

Financial Statements

Year Ending 31 July 2012

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Membership of the Council 2011-12

Independent Members

Dr A Mawson [2 3] (Chair of Council, Chair of Nominations and Governance Committee)
Mr C Wells [1 2] (Deputy Chair of Council and Lead Member for Estates (until 31 January 2012))
Cllr D Antrobus (Lead Member for College of Science and Technology)
Mr M Appleton [3] (Lead Member for Estates)
Mr I Austin [1 2]
Mr K Brady [1]
Mr T Britten [1] (Lead Member for Information Technology)
Dr M Burrows [3] (Lead Member for Finance)
Mr N Collins [2] (Lead Member for Human Resources)
Mr P Crompton [1 from 22 March 2012] (Lead Member for College of Health and Social Care)
Ms J Fawcett (Lead Member for College of Arts and Social Sciences)
Ms F Goodey
Mr J Greenough [2] (Lead Member for Performance)
Mr E Healey [1] (Chair of Audit Committee)
Mr M Johnson [3] (Chair of Remuneration Committee)
Mr W Smith [2] (Deputy Chair of Council from 22 March 2012)
Ms R Turner (Lead Member for Equality and Diversity)

Internal Members

Professor M Bull [2]
Ms C Dangerfield (student nominee)
Mr T Doyle (student nominee)
Professor M Hall [2 3] (Vice-Chancellor)
Professor H Takruri-Rizk MBE

Notes

- (a) The number after a member denotes membership of one of the following Committees during 2011-12;
1. Audit Committee
 2. Nominations and Governance Committee
 3. Remuneration Committee
- (b) During 2011-12 there was one co-opted member of the Audit Committee who was not a member of Council:
Mr B Wilkinson (from 7 March 2012).
- (c) Other members of Nominations and Governance Committee who are not members of Council are;
Prof C Pine, Prof G Aouad (until 31.12.11), Mr K Barnes, Prof H Morris, Prof G Murphy (from 13.6.12) and
Prof T Ritchings (until 31.12.11), (the last six named are members only for the consideration of candidates for
the award of Honorary Degrees (Prof J Yip replaced Prof G Aouad and Prof G Murphy replaced
Prof T Ritchings)).

The following page indicates member attendance at meetings.

UNIVERSITY COUNCIL – Attendance Register 2011-12

ATTENDANCE BY MEMBERS 2011/12	4 Oct 2011	23 Nov 2011	22 March 2012	5 July 2012	(max = 4 this academic year unless otherwise stated)
<u>Ex-officio</u>					
Prof M Hall	✓	✓	✓	✓	4
<u>INDEPENDENT MEMBERS</u>					
Dr A Mawson (Chair)	✓	✓	✓	✓	4
Mr C Wells (Deputy Chair)	✓	✓ Last meeting retired from Council 31 Jan 12	N/A	N/A	2 Max = 2
Cllr D Antrobus	X	✓	✓	✓	3
Mr M Appleton	✓	✓	✓	X	3
Mr I Austin	✓	✓	✓	X	3
Mr K Brady	✓	X	✓	✓	3
Mr T Britten	X	✓	✓	X	2
Dr M Burrows	X	✓	✓	✓	3
Mr N Collins	✓	✓	✓	✓	4
Mr P Crompton	✓	X	✓	X	2
Ms J Fawcett	✓	X	✓	X	2
Ms F Goodey	✓	✓	X	✓	3
Mr J Greenough	✓	✓	✓	✓	4
Mr E Healey	✓	✓	✓	✓	4
Mr M Johnson	✓	✓	✓	✓	4
Mr W Smith	✓	✓	✓	✓	4
Ms R Turner	X	✓	✓	X	2
<u>INTERNAL MEMBERS</u>					
Prof M Bull	✓	✓	✓	✓	4
Ms C Dangerfield	✓	✓	✓	✓	4
Mr T Doyle	✓	✓	✓	✓	4
Prof H Takruri-Rizk	✓	✓	✓	✓	4

✓ = present
x = absent

Overall attendance rate by Council members was 84% in 2011-12

Vice - Chancellor's Statement:

This is a difficult time for many universities in Britain. Despite the challenges that have followed from factors specific to the Higher Education sector and the broader consequences of prolonged economic recession, we are determined to achieve the primary objectives set out in our Strategic Plan. These objectives will ensure that our university makes a substantial contribution to learning and teaching, within a tradition of both widening participation by students in our region and of providing excellent opportunities for those who join us from around the world. Our strategic objectives will continue to strengthen our record of excellent research and innovation that is focused on real world applications and improvements to the quality of life. We will continue to strengthen our engagement with our communities, our City Region and our key partners, both in this country and internationally.

During 2011/12, we have focussed on preparing for the difficult years that will follow from Government's changes to Higher Education policy. These changes have included the removal of more than 400 funded student places for the 2012/13 academic year, exacerbated by the national decline in student applications and enrolments following from the new fee regime, and are overlaid on a long-term demographic decline of 18-year olds in the North-West. We have responded to these circumstances by ensuring the timely completion of our structural reforms to our professional and administrative systems and services, resizing our academic staffing levels where this has been necessary and re-appraising our plans for capital investment. Throughout this, we have placed particular emphasis on improving quality through our Academic Programme Review and a comprehensive system of quality indicators across the full range of our teaching activities. We have embedded our preparations for the Research Excellence Framework in a comprehensive re-evaluation of our strengths and opportunities in research and innovation. While we have returned a deficit for the financial year reported here, the measures we have taken will result in the University returning to an operating surplus in 2012/13



Professor M Hall
Vice - Chancellor

22 November 2012

Operating and Financial Review 2011-12

1. Strategic Plan and Goals

Council adopted the current version of its Strategic Plan covering the period 2009-10 to 2017-18 in November 2009. The Strategic Plan which is available on our website, sets out the following mission and vision for the University;

Mission

“Salford is an enterprising University which transforms individuals and communities through excellent teaching, research, innovation and engagement”

Vision

“The University of Salford will be, by 2017, an outstanding University renowned for the quality of its engagement, humanity, global reach and leadership in research, innovation and education”

The Strategic Plan also sets out the following values and behaviours which the University will espouse and promote;

- the highest academic, professional and ethical standards and service to our stakeholders, clients and partners and in particular, putting our students first;
- supporting our people and recognising and rewarding excellence and leadership;
- working together for the advancement of the University;
- innovation, creativity, enterprise, courage;
- diversity, humanity, fairness and respect;
- pride in our heritage and the distinctive difference we make to the world;
- investing passion in all that we do.

In delivering the vision, the University is directed by six primary goals. These are described below;

Goal 1 - Transforming Learning and Teaching

To achieve standing for teaching quality in the first quartile of the UK Universities by 2017.

Goal 2 - Transforming Research and Innovation

To achieve national standing for research performance in the first quartile of UK Universities by 2017.

Goal 3 - Transforming Engagement

To substantially extend the University’s engagement and influence with government at all levels, agencies, industry, professional bodies, schools, colleges, persons of influence, our alumni and the community in support of our research and education mission and for transformation and social good.

Goal 4 - Our People

Recruiting, retaining, developing and supporting a workforce that enables the University to achieve its Vision and its Mission.

Goal 5 - Transforming Infrastructure and Services

To develop spaces, infrastructure and services of outstanding quality to support an ambitious, creative and confident learning organisation supported loyally by its staff and students and widely admired in the community.

Goal 6 - Internationalising the University

To foster a strong embedded culture of internationalism, which encourages our staff, students and stakeholders to view our world from both a local and a global

perspective, extends our international engagement, contributes to our teaching and research goals, extends our influence and reputation – to create a more powerful and recognised brand for the University of Salford.

Over the period of the Strategic Plan, the University is committed to developing around a set of distinctive, organising themes which will promote synergies between research and innovation, teaching and learning and engagement and serve as a guide to the development of collaboration and partnerships within and beyond the University. The organising themes which are set out below, have been carefully chosen to reflect the University's current strengths and opportunities derived from change and challenge in the national and global economies. The themes are interpreted and adapted in an inclusive way, so as not to unnecessarily restrict or constrain development.

The themes are:

- Built and Human Environment.
- Energy.
- Health and Wellbeing.
- Media, Digital Technology and the Creative Economy.

Given that the Strategic Plan was adopted in 2009, over the past year the University has reflected on the Plan in the context of the significant changes to the higher education policy environment over the past 18-24 months. In his introductory statement to this report, the Vice-Chancellor reflects further on the impact of these changes including the removal of over 400 student places for the 2012/13 academic year. It is clear from the Financial Review (section 12, p 20) that the University is facing a challenging set of circumstances. 2011/12 saw a slight (1.4%) decline in income and after exceptional items are included, a historical cost deficit of £9.1 million; furthermore, notwithstanding our substantial restructuring exercise, which places us in a more agile and effective position for the future, staff costs as a percentage of total income remain above the sector average.

During 2012-13, the University will continue to scrutinise and review our activities, ensuring that we maximise our efficiency and effectiveness. Building on the work of the Academic Portfolio Review (section 2, p 8) we will continue the review of our academic offer to ensure that this remains robust and academically and financially sustainable; we will also focus on the need, notwithstanding the challenging external environment to optimise student recruitment and retention across all areas.

The University will continue to review the appropriateness of its strategy but, despite the difficult circumstances outlined above, in our view the current Strategic Plan remains fit for purpose. Whilst the University, along with the rest of the sector, is faced with an extremely challenging environment, delivery of the Plan will mean that by 2017 and its fiftieth anniversary as a University, Salford will have succeeded in improving the quality of the student journey, developing our strengths in research and innovation and driving and diversifying revenue. The University's distinctive and differentiating niche in the HE market place can most accurately be described as "excellence through application" and the sections which follow illustrate how this is being implemented as an integral part of delivery against the University's primary goals.

2. Goal 1 – Transforming Teaching and Learning

The University has identified that the changes required to deliver the primary goal of achieving standing for teaching quality in the first quartile of UK Universities by 2017 are as follows:

- Develop an academic portfolio of compelling and flexibly delivered programmes responsive to the skills requirements of the UK and international economies.
- Embed a learning, teaching and enhancement strategy that drives teaching excellence and high quality learning outcomes. This strategy will incorporate admissions, progression and retention policy, access and widening participation strategy and strategies directed at delivering a consistently excellent student experience.
- Ensure we focus on providing a uniformly high class teaching and learning experience to all our students through excellent teaching practices.
- Establish an innovative approach to the learning and teaching environment including the wider adoption of education technologies at the leading edge which both enhance the learning experience and which reach students in the work place and beyond the North West of England.

- Proactively ensure that our research knowledge is exposed and integrated with our teaching and learning.
- Provide opportunities for our students to experience education overseas as part of their Salford experience and actively cultivate an internationalist, globalised learning environment within the University.
- Invest in teaching and learning facilities, student housing, sports and Student Union facilities to enrich the student experience.
- A sustained focus on improving student retention, completion and graduation.

Over the course of the past year, the University has continued to make significant progress towards achievement of this goal; key developments are listed below;

- i) the Academic Portfolio Review (APR) is now nearing conclusion. This initiative has rationalised the University's academic offer leading to a significant reduction in the number of both modules and programmes (32% reduction in programmes (to 205) and 56% reduction in modules (to 1,751))

The more coherent programme offer which is emerging¹ from the APR process has substantial pedagogical benefits and, once fully realised, also has the potential to produce significant revenue generation and cost saving opportunities. The APR work evolved to incorporate the development of new, innovative Masters programmes based on block and blended learning - new programmes in Industrial Relations / Security and Terrorism Studies, International Fashion Innovation and Building Energy Retrofit (all of which are consistent with the themes outlined above) begin recruitment in 2012/13 with development work on further proposals well advanced. The APR programme is closely linked to the "Salford Advantage" programme, led by Student Life Division, which aims to achieve voluntary workplace experience or equivalent opportunities for all students, with consequent improvements in the employability of graduates in graduate jobs;

- ii) good progress has been made towards the implementation of the University's Learning and Teaching Strategy, encapsulated under the acronym of ASPIRES;

Accessible Higher Education
Student Focused
Pedagogically Excellent
Internationally Orientated
Research Informed
Employability and Enterprise
Sustainable

In particular, the past year has seen the implementation of an accreditation agreement with the Manchester College, one of the largest FE providers in the country, enabling the College to offer University of Salford awards; following successful conclusion of a series of validation events, the College will begin offering University of Salford awards from September 2012. Further developments with key regional and sub-regional partners are ongoing and it is expected that these developments will be brought to fruition in 2012/13;

- iii) implementation of the Learning and Teaching Strategy is supported by biannual strategy away days which bring together key academic and professional services staff and student representatives to focus on a particular ASPIRES theme. A principal aim of these events is to share existing good practice and stimulate innovation in learning and teaching. Additionally, the current year saw the inaugural ASPIRES lecture, leading to the creation of a series of University-wide talks by respected external speakers scheduled for 2012/13.
- iv) whilst average scores are slightly below the national average, the University's National Student Survey outcomes have continued to show year-on-year improvements; attention has focused particularly on improving satisfaction in relation to assessment and feedback and organisation and management. The University recognises the need to elicit improvements in these areas and it is anticipated that in the medium term, the extensive organisational restructuring programme referred to

¹The numbers of programmes and modules currently in use is higher and will reduce as existing students complete their courses of study.

below (including automation of processes and more explicit definition of academic roles, improvements to the Virtual Learning Environment (see v below) and enhancements to timetabling arrangements) and development of an Assessment Handbook for staff will begin to bear fruit in terms of NSS outcomes;

- v) enhancements to the Virtual Learning Environment have continued over the past year; Blackboard 9.1 will be fully implemented and available from the start of 2012/13 enabling access to higher quality learning materials, higher levels of student interaction and enablement of assessment and feedback processes (with consequent improvements in the speed and quality of student feedback);
- vi) to consolidate progress in respect of student retention and progression, a good practice guide has been drafted and published on-line. Following extensive consultation with staff, a document clearly defining specific academic roles had been agreed and circulated during the course of the year and clear articulation of expectations in relation to support for students on programmes is a key element of this. A training programme to support staff to meet the expectations of their non-substantive academic roles will commence rollout in 2012/13. As further evidence of the University's commitment to the enhancement of the student experience, University Council approved a revised Student Charter, developed in partnership with the Students' Union, which explicitly articulates individual, institutional and Students' Union rights and responsibilities;
- vii) Investment in facilities to enhance the student experience has continued despite the challenging financial environment. The University's new Media City campus, providing state of the art digital media learning, teaching and research facilities opened in October 2011 (and was formally opened by HRH Prince Philip in March 2012) accommodating up to 1,500 students. The Chapman Building has undergone substantial renovation in the course of 2011/12 and will open early in 2012/13 providing a significantly enhanced learning environment for students. The section of the report relating to Goal 5 (Transforming Infrastructure and Services) provides more detail on the development of the Campus and how the University intends to take this forward;
- viii) graduate employability continues to be a key theme for the University. This includes the development of employability and enterprise learning outcomes and bespoke modules to be embedded into core curriculum or discharged in parallel to existing programmes. Further work planned builds upon recent developments such as the Graduate Gateway Programme, providing high quality training, developing employability and encouraging reflection on personal and professional strengths including interaction with local employers;
- ix) Council reviews a range of Key Performance Indicators to assess progress towards delivery of the Teaching and Learning goal; these indicate that generally good progress has been made with performance on or above target against the majority of indicators. Measures to improve student satisfaction in relevant areas are referred to above. Further refinement of these and other indicators of progress towards delivery of the strategic goals will take place during 2012/13;
- x) improvements continue to be made to the ways in which the University communicates key learning and teaching related data and progress against Goal 1. Using the Performance Indicators reported to Council data is produced at the level of programme groupings which the PVC (Academic) and Planning and Performance Directorate discuss with Schools' Congresses. These meetings also provide an opportunity to disseminate effective practices which other Schools have implemented. Electronic communications to staff and student groups provide regular updates on the progress of the Learning and Teaching Strategy and related successes such as the staff awards described in section 5;
- xi) student engagement in partnership with a very active Students' Union is a particular feature of the University's approach to enhancing learning and teaching. In addition to development of a Student Charter (see above), the Students' Union has played a key role in producing a new policy document to evaluate the taught student experience – the student voice. In particular, the policy sets out the mechanisms and associated responsibilities for ensuring that students receive feedback on the matters they raise. The policy is effective from the 2012/13 academic year. In 2011/12, for the first time Student Experience Reports were produced each semester; these have proved to be a valuable addition to NSS and other student feedback mechanisms and provide the basis for ongoing dialogue between the Students' Union and the University at School, College and institutional level. Finally, the University has been supportive of initiatives to strengthen the student representation system in order to act upon student feedback and effect change during the course of a module/programme.

3. **Goal 2 – Transforming Research and Innovation**

The University has identified that the changes required to deliver the primary goal of achieving national standing for research performance in the first quartile of UK Universities by 2017 are as follows:

- Achieve year-on-year improvement in the quality and quantity of our research.
- Build and establish at least five areas of distinctiveness and institutional leadership through identified peaks of excellence, whilst maintaining and developing established areas of research excellence, likely to be recognised as 3 or 4* in the Research Excellence Framework whether or not they form integral parts of our Strategic Themes.
- Encourage a broadly based culture of research and innovation across the University.
- Increase our investment in people, organisation and technologies to build a research culture appropriate to realising peaks of excellence.
- Increase our capability and processes to exploit our know-how and establish a sustainable, high value portfolio of investment, commercialisation and technology transfer arrangements in the upper quartile of UK institutions for our peaks of excellence.
- Increase the cross-pollination of research into teaching to be comparable with best in class UK research-intensive institutions.

The University's preparations for the Research Excellence Framework exercise have continued throughout the year with the development of a Code of Practice for the selection of staff – at this stage it is envisaged that the University will make returns in 15 of the 36 possible Units of Assessment, with submission coordinators identified for all these Units. A thorough review of Research and Innovation Strategy took place during the course of the year and the outcomes of this work were considered at a Strategic Planning Conference held in September 2012; the Strategy reflects on current performance and provides a framework for necessary improvements in an increasingly competitive environment. The latest performance indicators confirm that there is room for further improvement. In some cases, for example postgraduate research, full-time completion rates, the position has improved over the past year albeit slowly and to a level which still places the University below the sector average. Streamlined, coherent and consistently applied arrangements for research support will facilitate improvement. Whilst absolute bidding numbers have stayed constant, success rates have diminished over the past year, with a consequent reduction in overall total awards (to £8.2 million from £9.6 million).

The University's distinctiveness and establishing its differentiated position of "excellence through application" is dependent on a robust research base, not least because this will ensure cutting edge, innovative research informed teaching provision. The emerging strategy recognises the need to recruit more research capable staff and, additionally, the development of existing staff through early career researcher programmes and effective performance management of experienced staff (a process which has started with the implementation of the Professorial Review – see section 5 below).

The University continues to demonstrate excellence in the key research areas, as set out in the Themes in 1 above. For example, The Energy House, an "old-build", traditional pre-1919 typical Salford dwelling, constructed within an environmentally controlled laboratory in which levels of heat, light, humidity and wind can be independently controlled, has continued to provide an effective focus for the University's work on its distinctive energy theme. This work has included; collaboration with Association of Greater Manchester Authorities to support and deliver Greater Manchester's Low Carbon Economic Area status; supporting regional SMEs with the development of new and innovative solutions to improve energy efficiency; liaison with leading players in the construction industry in the undertaking of collaborative research across a range of areas; advising and developing policy work at national level to facilitate delivery of the government's environmental agenda. The Energy House has continued to generate significant, national media coverage and a number of ministerial visits.

Some further examples of current research activity at the University are included in the Public Benefit section of the report.

4. Goal 3 –Transforming Engagement

To achieve the primary goal of substantially extending the University's engagement and influence with a range of organisations and stakeholders in support of our research and education and for transformation of social good, the University has developed a multi-faceted approach designed to establish effective and mutually beneficial working relationships with the following:

- Development agencies
- Local, regional and central government
- Universities, regionally and overseas
- Other higher education and further education bodies
- Schools, teachers and parents
- The communities of Salford and the North West of England
- Employers, industry and professional bodies of interest to our Colleges and Schools
- Alumni
- All others who have a commitment to Salford and who through their expertise, network and influence are able to support the University.

The University has made significant progress in this area over the past twelve months. Towards the end of the year, Council agreed to establish Salford Professional Development (SPD) to deliver high quality, demand led training and professional development programmes. SPD was launched as a wholly owned subsidiary of the University on 1 August 2012, with all future CPD and professional activity coordinated through the company. Income of over £0.75 million is projected in the first year of operation. The University has reviewed its commercial services to business and as a result will be updating and clarifying its business model and approach to commercialisation.

Engagement with key businesses and economic partners has continued throughout the year exemplified through a major role in the Salford Business Awards, collaboration with the Greater Manchester Chamber of Commerce, the Manchester Inward Investment Committee and Manchester Solutions. Within Salford, an effective relationship has been established with the newly elected Mayor, Ian Stewart.

Engagement with the regional Low Carbon agenda is referred to in section 2 above, whilst community engagement and voluntary activities are referred to under the Public Benefit section of the report (section 10). The latest forecast CO₂ emissions (based on reduction in gas and electricity consumption) show a 7% reduction in 2010-11 levels and indicate that the University is on course to achieve its 2015 reduction target (30% reduction in emissions from 2005-06 baseline).

During the course of the year, Council approved University involvement as a partner in the new University Technical College at Media City (which is anticipated to open in September 2014) and the new Academy Trust which will oversee the operation of three Schools (one high school and two primary schools) as Academies from September 2012.

5. Goal 4 – Our People

The University has committed to the following course of action to support the primary goal of recruiting, retaining, developing and supporting a workforce that enables the University to achieve its Vision and its Mission.

- Deliver a consistent, high performing organisation through outstanding leadership and management which is professionally supported and developed;
- Effectively recruit and retain high calibre staff and maximise the University's attractiveness as an employer of choice;
- Build and optimize the University's capability through effective staff performance, development and deployment;
- Ensure high level of staff engagement and effective relations with staff individually through excellent communications and consultation;
- Establish an environment that supports employee health, safety, wellbeing, fairness and promotes equality and diversity.

The University continued the progress made in previous years in rolling out a comprehensive programme of Performance and Development Review (PDR) with agreed objectives consistent with and contributing to delivery of organisational goals. In addition, as an adjunct to PDR, during 2011/12 the University embarked on a systematic evidence-based approach to reviewing the performance of professors. Within the process, professors were invited to assess their performance against a range of criteria and submissions were then

subject to a process of internal review. The process has established clear and robust empirically based benchmarks and will ensure appropriate and commensurate recognition of performance.

Section 6 of the report refers to the development of the University Transformation Programme and the restructuring of professional and administrative services to improve the quality of the student experience. Organisational restructuring has also encompassed academic staffing adjustment to ensure that, in the light of the student under-recruitment referred to in the Financial Review (section 12, p20), the University remains competitive and is optimally positioned to meet the challenging demands of the current environment. Reorganisation focused on six Schools and the required adjustment had been achieved almost entirely by voluntary means. The realignment of staff as a result of this exercise complements the Academic Portfolio Review referred to in section 2 above. The University is aware that staff costs continue to remain a higher percentage of total income than the sector average, and will keep this matter under review in 2012-13, ensuring more effective ways of working and optimal alignment with strategic imperatives.

The testing economic and policy environment (both within and outside the sector, nationally and internationally) resulted in some challenging industrial relations issues over the past year. In addition to the national day of action on 30 November 2011 by both Unison and UCU and the national UCU participation in action short of a strike in support of the ongoing dispute over pensions, there was local action on the issue of potential compulsory redundancies by UCU arising from the academic adjustment programme referred to above. The University has participated in full and open consultation with the Unions throughout the year and has done all it can to mitigate the impact of the required restructuring (at the time of drafting the report only three members of staff have been made compulsorily redundant as a result of the Transformation and academic staffing adjustment programmes). Given the uncertainty and volatility of the HE landscape the University is unable to provide guarantees that there will be no compulsory redundancies in the future – however, we remain committed to an effective and constructive working relationship with the trade unions and the development of a workforce equipped to meet future challenges. A series of briefings, including open meetings hosted by the Vice-Chancellor and Deputy Vice-Chancellor have covered issues arising from restructuring and explored the consequent organisational benefits.

The University has continued to invest in leadership and management development, building on the significant progress made in these areas in previous years. We have recognised leading practice by our staff through the conferment of the inaugural Harold Riley Award for Leadership Development and the Vice-Chancellor's Distinguished Teaching Awards; in addition, for the first time, the University Students' Union has recognised teaching excellence through its own Student Teaching Awards. Helen Keegan, a Senior Lecturer in Interactive Media, was recognised as a National Teaching Fellow by the Higher Education Academy. The University reconfigured its approach to developing academic members of staff during the course of the year and the benefits of this are now starting to be realised. As an indication of this, in support of the University's adoption of an updated virtual learning environment, in addition to implementing electronic submission, assessment, marking and feedback for the new academic year, 800 academic members of staff were trained in these systems use over the course of 12 weeks.

The University improved its position in the Stonewall Workplace Equality Index achieving a position of 21st in the country, the second highest ranking achieved by a University. On the back of this achievement, the University has embarked on a full equality audit, covering the range of protected characteristics and results of this exercise will be available in 2012/13. The effectiveness of the existing staff networks was evaluated during the course of the year and again the outcome of this exercise will become clear in 2012/13.

The University also achieved a strong performance in the Universities Safety and Health Association benchmarking survey and adopted a revised, robust approach to major incident management and disaster recovery planning.

Key enabler indicators show that both long term and short term sickness absence rates have declined over the past year (12% and 10% respectively-approximately two days lost per member of staff across both measures).

6. Goal 5 – Transforming Infrastructure and Services

In order to deliver the primary goal of developing spaces, infrastructure and services of outstanding quality to support an ambitious, creative and confident learning organisation, the University has committed to the following:

- Delivering a multi-million pound investment in the campus and physical environment that transforms the look and feel of Salford over the next ten years.
- Being the prominent and creative academic prime mover and partner for MediaCity.

- Developing a strong and compelling brand position and reputation that proactively defines what we stand for and our distinctiveness in clearly defined and targeted markets.
- Investing in robust and resilient information and communications infrastructure that supports new and innovative learning and teaching technologies, outstanding research and modern professional and corporate services.
- Developing professional and corporate support services through a distinctive partnership with the academic community focused on the delivery of the University's goals.
- Streamlined and automated processes that minimise bureaucracy and enable and empower academic endeavour.
- Providing distinctive, diverse and sympathetic services and facilities to students aimed at optimising their learning experience.
- Effectively supporting the governance of the University, its planning and performance and assuring the control structures which ensure a fully accountable, high performing and sustainable University.

A key element of delivery of this goal and other goals is the establishment and implementation of the Transformation Programme which has the objective of transforming the quality of the experience across the University by providing consistent, high-quality, sustainable, effective and efficient professional services that support the delivery of the University's Strategic Plan. In addition to improved experience for both students and employees, key benefits will include reduction in staff costs (as referred to above), a reduction in non-pay costs and an increase in additional income. Key outcomes will be:

- lean, flexible and scalable business processes, e-enabled where appropriate;
- a single, accountable Professional Services organisation across the University;
- model College and School structures that meet local requirements whilst maximising economies of scale and sharing of best practice; and
- a sustainable cost base across Professional Services.

The beginning of 2011/12 saw the successful launch of the model Colleges and work during the year focused on delivery of model School structures. By the end of the year, the necessary restructuring and realignment had been completed in time to allow the new School structures to begin operation from September 2012. Supporting the introduction of those revised structures, service catalogues and service level agreements have been completed defining services to be provided to Colleges and Schools by the central professional and administrative services. Appointments to the key positions of College Registrar, ensuring delivery of a single, accountable professional services organisation across the University, were completed during the course of the year. The introduction of the model school structure is projected to deliver annualised net pay savings of £2.8 million in 2013/14; furthermore, lower than anticipated restructuring and additional project costs have also produced significant savings against planned budget. The non-pay element of the Transformation Programme has already embedded over £4 million savings into budgets with a further £0.33 million savings identified but not yet embedded. Consideration of an additional £1m potential savings is currently under review; should these materialise, this would bring total forecast recurrent non-pay savings to £6.86 million in 2013-14 against an original target of £5-7 million.

In the context of a challenging and volatile policy and financial environment, the University is reviewing phase 2 and 3 of the Campus Plan. The review will encompass existing data ensure full alignment with the Strategic Plan and academic and financial sustainability, as well as considering how to increase utilisation of the estate and reviewing funding options for future plans.

Refurbishment of the Chapman Building was completed shortly after the year end and will provide substantially enhanced facilities and learning experience for students; the University has taken the opportunity to review the configuration of its proposed new "Gateway Building" to ensure it is optimal and clearly aligned with the University's future requirements. Preparatory arrangements for the construction of new student residences on the Peel Park Campus continue with delivery now anticipated in September 2015. Detailed plans for consolidation of University libraries and the development of a new operating model were under development during the course of the year.

The implementation of the University's comprehensive ICT Transformation Programme was completed during 2011/12. This reform was necessary to ensure a stable, resilient and secure IT infrastructure and the significantly enhanced infrastructure means that the University is well placed to take advantage of innovations in organisation and delivery of learning, teaching, research and engagement activities.

Roll out of the revised University brand, signalled in last year's Operating and Financial Review, was completed in 2011/12 – the simplified and modernized approach incorporating the required locator "Manchester" has been well received by internal and external stakeholders.

The University's distinctive approach to governance, with a streamlined committee structure and lead independent members for particular portfolios has continued to operate and add value to the work of Council. Following its participation in the Committee of University Chairs (CUC) /Leadership Foundation Project on Effective Governance, the Council remains focused on evaluation of the effectiveness of governance outcomes and awaits the results of the Higher Education Funding Council for England (HEFCE) pilot study on institutional sustainability to inform its work in this area.

7. Goal 6 – Internationalising the University

In order to deliver the primary goal of fostering a strong, embedded culture of internationalisation (amongst staff, students and other stakeholders) and extend our international engagement, the University recognises that it needs to adopt a comprehensive approach that becomes part of our philosophy and is embedded in core areas of delivery. The changes required to deliver this goal are:

- Implementation of our Teaching and Learning Strategy incorporating an internationalist globalised learning experience, a focus on employability and support for student exchanges/placements.
- Implementation of the Research and Innovation Strategy – specifically development of the research themes, an increase in international research collaborations and links, increase in research output and international PhDs.
- Development of a small number of high level strategic partnerships.
- Development and support for an International Alumni Strategy.
- Specific measures to increase international student recruitment as detailed in our International Recruitment Strategy.
- A significant increase in our international partnerships concerned with international student recruitment to on campus and off campus programmes (including articulations, joint programmes, exchanges and work placements).
- Development of our brand and communications strategy incorporating key messages and benefits for partners, prospective students and employees.
- Review of the student experience as embedded within the new Student Division with a focus on improving the international student experience through initiatives based on the outputs of the revised Salford Experience Survey. This provides a consistent basis for data gathering on the experience of our international undergraduate and postgraduate students from initial enquiry through to graduation.

In support of this goal, the University has developed an International Strategy, the key elements of which are incorporated in the acronym UNITE:

Understand and develop international partnerships
Nurture our reputation and global brand
Increase international research collaborations
Transform the programme portfolio
Enhance the student experience

In the course of the past year, there has been focus on increasing our international academic partnerships with a stronger emphasis on understanding the performance of partnerships and their contribution to wider learning and teaching and research and innovation strategic objectives. Internal guidance to ensure robust appraisal, development and management of such partnerships was developed and significant agreements with Iraq (contract with Ministry of Finance) and Brazil (University's inclusion in bilateral "Science without Borders" programme) were concluded. All Colleges have undertaken extensive reviews of their international recruitment opportunities (both direct recruitment and through international partnerships) to inform Recruitment and Conversion Delivery Plans. Analysis of the University's postgraduate taught offer has enabled the development of cognate programme clusters which will enable the development of a new, coherent approach to promoting the postgraduate taught offer to the international market. The University Executive has approved the business case for development of a new Semester Study Abroad offer that will launch in 2013/14. The scheme will generate additional income for participating Schools from the existing undergraduate portfolio but also has the potential to drive postgraduate taught recruitment in the medium term. The main target markets for the service will be the USA, Canada, China and Australia. Measures to develop the evidence base for the internationalisation of the curriculum have also continued throughout the year.

The development of key strategic partnerships with a small number of leading, cognate international institutions has continued over the past year, as witnessed by the maturing relationship with Carnegie Mellon University in Pittsburgh and the Royal Melbourne Institute of Technology (RMIT). Examples of this flourishing relationship are the first global practice Masters study tour with RMIT carried out with the cooperation of staff

in our Schools of Art and Design and Music, Media and Performance and the development of the Doctorate in International Health and Social Care with Carnegie Mellon.

8. Risks to Achieving University Strategy

The University has continued to develop and mature its approach to the assessment and management of risk and the measurement and analysis of performance. Both the corporate risk register and the key performance indicator (KPI) framework (the latter modelled on CUC guidance) are closely aligned to the Strategic Plan and its constituent goals. The University Executive monitors and reviews the risk register and KPIs on a regular basis; the most significant corporate risks are considered at each meeting of Audit Committee and Council, with the risk reporting framework allowing for the escalation of risks, depending on the internal and external environment. This process of escalation, refinement and emergence of new risk is informed by local risk registers at College, School and Professional Services level, as well as those held by major cross institutional improvement projects such as capital programmes. KPIs are reviewed by Council at each meeting, informed by a management report which highlights key movements and the development of new indicators as definition of some projects/activities to deliver the strategic goals matures.

Risks under the closest scrutiny at the end of 2011/12 were those related to the possible shortfall in recruitment income from both Home/EU and international students as the University sought to understand the financial and strategic impact arising from recent government policy changes. These changes included the introduction of full student fees, the opening up of the market for those students with grades AAB plus, and changes in visa regulations for overseas students studying in the UK. At the end of the period covered by this report, the extent of this impact and the need for consequent mitigating actions was beginning to be assessed.

The other key financial risk under review related to the potential loss of external research income as a result of an increasingly challenging research funding environment. This impacts the University's ability to achieve its goal of increasing the quality and quantity of research to achieve upper quartile of the REF by 2017.

As previously noted, the University is undertaking an ambitious Transformation Programme to enhance the student experience through the improvement of a number of academic support processes. This is accompanied by a reduction in both pay and non pay costs. The operational and employee relations risks associated with these changes have been closely monitored throughout the year. At the end of the period covered by this report a number of processes improvements were due to be implemented alongside the release of around 50% of the support staff based in the school administrations.

Finally the University has continued to closely monitor the risk that key staff are lost or the University is unable to successfully recruit which impacts delivery of the University's core business and future capability. This risk is likely to remain a key focus for the coming year as the increasingly competitive HE environment means that good lecturers, researchers and support staff will be in demand by Universities seeking to enhance their offering to attract students and research funding.

9. Student Numbers (Actual)

Student Type and Funding Source	2011/12				2010/11			
	HEFCE Fundable	Non-HEFCE Fundable	International	Total	HEFCE Fundable	Non-HEFCE Fundable	International	Total
Undergraduate	12,026	3,484	994	16,504	11,973	3,891	953	16,817
Postgraduate – Taught	2,469	181	1,047	3,697	2,072	401	1,109	3,582
Postgraduate – Research	-	385	216	601	-	381	215	596
Total	14,495	4,050	2,257	20,802	14,045	4,673	2,277	20,995

10. Public Benefit

The University is an exempt charity under the terms of the Charities Act. The Council and Executive of the University has paid due regard to the Charity Commission's guidance on the reporting of public benefit, and particularly to the supplementary guidance on the advancement of education, in accordance with the requirements of the Funding Council as the principal regulator of English higher education institutions under the Charities Act, 2011.

The University's objects, as set out in its Charter, reflect institutional commitment to public benefit:

"The objects of the University shall be to advance education and knowledge by teaching and research, and in doing so to foster an academic environment which is enterprising and applied to business and the professions, and for the benefit of society at large."

The University's Mission, Vision and Values also reflect this commitment to public benefit with their emphasis on the transformative impact of the University (on individuals and communities) and service and benefits to society. It is clear that the University's students derive direct benefit from the quality of the education, the opportunity this affords them for fulfilling and rewarding careers and to make a wider contribution to society. The vocational and applied nature of much of the University's undergraduate and postgraduate portfolio (for example in the College of Health and Social Care) enables the University to supply graduates that meet local, regional and national workforce demands and to carry out research of direct benefit to service users and society at large.

The University's focus on employability and broader social benefit is illustrated by the Salford Advantage programme, comprising an enhanced curriculum, co-curricular activities and opportunities for engagement. The University has set a target of all students being engaged in either work experience or placement activity by 2014, with the definition of placements encompassing community engagement and volunteering. Progress in this area in 2011-12 can be summarised as follows;

- Student Life completed an extensive consultation with academic staff, relevant professional services and students across the institution on the existing best practice in the co-curriculum. Student Life undertook student and graduate research to further inform the development of this activity and to inform the business case and development of the Salford Advantage Programme.
- The concept of and business case for the Salford Advantage, following its extensive internal consultation, was approved by the University's Executive in May 2012. This has now been launched as an institutional programme to ensure that the value-added that a student at Salford can expect as part of their journey is clearly articulated, accessible and can be evidenced by them to enhance their employability. The programme board includes students, graduates, employers and key internal stakeholders, and covers four thematic areas across a number of work streams. The key thematic areas are Student Engagement (curriculum and co-curriculum), External Engagement (employers etc), Communicating the Salford Advantage, and Evidencing and Sustaining the Salford Advantage.
- Through the embedding of employability, including placements and work experience, in the Learning and Teaching Strategy under ASPIRE (Goal 1 – Transforming Teaching and Learning) under the E (Enterprise and employability led) this activity is now recognised as a critical element of programme development.
- Student Life, to support this has developed and piloted the PACE (Professional and Personal, Academic, Career and Experiential) Skills framework which supports not only the development of placement activity but also the preparation of students for placement, and the reflective practice for those students returning. In addition it covers academic study skills, employability, careers education, information, advice and guidance (CEIAG) and includes placement modules, live brief structures and work experience quality standards.
- The University undertook academic audits of placement and work based learning, and of CEIAG activity with Schools and Colleges, the findings for both of which have been used to inform the development of the work streams within the Salford Advantage.
- Following the successful completion of Transformation Phase 2, Student Life has launched College based teams to embed support for employability initiatives in partnership with Schools and Colleges. The model has been developed to ensure maximum access to and uptake of opportunities, and engagement with the Salford Advantage in 2012/13.

The University's Admissions and Retention and Widening Participation Policies support and underpin its objective to widen access to higher education for all people who have the potential to succeed and to increase participation from people from lower socio-economic groups and disadvantaged backgrounds. The University's commitment to widening participation is demonstrated by the composition of its student body, e.g.:

- 97.4% of young full time undergraduate entrants are from the state sector (compared to location adjusted benchmark of 95.5%).
- 39.3% of young, full time undergraduate entrants are from socio-economic groups 4-7, as defined by the National Statistics Socio Economic classification (compared to the location adjusted benchmark of 36.5%).
- 21.6% of young full time undergraduate entrants whose home area (as defined by their postcode) is known to have a low proportion of 18 and 19 year olds in higher education (compared to location adjusted benchmark of 17.9%).
- 26.6% of mature full time undergraduate entrants whose home area (as defined by their postcode) is known to have a low proportion of HE qualified adults and have no HE entry qualifications (compared to location adjusted benchmark of 23.1%)
- 6.3% of all full time undergraduates in receipt of Disabled Students Allowance (compared to sector average of 6.2%)
- 3.9% of all part time undergraduates in receipt of Disabled Students Allowance (compared to sector average of 3.3%)

The University has announced that from 2013/14 it will be charging a flat undergraduate fee of £9,000 per annum, moving from the current (2012/13) variable fee arrangements (average fee of approximately £8,300). As a consequence, the existing National Scholarship Programme package will be increased to up to £5,000 per student for students from the Greater Manchester area with a declared household income of less than £25,000 per year; priority in allocation of awards will be given to students from low HE participation neighbourhoods and students who are care leavers. The existing Vice-Chancellor's Excellence Scholarships (value of £2,000 per student) will continue alongside a new scheme which provides a full tuition fee waiver for three asylum seekers or partners/dependents of asylum seekers until such time as their status in the UK is resolved and access to student finance provided.

The University has maintained its commitment to a range of pre-entry activity to support its access and widening participation objectives. This has included work with five further education colleges to support and develop learners at level three from a widening participation background with the potential to succeed in higher education (this includes the Skills for HE module equivalent to 40 UCAS points designed to prepare students for higher education and bridge the learning gaps between further and higher education). Following a successful pilot, this work is now embedded as a key element of the University's post outreach provision from 2012/13 onwards.

In relation to pre-16 learners and mature students at pre-entry at level one and two, the University has worked with further education partners to offer outreach interventions, raise aspirations and offer a clear pathway for students to progress into further and higher education.

The University continues to receive national recognition (through its work with the Buttle Trust) for its work in raising aspirations for children and young people in care. With its strategic partner Salford Community Action Network, the University has developed a delivery plan to improve education and employment opportunities for local care leavers; the plan includes the development of a mentoring project for young people in care who wish to attend University. Allied to this is the University's developing policy for carers, which enables students who are carers to access support, advice and information to help them balance studies with their caring role.

The University's post entry support continues to focus on study skills development, close and targeted mentoring of retention and progression (strengthened by the recent implementation of a Participation Policy which tracks students attendance during the initial, vulnerable six week period after registration), a reformed Academic Portfolio with standardisation and regularisation around feedback and assessment strategies and maximisation of electronic learning resources.

The University is committed to the creation of a variety of opportunities for students to develop themselves and enhance employability through active engagement with the community. This approach includes students acting as Volunteer Leaders for University of Salford Community Action Teams, with plans to develop that

scheme further in 2012/13. Further examples of community engagement in addition to those referenced elsewhere in the report include;

- the Community Interpreters Project which matches language needs in the community with languages spoken by University students. This work has included liaison with the local Booth Centre charity, with University students working with people from Eastern Europe who have become homeless and need support and assistance to enable them to return to their native countries.
- a partnership with the Lowry, the BBC, Greater Manchester Police and NSPCC to raise aspirations of up to 20 girls at secondary school. The “Salford Girls Out Loud” project focuses on girls who need encouragement to focus on education and career goals and involves the use of women in senior positions as role models and mentors for the girls over the 12 month lifespan of the project.

A great deal of the research carried out by University staff provides a range of public benefits and examples of this are cited below. In addition, members of academic staff frequently engage in public debate or discussion about their area of research expertise. For example, Professor Trevor Cox, an acoustics specialist, is a regular contributor to radio and television (including BBC Radio 4’s “Infinite Monkey Cage”), using his research expertise to explore how sound is made and altered by the environment, how the body hears, perceives and reacts to particular sounds and how sounds and acoustics have inspired musicians, artists and writers. Jim Newell, Professor of Politics from the School of Humanities, Languages and Social Sciences is regularly consulted for his expertise on Italian Politics and contributed to the BBC TV News Channel and Radio 5 Live as part of the coverage of the political crisis following the resignation of Prime Minister Silvio Berlusconi.

Further examples of research contributions to public benefit are;

- a joint report (with the University of Lincoln) led by staff from the Salford Housing and Urban Studies Unit and supported by a range of agencies, developing understanding of the multi-dimensional nature of homelessness;
- contributing to the Digital Environment Home Energy Management System (DEHEMS) project (which involved a range of UK and eastern European universities and authorities) to monitor and better understand domestic energy consumption and its contribution to the European Union target of a reduction in CO2 emissions by 20% by 2020;
- work led by Professor TX Mei, Director of the Control and System Engineering Research Centre to eliminate delays caused by leaf fall on railway tracks;
- the work of Community Finance Solutions (CFS), an award winning research and development unit within the School of Humanities, Languages and Social Sciences, specialising in solutions to social and financial exclusion and community ownership of assets. The Executive Director of CFS, Professor Karl Dayson and Research Fellow Pal Vik have drafted the European Code of Good Conduct for Microcredit Provision for the European Commission. The Code, which provides recommendations and standards to foster best practice in the microcredit sector, was launched in October 2011;
- the internationally recognised work of the Centre for Disaster Resilience, most notably in Sri Lanka and the project Conflict Prevention through Infrastructure Reconstruction;
- the research of Professor Phil Craig and colleagues in the School of Environment and Life Sciences helping to eliminate life threatening parasitic disease in East Africa and Western China. The University’s Cockcroft Building research laboratory is a national and global reference centre for echinococcosis research;
- the research of Professor Keith Ross and colleagues in the School of Computing, Science and Engineering into the use of hydrogen fuel for cars;
- the work of Dr Julie Wray in the School of Nursing, Midwifery and Social Work researching birth and aftercare in hospital and home settings;
- research in the School of Nursing, Midwifery and Social Care into rehabilitative care processes after neurological illnesses.

The University's research continues to be accessible through, USIR (University of Salford Institutional Repository), the University's open access repository which provides free access to research publications. Material can be read, downloaded and copied for non-commercial private study or research purposes.

The University is aware of the potential for harm or detriment to arise from its teaching research and has ethical approval processes embedded at College level to mitigate against this.

11. **Disability Statement**

The University takes seriously its commitment to equality and diversity, and takes measures to meet the requirements of the Equality & Human Rights Act (2010). To this end, it provides support for disabled students in a variety of ways:

- The University invested a great deal in disability support within Student Life in the Division for Students. Through the Disability Service and Counselling & Wellbeing Service, students with the full range of disabilities are supported, including specific learning difficulties, sensory impairments, health, physical, mobility and mental health issues. Following the successful completion of Transformation Phase 2, Student Life has launched College based teams to embed support for students where it is most accessible, within Schools and Colleges. The model has been developed to ensure maximum access to and uptake of all available support opportunities, and to encourage and support the engagement of all students with protected characteristics with the Salford Advantage in 2012/13.
- Around 12% of the student population has a declared disability. Students and applicants are encouraged to disclose their disability and receive many opportunities to do so, from enquiry through application to registration and at any time throughout their studies. Early disclosure is especially encouraged through direct contact with applicants, and prospective students can have an appointment with a Disability Adviser at any time. Appointments are offered in the manner most suited to the students' circumstances, with the majority a face-to-face basis, but with others via telephone, Text direct and MSN.
- Students are provided with information, advice and guidance and advisers create student support plans, to ensure that students receive the support they need from the University to ensure their experience matches that of their non-disabled peers. Advisers also assist students in the process for applying for Disabled Students Allowance (DSA).
- The Disability Service provides interim support for students in urgent need whilst they wait for their DSA to be processed. This may be loan of equipment, non-medical helper support or taxi provision. Any costs incurred are then claimed back from the funding body once support is in place. Many students' assessed needs exceed the maximum for DSA, and the university will cover the payments once the full allocation is exhausted. International and EU students, and some home students on courses that do not attract DSA are also given support similar to that offered by DSA, from the Disability Service. The Disability Service has close links with local providers of non-medical helper support, which provide the support to the vast majority of the students with non-medical helper support needs.
- The University provides staff development on specific issues, for example, mental health awareness training and visual impairment awareness training. The University is currently involved in a Higher Education Academy project to promote best practice in inclusive teaching practice.

12. Financial review

Scope of the financial statements

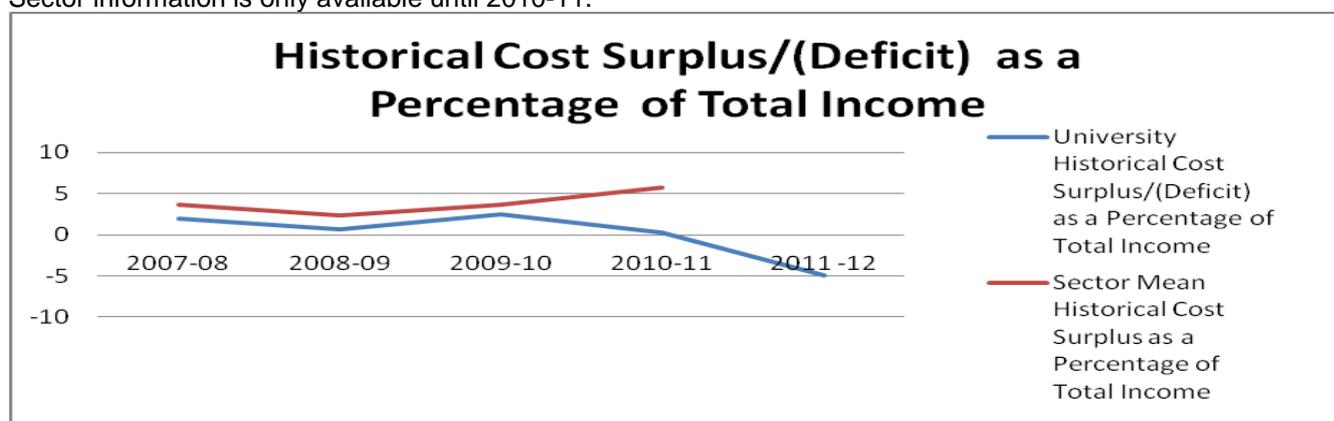
The Financial Statements comprise the consolidated (Group) results of the University of Salford (University) and its subsidiary undertakings. The Group structure is set out in Note 13 of the accounts.

Five Year Trend Analysis

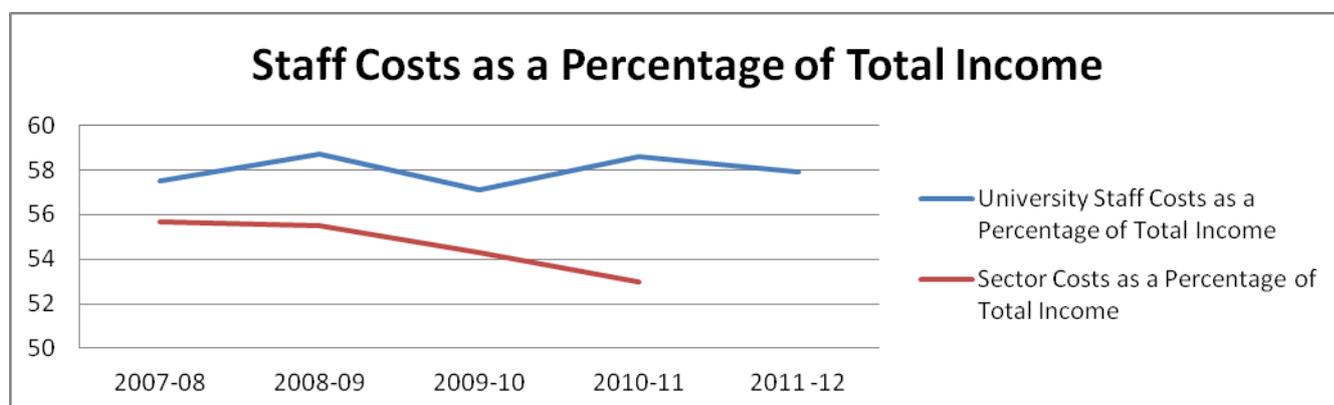
Extracts from the Income & Expenditure Account

	2007/8	2008/9	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
Income	176.7	180.5	189.6	187.4	184.7
Staff Costs	101.7	106.0	108.3	109.8	107.0
Historical Cost Surplus/ (Deficit) excluding all Exceptional items and Revaluation Gains/Losses	4.1	2.4	4.8	2.8	(4.3)
Historical Cost Surplus/(Deficit) including all Exceptional items	3.3	1.3	4.8	0.3	(9.1)

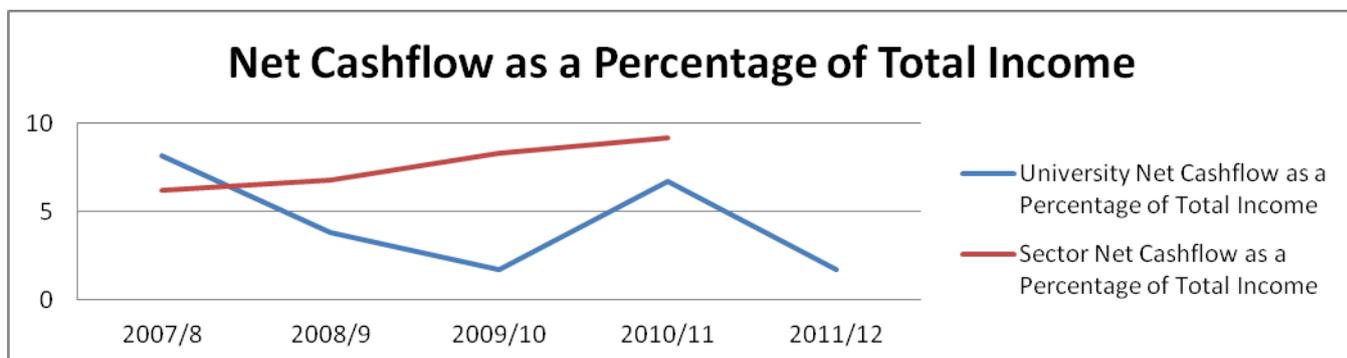
Sector information is only available until 2010-11.



Since 2010/11 the historical cost surplus/ deficit has been significantly below the sector average. This was anticipated as the University was embarking on a major restructure of its professional services as well as commencing a significant restructuring of its estate through the implementation of a new campus plan designed to improve the student experience. In the light of this significant change in 2011/12 the University had only budgeted for historical cost surplus percentage of 0.8%. Following the completion of Phase2 Transformation the University is looking to return to surplus in 2012/13.

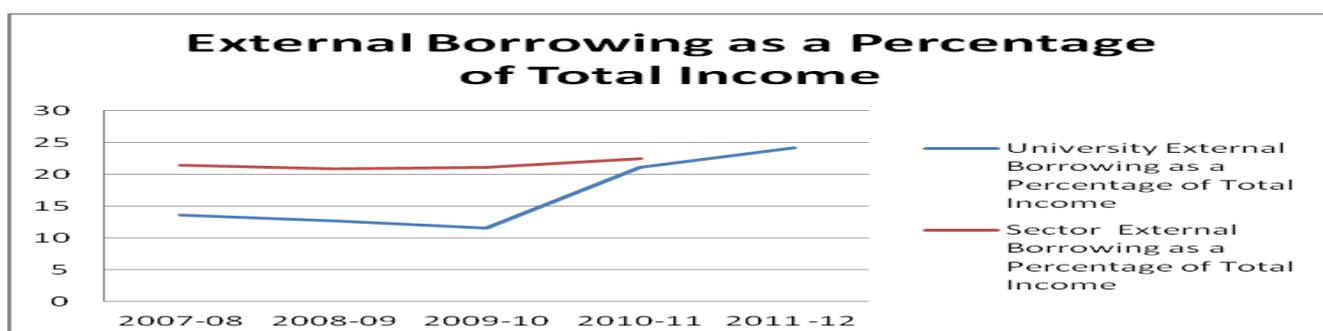
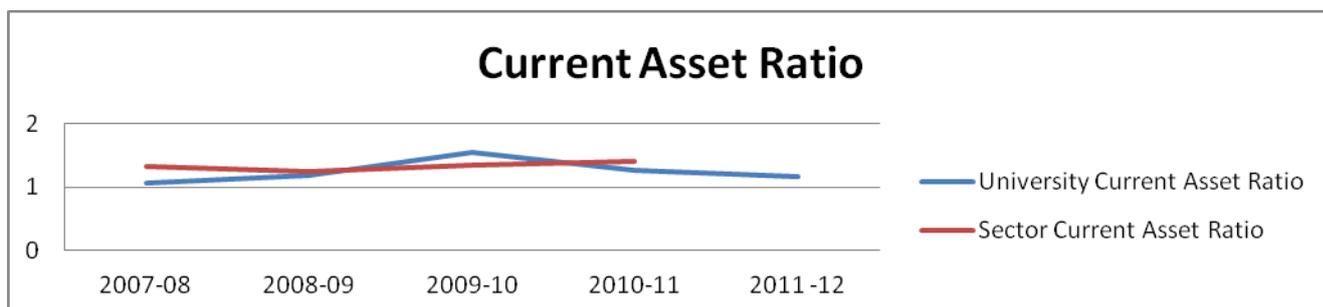


The University recognises that its staff costs as a percentage of total income are above the sector average. In 2011/12 the University has completed the second phase of the professional services restructuring and undertaken an academic restructuring which will assist the University in starting to move towards the sector average for this ratio in 2012/13.



The fall in net cashflow as a percentage of total income in 2008-09 and 2009-10 reflects the impact of the significant restructuring undertaken in 2008-09 where staff numbers were ultimately reduced by 150 and the costs were paid out in both financial years 2008-09 and 2009-10. Following the completion of this restructuring the University returned in 2010 -11 to a position where the University is generating a significantly higher cash inflow. The University is continuing to restructure and the fall in net cash flow in 2011/12 is due to the University making a historical cost deficit in 2011/12. The net cashflow as a percentage of total income is expected to improve in 2012/13 when the University anticipates returning to a historical cost surplus position.

Extracts from the Balance Sheet	2008	2009	2010	2011	2012
	£m	£m	£m	£m	£m
Cash and Short Term Deposits	13.8	39.2	39.5	51.3	36.8
Net Current Assets	2.6	8.7	18.8	13.6	6.8
Borrowings: Bank loans and Mortgages	24.0	22.9	21.8	39.8	44.6
Total Funds Excluding Pension Deficit (Restated)	127.5	125.0	131.5	159.6	137.0
Total Funds Including Pension Deficit	109.4	86.4	103.8	136.2	93.0



The University's borrowing is currently in line with the sector but the University has a further agreed facility in place of £41.47m to be drawn down by October 2014 (see Note 20 of accounts) which will increase the external borrowing percentage to 46.6% based on 2011/12 income levels. The purpose of the facility is to fund the construction of the Gateway building.

2011/12 Financial Headlines

- Income fell by £2.7m (1.4%) to £184.7m.
- Historical cost deficit of £9.1m including the following exceptional charges/credit – restructuring costs of £5.2m, net fixed asset gain of £0.8m on disposal Bramhall student residence after realisation of property revaluation gains, and losses of £0.3m on demolition & anticipated demolition of Ashworth, Wakefield and Myers buildings.
- Short- term deposits and cash fell by £14.5m to £36.8m
- Net current assets fell by £6.8m to 6.8m.
- Pension deficit increased by £20.6m to £44.0m.

The primary reason for the historical cost deficit is an under- recruitment relative to budget of postgraduate students for both home and in particular overseas causing an underlying historical cost deficit of (£4.3m) prior to exceptional items. In the light of this underlying deficit the University management brought forward the planned professional services restructuring and has undertaken a further academic restructuring.

Income and Expenditure

Total income fell by £2.7m (1.4%) to £184.7m. HEFCE income fell by £3.0m due to a reduction in teaching grants of £1.3m and a reduction in other HEFCE specific grants of £3.7m. These HEFCE reductions were partly compensated by an increase of £2.0m in deferred capital grant releases due to the shortening of a number of building lives (detailed in depreciation below) and the release of the HEFCE grant in respect of the Media City development. Tuition fees increased by £3.7m with this rise concentrated in home full time students - £2.6m, overseas £0.7m and part time students £0.6m. Research income fell by £1m with the fall concentrated in Research Council grants. Other services rendered income has fallen by £3.0m of which £2.4m is in the University of Salford. The main reason for the University fall is grants from UK Government bodies and the EU fell by £1.8m and consultancy with UK government bodies fell by £0.3m.

Total expenditure increased by £8.8m – 4.6% largely due to depreciation increasing by £11.2m. Staff costs, (excluding early retirement, voluntary severance and pension costs) fell by £3.0m (2.78%) reflecting the restructuring of both academic and administrative functions in 2011/12. Recurrent Staff costs accounted for 57.1% of total income in 2011/12 (57.9% in 2010-11) which is still above the sector average.

Other operating expenses rose by £0.4m – 0.5% to £65.3m. Favourable movements include a saving of £2.9m on write down of properties, savings of £0.7m on staff travel, £0.6m on equipment and furniture and £0.5m on professional fees and a reduction in subsidiary company activity of £0.9m due to lower activity within Salford Software. Adverse movement include no VAT refunds in 2011/12 while in 2010/11 £1.3m was recovered, additional £1.9m on rents, rates and utilities following the opening of Media City in Autumn 2011, an additional £1.1m on agency staff whilst the restructuring took place, increased IT supplies and lease cost of £0.9m and increased financial charges of £0.7m.

The increase in depreciation of £11.2m reflected the following main factors – the impact of the revaluation of the estate on the 31st July 2011 increasing depreciation by £1.9m, accelerated depreciation of £6.2m on certain elements of the estate {Adelphi Campus and Student residencies at Castle Irwell and Peel Campus} as the remaining working life of these buildings has been reduced as the University looks to implement the estate campus plan and the impact of opening Media City- £2.6m.

Subsidiaries Performance

The University's main trading subsidiary Salford Software returned to profitability following last year's loss generating a profit of £0.1m.

Balance Sheet

The balance sheet at 31 July 2011 has been restated with the Teachers Pension Scheme early retirement liability of £9.5m being transferred from the Net Pension Liability to Provisions. This had no overall impact on the Total Funds of the University and a full analysis is detailed in Note 39 of the accounts.

The University has continued to invest in its estate completing the fit out of Media City - £7m, refurbishing the Chapman building costing £6.6m and continuing design and preliminary works costing £2.3m in respect of the Gateway Building. At 31 July 2012 the group's total net assets excluding pension liability was £137.0m, which is £22.6m down on last year due to the deficit in 2011/12. Net current assets still remain strong at £6.8m but have fallen by £6.8m due to continued investment in the estate and the deficit in 2011/12.

The Net Pension Liability has increased by £20.6m to £44.0m due primarily to a fall in the discount rate used to value the pension liabilities.

Cash Flows

The University reduced its cash holdings by £14.5m to a balance of £36.8m as at 31 July 2012. This is the combined effect of cash inflows of £3.0m from operating activities, less net capital expenditure of £20.3m, financing of £7.0m and repayments of £1.9m and servicing of loans of £2.3m and proceeds from the sale of the subsidiary FE procurement division of £0.25m.

Payment of creditors

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires institutions, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The University endeavoured to adhere to this policy during the year except where there were genuine reasons for dispute. Subject to the terms of individual contracts, where there are disputes on invoices, the University only withholds payment on the disputed element of the invoice.

In 2011/12 the University made interest payments of £162 in respect of late payment of invoices (2010-11 £Nil).

Professional advisors

Bankers	Barclays Bank plc
Internal Auditors	PwC
External Auditors	Grant Thornton UK LLP
Investment Managers	Royal London Asset Management

Conclusions and Future Prospects

The University will continue to enhance the student experience by investment in its staff, facilities and infrastructure. There have been a number of new IT developments introduced recently to help students during their time at the University such as a new timetabling app. Plans continue for the proposed development of on-campus student residences, a new centrally located Gateway building and the enhancement of public areas.

The year saw the major refurbishment and expansion of one of the main lecture buildings, the Chapman building, that was successfully completed and opened in time for the first semester in 2012/13. The building provides modern lecture facilities in a variety of theatres designed to accommodate for the differing courses on offer at the University.

A number of cost-savings initiatives have been concluded at the start of 2012/13 and the benefits of these will start to fully accrue in the year.

In common with most HE institutions in England the University has experienced a significant fall in its student recruitment for 2012/13 across most areas. This has led to a forecast drop in its income compared with budget. Provision for a fall in such income had been made in the budget for the year but the actual shortfall has exceeded that planned. However the University has implemented a number of measures that, together with the prudent provisions already contained in the 2012/13 budget, should mean most of the income shortfall will be bridged with the result that a surplus is still forecast to be achieved for the year and financial covenants met.

The new fee structure for home undergraduate students has been implemented from 2012/13 and has come at the same time as changes have been made to the Student Number Control (SNC) mechanism with those students who have attained grades at A level of AAB or higher (or equivalents) no longer counting towards the SNC number. These actions have had a major impact on student recruitment across the sector and also the University as noted above.

The University believes that in the medium term the sector will still face significant challenges in recruiting students as a consequence of the fee changes. In addition increased competition for overseas students and the ongoing downturn in world-wide economic activity will mean that the likely number of students enrolling will fall. As a result the University has started a major review of its strategic options especially around its academic portfolio with a view to ensuring that it remains "fit for purpose" in the changing environment. The review will

look at all aspects of the operations of the University including its academic and support services structures, its geographical areas of operations, its current and future partnerships and its enterprise income streams.

The University is continuing to develop a number of IT and process re-engineering initiatives that should come to fruition in 2012/13 and that will enhance its performance and delivery to students in the future. These, together with other improvements planned for implementation, will contribute to ensuring it continues to enjoy a reputation as a quality university of choice to students.

The ongoing strategic and financial plans for the University will ensure that it moves to a greater level of financial sustainability and will enable it to continue to invest in the student experience going forward.

13. Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.



Professor M Hall
Vice-Chancellor

22 November 2012



Dr A Mawson
Chair of Council

22 November 2012

Statement of Council Primary Responsibilities

The Council is the executive governing body responsible for the finance, property, investments and general business of the University and for setting the general strategic direction of the institution. Its primary responsibilities may be summarised as follows:-

1. Strategic planning

- a) Considering and approving the vision, mission and strategic plans of the institution, longer-term business plans, key performance indicators and annual budgets, and ensuring that these meet the interests of stakeholders.

2. Monitoring effectiveness and performance

- a) Ensuring that there are in place appropriate arrangements for the management of the University, particularly through appointment of the Vice-Chancellor and Registrar and Secretary.
- b) Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment.
- c) Monitoring institutional performance against plans and approved key performance indicators which, wherever possible and appropriate, are benchmarked against other institutions.
- d) Monitoring its own effectiveness as a governing body and reporting thereon.
- e) Putting in place suitable arrangements for monitoring the performance of the Vice-Chancellor and Registrar and Secretary.
- f) To conduct its business in accordance with best practice in corporate governance and with the principles of public life drawn up by the Committee of Standards in Public Life.

3. Finance

- a) Ensuring the solvency of the University and safeguarding its assets.
- b) Approving the financial strategy and the overall annual budget.
- c) Ensuring that the funds provided by the Funding Council are used in accordance with the terms and conditions specified in the HEFCE Financial Memorandum.
- d) Receiving and approving annual accounts.

4. Audit

- a) Directing and overseeing the University's arrangements for internal and external audit.

5. Estate management

- a) Approving and keeping under review an estates strategy that identifies the property and space requirements needed to fulfil the objectives of the University's strategic plan.
- b) Providing for a planned programme of maintenance for the University's estate.
- c) Considering and approving all acquisitions and all disposals of land and property.

6. Human resource management

- a) Approving the University's human resources strategy and policies, including remuneration policy.
- b) Ensuring the University has clear procedures for handling internal grievances and for managing conflicts of interest.
- c) Appointing the Vice-Chancellor and the Registrar and Secretary and setting the terms and conditions for these posts.

7. Equality and diversity

- a) Ensuring that the University fulfils its statutory duties in relation to equality and diversity, including the obligation to promote equality of opportunity for staff and students.
- b) Approving the University's Equality and Diversity Strategy.
- c) Approving the University's access agreement with the Office for Fair Access and monitoring institutional performance.

8. Health and safety

- a) Oversight of the University's arrangements for ensuring the health and safety of staff, students and other individuals while they are on the University's premises and in other places where they may be affected by its operations.
- b) Ensuring that the institution has a written statement of policy on health and safety.

9. Students' Union

- a) Ensuring that the Students' Union operates in a fair and democratic manner and is accountable for its finances.

Corporate Governance Statement

1. The University is committed to best practice in all aspects of corporate governance and seeks, in particular, to apply the principles set out in Part 1 of the Committee of University Chairmen (CUC) Guide for Members of Higher Education Governing Bodies in the UK first published in November 2004 and reissued in February 2009. The purpose of this summary is to help the reader of the financial statements understand how the principles have been applied.
2. In the opinion of the Council, the University complies with the principles set out in the Guide. Since 2008-09 the Council has operated with a maximum membership of 24 in accordance with the benchmark of good practice as set out in the Guide. The constitution ensures an independent/lay majority and adequate representation of internal stakeholder groups, management, staff and students.
3. The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1967. Its objects, powers and framework of governance are set out in the Charter and its supporting statutes, the latest version of which, as mentioned above, was approved by Privy Council in 2008; further amendments were agreed in 2010 and 2012.
4. The revised Charter and Statutes require the University to have two separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities as follows;
 - a) The Council – is the supreme governing body, responsible for the finance, property and investments and general business of the University, and for setting the strategic direction. A statement of the primary responsibilities of the Council is set out on page 28. It has a majority of members from outside the University described as independent members, from whom the Chairman and Vice-Chairman must be drawn. A full statement of the membership for year 2011/12 is provided on page 3. None of the independent members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University (details of expenses paid to or on behalf of trustees are contained on page 44).
 - b) The Senate – is the academic authority of the University with responsibility for monitoring the academic quality and standards of the University and draws its membership from the academic staff and students of the institution. Council delegates to Senate functions relating to the planning, co-ordination and supervision of the academic work of the University.
5. The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the Financial Memorandum between the University and HEFCE, the Vice-Chancellor is the Designated Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
6. The Council met four times in 2011/12 and was supported by three Committees, Audit, Nominations and Governance and Remuneration. The decisions and recommendations of these committees were reported to the Council. These committees were formally constituted with written terms of reference and specified membership, including a majority of lay or independent members (from whom the Chair for each Committee was selected). In addition, between Council meetings a Council Advisory Group comprising members of the University Executive and senior Council members met providing a regular and effective means of communication between senior management and Council. The Group ensured that there was consideration and coordination of Council business between meetings and that business was presented to Council in the most effective way. Further details of the three standing committees is set out in paragraph 8 below.
7. In other business areas previously handled by Committees, Council appointed independent members to act as lead members. Lead members have the responsibility for working with relevant members of the Strategic Leadership Team in their portfolio area to ensure that the area is well managed, that decisions are evidence based, have followed appropriate processes and are aligned to institutional and local strategy. Lead members report to Council on areas of responsibility assigned to them. The role of the lead member is not to manage the business area but to ensure that it is being well managed and that

managers are making appropriate, well-informed decisions and following due process. Key questions which the lead members report on to Council include:

- a) to what extent are the objectives in the strategy/plans relating to the business area being delivered?
- b) are the risks relating to activity in the business area being well managed?
- c) is communication between the lead member and the management lead sufficient?

In 2011/12 Lead Members operated in the following portfolios; Estates, Finance, Human Resources, Information Technology, Equality and Diversity, Performance and each of the three Colleges. The Lead Member Finance was assisted towards the end of 2011/12 by a small Budget Review Group (chaired by the Lead Member) which enabled further scrutiny and review of the budget proposals before they were submitted to Council for approval.

8. The Audit Committee met four times in 2011/12 with the University's external and internal auditors in attendance. Whilst senior officers attend meetings of the Audit Committee, they are not members of the Committee, and the Committee has also met the external auditors and internal auditors for independent discussions. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the HEFCE as they affect the University's business and monitors adherence to regulatory requirements. The Remuneration Committee determines the remuneration of the Vice-Chancellor and the Registrar and Secretary and sets the remuneration policy for senior staff. The Nominations and Governance Committee advises Council on its membership and representation on other internal and external bodies and the operation and effectiveness of corporate governance arrangements.
9. As Principal Officer of the University, the Vice-Chancellor exercises considerable influence upon the development of strategy, the identification and planning of new developments and the shaping of the ethos of the institution. The Pro-Vice-Chancellors and other senior managers who comprise the Executive all contribute in various ways to this aspect of the institution, but the ultimate responsibility for what is done rests with the Council. The Executive Committee and the Audit Committee receive regular reports from the internal auditors, which include recommendations for improvement.
10. The University maintains a register of interests of members of the Council and Senior Officers, which may be consulted by arrangement with the Registrar and Secretary. Any enquiries about the constitution and governance of the University should be addressed to the Registrar and Secretary.
11. The effectiveness of governance arrangements has recently been assessed both by the University's internal auditors and as part of the CUC/Leadership Foundation project on effective governance in higher education. The outcome of both reviews was positive and the University continues to reflect on further opportunities for enhancement.

Statement of the Council's Responsibilities and Internal Control

1. As the Council of the University of Salford, 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 we are responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the Financial Memorandum with the Higher Education Funding Council for England (HEFCE).
2. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the Financial Statements comply with the University's Charter of Incorporation, the 2007 Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and other relevant Accounting Standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the HEFCE and the Council of the University, the Council, through its designated officer, the Vice-Chancellor, is required to prepare Financial Statements for each financial year. Under those terms and conditions, the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and Group and of the surplus or deficit, and cash flows for that year.
3. In preparing these Financial Statements the Council ensures that:-
 - a) suitable accounting policies have been selected and applied consistently;
 - b) judgements and estimates have been made that are reasonable and prudent;
 - c) applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
 - d) Financial Statements have been prepared on the going concern basis, unless it is inappropriate to presume that the Group will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.
4. The Council takes reasonable steps to:-
 - a) ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which HEFCE may from time to time prescribe;
 - b) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
 - c) safeguard the assets of the Group and prevent and detect fraud (including compliance with anti-bribery legislation);
 - d) secure the economical, efficient and effective management of the University's resources and expenditure.
5. The key elements of the Group's system of internal financial controls, which is designed to discharge the responsibilities set out above include the following:-
 - a) clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
 - b) a medium or short term planning process supplemented by annual budgets;
 - c) regular reviews of academic and support service performance;
 - d) clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
 - e) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the University Council.

6. 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.
7. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently and economically. These procedures have been in operation throughout the year ended 31 July 2012 and up to the date of the approval of the financial report and accounts.
8. We have undertaken the following actions to embed our risk management strategy: -
 - a) In accordance with the approved Policy for Risk and Risk Management, maintained and reviewed a Corporate Risk Register.
 - b) Charged the University's Executive with overseeing the management of risk.
 - c) Requested the Audit Committee to provide advice on whether the University has an effective and mature risk management process.
 - d) Requested that the internal auditors adapt their audit planning arrangements, methodology and approach, so that the audit conforms to the latest professional standards reflecting the adoption of risk management.
9. We have ensured that our meeting calendar and agendas enable risk management and internal control to be considered on a regular basis during the year. Risk management has been incorporated more fully into the corporate planning and decision making processes of the institution.
10. We receive periodic reports from the Audit 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.
11. In the academic year 2011/12, the University's internal audit service was provided by PwC which operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports which include an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. Based on the reviews undertaken during 2011/12, PwC concluded that the University had (subject to a small number of high risk recommendations made which are now being addressed) adequate and effective arrangements in place, to provide assurance to the Council over the effectiveness and adequacy of internal control.
12. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior 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.



Dr Alan Mawson
Chair
22 November 2012

Independent auditor's report to the Council of the University of Salford

We have audited the financial statements of The University of Salford ('the University') for the year ended 31 July 2012 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the University balance sheet, the consolidated cash flow statement 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) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the University's Council ('the Council'), in accordance with paragraph 5.2.12 of the University's Statutes, section 124B (3) of the Education and Reform Act 1988. Our audit work has been undertaken so that we might state to the University's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

As explained more fully in the Statement of Council's Responsibilities set out on page 28 and 29, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and report in accordance with that Act. 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 (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council') and the Teaching Agency.

We read the Vice-Chancellor's Statement, the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Statement of Council's Responsibilities and Internal Control) covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2012 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters

In all material respects:

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

22 November 2012

Consolidated Income and Expenditure Account

for the Year Ended 31 July 2012

	Note	2011/12 £'000	Restated 2010/11 £'000
Income			
Funding Body Grants	1	58,455	61,439
Tuition Fees and Education Contracts	2	92,443	88,717
Research Grants and Contracts	3	8,470	9,550
Other Income	4	24,898	27,178
Endowment and Investment Income	5	456	512
Total Income		184,722	187,396
Expenditure			
Staff Costs	6	106,990	109,751
Other Operating Expenses	7	65,286	64,928
Depreciation of Tangible Fixed Assets	12	22,031	10,786
Interest and Other Finance Costs	8	2,658	2,749
Total Expenditure	9	196,965	188,214
Deficit after Depreciation of Tangible Fixed Assets at Valuation and Before Tax		(12,243)	(818)
Taxation	10	-	-
Deficit before Exceptional items		(12,243)	(818)
Exceptional Items:			
Loss on Disposal, Anticipated Disposal and Demolition of Fixed Assets	11	(1,787)	(143)
Restructuring Costs	11	(5,222)	(765)
Deficit on Operations After Depreciation of Assets at Valuation, Disposal of Assets and Tax		(19,252)	(1,726)
Surplus for the year transferred to accumulated income in endowment funds		38	4
Deficit for the Year Retained within General Reserves		(19,214)	(1,722)
Consolidated Statement of Historical Cost Surpluses and Deficits			
Deficit on Continuing Operations after Taxation		(19,252)	(1,726)
Difference between Historical Cost Depreciation and the Actual Charge for the Year calculated on the Revalued Amount	24	7,858	2,071
Realisation of Property Revaluation Gains of Previous Years	24	2,319	-
Historical Cost (Deficit)/ Surplus for the Year after Taxation		(9,075)	345

Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31 July 2012

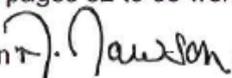
	Note	2011/12 £'000	2010/11 £'000
Deficit on Continuing Operations after Depreciation of Assets at Valuation and Disposal of Assets and Tax		(19,252)	(1,726)
Actuarial (Loss)/ Gain in Respect of Pension Scheme	33(b)	(20,186)	4,422
Impairment in respect of Ashworth, Wakefield & Myers Building	24	(2,254)	-
Revaluation of Property		-	28,886
Total Recognised (Losses)/Gains relating to the year		<u>(41,692)</u>	<u>31,582</u>
Reconciliation			
Opening Reserves and Endowments		104,589	73,007
Total Recognised (Losses)/Gains for the Year		<u>(41,692)</u>	<u>31,582</u>
Closing Reserves and Endowments		<u>62,897</u>	<u>104,589</u>

Consolidated Balance Sheet

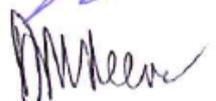
as at 31 July 2012

	Note	2012 £'000	Restated 2011 £'000
Fixed Assets			
Tangible Assets	12	183,948	194,164
Investments	13	55	1
		<u>184,003</u>	<u>194,165</u>
Endowment Assets	14	405	443
Current Assets			
Stock	15	79	94
Debtors	16	12,480	13,595
Short Term Deposits	17	33,818	49,027
Cash at Bank and in Hand		2,982	2,344
		<u>49,359</u>	<u>65,060</u>
Less: Creditors: Amounts Falling Due Within One Year	18	(42,569)	(51,495)
Net Current Assets		<u>6,790</u>	<u>13,565</u>
Total Assets Plus Current Assets (Less Current Liabilities)		<u>191,198</u>	<u>208,173</u>
Less: Creditors: Amounts Falling Due After More Than One Year	19	(42,890)	(37,870)
Less: Provisions for Liabilities	21	(11,341)	(10,718)
Total Net Assets Excluding Pension Liability		<u>136,967</u>	<u>159,585</u>
Net Pension Liability	33(b)	(44,003)	(23,413)
Total Net Assets Including Pension Liability		<u>92,964</u>	<u>136,172</u>
Deferred Capital Grants	22	30,067	31,583
Endowments	23	405	443
Revaluation Reserve	24	64,710	77,141
Income and Expenditure account excluding Pension Reserve	25	41,785	50,418
Pension Reserve	26	(44,003)	(23,413)
Income and Expenditure account including Pension Reserve		<u>(2,218)</u>	<u>27,005</u>
Total Funds		<u>92,964</u>	<u>136,172</u>

The Financial Statements on pages 32 to 68 were approved by the Council on 22 November 2012 and signed on its behalf by:-

Dr A Mawson  Chair of Council

Professor M Hall  Vice-Chancellor

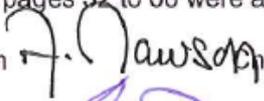
Mr D Reeve  Interim Executive Director of Finance

University Balance Sheet

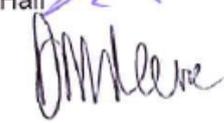
as at 31 July 2012

	Note	2012 £'000	Restated 2011 £'000
Fixed Assets			
Tangible Assets	12	183,892	194,095
Investments	13	-	1
		<u>183,892</u>	<u>194,096</u>
Endowment Assets	14	405	443
Current Assets			
Stock	15	79	94
Debtors	16	10,974	11,268
Short Term Deposits	17	33,818	49,027
Cash at Bank and in Hand		2,751	1,987
		<u>47,622</u>	<u>62,376</u>
Less: Creditors: Amounts Falling Due Within One Year	18	(40,276)	(48,473)
Net Current Assets		<u>7,346</u>	<u>13,903</u>
Total Assets Plus Current Assets (Less Current Liabilities)		<u>191,643</u>	<u>208,442</u>
Less: Creditors: Amounts Falling Due After More Than One Year	19	(42,890)	(37,870)
Less: Provisions for Liabilities	21	(11,341)	(10,718)
Total Net Assets Excluding Pension Liability		<u>137,412</u>	<u>159,854</u>
Net Pension Liability	33(b)	(44,003)	(23,413)
Total Net Assets Including Pension Liability		<u>93,409</u>	<u>136,441</u>
Deferred Capital Grants			
	22	30,067	31,583
Endowments			
	23	405	443
Revaluation Reserve			
	24	64,710	77,141
Income and Expenditure account excluding Pension Reserve	25	42,230	50,687
Pension Reserve	26	(44,003)	(23,413)
Income and Expenditure account including Pension Reserve		<u>(1,773)</u>	<u>27,274</u>
Total Funds		<u>93,409</u>	<u>136,441</u>

The Financial Statements on pages 32 to 68 were approved by the Council on 22 November 2012 and signed on its behalf by: -

Dr A Mawson  Chair of Council

Professor M Hall  Vice-Chancellor

Mr D Reeve  Interim Executive Director of Finance

Consolidated Cash Flow Statement

for the Year Ended 31 July 2012

	Note	2011/12 £'000	2010/11 £'000
Net Cash Inflow from Operating Activities	27	3,010	12,532
Returns on Investments and Servicing of Finance	28	(1,836)	(1,658)
Capital Expenditure and Financial Investment	29	(20,275)	(17,125)
Acquisitions and disposals			
Proceeds from sale of FE procurement division		250	125
Net Cash Outflow before Use of Liquid Resources and Financing		(18,851)	(6,126)
Management of Liquid Resources	30	14,417	(11,924)
Financing	31	5,072	17,836
Increase/ (Decrease) in Cash in the Year		638	(214)
Reconciliation of Net Cash Flow to movement in Net (Debt) Funds for the year ended 31 July 2012			
Increase/ (Decrease) in Cash in the Year	32	638	(214)
(Decrease)/ Increase in Short Term Deposits	32	(14,417)	11,924
Drawdown of HEFCE Loans	31	-	(120)
Drawdown of Loans	31	(7,036)	(18,834)
Repayment of Loans and Leases	31	1,964	1,118
Change in Net Funds	32	(18,851)	(6,126)
Net Funds at Beginning of Year	32	10,448	16,574
Net (Debt) Funds at End of Year	32	(8,403)	10,448

Statement of Principal Accounting Policies

1. Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards (United Kingdom Generally Accepted Accounting Practice). They conform to guidance published by the Higher Education Funding Council for England (HEFCE).

2. Basis of Accounting

Following a review of the University's operations and forecasts the Financial Statements are prepared on a going concern basis in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

3. Basis of Consolidation

The consolidated Financial Statements include the University and all its subsidiaries for the financial year to 31 July 2012. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of the Students' Union because the institution does not control those activities.

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

4. Income Recognition

Funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account in the period in which it is earned. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments.

5. Access Funds

Access funds the institution receives and disburses as paying agent on behalf of the Funding Council are excluded from the income and expenditure of the University.

6. Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Operating leases are those where the benefits and risks of ownership have not been substantially transferred to the University. Lease incentives are recognised on a straight line basis over the term of the lease.

7. Taxation

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

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allowed to tangible fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

8. Land and Buildings

Land and buildings are stated at valuation, the basis of valuation is a combination of depreciated replacement cost, existing use and open market value. Full valuations are carried out every 5 years by independent Chartered Surveyors. Interim reviews are carried out every 3 years by an appropriately qualified member of the Estates Department. Land and Building additions since the last valuation on 31 July 2011 and assets in the course of construction are valued at cost while all other Land and Buildings are based on the valuation at 31 July 2011. Assets under the course of construction does not include any interest costs incurred during construction.

Refurbishment costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Depreciation

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University of up to 50 years on the amount at which the tangible fixed asset is included in the balance sheet less their estimated residual value. Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS15.

Refurbishment costs are depreciated over 10 years.

Assets while in the course of construction are not depreciated.

Impairments of Assets

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount if lower. Recoverable amount is defined as the higher of fair value less costs to sell and the estimated value in use at the date the impairment review is undertaken. Material impairments are recognised in the income and expenditure account as exceptional items.

Acquisition with the aid of specific grants

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

9. Equipment

Equipment costing less than £20,000 per individual item or group of related items is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated on a straight line basis over their expected useful life of between 2 and 20 years.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the policy set out above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Where equipment is acquired with the aid of a research grant the equipment is capitalised and depreciated over the period of the research grant. The related research grants are treated as deferred capital grants and released to income over the life of the research grant.

10. Investments

Fixed asset investments are carried at historical cost less any provision for impairment in value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value. Investments in unlisted associated undertakings are stated at cost less provision for permanent diminution in value. The terms of investment are such that the University group often has the right, directly or indirectly, to influence the overall direction of an investee company. However, the University group does not participate in the day to day management of such companies.

11. Endowment Assets

Endowment assets are held in the form of cash and liquid resources and are included in the balance sheet at market value.

12. Stock

Stock is stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

13. Cash Flows and Short Term Deposits

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

Liquid resources comprise assets held as readily disposable store of value. They include bank certificates of deposit held as part of the University's treasury management policy which may be only withdrawn at more than 24 "working" hours notice.

14. Foreign Currency Translations

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

15. Financial Instruments

The University uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

A financial asset and a financial liability are offset when there is a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

16. Intra-group Transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

17. Accounting for Charitable Donations

Unrestricted Donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment Funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are two main types:

- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donation sum into income.
- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Total Return on Investment for Permanent Endowments

Total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purpose of the University, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

18. Accounting for Retirement Benefits

The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers Pension Scheme (TPS). All schemes are defined benefit schemes which are contracted out of the Second State Pension (S2P). The assets of the USS and TPS are held in separate trustee-administered funds. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contributions are set. The University is therefore exposed to actuarial risks associated with other universities employees and is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore as required by FRS17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

The University is able to identify its share of assets and liabilities of the LGPS and thus the University applies the requirements of FRS 17 for defined benefit schemes. This means assets are included at market value, measured on a bid price basis where applicable, and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA rated corporate bonds. The post retirement deficit is included on the University's balance sheet.

The current service cost and any past service costs are included in the income and expenditure account within operating expenses and the net impact of the expected charge on unwinding of the discount on scheme liabilities less the expected return on scheme assets is included within interest payable. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

19. Provisions, Contingent Liabilities and Contingent Assets

In order to be consistent with the SORP there has been a change in accounting policy in 2011/12 in respect of early retirement liabilities of employees who were previously members of the Teacher's Pension Scheme. The liability in 2011/12 has been disclosed in Note 21 as per FRS12 rather than as per FRS17 in previous years and the impact on the 2010/11 financial statements is set out in Note 39 of the accounts.

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present, asset arising from a past event.

Notes to the Accounts

1. Funding Body Grants	2011/12 £'000	2010/11 £'000
Higher Education Funding Council for England		
Teaching Grants	43,243	44,524
Research Grants	7,179	7,194
Other Specific Grants	3,051	6,704
Deferred Capital Grants released in year :		
Buildings (Note 22)	2,179	1,232
Equipment (Note 22)	2,803	1,785
	58,455	61,439
2. Tuition Fees and Education Contracts	2011/12 £'000	2010/11 £'000
Full-time Students Charged Home Fees	39,449	36,880
Full-time Students Charged Overseas Fees	19,335	18,682
Part-time Students	6,094	5,484
Other Teaching Contracts	25,942	26,031
Short Courses	1,008	1,122
Research Training Support Grants	615	518
	92,443	88,717
3. Research Grants and Contracts	2011/12 £'000	2010/11 £'000
Research Councils	3,037	3,966
UK Charities	842	553
Central Government	1,566	1,564
Industry	700	789
European Union Central	1,159	1,423
European Union Other	326	239
Other Overseas	97	47
Knowledge Transfer Partnerships	619	869
Deferred Equipment Grants released in year (Contained within Note 22)	124	100
	8,470	9,550

Notes to the Accounts

4. Other Income	2011/12 £'000	2010/11 £'000
Residencies, Catering and Conferences	7,717	7,237
Other Services Rendered	10,603	13,581
Other Income Generating Activities	5,602	5,606
Deferred Capital Grants released in year :		
Buildings (Note 22)	874	652
Equipment (Contained within Note 22)	102	102
	24,898	27,178
5. Endowment and Investment Income	2011/12 £'000	2010/11 £'000
Investment Income and Other Interest Receivable	456	568
Allocated to Standardisation of Pension Benefits for Former University College Staff Provision	-	(56)
	456	512
6. Staff Costs	2011/12 Number	2010/11 Number
The staff numbers by major category (including senior post holders) employed by the University during the year, expressed as full-time equivalent:-		
Academic	979	1,032
Administrative, including clerical and manual	1,332	1,408
	2,311	2,440
	2011/12 £'000	Restated 2010/11 £'000
Wages and Salaries	82,755	86,114
Enhanced Pension Charge	507	478
Social Security Costs	6,994	7,157
Other Pension Costs (Note 33)	15,166	14,683
	105,422	108,432
Early Retirement and Voluntary Severance	1,568	1,319
	106,990	109,751

Notes to the Accounts

Staff Costs (Continued)

Emoluments of the Vice-Chancellor	2011/12 £'000	2010/11 £'000
Salary	201	192
Benefits in Kind	8	4
Merit Award	8	8
Total	217	204
Pension Contributions	33	31
Total Emoluments	250	235

Remuneration of Other Higher Paid Staff Over £100,000

(Excluding employer's pension contributions, but including pension contributions paid by the employer under the salary sacrifice scheme introduced March 2009).

	2011/12 Number	2010/11 Number
£100,001 - £110,000	3	5
£110,001 - £120,000	2	1
£120,001 - £130,000	3	3
£130,001 - £140,000	1	0
£170,001 - £180,000	0	1
£180,001 - £190,000	1	0

In 2011-12 one higher paid member of staff left the University and was paid a severance of £5,000 and £206,000 additional pension contributions were paid. Another higher paid member of staff left the University and was paid an ex gratia payment of £45,000 and tuition fees of £6,000 are to be paid.

Trustee Expenses

Payments to Council members for serving as a Council member

No payments were made in 2011-12 to Council members for serving as a Council member. (2010-11 Nil)

Expenses paid to and on behalf of Council members

The total expenses paid to or on behalf of the trustees was £8,056 (2010-11: £7,193). This represents travel, subsistence and course costs incurred in their role as trustees.

Notes to the Accounts

7. Other Operating Expenses	2011/12 £'000	2010/11 £'000
Scholarships, Bursaries & Other Student Expenses	11,636	11,045
Catering	960	1,030
Student Union Grant	830	881
IT Supplies and Lease Costs	4,472	3,552
Books and Periodicals including Online Access	2,549	2,496
Printing Stationery and Office Expenses	1,563	1,789
Licences/Insurance/Subscriptions	1,459	1,497
Telephones	379	405
Equipment and Furniture including Hire and Maintenance	2,353	2,987
Financial Charges	959	281
Consumables	603	619
Vehicle and Transport Costs	594	545
Professional and Other Fees	9,401	9,935
Agency and Contract Staff	5,505	4,455
Staff Travel & Subsistence Costs	2,814	3,548
Marketing	1,351	1,662
Staff Recruitment & Welfare	672	521
Premises, Maintenance and Repairs	7,062	6,916
Rates, Rents and Utilities	6,504	4,624
Exceptional Fixed Asset Write Downs	-	2,896
Security	546	578
Exceptional VAT Refund	-	(1,303)
Subsidiary Company Expenditure	3,074	3,969
	65,286	64,928
Fees and Expenses includes:		
External auditors remuneration in respect of audit of the University	47	45
External auditors remuneration in respect of audit of the University's subsidiaries	13	12
External auditors remuneration in respect of other audit services	37	27
Internal auditors' remuneration in respect of internal audit services	112	127
Internal auditor's remuneration in respect of non – audit services	-	648
Operating lease rentals land & buildings	2,443	620
Operating lease other	1,749	1,209

Notes to the Accounts

8. Interest and Other Finance Costs	20011/12 £'000	Restated 20010/11 £'000
On Bank Loans, Overdrafts and Other Loans :		
Repayable wholly or partly in more than 5 years	2,287	2,163
Net Charge on Pension Schemes (Note 33b)	366	579
Students' Union Deposit Interest	5	7
	2,658	2,749

The Students' Union deposits funds with the University for onward investment and the University pays the Students' Union the interest earned.

9. Analysis of Expenditure by Activity (Excluding exceptional restructuring costs and costs on the disposal of fixed assets)

	Staff Costs		Other Operating Expenses		Depreciation		Interest		Total	
	11/12 £'000	10/11 £'000	11/12 £'000	10/11 £'000	11/12 £'000	10/11 £'000	11/12 £'000	10/11 £'000	11/12 £'000	10/11 £'000
Academic Departments	62,072	65,990	11,270	11,554	3,417	1,675	-	-	76,759	79,219
Academic Services	5,375	4,924	6,162	4,945	1,992	1,189	-	-	13,529	11,058
Administration & Student Services	23,113	19,502	21,637	19,923	672	612	-	-	45,422	40,037
Premises	6,360	5,861	9,948	11,704	10,959	6,073	2,279	2,157	29,546	25,795
Residencies, Catering and Conferences	674	1,248	4,679	4,981	4,769	1,045	-	-	10,122	7,274
Research Grants and Contracts	3,838	4,763	3,786	2,477	129	100	-	-	7,753	7,340
Other Expenses	5,558	7,463	7,804	9,344	93	92	379	592	13,834	17,491
	106,990	109,751	65,286	64,928	22,031	10,786	2,658	2,749	196,965	188,214

10. Taxation

There is no UK Corporation tax payable by the various organisations within the Group.

Notes to the Accounts

11. Exceptional Items	2011/12 £'000	2010/11 £'000
Loss on the sale of Bramhall student residences	(1,503)	-
Impairment loss on the demolition of Ashworth building	(104)	-
Impairment loss on the demolition of Wakefield building	(39)	-
Impairment on the anticipated demolition of Myers building	(14)	-
Loss on disposal of equipment	(127)	-
Loss on demolition of the Wallness Pub	-	(143)
Reorganisation costs in respect of Professional Support	(1,861)	(765)
Reorganisation costs in respect of Academic restructuring	(3,361)	-
	(7,009)	(908)

12. Tangible Assets	Land and Buildings	Assets in the Course of Construction	Equipment	Total
	£'000	£'000	£'000	£'000
Consolidated				
Historical Cost/Valuation				
At 1 August 2011	148,908	26,676	50,712	226,296
Additions	1,878	9,297	6,586	17,761
Transfers	16,960	(24,106)	7,146	-
Disposals	(3,271)	-	(282)	(3,553)
At 31 July 2012	164,475	11,867	64,162	240,504
Depreciation				
At 1 August 2011	123	-	32,009	32,132
Charge for the Year	15,116	-	6,915	22,031
Exceptional Impairment of Ashworth, Wakefield and Myers Building	3,070	-	-	3,070
Disposals	(522)	-	(155)	(677)
At 31 July 2012	17,787	-	38,769	56,556
Net Book Value				
At 31 July 2012	146,688	11,867	25,393	183,948
At 1 August 2011	148,785	26,676	18,703	194,164

The "Assets in the course of Construction" includes refurbishment of the Chapman building, design of the new Gateway building and creation of a new electric substation.

Notes to the Accounts

12. Tangible Assets (Continued)	2012 £'000	2011 £'000
The University has valued land and buildings using three valuation bases as detailed in the Principal Accounting Policies. The net book value of the Land and Buildings and the Land and Buildings included within the Assets in the Course of Construction can be analysed as:-		
2011 Existing Use Value (Primarily office type buildings)	8,474	8,870
2011 Valuation Depreciated Replacement Cost (Primarily educational buildings and halls of residence)	120,017	139,869
Historical Cost (Including the Land and Building element of Assets in the Course of Construction)	28,168	20,787
	156,659	169,526

	Land and Buildings £'000	Assets in the Course of Construction £'000	Equipment £'000	Total £'000
University				
Historical Cost/Valuation				
At 1 August 2011	148,908	26,676	50,296	225,880
Additions	1,878	9,297	6,551	17,726
Transfers	16,960	(24,106)	7,146	-
Disposals	(3,271)	-	(261)	(3,532)
At 31 July 2012	164,475	11,867	63,732	240,074
Depreciation				
At 1 August 2011	123	-	31,662	31,785
Charge for the Year	15,116	-	6,867	21,983
Exceptional impairment of Ashworth, Wakefield and Myers Building	3,070	-	-	3,070
Disposals	(522)	-	(134)	(656)
At 31 July 2012	17,787	-	38,395	56,182
Net Book Value				
At 31 July 2012	146,688	11,867	25,337	183,892
At 1 August 2011	148,785	26,676	18,634	194,095

The "Assets in the course of Construction" includes refurbishment of the Chapman building, design of the new Gateway building and creation of new electrical substation.

Notes to the Accounts

13. Investments	2012 £'000	2011 £'000
Consolidated		
Trade Investments	55	1
University		
Trade Investments	-	1

At the 31 July 2012, the University of Salford owned the following subsidiary companies which are all registered and operating in England and Wales:

Company Name	Principal Activity	Class of Shares	Percentage Held %
University of Salford Enterprises Limited	Business Development, Consultancy and Investment Management	Ordinary	100.0 %
University of Salford (Health Services Training) Limited	Training	Ordinary	100.0%
Skyscope Limited	Management of a Representative office in China	Ordinary	100.0%
Salford Professional Development Limited	Delivery of training (Dormant at 31 July 2012)	Ordinary	100.0%

At the 31 July 2012 the University of Salford Enterprises Limited owned the following subsidiary companies which are all registered and operating in England and Wales :

Salford Software Limited	Software Marketing	Ordinary	100.0%
Salford University Purchasing Services Limited	Purchasing Services	Ordinary	100.0%
Salford Digital Futures Limited	Commercialisation of digital technology (Dormant at 31 July 2012)	Ordinary	100.0%

At the 31 July 2012 the University of Salford owned the following trade investments which are all registered and operating in England and Wales :

NFAB Limited	Nanotechnology	Ordinary	8.0%
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The University also had a small shareholding in CVCP Properties plc, a company set up by Universities UK to own its head office building in central London.

Notes to the Accounts

13. Investments (Continued)

At the 31 July 2012 the University of Salford Enterprises Limited owns the following trade investments which are all registered in England and Wales:

Company Name	Principal Activity	Class of Shares	Percentage Held %
Photonics Research Systems Limited	Fluorescence & luminescence products & services	Ordinary	24.0%
CVD Technology Limited	Chemical vapour deposition design services	Ordinary	20.0%
The Protocol Lab Limited	Process protocol software for construction industry	Ordinary	20.0%
Contraception Education Limited	Sexual health education products & services	Ordinary	7.4%
One Central Park Limited	Property management services	Ordinary	20.0%
Lacerta Rehabilitation Limited	Orthotic & prosthetic clinical & manufacturing services	Ordinary	15.0%
BioeMech Technologies International Limited	Medical Insole Products	Ordinary	15.0%
Carbon Air Limited	Exploitation of activated carbon materials	Ordinary	23.82%
Onco-NX Limited	Exploitation of innovative anti-cancer agents	Ordinary	49.33%

The investments in Carbon Air Limited, Onco-NX Limited, Photonics Research Systems Limited, CVD Technology Limited, The Protocol Lab Limited and One Central Park Limited are all treated as trade investments as the University does not have significant influence over these companies as it does not participate in the day to day running of the companies.

14. Endowment Asset Investments

	2012 £'000	2011 £'000
Consolidated and University		
Balance at 1 August 2011	443	447
Decrease in Cash Balances	(38)	(4)
Balance at 31 July 2012	405	443

All the endowment funds are invested in Short Term deposits in accordance with the University Treasury Management Policy.

15. Stock

	2012 £'000	2011 £'000
Consolidated		
Building and Engineering Stores	79	94
	79	94
University		
Building and Engineering Stores	79	94
	79	94

Notes to the Accounts

	2012	2011
	£'000	£'000
16. Debtors		
Consolidated		
Amounts Falling Due Within One Year:		
Trade Debtors	5,223	4,846
Amounts Due on Research Grants and Contracts	1,649	1,619
Accrued Income	2,021	2,717
Other Debtors and Prepayments	2,962	3,538
	<u>11,855</u>	<u>12,720</u>
University		
Amounts Falling Due Within One Year:		
Trade Debtors	4,311	4,161
Amounts Due on Research Grants and Contracts	1,649	1,619
Accrued Income	1,711	1,790
Other Debtors and Prepayments	2,254	2,216
Amounts Owed by Subsidiary Undertakings	1,049	1,482
	<u>10,974</u>	<u>11,268</u>
Debtors		
Consolidated		
Amounts Falling Due After One Year		
Other Debtors	625	875
	<u>625</u>	<u>875</u>
17. Short Term Deposits	2012	2011
	£'000	£'000
Consolidated and University		
At 31 July 2012	34,223	49,470
Allocated to Endowment Investments (Note 14)	(405)	(443)
	<u>33,818</u>	<u>49,027</u>

The University places funds with Royal London Asset Management for investment in short term deposits in accordance with the University's Treasury Management policy and has a specific short term investment with Lloyds TSB.

Notes to the Accounts

18. Creditors: Amounts Falling Due Within One Year	2012 £'000	2011 £'000
Consolidated		
Bank and Other Loans	2,016	1,964
Research Contract Payments Received on Account	2,313	2,991
Trade Creditors	8,948	14,427
Social Security and Other Taxation Payable	2,705	2,628
Other Payroll Creditors	1,376	1,387
Accruals	15,701	12,631
Other Creditors	50	85
Deferred Income	9,163	14,293
Students' Union Deposit	297	1,089
	42,569	51,495
University		
Bank and Other Loans	2,016	1,964
Research Contract Payments Received on Account	2,313	2,991
Trade Creditors	8,546	13,942
Social Security and Other Taxation Payable	2,412	2,336
Other Payroll Creditors	1,376	1,387
Accruals	15,416	12,268
Other Creditors	50	85
Deferred Income	7,431	12,162
Amounts Due to Subsidiary Undertakings	419	249
Students' Union Deposit	297	1,089
	40,276	48,473

The Students' Union deposit is money invested with the University of Salford so that Salford Students' Union can take advantage of the better investment returns achievable by the University of Salford. These investment returns are then paid over to Salford Students' Union.

Notes to the Accounts

19. Creditors: Amounts Falling Due After More Than One Year	2012 £'000	2011 £'000
Consolidated		
Bank and Other Loans	42,590	37,570
HEFCE Loan	300	300
	42,890	37,870
University		
Bank and Other Loans	42,590	37,570
HEFCE Loan	300	300
	42,890	37,870

20. Borrowings: Bank Loans and Mortgages	2012 £'000	2011 £'000
University and Consolidated		
Amounts Falling Due Within 1 Year	2,016	1,964
Amounts Falling Due between 1 to 2 Years	2,423	2,016
Amounts Falling Due between 2 to 5 Years	7,949	6,441
Amounts Falling Due After 5 Years or More	32,218	29,113
	44,606	39,534

Analysis of Loans

Year Obtained Loan	Security	Year Repayable	Interest Rate	Balance Outstanding £'000
1996	Centenary Building	2017	Variable on Libor	2,326
2004	Mary Seacole Building	2030	Fixed at 5.86%	12,410
2007	Law Building	2032	Fixed at 5.18%	4,800
2010	None	2035	Fixed at 5.18%	18,600
2012	Newton Building	2027	Fixed at 4.47%	6,470
				44,606

The £6,470,000 facility drawn down in 2011/12 is part of a £10,000,000 facility that is to be drawn down by October 2013. The University has also arranged a further £35,000,000 loan facility fixed at rate of interest of 5.83% that is to be drawn down by October 2014.

Notes to the Accounts

21. Provisions for Liabilities Consolidated and University

	(a) £'000	Restated (b) £'000	Restated £'000
As at 1 August 2011	1,251	9,467	10,718
Utilised in Year	(70)	(587)	(657)
Interest on Funds (Note 6)	-	507	507
Transfer from Income and Expenditure Account	9	764	773
As at 31 July 2012	1,190	10,151	11,341

- (a) The provision is for the standardisation of pension benefits for former University College Salford Staff.
 (b) The provision is for the enhanced pension benefits payable to retired staff who were members of the Teachers pension scheme.

The provision for the enhanced pension benefits payable to retired staff has been calculated using a net interest rate of 2.50% (2011- 2.75%.) The Interest on funds has been calculated using an interest rate of 5.36% (2010 -11: 5%)

22. Deferred Capital Grants

	Funding Council £'000	Other £'000	Total £'000
Consolidated and University			
At 1 August 2011			
Buildings	17,131	6,028	23,159
Equipment	7,632	792	8,424
Total	24,763	6,820	31,583
Cash Receivable			
Buildings	-	-	-
Equipment	5,154	170	5,324
Total	5,154	170	5,324
Released to Income and Expenditure			
Buildings (Notes 1 & 4)	2,179	874	3,053
Equipment (Notes 1, 3 & 4)	2,803	226	3,029
Exceptional release on demolition	628	130	758
Total	5,610	1,230	6,840
At 31 July 2012			
Buildings	14,324	5,024	19,348
Equipment	9,983	736	10,719
Total	24,307	5,760	30,067

Notes to the Accounts

23. Endowments

Consolidated and University	£'000 Restricted Expendable	£'000 Restricted Permanent	£'000 Restricted Total
Opening Balances:			
Capital Value	151	129	280
Accumulated Income	69	94	163
At 1 August	220	223	443
New Endowments	-	-	-
Income for the year	2	2	4
Expenditure for the Year	(43)	1	(42)
At 31 July 2012	(41)	3	38
Represented by:			
Capital Value	147	129	276
Accumulated Income	32	97	129
	179	226	405

24. Revaluation Reserve

	University £'000	Consolidated £'000
At 1 August 2011	77,141	77,141
Transfer to Income and Expenditure Account (Note 25)	(7,858)	(7,858)
Transfer to Income & Expenditure Account on Building Disposal (Note 25)	(2,319)	(2,319)
Impairment of Ashworth, Wakefield and Myers Building	(2,254)	(2,254)
At 31 July 2012	64,710	64,710

25. Income and Expenditure Reserve

	University £'000	Consolidated £'000
Balance at 1 August 2011	50,687	50,418
Transfer from Revaluation Reserve (Note 24)	7,858	7,858
Transfer from Revaluation Reserve on Building Disposal (Note 24)	2,319	2,319
Transfer from Pension Reserve (Note 26)	404	404
Loss for the Financial Year	(19,038)	(19,214)
As at 31 July 2012	42,230	41,785

The £7,858,000 transfer from the revaluation reserve is the difference between the historical cost depreciation and the actual charge for the year calculated on the revalued amount.

Notes to the Accounts

26. Pension Reserve	Restated University £'000	Restated Consolidated £'000
Balance at 1 August 2011	(23,413)	(23,413)
Actuarial Loss (Note 33b)	(20,186)	(20,186)
Transferred to Income and Expenditure Reserve (Note 25)	(404)	(404)
Pension Reserve at 31 July 2012	(44,003)	(44,003)

27. Reconciliation of Consolidated Operating Deficit to Net Cash Inflow from Operating Activities	2011/12 £'000	2010/11 £'000
Deficit on Operations After Depreciation of Assets at Valuation and Disposal of Assets and Tax	(19,252)	(1,726)
Depreciation (Note 12)	22,031	10,786
Property Write Down following Valuation	-	2,896
Loss on Disposal of Fixed Assets	1,684	124
Deferred Capital Grants Released to Income (Note 22)	(6,082)	(3,871)
Investment Income (Note 5)	(456)	(512)
Interest and Other Finance Costs (Note 8)	2,658	2,749
Decrease in Stocks	15	14
Decrease in Debtors	865	421
Increase in Creditors	886	2,079
Increase in Provisions	623	33
Pension Costs less Contributions Payable	38	(461)
Net Cash Inflow from Operating Activities	3,010	12,532

28. Returns on Investments and Servicing of Finance	2011/12 £'000	2010/11 £'000
Income from Short Term Investments (Note 5)	456	512
Interest Paid (Note 8)	(2,292)	(2,170)
Net Cash Outflow	(1,836)	(1,658)

Notes to the Accounts

29. Capital Expenditure and Financial Investment

	2011/12 £'000	2010/11 £'000
Purchase of Tangible Fixed Assets	(22,509)	(26,011)
Proceeds from Sales of Fixed Assets	1,250	-
Investment (Acquisition)/ Disposal	(54)	1
Endowment Received	-	1
Endowment Assets Disposed	38	4
Deferred Capital Grants Received	1,000	8,880
	(20,275)	(17,125)

30. Management of Liquid Resources

	2011/12 £'000	2010/11 £'000
Movement in Students' Union Deposit	(792)	112
Withdrawal/ (Placement) of Short Term Deposits	15,209	(12,036)
Net Cash Inflow/ (Outflow)	14,417	(11,924)

31. Analysis of Changes in Consolidated Financing

	2011/12 £'000	2010/11 £'000
Opening Balance	39,834	21,998
New Loans	7,036	18,954
Repayments of Amounts Borrowed	(1,964)	(1,118)
Net Amount Draw down during the year	5,072	17,836
Closing Balance	44,906	39,834

32. Analysis of Changes in Consolidated Net Funds/(Debt)

	1 August 2011 £'000	Cash Flow £'000	31 July 2012 £'000
Short Term Deposits	49,027	(15,209)	33,818
Students' Union Deposit	(1,089)	792	(297)
	47,938	(14,417)	33,521
Cash at Bank and in Hand	2,344	638	2,982
Debt Due Within One Year	(1,964)	(52)	(2,016)
Debt Due Over One Year	(37,870)	(5,020)	(42,890)
	10,448	(18,851)	(8,403)

Notes to the Accounts

33. Pension Schemes

The three principal schemes for the University's staff are the Universities Superannuation Scheme (USS), the Teacher's Pension Scheme (TPS) and the Greater Manchester Pension Fund (GMPF).

The total pension cost for the University and its subsidiaries was: -

	2011/12 £'000	2010/11 £'000
USS -Note 33(a)	11,258	11,201
GMPF-Note 33(b)	3,145	2,678
TPS -Note 33(c)	718	754
Other Pension Schemes	45	50
(Note 6)	15,166	14,683
USS Early Retirement Costs	831	462
GMPF Curtailments and Settlements and Past Service Costs	424	184
TPS Curtailments and Settlements	810	-
Total Pension Costs	17,231	15,329

The University contribution rates at 31 July were:

	2012 %	2011 %
USS	16.0	16.0
GMPF	16.1	15.3
TPS	14.1	14.1

The outstanding pension contributions at 31 July 2012 were £1,413,000 (31 July 2011: £1,389,000).

33(a). Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme, which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Ltd. The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the Board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial valuation was at 31 March 2011. This was the second valuation for USS under the scheme – specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical pensions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4 % per annum (with short-term general pay growth at 3.65% per annum and an additional

Notes to the Accounts

33(a). Universities Superannuation Scheme (USS) (Continued)

allowance for increase in salaries due to age and promotion reflecting historic scheme experience with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation, then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light" YOB tables] – No age rating
Female members' mortality	S1NA ["light" YOB] tables – Rated down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25%pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.51 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme has discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rate or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011.

These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Notes to the Accounts

33(a). Universities Superannuation Scheme (USS) (Continued)

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement

Flexible retirement options introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the end of the year, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2011 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis at the date of the last triennial actuarial assumption as set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its

Notes to the Accounts

33(a). Universities Superannuation Scheme (USS) (Continued)

investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funds level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the University had 1,112 members participating in the scheme.

33(b). Greater Manchester Pension Fund (GMPF)

The University participates in the GMPF, which is an externally funded defined benefit pension scheme, which is contracted out of the State Second Pension, where contributions payable are held in a trust separately from the University.

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

Under the definitions set out in FRS 17, the GMPF is a multi-employer defined benefit pension scheme. In the case of the GMPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2012.

The pension scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the Scheme after consultation with professional advisers.

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

	31 July 2012	31 July 2011
	% p.a.	% p.a.
Pension Increase Rate	2.2%	2.7%
Salary Increase Rate	(a) 4.0%	(b) 4.5%
Expected Return on Assets	4.7%	6.2%
Discount Rate	4.1%	5.3%

(a) The salary increase assumption is 1% pa until 31 March 2015 reverting to the long term assumption shown thereafter.

(b) The salary increase assumption is 1% pa until 31 March 2013 reverting to the long term rate shown thereafter.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and 1% underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below

	Males	Females
Current Pensions	20.1 years	22.9 years
Future Pensions	22.5 years	25.0 years

Future pensioners are assumed to be 45 at 31 March 2010.

Notes to the Accounts

33(b). Greater Manchester Pension Fund (GMPF) (Continued)

Historic mortality

Life expectancies for the below year ends are based on the Fund's VitaCurves. The allowance for future life expectancies is shown in the table below.

Year Ended	Prospective Pensioners	Pensioners
31 July 2011	Year of birth, medium cohort and 1% p.a. minimum improvements from 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2010

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

The breakdown of the expected return on assets by category:

	Long Term Rate of Return Expected at 31 July 2012	Long Term Rate of Return Expected at 31 July 2011
Equities	5.5%	7.0%
Bonds	3.3%	4.6%
Property	3.7%	5.1%
Cash	2.8%	4.0%

The expected return on assets is based on the long term rates of return on the market value of equities, bonds, cash and other assets at 31 July.

The fair value of employer assets were:

	31 July 2012 £'000	31 July 2011 £'000
Equities	65,919	66,077
Bonds	20,974	18,463
Property	4,994	4,859
Cash	7,990	7,774
	<u>99,877</u>	<u>97,173</u>

The following amounts were measured in accordance with FRS17:

Analysis of the Amount Shown in the Balance Sheet

	31 July 2012 £'000	31 July 2011 £'000
Fair Value of Employer Assets	99,877	97,173
Present Value of Funded Liabilities	(139,583)	(116,588)
Net Underfunding in Funded Plans	<u>(39,706)</u>	<u>(19,415)</u>
Present Value of Unfunded Liabilities	(4,297)	(3,998)
Net Liability	<u>(44,003)</u>	<u>(23,413)</u>

Notes to the Accounts

33(b). Greater Manchester Pension Fund (GMPF) (Continued)

Analysis of the Amount Charged to Staff Costs within Operating Deficit	2011/12 £'000	% of Pay	2010/11 £'000	% of Pay
Service Cost	3,145	17.2	2,678	14.1
Past Service Cost in respect of efficiency and other early retirements	11	0.1	49	0.3
Curtailments and Settlements	296	1.6	71	0.4
Total Operating Charge	3,452		2,798	

Analysis of Net Charge on Pension Scheme	2011/12 £'000	% of Pay	2010/11 £'000	% of Pay
Expected Return on Pension Scheme Assets	(6,027)	(33.0%)	(5,783)	(30.4%)
Interest on Pension Scheme Liabilities	6,393	35.0%	6,362	33.4%
Net Charge	366		579	
The actual return on Pension Scheme Assets was	2,553		10,589	

Amounts Recognised in the Statement of Total Recognised Gains and Losses	2011/12 £'000	2010/11 £'000
Actual Return Less Expected Return on Pension Scheme Assets	(3,442)	828
Experience Gains and Losses Arising on the Scheme Liabilities	(1,888)	3,518
Change in Financial and Demographic Assumptions Underlying the Scheme Liabilities – (a)	(14,856)	76
Actuarial (Loss)/ Gain recognised in Statement of Gains and Losses	(20,186)	4,422

Changes in the Present Value of the Defined Benefit Pension Obligations are as follows:	31 July 2012 £'000	31 July 2011 £'000
Opening Defined Benefit Obligation	(120,586)	(118,051)
Current Service Cost	(3,145)	(2,678)
Interest Cost	(6,393)	(6,362)
Contributions by Members	(1,186)	(1,236)
Actuarial (Losses)/ Gains	(16,744)	3,594
Past Service Costs	(11)	(49)
Losses on Curtailments	(296)	(71)
Contributions in Respect of Unfunded Benefits Paid	294	293
Estimated Benefits Paid	4,187	3,974
Closing Defined Benefit Obligation	(143,880)	(120,586)

Notes to the Accounts

33(b). Greater Manchester Pension Fund (GMPF) (Continued)

Changes in the Present Value of the Fair Value of Assets are as follows:	31 July 2012 £'000	31 July 2011 £'000
Opening Fair Value of Employer Assets	97,173	90,334
Expected Return on Assets	6,027	5,783
Contributions by Members	1,186	1,236
Contributions by the Employer	3,120	2,966
Contributions in Respect of Unfunded Benefits	294	293
Actuarial (Losses)/Gains	(3,442)	828
Estimated Unfunded Benefits Paid	(294)	(293)
Estimated Benefits Paid	(4,187)	(3,974)
Closing Fair Value of Employer Assets	<u>99,877</u>	<u>97,173</u>

History of Experience Gains and Losses

Year Ended	31 July 2012 £'000	31 July 2011 £'000	31 July 2010 £'000	31 July 2009 £'000	31 July 2008 £'000
Fair Value of Scheme Assets	99,877	97,173	90,334	77,473	78,185
Present Value of Defined Benefit Obligation	(143,880)	(120,586)	(118,051)	(116,137)	(96,291)
Deficit in the Scheme	(44,003)	(23,413)	(27,717)	(38,664)	(18,106)
Experience Gains / (Losses) on Assets	(3,442)	828	7,090	(6,946)	(17,259)
Experience Gains/(Losses) on Liabilities	(1,888)	3,518	589	(81)	4,655

Changes in the Amounts Recognised in the Statement of Total recognised Gains and Losses (STRGL) are as follows:

	2011/12 £'000	2010/11 £'000
Opening Cumulative STRGL	(193)	(4,615)
Actuarial (Loss) /Gain	(20,186)	4,422
Closing Cumulative STRGL	<u>(20,379)</u>	<u>(193)</u>

The estimate for the contribution by the employer to the Local Government Pension scheme for 2012/13 is £2,900,000.

Notes to the Accounts

33(c). Teachers' Pension Scheme (TPS)

Under the definitions set out in FRS 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its current service contributions to the scheme as if it were a defined contribution scheme.

The TPS is an unfunded defined benefit scheme. Contributions on a "pay as you go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. The pension cost is assessed every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows: -

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Gross Investment returns per annum	6.5%
Real rate of return in excess of:	
Prices	3.5%
Earnings	2.0%
Rate of real earnings growth	1.5%
Present Value of notional assets at date of last valuation	£163,240m
Present Value of notional liabilities at date of last valuation	£166,500m
Net deficit	£3,260m

34. Operating Lease Commitments

	2012 £'000	2011 £'000
At 31 July the annual commitments due in respect of non-cancellable operating leases expiring in the following periods were as follows:		
Consolidated		
Land and Buildings		
Within One Year	167	446
Between Two and Five Years	106	84
Over Five Years	2,544	2,483
	2,817	3,013
Other		
Within One Year	403	131
Between Two and Five Years	919	1,033
	1,322	1,164

Notes to the Accounts

Operating Lease Commitments (Continued)

	2012 £'000	2011 £'000
University		
Land and Buildings		
Within One Year	167	424
Between Two and Five Years	84	84
Over Five Years	2,544	2,483
	<hr/> 2,795	<hr/> 2,991
Other		
Within One Year	403	131
Between Two and Five Years	919	1,033
	<hr/> 1,322	<hr/> 1,164

	2012 £'000	2011 £'000
35. Capital Commitments		
Consolidated and University		
Commitments Contracted at 31 July	1,501	7,680
Authorised but not Contracted at 31 July	48,844	11,365
	<hr/> 48,844	<hr/> 11,365

36. Contingent Liabilities

Further to the sale of John Lester and Eddie Colman student accommodation residencies to Campus Living Villages in 2008-09, the University has entered into a nominations agreement where the University guarantees minimum levels of occupancy over the period to July 2013. The size of the guarantee gradually falls over this period.

The University is, along with over one hundred other higher education institutions, a member of mutual association which provides indemnity against terrorism risks. The association provides up to £325 million cover through a combination of existing funds from member contributions, reinsurance and, in the event of a major claim, a £15 million internal loan facility which each member University would utilise in proportion to its contribution share, to fund the claim. An amount drawn under this facility would be repayable over 7 years. No such draw down has been made to date.

	2011/12 £'000	2010/11 £'000
37. Access Funds		
Balance Brought Forward	87	29
HEFCE Grants	601	614
Interest Earned	2	2
Administration Costs	(10)	(1)
Disbursed to Students	(638)	(557)
Balance Carried Forward	<hr/> 42	<hr/> 87

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

Notes to the Accounts

38. Related Party Transactions

Due to the nature of the University's operations and the composition of the Council, 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 Council may have an interest. In accordance with FRS8 "Related party transactions" these are disclosed where members of the University of Salford's Council members disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's Financial statements and /or the other party.

The University undertook transactions with the following public sector bodies , charities and not for profit organisations to which Council members had connections – Broughton Trust, Community Forests, European Consortium for Political Research, Manchester College, Manchester Chamber of Commerce, Salford City Council, Salford Foundation, Salix Homes, The North West Development Agency and various NHS bodies including Salford Royal NHS Trust as well as the following Universities Manchester University, Manchester Metropolitan University and The Open University .

All transactions involving organisations in which a member of the Council may have an interest are declared and conducted at arms' length, in accordance with the University's Financial Regulations and normal procurement procedures.

The University has taken advantage of the exemption allowed by FRS 8 not to disclose transactions between wholly owned group companies.

The Salford University Students' Union has a relationship with the University. The financial transactions between the two organisations can be summarised as:-

	2011/12 £'000	2010/11 £'000
Annual Grant Paid to Students' Union from University	830	881
Payments made to the Students' Union from the University for Services provided	25	29
Payments made to the University from Students' Union for Services provided	(64)	(96)

At the 31 July 2012 Student's Union had £297,000 (2011: £1,089,000) invested with the University of Salford as detailed in Note 18.

At the 31 July 2012, the University had a creditor with the Students' Union of Nil (2011: £1,000) and a debtor with the Students' Union of £12,000 (2011: £57,000).

39. Prior Year Adjustment

In 2011-12 in order to be consistent with best practice and to comply with the SORP the University has transferred the early retirement liability in respect of TPS pensioners from the Net Pension Liability to Provisions. The impact of this transfer is as follows:

Consolidated Income and Expenditure Account

	2010/11 As Previously Reported £'000	Reanalysis £'000	2010/11 Restated £'000
Staff costs	109,273	478	109,751
Interest and other Finance costs	3,227	(478)	2,749

Notes to the Accounts

39. Prior Year Adjustment (Continued)

Consolidated Balance Sheet

	2011 As Previously Reported £'000	Reanalysis £'000	2011 Restated £'000
Provisions for Liabilities	(1,251)	(9,467)	(10,718)
Total Net Assets excluding Pension Liability	169,052	(9,467)	159,585
Net Pension Liability	(32,880)	9,467	(23,413)
Total Net Assets including Pension Liability	136,172	-	136,172
Income and Expenditure account excluding Pension Reserve	59,885	(9,467)	50,418
Pension Reserve	(32,880)	9,467	(23,413)
Income and Expenditure account including Pension Reserve	27,005	-	27,005
Total Funds	136,172	-	136,172