University of Salford

Financial Statements

Year Ending 31 July 2008

Contents

Membership of the Council 2007 - 08

Ex-officio Members

Chancellor

Sir Martin Harris

Vice-Chancellor

Professor M H Harloe [#]

Pro- Vice-Chancellors

Professor P S Barrett

Mr M Garrity [5] to 31.7.08

Miss H J Hanstock to 29.2.08

Professor G Nicholls from 1.3.08

Professor J A Powell

Representative Members

Salford City Council

Councillor W B Pennington [3] [c]

Association of Greater Manchester Authorities

Councillor D Lancaster [1] to 31.7.08

Appointed Members (Court)

Dr N Chamberlain to 31.7.08

Ms F Goodey [5]

Mr D C Longley (1) to 31.7.08

Dr A Mawson (Chair of Council) [*] from 1.8.08

Dr C Tyler [4]

Mr C Wells (Vice-Chair of Council and Chair of Estates Committee) [2,5] [c]

Appointed Members (Senate)
Ms J Aldred to 31.7.08
Ms J Allan to 31.7.08
Professor G Aouad to 31.7.08
Professor S Donnelly to 31.7.08
Professor R Knowles to 31.7.08
Professor B Longhurst [3] to 31.7.08
Dr J Rangasamy to 31.7.08

Co-opted Members

Members co-opted by the Council

Mr T Britten [4] [c]

Ms L Clarke [4] to 31.7.08

Mr N Collins (Chair of Personnel Committee) [2,3,4]

Mr S Grant [5] to 31.7.08

Mr A Gibson (Chair of Council) [a] to 31.7.08

Mr J Greenough (Chair of Finance Committee) [2,3,6]

Mr N Renfrew [3]

Ms B Spicer [3]

Mr J C Willis (Chair of Audit Committee) [1]

One member of the Academic Related Staff of the University

Mrs C Hughes [4,6] to 31.7.08

One member of the Non-Academic Staff of the University not paid on academic related scales

Miss J Yates [3,6] to 31.7.08

Two members of the Students' Union

Mr U Ali [6]

Mr A Snowden [3,5,6] to 31.7.08

The number after a member denotes membership of one of the following committees during 2007-08:
[1] Audit Committee
[2]Nominations Committee
[3]Finance Committee
[4] Personnel Committee
[5] Estates Committee
[6] University Services Committee

[a] the Chair of Council is ex officio member of all committees of Council

[b] the Vice-Chancellor is an ex officio member of all committees of Senate

During 2007 08 there were two co-opted members of the Audit Committee who were not members of Council :

Mr K Simmons
Dr A Smith

[c] Denotes appointment to the Audit Committee for 2008 09.

Operating and Financial Review

1. Mission and vision

The mission of the University as set out in the Strategic Framework (2005 – 15) is as follows;

“to be an enterprising University, achieving internationally recognised excellence in;

- education for capability
- research for the real world
- partnership with businesses and the community”

Underpinning the mission is the University’s aspiration to meet the needs of individuals, agencies and communities through an integrated approach to teaching, research and academic enterprise, which shapes all of its activities. This is articulated through the following related goals;

- to become an international leader in sharing knowledge and expertise in successful and innovative partnerships with business and in the community;
- to produce graduates with skills, creativity, confidence and adaptability to succeed in the labour market and make a meaningful contribution to society;
- to provide a high quality learning and working experience for all, and ensure that we open up new opportunities for learning to all who can benefit from them;
- to sustain and develop selective areas of research excellence with a particular focus on current and emergent ‘real world’ issues and multi-disciplinary perspectives;
- to further the internationalisation of the University through all its activities.

2. Strategy for achieving the vision

a) Realising our vision

The University is currently going through a process of innovation and radical change; the “Realising our Vision” reforms aim to put the University at the leading edge of higher education institutions in the UK. During 2007-08 the University has completed the process of rewriting its constitution and key appointments have been made to both academic management and restructured Professional and Administrative Services; allied to this has been work to clarify the University’s decision making processes and to simplify the organisational structure. This change process has provided the opportunity for the senior management of the University to begin to review the vision and mission, building upon the sound foundation provided by the current Strategic Framework as set out above. The results of this further work on the vision and mission of the University will come to fruition in 2008-09 focusing on the University’s distinctive contribution to the global knowledge economy, regional, national and international collaboration with industry and government and a commitment to exemplary staff and student experience. This is indicative of the University’s intention to develop its vision, mission and strategy so that they satisfy the full range of its stakeholders including students and staff, industry, commerce and the public sector, funding bodies and the society in which our graduates will play a leading role.

b) Master plan

During the course of 2007-08, the University has begun a major review of its physical estate to ensure that the future development of the estate both supports and makes a major contribution to the implementation of the University’s academic strategy. The University has agreed that nine corporate principles should underpin the master planning process with the aim of creating a more attractive and vibrant campus. There has been a wide ranging process of consultation on these principles which has helped to shape the University’s approach to delivery of the Estates Master Plan. The nine principles are;

- delivering a step change in the quality of the external environment;
- the University to become a “bright star” of intensive activity and quality within Central Salford;
- creation of an urban oasis;
- focus upon a positive arrival experience;
- creation of a safe and defined public and private sector;
- developing a phased improvement process;
- creating a more positive living experience;
- developing effective travel planning and meeting necessary parking needs;
- encouraging innovation to achieve sustainable development.

c) Review of corporate governance

During 2007-08, the University received approval from the Privy Council for the major constitutional reforms referred to above. The new Charter and Statutes clearly distinguish between the respective roles and responsibilities of governance and management and emphasise the distinctive responsibilities of the Council as the supreme governing authority of the University. University Council has reduced in size (to a maximum of 24 members) and the number of Committees has been reduced; this will enable Council to focus more effectively on monitoring performance and assuring effective corporate strategy and enterprising business planning.

Changes to corporate governance have been mirrored in the area of academic governance where a reformed and streamlined Senate will operate with a reduced number of Committees. Senate will operate as the academic authority of the University, discharging its delegated responsibilities from Council for the planning, coordination, development and supervision of the academic work of the University. Both Council and Senate (and other Committees) will operate specifically as instruments of governance, making decisions that grant authority, define expectations or verify performance.

d) Planned growth of student numbers

The University's academic plan is based upon a growth in student numbers to 24,000 by the end of 2016/17. It is planned that this will be achieved through an increase in CPD and PGT students drawn from across the region and a marked increase in overseas students at undergraduate and postgraduate level.

We expect this growth to be modest in the early years but, in line with our ambitious plans to invest in new academic programmes and an improved campus and facilities, including the investment being made in our new digital media facility within Media City at Salford Quays and adjacent to the BBC's new building, we are confident that this will attract home and overseas students at undergraduate level keen to study in an environment that is at the forefront of new developing technologies and applications.

e) Budgeting to create headroom for investment

The University has refined its budgeting process in order to create sufficient monies to fund its strategic ambitions and meet unforeseen challenges in the economic environment that Universities and their stakeholders find today. Such investment must be sustainable in testing conditions and the University of Salford has taken the necessary action to ensure that it achieves Value for Money at all levels through a more streamlined and cost effective, economic and efficient use of its resources.

3. Monitoring: key performance indicators

During 2007-08, Council received, on a quarterly basis, a report on Operating Performance Indicators. These performance indicators covered a range of issues including student numbers, non-continuation rates, student applications, number of research active staff, number and value of research grants and contracts received, consultancy income and contracts, tuition fees, grants and other income earned, staff operating costs and other expenditure, current borrowing and liquidity ratios, staff numbers and staff turnover.

Council also received regular updates on the University's Corporate Risk Register, receiving more detailed reports on the seven highest priority risks at each meeting.

The University's approach to key performance indicators and the Corporate Risk Register will be reviewed in the course of academic year 2008-09 as the University's revised vision, mission and strategy are developed, with measures of University performance aligned with and directly linked to the new vision, mission and strategy. The University is aware of the recent Committee of University Chairman report on implementation of key performance indicators, and intends to incorporate the key findings from this study, arising from case studies in nine universities, into its developing work in this area.

The University plans to introduce as quickly as possible reporting based upon the concept of the Balanced Scorecard that will be disseminated down to faculty, school and professional service divisional level. This will be linked to risk management for each area.

4. Current performance and future development

a) Quality Audit

In March 2008, the Quality Assurance Agency for Higher Education (QAA) informed the University of the results of their recent audit of our academic standards and the quality of the processes that are at the heart of our management of our Institution. They confirmed that they had broad confidence in all aspects of what we do, with 14 features of good practice singled out for special commendation. This is the third time that we have achieved this positive result in the past decade.

b) Teaching & Learning

Although the recent Audit was very positive in relation to teaching and learning quality, standards and enhancement – the Vice Chancellor has commissioned a thorough review of our strategies and policies which is being led by the Pro Vice Chancellor (Academic) Professor Gill Nicholls. The Strategic Leadership Team (SLT) has endorsed a Learning, Teaching and Enhancement Strategy, a new Widening Participation Strategy, a review of our assessment criteria and a comprehensive review of our academic portfolio. The portfolio development has drawn on the results of the Marketing Review which the University commissioned in early 2007.

The University has also seen its work to ensure an improvement in the National Students' Survey results come to fruition, with an increase in both student participation in the Survey and levels of student satisfaction with many aspects of their teaching and learning – which has reflected in a substantial improvement in the University's standing in some league tables.

In addition to recommending the refinement of our programme provision, the Marketing Review offered valuable information on the University's image amongst different stakeholder groups including employers, alumni, parents and potential students. This information has been used to inform work now being undertaken on the brand and positioning of the University, with the aim of ensuring the University of Salford has a clearly defined position as a leading Northern university.

b) Research and Innovation

In addition to the HEFCE funding of £8.6m in 2007/8, the University attracted £8.8m in research grants and contracts.

Mindful of the imminent publication of the Research Assessment Exercise results, the newly appointed Pro Vice Chancellor Research and Innovation (Professor Ghassan Aouad) is leading on the development of a new Research and Innovation Strategy which will include far-reaching changes to the University's organisation and management of Research across all four faculties. The University is also investigating ways of improving its commercialisation record through building on its sound past performance in academic enterprise and the development of regional collaborations.

c) Internationalisation

The University's international strategy is being extended to incorporate the wider internationalisation of the University – which goes beyond the recruitment of overseas students to incorporate a commitment, through curriculum development and encouraging wider international engagement, to produce globally aware and culturally sensitive graduates.

d) Enterprise and Engagement

Enterprise income in 2007/08 including grants, conferences, consultancy, CPD and IP exploitation shown on page 26 under Other Services Rendered and Other Income Generating Activities grew by over 13%. Subsequently, our HEIF allocations have been increased for the period 2008 to 2011. This has enabled the University to improve the enterprise development support provided within Faculties and will fund the creation and growth of a number of strategic projects.

A £3.2 million project funded by HEFCE's Strategic Development Fund is creating an infrastructure within the University to enable a structured and strategic approach to engaging with employers in the public and private sectors. This project has already had a number of successes, including the registration of over 70 Capita Symonds employees onto a 2 year part-time Graduate Certificate in Business Management.

As an enterprising university, we aim to support our students' entrepreneurial endeavours. Recognising this, the National Council for Graduate Education have awarded us £0.132m to support students wishing to start up their own business.

As part of a new £9.2m initiative funded by HEFCE, Research Councils UK and the Wellcome Trust, the University's strong track record in public and community engagement is being recognised and further enhanced by its involvement in the Manchester Beacons for Public Engagement project. In the Manchester partnership – one of only six Beacons to be funded nationally – the University is working with regional partners including other Universities, local business, community groups and media to engage with the local community to ensure that as many people as possible can benefit from our innovative engagement work.

Since January 2008 the University of Salford has worked with SSL International (Scholl) to support their vision to become the world's number one foot health and wellbeing brand by harnessing the knowledge and innovation of the University. We have developed a mutually beneficial partnership that encourages innovation and exploits commercial opportunities for both parties.

The development of the Scholl partnership reflects the University's commitment to further extending its engagement with industry – a hallmark of Salford in the past – but regarded by the University Council as even more crucial to its future. The Media City project, as referred elsewhere in this report, is another example of this commitment.

Following the reform of the university's constitution, the Council has now established a new and innovative forum for community and stakeholder engagement called the Assembly. The University Assembly will provide a proactive forum and vehicle for the University to ensure meaningful two way engagement with the communities of the North West, particularly with those of Salford and Greater Manchester, as well as other specific communities in the UK and internationally.

Through its engagement with the Assembly the University will be striving to achieve its ambition of becoming an institution of the highest international repute, whilst seeking to better serve the communities for which it exists and to proactively contribute to the wider economic, social and cultural well being of the region.

e) Actual student numbers

2007/8 registered students:
Undergraduate – 15,481
Postgraduate Taught – 2,947
Postgraduate Research - 524

5. Available resources

a) Financial

The University has a strategy that requires it to generate an annual surplus of between 3% to 5% of income each year in order to fund investment in its academic programmes, support its students, reward its staff, replace its facilities and renew and upgrade its equipment. It maintains a minimum cash balance of £10m to meet any immediate cash flow shortages and it keeps its borrowings at a level that it can service and within the amount set in the Financial Memorandum of the Higher Education Funding Council for England (HEFCE).

Its cash reserves, which were £26m at the year end, are managed on behalf of the University by Royal London Cash Management (RLCM) and deposited in accordance with the investment policy approved by the University Council. This sets limits that can be invested in any individual banking group and requires a minimum credit rating of A+. These limits and credit ratings are periodically reviewed and changes in policy communicated to RLCM. Any bank in countries that are considered at risk are excluded.

The University has several choices available to finance its future capital development plans, including the ability to sell or lease some of its valuable surplus real estate in the City although the current financial climate will probably delay the use of this option until market conditions improve. It is likely however that its plans for new student accommodation will be constructed and funded by a third party who will operate and manage the new units.

The University has in place a £20m loan facility repayable over twenty-five years at an interest rate fixed at 5.18% and requires it to be drawn down by 30 September 2010. This is sufficient to meet the planned Capital investment over the next two years.

b) Staff

The University's greatest asset is its staff and it is committed to ensuring that its policies enable it to recruit, retain and support its staff at all levels to enable them to reach their full potential in a way that ensures equality and diversity through safe, healthy and sustainable working practices.

The University seeks to work in partnership with all of its four trade unions, UCU, UNISON, UNITE and GMB through the operation of a joint management and union consultative forum and the partnership working group.

The University has implemented fully the nationally agreed three year pay settlement, with general increases of 3% on 1 August 2007, 3% on 1 May 2008 and a further 5% effective from 1 October 2008. This is in addition to other incremental and promotional pay awards and the residual effect of the completion of the Higher Education Role Analysis (HERA) across the University that seeks to ensure equal pay for work of equal value.

Plans for 2008-09 include the development and roll out of a new performance development and appraisal process, starting with the Executive management team and Heads of School, and the introduction of an e-recruitment system to deliver a more responsive and efficient service.

c) Facilities

The University increased its spending on maintenance and refurbishment of its buildings by 48% to £8.3m in the year, after several years of underinvestment. At the same time it developed new Art and Design studios in the former Allerton Annexe that enabled it to vacate some rented accommodation.

The University also commenced the production of a new Estates Master Plan with the aim to create a more vibrant, modern and flexible physical environment that will better address the needs of its various stakeholders that attracts, welcomes and supports academic endeavour.

We are working closely with the Salford City Council and its Urban Regeneration Company, the Salford Primary Care Trust and the Strategic Rail Authority to ensure that our vision integrates with their plans for the development and social regeneration of the City and addresses the transport infrastructure needs of our staff, students and visitors.

We have also signed a Heads of Terms for the lease over a new building to be constructed in Media City, located at Salford Quays and adjacent to the new BBC building, which will be the focus of cross-faculty applications at post-graduate level in the field of digital media and its converging technologies. This is expected to come on-line in 2011-12 and cost the University up to £30m in high-tech equipment and facilities.

d) Equipment

The University has continued its roll out of its voice over IP communication system in the year and made significant investment in modernising various teaching rooms through the provision of new audio-visual aids and equipment.

The University has changed the method for procuring IT equipment that will ensure that all such items are replaced through a central provision on a three year cycle and without recourse to faculty and school competing budget demands. This will assist achievement of better value for money through our purchasing processes whilst delivering modern equipment on a sustainable basis.

The University has further expanded the use of modern teaching aids including the development of Blackboard, its on-line teaching and communication system and has completed a significant part of its Identity Management System that enables controlled access to the University network by approved users.

We continue to develop a robust and reliable Information and Communications infrastructure that will be e-enabled and supports 21st Century learning technologies as well as servicing organisational needs. It is therefore inevitable that we will need to prioritise use of resources to invest in future technological developments to ensure we remain competitive and meet the reasonable expectations of our students and staff.

The University has made further investment in other equipment in the year including a virtual environment facility, supported by a grant from HEFCE.

6. Risks to achieving university strategy

The University Council approved the new Risk management policy at its meeting on 1 July 2008 and confirmed the 22 key risks that are being monitored by management, a number of which are generic to the HE sector.

The priority risks that are reported to Council at each meeting are set out below:

(1) A lack of staff buy in to the delivery of the strategic goals.
(2) Industrial unrest nationally.
(3) Failure to achieve student number growth plans.
(4) Inability to afford all aspects of the Estates Master Plan
(5) Outcome of the RAE 2008 affecting our research strategy.
(6) Failure to improve our academic standing in the newspaper league tables.
(7) Concern over re-organisation of the research structures.

All of these risks are actively monitored and managed by the University's executive team. The risks themselves are under constant review and the policy provides for the identification of new risks and the removal of those that are considered of lesser impact over time. The audit committee receives a regular report on all other high level risks.

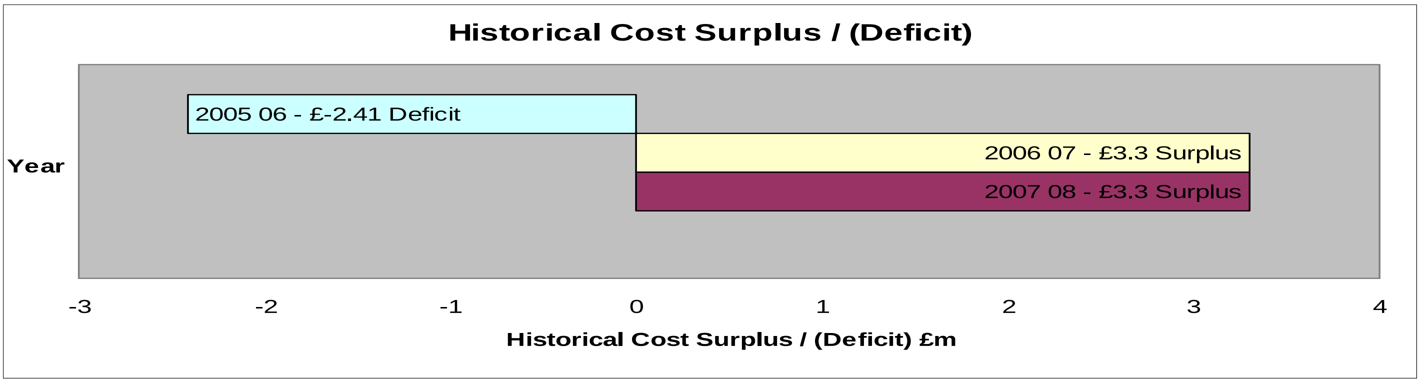
All major new projects include a risk assessment as part of their approval process.

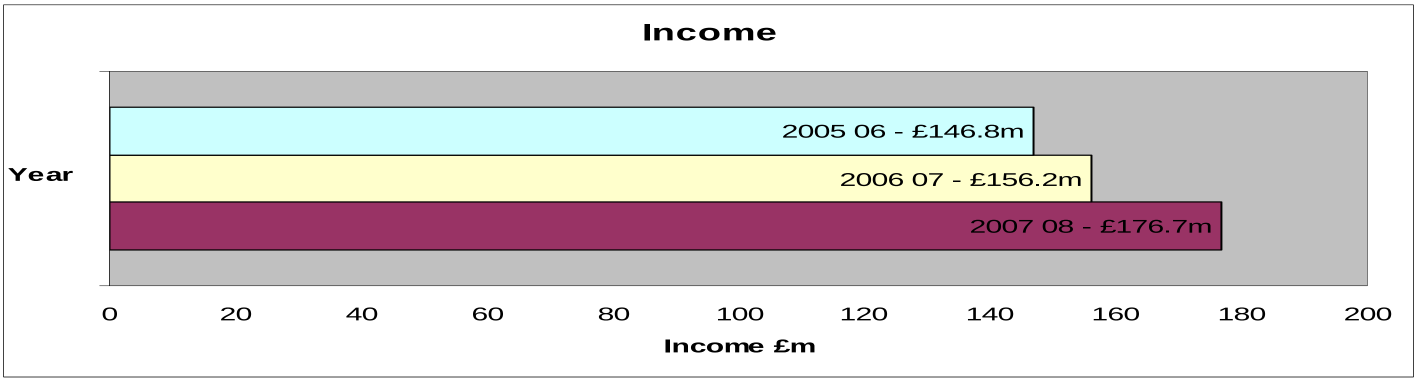
7. Financial review

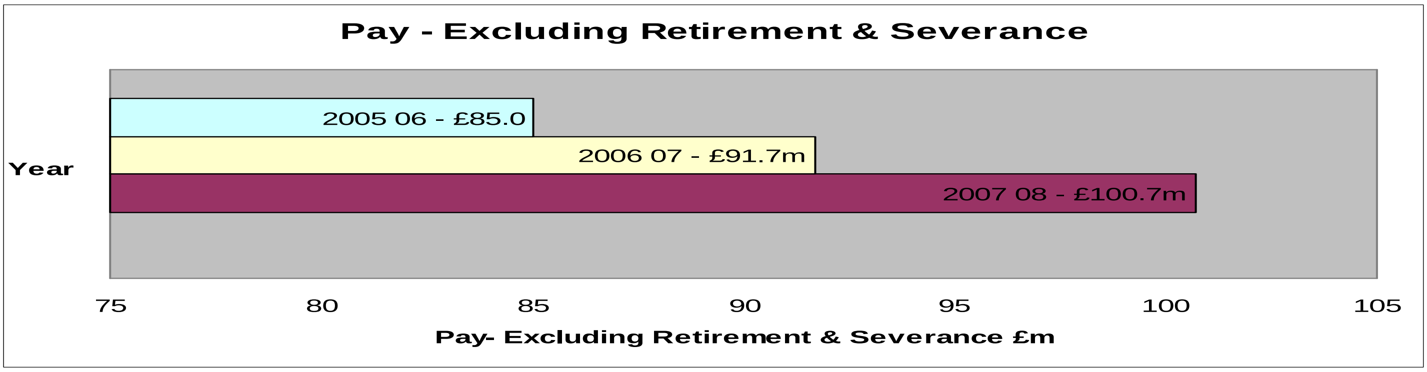
Scope of the financial statements

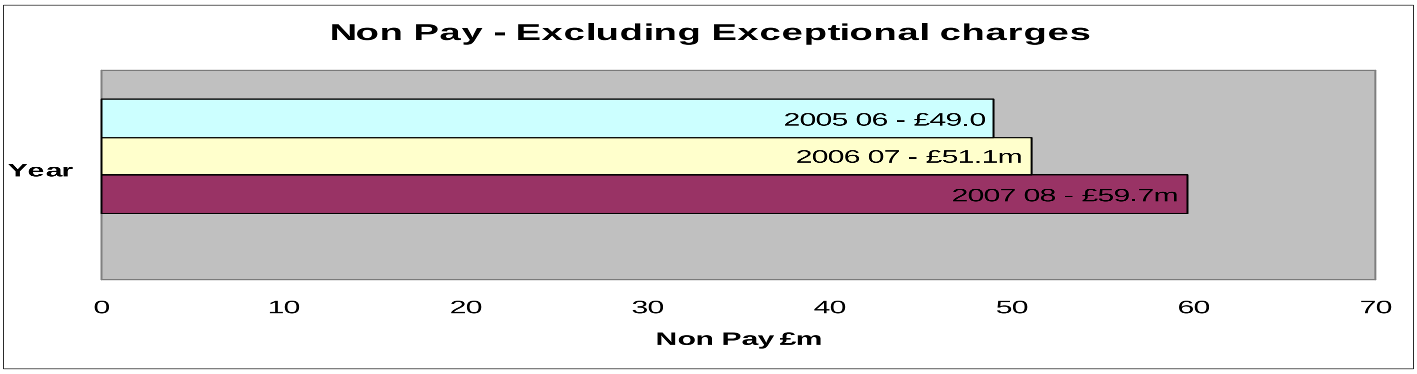
The Financial Statements comprise the consolidated (Group) results of the University of Salford (University) and its subsidiary undertakings. The Group structure is set out in Note 13 of the accounts.

Three year trends





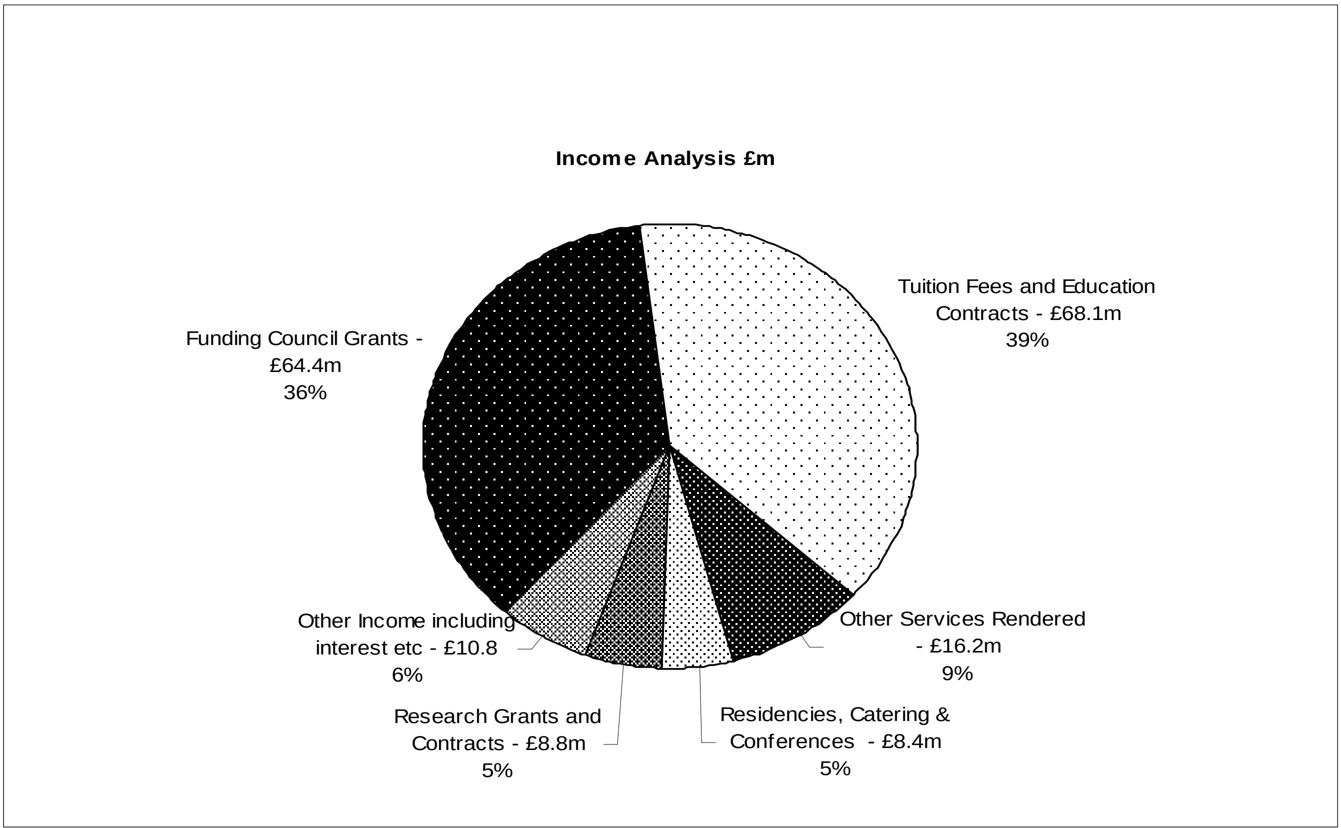




In 2005 06 there were £3.8m exceptional costs following the write off of development costs on an Arts and Media Centre.

Financial headlines

- Income growth of 13.1% to £176.7m.
- Research income grows by 15.6%.
- Enterprise income increases by 8% to £16.2m.
- Historical cost surplus of £3.3m.
- Short-term deposits increased from £13.3m to £26.0m.
- Move to positive net current assets of £2.6m.



Income and expenditure

Total Income grew by 13.1% to £176.7m. This was primarily due to a rise in Funding Council grants of £4.6m – 7.8% and an increase in tuition fees and education contracts of 15.7% - £9.3m. This growth in tuition fees and educational contracts income resulted from a combination of the continued introduction of variable tuition fees for the September 2007 home and EU student intake and a rise in overseas fee income of 20.8% to £13.9m. Research grew by 15.6% - £1.2m due to the impact that full economic costing is having in recovering the full cost of undertaking research. The other income includes an exceptional receipt of £1.2m in respect of costs incurred and written off in 2005 06 in relation to the project to build a new arts and media centre. Interest receivable includes £0.7m following the part disposal of a loan option at the beginning of August 2007.

Total Expenditure increased by 10.9% to £173.7m. Staff costs, excluding early retirement and voluntary severance, grew by 9.8% which largely reflects inflationary rises following the implementation of a new pay structure introduced in accordance with the National Framework Agreement on Equal Pay. Recurrent staff costs now account for 56.7% of total income. The University continued the restructuring as part of the Realising Our Vision project resulting in retirement and voluntary severance costs of £1.0m

Other operating expenses rose by 16.8 % to £59.7 m. Significant rises include £2.7m on premises maintenance, information services of £1.4m primarily due to additional expenditure on audio visual equipment funded by the Higher Education Funding Council (HEFCE) and increased expenditure on licences, £1m financial charges due to a rise in bad debt provisions, student expenses of £0.9m due to increased bursaries following the introduction of variable tuition fees and £0.9m on equipment and furniture,

In the summer 2008 the University demolished phase 3 and 4 of Castle Irwell and the Lankester building resulting in a loss on disposal of £3.3m (loss of £2m on a historical cost basis).

Balance sheet

The University returned to a Net Current Asset position of £ 2.6m from a Net Current Liability position of £5m at July 2007. This was due to improved financial performance in 2007 08 as well as a capital grant receipt of £3.1m from the NHS to the refurbishment of the Allerton building. The University's share of the pension fund deficit in the Greater Manchester Pension Fund authority administered Local Government Pension scheme, which is provided for certain categories of employees, increased by £10.1m mainly due to a fall in the stock market valuation in the year to July 2008 and has resulted in total funds falling from £116.9m to £109.4m

Post balance sheet events

Subsequent to the year end the University sold the student residences at Eddie Colman and John Lester Courts with a net book value of £3.3m to Campus Living Villages for £11.030m.

Cash flows

The University increased its holding of short term deposits and cash by £12.7m during the year. This is the combined effect of cash inflows of £14.5 from operating activities less early repayment of loans of £1.6m and other cash outflows of £0.2m.

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 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 adhered to this policy during the year except where there were genuine reasons for dispute and accordingly incurred no interest charges in respect of late payment for this period.

Professional advisors

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

Conclusions and future prospects

In 2007 08 the University reaped some of the benefits of our restructuring programme and the investment in research and enterprise activity which has led to an improved financial performance reflected in the surplus after depreciation of fixed assets of £3m (2006 07 a deficit of £0.425m) and a return to current net asset position.

The current world and UK economic climate is likely to impact on the finances of all institutions of Higher Education and the University has taken the steps to permanently reduce its cost base in the coming year to ensure that it has sufficient headroom to meet future financial challenges and to fund its strategic investment plans.

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 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 the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment.
b) Monitoring institutional performance against plans and approved key performance indicators which, wherever possible and appropriate, are benchmarked against other institutions.
c) Monitoring its own effectiveness as a governing body and reporting thereon.
d) Putting in place suitable arrangements for monitoring the performance of the Vice-Chancellor and Registrar and Secretary.

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 staffing 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 has non-discriminatory systems in place to provide equality of opportunity for staff and students.
b) 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 published in November 2004. 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. In the course of 2007-08, the University received approval from the Privy Council for a revised Charter and Statutes which included the reduction in the size of membership of Council from 37 to a maximum of 24, in accordance with the benchmark of good practice as set out in the Guide. The change in size of membership has retained the independent/lay majority and ensured 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.

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 12. It has a majority of members from outside the University's described as independent members, from whom the Chairman and Vice-Chairman must be drawn. A full statement of the membership for year 2007-08 is provided on page 3 (NB 2007-08 was the last year in which Council operated at its previous size of 37). None of the lay members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University.

(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.

(c)The previous Charter and Statutes made provision for the University Court, a large, mainly formal body (akin to a stakeholders' meeting of a large, public company) and a means of engaging with stakeholder groups about the business of the University. Changes to Charter and Statutes meant the disestablishment of Court which met for the final time in 2008. A replacement stakeholder group, albeit without a role in the formal governance structure of the University will be established in 2008-09.

6. 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.

7. The Council meets at least four times each academic year and in 2007-08, much of its detailed work was initially handled by Committees (some of which were joint Committees of Senate and Council), in particular the Finance Committee, the Equality and Diversity Committee, the Nominations Committee, the Remunerations Committee and the Audit Committee. 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 significant proportion of lay or independent members (from whom the Chairman was selected).

8. The changes to the Charter and Statutes approved by the Privy Council in 2008 have resulted in a significant reduction in the number of Committees that will operate in 2008-09; for 2008-09 there will be just three committees, Audit, Nominations and Governance, and Remuneration. In other business areas previously handled by Committees, Council will appoint independent members to act as lead members. Lead members will have responsibility for working with management leads 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 will report to Council on areas of responsibility assigned to them. The role of the lead member will not be to manage the business area but to ensure that it is being well managed and that the management lead (and relevant colleagues) is making appropriate, well-informed decisions, following due processes. Key questions which the lead members will need to report on to Council include;

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

9.The Audit Committee meets at least three times a year, with the University's external and internal auditors in attendance and this will continue in 2008-09. 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 the regulatory requirements. The Remuneration Committee which will continue to meet in 2008-09 determines the remuneration of the Vice-Chancellor and the Registrar and Secretary and sets the remuneration policy for senior staff.

10. 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 the Senior Officers (including Executive Deans and Executive Directors of Professional and Administrative Services) who comprise the Strategic Leadership Team all contribute in various ways to this aspect of the institution, but the ultimate responsibility for what is done rests with the Council. The Strategic Leadership Team and the Audit Committee receive regular reports from the internal auditors, which include recommendations for improvement.

11. 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.

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 are prepared in accordance with the University's Charter of Incorporation, the 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 Higher Education Funding Council for England 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 which 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 causing the Financial Statements to be prepared 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 HEFCE and any other conditions which the 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;

(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 Finance Committee;

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 2008.

8. We have undertaken the following actions to embed our risk management strategy: -

(a) Held a risk management workshop for senior staff to review the institution’s objectives and risks, and determine a control strategy for each of the significant risks.

(b) Charged the University’s Strategic Leadership Team with overseeing the management of risk.

(c) Requested the Audit Committee to provide advice on the effectiveness of risk management.

(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. The University’s internal audit service is provided by KPMG LLP 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.

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.

Mr Alan Mawson
Chairman
21 November 2008

Report of the Independent Auditors to the Council of the University of Salford

We have audited the financial statements of the University of Salford for the year ended 31 July 2008 which comprise the income and expenditure account, the statement of historical cost surpluses and deficits, the statement of total recognised gains and losses, the balance sheets, the cash flow statement, principal accounting polices and notes 1 to 39 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of principal accounting policies.

This report is made solely to the Council as a body. Our audit work has been undertaken so that we might state to the Council 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 Auditors

As described in the statement of the Council's responsibilities and internal control, the Council is responsible for the preparation of financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable law, and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice-Accounting for Further and Higher Education. We also report to you whether in our opinion, monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached thereto.

We also report to you our opinion as to whether the information given in the Operating and financial review is consistent with the financial statements. We also report to you if, in our opinion, the University has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Operating and financial review and the Corporation governance statement and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the HEFCE Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or any other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University of Salford and the group as at 31 July 2008, and of the deficit of income over expenditure, recognising gains and losses and cashflows of the group for the year then ended; and the statements have been properly prepared in accordance with the Statement of Recommended Practice -Accounting for Further and Higher Education.
- In all material respects, income from the Higher Education Funding Council for England and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received.
- In all material respects, funds have been applied in accordance with the University's Statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Manchester
21 November 2008

Consolidated Income and Expenditure Account
for the Year Ended 31 July 2008

	Note	2007-08 £'000	2006-07 £'000
Income			
Funding Body Grants	1	64,447	59,803
Tuition Fees and Education Contracts	2	68,145	58,882
Research Grants and Contracts	3	8,801	7,611
Other Income	4	31,366	28,778
Exceptional Other Income	4a	1,176	-
Endowment and Investment Income	5	2,772	1,132
Total Income		176,707	156,206
Expenditure			
Staff Costs	6	101,667	93,725
Other Operating Expenses	7	59,698	51,120
Depreciation of Tangible Fixed Assets	12	10,126	9,677
Interest and Other Finance Costs	8	2,163	2,109
Total Expenditure	9	173,654	156,631
Surplus /(Deficit) after depreciation of tangible fixed assets at valuation and before tax		3,053	(425)
Share of operating loss in associated undertakings		-	(31)
Taxation	10	-	-
Surplus / (Deficit) before exceptional items		3,053	(456)
Losses on Disposal and Demolition of Fixed Assets	11	(3,342)	(425)
Deficit on Operations After Depreciation of Assets at Valuation and Disposal of Assets and Tax.		(289)	(881)
Surplus for the year transferred to accumulate income in endowment funds		124	97
Deficit for the Year Retained within General Reserves		(165)	(784)

Statement of Historical Cost Surpluses and Deficits

	Note	2007-08 £'000	2006-07 £'000
Deficit on Continuing Operations after Taxation		(289)	(881)
Difference between Historical Cost Depreciation and the Actual Charge for the Year calculated on the Revalued Amount	24	2,242	2,270
Realisation of Property Revaluation Gains of Previous Years	24	1,353	1,893
Historical Cost Surplus for the Year after Taxation		3,306	3,282

Consolidated Statement of Total Recognised Gains and Losses

for the Year Ended 31 July 2008

	Note	2007-08 £'000	2006-07 £'000
Deficit on Continuing Operations after Depreciation of Assets at Valuation and Disposal of Assets and Taxation		(289)	(881)
Endowment Interest		-	41
New Endowments	23	-	55
Actuarial (Loss) / Gain in Respect of Pension Schemes	33 (d)	(9,389)	10,613
Total Recognised (Losses) / Gains relating to the year		(9,678)	9,828

Reconciliation

	2007-08 £'000	2006-07 £'000
Opening Reserves and Endowments	87,404	77,576
Total Recognised (Losses) / Gains for the Year	(9,678)	9,828
Closing Reserves and Endowments	77,726	87,404

Consolidated Balance Sheet
as at 31 July 2008

	Note	2008 £'000	2007 £'000
Fixed Assets			
Tangible Assets	12	156,687	164,097
Investments	13	2	42
		156,689	164,139
Endowment Assets	14	713	837
Current Assets			
Stock	15	171	314
Debtors	16	11,502	10,258
Short Term Deposits	17	25,980	13,268
Cash at Bank and in Hand		431	531
		38,084	24,371
Less Creditors: Amounts Falling Due Within One Year	18	(35,524)	(29,397)
Net Current Assets / (Liabilities)		2,560	(5,026)
Total Assets Plus Current Assets (Less Current Liabilities)		159,962	159,950
Less: Creditors: Amounts Falling Due After More Than One Year	19	(22,897)	(25,558)
Less: Provisions for Liabilities	21	(872)	(744)
Total Net Assets Excluding Pension Liability		136,193	133,648
Net Pension Liability	33(d)	(26,785)	(16,713)
Total Net Assets Including Pension Liability		109,408	116,935
Deferred Capital Grants	22	31,682	29,531
Endowments	23	713	837
Revaluation Reserve	24	55,958	59,553
Income and Expenditure account excluding Pension Reserve	25	47,840	43,727
Pension Reserve	33(d)	(26,785)	(16,713)
Income and Expenditure account including Pension Reserve		21,055	27,014
Total Funds		109,408	116,935

The Financial Statements on pages 18 to 49 were approved by the Council on 21 November 2008 and signed on its behalf by:-

Dr A Mawson	Chair of Council
Professor M Harloe	Vice-Chancellor
Mr S Attwell	Director of Finance

University Balance Sheet
as at 31 July 2008

	Note	2008 £'000	2007 £'000
Fixed Assets			
Tangible Assets	12	156,656	164,060
Investments	13	1	1
		156,657	164,061
Endowment Assets	14	713	837
Current Assets			
Stock	15	132	159
Debtors	16	8,084	7,894
Short Term Deposits	17	25,980	13,268
Cash at Bank and in Hand		321	324
		34,517	21,645
Less Creditors: Amounts Falling Due Within One Year	18	(32,926)	(27,446)
Net Current Assets /(Liabilities)		1,591	(5,801)
Total Assets Plus Current Assets (Less Current Liabilities)		158,961	159,097
Less: Creditors: Amounts Falling Due After More Than One Year	19	(22,897)	(25,558)
Less: Provisions for Liabilities	21	(872)	(744)
Total Net Assets Excluding Pension Liability		135,192	132,795
Net Pension Liability	33(d)	(26,785)	(16,713)
Total Net Assets Including Pension Liability		108,407	116,082
Deferred Capital Grants	22	31,682	29,531
Endowments	23	713	837
Revaluation Reserve	24	55,958	59,553
Income and Expenditure account excluding Pension Reserve	25	46,839	42,874
Pension Reserve	33(d)	(26,785)	(16,713)
Income and Expenditure account including Pension Reserve		20,054	26,161
Total Funds		108,407	116,082

The Financial Statements on pages 18 to 49 were approved by the Council on 21 November 2008 and signed on its behalf by: -

Dr A Mawson	Chair of Council
Professor M Harloe	Vice-Chancellor
Mr S Attwell	Director of Finance

Consolidated Cash Flow Statement

for the Year Ended 31 July 2008

	Note	2007-08 £'000	2006-07 £'000
Net Cash Inflow from Operating Activities	27	14,507	14,079
Returns on Investments and Servicing of Finance	28	609	(936)
Capital Expenditure and Financial Investment	29	63	(8,298)
Net Cash Inflow before Use of Liquid Resources and Financing		15,179	4,845
Management of Liquid Resources	30	(12,521)	(9,490)
Financing	31	(2,758)	4,870
(Decrease) / Increase in Cash in the Year		(100)	225

Reconciliation of Net Cash Flow to movement in Net Debt to the year ended 31 July 2008

	Note	2007-08 £'000	2006-07 £'000
(Decrease) / Increase in Cash in the Year	32	(100)	225
Increase / (Decrease) in Short Term Deposits	32	12,521	9,490
New Loans	31	-	(6,000)
Repayment of Loans and Leases	31	2,758	1,130
Change in Net Funds	32	15,179	4,845
Net Debt at Beginning of Year	32	(14,062)	(18,907)
Net Funds / (Debt) at End of Year	32	1,117	(14,062)

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.

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

2. Basis of Consolidation

The consolidated Financial Statements include the University and all its subsidiaries for the financial year to 31 July 2008. 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 Student's Union because the institution does not control those activities.

3. 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 expanded in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments.

4. 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.

5. Leases and hire purchase contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease team.

6. Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 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 allocated to tangible fixed assets is included in their cost.

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

7. Land and Buildings

Land and buildings are stated at valuation or cost, the basis of valuation is a combination of depreciated replacement cost, existing use and open market value. Valuations are carried out by independent Chartered Surveyors.

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

Refurbishment costs are depreciated over 10 years.

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.

8. 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.

9. Endowment Assets

Endowment assets are included in the balance sheet at market value.

10. Stock

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

11. 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.

Short term deposits comprise term deposits held as readily disposable stores of value.

12. **Foreign Currency Translations**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

13. **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.

14. **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:

1. 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.

2. 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.

15. **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 but the USS and TPS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme, which are attributable to the University. In accordance with FRS17 these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable. The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts FRS 17 “Retirement benefits”.

16. **Provisions, Contingent Liabilities and Contingent Assets**

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 form a past event.

Notes to the Accounts

1. **Funding Body Grants**	**2007-08 £'000**	**2006-07 £'000**
Higher Education Funding Council for England		
Teaching Grants	47,648	44,799
Research Grants	8,606	8,398
Other Specific Grants	5,440	3,960
Deferred Capital Grants released in year :		
Buildings (Note 22)	1,294	1,267
Equipment (Note 22)	1,459	1,379
	64,447	59,803

2. **Tuition Fees and Education Contracts**	**2007-08 £'000**	**2006-07 £'000**
Full-time Students Charged Home Fees	24,092	17,872
Full-time Students Charged Overseas Fees	13,891	11,496
Part-time Students	5,013	4,714
Other Teaching Contracts	24,163	23,938
Short Courses	548	437
Research Training Support Grants	438	425
	68,145	58,882

3. **Research Grants and Contracts**	**2007-08 £'000**	**2006-07 £'000**
Research Councils	4,612	3,133
UK Charities	343	231
Central Government	1,189	1,104
Industry	126	145
European Union Central	1,785	2,144
European Union Other	79	39
Other Overseas	259	482
Knowledge Transfer Partnerships	323	287
Deferred Equipment Grants released in year (Note 22)	85	46
	8,801	7,611

4. **Other Income**	**2007-08 £'000**	**2006-07 £'000**
Residencies, Catering and Conferences	8,453	8,869
Other Services Rendered	16,189	14,978
Other Income Generating Activities	6,037	4,678
Deferred Capital Grants released in year :		
Buildings (Note 22)	652	172
Equipment (Note 22)	35	81
	31,366	28,778

Notes to the Accounts

4a. **Exceptional Other Income**

In April 2008 the University reached an agreement for the reimbursement of £1.176 million in respect of costs incurred and written off in relation to the project to build a new Arts and Media Centre on the Farmer Norton Site

5. **Endowment and Investment Income**	**2007-08 £'000**	**2006-07 £'000**
Investment Income and Other Interest Receivable	2,228	821
Allocated to Standardisation of Pension Benefits for Former University College Staff Provision (Note 21)	(45)	(34)
Allocated to Specific Endowments	-	(41)
Net Return on Pension Scheme	589	386
	2,772	1,132

6. **Staff Costs**	**2007-08 Number**	**2006-07 Number**
The staff numbers by major category (including senior post holders) employed by the University during the period, expressed as full-time equivalent:-		
Academic	1,091	1,058
Administrative, including clerical and manual	1,513	1,507
	2,604	2,565

	2007-08 £'000	**2006-07 £'000**
Wages and Salaries	82,972	75,715
Social Security Costs	6,721	6,129
Other Pension Costs (Note 33)	10,989	9,856
	100,682	91,700
Early Retirement and Voluntary Severance	985	2,025
	101,667	93,725

Emoluments of the Vice-Chancellor	**2007-08 £'000**	**2006-07 £'000**
Salary	239	217
Benefits in Kind	1	1
Sub Total	240	218
Pension Contributions	-	-
Total Emoluments	240	218

In 2005-06 the University reviewed the Vice-Chancellor's pension arrangements and this resulted in the Vice-Chancellor leaving the superannuation scheme with effect from 31 March 2006. The University agreed that the sums which it would normally have paid to the superannuation scheme as employers contributions should be paid to him in additional salary. This arrangement has not resulted in any additional cost to the University.

Notes to the Accounts

6. **Staff Costs (continued)**

Remuneration of Other Higher Paid Staff Over £100,000 (Excluding employer's pension contributions)	**2007-08** **Number**	**2006-07** **Number**
£100,001 - £110,000	2	3
£110,001 - £120,000	2	-
£120,001 - £130,000	-	2
£130,001 - £140,000	1	-

7. **Other Operating Expenses**	**2007-08** **£'000**	**2006-07** **£'000**
Fees and Invoiced Staff	2,772	2,119
Staff Expenses (including travel, hospitality and conferences)	4,009	3,525
Student Expenses	5,021	4,170
Marketing	1,326	1,089
Vehicle and Transport Costs	604	487
Consumables	1,668	1,393
Information Services	6,625	5,195
Communications	1,109	908
Stationery/Photocopying/Printing	1,531	1,796
Equipment and Furniture	2,598	1,706
Fees and Expenses	9,737	9,656
Licences/Insurance/Subscriptions	2,127	2,217
Catering	912	795
Household Expenses	254	200
Financial Charges	1,415	440
Security	877	795
Utilities/Rates/Rents	4,076	4,275
Premises Maintenance	8,293	5,589
Subsidiary Company Expenditure	4,744	4,765
	59,698	51,120

Fees and Expenses includes:		
External Auditors Remuneration in Respect of Audit Services	49	47
External Auditors Remuneration in Respect of Non – Audit Services	43	31
Internal Auditors' Remuneration	132	122

Notes to the Accounts

8. **Interest and Other Finance Costs**	**2007-08 £'000**	**2006-07 £'000**
On Bank Loans, Overdrafts and Other Loans :		
Repayable within 5 years, not by instalments	-	178
Repayable within 5 years, by instalments	60	123
Repayable wholly or partly in more than 5 years	1,553	1,315
Net Charge on Pension Schemes (Note 33c)	480	433
Students' Union Deposit Interest	70	60
	2,163	2,109

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 disposal and demolition of fixed assets)**

	Staff Costs		**Other Operating Expenses**		**Depreciation**		**Interest**		**Total**	
	07/08 £'000	**06/07 £'000**	**07/08 £'000**	**06/07 £'000**	**07/08 £'000**	**06/07 £'000**	**07/08 £'000**	**06/07 £'000**	**07/08 £'000**	**06/07 £'000**
Academic Departments	58,088	52,899	14,096	13,120	1,204	1,142	-	-	73,388	67,574
Academic Services	7,818	6,516	5,320	3,890	683	647	-	-	13,821	11,053
Administration	13,632	12,682	9,162	8,698	637	460	-	-	23,431	21,840
Premises	6,095	5,818	12,614	7,950	5,930	5,806	1,613	1,616	26,252	21,190
Residencies, Catering and Conferences	2,307	2,553	5,398	5, 675	1,532	1,512	-	-	9,237	9,740
Research Grants and Contracts	4,699	4,120	1,763	1,677	85	46	-	-	6,547	5,430
Other Expenses	9,028	9,137	11,345	10,110	55	64	550	493	20,978	19,804
	101,667	93,725	59,698	51,120	10,126	9,677	2,163	2,109	173,654	156,631

10. **Taxation**

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

11. **Loss and disposal**	**2007-08 £'000**	**2006-07 £'000**
Disposal of Meadow Road Campus and Irwell Valley School	-	416
Fire Damage at University House	-	9
Demolition of Castle Irwell phase 3 & 4 & Lankester Building	3,342	-
	3,342	425

12. **Tangible Assets**	**Land and Buildings £'000**	**Assets in the Course of Construction £'000**	**Equipment £'000**	**Total £'000**
Consolidated				
Historical Cost/Valuation				
At 1 August 2007	162,802	-	31,038	193,840
Additions	1,065	327	4,385	5,777
Disposals	(3,972)	-	(679)	(4,651)
At 31 July 2008	159,895	327	34,744	194,966
Depreciation				
At 1 August 2007	8,291	-	21,452	29,743
Charge for the Year	6,863	-	3,263	10,126
Disposals	(911)	-	(679)	(1,590)
At 31 July 2008	14,243	-	24,036	38,279
Net Book Value				
At 31 July 2008	145,652	327	10,708	156,687
At 1 August 2007	154,511	-	9,586	164,097

The Land and Building assets of the University are freehold and were revalued on 31 July 2006 by Dunlop Haywards (Independent Consultant Surveyors).

Notes to the Accounts

12. **Tangible Assets (Continued)**

	2008 £'000	**2007 £'000**
The net book value of the Land and Buildings can be analysed as:-		
2006 Valuation Market Value	12,989	13,545
2006 Valuation Depreciated Replacement Cost	119,619	128,577
Historical Cost (Including Assets in the Course of Construction)	13,371	12,389
	145,979	154,511

	Land and Buildings £'000	**Assets in the Course of Construction £'000**	**Equipment £'000**	**Total £'000**
University				
Historical Cost/Valuation				
At 1 August 2007	162,802	-	30,685	193,487
Additions	1,065	327	4,362	5,754
Disposals	(3,972)	-	(679)	(4,651)
At 31 July 2008	159,895	327	34,368	194,590
Depreciation				
At 1 August 2007	8,291	-	21,136	29,427
Charge for the Year	6,863	-	3,234	10,097
Disposals	(911)	-	(679)	(1,590)
At 31 July 2007	14,243	-	23,691	37,934
Net Book Value				
At 31 July 2008	145,652	327	10,677	156,656
At 1 August 2007	154,511	-	9,549	164,060

The Land and Building assets of the University are freehold and were revalued on 31 July 2006 by Dunlop Haywards (Independent Consultant Surveyors).

13. **Investments**

	2008 £'000	2007 £'000
Consolidated		
Trade Investments	2	42
University		
Trade Investments	1	1

At the 31 July 2008 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	Dormant	Ordinary	100.0%

At the 31 July 2008 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%
Crescent Purchasing Limited	Purchasing Services	Ordinary	100.0%

At the 31 July 2008 the University of Salford owned the following trade investments which are all registered and operating in England and Wales

Super Services Limited	Marketing	Ordinary	2.0%
Sustainability North West Limited	Research	Limited by Guarantee	50.0%
NFAB Limited	Nanotechnology	Ordinary	8.0%

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. The Group's share of the turnover of this company is not considered to be material

Notes to the Accounts

13. **Investments (Continued)**

At the 31 July 2008 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	Consultancy	Ordinary	24.0%
CVD Technology Limited	Industrial Processes	Ordinary	20.0%
The Protocol Lab Limited	Construction Industry Software	Ordinary	20.0%
Contraception Education Limited	Board Game	Ordinary	7.4%
Foodparks UK Limited	Business Parks	Ordinary	5.0%
One Central Park Limited	Business Parks	Ordinary	20.0%
Lacerta Rehabilitation Limited	Orthopaedic Services	Ordinary	15.0%

14. **Endowment Asset Investments**	**2008 £'000**	**2007 £'000**
Consolidated and University		
Balance at 1 August 2007	837	838
(Decrease) in Cash Balances	(124)	(1)
Balance at 31 July 2008	713	837

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

15. **Stock**	**2008 £'000**	**2007 £'000**
Consolidated		
Building and Engineering Stores	116	133
Catering Stock	16	26
Work in Progress	-	106
Goods for sale	39	49
	171	314
University		
Building and Engineering Stores	116	133
Catering Stock	16	26
	132	159

Notes to the Accounts

16. **Debtors**	**2008 £'000**	**2007 £'000**
Consolidated		
Amounts Falling Due Within One Year:		
Trade Debtors	5,002	5,061
Amounts Due on Research Grants and Contracts	1,611	1,673
Accrued Income	1,917	1,837
Other Debtors and Prepayments	2,972	1,687
	11,502	10,258
University		
Amounts Falling Due Within One Year:		
Trade Debtors	3,002	3,186
Amounts Due on Research Grants and Contracts	1,611	1,673
Accrued Income	1,698	1,648
Other Debtors and Prepayments	1,588	1,028
Amounts Owed by Subsidiary Undertakings	185	359
	8,084	7,894

17. **Short Term Deposits**	**2008 £'000**	**2007 £'000**
Consolidated and University		
At 31 July 2008	26,693	14,105
Allocated to Endowment Investments (Note 14)	(713)	(837)
	25,980	13,268

The University places funds with Royal London Asset Management for investment in short term deposits in accordance with the University's Treasury Management policy.

Notes to the Accounts

18. **Creditors: Amounts Falling Due Within One Year**	**2008 £'000**	**2007 £'000**
Consolidated		
Bank and Other Loans	1,043	1,421
HEFCE Grant	-	125
Research Contract Payments Received on Account	1,664	2,113
Trade Creditors	5,446	4,733
Social Security and Other Taxation Payable	2,902	2,426
Other Payroll Creditors	1,230	1,257
Accruals	11,508	6,533
Other Creditors	312	294
Deferred Income	10,065	9,332
Students' Union Deposit	1,354	1,163
	35,524	29,397
University		
Bank and Other Loans	1,043	1,421
HEFCE Grant	-	125
Research Contract Payments Received on Account	1,664	2,113
Trade Creditors	4,720	3,876
Social Security and Other Taxation Payable	2,299	2,266
Other Payroll Creditors	1,230	1,257
Accruals	10,690	6,337
Other Creditors	312	294
Deferred Income	6,110	7,564
Amounts Due to Subsidiary Undertakings	3,504	1,030
Students' Union Deposit	1,354	1,163
	32,926	27,446

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

Notes to the Accounts

19. **Creditors: Amounts Falling Due After More Than One Year**	**2008 £'000**	**2007 £'000**
Consolidated		
Bank and Other Loans	22,897	25,278
Deferred Income	-	280
	22,897	25,558
University		
Bank and Other Loans	22,897	25,278
Deferred Income	-	280
	22,897	25,558

20.**Borrowings: Bank Loans and Mortgages**	**2008 £'000**	**2007 £'000**
University and Consolidated		
Amounts Falling Due Within 1 Year	1,043	1,421
Amounts Falling Due between 1 to 2 Years	1,078	1,475
Amounts Falling Due between 2 to 5 Years	3,259	3,102
Amounts Falling Due After 5 Years or More	18,560	20,701
	23,940	26,699

Analysis of Loans

Year Obtained Loan	**Security**	**Year Repayable**	**Interest Rate**	**Balance Outstanding £'000**
1996	Centenary Building	2017	Variable on Libor	3,050
2004	Mary Seacole Building	2030	Fixed at 5.86%	15,130
2007	Law Building	2032	Fixed at 5.18%	5,760
				23,940

The University has also arranged for a £20m loan facility at a fixed rate of 5.18% to be drawn down by September 2010.

Notes to the Accounts

21. **Provisions for Liabilities**

	£'000
Consolidated and University	
As at 1 August 2007	744
Utilised in Year	-
Interest on Funds (Note 5)	45
Transfer from Income and Expenditure Account	83
As at 31 July 2008	872

The provision is for the standardisation of pension benefits for former University College Salford Staff.

22. **Deferred Capital Grants**

	Funding Council £'000	Other £'000	Total £'000
Consolidated and University			
At 1 August 2007			
Buildings	21,478	4,806	26,284
Equipment	3,074	173	3,247
Total	24,552	4,979	29,531
Cash Receivable			
Buildings	62	3,840	3,902
Equipment	1,583	191	1,774
Total	1,645	4,031	5,676
Released to Income and Expenditure			
Buildings (Notes 1 & 4)	(1,294)	(652)	(1,946)
Equipment (Notes 1, 3 & 4)	(1,459)	(120)	(1,579)
Total	(2,753)	(772)	(3,525)
At 31 July 2008			
Buildings	20,246	7,994	28,240
Equipment	3,198	244	3,442
Total	23,444	8,238	31,682

Notes to the Accounts

23. **Endowments**

Consolidated and University	**£'000 Restricted Expendable**	**£'000 Restricted Permanent**	**£'000 Restricted Total**
Restated Balances:			
Capital Value	492	126	618
Accumulated Income	134	85	219
At 1 August as Restated	626	211	837
New Endowments	-	-	-
Income for the year	28	12	40
Expenditure for the Year	(164)	-	(164)
At 31 July 2008	490	223	713
Represented by:			
Capital Value	343	126	469
Accumulated Income	147	97	244
	490	223	713

Previous year balances have been restated, reanalysing them into the Capital Value of Investments Held and Accumulated Income Unapplied

24. **Revaluation Reserve**	**University £'000**	**Consolidated £'000**
At 1 August 2007	59,553	59,553
Transfer to Income and Expenditure Account (Note 25)	(2,242)	(2,242)
Transfer to Income and Expenditure Account on Disposal of Buildings (Note 25)	(1,353)	(1,353)
At 31 July 2008	55,958	55,958

25. **Income and Expenditure Reserve**	**University £'000**	**Consolidated £'000**
Balance at 1 August 2007	42,874	43,727
Transfer from Revaluation Reserve (Note 24)	2,242	2,242
Transfer from Revaluation Reserve on Disposal of Buildings (Note 24)	1,353	1,353
Transfer from Pension Reserve (Note 26)	683	683
Deficit for the Financial Year	(313)	(165)
As at 31 July 2008	46,839	47,840

The £2,242,000 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**	**University £'000**	**Consolidated £'000**
Balance at 1 August 2007	(16,713)	(16,713)
Actuarial Loss (Note 33d)	(9,389)	(9,389)
Transferred to Income and Expenditure Reserve (Note 25)	(683)	(683)
Pension Reserve at 31 July 2008	(26,785)	(26,785)

27. **Reconciliation of Consolidated Operating Surplus / (Deficit) to Net Cash Inflow/(Outflow) from Operating Activities**	**2007-08 £'000**	**2006-07 £'000**
Deficit on Operations After Depreciation of Assets at Valuation and Disposal of Assets and Tax	(289)	(881)
Depreciation (Note 12)	10,126	9,677
Loss on Disposal of Fixed Assets	3,061	
Deferred Capital Grants Released to Income (Note 22)	(3,525)	(2,945)
Investment Income (Note 5)	(2,772)	(1,132)
Interest and Other Finance Costs (Note 8)	2,163	2,109
Decrease / (Increase) in Stocks	143	(131)
(Increase) / Decrease in Debtors	(1,244)	1,743
Increase / (Decrease) in Creditors	6,033	4,478
Increase / (Decrease) in Provisions	128	123
Difference Between Pension Charge and Pension Contributions (Note 26)	683	1,038
Net Cash Inflow / (Outflow) from Operating Activities	14,507	14,079

28. **Returns on Investments and Servicing of Finance**	**2007-08 £'000**	**2006-07 £'000**
Income from Endowments	-	41
Income from Short Term Investments (Note 5)	2,772	1,132
Interest Paid (Note 8)	(2,163)	(2,109)
	609	(936)

29. **Capital Expenditure and Financial Investment**	**2007-08 £'000**	**2006-07 £'000**
Purchase of Tangible Fixed Assets (Note 12)	(5,777)	(14,929)
Proceeds from Sales of Fixed Assets	-	3,675
Endowment Assets Disposed / (Purchased) (Note 14)	124	1
Investments Disposed / (Purchased) (Note 13)	40	38
Deferred Capital Grants Received (Note 22)	5,676	2,862
Endowments Received (Note 23)	-	55
	63	(8,298)

Notes to the Accounts

30. **Management of Liquid Resources**	**2007-08 £'000**	**2006-07 £'000**
Movement in Students' Union Deposit	191	(131)
(Placement) / Withdrawal of Short Term Deposits	(12,712)	(9,359)
Net Cash (Outflow) / Inflow from Management of Liquid Resources	(12,521)	(9,490)

31. **Analysis of Changes in Consolidated Financing**	**2007-08 £'000**	**2006-07 £'000**
Opening Balance	26,698	21,828
Loan from Barclays Bank Repayable by 2032	-	6,000
Repayments of Amounts Borrowed	(2,758)	(1,130)
Net Amount Borrowed during the year	(2,758)	4,870
Closing Balance	23,940	26,698

32. **Analysis of Changes in Consolidated Net Funds**	**1 August 2007 £'000**	**Cash Flow £'000**	**31 July 2008 £'000**
Short Term Deposits	13,268	12,712	25,980
Students' Union Deposit	(1,163)	(191)	(1,354)
	12,105	12,521	24,626
Cash at Bank and in Hand	531	(100)	431
Debt Due Within One Year	(1,420)	377	(1,043)
Debt Due Over One Year	(25,278)	2,381	(22,897)
	(14,062)	15,179	1,117

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: -

	2007-08 £'000	**2006-07 £'000**
USS -Note 33(a)	6,166	5,458
GMPF-Note 33(b)	3,795	3,382
TPS -Note 33(c)	982	960
Other Pension Schemes	46	56
(Note 6)	10,989	9,856
USS Early Retirement Costs	568	852
GMPF Curtailments and Settlements	21	268
TPS Curtailments and Settlements	42	160
Total Pension Costs	11,620	11,136

The University contribution rates at 31 July were:	**2008** **%**	**2007** **%**
USS	14.0	14.0
GMPF	12.9	13.0
TPS	14.1	14.1

The University also pays an additional contribution at 1.5% of pensionable salaries into a University 'top up scheme' for certain former University College Salford staff (Note 21).

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

The University participates in the Universities Superannuation Scheme, 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 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; one is appointed by the Higher Education Funding Councils; 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.

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation was at 31 March 2005.The main results and assumptions of the valuation of the USS are as follows: -

Latest Actuarial Valuation date	31 March 2005
Valuation method	Projected Unit
Value of assets	£21,740m
Value of past service liabilities	£28,308m
Deficit	£6,568m
Funding level for accrued benefits	77.0%
Investment return per annum for past service liabilities	4.5 %
Salary increase per annum for past service liabilities	3.9%
Pension increases per annum for past service liabilities	2.9%
Investment return per annum for future service liabilities	6.2%
Salary increases per annum for future service liabilities	3.9%
Pension increases per annum for future service liabilities	2.9%

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and Non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

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

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (i.e. the valuation rate of interest). On the FRS 17 basis, using an AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The University contribution rate required for the future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company on the advice of the actuary, decided to maintain the University contribution rate 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase / decrease by 0.5%	Decrease / Increase by £2.2 billion
Rate of pension increase	Increase / decrease by 0.5%	Decrease / Increase by £1.7 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.5 billion
Rate of Mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 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 bias towards 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 has agreed 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 to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong 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. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

Notes to the Accounts

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 2004 updated to 31 July 2006 and 31 July 2007 by a qualified independent actuary (Hymans Robertson).

Under the definitions set out in FRS 17, the LGSS is a multi-employer defined benefit pension scheme. In the case of the LGSS, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2008.

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 2008 were:

	31 July 2008	**31 July 2007**
	% p.a.	% p.a.
Pension Increase Rate	3.8%	3.3%
Salary Increase Rate	5.3%	4.8%
Expected Return on Assets	7.0%	7.1%
Discount Rate	6.7%	5.8%

The average future life expectancy at age 65 is:

	Males	**Females**
Current Pensions	19.6 years	22.5 years
Future Pensions	20.7 years	23.6 years

The breakdown of the expected return on assets by category:	**Long Term Rate of Return Expected at 31 July 2008**	**Long Term Rate of Return Expected at 31 July 2007**
Equities	7.8%	8.0%
Bonds	5.7%	5.2%
Property	5.7%	6.0%
Cash	4.8%	5.1%

The fair value of employer assets were:	**31 July 2008 £'000**	**31 July 2007 £'000**
Equities	50,893	57,003
Bonds	13,472	14,373
Property	6,669	8,845
Cash	7,127	8,599
	78,161	88,820

Notes to the Accounts

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

The following amounts were measured in accordance with FRS17:

Analysis of the Amount Shown in the Balance Sheet	**31 July 2008 £'000**	**31 July 2007 £'000**
Fair Value of Employer Assets	78,185	88,825
Funded Obligations	(92,108)	(93,269)
Obligations	(4,183)	(4,273)
Total Value of Liabilities	(96,291)	(97,542)
Net Liability	(18,106)	(8,717)

Analysis of the Amount Charged to Staff Costs within Operating Surplus / (Deficit)	**2007-08 £'000**	**2006-07 £'000**
Service Cost	2,851	3,382
Past Service Cost	944	41
Curtailments and Settlements	21	268
Total Operating Charge	3,816	3,691

Analysis of Net Return on Pension Scheme	**2007-08 £'000**	**2006-07 £'000**
Expected Return on Pension Scheme Assets	6,291	5,461
Interest on Pension Scheme Liabilities	(5,702)	(5,075)
Net Return	589	386

Amounts Recognised in the Statement of Total Recognised Gains and Losses	**2007-08 £'000**	**2006-07 £'000**
Actual Return Less Expected Return on Pension Scheme Assets	(17,345)	2,511
Experience Gains and Losses Arising on the Scheme Liabilities	4,655	186
Change in Financial and Demographic Assumptions Underlying the Scheme Liabilities	3,955	7,916
Actuarial (Loss) / Gain recognised in Statement of Gains and Losses	(8,735)	10,613

Changes in the Present Value of the Defined Benefit Pension Obligations are as follows:	**31 July 2008 £'000**	**31 July 2007 £'000**
Opening Defined Benefit Obligation	(97,542)	(98,491)
Current Service Cost	(2,851)	(3,382)
Interest Cost	(5,702)	(5,075)
Contributions by Members	(1,137)	(1,060)
Actuarial Gains	8,524	8,088
Past Service Costs	(944)	(41)
Losses on Curtailments	(21)	(268)
Contributions in Respect of Unfunded Benefits Paid	270	290
Estimated Benefits Paid	3,112	2,397
Closing Defined Benefit Obligation	(96,291)	(97,542)

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 2008 £'000**	**31 July 2007 £'000**
Opening Fair Value of Employer Assets	88,825	80,081
Expected Return on Assets	6,291	5,461
Contributions by Members	1,137	1,060
Contributions by the Employer	2,303	2,054
Contributions in Respect of Unfunded Benefits	270	290
Actuarial (Losses) / Gains	(17,259)	2,566
Estimated Unfunded Benefits Paid	(270)	(290)
Estimated Benefits Paid	(3,112)	(2,397)
	78,185	88,825

History of Experience Gains and Losses

Year Ended	**31 July 2008 £'000**	**31 July 2007 £'000**	**31 July 2006 £'000**	**31 July 2005 £'000**	**31 July 2004 £'000**
Fair Value of Scheme Assets	78,185	88,825	80,081	71,350	60,602
Present Value of Defined Benefit Obligation	(96,291)	(97,542)	(98,491)	(88,999)	(76,285)
Deficit in the Scheme	(18,106)	(8,717)	(18,410)	(17,649)	(15,683)
Experience (Losses) / Gains on Assets	(17,259)	2,565	3,642	8,402	2,029
Experience Gains / (Losses) on Liabilities	4,655	186	(52)	415	3

The difference between the Experience Gains / (Losses) on liabilities for 2007/08 £4,655,000 and Actuarial Gains / Losses on Liabilities £8,524,000 is due to a change in assumptions underlying the present value of the scheme liabilities:

- £1,013,000 in respect of the change in the commutation assumption compared to the 2007 report.
- (£3,131,000) in respect of the change in the mortality assumptions compared to the 2007 FRS 17 report.
- £5,987,000 in respect of the change in financial assumptions compared to the 2007 FRS 17 report.

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

A number of early retirement benefits have been granted to TPS members and in this case the University is able to identify its share of the liabilities relating to early retirement.

The major assumptions used were: -

	31 July 2008	**31 July 2007**
Total Interest Rate for Calculating Interest on Pension Liabilities	6.0%	5.5%
Net Interest Rate to Discount Scheme Liabilities	2.0%	2.5%

	31 July 2008 £'000	**31 July 2007 £'000**
Present Value of Unfunded Liabilities	8,679	7,997

Analysis of the Amount Charged to the Income and Expenditure Account	**2007-08 £'000**	**2006-07 £'000**
Curtailments and Settlements	42	**160**

Analysis of Net Return on TPS Scheme Early Retirements	**2007-08 £'000**	**2006-07 £'000**
Interest on Pension Liabilities	480	433

Analysis of Amounts Recognised in Statement of Recognised Gains and Losses	**2007-08 £'000**	**2006-07 £'000**
Changes in Financial and Demographic Assumptions Underlying the Scheme Liabilities	654	-

Notes to the Accounts

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

Changes in the present value of the defined pension obligations are as follows:

Movements in Deficit During Year	**31 July 2008 £'000**	**31 July 2007 £'000**
Opening Defined Benefit Obligation	(7,996)	(7,878)
Contributions in respect of Unfunded Benefits	493	475
Impact of Settlements and Curtailments	(42)	(160)
Interest and Pension Liabilities	(480)	(433)
Actuarial (Loss)	(654)	-
Closing Defined Benefit Obligation	(8,679)	(7,996)

History of Experience Gains and Losses

Year Ended	**31 July 2008 £'000**	**31 July 2007 £'000**	**31 July 2006 £'000**	**31 July 2005 £'000**	**31 July 2004 £'000**
Present Value of Defined Benefit Obligation	(8,679)	(7,996)	(7,878)	(7,766)	(6,223)
Experience Losses on Liabilities	(654)	-	-	(799)	(70)

33(d). **Pension Scheme Summary**

The implementation of FRS 17 'Retirement Benefits' resulted in the pension scheme deficits and actuarial (losses)/gains being included in the Financial Statements as follows: -

	2007-08 £'000	**2006-07 £'000**
Balance Sheet – Pension Scheme Deficits		
Greater Manchester Pension Fund – Note 33(b)	(18,106)	(8,717)
Teachers' Pension Scheme Early Retirement – Note 33(c)	(8,679)	(7,996)
	(26,785)	(16,713)

	2007- 08 £'000	**2006-07 £'000**
Statement of Total Recognised Gains and Losses		
Actuarial (Losses) / Gains		
Greater Manchester Pension Fund – Note 33(b)	(8,735)	10,613
Teachers' Pension Scheme Early Retirement – Note 33(c)	(654)	-
	(9,389)	10,613

Notes to the Accounts

34. **Financial Commitments**	**2008 £'000**	**2007 £'000**
At 31 July the annual commitments under non-cancellable operating leases were as follows:		
Consolidated		
Land and Buildings		
Within One Year	-	-
Between Two and Five Years	435	57
Over Five Years	71	427
	506	484
Other		
Within One Year	601	70
Between Two and Five Years	394	595
Over Five Years	-	-
	995	665
University		
Land and Buildings		
Within One Year	-	-
Between Two and Five Years	398	21
Over Five Years	71	427
	469	448
Other		
Within One Year	601	70
Between Two and Five Years	394	595
Over Five Years	-	-
	995	665

35. **Capital Commitments**	**2008 £'000**	**2007 £'000**
Consolidated and University		
Commitments Contracted at 31 July	635	685
Authorised but not Contracted at 31 July	25,740	7,087

The authorised commitment includes an approved fit out of £25.7m on the lease of a building at the Media City Development in Salford Quays

36. **Contingent Liability**

The University is, along with over seventy other higher education University's, a member of mutual association which provides insurance cover against terrorism risks. The association provides up to £300 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. Any amount drawn under this facility would be repayable over 7 years. No such draw down has been made to date.

Notes to the Accounts

37. **Access Funds**	**2007-08 £'000**	**2006-07 £'000**
Balance Brought Forward	113	181
HEFCE Grants	891	1,035
Interest Earned	21	26
Administration Costs	(44)	(61)
Disbursed to Students	(940)	(1,068)
Balance Carried Forward	41	113

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.

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 particular several members are connected to Salford City Council in various capacities.

During 2007 08 the University has entered into three contracts with Salford City Council totalling £412,000 for the facilities management, conferencing and catering at the Salford Innovation Forum building.

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 group companies.

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

	2007-08 £'000	**2006-07 £'000**
Annual Grant Paid to Students' Union from University	806	754
Payments made to the Students' Union from the University for Services provided	122	136
Payments made to the University from Students' Union for Services provided	(138)	(114)

At the 31 July 2008 Student's Union had £1,354,000 (2007: £1,163,000) invested with the University of Salford as detailed in Note 18.

39. **Post Balance Sheet Events**

(a) Disposal of Assets

Subsequent to the year end a contract was signed for the sale of two accommodation properties John Lester and Eddie Colman generating an exceptional profit of £8,800,000, on a historical cost basis, in 2008 09.

(b) Lease of property at Salford Quays

Subsequent to the year end the University entered into a 25 year lease for a building at Salford Quays which is owned and to be developed by Peel Media Limited.