



# FINANCIAL STATEMENTS & GOVERNORS' REPORT

2014/15



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# CHAIRMAN'S INTRODUCTION



**David Gage** Chair of the Board of Governors



**Steve Burgin** Chair of the Board of Governors

We are delighted to report another year of real progress at Staffordshire University. Our achievements are built on the dedication of our colleagues and our students' hard work.

Despite the changes to the Higher Education sector in recent years, the reasons for going to University are as strong as ever; increased earning potential, a wider range of opportunities, and a more rewarding career and future. One can discover new interests, learn new skills, gain independence and make lifelong friends.

Our focus in 2014/15 has been to provide an excellent student experience and achieve incredible student success, with some outstanding results.

## Key successes include;

- Making real progress in developing our new strategic plan, which will take us through to 2020. Many of our colleagues have been engaged in this process and we look forward to sharing the new plan with everyone in 2016.
- Improving our Guardian League Table position, demonstrating our commitment to putting our students at the heart of what we do.
- The transformation of our campuses; investing in our Stoke-on-Trent campus as well as our new centres of healthcare excellence in Stafford and Shrewsbury.
- Focusing on activity that ensures our graduates are successful in the workplace. This includes embedding elements of the Staffordshire Graduate in everything that we offer. The Staffordshire Graduate represents a set of qualities that we believe passionately are necessary for success, including the 3Es of Employability, Enterprise and Entrepreneurialism.
- Maintaining and developing strong collaborative relationships with our partners. For example, developing flexible study options for our serving armed forces.
- Ensuring that our students receive value for money by delivering greater efficiencies, through implementation of better systems, processes and structures.
- Continuing to provide our staff with the opportunity and support to develop themselves and to participate in scholarly activity.
- Promoting and supporting excellent research, resulting in an improved REF score.

The £4 million surplus generated this year is testament to our commitment to responding to the challenges within the Higher Education sector. This surplus has grown over the past few years and we have outperformed our medium term financial plan. Having a surplus allows us to continue to invest in both our people and our facilities, making sure every penny counts for our students.

We could not achieve any of the successes highlighted within this document without the continued commitment and support of all our colleagues. They are our key asset for delivering our services to our students and customers. We will continue to invest in people development across all our teams, and celebrate their achievements through programmes such as The Leading for Success Programme and the annual Celebrating Staff Success event.

Looking forward, we are confident that the plans we have in place will allow us to face whatever challenges arise. Through our exceptional team, and the development of a new, exciting and ambitious strategic plan, we will continue the delivery of excellent teaching, research and knowledge development.

We would like to add our personal thanks to our students, our colleagues, our Governors and all of our stakeholders who, together, have made this University the success it is today.

Finally, we would like to acknowledge and applaud the huge commitment our Vice Chancellor, Professor Michael Gunn, has made to Staffordshire University. During his five year tenure he has brought a vital business focus to the way we operate, and moved the University forward in so many ways. Professor Gunn retires in April 2016 and we wish him every health and happiness for the future.

Further details of our achievements and what makes us a great University are outlined in the following pages, which we would encourage you to read.

### **David Gage**

Chair of the Board of Governors

### **Steve Burgin**

Chair of the Board of Governors

## VICE CHANCELLOR'S REPORT



I have taken great pleasure in reflecting on the many achievements we have celebrated at Staffordshire University over the past 12 months.

Not only do we have over 100 years of rich and eventful history, we have made real progress on many new activities and, yet again, strengthened our league table positions. This year is a particularly reflective time for me, as I am due to retire in 2016. It has been a great honour and privilege to help develop and strengthen the University over the years. I am confident that my successor will build upon the work and successes achieved so far to develop an even stronger University. Work on the University's new strategic plan has been a focus this year, and one of the key challenges for next year will be the development of this new, exciting and ambitious strategic plan, which will have a strong financial model to underpin future plans.

### At Staffordshire University our primary aims are to:

- ensure academic excellence
- produce work-ready students who realise their potential
- ensure continued financial sustainability.

We truly believe that great minds don't think alike, that you can be what you want to be. We believe in breaking boundaries, that we are a place where people grow, a place with global edge, where we don't just open doors but open minds and we think that's something to celebrate. To help achieve this we have focused on maintaining and continually improving our teaching excellence which is measured by the Guardian League Table, our Quality Assurance processes and the Quality Assurance Agency.

We truly believe that great minds don't think alike – that you can be whatever you want to be. We believe in breaking boundaries, that we are a place where people grow, a place with global edge, where we don't just open doors but open minds, and we think that's something to celebrate.

We aim to teach in interesting and innovative ways. Through tutorials, seminars, lectures, work experience, project work and a wide range of other activities, we ensure our students are ready for the world of work. We have focused on continually improving our teaching excellence, as measured by the Guardian League Table, our own Quality Assurance processes and the Quality Assurance Agency. We offer professional accreditations and have industry leading vocational and teaching facilities. Our hands-on approach ensures students gain real employment skills, and we have invested millions of pounds creating world-of-work facilities.

The student experience remains a significant focus for the University, with plans to invest substantially in this area in the coming years. Action plans are put in place every year in order to improve, particularly in relation to student experience and teaching excellence. We believe these are key measures of how satisfied our students are with what we offer, and there is a real need to demonstrate the University's value to prospective students. To increase efficiency and further improve the student experience, we have announced plans to run the majority of courses from our Stoke-on-Trent campus — although we are maintaining the Nursing and Midwifery, Paramedic and Public Health courses at Stafford.

Staffordshire University is about the students and the staff. Every year we have a fantastic graduation ceremony, celebrating their many achievements. Not only are we exceptionally proud of everything they achieve with us, we are also proud of the future contribution they will provide to our global economy and global health. Through knowledge, skills transfer and research our students and staff are addressing real world problems.

The University plays a key role in social and economic progress, not only within the UK, but also globally. By sharing knowledge, promoting new thinking, creating, innovating and

collaborating, we help to improve prosperity and aspirations – which are vital to ensure people have a high quality of life and fulfil their potential. The Higher Education sector as a whole continues to make a crucial contribution to the UK's development as a world leading economy.

The slowing of non-EU student recruitment and the changes to the Higher Education sector in recent years presents one of the biggest challenges for the University, but the opportunity remains – there has been a significant shift towards a free market, where there is competition for market share, with student expectations continually increasing.

We are rising to the challenges we face, and our activities are growing from strength to strength. With investment in our brand, estate and facilities, we expect to see further improvements in our surplus and student numbers in the longer term. Over the past five years we have spent nearly £70 million on capital investment, creating industry leading vocational facilities.

We are so proud of what our students and staff have achieved over our 100-year history, and by drawing on the experience of our dedicated and talented staff, we can focus on the right areas to ensure we meet student expectations in future years. I am always proud and impressed by our students' achievements, particularly when I walk around our graduate exhibitions and hear about the many successful careers of our alumni. There's no shortage of inspiring stories about Staffordshire Graduates making a difference in all walks of life. This is what Staffordshire University is all about.

We are a great University with strong values, excellent teaching and dedicated staff all working towards the best outcome for our students. We are based in the Midlands, at the heart of the UK, and we continue to put students at the heart of everything we do. Our drive, passion, knowledge and dedication give us the foundations for facing the challenging times ahead.

**Professor Michael Gunn**  
Vice-Chancellor

# OPERATING AND FINANCIAL REVIEW

## GOVERNANCE 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 results of research as the University thinks fit.

The University was incorporated in November 1988 and on 1 April 1989 all properties, rights and liabilities that 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, the Friends of Staffordshire University Charitable Trust and Unitemps Ltd.

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 gifted back to the University under a covenant arrangement.

### Results for the Year

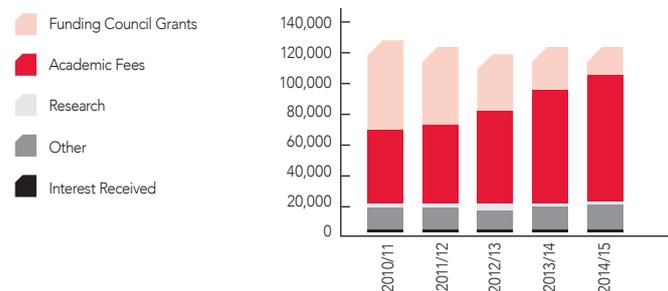
The University's consolidated income, expenditure and results for the year to 31 July 2015 are summarised as follows:

In 2014/15 the University and its subsidiaries made a historical cost surplus of £4 million (2013/14 £3.6 million). Income decreased by 1.4% to £117 million whilst net expenditure decreased by 0.6% to £115.2 million. These results include adjustments for FRS17 – Accounting for Retirement Benefits. The impact of this accounting standard on the income and expenditure account remains volatile, and reflects changes in assumptions that affect pension assets and liabilities over many years. Its impact this year was to reduce the surplus by £1.2 million (2013/14 by £1.5 million). Excluding these FRS17 adjustments the operating surplus increased to £5.1 million (2013/14 £5.1 million).

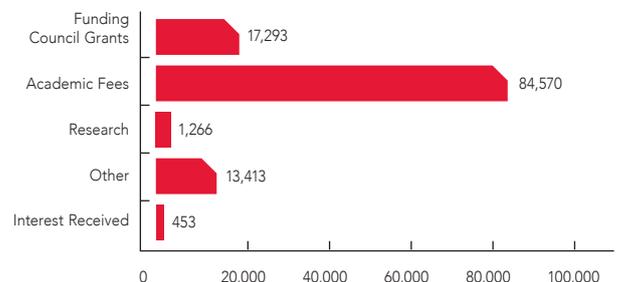
### Income

Income mix has changed significantly over the past three years, which is mainly due to the new tuition fee regime. We have seen a reduction in Funding Council Grants and an increase in Academic fees. Continued focus on student recruitment, progression and income diversification is vital to improve our financial position.

The Income Breakdown £'000



2014/15 Income £'000



Income and Expenditure	2014/15	2013/14	2012/13
	£'000	£'000	£'000
Income	116,995	118,373	116,251
Expenditure	115,198	115,861	114,211
Surplus/(deficit) on continuing operations after depreciation at valuation	1,797	2,512	2,040
Historical cost surplus	3,990	3,587	3,115
FRS17 adjustments included above	(1,161)	(1,529)	(1,508)
Surplus before FRS17 Adjustments	5,151	5,116	4,623

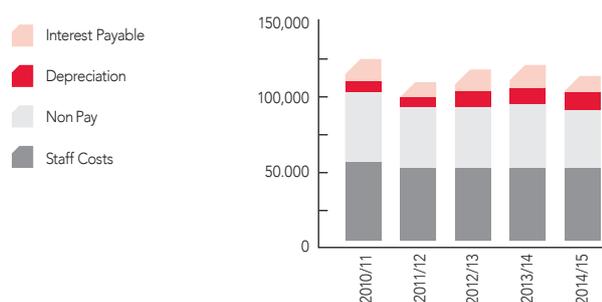
**OPERATING AND FINANCIAL REVIEW**  
**GOVERNANCE AND FINANCIAL REVIEW (CONTINUED)**

**Expenditure**

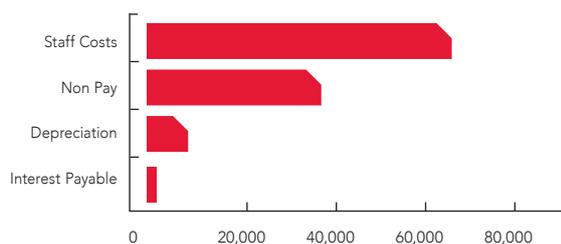
Just over 60% of our costs relate to staff and in 2014/15 these costs were at the same level as they were five years ago, despite pay inflation. This is due to the University's continued focus on driving efficiency through improved processes, systems and structures. Our above average students/staff ratio (Guardian league tables) demonstrates our commitment to preserving the 'front line' activity that has the greatest impact on our performance.

We have also been delivering efficiency within our non-staff related costs through better buying, ensuring that we achieve greater value from our providers. However, depreciation has increased due to greater capital investment.

**2014/15 Costs £'000**



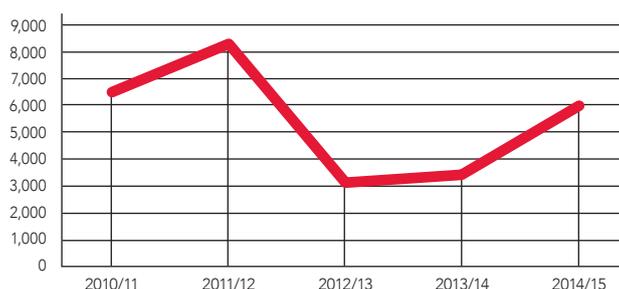
**2014/15 Costs £'000**



**Surplus**

Our surplus has been increasing year on year, although there was a dip in 2012/13, the first year of the new tuition fee regime.

**2014/15 Total Surplus/Deficit Comparator in £'000**



**Cash Flow**

The table below summarises the major cash movements during the year ended 31 July 2015, including capital investments.

Cash Flow	2014/15 £'000	2013/14 £'000	2012/13 £'000
Net inflow from operating activities	12,668	8,630	11,065
Net outflow from servicing of finance	(1,602)	(1,307)	(361)
Capital expenditure	(10,031)	(10,227)	(16,772)
Adjusted net inflow/(outflow) before financing	5,437	(1,947)	(5,437)
Increase/(decrease) in cash for year	4,054	30,676	(5,889)

The consolidated Cash Flow Statement shows cash inflows from operating activities of £12.7 million (2013/14 £8.6 million). Payments to acquire and improve fixed assets totalled £10 million (2013/14 £10.2 million) and net cash inflow before financing at £5.4 million was a £7.3 million improvement on the previous year (2013/14 outflow £1.9 million). After allowing for financing drawn in the year, net cash increased by £4.1 million (2013/14 £30.7 million increase).

## OPERATING AND FINANCIAL REVIEW GOVERNANCE AND FINANCIAL REVIEW (CONTINUED)

### Capital Investment

The University operates from two primary campuses; Stafford and Stoke-on-Trent, with Centres of Excellence for Health Sciences at Blackheath Lane in Stafford and at Royal Shrewsbury Hospital. We also have a hub in Lichfield. Investment in these estates and facilities is key to ensuring that our facilities are attractive to potential students and that we offer the best experience possible. That is why we have committed to an investment programme beginning in 2015/16 where we will be spending £46 million to improve the overall quality of our estate. Over £5 million of this investment is being spent on complete refurbishment of the Centres of Excellence providing a strong, long term presence in Stafford and Shrewsbury.

### 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 2015 the Group's estimated share of the LGPS net deficit was £76.3 million (2013/14 £63.4 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. There are however some pension liabilities related to Teachers' Pensions that are not funded through the scheme. These liabilities are valued on the University's balance sheet at £11.1 million (2013/14 £9.9 million).



### Liquidity and Long-Term Financing

The University had net funds, as at 31 July 2015, of £16.5 million (2013/14 net funds of £11.2 million). Cash at bank and in hand was £62.9 million (2013/14 £58.8 million).

On 17 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. 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 future capital programme. The remaining £34 million was drawn down on the 2 September 2013 as a 25-year term loan at a fixed interest rate of 3.2%.

### Treasury and Financing

Cash deposits are invested in accordance with the University's Treasury Management Policy. This was reviewed in the year and additional counterparties added to spread the risk associated with the additional cash balances. 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 £0.5 million (£0.3 million in 2013/14) due to higher cash balances. Interest payable at £2.4 million includes an FRS17 adjustment of £0.6 million and loan interest payments of £1.8 million (2013/14 – interest payable £2.8 million includes FRS17 interest of £1 million and loan interest payments of £1.8 million).

### 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.

### Governors' Remuneration

Governors receive no remuneration from the University in respect of activities undertaken whilst acting as Governors, other than in some circumstances, eg 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, thus enhancing 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.

## OPERATING AND FINANCIAL REVIEW GOVERNANCE AND FINANCIAL REVIEW (CONTINUED)

Our strategies and vision are underpinned by our key principles and activities towards the public good. Teaching and Learning is the principal way in which the University makes a contribution to wider society. Rooted in Staffordshire University's strategic plan is our continued commitment to being an open and accessible institution that proactively encourages people from all backgrounds to aspire to Higher Education. We are committed to breaking down barriers and encouraging active participation, raising attainment and aspirations, and encouraging engagement and admissions to Higher Education.

We do this by ensuring pathways to Higher Education are available through our work with other education providers. For example, we work closely with schools and colleges, targeting pupils and students from as young as Year 5 through the Children's University, to students in FE Colleges and Sixth Forms in Years 12 and 13 with in-school and on-campus activities, as well as mature learners via the Step Up to HE programme.

We have a strategic partnership with Staffordshire University Academy Trust, which currently has three schools and is set to grow. The Trust has access to an experienced team of educational improvement partners, many of whom are based within, or connected to, the University's School of Education. OFSTED has rated the University's School of Education 'Outstanding' in every teacher training inspection since 2000. The School is a key strategic partner engaged to support the Trust's educational objectives and improve standards. Academy Improvement activity is bespoke to the needs of each Academy.

Staffordshire University Academy Trust (SUAT) contributes to a wider enrichment activity, which is demonstrated by:

- University students working as ambassadors.
- A professor of paediatric cardiology embarking on a three-year longitudinal study with academy pupils and a local premiership football team to improve health outcomes.
- Provision of marketing expertise for the brand identity of the Trust and its Academies.
- Human Resources support for leadership appointments.

The objective of this Trust is to enhance the quality of outcomes for the pupils within our Academies and of the wider community to advance, for the public benefit, education for students of different abilities between the ages of three and nineteen.

Staffordshire University also collaborates with Higher Education Institutions and other local organisations to provide a range of events and facilities that are available to people within our communities. We host many public lectures throughout the year.

We provide business support, consultancy, skills development and research to businesses and individuals to help them maintain a competitive edge. We encourage and support the creation of start-up businesses, helped through our business villages. Our business villages have a long history of supporting University students/alumni and have a county-wide base of small business owners and entrepreneurs.

The University is also a key local employer and helps with the economic and social growth of the region. Improving employability is vital for individuals and contributes to their health and wellbeing and the economy. Some of our students leave this University equipped to fight crime, save lives and understand how to have a real impact on other people's lives.

The University also has a long history and commitment to widening participation and social inclusion. The Office for Fair Access (OFFA) approves our plans annually, including enhancing opportunities for under-represented groups.

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 2014/15 we made bursary payments of £1.3 million to 1,756 students and awarded fee waivers totalling £1.4 million to 1,316 students.

We are fully committed to supporting students with disabilities and we aim to provide individually negotiated support programmes. These programmes 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.

The University's research activities have also impacted on businesses in addressing real world problems.

# OPERATING AND FINANCIAL REVIEW

## STRATEGIC PLANNING

Our vision and strategic intent is to be a vibrant, modern, relevant, vocationally and professionally inspired University, with three goals:

- We will be the best modern teaching University in a student city in the heart of the country.
- We will be known for our learning and teaching and our distinct and specialised portfolio.
- We will create a responsive, student orientated business.

This includes the culture of putting students at the heart of everything we do. Our mantra for the student experience is:

- Recruit and Retain
- Challenge and Support
- Achieve and Employ
- Creative and Innovative
- Enjoy and be Proud.

This is all built on our values and strong culture.

### PEOPLE FOCUSED

Being people focused for us means respecting and valuing everyone's contribution to our University community. We have a long-standing commitment to equality, diversity, social inclusion and mobility. We see these as central to our success in building an inclusive and welcoming environment for all. We are a people organisation and it is we, the staff, who will make the difference and deliver this Plan.

### EXCELLENCE

Our commitment to excellence demands that, through continuous improvement and transformative change, we strive for the highest standards and levels of achievement, both academically and as a business, seeking to be enterprising and responsible, and at the forefront of the sector.

### INNOVATION AND ENTERPRISE

Being innovative, enterprising and entrepreneurial for us means encouraging creativity and taking balanced risks. It requires a supportive environment for the development of ideas and new business. It requires a commitment to evidence-based work, taking opportunities as they arise, agility, supporting creativity and being effective and efficient.

### PARTNERSHIP

Partnership for us means working with others with diligence, application, openness, transparency, integrity, honesty, professionalism in collaboration, and with a commitment to intercultural dialogue and freedom of areas of inquiry.

## OPERATING AND FINANCIAL REVIEW

# SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Being a sustainable and responsible University is a key priority in our University Plan. We have a crucial role to play in helping our students develop a real sense of their role in the world as engaged and responsible citizens; through research and innovation that makes a positive change; and by minimising our negative impacts and maximising our positive impacts as an organisation through our corporate responsibility activities.

Examples of our focus in this area include:

- Placed 16th in the People & Planet Green League, making us one of the top 20 Green universities in the UK.
- We continue to purchase 100% of our electricity from renewable sources.
- Completing Year 4 of Green Impact, a cross-faculty/service environmental improvement framework, engaging staff and students to improve the sustainability impacts of their day-to-day operations.
- We engaged with our students on a range of sustainability campaigns and projects, including funding 15 student sustainability internships working on various projects across the University, as well as working on campaigns such as Green Impact, as both project assistant and auditors, and a Student Switch Off campaign – a residential halls energy saving initiative.
- Maintaining certification to British Standard BS8555 phase 3, an Environmental Management System that enables the University to control and improve its environmental performance and ensure compliance with environmental legislation.
- We have reviewed our waste management contracts and have appointed and now work with a waste management contractor who operate a zero waste to landfill policy through material recycling and energy recovery incineration.
- We have introduced free filtered water fountains in all our main public spaces and we use eco-water bottles for all University catering in order to reduce the amount of bottled water we consume.

- We have restricted parking spaces to those living outside a 2 mile radius from campus, encouraging people who live near the University to walk, cycle or use public transport.
- Improved the provision of new cycle paths, cycle hubs, showers and locker facilities on campus.
- The University's allotment scheme was recently awarded an 'Outstanding' rating from RHS judges, a feat no other University was able to achieve, as part of the National Union of Students "Student Eats" project.
- Ruby Hammer, Academic Group Leader in Law, was awarded an HEA Fellow in Education for Sustainable Development, to support the development of our sustainability curriculum.
- The University actively gets involved in charity events and supports many good causes.

To ensure that we stay at the forefront of sustainability and corporate responsibility, this year we have created a new Sustainability and Corporate Responsibility Board to provide leadership and improved decision-making, by integrating and coordinating all of our sustainability and corporate responsibility activities across teaching and learning, research and enterprise and our estates and operations. To support the work of the Sustainability & Corporate Responsibility Board we have also created a new Office of Sustainability and Corporate Responsibility and will continue to review our strategies and governance structures.

Looking ahead, the University is working closely with the Students' Union to create a new physical sustainability hub on campus, which will provide a one-stop-shop for students, staff and the local community to access information and resources about our sustainability activities.



**OPERATING AND FINANCIAL REVIEW**  
**SUSTAINABILITY AND CORPORATE RESPONSIBILITY (CONTINUED)**



# OPERATING AND FINANCIAL REVIEW

## FUTURE RISKS AND UNCERTAINTIES

### Changing Environment

#### Higher Education Sector Performance and Outlook

In the financial year 2013/14, the UK Higher Education sector generated a total surplus (before exceptional items) of £1.2 billion, representing 3.9% of income. This figure is an increase of 10.7% over the 2012/13 figure of £1.1 billion (3.7% of income). During 2013/14 the number of institutions in deficit decreased from 17 to 14, a significant improvement from 2008/09 when 37 universities were in deficit. The number of universities recording a surplus greater than 8% of income was 24, compared to 21 in 2012/13. (Source: the Financial Health of the Higher Education Sector 2012, Grant Thornton).

Looking forward, it is highly likely that grants available to universities from government will reduce further and the competition in the market will increase. Universities will need to continue to improve value for money, develop other sources of income and take a commercial approach to how they do business, putting the student at the heart of their decision-making and focusing on performance.

### The Regulatory Framework

The regulatory framework continues to change and evolve. 2012/13 was the first year of the 'new fees regime,' which saw a significant transfer in University income from HEFCE to student control through the student tuition fee loan system. As cohorts progress this will see student tuition fees forming 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. The majority of Universities have adopted fees of £9,000, resulting in the Government not achieving one of its aims.



The fee regime is supported by the new student loan system, which 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 earnings over £21,000, with any balances remaining after 30 years being written off. This change will see the student taking significantly more responsibility for repaying the full cost (or a significant portion of the full cost) of their undergraduate education.

In 2015, the government issued a green paper for consultation seeking views on:

- Introducing a Teaching Excellence Framework that will deliver better value for money for students, employers and taxpayers.
- Increasing access and success in Higher Education participation for those from disadvantaged and under-represented groups.
- Creating a new single gateway for entry and creating a common system for all providers.
- Establishing a new Office for Students to promote the student interest and ensure value for money, and to reduce the regulatory burden on the sector.

Implementation of the final agreed proposals of this paper will change the regulatory framework further, and Staffordshire University is committed to being ready for this change.

### Tuition Fees and Student Demand

In the first years of the new fee regime Staffordshire University set its tuition fees for undergraduate full time courses towards the lower end of the sector, with fees in 2014/15 ranging between £5,900 for awards delivered by off-campus partners, to £8,490 for full-time on campus undergraduate degrees. This averaged below £7,500, which enabled the University to receive an additional allocation of Student Number Control (SNC) places. With the abolition of SNC the standard fee charged for on campus undergraduate degrees is being raised, and will be set at £9,000 for entry in September 2016.

### International Recruitment

Tighter immigration rules and the decline in international recruitment also pose a risk. This is being mitigated by working towards improved internationalisation – ensuring we adhere to the immigration regulations and an international policy.

## OPERATING AND FINANCIAL REVIEW FUTURE RISKS AND UNCERTAINTIES (CONTINUED)

### Pay

NI and Pension statutory changes have increased quite considerably, and this is set to continue in the next few years.

In relation to 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 and the unfunded element of the Teachers' Pensions Scheme – currently £87.4 million. This deficit is highly dependent upon valuation assumptions – an example being a 0.5% increase in the discount rate could reduce the deficit by £20 million.

The schemes themselves are changing the contribution rates and benefits to mitigate the risks where possible, and establish the schemes on a sustainable basis. It does not however disguise the fact that pensions are becoming more expensive through factors such as lower investment returns and increasing longevity. The University will continue to review its options with regards to pensions, to ensure that any future pension provision is affordable in the context of our own financial performance.

### Capital Investment Funding

Historically, the sector has received high levels of grant funding for capital investment. This is no longer the case, and universities are required to fund the majority of such works out of cash flow. All projects are therefore carefully scrutinised to ensure they are efficient, effective and affordable.

The University has committed to a multi-million pound campus transformation project, which commenced this year. This is being closely monitored to ensure costs and timings of the project do not overrun. Disruption for staff and students is also a risk, and this will be minimised and controlled as far as possible.

### Chair of the Board of Governors



# GOVERNORS, EXECUTIVES AND ADVISORS

## Board of Governors

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Stephen Burgin (Chair to 31.07.15)  
David Gage (Deputy Chair) (Chair from 01.08.15)  
Cordella Bart-Stewart  
Nick Bell (to 01.10.14)  
Richard Cotterell  
Ken Crossland (to 31.08.15)  
Bal Deol (from 01.07.15)  
Rebecca Dobbs  
Glenn Earlam  
Martin Fiddler  
Professor Michael Gunn  
Mike Herbert  
Tom Hope (from 01.07.15)  
John van de Laarschot  
Barry Machin  
Dayo Odubonjo (to 06.03.15)  
Mel Ramsay (to 30.06.15)  
Parveen Siddique (to 15.09.14)  
Elaine Simpson  
Beverley Smith (from 25.03.15)  
Dr Greg Taylor  
Dr Ruth Thompson  
Sarah Tudor  
Sara Williams

## Executive Team

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Professor Michael Gunn, Vice-Chancellor & Chief Executive  
Mark Hattersley, Director of Finance & Infrastructure (to 31.12.14)  
Margaret Monckton, Director of Finance & Infrastructure and Deputy Chief Executive (from 01.01.15)  
Ken Sproston, University Secretary (to 30.09.14)  
Rosy Crehan, Deputy Vice-Chancellor - Academic  
Allan Howells, Deputy Vice-Chancellor - Research, Enterprise & External (from 01.09.14)  
Ian Blachford, Executive Director of Corporate Services

## Auditor

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KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

## Banks

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Lloyds Bank Plc  
5 Market Square  
Stafford  
ST16 2JL

## Solicitors

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Shakespeare Martineau  
No 1 Colmore Square  
Birmingham  
B4 6AA

# 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 (September 2014). Its purpose is to assist readers of the Financial Statements to understand how the principles have been applied.

Throughout the year ended 31 July 2015, the University has been in compliance with all the Code provisions set out in Section 1 of the UK Corporate Governance Code 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 2014.

In addition, the Board of Governors has also formally accepted the CUC's Governance Code of Practice and General Principles issued in 2014. 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:

- f) approve the mission and strategic vision of the institution, long term business plans, KPIs and annual budgets, and ensure that these meet the interests of stakeholders;
- g) appoint the head of the institution as chief executive of the institution and put in place suitable arrangements for monitoring his/her performance;
- h) 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;
- i) monitor institutional performance against plans and approved KPIs, 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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England, the Board of Governors is responsible for the on going 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 and Risk committee, a Remuneration committee, an Education committee and an Estates and Infrastructure committee. All of these

committees are formally constituted with terms of reference and comprise mainly 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 and 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 Executive members attend meetings of the Audit and 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 2015.

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

## CORPORATE GOVERNANCE (CONTINUED)

The Education committee reviews policies and procedures relating to the educational character of the University, checks the soundness of the University's processes relating to assurance of academic standards and quality, and monitors progress against relevant KPIs on behalf of the Board.

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

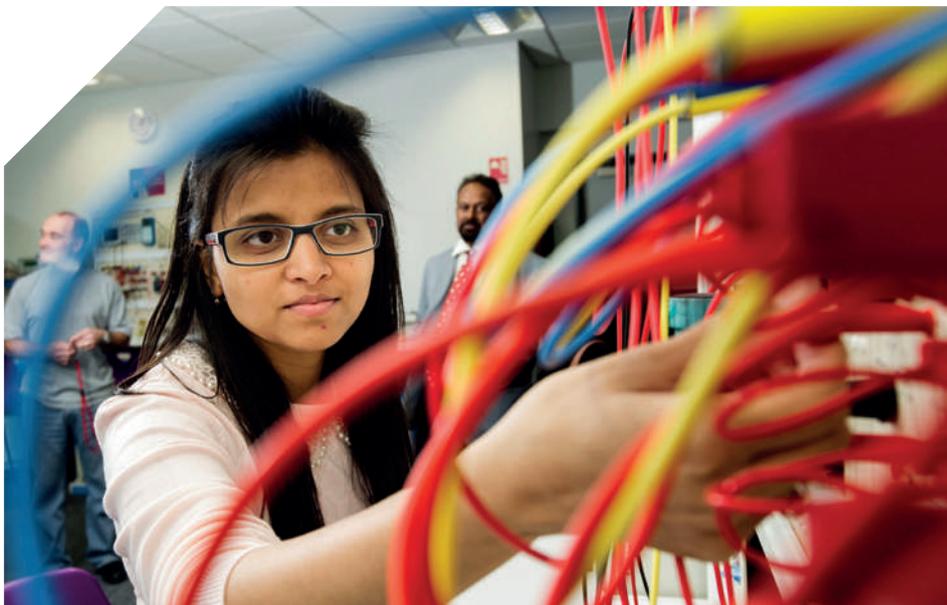
As the Board of Governors of Staffordshire University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Board of Governors in the University's Instrument and Articles of Government and the Memorandum of Assurance and Accountability 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 on going 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 31 July 2015 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 Audit and Risk committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of 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 and Risk committee to provide oversight of the risk management process.
- The Audit and 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 has been 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 regularly 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 and 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. 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.

### Chair of the Board of Governors

# RESPONSIBILITY OF THE BOARD OF GOVERNORS

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 the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE) and the Board of Governors of the University, the Board of Governors through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the 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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England 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 and 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 and Risk committee has reviewed the effectiveness of the University's system of internal financial control.

## 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 2015 which comprise the Consolidated Income and Expenditure Account, the Group and Corporation Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies 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 Chapter 3 of Part 16 of the Companies Act 2006 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 Board of Governors and auditor

As explained more fully in the Statement of Financial Responsibilities set out on page 17 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 Governor's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 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 with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2014-15 financial statements.

## Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2014-15 financial statements have been met.

### Michael Rowley

For and on behalf of KPMG LLP,  
Statutory Auditor Chartered Accountants,  
One Snowhill,  
Snow Hill Queensway,  
B4 6GH.

# FINANCIAL STATEMENTS



## FINANCIAL STATEMENTS

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# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2015

	Note	Year To 31 July 2015	Year To 31 July 2014
		£'000	£'000
<b>INCOME</b>			
Funding Council Grants	1	17,293	27,622
Academic Fees and Education Contracts	2	84,570	76,297
Research Grants and Contracts	3	1,266	1,329
Other Operating Income	4	13,413	12,787
Endowment Income and Interest Receivable	5	453	338
<b>Total Income</b>		<b>116,995</b>	<b>118,373</b>
<b>Expenditure</b>			
Staff Costs	6	63,962	63,583
FRS17 pension adjustment to staffing costs	6	537	505
Depreciation	9	9,548	8,976
Beaconside impairment	9	3,008	0
Other operating Expenses	7	35,730	40,115
Interest Payable and other finance costs	8	1,789	1,753
FRS17 pension finance costs	8	624	1,024
<b>Total Expenditure</b>		<b>115,198</b>	<b>115,956</b>
<b>SURPLUS FOR THE YEAR BEFORE AND AFTER TAXATION</b>		<b>1,797</b>	<b>2,417</b>
MINORITY INTEREST		0	95
<b>SURPLUS FOR THE YEAR RETAINED IN RESERVES</b>	20	<b>1,797</b>	<b>2,512</b>
<b>NOTE OF HISTORICAL COST DEFICITS AND SURPLUSES</b>			
		Year To 31 July 2015	Year To 31 July 2014
		£'000	£'000
Surplus for the year retained in reserves		1,797	2,512
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		1,075	1,075
Beaconside impairment revaluation reserve release		1,118	0
<b>HISTORICAL COST SURPLUS FOR THE YEAR</b>		<b>3,990</b>	<b>3,587</b>

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

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	Year To 31 July 2015	Year To 31 July 2014
		£'000	£'000
Surplus for the year retained in reserves	20	1,797	2,512
Actuarial loss in respect of pension scheme	29	(12,989)	(18,536)
<b>Total recognised (losses)/gains for the year</b>		<b>(11,192)</b>	<b>(16,024)</b>
<b>Reconciliation</b>			
Opening Reserves and endowments		19,221	35,244
Transfer from Endowment Reserve		0	1
Total recognised (losses)/gains for the year		(11,192)	(16,024)
<b>Closing Reserves</b>		<b>8,029</b>	<b>19,221</b>

# BALANCE SHEET

## AS AT 31 JULY 2015

	Note	GROUP		CORPORATION	
		2015	2014	2015	2014
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible Assets	9	124,135	126,747	117,918	120,192
Investments	10	74	33	74	49
		<u>124,209</u>	<u>126,780</u>	<u>117,992</u>	<u>120,241</u>
ENDOWMENT ASSETS	11	26	26	26	26
<b>CURRENT ASSETS</b>					
Stock		131	140	131	0
Assets held for resale		0	1,318	0	1,318
Debtors: Amounts falling due after more than one year	12	148	205	148	205
Debtors: Amounts falling due within one year	13	9,587	8,190	20,740	17,543
Cash at bank and in hand		62,901	58,847	62,819	58,756
		<u>72,767</u>	<u>68,700</u>	<u>83,838</u>	<u>77,822</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(25,456)	(29,400)	(34,063)	(36,097)
NET CURRENT ASSETS		47,311	39,300	49,775	41,725
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>171,546</b>	<b>166,106</b>	<b>167,793</b>	<b>161,992</b>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(44,862)	(46,452)	(44,862)	(46,320)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,951)	(2,147)	(2,951)	(2,147)
NET ASSETS EXCLUDING PENSION LIABILITY		123,733	117,507	119,980	113,525
Net Pension liability	29	(87,450)	(73,300)	(87,450)	(73,300)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>36,283</b>	<b>44,207</b>	<b>32,530</b>	<b>40,225</b>
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		£'000	£'000	£'000	£'000
Represented by:					
<b>DEFERRED CAPITAL GRANTS</b>	17	28,228	25,040	28,228	25,040
<b>ENDOWMENTS</b>					
Permanent	18	26	26	26	26
<b>RESERVES</b>					
Revaluation Reserve	19	34,417	36,610	34,417	36,610
Income and Expenditure Account excluding pension reserve	20	61,062	55,911	57,309	51,849
Pension Reserve	20	(87,450)	(73,300)	(87,450)	(73,300)
Income & Expenditure Account including pension reserve		<u>(26,388)</u>	<u>(17,389)</u>	<u>(30,141)</u>	<u>(21,451)</u>
Total Reserves	10	8,029	19,221	4,276	15,159
Minority Interest		0	(80)	0	0
		<b>36,283</b>	<b>44,207</b>	<b>32,530</b>	<b>40,225</b>

The Financial Statements on pages 20 to 42 were approved by the Board of Governors on 8th December 2015 and signed by:

Mr David Gage

Professor Michael Gunn

# CONSOLIDATED CASH FLOW STATEMENT

	Note	Year To 31 July 2015	Year To 31 July 2014
		£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	12,668	8,630
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Income from short term investments</b>		194	274
Interest Paid		(1,796)	(1,581)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,602)	(1,307)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(10,031)	(10,227)
Payments to acquire Investments		41	0
Profit from sales of fixed asset investments		1,607	1
Deferred capital grants received		2,754	956
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		(5,629)	(9,270)
TAXATION			
NET CASH OUTFLOW AFTER TAXATION, BUT BEFORE FINANCING		5,437	(1,947)
<b>FINANCING</b>			
New loans acquired	23	121	34,054
Repayment of loans	23	(1,504)	(1,431)
<b>NET CASH INFLOW FROM FINANCING</b>		<b>(1,383)</b>	<b>32,623</b>
<b>INCREASE IN CASH FOR THE YEAR</b>	<b>24, 25</b>	<b>4,054</b>	<b>30,676</b>

# 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 Staffordshire University Unitemps 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 National College for Teaching and Learning 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 National College of Teaching and Leadership (see notes 30 and 31).

## 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
Plant and Machinery (small)	10% 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.

## STATEMENT OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATION TECHNIQUE (CONTINUED)

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 is 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.

### FRS19 DEFERRED TAXATION

FRS19 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

## NOTES

### 1. FUNDING COUNCIL GRANTS

#### Recurrent Grant

Higher Education Funding Council, England (HEFCE)	
National College of Teaching & Leadership (NCTL)	
Research & Selective Initiatives	
Release of Capital Grants	
Buildings	
Equipment	

#### Year To 31 July 2015

£'000

7,687

51

7,914

1,143

498

**17,293**

#### Year To 31 July 2014

£'000

17,589

31

8,231

1,096

675

**27,622**

### 2. ACADEMIC FEES AND EDUCATION CONTRACTS

Full-Time Students - UK/EU	
Full-Time Students - OVERSEAS	
Part-Time Fees	
Education Contracts	
Short Course Fees	

60,202

5,953

7,154

6,984

4,277

**84,570**

51,428

6,986

6,810

7,329

3,744

**76,297**

### 3. RESEARCH GRANTS AND CONTRACTS

Research Councils	
UK Based Charities	
UK Industry and Commerce	
UK Central Government/Health Authorities	
European Community Programmes	
Other Research Grants & Contracts	

7

75

100

245

566

273

**1,266**

25

46

121

257

641

239

**1,329**

### 4. OTHER OPERATING INCOME

Residence, Catering and Conferences	
Consultancy/Self Financing Fees	
Other Rents/Lettings	
Release from deferred capital grants (non-funding council)	
Other Income	

6,085

4,107

1,109

122

1,990

**13,413**

6,291

3,345

1,221

132

1,798

**12,787**

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTES

#### 5. ENDOWMENT INCOME AND INTEREST RECEIVABLE

	Year To 31 July 2015 £'000	Year To 31 July 2014 £'000
Investment Income	453	338
Endowment Income (Note 11)	0	0
	<b>453</b>	<b>338</b>

#### 6. STAFF

##### Staff Costs

Wages	49,562	50,685
Social Security Costs	3,836	3,981
Other Pension Costs	8,899	8,120
FRS17 adjustment	537	505
Redundancy/Managed Severance Scheme	1,665	797
	<b>64,499</b>	<b>64,088</b>

##### Emoluments of the Vice-Chancellor

Salary Costs	170	166
Performance bonus	4	13
Sub Total	174	179
Employer's Pension Contributions	0	16
	<b>174</b>	<b>195</b>

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.

##### Average (FTE) Staff Numbers

	Year To 31 July 2015 2015 Number	Year To 31 July 2014 2014 Number
Management (Non Academic)	44	39
Management (Academic)	31	34
Academic	557	590
Academic Technicians	71	72
Administrative, Professional and Clerical Staff	621	725
Manual Staff	81	98
	<b>1,405</b>	<b>1,558</b>

##### Remuneration of other higher paid staff including employer's pension contributions

£100,000 - £119,999	2	2
£120,000 - £129,999	1	1
	<b>3</b>	<b>3</b>

A general pay award of 1% was made with effect from 1st August 2014

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTES	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
<b>7. OTHER OPERATING EXPENSES</b>		
Consumables	1,626	1,775
Equipment and Tools	2,002	2,444
Software Support Maintenance	1,182	1,443
Operating Leases	439	293
Books & Periodicals	1,418	1,540
Printing - External and Internal	322	400
Protective Clothing/laundry/Uniforms	77	73
Repairs & General Maintenance	3,365	3,708
Heat, Light Water & Power	2,542	2,706
Rent & rates	538	779
Staff & Student Development	1,230	1,295
Travel & Subsistence	1,296	1,514
Students' Union Contributions	950	933
Auditors' Remuneration Audit Services (Corp)	47	47
Auditors' Remuneration Audit Services (Subs)	7	9
Auditors' Remuneration Non-Audit Services	10	12
Internal Audit Costs	103	101
Payments to Franchise Colleges	8,307	8,950
Telephone & Postage	464	545
Insurance	288	301
Publicity & Prospectus	1,575	1,660
Examinations/Awards Day	383	419
Subscriptions	606	636
Vehicle Hire/Lease	196	237
Other Expenses	104	53
Professional Charges	667	842
Consultancy	1,915	2,223
Technical & Design Work	246	117
Legal Charges	202	222
Agency Servicing	458	870
Security	445	592
Movement in Provision for Bad/Doubtful Debts	91	466
Placement Fees	404	402
Registration Fees	174	177
Grant Payments (External Activity)	61	86
Bursary Payments*	1,291	1,840
Hospitality	61	76
Students Awards/Expenses	312	92
Bank Charges	84	132
Gains/Losses on Euro Exchange	98	104
Losses/Gain on disposal of Assets	144	1
	<b>35,730</b>	<b>40,115</b>

Included on Other Operating Expenses are payments to or on behalf of trustees of £4k (2013/14 £3.7k). The £4k expenditure in 2014/15 relates to travel and subsistence for 7 trustees (2013/14 £3.7k for travel and subsistence expenses for 8 trustees).

\* Bursary payments have reduced due to the increase in fee waivers within the income section.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTES

#### 8. INTEREST PAYABLE

Loan not wholly repayable within five years

Pensions finance costs (FRS17) (refer to note 29)

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
	1,789	1,753
	624	1,024
	<b>2,413</b>	<b>2,777</b>

#### 9. TANGIBLE FIXED ASSETS - GROUP

	Freehold Land & Buildings	Assets in Course of Construction	Computer Equipment	Other Equipment & Fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST OR VALUATION</b>						
At 1 August 2014	171,680	3,812	17,177	18,755	141	<b>211,565</b>
Additions	1,465	5,344	2,099	1,123	0	<b>10,031</b>
Reclassifications	418	(3,411)	2,993	0	0	<b>0</b>
Disposals	(237)	0	(698)	(92)	0	<b>(1,027)</b>
At 31 July 2015	173,326	5,745	21,571	19,786	141	<b>220,569</b>
<b>DEPRECIATION</b>						
At 1 August 2015	59,700	0	13,936	11,086	96	<b>84,818</b>
Depreciation for year	5,728	0	2,184	1,616	20	<b>9,548</b>
Beaconside impairment	3,008	0	0	0	0	<b>3,008</b>
Elimination on disposals	(156)	0	(694)	(90)	0	<b>(940)</b>
At 1 August 2014	68,280	0	15,426	12,612	116	<b>96,434</b>
Net Book Value at 31 July 2015	105,046	5,745	6,145	7,174	25	<b>124,135</b>
Net Book Value at 31 July 2014	111,980	3,812	3,241	7,669	45	<b>126,747</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>TANGIBLE FIXED ASSETS - CORPORATION</b>	<b>Freehold Land &amp; Buildings</b>	<b>Assets in Course of Construction</b>	<b>Computer Equipment</b>	<b>Other Equipment &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST OR VALUATION</b>						
At 1 August 2014	160,628	3,812	17,177	18,649	141	<b>200,407</b>
Additions	1,465	5,344	2,099	1,122	0	<b>10,030</b>
Reclassifications	418	(3,411)	2,993	0	0	<b>0</b>
Disposals	(237)	0	(698)	(92)	0	<b>(1,027)</b>
At 31 July 2015	162,274	5,745	21,571	19,679	141	<b>209,410</b>
<b>DEPRECIATION</b>						
At 1 August 2015	55,167	0	13,935	11,017	96	<b>80,215</b>
Depreciation for year	5,469	0	2,183	1,611	20	<b>9,283</b>
Beaconside impairment	2,933	0	0	0	0	<b>2,933</b>
Elimination on disposals	(156)	0	(693)	(90)	0	<b>(939)</b>
	63,413	0	15,425	12,538	116	<b>91,492</b>
Net Book Value at 31 July 2015	98,861	5,745	6,146	7,141	25	<b>117,918</b>
Net Book Value at 31 July 2014	105,461	3,812	3,242	7,632	45	<b>120,192</b>

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 FRS15 "Tangible Fixed Assets" have been applied on implementing FRS15. 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 £3.2million. 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 South Staffordshire 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 £7.6million and

is based on a valuation made for insurance purposes as at November 2013. The valuation was undertaken by professional advisors expert in this field. On an auction basis the collection is valued at £3.0million - £4.6million.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. FIXED ASSET INVESTMENT

	GROUP		CORPORATION	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 August	33	33	49	49
Additions	41	0	41	0
Disposals	0	0	(16)	0
<b>At 31 July</b>	<b>74</b>	<b>33</b>	<b>74</b>	<b>49</b>

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 and £41K investment (0.0003% of the issued share capital) in Mercia Technologies PLC .

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: AVA Technologies Ltd 37%, Intelligent Orthopaedics Ltd 7.12%, Ludorum Studios Ltd 15%, Grand Independent Ltd 30%, iCentrica Ltd 100% (dissolved December 2014), High House

Collections Ltd 100%, ERIS Technology Ltd 30% and Echo Breaker Research and Analysis Ltd 47%. The group has chosen not to attribute any value to these investments within the financial statements and will review as they become further established.

Staffordshire University Unitemps Ltd was established to act as an employment agency primarily employing students providing services both internal and external to the University. Other subsidiaries 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.

The Friends of Staffordshire University Charitable Trust is regarded as a quasi-subsiidiary 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 2015.

### 11. ENDOWMENT ASSET INVESTMENTS

	GROUP AND CORPORATION	
	2015	2014
	£'000	£'000
Balance at 1 August	26	27
Additions	0	0
Interest Received	0	0
<b>Prize fund payments</b>	0	(1)
<b>Balance at 31 July</b>	<b>26</b>	<b>26</b>
Represented by:		
Fixed interest stocks	3	3
Bank balances	23	23
	<b>26</b>	<b>26</b>

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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertaking	0	0	0	0
Amounts owed under joint arrangement with South Staffordshire College Phase 1 (formerly Tamworth and Lichfield College - see note 15).	148	205	148	205
	<b>148</b>	<b>205</b>	<b>148</b>	<b>205</b>

**13. DEBTORS: Amounts falling due within one year**

	GROUP		CORPORATION	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade Debtors	4,586	5,694	4,774	5,614
Amounts owed by subsidiary undertakings	0	0	10,975	9,562
Other debtors	142	249	132	121
Prepayment and accrued income	4,859	2,247	4,859	2,246
	<b>9,587</b>	<b>8,190</b>	<b>20,740</b>	<b>17,543</b>

**14. CREDITORS: Amounts falling due within one year**

	GROUP		CORPORATION	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Loans	1,457	1,472	1,457	1,472
Trade Creditors	5,311	4,996	5,410	5,076
Amounts owed to subsidiary undertakings	0	0	8,679	6,743
Other taxation and social security	2,706	2,851	2,665	2,824
Other Creditors	619	603	619	603
Accruals & deferred income	15,363	19,478	15,233	19,379
	<b>25,456</b>	<b>29,400</b>	<b>34,063</b>	<b>36,097</b>

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

	GROUP		CORPORATION	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank loan account	44,673	46,063	44,673	46,063
Salix Energy Efficiency Loan	38	77	38	77
South Staffordshire College Phase 2	90	164	90	164
Other Creditors	61	148	61	16
	<b>44,862</b>	<b>46,452</b>	<b>44,862</b>	<b>46,320</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### LOAN OBLIGATIONS

	GROUP		CORPORATION	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Between one and two years	1,508	1,425	1,508	1,425
Between two and five years	4,734	4,544	4,734	4,544
Over five years	38,529	40,170	38,529	40,170
Within one year	1,457	1,472	1,457	1,472
	<b>46,228</b>	<b>47,611</b>	<b>46,228</b>	<b>47,611</b>

A term loan facility of £34.0million was drawn down on the 2 September 2013. The interest basis of the loan is 25 years fixed rate at 3.2%.

A loan facility of £54k was drawn down on 20 March 2014 from Salix Finance Ltd as part of their Energy Efficiency Programme. The loan is interest free, repayable over four years.

A new loan facility of £121k was drawn down on 17 September 2014 from HEFCE as part of their Revolving Green Fund. The loan is interest free, payable over four years.

South Staffordshire College was formed as a merger of the Colleges of Rodbaston, Cannock and Tamworth & Lichfield on

1 August 2008. During 2002/2003 a development of a second phase at the Lichfield campus which was partly funded by a loan facility taken out by the College. The responsibility of the loan is shared jointly by the University and the College and is shown as a long term creditor.

### 16. PROVISIONS FOR LIABILITIES & CHARGES

	Pension	Onerous lease	Legal	Restructuring	GROUP AND CORPORATION	
	Enhancement	/Dilapidations			2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August	359	953	44	791	2,147	2,153
Utilised in the year	(119)	0	0	(791)	(910)	(1,021)
Charge to Income & Expenditure	763	177	(44)	818	1,714	1,015
<b>At 31 July</b>	<b>1,003</b>	<b>1,130</b>	<b>0</b>	<b>818</b>	<b>2,951</b>	<b>2,147</b>

### 17. DEFERRED CAPITAL GRANTS

	Buildings	Equipment	GROUP AND CORPORATION	
	£'000	£'000	2015	2014
	£'000	£'000	£'000	£'000
At 1 August	22,057	2,983	25,040	26,803
Add cash receivable	1,250	3,701	4,951	140
Released to Income and Expenditure	(1,641)	(122)	(1,763)	(1,903)
<b>At 31 July</b>	<b>21,666</b>	<b>6,562</b>	<b>28,228</b>	<b>25,040</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 18. ENDOWMENTS RESERVE

## GROUP AND CORPORATION

	2015	2014
	Permanent	Permanent
	£'000	£'000
At 1 August	26	27
Net expenditure for year	0	(1)
<b>At 31 July</b>	<b>26</b>	<b>26</b>

## 19. REVALUATION RESERVE

## GROUP AND CORPORATION

	2015	2014
	£'000	£'000
At 1 August	36,610	37,685
Less release of revaluation reserve	(1,075)	(1,075)
Less release of revaluation reserve impairment	(1,118)	0
<b>At 31 July</b>	<b>34,417</b>	<b>36,610</b>

## 20. INCOME AND EXPENDITURE

## GROUP

## CORPORATION

## ACCOUNT RESERVE

	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 August	(17,389)	(2,441)	(21,451)	(6,791)
Surplus retained for the year	1,797	2,512	2,106	2,801
Transfer from endowment reserve	0	1	0	0
Transfer from revaluation reserve	1,075	1,075	1,075	1,075
Beaconside revaluation reserve transfer	1,118	0	1,118	0
Actuarial loss in respect of pension scheme	(12,989)	(18,536)	(12,989)	(18,536)
<b>At 31 July</b>	<b>(26,388)</b>	<b>(17,389)</b>	<b>(30,141)</b>	<b>(21,451)</b>
Balance Reserve represented by:				
Pension Reserve	(87,450)	(73,300)	(87,450)	(73,300)
Income & Expenditure account reserve excluding pension reserve	61,062	55,911	57,309	51,849
<b>At 31 July</b>	<b>(26,388)</b>	<b>(17,389)</b>	<b>(30,141)</b>	<b>(21,451)</b>

## 21. OPERATING LEASE COMMITMENTS

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

## GROUP AND CORPORATION

	2015	2015	2015	2014	2014	2014
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	190	74	264	148	50	198
	<b>190</b>	<b>74</b>	<b>264</b>	<b>148</b>	<b>50</b>	<b>198</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
Surplus for the year before taxation and transfer from reserves	1,797	2,512
Interest Receivable	(453)	(338)
	1,344	2,174
Add back interest payable	1,790	1,753
Surplus from operating activities	3,134	3,927
Release of capital grant	(1,763)	(1,903)
Depreciation	9,548	8,976
Beaconside impairment	3,008	0
Pension adjustments (FRS17)	1,161	1,586
(Surplus)/loss on sale of Investments/Fixed Assets	(83)	11
Decrease/(increase) in stock	9	(45)
Increase in debtors	(1,334)	(1,254)
(Decrease)/increase in creditors	(1,816)	(2,662)
Increase/(decrease) in provisions	804	(6)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>12,668</b>	<b>8,630</b>

### 23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank Loans
	£'000
Balance at 1 August 2014	47,611
Cash outflow from financing	(1,504)
New loans	121
<b>Balance at 31 July 2015</b>	<b>46,228</b>

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

	£'000
Balance at 1 August 2014	58,847
Net Cash Inflow	4,054
<b>Balance at 31 July 2015</b>	<b>62,901</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2015	2014	2015 Change in year	2014	2013	2014 Change in year
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash at bank and in hand</b>	<b>62,901</b>	<b>58,847</b>	<b>4,054</b>	<b>58,847</b>	<b>28,171</b>	<b>30,676</b>

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

## CORPORATION

	2015 £'000	2014 £'000
Increase in cash in year	4,054	30,676
Repayment of debt	1,383	1,431
New loans	(121)	(34,054)
<b>Change in net funds</b>	<b>5,316</b>	<b>(1,947)</b>
<b>Net funds at 1 August</b>	<b>11,236</b>	<b>13,183</b>
<b>Net funds at 31 July</b>	<b>16,552</b>	<b>11,236</b>

## ANALYSIS OF CHANGES IN NET FUNDS

	1 August 2014 £'000	Cash Flows 2015 £'000	Other Movements £'000	31 July 2015 £'000
Cash in hand, at bank	58,847	4054	0	62,901
Debt due within one year	(1,472)	1383	(1,368)	(1,457)
Debt due after one year	(46,139)	0	1,368	(44,771)
New loans	0	(121)	0	(121)
	<b>11,236</b>	<b>5,316</b>	<b>0</b>	<b>16,552</b>

## 27. CAPITAL COMMITMENTS

	2015 Total £'000	2014 Total £'000
Approved/contracted for	49,590	5,542
Approved/not contracted for	501	1,760
	<b>50,091</b>	<b>7,302</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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' Pension Scheme for academic staff and to the Staffordshire County Council Superannuation Scheme (LGPS) for non-academic staff. These are both independently administered schemes. Total employees' and employer's contributions to the Teachers' Superannuation Scheme for 2014/15 were £5,791k (2013/14 £5,642k) and for the Staffordshire County Council Superannuation Scheme (LGPS) £5,533k (2013/14 £5,215k).

Funded liabilities comprise of approximately £203million in respect of employee members, deferred pensioners and pensioners. For unfunded liabilities it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in

part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

#### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

#### Valuation Of The Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

#### Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 16.6% plus an increasing annual sum for the employer and between 5.5% and 12.5% for employees. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2013, with the next formal valuation due as at 31 March 2016.

A valuation of the Fund's liabilities as at 31 July 2015 has been undertaken by the Fund's actuary for the purpose of FRS17 "Retirement Benefits". The following valuation data has been used for the purposes of this disclosure.

- The individual membership data submitted as at 31 March 2013 for the purpose of the formal funding valuation at that date (or for employers which have joined the Fund after 31 March 2013, 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;
- Actual payroll data information up to the latest available date;
- 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 bid value of fund assets as at the latest available date; and
- Any new early retirements from 1 August 2013 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.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2013.

Salary increases are 1% pa nominal until 31 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.

	At 31 July 2015	At 31 July 2014
Rate of increase in salaries	4.5%	4.5%
Rate of increase for pensions	2.6%	2.7%
Expected return on assets	3.6%	5.9%
Discount rate for liabilities	3.6%	4.0%

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Mortality Assumptions

Life expectancy is based on the fund's VitaCurves with improvements from 2007 in line with the medium cohort and a 1.25% pa underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners	24.3 years	26.6 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 2014	CMI 2010 model assuming the current rate of improvement has reached a peak and will converge to a long-term rate of 1.25%	CMI 2010 model assuming the current rate of improvement has reached a peak and will converge to a long-term rate of 1.25%

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

	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	3.6%	95,391	6.6%	88,772
Bonds	3.6%	14,180	3.9%	14,203
Property	3.7%	11,602	4.7%	9,469
Cash	3.6%	7,734	3.6%	5,918
Total Market Value of Assets		128,907		118,362

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Group's estimated asset share	128,907	118,362
Present value of scheme liabilities	(216,357)	(191,662)
Deficit in the scheme	(87,450)	(73,300)

Under the arrangements of FRS17, a provision has been made by the Group for the Institution's share of the deficit of the scheme.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## ANALYSIS OF THE AMOUNT CHARGED TO THE INCOME AND EXPENDITURE ACCOUNT

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
Employer service cost (net of employee contributions)	5,264	5,171
Past service cost	180	-
Curtailment and Settlements	131	225
<b>Total operating cost</b>	<b>5,575</b>	<b>5,396</b>

## Analysis of pension finance income/costs

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
Expected return on pension scheme assets	7,079	6,511
Interest on pension scheme liabilities	(7,703)	(7,535)
<b>Pension finance costs</b>	<b>(624)</b>	<b>(1,024)</b>

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

Actuarial loss recognised in STRGL	(12,989)	18,536
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## Reconciliation of defined benefit obligation

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
<b>Opening Defined Benefit Obligation</b>	<b>191,662</b>	<b>162,876</b>
Current service cost	5,264	5,171
Interest Cost	7,703	7,535
Contributions by Members	1,422	1,405
Actuarial losses	14,874	19,146
Past Service Costs	180	-
Losses on Curtailments	131	225
Estimated Unfunded Benefits Paid	(711)	(697)
Estimated Benefits Paid	(4,168)	(3,999)
<b>Closing Defined Benefit Obligation</b>	<b>216,357</b>	<b>191,662</b>

## Reconciliation of fair value of employer assets

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
<b>Opening Fair Value of Employer Assets</b>	<b>118,362</b>	<b>109,641</b>
Expected Return on Assets	7,079	6,511
Contribution by Members	1,422	1,405
Contributions by the Employer	4,327	4,194
Contributions in respect of Unfunded Benefits	711	697
Actuarial Gains/(Losses)	1,885	610
Estimated Unfunded Benefits paid	(711)	(697)
Estimated Benefits Paid	(4,168)	(3,999)
<b>Closing Fair Value of Employer Assets</b>	<b>128,907</b>	<b>118,362</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Movement in deficit during the year	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
Deficit in scheme as 31 July	(73,300)	(53,235)
Movement in year:		
Current service charge	(5,264)	(5,171)
Contributions	4,327	4,194
Contributions in respect of Unfunded Benefits	711	697
Past service costs	(180)	-
Impact Settlements and Curtailments	(131)	(225)
Net interest on assets	(624)	(1,024)
Actuarial loss	(12,989)	(18,536)
<b>Deficit in scheme as 31 July</b>	<b>(87,450)</b>	<b>(73,300)</b>

History of experience gains and losses	Year Ended 31 Jul 15	Year Ended 31 Jul 14	Year Ended 31 Jul 13	Year Ended 31 Jul 12	Year Ended 31 Jul 11
	£'000	£'000	£'000	£'000	£'000
Actuarial Gains/(Losses) on assets	1,885	610	12,555	(1,773)	826
Experience (Losses)/Gains on scheme liabilities	(2,351)	(2,644)	57	(1,694)	5,930
<b>Total amount recognised in STRGL</b>	<b>(12,989)</b>	<b>(18,536)</b>	<b>(737)</b>	<b>(8,001)</b>	<b>10,060</b>

### 30. ACCESS TO LEARNING FUND

	2015	2014
	£'000	£'000
Funding Council Grants	0	537
Interest Earned	0	1
Disbursements to Students	0	538
	0	(537)
<b>Balance Unspent 31 July</b>	<b>0</b>	<b>1</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 31. NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL)

## (a) Student Bursaries

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
Opening fund balance	36	12
NET NCTL grants received in year	588	434
Disbursed to students	(564)	(410)
<b>Balance Unspent at 31 July owing to the NCTL</b>	<b>60</b>	<b>36</b>

## (b) Black &amp; Minority Ethnic Recruitment

	Year To 31 July 2015	Year To 31 July 2014
	£'000	£'000
Opening fund balance	1	1
NET NCTL grants received/(reclaimed) in Year	-	-
Disbursed to students	-	-
Support Payments to Schools	-	-
Development	-	-
Administration	-	-
<b>Balance Unspent at 31 July owing to the NCTL</b>	<b>1</b>	<b>1</b>

## 32. CONNECTED CHARITIES

## Charities with Income over £100,000

	Brought Forward Reserves	Income	Expenditure	Carry Forward Reserves
	£'000	£'000	£'000	£'000
Friends of Staffordshire University Charitable Trust	4,626	177	368	4,435

## 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 such transactions 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.