

Operating and Financial Review
for the year ended 31 July 2012



Front cover image

Kinetic Sculpture by Mike Dunn, PGCE Secondary Design and Technology

Sheffield Hallam University Operating and Financial Review 2011/12

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

2012 is a watershed year in the funding of Higher Education. We shall move towards a system in which the student pays for most of the costs of Higher Education through a 'fee'. The fee is secured through a loan backed by the Government and paid back as a graduate contribution. It is, however, a major shift in the funding of Higher Education. The Government will only pay a small proportion directly to universities. Most of our income in the future will come directly from the Student Loans Company.

2011/12 was therefore a transitional year in which we put in place plans for the new funding environment. This included major investments in staffing and the estate, as well as changes in our ways of doing things.

We have invested £4m in additional teaching staff and have invested heavily to support our Education for Employment strategy.

We have developed a range of initiatives that will see us working in closer partnership with the Students' Union to better understand the needs of students, including the new Sheffield Hallam Student Charter, the Student Voice Committee and the Student Opinion and Action Panel.

We have introduced the Inspirational Teaching Awards, in which nearly 2,000 students nominated over 1,000 members of staff who they judged to have had a transformational impact on their learning experience. 33 Awards were made and celebrated in the graduation ceremonies.

At the end of the year we celebrated our best ever performance in the National Student Survey (NSS), with overall satisfaction increasing from 79% to 82%. This suggests that the measures we are putting in place to improve the student experience are beginning to take effect.

Undergraduate applications for September 2011 entry reached an all-time high, with the University receiving 50,600 UCAS applications. The shifts in the environment had a major impact on applications for 2012/13 nationally, however, our relative demand remains strong and we are still the fifth most popular university in the country in terms of undergraduate applications.

We continue to build our research reputation, concentrating on quality of outputs and, where appropriate, funding and in 2011/12 there has been an increased focus on research areas where we can achieve international excellence, and on opportunities for cross-disciplinary and cross-institutional research initiatives.

In 2011/12 we received £4.5m from HEFCE in Quality Related funding, and £1.2m from HEFCE's Higher Education Innovation Fund (HEIF) to invest in activities which will stimulate knowledge transfer and external engagement. Preparations for the Research Excellence Framework (REF) 2014 continue and we have created a £500k investment fund to stimulate new research appointments.

We continue to invest and develop our estates and during 2011/12 invested around £12m to improve access to our Learning Centre and teaching facilities at City Campus, improving City and Collegiate Learning Centres and making safer, more attractive spaces between our buildings.

We have continued to plan our future spaces and projects which will begin in 2012/13 including a £25m investment at the Heart of the Campus at Collegiate Crescent, a £4.8m investment in sport at Bawtry Road, a new building on the Charles Street site at City Campus, and new investments for Materials and Engineering Research Institute (MERI) and the Maths Department.

We are one of the best performers in the sector in terms of sustainability and in 2011/12 achieved a 'first class' and nineteenth out of 145 institutions in the People and Planet Green League, the ISO14001 Environmental Management Standard which looks at academic, research, operational and commercial activities, the ISO50001 Energy Management Standard, and the Platinum and Climate Change Awards, as well as a top ten position for Yorkshire and Humber, in the Business in the Environment Community Index which measures how environmentally responsible businesses are.

In 2011, we carried out our three-yearly Employee Opinion Survey which enables staff to voice their views and opinions on working at Sheffield Hallam. The results were excellent. We increased our response rate by 6%, with a response rate of 64%. Staff engagement levels have increased by 6.3% since 2008 and benchmark data indicates that most organisations have seen a reduction in employee satisfaction over the same period. We have very positive responses for job satisfaction, for pay and benefits and line management. We had particularly high responses for engagement with the University's strategy and a strong expression of confidence in the future direction of the University.

During 2012 we have refreshed our brand to reflect our unique characteristics and to position us well for the future in a competitive market place. Though our core values of employability, supportiveness and forward thinking remain the same, a refreshed identity, along with a new logo, has been rolled out.

Successful management of our finances has led to an operating surplus of £11.5m. This is the fifteenth year in which we have recorded surpluses, and the third year in which we have recorded surpluses over £10m. We continue to generate high levels of cash: £20.5m, and a £74m loan facility was drawn down from Barclays. This has put the University in a strong position to deal with the impact of changes to Higher Education funding.

2011/12 has proved to be a challenging year, with much uncertainty in the Higher Education environment, reflecting the uncertainty in the broader economy. We believe that Sheffield Hallam's response to these changes and the strategies we are implementing will allow us to continue to operate in a successful and financially sustainable manner. We consider ourselves well placed to respond to any further changes or challenges we may encounter.

Professor Philip Jones
Vice-Chancellor

Strategic aims

Sheffield Hallam is an innovative and responsive university committed to the belief that high quality inspirational teaching and applied research can transform individuals, organisations and communities. The University's refreshed Corporate Plan for the period 2011-13 places the student experience at the heart of all our activity and operations. As a large, modern university with a wide range of provision serving students in the region and nationally, our focus is on teaching and learning, with excellent research provision in selected areas.

Our vision:

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

Our academic aims:

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

Our enabling aims:

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

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

Learning, teaching and the student experience

During the 2011/12 academic year we have prioritised the following to support the student experience:

- establishing a strong course focus and leadership for every course in the University
- developing and implementing a new assessment policy
- implementing consistent academic and career management support for students
- developing an employability offer that provides a range of opportunities to support progression into graduate employment
- improving the timetabling process to provide stable, logical and rational timetables for each course cohort.

The key measure for determining our progress in the student experience is the NSS, which is one of the University's key performance indicators. Our results for 2012 show overall satisfaction as 82%, an increase from 79% in 2011. This suggests that the measures we are putting in place to improve the student experience are beginning to take effect and have already had a positive impact on our 2011/12 final year students.

This year we began implementing our new Learning, Teaching and Assessment strategy in order to enhance and maintain our excellent reputation for learning, teaching and assessment. The strategy aims to deliver improvements in the areas that matter most to our students, including curriculum design; teaching, learning and academic support; assessment and feedback; and course focus and management. The strategy's function above all is to assist in the design and delivery of the outstanding learning experience students can expect when studying at Sheffield Hallam, and articulates the commitment and actions that individual staff, course teams and the University need to make. Activity planned for 2012/13 includes the development and implementation of frameworks for technology enhanced learning, inclusive practice and feedback on assessment to underpin delivery of the aims of the strategy.

Alongside this strategy we have developed our graduate attributes, which encapsulate the qualities, skills and understanding that graduates will be able to demonstrate upon completion of an undergraduate degree at Sheffield Hallam.

We are making good progress in the delivery of our Education for Employment strategy and now offer a range of core employability entitlements for all our students with a focus on work-based / work-related learning opportunities; embedding the transferable skills of our graduate attributes in the curriculum; career planning and preparation for employment; and personal and professional development planning through personal tutorial support.

In partnership with the Students' Union, we have also developed and published the Sheffield Hallam Student Charter which outlines what students can expect from us, as well as what is expected of students in return. It is intended to be one of a number of sources of information to enable students and prospective students to get a sense of what it means to be a student at Sheffield Hallam. We have also prepared for the publication of the first Key Information Sets in the 2012/13 academic session to meet the needs of prospective students.

Learning, teaching and professional development

In January 2012 we gained Higher Education Academy CPD scheme accreditation, enabling the University to internally accredit associate fellows and fellows against the UK professional standards framework. This will help us to make progress against our target for 95% of academic staff to have a recognised teaching qualification.

In 2011/12 nearly 2,000 students nominated over 1,000 individual members of staff for our annual inspirational teaching awards. The award scheme aims to recognise and celebrate staff who have had a transformational impact on an individual student's learning experience. In addition, this year a Sheffield Hallam lecturer won one of only 55 Higher Education Academy National Teaching Fellowships, which carry considerable prestige within the sector and are highly competitive.

Student Support

Student support continues to be a key element of the student experience at Sheffield Hallam University, from pre-enrolment through to successful progression into graduate employment. In particular, we have an excellent national reputation for the quality of our disabled student support, and our services have the Matrix standard accreditation.

Our support for research students continues to develop. We carry out an annual feedback exercise which has shown high levels of satisfaction with research supervision and guidance (95%), and with feedback on the standard of their work (96%). Feedback on the Research Supervisor development programme also continues to be excellent.

Our aim is to develop a new student support framework during 2012/13. Focus groups with students and staff are underway to establish the key principles that should underpin all our future student support activity.

Retention

Progression and completion rates for undergraduates consistently perform above HEFCE benchmarks, with 92.4% of students continuing or qualifying at Sheffield Hallam (HEFCE benchmark: 88.3%) and 80.7% achieving a degree (HEFCE benchmark: 76.7%). Our commitment to improving retention rates, whilst maintaining our excellent performance on access and widening participation is the cornerstone of Sheffield Hallam's Access Agreement approved by OFFA.

Completion rates for both full and part-time postgraduate research degree students have improved dramatically after we made this an explicit area of focus.

Student Engagement

This year we carried out a review of our academic governance structures and developed a Student Voice sub-committee, believed to be the first of its kind within the sector, which is run jointly by the University and Hallam Union. This year the committee oversaw the development of the Student Charter and further work is planned for 2012/13 to review and enhance student voice mechanisms including the course representative system, and course and module evaluation. We also launched our Student Opinion and Action Panel - a group of engaged students willing and able to act as a sounding board for various University and Students Union projects and to propose solutions to enhance the student experience.

In addition, we have developed and continued to publish our own, peer-reviewed *Student Engagement and Experience Journal*, designed to share ideas across all disciplines to enhance student engagement.

Student involvement in curriculum design and approval will continue to be an area of focus in 2012/13 in order to further enhance students' engagement with their learning experience. Our curriculum design studio is an example of such student-staff collaboration.

Sheffield Hallam administers an online student engagement survey for all but final year undergraduates. We also participate in the Student Barometer, International Student Barometer and Postgraduate Taught Experience Survey. These surveys are helpful as they help to measure satisfaction with expectations and engagement with university life, and can be triangulated with other sources of feedback to continue to make improvements to our provision.

Employability

A key measure of the employability of our graduates is the Destination of Leavers from Higher Education (DLHE) survey which questions graduates six months after completing their programme of study. The results for our 2010/11 cohort show that:

- 88% of our graduates were in work or further study six months after graduation compared to 86% for the 2009/10 cohort
- 64% of our graduates found graduate-level employment, down 1 point on the percentage for the 2009/10 cohort (65%)
- Of our graduates who provided salary information, 30% of graduates were earning between £20,000-£25,000 and 15% were earning more than £25,000
- Health and education continues to be the industry sector in which the majority of our graduates (40%) are employed.

As well as core employability provision embedded in the curriculum, the University offers a range of employability enhancement opportunities for our students. New activity this year includes:

- Career Mentoring Scheme - giving students the opportunity to meet with a mentor from an organisation or job role that interests them, to gain a realistic insight into the job role. Students take the lead in setting the agenda for the meetings, typically four times per year, and discussions often revolve around topics such as applications, interviews, training and progression routes enabling students to make well-informed decisions about their future. 103 mentoring partnerships were developed this year from local, national and international organisations.
- STEP (Students Transitioning into Employment Programme) for final year undergraduates which offers one-to-one job coaching appointments along with a series of practical workshops through the introduction of Professional Advisors in all four faculties.

We also operate a number of student employability awards, including the Student Employee of the Year award which aims to recognise and promote the outstanding contribution of students who combine part-time work with their study commitments; the Hallam Award, run by the Students Union to recognise the hard work that students put into volunteering in Hallam Union activities; and the Frontrunner Awards which recognises students who initiate positive change in their communities.

New activity planned for 2012/13 includes enhancements to STEP, giving up to 500 students who engage in part-time work or volunteering help to enhance the relevance of their experiences; the Springboard four day professional development programme for up to 200 graduates; and the Gradplus programme linking Sheffield Hallam's graduate talent pool with the local SME community, enabling graduates to take up a paid internship working on a specific business improvement project for a company.

Student enterprise

Our employability offer continues to provide opportunities for students interested in self-employment, including:

- Access to The Hatchery, our pre-start business incubator which comprises of free office accommodation, 24/7 facilities and access to one-to-one specialist advisors. In October 2011, the Hatchery team developed a self employed Work Based Learning course which was made available to final year students in two faculties. The National Enterprise Educator Awards (NEEA) recently shortlisted the Work Based Learning Programme for their Enterprise Champions Award.
- The Venture Matrix programme where students can simulate setting up a business as an accredited part of their course. The programme is now supported by 40 modules, with over 200 projects being delivered in schools and colleges, in the local community and on campus by around 1200 students this year
- The annual Enterprise Challenge competition for student and graduate entrepreneurs who want to develop their own business. Prizes of up to £5,000 cash to invest in the business and free advice from a range of business experts are on offer for the winner.

Educational portfolio

We are committed to providing an attractive portfolio of programmes that meets current and emerging market demands from students, prospective employers and the professions. During the 2011/12 academic year we have focussed on:

- Mechanisms to review our portfolio at faculty and University levels, including focussing on performance in relation to our corporate performance framework indicators and ensuring we are responsive to the changing external environment
- Preparing to respond to external drivers that will impact on our student numbers from 2012 onwards
- Putting in place mechanisms for closer monitoring of student recruitment patterns and emerging trends throughout the 2012 admissions cycle
- Implementing our International Strategy

Sheffield Hallam University has a total of 36,508 students, of which 27,821 are undergraduates. We are currently the third largest University in the country in terms of enrolments. Our average entry tariff has continued to increase in recent years and this is kept under review along with a consistent set of market, quality and financial indicators to assess course strength and viability, and enable us to effectively manage our taught portfolio.

External policy environment

The higher education sector continues to face significant change, and we have worked throughout the year to model and anticipate the impacts of these changes. The new fees and funding system will take effect from September 2012 and we have worked to ensure that our portfolio can continue to be managed on a financially sustainable basis. This year we developed a comprehensive policy for the setting of tuition fees across all areas of our portfolio, which is overseen by the Costing and Pricing Board, chaired by the Director of Finance. Our full-time undergraduate fee for 2012/13 will be £8,500 and our Board of Governors have agreed to the increase in this fee level to £9,000 from 2013/14 onwards.

Student recruitment

Applications for September 2011 entry reached an all-time high, with the University receiving 50,600 UCAS applications. As a result 2011/12 enrolments were extremely positive with the majority of our portfolio achieving or exceeding their recruitment targets. However, the overall result of 2011/12 enrolments was a small over recruitment of full-time undergraduates against our student number control set by HEFCE.

As a result we put in place a recruitment strategy for 2012 entry to ensure that over recruitment did not occur again. Over the course of the year we experienced a decline in applications to full-time undergraduate courses for 2012/13, in line with the sector. However, our relative demand remains strong and we are still the fifth most popular university in the country in terms of undergraduate applications.

In 2011/12, international enrolments (new and continuing students) increased by 8%. International applications for 2012/13 entry reduced by 2% overall, with applications to our undergraduate courses increasing, but applications to postgraduate courses decreasing. We have experienced a decline in applications from the Indian market; however, applications from China have significantly increased this year.

We continue to make progress in implementing our International Strategy: income from international business continues to grow and we are forging strategic links with key organisations internationally to maintain and further develop our international recruitment. However, we recognise a number of challenges to this area such as further restrictions on UKBA student visa arrangements, international perceptions of the attractiveness of the UK as a place to study and the subsequent impact this has on student recruitment, and we are putting actions in place to respond effectively.

Overall, our taught postgraduate enrolments in 2011/12 remain steady, with increases in full-time enrolments, but decreases in numbers on part-time routes. Applications for 2012/13 entry for both full and part-time courses have decreased, reflecting the pressures in the current economic climate. A review of our taught postgraduate and part-time portfolio is planned for 2012/13 to ensure that our provision continues to be viable and attractive to students and employers.

Student profile

In 2011/12:

- female students made up 56% of the total student population
- approximately 10% of the total student population were international students
- 84% of our new entrants were young (less than 21), and 16% were mature
- approximately 3,500 of all new home students came from the Yorkshire & Humber region

South Yorkshire has one of the lowest rates of participation in higher education in the country, and given that we recruit a large proportion of students from within the region, we continue to place significant emphasis on raising aspirations, increasing awareness of, and appetite for higher education study. We have a strong history of recruiting students from backgrounds where higher education study has not been the norm, our innovative outreach, pre-enrolment and transition work with schools and colleges from the sub-region supports this agenda.

Our excellent performance in widening participation was again demonstrated by our performance against the benchmarks that are set by HEFCE:

- 96.6% of our young new entrants are from state schools or colleges (HEFCE benchmark: 93.6%)
- 34.2% are from social classes 4-7 (HEFCE benchmark: 35.3%)
- 17.6% are from low participation neighbourhoods (HEFCE benchmark: 12%)

Partnerships

The University currently delivers 174 awards in collaboration with partners, 64% of which are in the UK and 36% overseas. We have formal partnerships with 61 HEIs and FE colleges both in the UK and internationally, with partnerships in 11 countries overseas.

Research and innovation

Research

We continue to build our research reputation, concentrating on quality of outputs and, where appropriate, funding and in 2011/12 there has been an increased focus on research areas where we can achieve international excellence, and on opportunities for cross-disciplinary and cross-institutional research initiatives.

In 2011/12 we received £4.5m from HEFCE in Quality-Related (QR) funding, which was allocated to Research Centres and Units where high quality work was undertaken.

Preparations for the 2014 Research Excellence Framework (REF) have continued in 2011/12. Publication of further details of the formal assessment framework by the four UK Higher Education Funding Councils in January 2012 has provided a structure which will shape the University's strategic and operational plans for REF 2014. A priority for REF Units of Assessment has continued to be the completion of high-quality research outputs for staff who are likely to be submitted, and this will be an on going activity in 2012/13. As required by the Funding Councils, the University has developed a REF 2014 Code of Practice, which should ensure that a fair and transparent process is used for the selection of staff for inclusion in the return. Priorities for this coming year will include the preparation of the REF submission, including the development of impact case studies and narrative information.

In line with the principles of the Concordat to Support the Career Development of Researchers, we remain committed in its undertaking to provide appropriate training and development opportunities for staff and doctoral students engaged in research. We have also committed to the Epigeum research skills programme.

Knowledge transfer

During 2011/12 we received £1.2m from HEFCE's Higher Education Innovation Fund (HEIF) to invest in activities which will stimulate knowledge transfer and external engagement. Activity supported by HEIF continues to focus on working with the private sector whilst also addressing the major changes in the public and third sectors. HEIF has also been used to leverage additional funding from other sources including European Regional Development Funds to develop new partnerships and deliver innovation services to small to medium size enterprise (SMEs) in the City region and beyond.

Knowledge transfer activity undertaken by our Research Centres was subject to a major review in 2011/12. Outcomes from this review include a programme of support for our business development community, which includes a one year accredited programme for University staff working in business-facing roles to develop entrepreneurial and communication skills, and support effective engagement with employers and clients.

Regional engagement

We are continuing to work with the Sheffield City Region Local Enterprise Partnership, and we are represented on the board of this partnership by the Vice-Chancellor. Representatives from across the University have also been active in the sector groups this year, particularly Healthcare Technologies, Advanced Manufacturing and Materials, and Creative and Digital industries.

Our ongoing collaboration with the University of Sheffield has continued during 2011/2 and the two Universities, as part of the HEFCE-supported Collaboration Sheffield project, initiated a number of consultative activities. Consultative forums held with stakeholders in Education, and Medicine and Health have led to the development of projects including development work in Health Care Technologies, research into Digital Inclusion and access to technologies, and the promotion of reading and literacy in young males.

Recent programme highlights

The contribution and impact of our research and knowledge transfer is illustrated by some examples of projects over the past academic year:

Researchers in the **Materials and Engineering Research Institute** have received funding from the European Commission Framework Programme 7 (FP7) to lead a project, including eleven European partners, which aims to improve the career prospects of early career researchers and provide training in areas of high industrial relevance. In addition, the work will build on the findings of earlier projects to develop functional and active barrier coatings using innovative elements such as fibre modification and nanoclay composite formulations and antimicrobial formulations.

The **Communication, Computing and Cultural Research Institute (C3RI)** and **CEIR (Centre for Education and Inclusion Research)** have received funding for a variety of projects through the Arts and Humanities Research Council (AHRC) Connected Communities Programme, which aims to understand the changing nature of communities and community values. The various projects include an investigation of factors in the creative use of temporarily vacant space; a study of the capacity, skills and experiences of organisations such as charities, voluntary and community groups to design services in collaboration with service users; ways in which we can work in partnership with community groups to support related Heritage Lottery Fund (HLF) funded activities.

Researchers in the **Centre for Health and Social Care Research** and partners at the University of Sheffield and Sheffield Teaching Hospitals NHS Foundation Trust have received funding from the National Institute of Health Research (NIHR) to undertake a study into missed NHS appointments and the differing methods of reminding people to keep their appointments. The project aims to produce a guide that will provide information to Health Service managers who are considering which type of reminder system may wish to use in their service.

In 2011/12 the University was involved in setting up a new company XeraCarb Ltd to apply the **Materials and Engineering Research Institute's** expertise in ceramics to the development of a new generation of body armour. The research was originally funded by the UK Ministry of Defence through its Centre for Defence Enterprise and was a winner of the Worshipful Company of Armourers and Brasiers' 2011 Venture Prize. Significant investment has also been secured from Finance Yorkshire.

Innovation Futures, the ERDF and HEIF funded project delivering innovation expertise to SMEs has delivered 91 business engagement outputs, exceeding the contractual target of 81. Over three years the project has engaged with more than 120 businesses. The project has also delivered collaborative Innovation Workshops which are supported by Creative Sheffield, Gripple and Technophobia. Participating partners included, Tinsley Bridge, Your Mii Ltd, Ekspan, JRI, Eros Ltd, MTL Group and Single Use Surgical.

Knowledge Transfer Partnerships (KTP) We have nine KTPs currently contracted and Group Rhodes Ltd in Wakefield are undertaking their fourth KTP with the University. A supply chain event was jointly hosted with the company in March 2012, to promote KTP and other business services to the company's top suppliers. A new product in the placement portfolio launched in the period is Enhanced Mentored Placements. A joint cross faculty pilot project with St Leger Homes in Doncaster is progressing well with two students undertaking a third year placement with the support and guidance of academics.

Student enterprise

We have a strong track record of supporting students and recent graduates who start their own business through our Enterprise Centre. Support includes free one-to-one advice in business, marketing, law, accountancy and intellectual property and funding opportunities through our placement year entrepreneurship scheme and graduate Start up Grant, both of which offer a weekly bursary, monthly seminars and access to incubation space in the Hatchery.

We also provide access to proof of concept funding which can support development of commercial ideas and business planning. In 2011/12 support was given to 315 new students, and business advisors attended 606 individual advisory sessions. There has been a 60% increase in student demand for business planning and support services between 2010 and 2011, and an increase of 150% in the number of students and graduates entering the annual business start-up competition, the Enterprise Challenge 2012. 18 companies were set up by students or former students in 2011/12, bringing the total for the last four years to 70 companies.

Estates development and sustainability

Our aim is to provide a high quality, safe and sustainable estate that supports the development of our academic activities, enhances the student and staff experience, and projects our academic identity. In 2011/12 we have been implementing the Estates Strategy with a focus on the following actions:

- optimising the utilisation of space by balancing efficiency and effectiveness, and providing regular reports on progress
- assessing the impact and risks associated with targets outlined in the University's Carbon Management Plan
- implementing the findings of the Wayfinding and Expressions projects to develop a greater sense of place and identity across campus
- creating and implementing a Commercial Strategy across all trading areas
- reviewing our residential portfolio to ensure that it supports recruitment, retention and student satisfaction
- sharing our student experience aspirations with the third party organisations that provide the majority of the residential estate to identify ways in which they can support our aims

During 2011/12 around £12 million has been invested in the estate and projects include:

- Improving access to our learning centre and teaching facilities at City Campus in particular for our disabled students and staff
- Competing with the best by improving City and Collegiate Learning Centres that provide students with the tools they need to succeed
- Making safer, more attractive spaces between our buildings

A further focus in 2011/12 has been on planning our future spaces and a £95 million investment over the next three years. Projects which will begin in 2012/13 include;

- Improving the student teaching, learning and support services with a £25 million development in the Heart of the Campus at Collegiate Crescent
- Increasing student participation in competitive and recreational sport through a £4.8 million investment in sports pitches and pavilion at our Bawtry Road sports ground
- Benefitting existing and future students across a wide range of courses with better space for teaching at City Campus through a purpose built 9,500m² flagship building
- Creating impressive new homes for the Materials Engineering Research Institute and Maths department, demonstrating our commitment to undergraduate teaching, research and business partners.

Sustainability

We are one of the best performers in the sector in terms of sustainability and in 2011/12 achieved the following:

- A 'First Class' and 19th out of 145 institutions in the People and Planet Green League, which covers everything from student engagement in sustainability to carbon reduction, and is judged by Students Unions nationally
- The ISO14001 Environmental Management Standard which looks at academic, research, operational and commercial activities
- The ISO50001 Energy Management Standard.
- Platinum and Climate Change Awards, as well as a top ten position for Yorkshire and Humber, in the Business in the Environment Community Index which measures how environmentally responsible businesses are.

Managing and developing our people

Our staff are vital for the delivery of our core aims and for ensuring our future success. Developing a student and business focus means that the University's workforce must be aligned to changing expectations and demands. It is essential that our people processes deliver a high quality academic and professional workforce and that our approach to workforce planning takes account of changes in patterns of student and employer demand, the emergence of new markets and economic changes, the development of new forms of delivery and competition from other universities or employment sectors.

People profile

A breakdown of our staff profile as at 31 July 2012 is:

- a year end full-time equivalence (FTE) of 3,314 compared with 3,198 in 2010/11
- 1,340 FTE permanent academic staff at the year-end compared with 1,333 in 2010/11
- 767 FTE Associate lecturers compared with 663 in 2010/11
- 59% female and 41% male, compared with 58% and 42% in 2010/11

The age profile of our staff is shown below:

Age Group	31st July 2011	31st July 2012
16-20	0%	1%
21-29	11%	11%
30-39	25%	25%
40-49	29%	29%
50-59	26%	27%
60-64	7%	6%
65+	2%	1%

At the end of 2011/12 we have invested circa £4m in academic staff to increase our permanent staffing levels, improve the quality of our teaching, and ultimately our performance in the National Student Survey. In addition, £500k was invested in specific research areas. In total 103 permanent posts, ranging from Lecturer/Senior Lecturers to Senior Staff and Professors, were advertised and our recruitment campaign resulted in over 2,000 applications being received. As a result of the various recruitment campaigns, 85 academic staff will be joining the University for the start of the 2012/13 academic year.

People development

We continue to develop leadership and management capability within the University with specific programmes for academic leaders and managers. In addition we have designed and delivered programmes for senior managers focused on leading the implementation of change and embedding of new working practices in areas where structural change was completed in 2010/11.

Our focus on performance management and appraisal continues and we are on track to achieve 100% completion in the current appraisal cycle.

Change management

During 2011/12 we have implemented and evaluated the three major change programmes delivered during 2010/11 and completed an internal audit of change management. The audit involved senior managers and staff that have been affected by change in order to identify and share areas of good practice, as well as to identify areas for improvement and from which lessons can be learned. It was recognised that we have a clear vision for change, explicitly linked to achieving the aims and objectives of the corporate plan. However, some areas for improvement were highlighted and we have been developing actions to respond. This includes actions to improve academic engagement with change processes, ensure that change tools and templates that are made available to all managers are applied consistently throughout the organisation, and that organisational learning is applied to improve the quality of future programmes.

We have also completed a comprehensive review of our academic working practices which has identified our relative strengths and weaknesses across a range of issues and potential barriers to effective working. The recommendations of the review have enabled us to plan a way forward that will significantly improve the student experience, improve our research capability, improve how we support academic practice, and enable the University to respond to changing needs and demands.

Employee relations

The 2011/12 academic year continued to be characterised by sporadic industrial action related to the national issues including the employers pay offer, job security and proposed changes to pension schemes. Relationships between the University management and trade unions have not been adversely affected and no disputes have occurred as the result of local issues.

Employee engagement

In 2011, we carried out our three-yearly Employee Opinion Survey which enables staff to voice their views and opinions on working at Sheffield Hallam. The Employee Opinion Survey was completed in November 2011 achieving a response rate of 64% (an increase of 6% on the 2008 survey and an improvement towards the target of 80%).

The results of the 2011 survey are very strong. Staff engagement levels have increased by 6.3% since 2008 and benchmark data indicates that most organisations have seen a reduction in employee satisfaction over the same period. One of the reasons for the continuing and increasing engagement can be seen in positive responses for job satisfaction, where the results show that in general people have interesting and stretching jobs that make good use of their skills and abilities. Respondents reported that they generally have the resources they need to do their job, and enjoy a friendly working atmosphere. Satisfaction with pay and benefits is high and the results for line management are positive and improving.

The focus on local activity in response to the survey led by the University Executive will continue. Local priorities vary depending on the outcomes of the survey, but some common and interlinked areas have emerged, including:

- engagement and communication - finding ways in which managers and staff can take part in face to face communication with senior teams and each other
- developing line managers - especially first line and academic managers and focusing on the skills needed for effective performance management such as appraisal, induction, clarifying expectations and roles, and facilitating recognition
- change and consultation - improving the management of change so that genuine consultation takes place

Equality and diversity

Our refreshed Corporate Plan 2011-13 outlines our commitment to advancing inclusion as a key feature of all our activities, as we believe this is ethically right, socially responsible and contributes to the academic and business strengths of the University.

Equality Act 2012

The public sector equality duty (Equality Duty) came into force on 5 April 2011 replacing separate equality duties for race, disability and gender. In 2012 we published our first equality monitoring report in compliance with the Equality Act 2010. This shows key student and staff data broken down by the four main protected characteristics covered by legislation. This report has then been used to inform the development of our equality priorities.

Equality and diversity key achievements

- A review of our equality schemes for gender, disability and ethnicity and their associated annual reports was undertaken in the form of a gap analysis, in preparation for meeting the requirements of the Equality Act 2010
- All staff completed the online diversity training module which was rolled out successfully during 2011. The module was reviewed in order to ensure it took full account of the implementation of the Equality Act 2010.
- The increasing role that women play in science, engineering and technology disciplines at the University has been acknowledged with a major national award. The Athena SWAN award recognises excellence and commitment to the career progression of women in science, technology, engineering, mathematics and medicine. We now hold a bronze award at an institutional level, and academics from our Biomedical Research Centre and Department of Biosciences were awarded a silver department award, and the Psychology Group were given a bronze department award.
- An Equal Pay Audit (EPA) was undertaken by our HR Directorate. The EPA focused on a grade-by-grade analysis in relation to both gender and age. The current gender pay gap is 11.88% in favour of male employees, which compares favourably to a national gender pay gap of 19.3%, and shows an improvement from the previous analysis in 2006 where the gender pay gap was 18.64%. An action plan has been developed in response to the findings.

We continue to measure the impact of existing and new policies, procedures and practices on equality groups through a co-ordinated programme of equality analysis and this will continue to be a priority. For example, an equality analysis of our Student Experience Programme was undertaken in 2011 to identify key elements of the programme which were relevant to equality and diversity, and to develop actions that would further advance equality of opportunity.

We continue to support a number of staff forums, run by and for staff at the University. The forums hold regular meetings as well as organising and participating in events to raise awareness of equality and diversity issues. The following forums are currently active within the University - Disabled Staff Forum, Gender Staff Forum, LGBT (lesbian, gay, bisexual and transgender) Staff Forum and Race Staff Forum.

Monitoring our performance

To monitor the implementation of our refreshed Corporate Plan we have developed and implemented a new Corporate Performance Framework. This framework sets out the indicators that we use to measure progress towards meeting our overall vision, mission, aims and objectives, and is designed to focus effort and attention at all levels of the University. The indicators are reported at University, Faculty, Academic Department and Course level (where available). High-level indicators relating to our vision, academic aims and enabling aims are reported below.

Our vision

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

Indicators	2009/10	2010/11	2011/12
League Table position: The Guardian	71	65	83
League Table position: The Times	72	71	73

Source: Newspaper publications

Indicator	2009/10	2010/11	2011/12
Research Power Ranking	66	66	66

Source: RAE2008

Our academic aims

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

Indicators	2009/10	2010/11	2011/12
Overall % student satisfaction	79%	79%	82%
% student satisfaction with teaching: staff have made the subject interesting	77%	77%	80%
% student satisfaction with academic support: I have received sufficient advice and support for my studies	72%	74%	78%

Source: National Student Survey

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

Indicator	2009/10	2010/11	2011/12
% of graduates in graduate-level employment	65%	65%	64%

Source: Destination of Leavers from Higher Education Survey

Our enabling aims

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

Indicators	2009/10	2010/11	2011/12
Income vs budget (£)	+£10,214 million	+£2,883 million	+£3,917 million
Expenditure vs budget (£)	-£5,775 million	-£9,035 million	-£776 million

*Before FRS17 adjustments and excluding profit/loss on fixed asset disposals

Source: Internal Finance reporting

Risks and uncertainties

Student recruitment

For the second successive year, the scale and impact of higher education sector changes and developments in the higher education markets in the UK and globally are major factors in the University's risks.

We are operating in an increasingly competitive environment for the recruitment of students, particularly home undergraduate students, and there is considerable uncertainty around future student numbers as a result of policy changes and the potential long term impacts of tuition fee changes. In addition there is the impact on international student recruitment of UK policy relating to student migrants, and the demand for postgraduate taught provision is sensitive to the current economic environment and cuts in the public sector.

As an institution that derives the majority of its income from teaching grants and tuition fees, and from allocations and commissions for the education of healthcare professionals and teachers, ensuring that the University is able to sustain the right levels of student recruitment into the future is critical.

The actions to manage this area of risk focus on: ensuring the attractiveness of our portfolio through ongoing portfolio review based on quality, market strength and financial sustainability; building our reputation regionally, nationally and internationally, including through relationships with local schools and colleges, healthcare trusts and national commissioning bodies; close attention to the management of student recruitment and customer relationships; planned diversification of international student markets and the continuing development of international partnerships for trans-national education.

Student experience, learning and teaching

Another key risk area is ensuring that the University achieves levels of student satisfaction and student employment outcomes that will allow us to maintain our strong reputation for learning, teaching and student success and thus our ability to compete for and recruit future students. Actions in this area are focused on ongoing improvements to our performance in the National Student Survey, continuing to deliver the improvements outlined in the Student Experience Programme, implementing improvements to teaching and student support services, and increasing the employability of our graduates.

Research and innovation

The University has a strong position in and reputation for applied research in selected areas and for associated knowledge transfer and innovation with industry and business, but changes to research funding policy, competition for research funding and high quality research staff, and economic pressures are likely to make that strength more difficult to sustain in the future. Specific actions to address the risk include optimising our outcomes from the Research Excellence Framework in 2014, targeted investment in our research capacity including in research staff, along with consideration of how research and knowledge transfer resources might be re-orientated to diversify income sources.

Other risks

Other critical risks relate to our ability to enable and underpin the achievement of the University's strategic objectives for the student experience, learning and teaching, research and innovation.

People: Targeted staffing plans developed in the light of the outcomes of portfolio review will ensure that our workforce is aligned with the changing size and shape of our academic provision and ensure that our future cost base reflects our future income. In addition, actions arising from recent internal reviews are being implemented so that staff satisfaction, performance and employee relations support our ability to provide students with the experience that they expect.

Estates: the high quality of our estates and facilities must be maintained and continue to improve if we are to meet changing internal and external demands and expectations, including those arising from the changing educational portfolio. Our estate development plan continues to be developed to reflect changes and anticipate future needs.

Operational effectiveness: future competitive advantage will depend on delivering the quality of services expected and managing our operating costs. The University has an extensive programme of planned improvements in the quality, efficiency and effectiveness of supporting services; actions therefore focus on successful completion of the planned projects and changes and monitoring achievement of the outcomes and benefits.

Financial sustainability: Alongside our responses to the risks relating to student recruitment and achieving sustainable levels of teaching and research income, actions focus on careful management of our cost base through cost saving and efficiency measures.

Reputation: reputation is a key factor in student choice, influences student recruitment in the increasingly competitive higher education market and is important for attracting income from a range of sources. Risks to the University's reputation are being managed through the actions to improve levels of student satisfaction and to achieve optimal research outcomes. In addition, we will define a clear approach to our positioning within the Sheffield City region to ensure that we maintain our presence as a key regional partner.

Corporate governance

Constitution and powers

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

The corporation has exempt charitable status as defined by 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.

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 Chairmen (CUC) Guide for Members of Higher Education Governing Bodies in the UK. The Board of Governors has adopted the CUC's Governance Code of Practice and work is ongoing to ensure that governance practice remains consistent with the principles of the code. In line with the recommendation in the CUC Governance Code of Practice, the Board of Governors formally undertakes five yearly reviews of its effectiveness. The most recent review was carried out in Autumn 2011.

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of our objectives, whilst safeguarding the public and other funds and assets for which it is responsible. Such a system is designed to manage rather than eliminate the risk of failure to achieve objectives.

Internal control

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

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

Our systems of internal control are supported by 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 2012 and up to the date of approval of this Operating and Financial Review; that it is regularly reviewed by the Board of Governors; and that it accords with HEFCE guidance and the internal control guidance for Directors on the Combined Code as deemed appropriate for higher education.

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

- The Audit Committee receives regular reports on risk management which are summarised for the Board of Governors. The Board of Governors also receives an annual report on risk management following the University Executive Group's annual risk review
- The Audit Committee receives reports from the Head of Internal Audit, which include Internal Audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with any recommendations for improvement

- The Board of Governors receives periodic reports from the chair of the Audit Committee concerning internal control, and requires regular reports from managers on steps they are taking to manage risks in their areas of responsibility, including progress reports on key strategies and initiatives.

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

- A Risk Management Policy
- A statement of risk appetite. In common with other organisations, we are involved in a wide range of activities and therefore do not have a generic tolerance for risk. In some areas we have to be risk averse, such as matters of finance. In others it would be regarded as a risk taking, for example in areas of research and academic development;
- A register of corporate risks, compiled by the Executive Group in light of information derived from local business activities, the strategic objectives of the University, and analysis of the external environment. The Executive Group undertakes an annual risk review to consider the current corporate risks and to refresh the Corporate Risk Register accordingly for the next academic year
- A Risk Management Group that has responsibility for the continuing development of the risk management processes, and for developing and progressing actions arising from the Corporate Risk Register. Quarterly reviews of local risk register by faculties and directorates may also escalate local risks or cross-functional risks to this group for consideration of their impact
- Risk management processes are embedded within our business planning processes. Faculties and directorates are required to identify and record risks (both threats and opportunities) associated with delivery of their strategic and operational priorities and to implement and monitor the effectiveness of any actions put in place to mitigate these risks
- Local risk registers are shared throughout the University through the University Planning Forum. This forum allows for the exchange of strategic and corporate risk information and consideration of the local and strategic implications arising from the analysis of the external environment. Specific risk management guidance is also provided through this forum
- Risk management processes that are embedded in our approach to the management of change and, specifically, in the governance of corporate projects
- A risk management handbook, containing details of our risk management framework and a toolkit to provide operational guidance for identifying, assessing and managing risks at all levels.

Summary of the University's structure of corporate governance

The University's Board of Governors comprises lay, staff and student members appointed under the Instrument of Government of the University, all but one of whom are non executive. The roles of chair and deputy chair of the Board of Governors are separate from the role of the Vice-Chancellor. The matters specifically referred to the Board of Governors for decision are set out in the Articles of Government of the University, and the Board meets six times a year for this purpose. In addition, discussions are held on the strategic development of the University.

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

The policy implications of strategic developments in higher education as they affect the experience of University students are kept under review through a University/Students' Union Liaison Group. The president of the Students' Union is a member of the Board ex officio, and reports to each meeting on student matters.

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

New governors participate in an induction programme and each year all governors are given the opportunity to attend training and development activities on various aspects of their responsibilities. In Autumn 2011 induction and finance training events were held for new members of the Board in advance of the first board meeting of the year. During this year members of the Board were offered opportunities to develop their knowledge of the student experience with a visit to the Faculty of Arts, Computing, Engineering and Sciences, a presentation about technology enhanced learning and a visit to the Students' Union.

The Board of Governors operates with a committee structure comprising:

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

All of these committees are formally constituted with terms of reference, and comprise mainly lay members of the Board of Governors, one of whom is designated to chair meetings.

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

Finance and Employment Committee

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

The Committee also approves the policy framework and associated regulations for, the investment of surplus funds and borrowing requirements; tenders, quotations and contracts for items of expenditure above the limits stated in the University's Financial Regulations; the write-off of irrecoverable debts; insurance arrangements; arrangements for the execution of estate, building and other capital programmes within the strategic framework and annual capital budgets approved by the Board; and major agreements entered into with Trades Unions.

It recommends to the Board of Governors financial policies within the strategic framework approved by the board; financial regulations; the sale or acquisition of property or land within the strategic framework approved by the Board above the limits stated in the University's Financial Regulations; estate, building and other capital programmes within the strategic framework approved by the Board; annual revenue and capital budgets and longer term projections; and employment policies within the strategic framework approved by the Board.

Remuneration Committee

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

Nominations Committee

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

Audit Committee

The Audit Committee meets four times annually, with the external and internal auditors in attendance. The Committee considers detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It oversees the University's risk management process on behalf of the Board of Governors. It also receives

and considers reports from HEFCE as they affect the University's corporate governance and assurance processes and monitors adherence with the regulatory requirements. It reviews the University's annual financial statements together with our accounting policies.

Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee has the formal opportunity to meet with the auditors in private without University management to enable them to raise any issues and concerns at one meeting each year and may raise urgent matters at any time via the committee chair.

Responsibilities of the University's Board of Governors

In accordance with the Education Reform Act 1988 and the articles of government, the Board of Governors is responsible for the administration and management of the affairs of the University and its subsidiary companies (group), and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Governors of the University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the surplus or deficit and cash flows for that year. In causing the financial statements to be prepared, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- It is appropriate for the financial statements to be prepared on the going concern basis.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the HEFCE and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by Sheffield Hallam University have been applied only for the purposes for which they were received and in accordance with the Financial Memoranda with the Funding Councils and any other conditions which the Funding Councils may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the Group and prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the Group's resources and expenditure.

Going concern

The University's academic activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 3 to 27. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 to 27.

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



Geoff Dawson
Chairman of the Board of Governors



P A Jones
Vice-Chancellor

Delivery of public benefit

Aims and objectives of Sheffield Hallam University

Sheffield Hallam's charitable purpose is the advancement of education. We deliver this charitable purpose for the public benefit, through implementing our corporate plan and delivering the strategic aims and objectives that have been approved by our Board of Governors to shape our academic portfolio in response to the demands of students and employers, to improve our offer to students and potential students, and to deliver research and innovation that achieves economic and social transformation.

Students of the University are the immediate beneficiaries. However, beneficiaries of our teaching and research-related activities are diverse and include local, national and international businesses and charities and their customers / clients, public sector organisations and community groups and their customers / clients, as well as the wider Sheffield city-region population.

Improving access and providing opportunities to participate in higher education

We take steps to ensure that all those who are eligible on grounds of academic ability and potential to succeed are considered for a place at Sheffield Hallam University through a fair and transparent application and admissions process, as determined by our admissions policy. We continue to raise aspiration for higher education study, and to encourage under-represented groups and those with traditionally low levels of participation in higher education to apply and to have the opportunity to benefit from our higher education provision and student experience.

We carry out a programme of targeted, quality, and effective engagement with schools and colleges, offering a range of pre-enrolment services around raising aspirations, recruitment development, and transition-support activities, to enhance access to higher education, as well as retention and student success post-arrival, including:

Associate Schools and College Partnerships

2011/12 saw the partnership's seventh successful year of successfully building and maintaining strong relationships between the University and local schools and colleges providing post-16 education. The partnership consists of 104 schools and colleges within a 50 mile travel-to-study area, the majority of which are in areas ranked within the highest quartile of multiple deprivation indices. The Associate Schools and College Partnership provides the network through which a wide variety of outreach visits, mentoring, master classes and subject-specific taster experiences are co-ordinated and delivered.

Compact Scheme

Our Compact Scheme supports potential students facing acute disadvantage through the application process to ensure that they maximise their opportunity to study here.

Care leavers

We are holders of the Frank Buttle Trust UK kite mark, recognising our commitment to support students who are, or who have been in care, to successfully progress to higher education. We offer access to a student mentor and to our Compact Scheme and we provide care leavers with a single point of contact both pre-enrolment and once on course to maximise their potential to study here. Our work with care leavers has gradually increased in scope to include strategic partnerships with the University of Sheffield and local authorities, alongside a programme of inspirational in-reach and taster activity.

Bursaries and financial support

Our arrangements for fees and bursaries are set out in our Access Agreement which has been approved by the Office of Fair Access. These arrangements help to ensure that the opportunity to benefit from higher education is not restricted by the ability to pay fees.

We administer a range of statutory bursaries with funding from government for those students that meet the national qualifying criteria.

We also directly provide two types of bursary for students from the local region and from lower-income households, to provide further genuine opportunities to participate in higher education by removing some of the financial barriers to study that such students face. We provide the Sheffield Hallam Partnership Bursary of £300 cash for each year of undergraduate study to students from associate schools and colleges, and the Sheffield Hallam Grant Bursary of £700 cash for each year of undergraduate study to students who receive the full Higher Education Maintenance Grant.

From 2012/13 when the University's full-time undergraduate tuition fee will raise to £8,500 we will participate in the National Scholarship Scheme and will invest an additional £3 million to provide a £2,000 fee waiver and £1,000 cash bursary to the 560 new undergraduate students in greatest need.

Research and Knowledge transfer

Our research and knowledge transfer has direct economic and social benefits both for our direct beneficiaries and the wider public.

Some achievements in 2011/12 include:

- The Centre for Sports Engineering Research has received a silver award from Research Councils UK for its work on more than 20 individual research projects for over a dozen Olympic and Paralympic sports including boxing, diving, cycling, swimming and athletics. The work of the Centre means that Sheffield Hallam is one of only four universities working with the governing body UK Sport as an Innovation Partner, delivering contract research and consultancy projects to UK Sport-funded elite teams, supporting their quest for medals at the London 2012 Olympics and delivering innovations such as new performance analysis tools enabling coaches to provide immediate feedback to athletes. The Centre is already working on projects for the 2014 Commonwealth Games, the 2014 Winter Olympics and the 2016 Olympics.
- The Centre for Economic and Social Research is currently being funded to deliver projects addressing questions of public policy for organisations as diverse as the Department for Work and Pensions, Department for Communities and Local Government, UKBA, Big Lottery Fund, Department for Energy and Climate Change, and several local authorities and large charities.
- Our multi-disciplinary Engineering for Life programme has created unique and thought provoking innovations on the themes of rehabilitation, assisted living, sport, physical activity, medicine and sustainability that can enhance people's lives, such as new gel for back pain that now has a commercial partner to develop the product.
- The Centre for Tourism and Hospitality, through our tourism and poverty reduction research unit has delivered three projects in Africa aimed at poverty alleviation through tourism, funded by the British Council.
- The Centre for Biomedical Research has carried out ground-breaking research into new technology that can extract additional information and map ridge patterns from fingerprints found at crime scenes, thus increasing the chances of obtaining vital evidence and securing convictions. The Home Office's Centre for Applied Science and Technology is now funding an £80,000 PhD studentship to deliver further testing in order to bring the technology into real-world use as part of police investigations.

Our staff are also actively involved in engaging the public with our research activity, for example we have curated museum exhibitions, festivals and events locally and nationally, and have delivered public lectures on topics such as sustainability of food, the use of technology in sport and women's history.

Any private benefit arising from commercially funded research and knowledge transfer activity is incidental to our principal aims and purpose of advancing education. The arrangements for the diversion of any revenue arising from the successful exploitation of our ideas are set out in the University's Intellectual Property Policy.

A principle of public benefit is that benefits must be balanced against any detriment or harm. We have considered that none of our research activity causes detriment or harm as it does not fall into areas such as animal testing.

Financial review

Financial highlights of the year

- operating surplus for the fifteenth consecutive year (£11.5m, 2010/11:£15.6m)
- total income £242.8m (2010/11:£241.2m)
- net operating cash inflow £20.5m (2010/11:£29.6m)
- continued capital investment in the estate of £13.4m (2010/11:£11.5m)
- net assets of £126.6m (2010/11:£132.8m)
- staff costs (excluding restructuring) were 59.6% of total income (2010/11:59.1%)
- net funds increased from £52.8m to £63.9m

Income

The total income for the University has increased by £1.6m to £242.8m for the 2011/12 financial year.

Tuition fee and education contracts income accounts for 52.1% of the University's total income and has increased by £5.5m to £126.6m in 2011/12. The majority of the increase results from full time home/EU undergraduate students, with undergraduate tuition fee income improving by £4.1m to £59.1m in 2011/12. Undergraduate student numbers have increased, due to the roll through of students resulting from the improved recruitment and retention of the last few years and as a result of over recruitment in 2011/12. Overseas student fees have increased by £1.3m to £25.8m, which reflects an increase in the number of Chinese students which has been partly offset by a fall in the number of students from India, as a result of the changes to visa requirements.

Funding council grants have decreased by £4.4m to £86.8m (2011: £91.2m). The major factors behind the reduction are a £3.9m fall in recurrent HEFCE grants and a £1.1m fall in specific HEFCE grants. Across both areas last year the University was in receipt of £1.9m HEFCE Efficiency Funding which was a one-off initiative for 2010/11. The reduction in HEFCE grants was offset by an increase of £0.6m in deferred capital grants released.

Research grants and contracts income has decreased by £1.4m in the year to £6.8m. The majority of the fall is in UK government body research income, but there has also been a reduction in income received from the EU. This is due to an environment of increasingly competitive bidding rounds linked to reductions in public funding and the worldwide economic downturn.

Other income has increased slightly by £0.1m to £20.2m in 2011/12. Small increases in a variety of other income categories, such as disabled student grants, Erasmus grants and bursaries have been offset by a reduction in consultancy income.

Investment income has improved significantly to £2.4m from £0.6m, due to the increased cash balances on deposit which have been as a result of the £74m revolving credit being drawn down in full throughout the year.

Expenditure

Staff costs have fallen by £1.6m to £146.4m. This is primarily due to a £1.8m reduction in restructuring costs compared to the previous year as a result of the change programmes being completed in 2010/11. Average staff numbers have fallen slightly overall compared to last year and there has been some re-categorisation as a result of the Change to Improve Programme. Salary costs (including social security costs) have increased slightly as a result of the pay award of £150 per employee, the effect of pay progression through the salary increments and the increase in employers' National Insurance Contributions in 2011/12. Pension costs have decreased by £0.3m as a result of a lower FRS17 staff costs charge. Staff costs (excluding restructuring costs and FRS17 pension charges) are at a similar level to last year at 59.6% when measured as a percentage of total income (2010/11: 59.1%, 2009/10: 60.2%, 2008/09: 62.0%).

Other operating expenditure has increased by £7.1m to £66.6m (2011: £59.5m). There has been an increase in spend of £3.4m across a number of areas including computers and IT, books and periodicals and professional services as a result of the University investing in the Student Experience, a trend expected to continue next year. Included within other expenses is the £0.8m over recruitment penalty levied by HEFCE. Depreciation has fallen by £0.5m compared with the prior year at £15.4m (2011: £15.9m).

Interest payable and other finance costs have increased to £2.9m from £2.1m. Of this £2.0m relates to the FRS17 interest adjustment (2011: £1.9m). The interest payable on loans has increased to £0.9m (2011: £0.2m) as the Barclays revolving loan facility was fully utilised throughout the year.

Balance sheet

The net assets of the University Group have reduced by £6.2m to £126.6m in the year.

The University Group has net current assets of £112.0m against a previous year balance of £101.4m. This increase is mainly due to short term investments being £136.3m compared to £125.3m in 2011. This represents the cash generated within the year, with net funds increasing by £11.1m to £63.9m.

Tangible fixed assets have reduced to £159.8m (2011: £163.1m). This movement includes capital spend of £13.4m in the year, a depreciation charge of £15.4m and net book value disposals of £1.4m.

The University participates in the Local Government Pension Scheme (LGPS), Universities Superannuation Scheme (USS) and Teachers Pension Scheme (TPS). The USS and TPS are accounted for on a defined contributions basis, whereas LGPS is accounted for under FRS17. The FRS17 accounting has resulted in a charge to the operating surplus of £3.3m. Actuarial gains and losses are charged to the Statement of Total Recognised Gains and Losses. For the year to 31 July 2012, there was an actuarial loss of £11.0m (2011: actuarial gain of £5.8m). The large movement in the year can be analysed into two components. £3.7m is as a result of actual returns on scheme assets being lower than expected at the last actuarial valuation and £7.3m is as a result of changes to financial and demographic assumptions underlying the scheme liabilities. The total movement accounts for the increase in the pension deficit to £69.7m from £55.4m.

Treasury management

The University has generated cash from operating activities of £20.5m (2011: £29.6m). The £74m Barclays Loan Facility was drawn down last year. This has allowed the University to invest working capital to maximise financial return in the short term and so the University remains in a strong position to deal with the impact of changes to Higher Education funding.

The University has a Treasury Management Policy that has been agreed by the Board of Governors to manage risk. The policy states the minimum liquidity level which must be maintained and defines procedures to limit exchange rate exposure. The policy also sets minimum approved ratings and investment limits for counterparties in which the University can invest to safeguard the assets of the University.

Payment of creditors

The University is fully committed to the prompt payment of its supplier's invoices and supports the Confederation of British Industry's Prompt Payment Code. The University aims to pay invoices in accordance with agreed contractual conditions or, where no specific conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later.

Independent Auditor's report to the Board of Governors of Sheffield Hallam University

We have audited the financial statements of Sheffield Hallam University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2012 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council.

Matter on which we are required to report by exception

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

- the Statement of Internal Control is inconsistent with our knowledge of the University.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds
28 November 2012

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
INCOME			
Funding body grants	2	86,807	91,203
Tuition fees and education contracts	3	126,587	121,107
Research grants and contracts	4	6,827	8,200
Other income	5	20,194	20,068
Endowment and investment income	6	2,363	605
		<hr/>	<hr/>
Total income		242,778	241,183
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	7	146,441	148,047
Depreciation	8	15,371	15,857
Other operating expenses	9	66,587	59,536
Interest and other finance costs	10	2,903	2,098
		<hr/>	<hr/>
Total expenditure	11	231,302	225,538
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at valuation and before tax		11,476	15,645
		<hr/>	<hr/>
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and tax		11,476	15,645
		<hr/>	<hr/>
Surplus for the year retained within general reserves		11,476	15,645
		<hr/>	<hr/>
All results are from continuing operations			

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus on continuing operations before tax		11,476	15,645
Revaluation surpluses realised on sale of properties	25	1,359	90
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	25	338	350
		<hr/>	<hr/>
Historical cost surplus for the year before taxation		13,173	16,085
		<hr/>	<hr/>
Historical cost surplus for the year after taxation		13,173	16,085
		<hr/>	<hr/>

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		11,476	15,645
New endowments	16	10	311
Endowment income retained for the year	16	(8)	(7)
Actuarial (loss)/gain in respect of the pension scheme	24	(11,039)	5,815
		<hr/>	<hr/>
Total recognised gains relating to the year		439	21,764
		<hr/>	<hr/>
Reconciliation			
Opening reserves and endowments		93,338	71,574
Total recognised gains for the year		439	21,764
		<hr/>	<hr/>
Closing reserves and endowments		93,777	93,338
		<hr/>	<hr/>

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED BALANCE SHEET
as at 31 July 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
FIXED ASSETS					
Tangible assets	12	159,767		163,112	
Investments	15	42		42	
			159,809		163,154
ENDOWMENT ASSETS					
	16		552		550
CURRENT ASSETS					
Stocks		126		150	
Debtors	17	22,489		17,834	
Short term deposits		136,288		125,316	
Cash at bank and in hand		1,091		945	
		159,994		144,245	
CREDITORS – amounts falling due within one year					
	18	(47,999)		(42,895)	
NET CURRENT ASSETS					
			111,995		101,350
TOTAL ASSETS LESS CURRENT LIABILITIES					
			272,356		265,054
CREDITORS – amounts falling due after more than one year					
	20	(74,000)		(74,000)	
PROVISION FOR LIABILITIES					
	21	(2,053)		(2,855)	
			(76,053)		(76,855)
NET ASSETS EXCLUDING PENSION LIABILITY					
			196,303		188,199
PENSION LIABILITY					
	24		(69,696)		(55,371)
TOTAL NET ASSETS					
			126,607		132,828
DEFERRED CAPITAL GRANTS					
	22		32,830		39,490
ENDOWMENTS – expendable					
	16		552		550
RESERVES					
Income and expenditure account excluding pension reserve	23	144,215		127,728	
Pension reserve	24	(69,696)		(55,371)	
Revaluation reserve	25	18,132		19,829	
Capital reserve	26	574		602	
			93,225		92,788
TOTAL NET ASSETS					
			126,607		132,828

The financial statements on pages 30 to 63 were approved on behalf of the Board of Governors on 27 November 2012

Geoff Dawson, Chairman of the Board of Governors



P A Jones, Vice-Chancellor



SHEFFIELD HALLAM UNIVERSITY
BALANCE SHEET UNIVERSITY BALANCE SHEET
as at 31 July 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
FIXED ASSETS					
Tangible assets	13	150,769		154,580	
Investments	15	15,807		15,807	
			166,576		170,387
ENDOWMENT ASSETS	16		552		550
CURRENT ASSETS					
Stocks		126		150	
Debtors	17	21,871		17,209	
Short term deposits		136,288		125,316	
Cash at bank and in hand		852		802	
		159,137		143,477	
CREDITORS – amounts falling due within one year	18	(47,131)		(42,111)	
NET CURRENT ASSETS			112,006		101,366
TOTAL ASSETS LESS CURRENT LIABILITIES			279,134		272,303
CREDITORS – amounts falling due after more than one year	19	(89,765)		(89,765)	
PROVISION FOR LIABILITIES	21	(2,053)		(2,855)	
			(91,818)		(92,620)
NET ASSETS EXCLUDING PENSION LIABILITY			187,316		179,683
PENSION LIABILITY	24		(69,696)		(55,371)
TOTAL NET ASSETS			117,620		124,312
DEFERRED CAPITAL GRANTS	22		32,830		39,490
ENDOWMENTS – expendable	16		552		550
RESERVES					
Income and expenditure account excluding pension reserve	23	135,228		119,212	
Pension reserve	24	(69,696)		(55,371)	
Revaluation reserve	25	18,132		19,829	
Capital reserve	26	574		602	
			84,238		84,272
TOTAL NET ASSETS			117,620		124,312

The financial statements on pages 30 to 63 were approved on behalf of the Board of Governors on 27 November 2012

Geoff Dawson, Chairman of the Board of Governors



P A Jones, Vice-Chancellor



SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	30	20,513	29,636
Return on investments and servicing of finance	31	1,460	353
Capital expenditure and financial investment	32	(10,853)	(6,914)
		<hr/>	<hr/>
Net cash inflow before use of liquid resources and financing		11,120	23,075
Management of liquid resources		(10,974)	(96,384)
Financing	33	-	74,000
		<hr/>	<hr/>
Increase in cash in the year		146	691
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		146	691
Increase in cash in liquid resources		10,974	96,384
Change in debt	33	-	(74,000)
		<hr/>	<hr/>
Increase in net funds		11,120	23,075
Net funds at 1 August		52,811	29,736
		<hr/>	<hr/>
Net funds at 31 July	34	63,931	52,811
		<hr/>	<hr/>

SHEFFIELD HALLAM UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of principal policies

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with both the Statement of Recommended Practice : Accounting for Further and Higher Education (the SORP) issued in September 2007 and applicable United Kingdom Accounting Standards.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2012. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of the University's Union of Students as it is a separate legal entity over which the University does not exercise control or significant influence over policy decisions.

Going concern

The Consolidated and University Accounts are prepared on a going concern basis as per the Operating Financial Review report on page 23.

Recognition of income

Income from specific grants from the Higher Education Funding Council for England, specific endowments and donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Income received in excess of expenditure is held as a deferred creditor; expenditure in excess of related income is charged during the year in which it is incurred. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

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

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

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

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

Foreign currencies

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

Notes to the financial statements

Leases

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

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

Land and buildings

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

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

Equipment

Designated equipment financed from Funding Council grants and other equipment is capitalised on the basis of nature. Equipment is capitalised if it is tangible, has a life of more than one year and has a purchase cost greater than £5,000. The life of the asset is dependent on its categorisation within 16 categories, ranging from 2 to 10 Years.

Subsequent expenditure on existing fixed assets

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

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

Heritage assets

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

Depreciation*Land*

Land is not depreciated.

Buildings

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

Leased buildings

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

Other tangible fixed assets

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

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

Assets under construction

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

Heritage assets

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

Assets held for resale

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

Stocks

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

Cash flows and liquid resources

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

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

Notes to the financial statements

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.

Maintenance of premises

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

Taxation status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

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

Investments

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

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

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

Retirement benefits

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

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

2. Funding body grants

	2012	2011
	£000	£000
Higher Education Funding Council for England		
Recurrent grant	66,844	70,696
Specific grants	2,942	4,029
Teaching Agency (previously Training and Development Agency)		
Recurrent grant	7,095	7,189
Specific grants	2,581	2,490
Deferred capital grants released in year (Note 22)		
Buildings	1,911	1,984
Equipment	5,434	4,815
	86,807	91,203

3. Tuition fees and education contracts

	2012	2011
	£000	£000
Full-time undergraduate home and EU students	59,089	54,992
Full-time postgraduate home and EU students	4,081	3,703
Part-time undergraduate home and EU students	4,475	3,909
Part-time postgraduate home and EU students	3,576	4,041
Overseas students	25,800	24,518
Fees from NHS contracts	28,454	28,486
Other fees and support grants	1,112	1,458
	126,587	121,107

4. Research grants and contracts

	2012	2011
	£000	£000
Research Councils	1,132	1,247
UK based charities	533	597
UK central government bodies, local authorities and health authorities	3,353	4,438
UK industry, commerce and public corporations	394	458
EU government bodies	701	1,198
EU other	337	175
Other overseas	108	49
Other sources	269	38
	6,827	8,200

5. Other income

	2012 £000	2011 £000
Residences, catering and conferences	4,737	4,615
Other services rendered	5,356	6,058
Release of deferred capital grants (Note 22)	194	227
Other income	9,907	9,168
	20,194	20,068

6. Endowment and investment income

	2012 £000	2011 £000
Income from restricted expendable endowments (Note 16)	11	9
Income from short term investments	2,352	596
	2,363	605

7. Staff costs

Staff costs	2012 £000	2011 £000
Wages and salaries	118,937	118,596
Social security costs	9,636	9,401
Pension costs (Note 27)	16,030	16,365
Restructuring costs (Note 21)	1,838	3,685
	146,441	148,047

Emoluments of the Vice-Chancellor

	2012 £000	2011 £000
Salary	244	223
Other benefits	2	2
	246	225
Pension contributions	-	25
	246	250

The pension contributions represent the University's employer's contributions to the USS Pension Scheme and are paid at the same rate as for other employees. Due to length of service in the pension scheme, the Vice-Chancellor agreed with the University that it should cease making contributions and instead make a payment to him in lieu. This has not affected the total amount of remuneration he gets from the University.

7. Staff costs (continued)

Remuneration of other higher paid staff, excluding employer pension contributions, fall within the following bands:	2012 Number	2011 Number
£100,000 - £109,999	3	3
£110,000 - £119,999	3	2
£120,000 - £129,999	4	3
£130,000 - £139,999	2	3
£140,000 - £149,999	2	2
£150,000 - £159,999	-	-
£160,000 - £169,999	1	1

Average number of staff employed during the year was made up as follows:	2012 Number of FTE's	2011 Number of FTE's
Faculty/Research Institute based	1,951	2,108
Academic support departments	313	322
Administration	832	713
Other	245	243
	3,341	3,386

Compensation for loss of office payable to senior post holders	2012 £000	2011 £000
Compensation payable	54	60

During the year, compensation was paid to one senior post-holder (2011: one senior post-holder). The severance pay was agreed in accordance with the Institutions Remuneration Committee.

8. Depreciation

The depreciation charge has been funded by:	2012 £000	2011 £000
Deferred capital grants released (Note 22)	7,539	7,026
General income	7,494	8,481
Revaluation reserve released (Note 25)	338	350
	15,371	15,857

9. Other operating expenses

	2012	2011
	£000	£000
Premises costs	9,734	9,543
Furniture and supplies	1,768	1,780
Equipment and consumables	3,373	2,546
Operating lease expenditure	1,568	1,168
Books and periodicals	3,461	2,786
Staff development and training	1,033	1,068
Staff travel expenses	2,828	2,490
Other staff costs	540	229
Students grants and expenses	9,442	9,414
Grants to Sheffield Hallam University Union of Students	2,035	1,900
Computers and IT	8,301	6,190
Printing and stationery	1,828	1,683
Marketing and publicity	3,868	3,449
Hospitality	308	289
Postage and communications	949	955
Professional services	7,238	6,592
External auditor's remuneration in respect of audit services	47	55
External auditor's remuneration in respect of non-audit services	75	54
Internal audit services	175	99
Course and exam expenses	4,834	4,309
Bad debts	381	334
Agency staff	829	643
Other expenses	1,972	1,960
	66,587	59,536

10. Interest and other finance costs

	2012	2011
	£000	£000
Loans not wholly repayable within five years	858	154
Pension finance costs (Note 27)	2,045	1,944
	2,903	2,098

11. Analysis of total expenditure by activity

	2012	2011
	£000	£000
Academic departments	107,783	108,750
Academic services	38,087	22,313
Administration and central services	38,330	42,709
Premises	22,438	21,457
Residences, catering and conferences	4,586	4,598
Research grants and contracts	8,135	9,989
Other expenses	11,943	15,722
	231,302	225,538

12. Tangible fixed assets – Consolidated

	Land and Buildings			Assets under construction	Equipment	Heritage assets	Total
	Freehold	Long lease hold	Short lease hold				
	£000	£000	£000				
Valuation/cost							
At 1 August 2011							
Valuation	26,153	-	-	-	-	515	26,668
Cost	183,118	556	1,951	3,153	52,877	-	241,655
Additions at cost	15	-	-	13,281	129	-	13,425
Transfer at cost	6,377	-	-	(10,242)	3,865	-	-
Disposals at:							
– Valuation	(1,767)	-	-	-	-	-	(1,767)
– Cost	(1,770)	-	-	-	-	-	(1,770)
At 31 July 2012							
Valuation	24,386	-	-	-	-	515	24,901
Cost	187,740	556	1,951	6,192	56,871	-	253,310
Depreciation							
At 1 August 2011	73,203	229	1,951	-	29,828	-	105,211
Charge for year	7,621	33	-	-	7,718	-	15,371
Eliminated in disposals	(2,139)	-	-	-	-	-	(2,139)
At 31 July 2012	78,685	262	1,951	-	37,546	-	118,444
Net Book Value							
At 31 July 2012	133,441	294	-	6,192	19,325	515	159,767
At 31 July 2011	136,068	327	-	3,153	23,049	515	163,112

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

13. Tangible fixed assets – University

	Land and Buildings			Assets under construction	Equipment	Heritage assets	Total
	Freehold	Long lease hold	Short lease hold				
	£000	£000	£000	£000	£000	£000	£000
Valuation/cost							
At 1 August 2011							
Valuation	26,153	-	-	-	-	515	26,668
Cost	167,353	16,321	1,951	3,153	52,838	-	241,616
Additions at cost	15	-	-	13,281	129	-	13,425
Transfer at cost	6,377	-	-	(10,242)	3,865	-	-
Disposals at:							
– Valuation	(1,767)	-	-	-	-	-	(1,767)
– Cost	(1,770)	-	-	-	-	-	(1,770)
At 31 July 2012							
Valuation	24,386	-	-	-	-	515	24,901
Cost	171,975	16,321	1,951	6,192	56,832	-	253,271
Depreciation							
At 1 August 2011	67,528	14,418	1,951	-	29,807	-	113,704
Charge for year	7,305	821	-	-	7,712	-	15,838
Eliminated in disposals	(2,139)	-	-	-	-	-	(2,139)
At 31 July 2012	72,694	15,239	1,951	-	37,519	-	127,403
Net Book Value							
At 31 July 2012	123,667	1,082	-	6,192	19,313	515	150,769
At 31 July 2011	125,978	1,903	-	3,153	23,031	515	154,580

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

14. Heritage assets

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

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

15. Investments

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Investment in subsidiary companies at cost	-	-	9,750	9,750
Loan to Collegiate Properties (2) Limited	-	-	6,015	6,015
Other investments	42	42	42	42
	42	42	15,807	15,807

Group Undertakings	Principal Activity	Percentage of Ordinary Shares Held
3D Imaging Technology Ltd	Dormant	100
Collegiate Library Services Ltd	Dormant	100
Collegiate Properties Ltd	Dormant	100
Collegiate Properties (2) Ltd	Contracting and property leasing	100
Collegiate Properties (3) Ltd	Dormant	100
Hallam Biotechnology Ltd	Dormant	100
Hallam Immunotech Ltd	Dormant	100
Hallam Proteonics Ltd	Dormant	100
O&N Contracting Ltd	Property leasing	100
Sheffield Hallam Innovation and Enterprise Ltd	Holding company	100
Sheffield Hallam Property Company Ltd	Dormant	100
Sheffield Hallam University Enterprises Ltd	Trading activities	100
Virtual Learning Systems Ltd	Dormant	100
Sheaf Innovations Limited	Research	24.9
Xeracarb Limited	Research	15.91

16. Endowment assets

Restricted expendable endowments:	Consolidated and University	
	2012	2011
	£000	£000
At 1 August	550	246
Income for year	3	2
New endowments invested	10	311
Transferred to Income and Expenditure account	(11)	(9)
	<hr/>	<hr/>
At 31 July	552	550
	<hr/>	<hr/>
Representing		
Prize funds	253	253
Other funds	299	297
	<hr/>	<hr/>
	552	550
	<hr/>	<hr/>

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

17. Debtors

Amounts falling due within one year:	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Debtors	15,402	12,835	14,860	12,123
Prepayments	4,180	2,103	4,175	2,102
Accrued income	2,794	2,783	2,635	2,645
Loans	113	113	113	113
Amounts owed by group undertakings	-	-	88	226
	<hr/>	<hr/>	<hr/>	<hr/>
	22,489	17,834	21,871	17,209
	<hr/>	<hr/>	<hr/>	<hr/>

18. Creditors – amounts falling due within one year

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Payments received on account	17,952	17,829	17,909	17,744
Trade creditors	12,114	7,714	12,021	7,714
Social security and other taxation payable	3,708	3,740	3,669	3,701
Accruals and deferred income	14,225	13,612	13,532	12,952
	47,999	42,895	47,131	42,111

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

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Unsecured loans (Note 20)	74,000	74,000	74,000	74,000
Obligation under finance leases	-	-	15,765	15,765
	74,000	74,000	89,765	89,765

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Analysis of finance leases:				
Due within one year	-	-	15,765	15,765
	-	-	15,765	15,765

20. Borrowings

	Consolidated and University	
	2012	2011
	£000	£000
Analysis of unsecured loans:		
Due in five years or more	74,000	74,000
	<hr/>	<hr/>
	74,000	74,000
	<hr/>	<hr/>

The University has a revolving credit facility arranged with Barclays Bank Plc on 31 July 2007. The £74m Revolving Credit Facility is available until 31 July 2014, at which point the University can convert the full facility to a term loan for a further 23 years. The interest rate charged is variable and the facility is unsecured.

21. Provisions for liabilities

	Pensions	Restructuring	Total
	£000	£000	£000
At 1 August 2011	1,091	1,764	2,855
Created in year	61	1,430	1,491
Utilised in year	(501)	(1,683)	(2,184)
Released in year	(28)	(81)	(109)
	<hr/>	<hr/>	<hr/>
At 31 July 2012	623	1,430	2,053
	<hr/>	<hr/>	<hr/>

The pension provision is in respect of pension enhancements payable on behalf of staff who had taken early retirement. This will be utilised over the period of retirement.

The restructuring provision is in respect of redundancy payments and other one-off costs arising from the reorganisation of various elements of the University's academic and administrative portfolio. This will be utilised during 2012/13.

22. Deferred capital grants

	Funding Councils £000	Consolidated and Other Grants £000	University Total £000
At 1 August 2011			
Buildings	26,376	1,098	27,474
Equipment	11,898	118	12,016
Total	38,274	1,216	39,490
Cash received			
Buildings	-	-	-
Equipment	875	4	879
Total	875	4	879
Released to Income and Expenditure account			
Buildings	1,911	155	2,066
Equipment	5,434	39	5,473
Total	7,345	194	7,539
At 31 July 2012			
Buildings	24,465	943	25,408
Equipment	7,339	83	7,422
Total	31,804	1,026	32,830

23. Income and expenditure reserve

	2012 £000	Consolidated 2011 £000	2012 £000	University 2011 £000
As at 1 August	127,728	107,963	119,212	99,918
Surplus retained for the year	11,476	15,645	11,005	15,174
Release from revaluation reserve	1,697	440	1,697	440
Release from capital reserve	28	28	28	28
Add back pension reserve	3,286	3,652	3,286	3,652
As at 31 July	144,215	127,728	135,228	119,212

24. Pension reserve

	Consolidated and University	
	2012	2011
	£000	£000
As at 1 August	(55,371)	(57,534)
Actuarial (loss)/gain in respect of the pension scheme deficit	(11,039)	5,815
Deficit retained within reserves	(3,286)	(3,652)
	<hr/>	<hr/>
As at 31 July	(69,696)	(55,371)
	<hr/>	<hr/>

25. Revaluation reserve

	Consolidated and University	
	2012	2011
	£000	£000
As at 1 August	19,829	20,269
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(338)	(350)
Release to Income and Expenditure reserve revaluation surpluses realised on disposal of properties	(1,359)	(90)
	<hr/>	<hr/>
As at 31 July	18,132	19,829
	<hr/>	<hr/>

26. Capital reserve

	Consolidated and University	
	2012	2011
	£000	£000
As at 1 August	602	630
Release to Income and Expenditure reserve	(28)	(28)
	<hr/>	<hr/>
As at 31 July	574	602
	<hr/>	<hr/>

27. Pension costs

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

Total pension cost for the year	2012	2011
	£000	£000
Teachers Pension Scheme: contributions paid	7,831	7,887
Universities Superannuation Scheme: contributions paid	1,276	1,258
Local Government Pension Scheme: FRS17 charge	6,923	7,220
	<hr/>	<hr/>
Total pension cost	16,030	16,365
	<hr/>	<hr/>

Teachers' Pension Scheme (TPS)

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

Formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds. Previously actuarial valuations were carried out on a notional set of investments using the prospective benefits method. The assumptions behind the last full actuarial valuation were as follows:

Latest actuarial valuation	31 March 2004
Investment returns per annum	6.50%
Salary scale increases per annum	5.00%
Pension increases per annum	3.50%
Value of notional assets at date of last valuation	£163,240m
Value of liabilities at date of last valuation	£166,500m

As at 31 March 2012 the scheme had net liabilities of £200.7bn (2010/11: £192.5bn). The valuation was prepared using full membership data as at 2008, such as would have been provided for a formal valuation, updated to reflect the current scheme membership.

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

£1 - £14,999	6.4%
£15,000 - £25,999	7.0%
£26,000 - £31,999	7.3%
£32,000 - £39,999	7.6%
£40,000 - £74,999	8.0%
£75,000 - £111,999	8.4%
£112,000 or more	8.8%

27. Pension costs (continued)

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Due to the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme for the year.

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

Latest actuarial valuation	31 March 2011
Investment returns per annum – past service	6.1%
Investment returns per annum – future service	6.1%
Salary scale increases per annum	4.4% plus short term at 3.65%
Pension increases per annum	3.4% for 3 years and 2.6% thereafter
Value of assets of the scheme at date of last valuation	£32,433m
Value of the scheme's technical provisions	£35,344m
Next actuarial valuation is due	31 March 2014

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 12.8% of pensionable salaries. The institution contribution rate for October 2009 to March 2011 has been 16% of pensionable salaries.

27. Pension costs (continued)**Correcting the shortfall**

The Trustee has determined (after consultation with the Employers) a plan to pay off the shortfall of £2,910.2 million which requires the Employers to make the following payments:

Periods up to 31 March 2017

The Employers' deficit contributions in the first six years of the recovery plan will amount to 16% p.a. of salaries less the blended Employer future service cost of accrual, giving rise to deficit contributions of 3.4% of salaries for the period 31 March 2011 to 31 March 2012.

Periods after 31 March 2017 until 31 March 2021

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

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

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

Local Government Pension Scheme (LGPS)

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

The SYPF is valued every three years by a qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary with the approval of the administering authority. The last full actuarial valuation was carried out at 31 March 2010.

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

The total contributions made for the year ended 31 July 2012 was £8,769,000 of which employers contributions totalled £5,997,000 and employees contributions totalled £2,772,000. The current contribution rates are 13.4% (2011: 13.03%) for employers and employees are on a sliding scale based on earnings, the rate varying between 5.5% and 7.5% (2011: between 5.5% and 7.2%).

The following information is based upon a full actuarial valuation of the fund at 31 March 2010 updated to 31 July 2012 by a qualified independent actuary.

Notes to the financial statements

27. Pension costs (continued)

The material assumptions used by the actuary for FRS 17 at 31 July 2012 were:

	2012	2011
Rate of increase in salaries	3.95%	4.65%
Rate on increase in pensions in payment	2.2%	2.9%
Discount rate	4.5%	5.3%
Inflation assumption	2.2%	2.9%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

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

	At 31 July 2012	At 31 July 2011
<i>Retiring today</i>		
Males	21.8	21.4
Females	24.6	24.1
<i>Retiring in 20 years</i>		
Males	23.6	22.8
Females	26.5	25.7

Scheme assets

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

	Long term return %	2012 Fund value £000	Long term return %	2011 Fund value £000	Long term return %	2010 Fund value £000
Equities	7.0%	106,143	7.0%	100,213	7.5%	90,072
Government Bonds	2.5%	23,642	3.9%	24,088	4.2%	19,006
Other Bonds	3.4%	13,370	4.9%	11,118	5.1%	12,671
Property	6.0%	15,652	6.0%	15,132	6.5%	13,910
Other	0.5%	4,239	0.5%	3,860	0.5%	2,066
		163,046		154,411		137,725

27. Pension costs (continued)

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

Analysis of the amount shown in the balance sheet	2012 £000	2011 £000
Total fair value of assets	163,046	154,411
Present value of funded scheme liabilities	(232,663)	(209,704)
Present value of unfunded scheme liabilities	(79)	(78)
	<hr/>	<hr/>
Deficit in scheme – Net pension liability	(69,696)	(55,371)
	<hr/>	<hr/>
Amounts charged to operating surplus	2012 £000	2011 £000
Current service cost	(7,042)	(6,914)
Past service cost	(8)	-
Settlements and curtailments	(188)	(592)
	<hr/>	<hr/>
Total operating charge	(7,238)	(7,506)
	<hr/>	<hr/>
Amounts charged to interest payable	2012 £000	2011 £000
Expected return on pension scheme assets	9,184	8,892
Interest on pension scheme liabilities	(11,229)	(10,836)
	<hr/>	<hr/>
Net charge	(2,045)	(1,944)
	<hr/>	<hr/>
Amounts recognised in statement of Total Recognised Gains and Losses	2012 £000	2011 £000
Actual return less expected return on pension scheme assets	(3,725)	5,382
Change in financial and demographic assumptions underlying the scheme liabilities	(7,314)	2,343
Experience gains/(losses) on liabilities	-	(1,910)
	<hr/>	<hr/>
Total actuarial (loss)/gain recognised in the Statement of Total Recognised Gains and Losses	(11,039)	5,815
	<hr/>	<hr/>

27. Pension costs (continued)

Movement in deficit in the year	2012 £000	2011 £000
Deficit in scheme at 1 August	(55,371)	(57,534)
Current service costs	(7,042)	(6,914)
Contributions	5,997	5,798
Past service costs	(196)	(592)
Other finance costs	(2,045)	(1,944)
Actuarial (loss)/gain	(11,039)	5,815
	<hr/>	<hr/>
Deficit in scheme at 31 July	(69,696)	(55,371)
	<hr/>	<hr/>
Analysis of the movement in the present value of scheme liabilities	2012 £000	2011 £000
Liabilities at 1 August	209,782	195,259
Service cost	7,050	6,914
Interest cost	11,229	10,836
Employee contributions	2,772	2,767
Actuarial loss/(gain)	7,314	(433)
Benefits paid	(5,593)	(6,153)
Curtailments and settlements	188	592
	<hr/>	<hr/>
Liabilities at 31 July	232,742	209,782
	<hr/>	<hr/>
Analysis of the movement in the market value of scheme assets	2012 £000	2011 £000
Assets at 1 August	154,411	137,725
Expected return on assets	9,184	8,892
Actuarial (loss)/gain	(3,725)	5,382
Employer contributions	5,997	5,798
Employee contributions	2,772	2,767
Benefits paid	(5,593)	(6,153)
	<hr/>	<hr/>
Assets at 31 July	163,046	154,411
	<hr/>	<hr/>

The estimated contribution to the defined benefit scheme for the year 2012/13 is £5,700,000.

27. Pension costs (continued)

History of experience gains and losses	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	(3,725)	5,382	11,325	(14,564)	(15,703)
% of scheme assets	2.3%	3.5%	8.2%	12.6%	13.3%
Experience gains and losses arising on scheme liabilities	(7,314)	(1,910)	(2,803)	19,138	(14,346)
% of present value of scheme liabilities	3.1%	0.9%	1.4%	10.9%	8.2%
Total amount recognised in statement of total recognised gains and losses	(11,039)	5,815	8,522	4,574	(30,049)
% of present value of scheme liabilities	4.7%	2.8%	4.4%	2.6%	16.8%

28. Lease obligations

Annual rentals under operating lease commitments as at 31 July expiring:	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Buildings				
Within one year	-	256	-	256
Between one and five years	874	840	874	840
Over five years	448	494	448	494
Equipment				
Within one year	173	71	173	71
Between one and five years	166	119	166	119
	1,661	1,780	1,661	1,780

29. Capital commitments

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Commitments contracted at 31 July	6,550	1,884	6,550	1,884
Authorised but not contracted at 31 July	3,312	4,103	3,312	4,103
	9,862	5,987	9,862	5,987

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

	2012	2011
	£000	£000
Operating surplus	11,476	15,645
Depreciation	15,371	15,857
Deferred capital grants released income	(7,539)	(7,026)
Investment income	(2,363)	(605)
Interest payable	858	154
Decrease in stocks	24	18
(Increase)/ Decrease in debtors	(4,767)	1,931
Increase /(Decrease) in creditors	5,255	(2,947)
(Decrease)/Increase in provisions	(802)	1,012
(Profit)/Loss on sale of fixed assets	(286)	1,945
Pension costs less contributions payable	3,286	3,652
	<hr/>	<hr/>
Net cash inflow from operating activities	20,513	29,636
	<hr/>	<hr/>

31. Returns on investments and servicing of finance

	2012	2011
	£000	£000
Income from endowments	3	2
Income from short term investments	2,463	352
Interest paid	(1,006)	(1)
	<hr/>	<hr/>
	1,460	353
	<hr/>	<hr/>

32. Capital expenditure and financial investment

	2012	2011
	£000	£000
Tangible assets acquired	(13,425)	(11,540)
Receipts from sale of fixed assets	1,684	302
Deferred capital grants received	878	4,013
Endowments received	10	311
	<hr/>	<hr/>
	(10,853)	(6,914)
	<hr/>	<hr/>

33. Financing

	2012	2011
	£000	£000
New loans	-	74,000
Net amount received in year	-	74,000

34. Analysis of changes in net funds

	At 1 August	Cash Flows	At 31 July
	2011	£000	2012
	£000	£000	£000
Cash at bank and in hand	945	146	1,091
Endowment bank balance	550	2	552
	1,495	148	1,643
Debt due in more than 5 years	(74,000)	-	(74,000)
Short term deposits	125,316	10,972	136,288
	52,811	11,120	63,931

35. Access funds

	2012	2011
	£000	£000
Funding Council Access grants	624	623
Interest earned	3	2
	627	625
Disbursed to students	(620)	(588)
Grants to be disbursed	7	37

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

36. Teaching Agency

	2012	2011
	£000	£000
Initial Teacher Training Bursaries		
Funds received	1,457	3,825
Disbursed to students	(1,477)	(3,566)
	<hr/>	<hr/>
Overspent funds to be reimbursed/Unspent funds to be recovered	(20)	259
	<hr/>	<hr/>
Secondary Shortage Subjects Scheme		
Funds received	-	4
Disbursed to students	-	(4)
	<hr/>	<hr/>
Funds carried forward to be disbursed in the following year	-	-
	<hr/>	<hr/>
The Secondary Shortage Subjects Scheme finished in 2011		

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

37. Related party transactions

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

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

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

Professor Philip Jones, Vice-Chancellor and member of the Board of Governors, was a director of Yorkshire Universities which received payments from the University of £19,120 (2010/11: £16,120) in relation to membership subscriptions and a collaborative technology project. Professor Jones was a member of the Board of the National Science Learning Centre which made payments to the University of £635,953 (2010/11: £731,989) in relation to the running of the Yorkshire and the Humber Science Learning Centre. In addition, the University made payments of £2,298 (2010/11: Nil) to the National Science Learning Centre for events, training, conferences and marketing.

Mr Michael Longden, a Governor, was an associate director at Irwin Mitchell, Solicitors, which provided professional services for the University. Mr Longden did not provide any of the services commissioned by the University from Irwin Mitchell. Mr Longden had no involvement in the University's arrangements for selection of, instructions to or payment of the University's various lawyers. Payments during the year in respect of such services amounted to £32,351 (2010/11: £21,065). In addition, the University received payments of £3,710 (2010/11: £525) from Irwin Mitchell in relation to tuition fees and fees for IT training provided by the University.

Ms Janet Dean, a Governor, was a non executive director of Yorkshire and the Humber Strategic Health Authority which made payments of £23,478,687 (2010/11: £22,334,400) to the University in relation to tuition fees for courses provided by the University and payments related to the programmes and courses provided by the University. Ms Dean was also the Chair of Sheffield Homes which made payments of £16,497 (2010/11: £12,433) to the University in relation to course fees for courses provided by the University; fees for IT training courses provided by the University and catering, room and AV hire.

Mr Geoff Dawson, a Governor, was a director of the University and Colleges Employers Association (UCEA) which received payments of £12,492 (2010/11: £10,566) in relation to the annual subscription to UCEA and staff development. Mr Geoff Dawson was a member of the Board of the Leadership Foundation for Higher Education which received payments from the University of £28,155 (2010/11: £54,466) in relation to provision of training. In addition, the University received payments of £208 (2010/11: NIL) from the Leadership Foundation in relation to travel expenses.

The following Executive Officers of Sheffield Hallam University Union of Students were members of the Board of Governors during the 2011/12 financial year:

- Ms H Francis was a member of the Board of Governors from July 2012 and her period of office continues to June 2013;
- Mr C Hawkes was a member of the Board of Governors from July 2012 and his period of office continues to June 2013.
- Mr C Leung was a member of the Board of Governors from July 2010 to June 2012; and
- Mr J Kitchiner was a member of the Board of Governors from July 2011 to June 2012.

Notes to the financial statements

Sheffield Hallam University made payments to the Sheffield Hallam University Union of Students of £2,219,927 (2010/11: £2,041,036) in relation to the yearly grant made to the Students' Union by the University, Sport Hallam subscriptions and other sports charges, estates and facilities charges and administrative charges. Sheffield Hallam University received payments from the Sheffield Hallam University Union of Students of £406,641 (2010/11: £345,977) in relation to estates and facilities charges and administrative charges.

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

38. Transactions with trustees

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

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

Mr Matt Borg, a governor, was a member of staff of the University elected as a governor by and from the professional services staff of the University. Dr Steve Jones and Dr Christine O'Leary were governors and members of academic staff of the University elected by and from the academic staff of the University. 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 2011/12, expenses in relation to travel and subsistence totalling £13,000 (2010/11 £6,000) were paid to or on behalf of eleven (2010/11: seven) 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, members of the Board of Governors did not receive any payments for services, other than under a contract of employment as specified above, provided by the member of the Board to the University. Transactions with related parties are declared in not 37.

BOARD OF GOVERNORS FOR THE YEAR ENDED 31 JULY 2012

Matt Borg
Stuart Britland
David Courtley (resigned in September 2011)
Geoff Dawson (Chair)
Janet Dean (Deputy Chair)
Rosemary Downs
Dr Philip Drury
Helen Francis (student nominee July 2012 - June 2013)
Carl Hawkes (student nominee July 2012 - June 2013)
Prof Philip Jones (Vice-Chancellor)
Dr Steve Jones
Jake Kitchiner (student nominee July 2011 - June 2012)
Colan Leung (student nominee July 2010 - June 2012)
Michael Longden
Adeeba Malik
Dr Christine O'Leary
Beryl Seaman CBE
Prof Judy Simons
Chris Welsh

Chris Welsh was a member of the Board for the year ended 31 July 2012. However, Mr Welsh was granted a leave of absence from his duties as a member of the Board from 24 July 2012 until 1 January 2013. Subsequently, on 16 October 2012 Mr Welsh resigned from membership of the Board of Governors.

Nicola Haywood Alexander was appointed to the Board of Governors from 1 August 2012 and was a member of the Board on the date at which the Operating and Financial Review was formally approved.

Stephen Timothy was appointed to the Board of Governors from 11 October 2012 and was a member of the Board on the date at which the Operating and Financial Review was formally approved.

MEMBERSHIP OF BOARD OF GOVERNORS' COMMITTEES FOR YEAR ENDED 31 JULY 2012

FINANCE AND EMPLOYMENT COMMITTEE

Stuart Britland
David Courtley (resigned in September 2012)
Geoff Dawson
Janet Dean
Prof Philip Jones (Vice-Chancellor)
Adeeba Malik
Chris Welsh (Chair)

NOMINATIONS COMMITTEE

Geoff Dawson (Chair)
Philip Drury
Prof Philip Jones (Vice-Chancellor)
Mark O'Hara
Jake Kitchiner
Dr Christine O'Leary
Beryl Seaman
Prof Judy Simons (Deputy Chair)

REMUNERATION COMMITTEE

Geoff Dawson (Chair)
Prof Philip Jones (Vice Chancellor)
Chris Welsh
Janet Dean
Michael Longden

AUDIT COMMITTEE

Rosemary Downs
Michael Longden (Deputy Chair)
Prof Judy Simons
Beryl Seaman CBE (Chair)
Jenny Brown (external co-option)
Rick Plews (external co-option)

PROVIDERS OF FINANCIAL SERVICES

External auditor
Deloitte LLP
1 City Square
Leeds
LS1 2AL

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

Banker
HSBC
49-63 Fargate
Sheffield
S1 2HD

Insurer
U M Association Limited and UM Services Ltd
Hasilwood House
60 Bishopsgate
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