Board. More generally, it advises the Vice-Chancellor on the salaries and conditions of service of senior managers.

Following ongoing student and public interest in the remuneration of heads of HEFCE-funded higher education institutions and in the severance payments and packages received by those vacating office,

HEFCE had issued further guidance on this issue (HEFCE 17/2017). The guidance was reviewed by the Remuneration Committee in May 2017 and it was satisfied that it operated in line with the recommendations in the circular, and in a manner consistent with the principles of the Good Pay Guide for Charities and Social Enterprises' guidance for charities, issued by the Association of Chief Executives of Voluntary Organisations. Members during 2016/17 were:

Geoff Dawson
(Chair) to 6 October 2016
Prof Chris Husbands
(Vice-Chancellor)
Prof Christopher Kinsella
Prof Judy Simons
(Deputy Chair of the Board)
Lord Kerslake
(Chair) from 6 October 2016
Neil MacDonald

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. Members during 2016/17 were:

Geoff Dawson

(Chair) to 6 October 2017

Prof Chris Husbands

(Vice-Chancellor)

Dr Peter Jones

Neil MacDonald

Meg Munn

Dr Toni Schwarz

Prof Judy Simons

(Deputy Chair)

Emily Wilkes

Lord Kerslake

(Chair) from 6 October 2016

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets four times each year, with the University's external and internal auditors in attendance.

The Committee considers 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. Members during 2016/17 were:

Christopher Kenny

(Deputy Chair)

Prof Christopher Kinsella

(Chair)

Rick Plews

(external co-option)

Dr Julie Morrissy

John Warner

(external co-option)

Prof Judy Simons

Whilst executive officers attend meetings of the Audit and Risk 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 THE PREPARATION
OF THE FINANCIAL
STATEMENTS**

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
- 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.

- 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 Memorandum of assurance and accountability, the funding agreement with the National College for Teaching and Leadership 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;

In so far as the Board of Governors is aware:

- there is no relevant audit information of which the auditor is unaware; and
- the Board of Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Annual Report on pages 3 to 45 was approved on behalf of the Board of Governors on 28 November 2017.



Lord Kerslake,
Chair of the Board of Governors



Chris Husbands,
Vice Chancellor



**INDEPENDENT
AUDITOR'S REPORT
TO THE GOVERNING
BODY OF SHEFFIELD
HALLAM UNIVERSITY**

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF SHEFFIELD HALLAM UNIVERSITY

OPINION

We have audited the financial statements of Sheffield Hallam University (the 'parent university') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a Summary of Significant Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent university's affairs as at 31 July 2017 and of the group's and parent university's income and expenditure, gains and losses, changes in reserves and group's cash flows 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 published in March 2014.

BASIS FOR OPINION

We have been appointed as auditor under the Education Reform Act 1988 and report in accordance with regulations made under those Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in

the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance

with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHO WE ARE REPORTING TO

This report is made solely to the University's Governing Body, as a body, in accordance with paragraph 13.2 of the University's articles of government. Our audit work has been undertaken so that we might state to the University's 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 University and the University's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Governing Body are responsible for the other information. The other information comprises the information included in the annual report set out on page 3 to 45, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2017 and the funding agreement with the National College for Teaching and Leadership.

In our opinion, in all material respects:

- funds from whatever source administered by the parent university for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE and the National College for Teaching and Leadership have been applied in accordance with the Memorandum of assurance and accountability, the funding agreement with the National College for Teaching and Leadership and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met

RESPONSIBILITIES OF GOVERNING BODY FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of responsibilities of the Governing Body set out on page 45, the Governing Body is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body are responsible for assessing the group's and the parent university's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate the group or the parent university or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

15 December 2017



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 JULY 2017

	Note	Consolidated		University	
		2017 £000	2016 £000	2017 £000	2016 £000
Income					
Tuition fees and education contracts	3	222,453	219,223	222,441	219,179
Funding body grants	4	22,867	22,376	22,867	22,376
Research grants and contracts	5	8,037	7,944	8,012	7,880
Other income	6	14,050	15,888	10,631	12,086
Investment income	7	662	936	662	936
Donations and endowments	8	38	93	38	93
Total income		268,107	266,460	264,651	262,550
(excludes share of joint venture £4.1m, 2016: £2.8m)					
Expenditure					
Staff Costs	9	(174,378)	(166,715)	(172,177)	(164,182)
Other operating expenses	10	(69,666)	(70,854)	(68,415)	(69,479)
Depreciation	13/14	(21,089)	(20,017)	(21,087)	(20,015)
Interest and other finance costs	11	(5,738)	(5,782)	(5,738)	(5,782)
Total expenditure	12	(270,871)	(263,368)	(267,417)	(259,458)
(Deficit)/ surplus before other gains losses and share of operating surplus of joint ventures and associates		(2,764)	3,092	(2,766)	3,092
Loss on disposal of fixed assets		(103)	-	(103)	-
Share of operating surplus/ (deficit) in joint venture	16	15	(3)	-	-
(Deficit)/ surplus before tax		(2,852)	3,089	(2,869)	3,092
Taxation		-	-	-	-
(Deficit)/ surplus for the year		(2,852)	3,089	(2,869)	3,092
Actuarial gain/ (loss) in respect of pension scheme	25	20,120	(38,877)	20,120	(38,877)
Total comprehensive income for the year		17,268	(35,788)	17,251	(35,785)
Represented by:					
Endowment comprehensive income for the year	26	(8)	(23)	(8)	(23)
Restricted comprehensive income for the year		(5)	2	(5)	2
Unrestricted comprehensive income for the year		17,281	(35,767)	17,264	(35,764)
		17,268	(35,788)	17,251	(35,785)
All items of income and expenditure relate to continuing activities.					

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES FOR YEAR ENDED 31 JULY 2017

	Income and expenditure reserve-endowment reserve	Income and expenditure reserve-restricted reserve	Income and expenditure reserve-unrestricted reserve	Total
Consolidated	£000	£000	£000	£000
Balance at 1 August 2015	68	33	200,646	200,747
Surplus for the year	-	-	3,089	3,089
Other comprehensive (expenditure)	-	-	(38,877)	(38,877)
Release of restricted funds spent in year	(23)	-	23	-
New restricted funds in year	-	2	(2)	-
Total comprehensive (expenditure)/income for the year	(23)	2	(35,767)	(35,788)
Balance at 1 August 2016	45	35	164,879	164,959
(Deficit) for the year	-	-	(2,852)	(2,852)
Other comprehensive income	-	-	20,120	20,120
Release of restricted funds spent in year	(8)	(8)	16	-
New restricted funds in year	-	3	(3)	-
Total comprehensive income/(expenditure) for the year	(8)	(5)	17,281	17,268
Balance at 31 July 2017	37	30	182,160	182,227
University	£000	£000	£000	£000
Balance at 1 August 2015	68	33	200,594	200,695
Surplus for the year	-	-	3,092	3,092
Other comprehensive (expenditure)	-	-	(38,877)	(38,877)
Release of restricted funds spent in year	(23)	-	23	-
New restricted funds in year	-	2	(2)	-
Total comprehensive (expenditure)/income for the year	(23)	2	(35,764)	(35,785)
Balance at 1 August 2016	45	35	164,830	164,910
(Deficit) for the year	-	-	(2,869)	(2,869)
Other comprehensive income	-	-	20,120	20,120
Release of restricted funds spent in year	(8)	(8)	16	-
New restricted funds in year	-	3	(3)	-
Total comprehensive income/(expenditure) for the year	(8)	(5)	17,264	17,251
Balance at 31 July 2017	37	30	182,094	182,161

CONSOLIDATED AND UNIVERSITY BALANCE SHEET FOR YEAR ENDED 31 JULY 2017

	Note	Consolidated		University	
		2017 £000	2016 £000	2017 £000	2016 £000
Non-current assets					
Fixed assets	13,14	310,892	314,637	310,878	314,621
Investments	15	45	45	42	42
Investment in joint venture	16	62	47	-	-
		310,999	314,729	310,920	314,663
Current assets					
Stock	17	683	115	656	97
Debtors	18	19,540	19,043	18,798	18,111
Investments	19	40,001	35,000	40,001	35,000
Cash and cash equivalents		75,179	78,010	75,073	77,919
		135,403	132,168	134,528	131,127
Less: Creditors: amounts falling due within one year	20	(45,252)	(46,770)	(44,364)	(45,712)
Net current assets		90,151	85,398	90,164	85,415
Total assets less current liabilities		401,150	400,127	401,084	400,078
Creditors: amounts falling due after more than one year	21	(87,670)	(91,490)	(87,670)	(91,490)
Provisions					
Pension provisions	24	(125,327)	(137,451)	(125,327)	(137,451)
Other provisions	24	(5,926)	(6,227)	(5,926)	(6,227)
Total net assets		182,227	164,959	182,161	164,910
Restricted reserves					
Income and expenditure reserve - endowment reserve	26	37	45	37	45
Income and expenditure reserve - restricted reserve		30	35	30	35
Unrestricted reserves					
Income and expenditure reserve - unrestricted		182,160	164,879	182,094	164,830
Total Reserves		182,227	164,959	182,161	164,910

The Financial Statements on pages 51 to 91 were approved on behalf of the Board of Governors on 28 November 2017


Lord Kerslake,
Chair of the Board of Governors


Chris Husbands,
Vice Chancellor

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 JULY 2017

	Note	2017 £000	2016 £000
Cash flow from operating activities			
(Deficit)/ surplus for the year		(2,852)	3,089
Adjustment for non-cash items:			
Depreciation		21,089	20,017
(Increase)/decrease in stock	17	3	(1)
(Increase)/ decrease in debtors	18	(549)	74
Increase/ (decrease) in creditors	20,21	2,973	(3,677)
Increase in pension provision	24	7,996	5,017
(Decrease)/ increase in other provisions	24	(301)	2,345
Share of operating (surplus) / deficit in joint venture	16	(15)	3
Adjustment for investing or financing activities			
Investment income	7	(662)	(936)
Endowments receivable	26	-	(15)
Endowments payable	26	8	38
Interest payable	11	2,111	2,255
Loss on the sale of fixed assets		103	-
Capital grant income		(2,845)	(2,551)
Net cash inflow from operating activities		27,059	25,658
Cash flows from investing activities			
Proceeds from sales of fixed assets		840	-
Capital grants receipts		2,093	8,056
Capital grant repayments		(2,679)	-
Investment income		714	1,079
Payments made to acquire fixed assets		(21,235)	(32,401)
(New investment deposits)/ withdrawal of deposits		(5,001)	17,014
New endowment deposits		-	(15)
		(25,268)	(6,267)
Cash flows from financing activities			
Interest paid		(2,117)	(2,255)
Repayments of amounts borrowed		(2,497)	(2,462)
Endowments received		-	15
Endowment payments		(8)	(38)
		(4,622)	(4,740)
(Decrease)/increase in cash and cash equivalents in the year		(2,831)	14,651
Cash and cash equivalents at beginning of the year		78,010	63,359
Cash and Cash equivalents at the end of the year		75,179	78,010

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

ENTITY INFORMATION

Sheffield Hallam University is a Higher Education Corporation (HEC) as defined under the Education Reform Act 1988 and is incorporated in England. The University's registered office address is Sheffield Hallam University, City Campus, Howard Street, Sheffield, S1 1WB.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (2015 SORP) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102.

The financial statements have adopted the disclosure exemption set out in Section 3.3 of 2015 SORP and do not include a parent institution's Statement of Cash Flows.

The financial statements are presented in Sterling (£).

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 2017. 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.

Joint ventures are accounted for using the equity method.

GOING CONCERN

The University has embarked upon implementing strategy-related revenue initiatives in 2017/18 and 2018/19 which entail incurring significant additional costs but will result in an improved financial performance and financial sustainability thereafter. The additional short term revenue cost impacts are permissible within the terms of the University's bank loan, and are funded through reserves. Sensitivity analysis has been performed to assess the potential impact of a range of internal and external factors upon its ability to maintain operations and comply with financial covenants. As a result of this, the University has a reasonable expectation that there will be adequate resources to continue in operational existence for the foreseeable future. Underlying cash generation remains strong. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

RECOGNITION OF INCOME

Fee income is credited to the statement of comprehensive income over the period in which students are studying. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Government revenue grants, including funding council block grant, and research grants, are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors on the balance sheet and allocated between creditors due within one year and due after more than one year, as appropriate.

Revenue grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met.

Government capital grants are recognised in income over the expected useful life of the asset to which they relate.

Capital grants from non-government sources are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met, allocated between creditors due within one year and due after more than one year as appropriate.

All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

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 statement of comprehensive income when the goods or services are supplied or the terms of the contract have been met.

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

DONATIONS AND ENDOWMENTS

Non exchange transactions without performance related conditions are donations and endowments. The University reviews the terms of its donations and endowments to ensure that the funds are applied in accordance with each donor's specified intentions.

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

- a) Restricted donations- the donor has specified that the donation must be used for a particular objective;
- b) Unrestricted permanent endowments- the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University;
- c) Restricted expendable endowments- the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the University has the power to use the capital;
- d) Restricted permanent endowments- the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

RETIREMENT BENEFITS

The University contributes to the Universities Superannuation Scheme (USS), the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

With effect from 1 October 2016, the USS scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme. Since the University has entered into an agreement (the "Recovery Plan") that determines how each employer within the USS scheme will fund the overall deficit, the University recognises a provision for the contributions payable that arise from the agreement (to the extent that they relate to the deficit).

The TPS scheme is a multi-employer defined benefit scheme. It is not possible to identify the assets of the TPS scheme which are attributable to the University due to the mutual nature of the scheme. As required by Section 28 of FRS 102 "Employee benefits", the University accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme.

The LGPS scheme is a defined benefit scheme. The University is able to identify its share of assets and liabilities of the LGPS and therefore accounts for this scheme as a defined benefit plan. Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risks (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets.

The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

OTHER EMPLOYMENT BENEFITS

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

TERMINATION BENEFITS

Termination benefits paid to employees are recognised as an expense in the year in which they are paid or when the University is demonstrably committed to (a) terminate the employment of an employee, or group of employees, before their normal retirement date or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The termination benefits will be measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded in sterling 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 Statement of Comprehensive Income for the financial year.

LEASES

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at an amount equal to the lower of their fair value and the present value of the minimum lease payments 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. Any lease premiums or incentives are spread over the minimum lease term.

FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

LAND AND BUILDINGS

Land and buildings were revalued to fair value prior to the transition to the 2015 SORP and are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Depreciation and impairment losses are subsequently charged on the revalued amount.

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Borrowing costs are recognised in the period in which they are incurred.

DEPRECIATION

- Land
Freehold land is not depreciated.
- Freehold buildings
Depreciation on new and existing freehold buildings is provided on a straight line basis over their expected useful lives, as follows:
 - Buildings (frame)- 60 years
 - Buildings (mechanical and engineering additions)- 25 years
 - Fixtures and fittings- 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 a 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.
- Depreciation methods, useful economic lives and residual values are reviewed at the date of preparation of each Balance Sheet.

MAINTENANCE OF ASSETS

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 statement of comprehensive income as incurred.

ASSETS FOR RESALE

Tangible fixed assets surplus to requirement are transferred to current assets and are held at the lower of Net Book Value and estimated sales value.

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

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

STOCKS

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

FINANCIAL ASSETS

Basic financial assets including trade and other receivables are initially recognised at the cash amount receivable

CASH AND CASH EQUIVALENTS

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. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value.

FINANCIAL LIABILITIES

Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction prices, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

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.

The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects risks specific to the liability.

TAXATION STATUS

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 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 sections 478-488 CTA 2010 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. Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates

expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

RESERVES

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has a designated specific purpose and therefore the University is restricted in the use of these funds.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements requires management to make significant estimates and judgements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

ESTIMATES AND JUDGEMENTS IN PENSION COSTS

The University has obligations to pay pension benefits to certain employees who are members of the Local Government Pension Scheme (LGPS), a scheme accounted for as a defined benefit plan. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, using external professional advice, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

The University has obligations to pay pension benefits to certain employees who are members of the Universities Superannuation Scheme (USS), which is accounted for as a defined contribution scheme. The University has committed to contribute to a deficit recovery plan for the scheme and management has calculated a provision for these costs in the balance sheet. The present value of the obligation depends on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, using external professional

advice, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Management is satisfied that the USS scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

JUDGEMENTS IN FIXED ASSET ADDITIONS

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the asset beyond its previously assessed standard of performance. Management determine whether to capitalise fixed asset costs based on an assessment of whether they meet one of the following criteria: the market value of the fixed asset has subsequently improved; the asset's capacity increases; substantial improvement in the quality of output or reduction in operating costs; and significant extension of the asset's life beyond that conferred by repairs and maintenance. The assessment of these factors requires management's judgement.

ESTIMATES AND JUDGEMENTS IN DEPRECIATION

The annual depreciation charge for fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. Depreciation methods, useful economic lives and residual values are reviewed by management at the date of preparation of each Balance Sheet. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of

the assets. The assessment of these factors requires management's judgement.

JUDGEMENTS IN CLASSIFYING LEASES

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leases in which the University does not assume substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Management exercises judgement in classifying its leases for accounting purposes.

ESTIMATES AND JUDGEMENTS IN ACCRUALS AND PROVISIONS

Short term employee benefits are charged to the statement of comprehensive income as the employee service is received. An accrual is made for the cost of paid annual leave that has not been used at the financial year-end. The accrual requires management's best estimate of outstanding holiday balances based on a review of holiday records for a sample of academic, administrative and other staff. The assessment of this data requires management's judgement.

Provision is made for the cost of dilapidations of certain of the University's buildings. This provision requires management's best estimate of the costs that will be incurred to settle a present obligation and an estimate of any reimbursement of costs from sub-tenants. The amount recognised as a provision is discounted to present value where the time value of money is material. The timing of the estimated cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

3. TUITION FEES AND EDUCATION CONTRACTS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Full-time and undergraduate home and EU students	149,467	144,391	149,467	144,391
Full-time and postgraduate home and EU students	11,582	10,096	11,582	10,096
Part-time undergraduate home and EU students	6,310	6,673	6,310	6,673
Part-time postgraduate home and EU students	3,381	3,090	3,381	3,090
Overseas students	21,732	24,799	21,732	24,799
Fees from NHS contracts	29,405	29,321	29,405	29,321
Other fees and support grants	576	853	564	809
	222,453	219,223	222,441	219,179

4. FUNDING BODY CONTRACTS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Higher Education Funding Council for England				
Recurrent grant	17,161	17,339	17,161	17,339
Specific grants	2,674	2,215	2,674	2,215
National College for Teaching and Leadership				
Recurrent grant	93	105	93	105
Specific grants	118	173	118	173
Deferred capital grants released in year				
Recurrent grant	2,245	1,938	2,245	1,938
Specific grants	576	606	576	606
	22,867	22,376	22,867	22,376

5. RESEARCH GRANTS AND CONTRACTS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Research councils	1,086	477	1,086	477
UK based charities	1,144	877	1,159	861
UK central government bodies, local authorities and health authorities	3,491	3,563	3,483	3,540
UK industry, commerce and public corporations	571	603	575	581
EU government bodies	1,313	2,134	1,313	2,134
EU other	125	74	89	74
Other overseas	205	138	205	138
Other sources	102	78	102	75
	8,037	7,944	8,012	7,880

6. OTHER INCOME

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Residences, catering and conferences	3,778	3,305	3,125	2,928
Consultancy	2,060	2,766	-	67
Other income	8,212	9,817	7,506	9,091
	14,050	15,888	10,631	12,086

7. INVESTMENT INCOME

	Consolidated and University	
	2017 £000	2016 £000
Other investment income	662	936
	662	936

8. DONATIONS AND ENDOWMENTS

	Consolidated and University	
	2017 £000	2016 £000
Unrestricted donations	38	93
	38	93

9. STAFF COSTS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Staff costs				
Wages and salaries	132,166	130,471	130,228	128,217
Social security costs	13,786	11,525	13,679	11,420
Pension costs (note 25)	25,423	21,938	25,267	21,764
Restructuring costs	3,003	2,781	3,003	2,781
	174,378	166,715	172,177	164,182

Average number of staff employed during the year was made up as follows:

	Consolidated and University	
	2017 Number of FTE's	2016 Number of FTE's
Faculty / Research Institute based	2,043	2,044
Academic support departments	242	266
Project and Central activities	26	31
Administration	945	912
Other	247	247
	3,503	3,500

9. STAFF COSTS (CONTINUED)

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

Consolidated and University

	2017 Number	2016 Number
£100,000 - £109,999	1	1
£110,000 - £119,999	-	1
£120,000 - £129,999	2	3
£130,000 - £139,999	3	2
£140,000 - £149,999	-	1
£150,000 - £159,999	-	1

The note does not include staff who have not worked at the University for a full year, but who would have fallen into the high earner bandings had they been paid for a full year (in line with HEFCE's Accounts Direction). There were 6 members of staff who fell into this category.

Emoluments of the Vice-Chancellor

Consolidated and University

	2017 £000	2016 £000
Salary	240	140
Bonus	-	-
Other benefits	18	1
	258	141
Pension contributions	40	23
	298	164

The current Vice Chancellor held office from 1 January 2016 and so the figure for the year ended 31 July 2016 represents a 7 month period.

9. STAFF COSTS (CONTINUED)

Compensation for loss of office payable to senior post holders

Consolidated and University

	2017 £000	2016 £000
Compensation payable	132	-

The compensation payment was agreed by the University's Remuneration Committee and paid to one senior post holder.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University defines the members of its University Leadership Team to be key management personnel. Compensation paid to key management personnel is included in staff costs.

During the year ended 31 July 2017 there were 13 (2016: 14) members of the University Leadership Team.

Consolidated and University

	2017 £000	2016 £000
Key management personnel compensation payable	2,034	2,175

This is the total remuneration for services, including all employee benefits.

PAYMENTS TO MEMBERS OF THE BOARD OF GOVERNORS

Members of the Board of Governors are trustees of the University as an exempt charity. The University is required under the Memorandum of Assurance and Accountability between HEFCE and Institutions 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. This information is disclosed in note 31.

10. OTHER OPERATING EXPENSES

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Other operating expenses include:				
Operating lease expenditure - land and buildings	2,582	2,026	2,582	2,026
Operating lease expenditure - equipment	320	278	320	278
External auditor's remuneration in respect of audit services	58	72	51	65
External auditor's in respect of non-audit services	19	34	18	33
Internal audit services	181	184	181	184

11. INTEREST AND OTHER FINANCE COSTS

	Consolidated and University	
	2017 £000	2016 £000
Loans not wholly repayable within 5 years	2,111	2,255
Net charge on pension scheme (note 25)	3,627	3,527
	5,738	5,782

12. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Academic Departments	125,655	120,624	125,303	120,236
Academic services	41,592	41,412	41,592	41,412
Administration and central services	41,069	39,393	40,530	38,827
Premises	34,463	35,903	34,390	35,924
Residences, catering and conferences	3,121	3,091	2,857	2,773
Research grants and contracts	9,154	8,530	9,065	8,463
Other expenses	15,817	14,415	13,680	11,823
	270,871	263,368	267,417	259,458

13. TANGIBLE FIXED ASSETS - CONSOLIDATED

	Land and Buildings			Assets under Construction	Equipment	Total
	Freehold	Long lease hold	Short lease hold			
	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2016	302,350	12,878	1,951	14,961	51,924	384,064
Additions	1,774	-	-	9,050	8,034	18,858
Disposals	(1,197)	(136)	-	-	(61)	(1,394)
Transfers to current assets	(685)	-	-	-	-	(685)
Transfers	15,475	37	-	(15,523)	11	-
At 31 July 2017	317,717	12,779	1,951	8,488	59,908	400,843
Depreciation						
At 1 August 2016	27,923	4,747	1,951	-	34,806	69,427
Charge for year	15,175	706	-	-	5,208	21,089
Disposals	(300)	(136)	-	-	(15)	(451)
Transfers to current assets	(114)	-	-	-	-	(114)
At 31 July 2017	42,684	5,317	1,951	-	39,999	89,951
Net Book Value						
At 31 July 2017	275,033	7,462	-	8,488	19,909	310,892
At 31 July 2016	274,427	8,131	-	14,961	17,118	314,637

At 31 July 2017, freehold land and buildings included £23,441,000 (2016: £21,812,000) in respect of freehold land and is not depreciated.

14. TANGIBLE FIXED ASSETS - UNIVERSITY

	Land and Buildings			Assets under Construction	Equipment	Total
	Freehold	Long lease hold	Short lease hold			
	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2016	302,350	12,878	1,951	14,961	51,898	384,038
Additions	1,774	-	-	9,050	8,034	18,858
Disposals	(1,197)	(136)	-	-	(61)	(1,394)
Transfers to current assets	(685)	-	-	-	-	(685)
Transfers	15,475	37	-	(15,523)	11	-
At 31 July 2017	317,717	12,779	1,951	8,488	59,882	400,817
Depreciation						
At 1 August 2016	27,923	4,747	1,951	-	34,796	69,417
Charge for year	15,175	706	-	-	5,206	21,087
Disposals	(300)	(136)	-	-	(15)	(451)
Transfers to current assets	(114)	-	-	-	-	(114)
At 31 July 2017	42,684	5,317	1,951	-	39,987	89,939
Net Book Value						
At 31 July 2017	275,033	7,462	-	8,488	19,895	310,878
At 31 July 2016	274,427	8,131	-	14,961	17,102	314,621

At 31 July 2017, freehold land and buildings included £23,441,000 (2016: £21,812,000) in respect of freehold land and is not depreciated.

15. NON-CURRENT INVESTMENTS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Investments in subsidiaries and indirect holdings	45	45	42	42

The subsidiary companies (all of which are registered in England and Wales), wholly owned by the University, are as follows:

Name of company	Principal Activity	Percentage of Ordinary Shares Held
Collegiate Properties Ltd*	Dormant	100
Sheffield Hallam Innovation and Enterprise Ltd	Holding Company	100
Sheffield Hallam University Enterprises Ltd	Consultancy, provision of conference facilities and letting of accommodation	100

*this company is exempt from an audit by virtue of s477 of the Companies Act 2006

The address of the registered offices of the subsidiaries is Sheffield Hallam University, City Campus, Howard Street, Sheffield, S1 1WB.

The University holds indirect investments in other companies through Sheffield Hallam Innovation and Enterprise Limited as follows:

Name of company	Principal Activity	Percentage of Ordinary Shares Held
Sheaf Innovations Limited**	Research	24.9
Barrcoat AB**	Research	20.6
Darton Ceramics Limited	Research	7.2
Mikana Innovations Limited	Metal production	14.8

The companies are registered in England and Wales, except for Barrcoat AB which is registered in Sweden.

**the results and net assets of these companies are not material to the University and, therefore, excluded from the University's consolidated financial statements.

During the year Sheffield Hallam Innovation and Enterprise Limited acquired an additional 155 shares in Mikana Innovations Limited taking its shareholding from 8.2% to 14.8%

16. INVESTMENTS IN JOINT VENTURES

The University holds a 25% shareholding in the joint venture company Stem Learning Limited, which operates the National Science Learning Centre as a centre for excellence for science teachers' continuing professional development.

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Share of net assets				
Stem Learning Ltd				
At 1 August	47	50	-	-
Share of operating surplus/(deficit)	15	(3)	-	-
	62	47	-	-
Net assets comprised of:				
Share of gross assets	1,427	926	-	-
Share of gross liabilities	(1,365)	(879)	-	-
Investment in joint venture	62	47	-	-

The University's 25% share of the turnover of Stem Learning Limited of £4,123,000 (2016: £2,751,000) is excluded from the University's consolidated income.

17. STOCK

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Stock	112	115	85	97
Assets held for resale	571	-	571	-
	683	115	656	97

Assets held for resale contains freehold land, previously held in fixed assets, that is in the process of being sold. The recoverable amount of the asset is in excess of the carrying value.

18. DEBTORS

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Amounts falling due within one year				
Other trade receivables	10,842	11,383	10,265	10,640
Prepayments	4,536	4,588	4,533	4,586
Accrued Income	4,162	3,072	3,929	2,871
Amounts owed by group undertakings	-	-	71	14
	19,540	19,043	18,798	18,111

19. CURRENT INVESTMENTS

	Consolidated and University	
	2017 £000	2016 £000
Short term deposits	40,001	35,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity but less than twelve months at the inception date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

The weighted average interest rate on these fixed rate deposits was 0.61% (2016: 0.9% per annum) and the remaining weighted average period for which the interest rate is fixed on these deposits was 108 days (2016: 83.6 days).

20. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Unsecured loans (note 22)	2,562	2,497	2,562	2,497
Trade payables	6,017	7,436	5,995	7,434
Social security and other taxation payable	3,884	4,060	3,884	3,902
Accruals and deferred income	21,532	22,540	20,984	21,981
Payments received on account	11,257	10,237	10,939	9,898
	45,252	46,770	44,364	45,712

20. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

Included within accruals and deferred income are the following items which have been deferred under the accruals basis and will be released to match against the cost of the assets funded.

	Consolidated and University	
	2017 £000	2016 £000
Capital grant income	3,249	2,714

21. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated and University	
	2017 £000	2016 £000
Accruals and deferred income	23,597	24,855
Unsecured Loans (note 22)	64,073	66,635
	87,670	91,490

Included within accruals and deferred income are the following items which have been deferred under the accruals basis and will be released to match against the cost of the assets funded.

	Consolidated and University	
	2017 £000	2016 £000
Capital grant income	23,597	24,855

21. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

	Consolidated and University	
	2017 £000	2016 £000
Capital grants		
As at 1 August	27,569	26,259
Cash receivable	2,122	3,861
Released to income & expenditure account	(2,845)	(2,551)
As at 31 July	26,846	27,569

22. BORROWINGS

	Consolidated and University	
	2017 £000	2016 £000
Analysis of unsecured loans		
Due within one year	2,562	2,497
Due between one and two years	2,620	2,562
Due between two and five years	8,242	8,046
Due in five years or more	53,211	56,027
	66,635	69,132

Unsecured loans relate to a term loan with Barclays Bank plc to 2037. The interest is charged at a fixed rate of 5.22% on £37.1m (2016: £38.1m) and a variable rate on the remaining £29.6m (2016: £31.0m). The facility is unsecured.

23. FINANCIAL INSTRUMENTS

The University's financial assets include trade debtors, accrued income and short-term deposits, which are disclosed in Notes 18 and 19, and are held at amortised cost. The University's financial liabilities include trade payables, accruals and loans, which are disclosed in Notes 20 and 21, and are held at amortised cost.

24. PROVISIONS

	Consolidated and University						
	Pension Provisions				Other provisions		
	LGPS pension scheme	USS pension scheme	Total pension provisions	Pension enhancement on termination	Restructuring	Other	Total other provisions
£000	£000	£000	£000	£000	£000	£000	£000
At 1 August 2016	134,798	2,653	137,451	397	984	4,846	6,227
Created in year	-	51	51	242	1,582	619	2,443
Utilised in year	(9,553)	(183)	(9,736)	(239)	(906)	(1,463)	(2,608)
Released in year	(2,439)	-	(2,439)	(58)	(78)	-	(136)
At 31 July 2017	122,806	2,521	125,327	342	1,582	4,002	5,926

The LGPS pension provision represents an estimate of the University's net liability in respect of the Local Government Pension Scheme (accounted for as a defined benefit scheme) and is explained further in note 25.

The USS pension provision represents an estimate of the cost of additional deficit contributions to the Universities Superannuation Scheme (accounted for as a defined contribution scheme). The obligation to fund the past deficit on the USS arises from the contractual obligation with the pension scheme for total payments relating to past performance. Management has assessed further employees within the USS and salary payment over the period of the contracted obligation in assessing the value of this obligation. The provision assumes a discount rate of 1.85% (2016: 1.7%). Further details of the USS are provided in note 25.

The pension enhancement on termination provision is in respect of pension enhancements payable on behalf of staff who have taken early retirement. This will be utilised over the period of retirement. The amount recognised as a provision has not been discounted to present value as the difference in the time value of money is not material.

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 2017/18.

The other provision relates to dilapidation costs arising from leased properties. It is expected that this will be utilised over the next five years. The provision is net of anticipated reimbursement of costs from sub-tenants and is subject to negotiation with parties of the relevant lease agreements in place.

25. 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).

	Consolidated		University	
	2017 £000	2016 £000	2017 £000	2016 £000
Teachers' Pension Scheme	10,465	10,256	10,401	10,174
Universities Superannuation Scheme	1,344	1,562	1,335	1,550
Local Government Pension Scheme	13,614	10,120	13,531	10,040
Total pension cost (note 9)	25,423	21,938	25,267	21,764

TEACHERS' PENSION SCHEME (TPS)

The University participates in the Teachers' Pension Scheme, a statutory, unfunded, defined benefit scheme. 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 Statement of Comprehensive Income being equal to the contributions payable to the scheme for the year.

Tiered employee contributions (and an increase in the average contribution rate) were introduced to the TPS in April 2012 following the recommendations of Lord Hutton, chair of the Independent Public Service Pensions Commission, in his interim report reviewing the sustainability and affordability of public sector pension schemes.

A new scheme ("the 2015 Scheme") was introduced from 1 April 2015. The 2015 Scheme is based on career average, rather than final salary and there is a normal pension age aligned to the state pension age.

The employer contribution rate for the Teachers' Pension Scheme increased from 14.1% to 16.48% from 1 September 2015 and the employer cost cap (the mechanism by which the scheme costs are managed in the long term) is 10.9%.

In accordance with the Scheme regulations, it was agreed that pension payments would not be increased from April 2016 (2015-16: 1.2% increase) reflecting the negative change in CPI for the year ended September 2015.

Whilst contribution rates remain static in 2017-18 there is an increase in band width for each salary band.

25. PENSION COSTS (CONTINUED)

	2017/18		2016/17
£1 - £26,259	7.4%	£1 - £25,999	7.4%
£26,260 - £35,349	8.6%	£26,000 - £34,999	8.6%
£35,350 - £41,914	9.6%	£35,000 - £41,499	9.6%
£41,915 - £55,549	10.2%	£41,500 - £54,999	10.2%
£55,550 - £75,749	11.3%	£55,000 - £74,999	11.3%
£75,750 or more	11.7%	£75,000 or more	11.7%

The last formal actuarial assessment was as at 31 March 2012. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data for financial reporting purposes. The assessment of the liabilities recognised in the 2016/17 Accounts were prepared using full membership data as at 31 March 2014, with an approximate updating to 31 March 2017 to reflect known changes.

	31 March 2017	31 March 2016	31 March 2012
Rate of return (discount rate)	2.8%	3.6%	3.00%
Long term salary increases per annum	4.55%	4.2%	4.75%
Pension increases per annum	2.55%	2.2%	2.00%
Value of notional assets	-	-	£176.6bn
Value of liabilities	£347.3bn	£271.7bn	£191.5bn
Notional past service deficit	£347.3bn	£271.7bn	£15.0bn

The cost of benefits accrued in the year ended 31 March 2017 (the Current Service Cost) is based on a standard contribution rate of 32.3%. Taking into account an estimated average rate of contributions paid by members of 9.6%, the employers' share of the standard contribution rate is 22.7% for 2016-17 (24.2% for 2015-16). For the avoidance of doubt, the actual rate of contributions payable by employers, 16.48% of pensionable pay for 2016-17 (including administration levy), is not the same as the employers' share of the standard contribution rate. The key difference between the assumptions used for funding valuations and Annual Report and Accounts is the discount rate. The discount rate for Annual Report and Accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19. A formal valuation is currently in progress with the results due to be implemented in April 2019.

There was a balance of £1,413,000 owing by the University at 31 July 2017 (2016: £1,381,000).

25. PENSION COSTS (CONTINUED)

UNIVERSITIES SUPERANNUATION SCHEME (USS)

The University participates in the Universities Superannuation Scheme (USS), which is contracted out of the State Second Pension. With effect from 1 October 2016, the USS scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income

represents the contributions payable to the scheme. Since the University has entered into an agreement (the "Recovery Plan") that determines how each employer within the USS scheme will fund the overall deficit, the University recognises a provision for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) as set out in note 24. The Recovery Plan to address the scheme deficit was agreed in July 2016 and runs until 31 March 2031.

The total cost charged to the Statement of Comprehensive Income for 2017 is £1,344,000 (2016: £1,562,000). There was a balance of £190,000 owing by the University at 31 July 2017 (2016: £193,000).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the University cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets in the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing the expected future increase in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Males members' mortality	98% of S1NA "light" YoB tables - no age rating
Female members' mortality	99% of S1NA "light" YoB tables - rates down 1 year

25. PENSION COSTS (CONTINUED)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 years	24.4	24.3
Females currently aged 65 years	26.6	26.5
Males currently aged 45 years	26.5	26.4
Females currently aged 45 years	29.0	28.8

The actuary for the scheme carries out regular reviews of the funding levels and in particular each year between the triennial valuations and details of these for 2017 and 2016 are shown below.

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme Liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

The employer contribution rate for the year ended 31 March 2017 is 18% (year to 31 March 2016: 16%). The employer contribution rates include a contribution toward the shortfall.

25. 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 2016.

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 2017 was £12,946,000 of which employers contributions totalled £9,553,000 and employees contributions totalled £3,393,000. For the year ended 31 March 2018 the employer contribution rate is 18.27% (year ended 31 March 2017: 17.8%)

and the employee rates are on a sliding scale based on earnings, the rate varying between 5.5% and 12.5% (year ended 31 March 2017: between 5.5% and 12.5%).

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

There was a balance of £1,051,000 owing by the University at 31 July 2017 (2016: £1,037,000).

The material assumptions used by the actuary at 31 July were:

	2017	2016
Rate of increase in salaries	3.45%	3.45%
Rate of increase in pensions in payment	2.2%	1.8%
Discount rate	2.6%	2.6%
Inflation assumption	2.2%	1.7%
Proportion of employees opted to take a committed 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:

	At July 2017	At July 2016
Retiring today		
Males	22.9	23.0
Females	25.7	25.7
Retiring in 20 years		
Males	25.1	25.4
Females	28.0	28.5

The estimated contribution to the defined benefit scheme for the year 2017/18 is £9,352,000.

25. PENSION COSTS (CONTINUED)

SCHEME ASSETS

The assets in the LGPS scheme were:

	2017 Fund value £000	2016 Fund value £000	2015 Fund value £000
Equities	185,620	162,893	141,908
Government bonds	42,131	41,839	34,163
Other bonds	20,760	17,293	14,095
Property	27,782	30,682	27,474
Cash / Liquidity	6,106	4,742	4,300
Other	22,897	21,477	16,962
	305,296	278,926	238,902

Analysis of the amount shown in the balance sheet	2017 £000	2016 £000
Total fair value of assets	305,296	278,926
Present value of funded scheme liabilities	(428,035)	(413,628)
Present value of unfunded scheme liabilities	(67)	(96)
Deficit in scheme- net pension liability	(122,806)	(134,798)

25. PENSION COSTS (CONTINUED)

Amounts charged to staff costs	2017 £000	2016 £000
Current service cost	(13,591)	(10,127)
Settlements and curtailments	(508)	(351)
Total operating charge	(14,099)	(10,478)

Amounts charged to interest payable and other finance costs	2017 £000	2016 £000
Interest on pension scheme assets	7,318	9,190
Interest on pension scheme liabilities	(10,698)	(12,477)
Administration expenses	(202)	(198)
Net interest cost	(3,582)	(3,485)

Amounts recognised in other comprehensive income	2017 £000	2016 £000
Remeasurements (pension scheme assets)	14,182	25,166
Experience gain (pension scheme liabilities)	19,482	-
Change in financial and demographic assumptions underlying the scheme liabilities	(13,544)	(64,043)
Actuarial gain/ (loss) in respect of the pension scheme	20,120	(38,877)

25. PENSION COSTS (CONTINUED)

Movement in deficit in the year	2017 £000	2016 £000
Deficit in the scheme at 1 August	(134,798)	(91,089)
Current service costs	(13,591)	(10,127)
Contributions	9,553	9,131
Past service costs	(508)	(351)
Other finance costs	(3,582)	(3,485)
Actuarial gain/ (loss)	20,120	(38,877)
Deficit in the scheme provided at 31 July (note 24)	(122,806)	(134,798)

Analysis of the movement in the present value of scheme liabilities	2017 £000	2016 £000
Liabilities at 1 August	413,724	329,991
Service cost	13,591	10,127
Interest cost	10,698	12,477
Employee contributions	3,393	3,344
Actuarial gain on liabilities (experience gain)	(19,482)	-
Actuarial loss on liabilities (loss on assumptions)	13,544	64,043
Benefits paid	(7,874)	(6,609)
Settlements and curtailments	508	351
Liabilities at 31 July	428,102	413,724

25. PENSION COSTS (CONTINUED)

Analysis of the movement in the market value of scheme assets	2017 £000	2016 £000
Assets at 1 August	278,926	238,902
Interest income on plan assets	7,318	9,190
Actuarial gain on assets	14,182	25,166
Administration expenses	(202)	(198)
Employer contributions	9,553	9,131
Employee contributions	3,393	3,344
Benefits paid	(7,874)	(6,609)
Assets at 31 July	305,296	278,926

History of experience gains and losses	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Actual return less expected return on pension scheme assets	14,182	25,166	11,338	1,931	17,687
% of scheme assets	4.7%	9.0%	4.8%	0.9%	9.1%
Experience gains and losses arising on scheme liabilities	(19,482)	-	-	(1,817)	-
% of present value of scheme liabilities	4.6%	0%	0%	0.6%	0%
Total amount recognised in statement of total recognised gains and losses	20,120	(38,877)	(16,357)	(8,673)	12,569
% of present value of scheme liabilities	4.7%	9.4%	5.0%	3.1%	4.9%

26. ENDOWMENT RESERVE

Restricted net assets relating to expendable endowments are as follows:

	Consolidated and University	
	2017 £000	2016 £000
Balances at 1 August	45	68
New endowments	-	15
Investment income	-	-
Expenditure	(8)	(38)
Total endowment comprehensive income for the year	(8)	(23)
At 31 July	37	45
Analysis by type of purpose:		
Scholarships and bursaries	37	45
Analysis by asset:		
Current asset investments	37	45

27. LEASE OBLIGATIONS

	Consolidated and University	
	2017 £000	2016 £000
Total commitments under operating leases as at 31 July expiring:		
Buildings		
Within one year	1,596	1,518
Between one and five years	5,582	5,583
Over five years	26,449	22,707
Equipment		
Within one year	247	244
Between one and five years	281	294
Over five years	-	-
	34,155	30,346

28. CAPITAL COMMITMENTS

	Consolidated and University	
	2017 £000	2016 £000
Commitments contracted at 31 July	2,745	8,993
Authorised but not contracted at 31 July	28,434	28,061
	31,179	37,054

The capital commitment includes £23,767,000 (2016: £21,056,000) of spend which will be grant funded.

29. AMOUNTS DISBURSED AS AGENT OF NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP

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.

	Consolidated and University	
	2017	2016
	£000	£000
Initial teacher training bursaries		
Funds received	4,461	4,068
Disbursed to students	(4,182)	(3,760)
	279	308

30. RELATED PARTY TRANSACTIONS

The Governors have considered the requirements of Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland 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 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 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.

Mr Geoff Dawson, a Governor to 6 October 2016, was a director of the University and Colleges Employers Association (UCEA) which received payments of £15,511 (2015/16: £14,248) in relation to the annual subscription to UCEA, training and conferences/meetings and salary benchmarking.

Mr Geoff Dawson was a member of the Board of the Leadership Foundation for Higher Education which received payments from the University of £51,293 (2015/16: £42,957) in relation to annual membership fees and the provision of training and staff / governor development.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Ms Karen Finlayson, a Governor (from 4 April 2017), was a partner at PricewaterhouseCoopers which received payments of £18,000 (2015/16: £21,750) in relation to counterparty benchmarking. In addition, PricewaterhouseCoopers made a payment to the University of £240 (2015/16: £Nil) for a prize.

Ms Karen Finlayson was also a Lay Chair Member of the Board of Leeds Teaching Hospitals which received payments of £11,176 (2015/16: £25) in relation to staff secondment. In addition, Leeds Teaching Hospitals made payments to the University of £3,750 (2015/16: £9,130) in relation to sponsorship of tuition fees.

Professor Chris Husbands, Vice-Chancellor and member of the Board of Governors, was a director of Yorkshire Universities. Yorkshire Universities received payments from the University of £16,120 (2015/16: £16,120) in relation to the membership subscription.

Professor Husbands was a member of the Board of Sheffield College. Sheffield College received payments from the University of £141,171 (2015/16: £130,358) in relation to employer contribution to course delivery fees for apprentices, fees for preparation of Individualised Learner Records, student placements, prize money, NVQ funding, work related to the National Collaborative Outreach Programme and teaching provided by Sheffield College. In addition Sheffield College made payments to the University of £233,180 (2015/16: £178,938) in relation to course fees and sports hall hire.

Professor Husbands was a member of the Board of HESA which received payments from the University of £74,324 (2015/16: £61,533) in relation to the HESA subscription fee, data enquiries and training. In addition, HESA made payments during the year to the University of £514 (2015/16: £220) for travel expenses and owed a further £307 at the balance sheet date (2015/16: £Nil).

Mr Neil MacDonald, a Governor, was a director of Sheffield Children's Hospital Foundation Trust which received payments of £88,601 (2015/16: £21,775) in relation to staff secondment, charges for staffing including the provision of lectures and training, recharge of stipend for PhD student funded by the University and charge for filming. In addition Sheffield Children's Hospital Foundation Trust made payments during the year to the University of £51,909 (2015/16: £119,283) in relation to consultancy services and collaborative research and owed a further £40,133 at the balance sheet date (2015/16: £Nil).

Mr Neil MacDonald, a Governor, was a member of the Board of Museums Sheffield which received payments of £56,695 (2015/16: £37,426) in relation to educational visits, exhibitions, and exhibit, room and equipment hire.

Dr Julie Morrissy, a Governor, was a partner at Irwin Mitchell LLP which received payments of £257,218 (2015/16: £150,758) in relation to professional fees and disbursements (and £800 in 2015/16 in relation to the sponsorship of awards).

The following Executive Officers of Sheffield Hallam University Union of Students were members of the Board of Governors during the 2016/17 financial year:

- Mr L Renwick was a member of the Board of Governors from July 2017 and his period of office continues June 2018;
- Mr P Neild was a member of the Board from July 2016 to June 2017;
- Mr D Silver was a member of the Board of Governors from July 2017 and his period of office continues June 2018; and
- Ms E Wilkes was a member of the Board from July 2016 to June 2017.

Sheffield Hallam University Union of Students received payments of £2,713,757 (2015/16: £2,798,898) in relation to the yearly grant made to the Students' Union by the University, sports-related activities and charges, sports equipment, estates and facilities charges, catering and hospitality, security and DJ fees, sports event tickets, marketing and merchandising, uniforms and clothing, technical services, student society sponsorship, reimbursement of SHUcard sales, funding for Nightline, pensions, insurance costs and funding for a project run as part of the Catalyst Festival of Creativity, a University-wide initiative which was part of the Year of Making. Sheffield Hallam University received payments during the year from Sheffield Hallam University Union of Students of £357,169 (2015/16: £533,902) in relation to estates and facilities charges, catering, printing, training, IT support services telephone charges, sports charges and merchandise, commission for ticket sales; Sheffield Hallam University Union of Students owed a further amount of £34,037 to the University at 31 July 2017 (2016: £Nil).

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

31. TRANSACTIONS WITH TRUSTEES

Members of the Board of Governors are trustees of the University as an exempt charity. The University is required under the Memorandum of Assurance and Accountability between HEFCE and Institutions 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.

Professor Christopher Husbands, Vice-Chancellor, was a Governor of the University. Professor Husbands received remuneration in connection with his employment and this is disclosed in note 9. He did not receive supplementary payment in relation to his membership of Board of Governors.

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 for the year ended 31 July 2017. Dr Peter Jones and Dr Steve Jones 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 2017. 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.

During 2016/17, expenses in relation to travel, subsistence, accommodation, training, a contribution to a meeting cost, THES subscriptions and a sundry item totalling £12,000 (2015/16: £17,000) were paid to or on behalf of ten (2015/16: eleven) 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 30.

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