



**STAFFORDSHIRE
UNIVERSITY** 

Financial Statements

2011/12

Governors' Report

GOVERNORS, EXECUTIVES AND ADVISERS**Board of Governors**

Stephen Burgin (Chair)
Lady Ann Fender DL (Deputy Chair) (to 9.9.11)
David Gage (Deputy Chair) (from 23.11.11)
Cordella Bart-Stewart
Nick Bell
Simon Crofts
Ken Crossland
Rebecca Dobbs
The Very Reverend Adrian Dorber (to 10.12.11)
Martin Fiddler
Sharon Gwinneth (to 31.8.11)
Mike Herbert
Barry Machin
Helen Pegg
Fred Pritchard (to 31.8.11)
Dr Greg Taylor
Ruth Thompson
Sarah Tudor (from 1.9.11)
John van de Laarschot
Jamie Robertson (academic year 2011/12)

Executive Team

Professor Michael Gunn	Vice-Chancellor
Paul Richards	Deputy Vice-Chancellor
Neil Scott	Finance Director (to 3.2.12)
Mark Hattersley	Director of Finance & Infrastructure (from 2.4.12)
Ken Sproston	University Secretary
Rosy Crehan	Executive Pro Vice-Chancellor
Ian Blachford	Director of Human Resources

Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

Bankers

Lloyds TSB Plc
5 Market Square
Stafford
ST16 2JL

Solicitors

Martineau
No 1 Colmore Square
Birmingham
B4 6AA

REPORT OF THE GOVERNORS

The Governors submit their annual report and audited accounts for the year ended 31 July 2012.

OPERATING AND FINANCIAL REVIEW

Constitution and Activities

The University is a Higher Education Corporation as defined under the Education Reform Act 1988.

The powers of Higher Education Corporations are defined in Section 124 of the Act and include the power to provide higher and further education and to carry out research and publish the result of research as the University thinks fit.

The University was incorporated in November 1988 and on 1 April 1989 all properties, rights and liabilities which had been used and/or held by Staffordshire County Council for the purposes of the University were transferred to the Higher Education Corporation.

The University also enjoys exempt charitable status under the Act.

On 16 June 1992, the Privy Council confirmed its formal approval of a change of name from Staffordshire Polytechnic to Staffordshire University under the terms of the Further and Higher Education Act 1992.

Scope of the Financial Statements

The Financial Statements comprise the consolidated results for the University and its subsidiary undertakings, Staffordshire University Enterprises Limited and the Friends of Staffordshire University Charitable Trust.

Octagon Computer Centre Limited ceased to trade on 29th July 2011, when it assigned its leasehold interest to Staffordshire University, the parent company.

The subsidiaries undertake a range of activities including consultancy work, the operation of recreational activities and property management for a variety of commercial and other organisations. The taxable profits of the subsidiary undertakings are transferred back to the University under a covenant arrangement.

The University's Strategy and Vision

In November 2011, the University's Governors approved a new strategic plan for the period 2012 – 2017 titled Securing Successful Futures. The plan places students at the heart of everything the University undertakes and builds upon the values of:

- Partnership
- Innovation and Enterprise
- People-focussed
- Excellence.

The Plan sets challenging targets but ones the University needs to achieve to be successful in an increasingly competitive environment.

The University is an organisation that specialises in the delivery of learning and knowledge creation and our focus will remain in this core activity. Our programmes will be targeted at producing graduates with subject specific knowledge along with the skills and attributes set out in the Staffordshire Graduate. The Staffordshire Graduate represents a set of qualities that we passionately believe are necessary for success in the 21st century and encompasses the 3Es of employability, enterprise and entrepreneurialism. These attributes are now embedded in every course we offer.

In addition to striving to deliver the highest quality standards, we will also be seeking to diversify our student base and to deliver our learning and teaching in ways that are flexible and even more customer focused. This includes the development of partnerships with other academic institutions both within the UK and overseas, along with creating flexible and accessible modes of learning and research that will meet the ever increasing demands of our students and customers.

Our strategic plans are supported by a set of delivery plans that seek to invest in our people, facilities and teaching. Investments will be made to improve our campuses and infrastructure; our programmes will be developed in response to customer demands and we aim to be the first choice for an ever growing percentage of our students. This will be delivered through a sustainable financial model which will see surpluses being re-invested to maintain and enhance the University's standing.

Results for the Year

The University's consolidated income, expenditure and results for the year to 31st July 2012 are summarised as follows:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Income	118,687	123,337	118,524
Expenditure	111,452	117,850	117,696
Surplus/(deficit) on continuing operations after depreciation at valuation	7,235	5,487	828
Historical Cost Surplus	8,310	6,562	1,904
FRS 17 Adjustments included above	(953)	(1,086)	(1,887)
Surplus before FRS17 Adjustments	9,263	7,648	3,791

In 2011/12 the University and its subsidiaries made a historical cost surplus of £8.3 million (2010/11 £6.6million). Income decreased by 3.8% to £118.7 million whilst operating costs decreased to £111.5 million, equating to a 5.4% reduction on last year. (2010/11 £117.9 million). These results include adjustments for FRS17 – Accounting for Retirement Benefits. The impact of this accounting standard, on the income and expenditure account, is increasingly volatile and reflects changes in assumptions that affect our pension assets and liabilities over many years. Its impact this year was to reduce the surplus by £1.0 million (2010/11 by £1.1 million). Excluding these FRS17 adjustments our operating surplus increased to £9.3 million (2010/11 £7.6 million).

Cashflow and Capital Investments

The table below summarises the major cash movements during the year ended 31st July 2012; this includes capital investments:

Cashflow	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Net inflow from operating activities	11,601	12,566	12,040
Net outflow from servicing of finance	(472)	(563)	(521)
Capital Expenditure	(21,240)	(13,629)	(6,240)
Adjusted Net (outflow)/ inflow before financing	(6,341)	4,384	10,895
(Decrease)/ Increase in cash for year	(6,864)	4,693	10,585

The consolidated Cash Flow Statement shows cash inflows from operating activities of £11.6 million (2010/11 £12.6 million). Overall there was a cash outflow for the year ended 31st July 2012 of £6.9 million (2010/11 inflow £4.7 million). Payments to acquire and improve fixed assets totalled £21.2 million (2010/11 £13.7 million).

Pension Liability

Retirement benefits for employees of the University are provided by defined benefit schemes. The financial results include the impact of Financial Reporting Standard 17 – Accounting for Retirement Benefits (FRS17) for the benefits covered by the Local Government Pension Scheme (LGPS). This accounting standard requires the inclusion, within the accounts, for the University's share of any net deficit in the scheme. Full disclosures can be found in note 30- Pension Costs. As at 31 July 2012 the Group's estimated share of the LGPS net deficit was £50.1 million (2010/11 £42.0 million).

The Teachers' Pension Scheme (TPS) is deemed a multi-employer scheme, and the University's share of its assets and liabilities cannot be separately identified. As such the University has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Liquidity and Long-term Financing

The University had net funds, as at 31 July 2012, of £18.6 million, (2010/11 net funds of £25.0 million). Cash at bank and in hand was £34.1 million (2010/11 £40.9 million).

On 17th September 2007 the University refinanced its existing loans, of £14.8 million, with a new term loan of £16 million, repayable over 27 years. The interest payable on this loan was fixed at 5.2%; for its duration. This represented a considerable reduction in the average interest-rate payable. The loan is part of a larger Convertible Revolving Credit Facility (CRCF) of £50 million. This facility was provided by Lloyds TSB, its purpose to provide funding for the University's extensive capital programme over the next five years. The remaining £34million remains available but undrawn at the year end date.

Treasury and Financing

Cash deposits are invested in accordance with the University's Treasury Management Policy. The prime requirement of the policy is to ensure that the capital sum is not at risk, whilst achieving a rate of return commensurate with deposit rates achievable on the London Money Market. Interest receivable increased to £418,000 in 2011/12 (£374,000 in 2010/11) as a result of slightly increased interest rates. Interest payable at £2,092,000 includes an FRS17 adjustment of £1,276,000 and loan interest payments of £816,000 (2010/11 FRS17 adjustment £1,725,000, loan interest payments £830,000).

Payment of Creditors

It is the University's policy to agree terms with all suppliers. The University's policy is then to abide by the specific terms made in those agreements.

Employment of Disabled Persons

Applications by disabled persons for employment and admission to courses of study or research are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing staff and students becoming disabled every effort is made to ensure that their employment or study with the University continues and that appropriate training and support is arranged. It is the policy of the University that the training, career development and promotion and opportunities to undertake study and research should, as far as possible, be identical for all staff and students.

Governors' Remuneration

Governors receive no remuneration from the University in respect of activities undertaken while acting as Governors, other than in some circumstances, travelling expenses.

Public Benefit Statement

The University is a not-for-profit organisation, its mission is to provide and deliver higher education to a wide spectrum of students and other customers. In providing these services the University seeks to enhance the student's development and in so doing, improve their communities. By doing so the University seeks to enhance the general public good.

The Board of Governors and University management, in setting the University's strategy and planning its activities, make reference to and consider carefully the guidance on public benefit issued by the Charity Commission.

Teaching and Learning is the principal way in which the University makes a contribution to wider society. We provide opportunities, to a broad range of students. Through our access and outreach activities we aim to ensure students are not discouraged from entering higher education because of financial pressures. To support these objectives, we operate a generous bursary scheme. In 2011/12 we made bursary payments of £3.8 million to 4,540 students, of whom 3,231 came from households with income below £18,000.

We are fully committed to supporting students with disabilities, we aim to provide individually negotiated support programmes that can include guidance and help with applications for Disabled Students' Allowances, specialist academic support and help with mobility along with modifications to estates and infrastructure where necessary.

We aim to ensure pathways to higher education by working with other educational providers. For example we work in partnership with local schools which provide Children's University validated activities for their pupils. We also collaborate with local organisations to provide a range of events and facilities that are available to people within our communities.

Current and Future Developments

The University is based upon two main campuses in Stoke and Stafford but also has satellite operations in Lichfield and Shrewsbury. We also work through a network of partnerships with established and high quality educational institutions on a regional, national and international basis. These partnerships enable the University to increase the availability of its courses to a broader range of students and customers, providing access to higher education to many thousands of students through innovative and flexible pathways. Achievement in the year include the establishment of our first overseas base in China, approval of 5 new international partners and 2 UK partners and a 14% increase in the number of student studying at partner institutions to over 12,000 students.

The delivery of on campus provision continues to be supported by investment in facilities and infrastructure. 2011/12 saw the opening of a new £30million Science Centre delivered in close collaboration with Stoke FE College, Stoke Sixth-form College, Stoke-on-Trent City Council and other local and regional bodies. The building includes an innovative partnership arrangement which sees both the Stoke FE College and Stoke Sixth Form College contributing towards the funding and occupying the building for part of their provision. The building was also part funded by the Higher Education Funding Council. The building now provides state of the art facilities for our science students and demonstrates the University's commitment to investing in the future. A further £10million investment programme is continuing on the Stoke campus to improve accessibility, building usage and visual amenity for all campus users.

The Science Building is part of a major investment scheme in Stoke called the University Quarter. The changed funding environment has however curtailed the original plans within this and the University has now commenced a review of its Estates Strategy. This will be developed in conjunction with the University Quarter partners of Stoke College, Stoke Sixth Form College and Stoke City Council. When complete, this will provide a sound basis for the University to commit to longer term, significant investment in its estates and infrastructure ensuring that the University provides first class leading facilities in line with the needs and expectations of both our staff and students.

Our staff remain our key asset for delivering our services to our students and customers. We therefore continue to invest in staff development and celebrate their achievements through programmes such as The Leading for Success Programme and the annual Celebrating Staff Success event. Highlights in the year include the receipt of the nationally recognised Customer Service Excellence Award by the IS team which includes library and PC support services.

It should also be recognised that many of our academic and support staff have been affected during the year through restructuring programmes, primarily in the reduction from six faculties/schools to four faculties with 3 constituent schools within each. The revised structure has been implemented to provide greater coherence in the academic disciplines, greater opportunities for cross disciplinary working and to create more balanced and operating units, with more uniformity of posts and accountabilities. The remaining areas of the restructure will be completed during the 2012-13 academic year.

One of the University's key strategies is developing its relationship with employers offering both teaching and research services but also building engagement to transfer skills and knowledge and to create opportunities for both students and graduates. The University has been successful in securing funding from the Higher Education Funding Council to support these initiatives including £963k of additional strategic development funding for Work Based Learning in supporting private sector growth. Recognition of success in this area was also received when our 2011-15 Higher Education Innovation Fund (HEIF) Strategy received a commendation from the Higher Education Funding Council for England (HEFCE) for our work with businesses and in particular, the formation of the Business Innovation Group with Keele University, Keele Science and Business Park and the North Staffordshire Chamber of Commerce. We are one of only seven universities to receive this commendation.

During the year the University's programme portfolio underwent a significant review, the outcomes of which resulted in a reduction of the number undergraduate awards and the streamlining of the modular framework. Provision of our academic services in a flexible manner responsive to student needs continues to be at the core of what we do. Ongoing actions include, further development of our 'fast-track' two year degrees, development of distance learning options (including a major upgrade of the e-learning platform) and the further provision of Foundation Degrees, particularly with our Further Education partners. Part time flexible learning, including opportunities for CPD, also remains a significant and important part of our programme. The year also saw the implementation of the Staffordshire Graduate Attributes across all level 4 undergraduate programmes being delivered in 2012-13 and the mapping of the attributes at levels 5 and 6 for delivery in future years. This is a commitment by the University to ensure that all students graduating from the University do so with a set of core skills required to be successful in the 21st century. In terms of research the University has been preparing for a submission to the HEFCE Research Excellence Framework with a closing date of end November 2013. Currently, the intention is to submit in nine subject areas.

The University is actively involved in the Government's academy schools programme. This gives the University the opportunity to deploy its wide-ranging skills in education management, school performance and teacher training and professional development to drive school improvement. It also adds to the University's existing commitments to widening participation, community engagement and corporate social responsibility. The University currently sponsors a secondary academy (The Staffordshire University Academy) at Hednesford and it is a co-sponsor of the Co-operative Academy, a secondary school in Stoke on Trent. The University is recognised by the Department for Education as a potential

sponsor for secondary and primary schools and is therefore able to consider new opportunities as they arise.

Sustainability and Environmental Management are essential elements of our operations and are delivered through numerous channels including the Environmental Group, the Green group and a Carbon Management programme (HECM). All of these require the engagement of staff and students in environmental initiatives supported by investment. Successes in this area are demonstrated through the achievement of 15 awards in the Universities Green Impact awards of which 5 were at the gold level. Further success was achieved through the award of a First Class Honours degree in the People and Planet Green League, one of only 45 Universities nationally to receive this recognition.

Future Risks and Uncertainties

HE sector performance and outlook

The HE sector strengthened its financial position in 2010/11 with an overall surplus of £1,221m compared to £811m in 2009/10. The number of institutions in deficit fell from 26 to 10 with 108 institutions (68%) achieving a surplus in excess of the 3% minimum recommended by HEFCE (Source: the Financial Health of the Higher Education Sector 2012, Grant Thornton). This pattern was anticipated and is expected to continue into the 2011/12 results (as demonstrated by the University) prior to a period of uncertain financial performance with changes to the funding regime, student number control and the economic conditions.

The New Regulatory Framework

2011/12 was the last year of the 'old fees regime' in which a significant element of University funding comes directly from the HEFCE. In subsequent years, student tuition fees will form the majority of funding with HEFCE funding being limited to top ups for higher cost courses and for other specific purposes such as widening participation. Under the new regime, Universities are limited to a maximum tuition fee level for full time UK undergraduates of £9,000 although the stated intention of the Government was to introduce competition which it was assumed would deliver an average fee of £7,500.

To support students in the new environment, a new student loan structure has also been introduced effective for 12/13. This provides loans to students for the full fees up to the £9,000 per year limit. The loans are interest bearing and are repaid by a 'graduate tax' of 9% on all earning over £21,000 with any balances remaining after 30 years being written off. Under this regime, the student is therefore taking significantly more responsibility for repaying the full cost (or a significant portion of the full cost) of their undergraduate education.

To support the above structure and manage the maximum cost to the Government (through loans and HEFCE funding), a system of student number control is also being introduced. In this, students obtaining AAB or equivalent grades for 2012/13 (ABB for 2013/14) are uncontrolled and there are no recruitment limits placed upon Universities. For students with grades below these levels, Universities are allocated a student number control level (SNC) above which they cannot recruit. In addition, to incentivise Universities to keep fees below £7,500, 20,000 places were taken back from Universities' core numbers and then reallocated to those bidding for additional places subject to their average fees being below £7,500 (the core and margin process).

Tuition Fees and Student Demand

The response of both Universities and students to the changing funding and regulation regime has been unpredictable and remains uncertain. The initial impact was for a record year of applications for the 11/12 academic year (old regime), primarily due to some students pulling forward their applications to avoid the new fees and costs. Staffordshire also benefitted from this and filled all its places in 11/12 helping to deliver the results in these accounts.

With regards to 12/13 and future years, there remains significant uncertainty. Staffordshire University has set its tuition fees for undergraduate full time courses towards the lower end of the sector with fees ranging between £5,900, for awards delivered by off-campus partners, to £8,490 for our premium courses. This averages below the £7,500 level enabling the University to apply for and receive 549 additional places under the core and margin process.

At the date of signing the accounts, it would appear that both applications and enrolments within the sector have fallen, with indications that enrolment may be up to 30,000 below the previous year. It is too early in the regime to understand the reason for this but factors will include the impact of the new fees regime, the economic conditions, alternatives looking more attractive compared to the higher fees (e.g. establishing own business, studying overseas) and the fall in grades (which may result in students deferring and resitting exams). Staffordshire has not been immune from these sector wide issues and has seen enrolments fall below target levels. The University does however believe that it can achieve its budget targets for financial performance.

Years beyond 12/13 remain uncertain with the potential for the Government to 'claw back' places, the uncertain nature of the impact of the AAB/ABB regime and the longer term impact of the higher fees. Other issues that continue to affect student numbers are the immigration controls making the UK less attractive to overseas students, the impact of economic conditions on post graduate applications and the longer term impact of the new fees on post graduate applications. From a Staffordshire aspect,

we are exposed to all of these issues along with the threat from an increasingly competitive environment between Universities.

The University's response to this risk is to monitor and react to sector trends but also to focus on its own competitive position. This includes ensuring that we offer courses that are in demand, have good employment prospects and meet the need of the market supported by a strong and differentiated academic provision (e.g. the Staffordshire Graduate). This will be supplemented by ensuring that we invest in our facilities and infrastructure along with staff development and always placing the student at the heart of everything we do.

Other challenges

Pensions

The University offers retirement benefits to its employees through defined benefit pension schemes. These are becoming increasingly expensive, as the growth in liabilities outstrips the growth in the value of assets and contributions. The University recognises, in its accounts, the net liability of the Local Government Pension Scheme; currently £50.1 million. The Teachers' Pension Scheme is an unfunded scheme and our 'share' of the deficit is not recognised in the accounts.

The deficit is highly volatile and is driven by a number of market factors. It does not however disguise the fact pension are becoming more expensive through factors such as lower investment returns and increasing longevity. Some of these aspects are being addressed by the pension funds where consultations are underway to change the future benefits structure they offer and also the contribution levels paid by members. From a University aspect, further work will be undertaken to ensure that any future pension provision is affordable in the context of our own financial performance.

Capital Investment Funding

Historically, Universities have received significant levels of grant support for capital investment. These opportunities generally no longer exist and Universities need to ensure they can fund capital requirements on a standalone basis. Staffordshire is currently undertaking an estates strategy review which may lead to a programme of significant capital investment. As part of this, careful consideration will need to be given to the funding sources, whether that be from existing bank facilities, internal cash generation or alternative sources of finance. The options available for new funding sources have also become more limited due to the significant tightening of terms being offered by banks including duration, covenants and margins.

Stephen Burgin
Chair of the Board of Governors

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code (June 2010). Its purpose is to assist readers of the Financial Statements to understand how the principles have been applied.

Throughout the year ended 31 July 2012, the University has been in compliance with all the Code provisions set out in Section 1 of the UK Corporate Governance Code of insofar as they relate to Universities. The University also supports, and is guided by, the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales and Northern Ireland that was reissued by the Committee of University Chairmen (CUC) in March 2009.

In addition the Board of Governors has also formally accepted the CUC's Governance Code of Practice and General Principles issued in March 2009. In this connection the Board of Governors has also agreed the following:

Statement of Primary Responsibilities of the Board of Governors

Section 3(i) of the University's Instrument of Government states that the Board of Governors shall be responsible for:

- (a) the determination of the educational character and mission of the University and for oversight of its activities;
- (b) the effective and efficient use of resources, the solvency of the institution and the Corporation and for safeguarding their assets;
- (c) approving annual estimates of income and expenditure;
- (d) the appointment, grading, assignment, appraisal, suspension, dismissal and determination of the pay and conditions of service of holders of senior posts; and
- (e) setting a framework for the pay and conditions of service of all other staff.

In particular the Board will:

- (a) approve the mission and strategic vision of the institution, long term business plans, key performance indicators (KPI's) and annual budgets, and ensure that these meet the interests of stakeholders.

- (b) appoint the head of the institution as chief executive of the institution and put in place suitable arrangements for monitoring his/her performance;
- (c) ensure the establishment and monitoring systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest;
- (d) monitor institutional performance against plans and approved KPI's, which, where possible and appropriate, be benchmarked against other institutions.

This statement is also available on the University's website.

Summary of the University's Structure of Corporate Governance

The University's Board of Governors comprises independent, co-opted, staff and student members appointed under the University's Instrument of Government. The roles of the Chair and the Deputy Chair of the Board of Governors are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved for decision by the Board of Governors are set out in the Articles of Government. Under the Financial Memorandum with the Higher Education Funding Council for England, the Board of Governors is responsible for the ongoing strategic direction of the University, the 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 Board of Governors meets four times a year and has six Committees; an Employment and Finance committee, a Nominations and Governance committee, an Audit & Risk committee, a Remuneration committee, an Education committee and an Estates & Infrastructure committee. All of these committees are formally constituted with terms of reference and comprise mainly independent members of the Board of Governors. In addition the Board of Governors undertakes a regular review of its own effectiveness.

The Employment and Finance committee recommends to the Board of Governors the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It also reviews the University's annual financial statements together with the accounting policies.

The Nominations and Governance committee considers nominations for vacancies in the Board of Governors membership and the reappointment of members under the Instrument of Government. It also advises the Board of Governors on general governance matters.

The Audit & Risk committee is responsible for meeting, at least four times a year, with the External Auditors and Internal Auditors of the University and reviewing their work. The committee approves the Audit Plan and considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with the regulatory requirements. Whilst senior executives attend meetings of the Audit & Risk committee as necessary, they are not members of the committee, and the committee does meet with the External and Internal Auditors on their own for independent discussions.

The Remuneration committee is responsible for determining the employment, contractual and remuneration arrangements for designated holders of senior posts. It normally reviews the salary levels of senior post holders on an annual basis and met twice during the financial year ended 31 July 2012.

The Estates & Infrastructure committee has responsibility for advising the Board of Governors on its Estates Strategy and the monitoring of Estates related projects.

The University maintains a Register of Interests of members of the Board of Governors and of senior managers of the University. This may be consulted by arrangement with the University Secretary.

In accordance with the Articles of Government of the University, the University Secretary has been designated Secretary to the Board and in that capacity provides independent advice on matters of governance to all Board members.

Statement of Internal Control

As the Board of Governors of Staffordshire University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Board of Governors in the University's Instrument and Articles of Government and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only

provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principle risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

This process has been in place for the year ended 31st July 2012 and up to the date of approval of the Financial Statements.

As the Board of Governors, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established.

- We meet four times a year to consider the plans and strategic direction of the University.
- We receive periodic reports from the Chair of the Audit & Risk committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas on responsibility, including progress reports on key projects. Risk management is a regular item on the agendas of both the full Board and its Committees.
- We have requested the Audit & Risk committee to provide oversight of the risk management process.
- The Audit & Risk committee receives regular reports from the firm of accountants contracted to provide an internal audit service which includes their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A programme of facilitated workshops is held to identify and keep up to date the record of risks facing the organisation.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking has been established.
- An organisation-wide risk register is maintained and annually updated.
- Reports are received from budget holders and project managers on internal control activities.
- Other sub-committees of the Board, notably the Employment and Finance Committee and Estates & Infrastructure committee, consider financial, employment and estates issues, and review the effectiveness of management in monitoring and controlling the consequences of these issues.

The University has an internal audit service which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in September 2004. The internal auditors submit regular reports which include an independent assessment on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Board of Governors' review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the 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.

Stephen Burgin
Chair of the Board of Governors

RESPONSIBILITIES OF THE BOARD OF GOVERNORS OF STAFFORDSHIRE UNIVERSITY

In accordance with the Education Reform Act 1988, the Board of Governors of Staffordshire University is responsible, inter alia, for the administration and management of the affairs of the University 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 University and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice (SORP), Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University 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 to ensure 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.
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. Based on normal business planning and control procedures, the Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the University's financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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 University and to prevent and detect fraud.
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:-

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns.
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital and revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board.
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Employment and Finance committee and the Board of Governors.
- clear definitions of the responsibilities of, and the authority delegated to the Executive, Deans of Faculties and Directors of Services.
- a professional internal audit team whose annual programme is approved by the Audit & Risk committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss and during the year the Audit & Risk committee has reviewed the effectiveness of the University's system of internal financial control.

Stephen Burgin
Chair of the Board of Governors

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF STAFFORDSHIRE UNIVERSITY

We have audited the group and University financial statements (the "financial statements") of Staffordshire University for the year ended 31 July 2012 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. 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).

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

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

As explained more fully in the Statement of Responsibilities set out on page 7 the Board of Governors is responsible for the preparation of financial statements which 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 group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements and Governors' Report 2010/2011 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 affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income has been applied in accordance with the University's Articles of Government and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and Group.

Andy Argyle
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

28th November 2012

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT*For the Year ended 31 July 2012*

	Note	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
INCOME			
Funding Council Grants	1	52,216	59,508
Academic Fees and Education Contracts	2	50,301	46,649
Research Grants and Contracts	3	1,625	1,348
Other Operating Income	4	14,127	15,458
Endowment Income and Interest Receivable	5	418	374
TOTAL INCOME		118,687	123,337
EXPENDITURE			
Staff Costs	6	63,477	65,276
FRS 17 pension adjustment to staffing costs	6	(323)	(639)
Depreciation	9	7,075	6,832
Other Operating Expenses	7	39,131	43,826
Interest Payable and other finance costs	8	816	830
FRS 17 pension finance costs	8	1,276	1,725
TOTAL EXPENDITURE		111,452	117,850
SURPLUS FOR THE YEAR BEFORE TAXATION		7,235	5,487
TAXATION		-	-
SURPLUS FOR THE YEAR AFTER TAXATION	20	7,235	5,487
NOTE OF HISTORICAL COST DEFICITS AND SURPLUSES			
		Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Surplus for the year after taxation		7,235	5,487
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		1,075	1,075
HISTORICAL COST SURPLUS FOR THE YEAR		8,310	6,562

The income and expenditure account is in respect of continuing operations.

IMPACT OF FRS 17 "RETIREMENT BENEFITS"	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Historic cost surplus for the year after FRS 17 adjustments	8,310	6,562
FRS 17 – current service cost and curtailments (included in staff costs)	(323)	(639)
FRS 17 – pension finance costs (included in interest payable)	1,276	1,725
Historical cost surplus for the year before FRS 17 adjustments	9,263	7,648

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

		Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Surplus for the year after taxation	20	7,235	5,487
Actuarial (loss) / gain in respect of pension scheme		(8,001)	10,060
Total recognised (losses) /gains for the year		(766)	15,547
Reconciliation			
Opening Reserves and endowments		34,735	19,188
Transfer from Endowment Reserve		-	-
Total recognised (losses)/gains for the year		(766)	15,547
Closing Reserves		33,969	34,735

BALANCE SHEET AS AT 31 July 2012

	Note	GROUP		CORPORATION	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
FIXED ASSETS					
Tangible Assets	9	117,906	103,741	111,092	96,702
Investments	10	33	33	33	33
		117,939	103,774	111,125	96,735
ENDOWMENT ASSETS	11	28	29	28	29
CURRENT ASSETS					
Debtors: Amounts falling due after more than one year	12	312	357	312	357
Debtors: Amounts falling due within one year	13	5,713	5,791	11,473	11,209
Cash at bank and in hand		34,060	40,924	33,961	40,843
		40,085	47,072	45,746	52,409
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(29,912)	(32,973)	(33,523)	(36,223)
NET CURRENT ASSETS		10,173	14,099	12,223	16,186
TOTAL ASSETS LESS CURRENT LIABILITIES		128,140	117,902	123,376	112,950
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(15,169)	(15,778)	(15,169)	(15,778)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(3,306)	(3,340)	(3,306)	(3,340)
NET ASSETS EXCLUDING PENSION LIABILITY		109,665	98,784	104,901	93,832
Net pension liability	29	(50,990)	(42,036)	(50,990)	(42,036)
NET ASSETS INCLUDING PENSION LIABILITY		58,675	56,748	53,911	51,796
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Represented by:					
DEFERRED CAPITAL GRANTS	17	24,706	22,013	24,706	22,013
ENDOWMENTS					
Permanent	18	28	29	28	29
RESERVES					
Revaluation Reserve	19	38,761	39,836	38,761	39,836
Income and Expenditure Account excluding pension reserve	20	46,170	36,906	41,406	31,954
Pension Reserve	20	(50,990)	(42,036)	(50,990)	(42,036)
Income & Expenditure Account including pension reserve		(4,820)	(5,130)	(9,584)	(10,082)
Total Reserves		33,941	34,706	29,177	29,754
TOTAL FUNDS		58,675	56,748	53,911	51,796

The financial statements on pages 13 to 40 were approved by the Board of Governors on 28 November 2012 and signed by:

Stephen Burgin
Chair of the Board of Governors

Professor Michael Gunn
Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	11,601	12,566
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from short term investments		349	269
Interest Paid		(821)	(832)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(472)	(563)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(21,240)	(13,629)
Payments to acquire fixed asset investments		-	-
Receipts from sales of fixed asset investments		10	-
Deferred capital grants received		3,760	6,010
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(17,470)	(7,619)
TAXATION			-
NET CASH (OUTFLOW)/INFLOW AFTER TAXATION, BUT BEFORE FINANCING		(6,341)	4,384
FINANCING			
New loans acquired	23	-	722
Repayment of loans	23	(523)	(413)
Capital element of finance lease repayments	23	-	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(523)	309
(DECREASE)/INCREASE IN CASH FOR THE YEAR	24, 25	(6,864)	4,693

STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUES

The following accounting policies have been applied consistently in detailing with items which are considered material in relation to the financial statements.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis, as modified by the revaluation of some assets.

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below.

BASIS OF CONSOLIDATION

The financial statements of the University include its wholly owned subsidiaries, Staffordshire University Enterprises Limited and (for the year ended 31 July 2011) Octagon Computer Centre Limited. They also include the Friends of Staffordshire University Charitable Trust.

The consolidated financial statements do not include those of Staffordshire University Union of Students as it is a separately managed organisation.

RECOGNITION OF INCOME

Recurrent grants from the Higher Education Funding Council for England and the Teaching Agency represent the funding allocation which is attributable to the current accounting period and are credited direct to the income and expenditure account.

Income from academic fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

Income from specific donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account on a receivable basis.

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

Where the University receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the University does not have direct control over the future economic benefits derived from these funds. The University has applied this policy to certain funds received during the year from the Higher Education Funding Council for England and the Teaching Agency for Schools (see notes 30 and 31).

FOUNDATION DEGREE FORWARD

Foundation Degree Forward (FDF) was a national body hosted by Staffordshire University that supported the development and validation of high quality Foundation degrees. It was funded by the Higher Education Funding Council for England to support employer engagement across higher education programmes generally and in relation to Foundation degrees specifically. All income and expenditure associated with FDF from 1 August 2011 to 31 March 2012 (when the contract ended) is included within these accounts.

ENDOWMENT FUNDS

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

- a) Restricted permanent endowments – the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.
- b) Unrestricted permanent endowments – these are expendable at the discretion of the trustees with no requirement that capital be maintained.
- c) Expendable endowments – where trustees have the power of discretion to convert endowed capital into income.

ACADEMIC FEES

Academic fees represent student fees received and receivable attributable to the current accounting period.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation less accumulated depreciation as shown in note 9 to the financial statements.

Buildings under construction are accounted for at cost. They are not depreciated until they are brought into use.

A review of impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Land and buildings inherited from Staffordshire County Council are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

DEPRECIATION

Depreciation is not provided on freehold land. Freehold buildings have been depreciated over the estimated remaining useful life of each building with a base date of 1 April 1989. Depreciation on newly acquired buildings is provided for at the rate of 2% per annum on a straight line basis.

On all other tangible fixed assets depreciation is provided to write off the cost or valuation over their useful lives on a straight line basis at the following annual rates :-

Building Refurbishments	10% per annum
Plant and Machinery	20% per annum
Fixtures and Fittings	20% per annum
Computer Equipment (general)	33.3% per annum
Computer Equipment (servers)	20% per annum
Office Furniture and Equipment	20% per annum
Vehicles	33.3% per annum

Expenditure which extends the useful life of an asset has been depreciated over the assessed extended life of the asset.

Assets held under finance leases are depreciated over the life of the lease if this is a shorter period. Equipment costing less than £1,000 is written off in the year of acquisition.

LEASED ASSETS

Payments made in respect of assets held under operating leases are charged to the income and expenditure account on a straight line basis over the term of the lease.

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account.

CAPITAL GRANTS

Grants applied to acquire tangible fixed assets are credited to deferred grants and released to the income and expenditure account over the estimated useful lives of the related assets.

STOCK

Stock is valued at the lower of cost and net realisable value.

TAXATION

The University 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 organisation for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature."

FRS 19 DEFERRED TAXATION

FRS 19 requires full provision to be made for deferred tax assets or liabilities arising from timing differences between recognition in the financial statements and in the tax computation.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

INVESTMENTS

Fixed asset investments are stated at market value. Endowment asset investments include fixed interest stocks which are stated at historical cost.

POST RETIREMENT BENEFITS

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The increase in the present value of the liabilities of the scheme are expected to arise from employee service in the period is charged to the operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 29.

REPAIRS AND MAINTENANCE

The University has a five year rolling maintenance plan which is reviewed on an annual basis. The cost of maintenance is charged to the income and expenditure account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

	Year to 31 July 2012	Year to 31 July 2011 Restated
	£'000	£'000
1. FUNDING COUNCIL GRANTS		
Recurrent Grant		
Higher Education Funding Council	40,189	42,368
Teaching Agency	113	458
Foundation Degree Forward	43	2,734
Research and Selective Initiatives	10,192	11,616
Release of Capital Grants		
Buildings	852	763
Equipment	827	1,569
	52,216	59,508
2. ACADEMIC FEES AND EDUCATION CONTRACTS		
Full-Time Students -UK/EU	29,953	27,505
Full-Time Students - Overseas	6,734	6,651
Part-Time Fees	3,500	3,294
Education Contracts	7,169	7,431
Short Course Fees	2,945	1,768
	50,301	46,649
3. RESEARCH GRANTS AND CONTRACTS		
Research Councils	64	75
UK Based Charities	100	65
UK Industry and Commerce	55	96
UK Central Government/Health Authorities	508	440
European Community Programmes	435	109
Other Research Grants and Contracts	463	563
	1,625	1,348
4. OTHER OPERATING INCOME		
Residences, Catering and Conferences	6,413	6,597
Consultancy/Self Financing Fees	5,027	6,300
Other Rents/Lettings	1,292	1,257
Release from deferred capital grants (non-funding council)	111	103
Other Income	1,284	1,157
Foundation Degree Forward	0	44
	14,127	15,458

Prior year income of £555k relating to knowledge transfer programmes has been reclassified to research grants and contracts to ensure consistency with the current year.

NOTES TO THE FINANCIAL STATEMENTS - continued

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Investment Income	417	373
Endowment Income (Note 11)	1	1
	418	374
6. STAFF		
	31 July 2012 Total	31 July 2011 Total
Staff Costs		
Wages	50,654	52,799
Social Security Costs	4,027	4,128
Other Pension Costs	7,702	7,909
FRS 17 adjustments	(323)	(639)
Redundancy/Managed Severance Scheme	1,094	440
	63,154	64,637
	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Emoluments of the Vice-Chancellor:		
Salary costs	165	92
Performance bonus	11	-
Benefits in kind	-	-
Sub Total	176	92
Employers Pension Contributions	23	13
	199	105

The salary and benefits of the Vice Chancellor are shown on the same basis as for higher paid staff and the University's pension contributions to the Teachers' Superannuation Scheme are paid at the same rate as for other academic staff. Figures for 2011 relate to a seven month period (January to July 2011).

NOTES TO THE FINANCIAL STATEMENTS - continued

Average (fte) Staff Numbers by Major Category

Management	
Academic	
Administrative, Professional, Technical and Clerical Staff	
Manual Staff	

	2012 Number	2011 Number
	80	85
	570	597
	740	764
	123	122
	1,513	1,568
Remuneration of other higher paid staff, including employer's pension contributions		
£110,000 - £119,999	2	1
£120,000 - £129,999	0	1
£130,000 - £139,999	1	2
£140,000 - £149,999	0	0
	3	4

A general pay award of £150 was made with effect from 1st August 2011.

NOTES TO THE FINANCIAL STATEMENTS – continued

	Year to 31 July 2012	Year to 31 July 2011 Restated
	£'000	£'000
7. OTHER OPERATING EXPENSES		
Consumables	1,712	1,870
Equipment and Tools	2,079	2,048
Software Support Maintenance	818	650
Operating Leases	966	2,218
Books and Periodicals	1,390	1,461
Printing - External and Internal	362	384
Protective Clothing/Laundry/Uniforms	67	64
Repairs and General Maintenance	2,350	2,517
Heat, Light, Water and Power	2,501	2,217
Rent and Rates	665	818
Staff and Student Development	1,551	2,017
Travel and Subsistence	1,507	1,639
Student Union Contributions	844	805
Auditors' Remuneration Audit Services (Corporation)	46	45
Auditors' Remuneration Audit Services(Subsidiaries)	5	8
Auditors' Remuneration Non-Audit Services (Corporation)	34	12
Internal Audit Costs	97	97
Payments to Franchise Colleges	8,586	8,856
Telephones and Postages	692	657
Insurance	302	260
Publicity and Prospectus	1,101	1,092
Examinations/Awards Day	384	379
Subscriptions	473	461
Vehicle Hire/Lease	137	147
Other Expenses	4	88
Professional Charges	1,231	1,057
Consultancy	1,884	3,707
Technical and design work	181	333
Legal Charges	202	621
Agency Servicing	516	665
Security	609	622
Movement in Provision for Bad/Doubtful Debts	359	(4)
Placement Fees	346	526
Registration Fees	273	197
Grant Payments (External Activity)	764	1,107
Bursary Payments	3,766	3,819
Hospitality	72	137
Student Awards/Expenses	59	102
Bank Charges	206	126
(Gain)/Loss on disposal of Assets	(10)	1
	39,131	43,826

Included in Other Operating Expenses are payments to or on behalf of trustees of £2.7 k (2010/11 £2.9k). The £2.7k expenditure in 2011/12 relates to travel and subsistence for eight trustees (2010/11 £2.9k for travel and subsistence expenses for nine trustees).

NOTES TO THE FINANCIAL STATEMENTS – continued

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
8. INTEREST PAYABLE		
Loan not wholly repayable within five years	816	830
Pension finance costs (FRS17)	1,276	1,725
	2,092	2,555

9. TANGIBLE FIXED ASSETS - Group

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Other Equipment And Fittings £'000	Motor Vehicles £'000	TOTAL £'000
COST OR VALUATION						
At 1 August 2011	132,154	10,862	12,807	11,822	93	167,738
Additions	14,446	2,192	1,283	3,319	-	21,240
Reclassifications	10,276	(10,276)	-	-	-	-
	-	-	(191)	(480)	-	(671)
At 31 July 2012	156,876	2,778	13,899	14,661	93	188,307
DEPRECIATION						
At 1 August 2011	47,068	-	9,941	6,928	60	63,997
Depreciation for year	3,812	-	1,882	1,365	16	7,075
Elimination on disposals	-	-	(191)	(480)	-	(671)
At 31 July 2012	50,880	-	11,632	7,813	76	70,401
Net Book Value at 31 July 2012	105,996	2,778	2,267	6,848	17	117,906
Net Book Value at 31 July 2011	85,806	10,862	2,866	4,894	33	104,461

NOTES TO THE FINANCIAL STATEMENTS – continued**TANGIBLE FIXED ASSETS – Corporation**

	Freehold Land and Buildings £'000	Assets in Course of Construction £'000	Computer Equipment £'000	Other Equipment And Fittings £'000	Motor Vehicles £'000	TOTAL £'000
COST OR VALUATION						
At 1 August 2011	121,340	10,862	12,807	11,741	93	156,843
Additions	14,444	2,192	1,283	3,308	-	21,227
Reclassifications	10,276	(10,276)	-	-	-	-
Disposals	-	-	(191)	(480)	-	(671)
At 31 July 2012	146,060	2,778	13,899	14,569	93	177,399
DEPRECIATION						
At 1 August 2011	43,270	-	9,941	6,870	60	60,141
Depreciation for year	3,578	-	1,882	1,361	16	6,837
Elimination on disposals	-	-	(191)	(480)	-	(671)
At 31 July 2012	46,848	-	11,632	7,751	76	66,307
Net Book Value at 31 July 2012	99,212	2,778	2,267	6,818	17	111,092
Net Book Value at 31 July 2011	78,070	10,862	2,866	4,871	33	96,702

As a result of the Education Reform Act 1988, the freehold and leasehold interests in properties occupied by the Corporation, previously held by Staffordshire County Council, were formally transferred, under the direction of the Education Assets Board, to the Corporation itself with effect from 1 April 1989.

Freehold buildings, to which the Corporation now has title, were professionally revalued at 1 April 1989 on the basis of replacement cost at that date. Freehold land was revalued on an open market, existing use basis at the same date.

Computer equipment, other equipment and fittings belonging to the University were revalued at 31 July 1995.

The transitional rules set out in FRS 15 "Tangible Fixed Assets" have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

In December 1996 the University entered into an agreement with Tamworth and Lichfield College (now South Staffordshire College, see note 15, page 28) to provide a new campus facility at Lichfield. The cost of this project was £3.2m. The project was partly funded by a grant from the European Regional Development Fund and by a loan facility taken out by the University. Responsibility for the loan is shared jointly by the University and the College and the value of the College's commitment is shown as a long term debtor in the University's Balance Sheet (see note 12).

During 2002/03 the University and the College entered into an agreement for the development of a second phase at the Lichfield campus. This phase was partly funded by a loan facility taken out by the College. Responsibility for the loan is shared jointly by the University and the College and the value of the University's commitment is shown as a long term creditor in the University's Balance Sheet (see note 15).

The Thornhill Bequest, a collection of medieval Chinese pottery owned by the University, is not included in the total on Tangible Fixed Assets. The value of the collection is £192k and is based on a valuation made for insurance purposes as at 5th February 1998. The valuation was undertaken by professional advisors expert in this field.

NOTES TO THE FINANCIAL STATEMENTS - continued

10. FIXED ASSET INVESTMENTS

	GROUP		CORPORATION	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 31 August 2011	33	33	33	33
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 July 2012	33	33	33	33

Fixed Asset Investments represent a 33k investment (0.78% of the issued share capital) in CVCP Properties Limited, which is a Company registered in Great Britain and incorporated in England and Wales.

The group holds shares in a number of spin out companies and companies which have been set up through Enterprise and Commercial Development. The group shareholding is as follows: Picture Nation Limited 19.7%, Blackstone Resourcing Limited 7.5% and Intelligent Orthopaedics 7.4%. During 2011/12 the University invested in a new spin out company, Flux Ceramics Limited, which is currently wholly owned. In addition, a new subsidiary company, Staffordshire University Services Limited, was established, which has not yet started trading.

The group has chosen not to attribute any value to these investments within the financial statements on the basis of prudence and will review as they become further established.

The investments in subsidiaries, which cost £4, are detailed below:

Mr S Burgin and Professor M Gunn as nominees of the Corporation hold all the issued share capital of Staffordshire University Enterprises Limited, a company incorporated in and operating in Great Britain and registered in England and Wales. The main areas of activity of Staffordshire University Enterprises Limited are the undertaking of consultancy work and the operation of recreational activities.

Mr S Burgin and Professor M Gunn as nominees of the Corporation also held all the issued share capital of Octagon Computer Centre Limited, which was dissolved on 27th September 2012 and was a company incorporated in and operating in Great Britain and registered in England and Wales,. The principal activity of the company was to act as a property management company.

The Friends of Staffordshire University Charitable Trust is regarded as a quasi-subsiary of the University under the definition provided in Financial Reporting Standard 5. Under the provisions of this standard the accounts of the Trust have been consolidated in the group accounts of the University for the year ended 31 July 2012.

11. ENDOWMENT ASSET INVESTMENTS

	GROUP AND CORPORATION	
	2012	2011
	£'000	£'000
Balance at 1 August 2011	29	29
Additions	-	-
Interest Received	1	1
Prize Fund payments	(2)	(1)
Balance at 31 July 2012	28	29
Represented by:		
Fixed interest stocks	3	7
Bank balances	25	22
	28	29

All fixed interest stocks are listed investments and are stated at historical cost.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. DEBTORS: Amounts falling due after more than one year

	GROUP		CORPORATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts owed by subsidiary undertaking		-		-
Amounts owed under joint arrangement with South Staffordshire College Phase 1 (Formerly Tamworth and Lichfield College – see note 15)	312	357	312	357
	312	357	312	357

13. DEBTORS: Amounts falling due within one year

	GROUP		CORPORATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	3,179	3,175	3,130	3,120
Amounts owed by subsidiary undertakings	-	-	5,857	5,521
Other debtors	135	508	87	460
Prepayments and accrued income	2,399	2,108	2,399	2,108
	5,713	5,791	11,473	11,209

14. CREDITORS: Amounts falling due within one year:

	GROUP		CORPORATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loans	546	524	546	524
Trade creditors	4,999	4,928	4,895	4,872
Amounts owed to subsidiary undertakings	-	-	3,727	3,315
Other taxation and social security	2,781	3,460	2,781	3,460
Other creditors	157	166	157	166
Accruals and deferred income	21,429	23,895	21,417	23,886
	29,912	32,973	33,523	36,223

NOTES TO THE FINANCIAL STATEMENTS - continued

15. CREDITORS: Amounts falling due after more than one year:

	GROUP		CORPORATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loan account	14,623	14,988	14,623	14,988
Salix Energy Efficiency Loan	271	451	271	451
South Staffordshire College Phase 2	275	339	275	339
	15,169	15,778	15,169	15,778

LOAN OBLIGATIONS

	GROUP		CORPORATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Between one and two years	564	545	564	545
Between two and five years	1,364	1,480	1,364	1,480
Over five years	12,966	13,414	12,966	13,414
Within one year	546	524	546	524
	15,440	15,963	15,440	15,963

A new term loan facility of £16.0m was drawn down on 17th September 2007. The interest basis of the loan is 27 years fixed rate at 5.2%.

A new loan facility of £722k was drawn down on 20th October 2010 from Salix Finance Ltd as part of their Energy Efficiency Programme. The loan is interest free, repayable over four years.

South Staffordshire College was formed as a merger of the Colleges of Rodbaston, Cannock and Tamworth & Lichfield on 1st August 2008.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP AND CORPORATION					
	Pension Enhancement	Onerous Lease/ Dilapidations	Legal Costs	Restructuring	2012 Total	2011 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2011	547	2,080	80	633	3,340	2,932
Utilised in the Year	(169)	(98)	0	(377)	(644)	(663)
Charge to Income & Expenditure Account	(27)	171	(80)	546	610	1,071
At 31 July 2012	351	2,153	0	802	3,306	3,340

NOTES TO THE FINANCIAL STATEMENTS - continued

17. DEFERRED CAPITAL GRANTS

GROUP AND CORPORATION

	Buildings £'000	Equipment £'000	2012 Total £'000	2011 Total £'000
At 1 August 2011	21,036	977	22,013	16,389
Add cash receivable	3,707	776	4,483	8,059
Released to Income and Expenditure	(939)	(851)	(1,790)	(2,435)
At 31 July 2012	23,804	902	24,706	22,013

18. ENDOWMENTS RESERVE

GROUP AND CORPORATION

	2012 Permanent £'000	2011 Permanent £'000
At 1 August 2011	29	29
Net Expenditure for year	(1)	-
At 31 July 2012	28	29

19. REVALUATION RESERVE

GROUP AND CORPORATION

	2012 £'000	2011 £'000
At 1 August 2011	39,836	40,911
Less release of revaluation reserve	(1,075)	(1,075)
At 31 July 2012	38,761	39,836

NOTES TO THE FINANCIAL STATEMENTS - continued

20. INCOME AND EXPENDITURE ACCOUNT RESERVE

	GROUP		CORPORATION	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
As at 1 August	(5,130)	(21,752)	(10,082)	(26,767)
Surplus retained for the year	7,235	5,487	7,423	5,550
Transfer from Endowment Reserve	1	-	1	-
Transfer from revaluation reserve	1,075	1,075	1,075	1,075
Actuarial (loss)/gain in respect of pension scheme	(8,001)	10,060	(8,001)	10,060
At 31 July	(4,820)	(5,130)	(9,584)	(10,082)
Balance represented by				
Pension Reserve	(50,990)	(42,036)	(50,990)	(42,036)
Income and Expenditure account reserve excluding pension reserve	46,170	36,906	41,406	31,954
At 31 July	(4,820)	(5,130)	(9,584)	(10,082)

21. OPERATING LEASE COMMITMENTS

Annual commitments on operating leases in respect of assets, expiring as follows are:

	GROUP			CORPORATION		
	2012 Land & Buildings £'000	2012 Other £'000	2012 Total £'000	2011 Land & Buildings £'000	2011 Other £'000	2011 Total £'000
Within one year	421	222	643	465	196	661
Between two and five years	12	98	110	57	36	93
Over five years	-	-	-	-	-	-
	433	320	753	522	232	754

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 31 July 2012	Year to 31 July 2011
	£'000	£'000
Surplus for the year before taxation and transfers from reserves	7,235	5,487
Interest Receivable	(418)	(374)
	6,817	5,113
Add back interest payable	816	830
Surplus from operating activities	7,633	5,943
Release of capital grant	(1,790)	(2,435)
Depreciation	7,075	6,832
Pension Adjustments (FRS17)	953	1,086
(Surplus)/Loss on sale of Investments/Fixed Assets	(10)	1
Decrease in debtors	193	503
(Decrease)/Increase in creditors	(2,419)	228
(Decrease) /Increase in provisions	(34)	408
NET CASH INFLOW FROM OPERATING ACTIVITIES	11,601	12,566

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank Loans £'000
Balance at 1 August 2011	15,963
Cash outflow from financing	(523)
New loans	-
Balance at 31 July 2012	15,440

24. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£'000
Balance at 1 August 2011	40,924
Net cash outflow	(6,864)
Balance at 31 July 2012	34,060

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000	2012 Change in Year £'000	2011 £'000	2010 £'000	2011 Change In Year £'000
Cash at bank and in hand	34,060	40,924	(6,864)	40,924	36,231	4,693

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
(Decrease)/Increase in cash in year	(6,864)	4,693
Repayment of debt	523	413
New loans	-	(722)
CHANGE IN NET FUNDS	(6,341)	4,384
NET FUNDS AT 1 AUGUST	24,961	20,577
NET FUNDS AT 31 JULY	18,620	24,961

ANALYSIS OF CHANGES IN NET FUNDS

	1 August 2011 £'000	Cash Flows 2012 £'000	Other Movements £'000	31 July 2012 £'000
Cash in hand, at bank	40,924	(6,864)		34,060
Debt due within 1 year	(524)	523	(545)	(546)
Debt due after 1 year	(15,439)	-	545	(14,894)
New loans	-	-	-	-
	24,961	(6,341)	-	18,620

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - continued

27. CAPITAL COMMITMENTS

GROUP AND CORPORATION

	2012 £'000	2011 £'000
Approved/Contracted for	18,245	17,458
Approved/Not contracted for	9,704	10,636
	27,949	28,094

Of the £18m capital commitments approved/contracted, £3m relates to the refurbishment of Brindley Entrance and Food Court, Of the £9.7 capital commitments approved/not contracted, £3m relates to replacement of the Student System

28. CONTINGENT LIABILITIES

The University is a member of UMALT, a company limited by guarantee formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their prorated share, spread using a bank facility over 7 years. The University is a guarantor, on a joint and several basis with other members, of this £60 million bank facility. No liability has yet arisen under this guarantee.

29. PENSION COSTS

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers Superannuation Scheme for academic staff and to the Staffordshire County Council Superannuation Scheme for non-academic staff. These are both independently administered schemes.

Total employees and employers contributions to the Teachers Superannuation Scheme for 2011/12 were £5,281k (2010/11 £5,497k) and for the Staffordshire County Council Superannuation Scheme £5,029k (2010/11 £5,034k).

Teachers' Pension Scheme

The Teachers Pension Scheme (TPS) is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of the anticipated contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

NOTES TO THE FINANCIAL STATEMENTS – continued

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Notional Investment returns per annum.	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of notional assets at date of last valuation.	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets.	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution was 14.1%. Employee contribution rate was between 6.4% and 8.8% for the same period.

Local Government Pension Scheme

The LPGS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension.

The agreed contribution rates for future years are 18.2% for employers and between 5.5% and 7.5% for employees.

The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2010, with the next formal valuation due as at 31 March 2013.

A valuation of the Fund's liabilities as at 31 July 2012 has been undertaken by the Fund's actuary for the purpose of FRS 17 "Retirement Benefits". The following valuation data has been used for the purposes of this disclosure.

- The individual membership data submitted as at 31 March 2010 for the purpose of the formal funding valuation at that date (or for employers which have joined the Fund after 31 March 2010, membership data as at the date of joining);
- The individual pensioner data in respect of LGPS unfunded pensions and teachers' pensions where appropriate;
- The latest numbers of employees, deferred pensioners and pensioners;
- Employer and employee contributions up to the latest available date (in order to estimate contribution income and pensionable payroll for the accounting period this year);
- The actual split of fund assets as at the latest available date;
- The actual Fund returns provided up to the latest available date;
- The mid-market value of fund assets as at the latest available date; and
- Any new early retirements from 1 August 2011 to the latest available date on unreduced pensions which are not anticipated in the normal employer service cost (e.g. non ill-health retirements before the earliest retirement age at which all the member's benefits can be taken unreduced), as set out in Section 1 of the Results Schedule.

NOTES TO THE FINANCIAL STATEMENTS – continued

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010.

	At 31 July 2012	At 31 July 2011
Rate of increase in salaries	4.5%	5.0%
Rate of increase for pensions	2.2%	2.7%
Expected return on assets	4.9%	6.4%
Discount rate for liabilities	4.4%	5.3%

Salary increases are 1% pa nominal until 31st March 2015, reverting to the long term rate shown thereafter.

Changes to the Local Government Pension Scheme (LGPS) under regulation 3 of the LGPS (Amendment) Regulations 2006 (Statutory Instrument 2006/966) permits employees retiring on or after 6 April 2006 to take an extra increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 and 75% of the maximum tax-free cash for post-April 2008 service.

Mortality Assumptions

Life expectancy is based on the fund's VitaCurves with improvements from 2007 in line with the medium cohort and a 1% pa underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners	23.3 years	25.6 years

Historic Mortality

Life expectancy for the prior year end is based on the fund's VitaCurves. The allowance for future life expectancies are shown below;

Year Ended	Prospective Pensioners	Pensioners
31 July 2011	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007

NOTES TO THE FINANCIAL STATEMENTS – continued

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011 £'000
Equities	5.5%	68,794	7.0%	62,874
Bonds	2.8%	11,767	4.6%	11,895
Property	3.7%	8,147	5.1%	6,797
Cash	2.8%	1,810	4.0%	3,399
Total Market Value of Assets		90,518		84,965

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Group's estimated asset share	90,518	84,965
Present value of scheme liabilities	(141,508)	(127,001)
Deficit in the scheme	(50,990)	(42,036)

Under the arrangements of FRS 17, a provision has been made by the Group for the Institution's share of the deficit of the scheme.

Analysis of the amount charged to the Income and Expenditure Account

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Employer service cost (net of employee contributions)	4,119	3,811
Past service cost	34	-
Curtailment and Settlements	17	27
Total operating cost	4,170	3,838

Analysis of pension finance income/costs

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Expected return on pension scheme assets	5,495	5,212
Interest on pension scheme liabilities	(6,771)	(6,937)
Pension finance costs	(1,276)	(1,725)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

Actuarial (loss)/gain recognised in STRGL	(8,001)	10,060
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NOTES TO THE FINANCIAL STATEMENTS – continued

Reconciliation of defined benefit obligation

	Year Ended 31 July 2012	Year Ended 31 July 2011
Opening Defined Benefit Obligation	127,001	127,822
Current Service Cost	4,119	3,811
Interest Cost	6,771	6,937
Contributions by Members	1,354	1,392
Actuarial Losses/(Gains)	6,228	(9,234)
Past Service Costs/(Gains)	34	-
Losses/(Gains) on Curtailments	17	27
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(665)	(662)
Estimated Benefits Paid	(3,351)	(3,092)
Closing Defined Benefit Obligation	141,508	127,001

Reconciliation of fair value of employer assets

	Year Ended 31 July 2012	Year Ended 31 July 2011
Opening Fair Value of Employer Assets	84,965	76,812
Expected Return on Assets	5,495	5,212
Contribution by Members	1,354	1,392
Contributions by the Employer	3,828	3,815
Contributions in respect of Unfunded Benefits	665	662
Actuarial Gains/(Losses)	(1,773)	826
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits paid	(665)	(662)
Estimated Benefits Paid	(3,351)	(3,092)
Closing Fair Value of Employer Assets	(90,518)	84,965

Movement in deficit during the year

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Deficit in scheme at 1 August	(42,036)	(51,010)
Movement in year:		
Current service charge	(4,119)	(3,811)
Contributions	3,828	3,815
Contributions in respect of unfunded benefits	665	662
Past service costs	(34)	-
Impact of Settlements and Curtailments	(17)	(27)
Net interest on assets	(1,276)	(1,725)
Actuarial (loss)/gain	(8,001)	10,060
Deficit in scheme at 31 July	(50,990)	(42,036)

NOTES TO THE FINANCIAL STATEMENTS – continued

History of experience gains and losses

	Year Ended 31 July 2012	Year Ended 31 July 2011	Year Ended 31 July 2010	Year Ended 31 July 2009	Year Ended 31 July 2008
Actuarial (Losses)/Gains on assets	(1,773)	826	6,321	(11,218)	(13,932)
Experience(Losses)/Gains on scheme liabilities	(1,691)	5,930	598	(154)	466
Total amount recognised in STRGL	(8,001)	10,060	5,804	(24,314)	(8,965)

30. ACCESS FUNDS

	Year to 31 July 2012 £'000	Year to 31 July 2011 £'000
Funding Council Grants	598	541
Interest Earned	1	1
Disbursements to Students	599 (589)	542 (515)
Balance Unspent 31 July 2012	10	27

Funding Council Access grants are available solely for students; the University acts only as a paying agent. Grants and disbursements are therefore excluded from the University Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS – continued

31. TEACHING AGENCY

(a) Student Bursaries

	Year to 31 July 2012	Year to 31 July 2011 Restated
	£'000	£'000
Opening fund balance	4	(47)
Net Teaching Agency grants received in year	174	465
Disbursed to students	(170)	(414)
Balance Unspent at 31 July owing to the Teaching Agency	8	4

(b) Black & Minority Ethnic Recruitment

Opening fund balance	1	1
Net Teaching Agency grants received/(reclaimed) in year	-	-
Disbursed to students	-	-
Support Payments to Schools	-	-
Development	-	-
Administration	-	-
Balance Unspent at 31 July owing to the Teaching Agency	1	1

Teaching Agency grants are available solely for students or school for student support and the University acts only as paying agent in administering these Teaching Agency grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

32. CONNECTED CHARITIES

Charities with Income over £100,000

	Brought forward £000's	Income £000's	Expenditure £000's	Carry forward £000's
Friends of Staffordshire University Charitable Trust	5,190	177	365	5,002

The principle activity of Friends of Staffordshire University Charitable Trust is to act as a property manager for properties leased from Staffordshire University. The Trust also acts as a landlord of a property for which it owns the freehold.

33. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest.

All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and Standing Orders Relating to Contracts and normal procurement procedures. The transactions requiring disclosure under Financial Reporting Standard 8 Related Party Disclosures are as follows:-

Helen Pegg, the Principal of Sixth Form College in Stoke-on-Trent is a member of the Board of Governors. The University is working in partnership with the Sixth Form College on development of the University Quarter in Stoke-on-Trent.