University of Salford
A Greater Manchester University

# Financial Statements

# Year Ending 31 July 2010

## Contents

## Membership of the Council 2009 - 10

### Independent Members

Dr A Mawson [2 3] (Chair of Council, Chair of Nominations and Governance Committee and Chair of Remuneration Committee)
Mr C Wells [1 2 3] (Deputy Chair of Council and Lead Member for Estates)
Mr I Austin [1 2 (3 until 27.11.09)] (Chair of Audit Committee from 27.11.09)
Mr M Appleton (from 8.7.10)
Mr K Brady (from 8.7.10)
Mr T Britten [1] (Lead Member for Information Technology)
Dr M Burrows (Lead Member for Finance from 27.11.09)
Mr N Collins [2] (Lead Member for Human Resources)
Mr J Corner
Mr P Crompton
Ms J Fawcett (from 8.7.10)
Ms F Goodey
Mr J Greenough [2] (Lead Member for Finance until 27.11.09, Lead Member for Performance 27.11.09)
Cllr W B Pennington [1]
Mr N Renfrew
Ms C Shaw [2 3]
Ms B Spicer (until 27.11.09)
Ms R Turner (from 8.7.10)
Mr J C Willis ([until 27.11.09][1 2 (Chair of Audit Committee until 27.11.09))

### Internal members

Professor M Bull [2]
Mr R Chotai (student nominee)
Ms L Doyle
Professor M Hall [2 3] (Vice-Chancellor)
Professor R Howard (to 13.9.09)
Dr H Takruri-Rizk MBE (from 27.11.09)
Mr M Webber (student nominee)

### Notes

(a) The number after a member denotes membership of one of the following Committees during 2009-10;

1. Audit Committee
2. Nominations and Governance Committee
3. Remuneration Committee

(b) During 2009-10 there were two co-opted members of the Audit Committee who were not members of Council: Mr K Simmons (until 29.10.09) and Dr A Smith.

(c) Other members of Nominations and Governance Committee who are not members of Council are ; Professor C Pine, Professor A Alcock, Professor G Aouad, Professor G Nicholls (until 31.12.09), Mr K Barnes (the last four named are members only for the consideration of candidates for the award of Honorary Degrees)

(d) In July 2010, Mr J Corner was engaged in an employment capacity by the University in relation to the Media City UK project and it was agreed that Mr Corner would stand down from membership of Council for the duration of this engagement.

## Vice- Chancellor’s Statement:

This is a time of change for all universities in Britain as the basis for state funding of key aspects of research funding and the financing of student education are reviewed and reformed.

The recent results of the Comprehensive Spending Review announced by the Chancellor of the Exchequer gave little detail about spending and reform in the higher education sector and we do not expect to have full clarity on the government’s response to the Browne Review and cuts in our grant income until the spring.

Nevertheless, there have been several statements made that shows that the government has accepted there should be major reform, with an increase in contributions by graduates. With the confirmed reduction of 7.1% per annum in the budget of the Department for Business, Industry and Skills, in which University funding is located, this inevitably means a reduction in the size of the teaching grant and the substitution of student fee income to cover university teaching costs.

We remain deeply concerned about the implications of increased student debt, while welcoming the assurance that repayment arrangements will be progressive in their relationship to graduate earning levels. We will need to wait for both the government’s response to the Browne Review, and for HEFCE’s decisions on support for teaching, to see what this means for us, and before we make any decision on the level of our future fees.

The dominant theme of the year under review has therefore been preparation for these changed circumstances, with an emphasis on careful forward planning, the management of risk and the continuing reform of organizational systems and management processes. It is pleasing therefore that we have achieved a surplus of £4.8m for the year, and we have healthy cash and short term deposits of £40m. Overall, we are confident that we have entered the new financial year in a strong position with the determination to continue our ambitious transformation programme.

In the coming year we will implement our new College and School structure, and seek economies in our non salaries spend in order to maintain our strong financial position. We are putting particular emphasis on comprehensive and appropriate performance indicators and a robust risk management system. We are determined to continue our programme of investment in our estate, and to realize the full benefit of our new Media City campus, which will open in October 2011. Above all, we are paying special attention to the opportunities that we offer our students, to enhancing the work of our staff, and to the contribution that we make to the public benefit through teaching, research and innovation and local and national engagement.

We are approaching the coming year fully prepared to meet its substantial challenges. This includes the imperative to achieve a sustained operating surplus of up to five percent annually. Our capacity to deliver on the objectives of our ambitious Strategic Plan requires this level of financial performance. Despite the uncertainties and challenges facing British universities over the coming year, we will be striving to make further progress towards achieving our goal of being in the top quartile of high performing British universities by 2017.

Professor M Hall
Vice- Chancellor

24 November 2010

# Operating and Financial Review 2009-10

## 1. Mission and Vision (including strategic goals and organising themes)

In November 2009, Council adopted a revised Strategic Plan covering the period 2009-10 to 2017-18 (2017 being the 50th anniversary of the granting of the Royal Charter to establish the University). The Strategic Plan which is available on our website, sets out the following mission and vision for the University;

Mission

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

Vision

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

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

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

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

Goal 1 - Transforming Learning and Teaching

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

Goal 2 - Transforming Research and Innovation

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

Goal 3 - Transforming Engagement

To substantially extend the University's engagement and influence with government at all levels, agencies, industry, professional bodies, Schools, Colleges, persons of influence, our Alumni and the Community in support of our research and education mission and for transformation and social good.

Goal 4 - Our People

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

Goal 5 - Transforming Infrastructure and Services

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

Goal 6 - Internationalising the University

To foster a strong embedded culture of internationalism, which encourages our staff, students and stakeholders to view our world from both a local and a global perspective, extends our international engagement, contributes to our teaching and research goals, extends our influence and reputation – to create a more powerful and recognised brand for the University of Salford.

Over the period of the Strategic Plan, the University is committed to developing around a set of distinctive, organising themes which will promote synergies between research and innovation, teaching and learning and engagement and serve as a guide to the development of collaboration and partnerships within and beyond the University. The organising themes which are set out below, have been carefully chosen to reflect the University's current strengths and opportunities derived from change and challenge in the national and global economies.

The themes are;

- Built and Human Environment
- Energy
- Enterprise and Innovation
- Health and Wellbeing
- Human Rights, Social Justice and Security
- Media, Digital Technology and the Creative Economy

## 2. Progress in achieving the vision and mission

a) Building on the "Realising our Vision" reforms

As explained in more detail in Section 2, the University's Key Performance Indicators are explicitly linked to the six Strategic Goals to enable regular review of progress. The text in Sections 4 and 5 below sets out key areas of activity and development during the past financial year.

Over the last few years, the University has been engaged in collective consideration of its performance and this has resulted in major reforms to University governance, management and professional and corporate services. Changes to corporate governance arrangements were highlighted in last year's Operating and Financial Review and further developments over the past year are highlighted below (see Section 2d). In addition to corporate governance enhancements, the "Realising Our Vision" reforms carried out over the past three years focused on transformation of academic and professional and corporate services leadership; most recently, over the past twelve months, the focus has been on a review of professional services support at academic unit and central level and existing School/Faculty structures. At the end of the academic year, Council approved in principle a revised academic model, based on three colleges rather than four faculties noting that the following benefits would arise;

- reconfiguration of the current school model to enable and enhance the integration of cognate disciplines with critical mass;
- facilitating the delayering and simplification of leadership roles;
- enabling a closer connection between Heads of School and the Vice-Chancellor;
- developing a structure to facilitate delivery of the Strategic Vision and goals (including robust underpinning of the six strategic themes);
- acting as a driver for professional service excellence and developing the culture of one professional service supporting the academic enterprise and underpinning the student experience.

b) Estates Master Plan

Last year's Operating and Financial Review set out the guiding principles behind the University's 20 year Estates Master Plan; these principles have guided the implementation of the Plan over the past 12 months. A Master Plan Steering Group has been established comprising senior officers and the Council Lead Member for Estates and this reports on a regular basis to Council; ten different work streams have been established and the Group is ensuring that the University's redevelopment plans are fully integrated with surrounding regeneration projects in the immediate vicinity of the University. In addition to refurbishment and development of different parts of the Campus (including the consolidation of Arts and Social Sciences on the Peel Park Campus) and land acquisition and disposal, workstreams include space rationalisation, transport and car parking policy and a sustainable energy strategy. The University's Media City development is a separate workstream which is described in more detail below.

A central part of Phase 1 of the Master Plan is the construction and operation, by a selected third party, of new student accommodation on the main Peel Park campus and the ultimate disposal of our existing residences at Castle Irwell.

We expect to appoint specialised advisors early in 2010-11 to help secure this objective and release funds for other capital investment programmes.

c) MediaCity UK

Work has continued throughout the year to ensure that the University will open its new facility at MediaCity UK in 2011, the 103,000 square feet state of the art facility (including high definition television studios and a cutting edge media and performance laboratory) which will be adjacent to five BBC departments and key players in the digital and media industry. Over 1,500 students (on 37 programmes) will be able to take advantage of the new facility, gaining experience of working in a realistic industry environment.

d) Review of Corporate Governance

The University has built upon the major constitutional reforms outlined in last year's Operating and Financial Review, updating and amending its Ordinances, Financial Regulations and Code of Conduct for Council Members and Senior Officers. Membership of Council had been refreshed through the recruitment of new, independent members who have augmented the existing skillset of Council. Further changes to Charter and Statutes were approved by the Privy Council in July 2010 inter alia, amending membership criteria to allow greater flexibility between numbers of independent and internal members and providing authority for the remuneration of Council members. There is no proposal to exercise the power of remuneration at the moment, but approval of the change means that Council now has the flexibility to consider remuneration of members at an appropriate juncture. The HEFCE Assurance Review, which assessed governance, risk management and control arrangements, concluded that HEFCE was able to place reliance on the accountability information provided by the University. The University is one of 16 HEIs taking part in a Leadership Foundation led project to assess the effectiveness of governing bodies; outcomes from the project will become known early in 2011.

e) Planned growth of student numbers

Following a rigorous and iterative process of review, the University's academic plan has been revised and shows an increase in student numbers to 22,970 (equating to 19,771 FTE) by 2014/15; growth is planned in overseas students (both at undergraduate and postgraduate level) and full-time and part-time postgraduate students given the limited flexibility on home and EU undergraduate places. Section 4h) sets out the latest actual student number data.

f) Scope for future investment

Last year's Operating and Financial Review set out how the University had reformed its budgeting process to ensure that there was scope for investment in key strategic areas. Despite the anticipated, significant reduction in public funding, the University remains committed to the principle of maintaining reasonable levels of investment, inter alia, through the achievement of significant economies in administration and procurement.

g) Monitoring: Key Performance Indicators

Building on work carried out in 2008-09, a framework for monitoring performance was agreed by University Council in November 2009. The framework is based on the good practice outlined in the CUC report on Monitoring Institutional Performance with Key Performance Indicators (including the "Super KPIs" of Institutional Sustainability and Academic Profile & Market Position) underpinned by local level indicators and metrics. Over the course of 2009-10, the monitoring performance framework was developed further, ensuring that alignment with the six strategic goals outlined above was retained. The University has adopted a pragmatic approach to implementation of the framework, recognising that local, operating performance indicators were at different levels of maturity and sophistication. It is anticipated that the full range of operating performance indicators and metrics for each key performance indicator will be established and approved during 2010-11. Institutional performance will be presented in two forms to allow the progress being made towards delivering each Strategic Plan Goal to be viewed at a glance:-

a one page institutional scorecard summary providing KPIs by Goal with the performance against target for each supporting Performance Indicator indicated by a "Red, Amber, Green" status;
for each KPI, a supporting two page scorecard and major issue log giving the current and historic status of performance against target for each supporting performance indicator and additional narrative root cause analysis information where performance against targets are flagged as amber or red.

## 3. Risks to achieving University Strategy

The previous Operating and Financial Review reported on the approval of the University's Policy on Risk and Risk Management by Council in October 2009. The policy details roles and responsibilities and levels of risk appetite (varying from "minimalist" on compliance and regulatory matters, through "cautious" on strategic planning to "open" on a project basis) with adequate safeguards through the use of risk assessment. The policy also sets out the method of managing risk and the process and timescales for reviewing risk. Council reviews the most significant risks on a quarterly basis and the complete, corporate risk register on an annual basis and is assisted in this process by Audit Committee which reviews and updates the full corporate register on a quarterly basis. The Vice-Chancellor and Executive Committee monitor the most significant risks on a monthly basis, reviewing the entire corporate risk register on a quarterly basis in time to inform both Audit Committee and Council of progress, mitigating actions and overall vulnerability. Underpinning this corporate structure local (College, School and Professional Services) registers are being developed linked to strategic goals and performance indicators, with the potential for matters to be escalated from local registers to the corporate register.

The Risk Management Policy and Procedures were reviewed by Audit Committee and Council early in 2010-11 and this is reported in the Annual Report from the Audit Committee. The process was the subject of an internal audit in 2009-10 and received a "good" assessment.

Risks under closest scrutiny at the end of 2009- 10 included:

**a. Policy changes in central government funding**

The risk to income associated with changes to the level of public grant and tuition fees that may be recommended in the Browne review of Higher education funding and the Comprehensive Spending Review as a response to public finance pressure

- *The short term response to this risk has been to set prudent balanced budgets for the current and future years, anticipating cuts in government funding whilst not anticipating any increase in student tuition fees.*

**b. Delivery of the MediaCity project**

This is a composite programme risk associated with the short term delivery of the University infrastructure and operational student education offering at Media City and the long term commercial exploitation of the Media City brand and asset.

- *The response to the infrastructure delivery and operationalisation has been through the implementation and adherence to tight programme management principles with top level oversight provided by a senior programme board.*
- *The response to the commercial exploitation, which offers considerable potential for third stream income, has been through making minimal contribution assumptions within the current institutional five year budgets.*

**c. Delivery of the ICT Transformation programme**

This risk is associated with the fragility and obsolescence of the current IT infrastructure and the absence of a robust business continuity capacity should failure occur.

- *The response has been through capital investment in the development and implementation of a tranched ICT transformation programme that has prioritised the business continuity issue, already delivered, and will upgrade the remaining infrastructure over the next 12 months to the current state-of-the-art.*

**d. Ensuring strategic future reputation viability**

This risk covers the University's reputation as described in various league table measures.

- *The University response has been to commence a coherent set of initiatives that focus on student retention, satisfaction, graduate employment and maintenance of entry standards.*
- *In addition there has been a continued emphasis on research quality to be measured through the forthcoming REF.*

**e. Optimising the student experience**

This risk covers students' experience of being at the University including both academic & administrative experiences.

- *The University response has been through a coherent set of academic initiatives, described under the league table risk, and through optimising the administrative burden through improvements to business process in areas such as timetabling and the submission and return of assessments and feedback.*

- *In addition, the University has invested over £4m per annum in improving the student experience through the development of its new student life department and enhanced student support facilties in University House.*

**f. Ensuring optimal research bidding and conversion**

The risk to the award of research income through ineffective approach to bidding.

- *The University response has been to initiate training and coaching programmes for all research active staff as well as to particularly support early career researchers through a Vice Chancellor support scheme.*

**g. Ensuring business continuity**

The risk to the continued operation of the various University departments and buildings following a cessation of service.

- *The University response has been to develop a structured but simple unified approach to business continuity, as well as major incident management, and implement in tranches focussing on areas and services most critical to business operation. This will be complete by end of 2011.*

**h. Optimising international recruitment and developing international strategy**

The short term risk to income associated with not attracting sufficient international students in any one year and the medium term risk to income from not having a balanced strategy to international recruitment and engagement.

- *The University response has been to appoint a Pro Vice Chancellor with the specific remit to re-invigorate international strategy and to ensure that both its entry policies, marketing strategies and admissions strategies are optimised.*

## 4. Current performance and future development

a) Teaching and Learning

The University continues to address the minor developmental suggestions made by the Quality Assurance Agency for Higher Education (QAA) in its broadly complimentary report on its March 2008 Institutional Audit and a Mid-Term Review will be forwarded to QAA in April 2011.

The University has significantly improved its actioning of generic issues raised through its Annual Programme Monitoring and Enhancement (APME) Procedure ensuring that Governance and Management issues are differentiated and promptly and correctly addressed. The University has completely revised its Admissions and Retention Policy into one coherent, over-arching document encompassing such strands as Admissions, Retention, Progression and Widening Participation. The University has also fundamentally reformed and simplified its key Student Facing Procedures including the Student Disciplinary Procedure, Academic Appeals Procedure and Academic Misconduct Procedure.

A new system of online reading lists was launched, giving all students a live link to library resources, electronic databases and library resources at other universities. All teaching venues were evaluated and a baseline standard for the provision of audiovisual and teaching equipment established. A University-wide Distinguished Teaching Award was introduced to recognise and promote quality and innovation in curriculum development, pedagogy and inspirational teaching and learning implementation. Two student representative conferences were held, jointly with the University's Students' Union and there was focus on the outcomes of the National Student Survey and the University's own student experience survey to help identify key issues in teaching and learning.

Through Learning, Teaching and Enhancement Committee (LTEC) the University has reviewed and revised its Academic Regulations for Taught Programmes (ARTP) so as to address key issues such as Personal Mitigating Circumstances and Non-Completion. In addition the Academic Handbook, which provides an on-line digest of the University's regulatory and procedural guidance on quality assurance, has been completely redesigned and enhanced to the particular benefit of programme level staff.

A new Pro-Vice-Chancellor (Academic), Professor Huw Morris, took up post in July 2010 and will lead on implementation and delivery of Goal 1 of the Strategic Plan: Transforming Learning and Teaching.

b) Research and Innovation

In addition to the HEFCE core research funding of £7.4 million in 2009/10, the University delivered £8.5m in research grants and contracts and Knowledge Transfer Partnership activity.

Knowledge Transfer Partnerships (KTP) continue to be at the heart of the knowledge transfer process and 2009-10 saw the University running 22 KTP programmes that over the life of the projects will generate over £2m of funding. The University is now one of the top ten universities in the UK in this area.

The Pro-Vice-Chancellor (Research and Innovation), Professor Ghassan Aouad, is implementing a new Research and Innovation strategy that aims to grow research grants and contracts income to £18 million by 2017. The strategy also targets an upper quartile performance in the Research Excellence Framework (REF 2014) and associated growth in Quality Related (QR) income. Key mechanisms that will help us to reach these targets include developing six cross-cutting themes (as described above) as a mechanism for the delivery of high quality interdisciplinary research projects and using the University's presence in MediaCity as a hub for innovation, collaboration and interdisciplinarity. A feasibility study is being conducted of a cluster of strengths that fall outside the current themes, to explore whether an additional theme should be introduced.

Preparation for the Research Excellence Framework exercise indicates a 35% increase in the proportion of staff likely to be eligible for entry (over 500 research active staff). An Early Career Researchers Programme was launched and the first set of awards made.
Two competitions were launched to promote inter-disciplinary research with the potential to attract major research awards. The first competition, the Vice-Chancellor's Iconic MediaCity Awards, was to promote cutting edge digital research and six teams were awarded £10,000 each. The second competition – the Iconic City of Salford Awards – was for five HEIF awards of £10,000 each and was for research that will bring economic or social benefit to the City of Salford.

c) Enterprise and Engagement

Enterprise income including Grants, Conferences, Consultancy, Continuing Professional Development and Intellectual Property exploitation (shown on under Other Services Rendered and Other Income Generating Activities for the Group) totalled £20.4million. In addition, Short Course activity totalled £1.3million. The University's HEIF 4 allocation continues to allow investment in the capability and capacity in the enterprise development support provided within the three colleges and will fund the creation and growth of cross-college multi-disciplinary strategic projects.

Salford Analytical Services (SAS), a University commercial venture within the College of Science and Technology, continues to bring together research, enterprise and state-of-the-art facilities and has proved itself as a centre of excellence for a range of analytical disciplines as well as generating significant commercial income streams. SAS is managed by three senior technical consultants with over 80 years of professional analytical science experience between them.

Supporting students' entrepreneurial endeavours continues to be a high priority and in recognition of this a dedicated incubation facility has been established within the Innovation Forum to support the creation and development of student and graduate start-up companies.

Prompted by the HEFCE funded Public Engagement initiative, ' Manchester Beacons', with its emphasis on cultural change within the University the number and quality of our community and public engagements have increased significantly. Moreover, as the Beacons initiative also involves Manchester University and Manchester Metropolitan University there has been encouraging growth in collaborative efforts between the three Universities.

At the same time, the number of economic, social and environmental partnerships that the University is actively involved in is growing in both numbers and quality at local, national and international levels.

The University is excited by the opportunities that are flowing out of collaboration with the BBC and other partners in the Media City development in Salford Quays. The relocation north of substantial parts of the BBC's activities has created a transformational moment which the University is committed to realizing. As described above, the University will itself occupy a prominent new building on the Media City site out of which it will provide a growing range of media and digital courses and research support.

d) Internationalisation

International activity is essential to the University's sustainability and competitiveness. The past year has seen increased awareness of international activity in the areas of student recruitment, partnerships, exchanges, research collaboration as well as teaching and learning collaborations. International student recruitment remains more vital than ever in light of the current restrictions on domestic student numbers and international targets have been embedded into the University's Academic Plan.

Engagement with international partners has also increased through the numerous partnership initiatives. A three tier system for managing international partnerships has been established. The intention is to have between 5 and 10

University level “tier 1” partnerships – the first of these is with the Royal Melbourne Institute of Technology, Melbourne with whom a formal agreement has been concluded. Regional strategies have been developed for advancing partnerships, student recruitment and alumni development in China, Malaysia and in the Gulf States. A further significant milestone for the University is the link with Open University Hong Kong which involves the delivery of the University’s BSc (Hons) Psychology programme to be delivered in Hong Kong from September 2010.

The recent appointment of Professor Cynthia Pine as Pro-Vice-Chancellor International, along with the realignment of roles supporting international activity at College and School level as part of the current review of professional services support, position the University to embed international issues effectively throughout the organisation. This activity will be measured by agreed KPIs and milestones. In addition, an International Strategy will be confirmed by the end of 2010 in order to reflect these changes.

e) Equality and Diversity

In July 2010, Council approved the University’s new Equality & Diversity Strategy for 2010 to 2013, “Listen!” which combines the existing action plans on race, gender and disability with plans for work on sexual orientation, religion or belief and age. The Strategy follows wide consultation with students and staff and a review of available statistics, including the results of the Staff Experience Survey 2008. Taking this evidence-based approach, the Strategy has identified a number of key challenges and sets a framework of targets and performance indicators to measure the University’s progress.

Included in this new set of equality metrics is our target to become a Stonewall Top 100 Employer by 2012. This target is included in our corporate Strategic Plan for 2009 to 2017. Last year, we improved our position from 215 to 111.

In 2009/10, the University appointed an Equality Impact Assessment Co-ordinator to give a fresh impetus to our work in this area. In related initiatives the University;

- commissioned separate action-research projects on the experiences of disabled and Lesbian, Gay, Bisexual and Transgender staff.
- re launched its bullying and harassment advisory service; and
- commissioned an independent mediation and conciliation service to co-ordinate our internal network of workplace mediators.

f) Health and Safety

In July 2010, Council approved an Annual Report on Health, Safety and Wellbeing. The report indicated compliance with a range of statutory requirements, measured by external audit. In addition, a number of inspections were carried out by the Fire Authority to monitor compliance with the Fire Safety legislation and training to enable response to the Fire Authority’s Call Challenge Policy was put into practice. The University’s notifiable staff accident rate was reduced for the third consecutive year (from 8 in 2008 to 7 in 2009 or 2.4 notifiable accidents per 1,000 employees). In addition, the overall number of staff accidents reported internally fell from 121 to 104. The past year saw an increased emphasis on measures to encourage staff health and wellbeing with a range of developmental activities to provide a healthy lifestyle.

g) Environmental Sustainability

The University of Salford is committed to playing its part in making the world a more sustainable, responsible and equitable place. As one of the largest organisations in the Greater Manchester Region with over 20,000 students, 2,800 staff and a land holding of 70 hectares in Salford, the University recognises the impacts it has on a local, regional and global environment.

Accepting this responsibility, there are a number of commitments that the University has made in order to improve and enhance its influence on the environment. These include:

- Embedding care for the environment in the culture of the organisation as part of its goal to be a sustainable University;
- Investing in low carbon consumption of energy as a key strategic research theme across all of the areas of discipline;
- As and when opportunities arise incorporating environmental sustainability themes into all of the teaching programmes that the University offers;
- Fully complying and, where possible, exceeding domestic and international environmental legislation, guidelines and standards;
- Reducing both the direct and indirect carbon footprint of the University through the development and implementation of a carbon management plan;

- Avoiding waste that is sent to landfill or incineration by maximising the re-use or recycling of all materials;
- Developing an ethical and sustainable procurement policy that seeks to obtain goods and services that incorporate sustainable resources including, energy, water, wood, metals and other raw materials;
- Ensuring sustainability is at the core of the Campus Masterplan development and sustainable construction practices are embedded into plans for refurbishments and new developments;
- Developing a travel plan which encourages alternative methods of transport to single-occupancy car journeys;
- Proactively working with our local partners to align sustainable practices;
- Protecting the natural habitats and encouraging biodiversity on University managed land and of that surrounding, particularly Peel Park;
- Developing an Environmental Management System in line with the EcoCampus programme and ISO 14001 to drive continual improvement;
- Communicating the environmental sustainability policy and strategy to staff, students and other stakeholders and raise awareness amongst these groups of their own environmental responsibilities and opportunities for environmental improvements;
- Reviewing this policy and supporting strategy to ensure it is fit for purpose, as a minimum annually;
- Ensuring adequate resources to realise this vision of environmental sustainability statement.

The University is committed to working with all of its stakeholders to create a culture and adopt practices that can achieve environmental sustainability in the shortest practicable period of time

h) Actual Student Numbers

| Headcount | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009-10 | | | | 2008-09 | | | |
| **Student Type & Funding Source** | **HEFCE Fundable** | **Non HEFCE Fundable** | **Overseas** | **Total** | **HEFCE Fundable** | **Non HEFCE Fundable** | **Overseas** | **Total** |
| Undergraduate | 12,251 | 3,857 | 845 | 16,953 | 12,271 | 3,843 | 860 | 16,974 |
| Postgraduate – Taught | 2,040 | 361 | 1,125 | 3,526 | 1,869 | 395 | 1,304 | 3,568 |
| Postgraduate – Research | - | 243 | 218 | 461 | - | 308 | 214 | 522 |
| **Total** | 14,291 | 4,461 | 2,188 | 20,940 | 14,140 | 4,546 | 2,378 | 21,064 |

The University's total student population fell by 124 (1.2%) to 20,940. Students funded by HEFCE increased by 151 (1.1%) to 14,291 but non HEFCE funded students fell by 85 (1.9%) to 4,461 and overseas student numbers fell by 190 (8.0%) to 2,188.

## 5. <u>Available Resources</u>

a) Financial

The University has a strategy that requires it to generate an annual surplus of between 3-5% of income each year to meet its minimum sustainability targets that will enable it to fund investment in its academic programmes, support its students, reward its staff, replace and refurbish its facilities and replace and upgrade its equipment. It maintains a minimum cash balance of £10million to meet any immediate cash flow shortage 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 £39.5million at the year end (previous year £39.2million) were mainly managed on behalf of the University by Royal London Cash Management (RLCM) with £5million placed by our treasury unit direct with Lloyds-TSB plc. All deposits are made in compliance with the investment strategy approved by the University Council which limits the amount 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 in place a £20m loan facility that is the subject of an interest rate swap that fixes this loan at an interest rate of 5.18%, repayable over twenty-five years. This loan was drawn down on the 30 September 2010 in accordance with the contractual commitments and is being used to finance part of the Media City development. As final fit-out and equipping of the building has not yet commenced, the funds are currently earning interest for the University by term deposit with the lending bank, Barclays Bank plc.

The University's five year Capital budget assumes a further increase in its borrowing levels of £30million over the next five years with the balance of funding of Phase 1 of the Estates Master Plan through sale of identified and surplus real estate and use of its own cash reserves. We have already received outline informal agreement to borrow at a higher level from two major UK banks.

b) Staff

The University continues to recognise the importance of maximizing the contribution its people make to improvements to the performance of the University. As set out above, the University's Strategic Plan identifies 'Our People' as one of its six key goals and a raft of initiatives have been indentified as well as KPIs developed to plan for and measure improvement. Last year saw the completion of the staff experience survey with the findings disseminated across the University and local action groups at school / department level set up to take forward measures to improve specific issues people had identified. In addition a board was established to assist developments in key corporate initiatives. One of the recommendations from the staff experience survey was improvement in leadership across the University and June saw the implementation of a leadership and management development programme aimed at improving the skills base and leadership of its top 120 managers. At the same time the University has continued the roll out of performance and development reviews (PDR) with the next tranche of the organization's managers now trained in its operation.

The University continues to work with its four trade unions, UCU, UNISON, UNITE and GMB through the operation of a joint management and union consultative forum and partnership working group to resolve issues in what is recognized will be a challenging environment over at least the next year.

c) Facilities

The University has spent £7.7 million on maintenance and refurbishment of buildings in the year, bringing the total spend to £14.9 million over the last 2 years. This work included the provision of new student social space and administration offices within the Allerton building, refurbishment of numerous formal teaching rooms on the Peel campus and the recent commencement of the Energy Hub complex within the Cockcroft building.

The University Council gave outline approval on 8 July 2010 to a Capital budget that calls for an investment of £102 million in land, buildings and equipment, including refurbishment, over the next five years. This includes the new development at Media City.

The University has appointed consultants to assist in the development of schemes identified in the Estates Master Plan phase 1 and these are currently at RIBA stage B for future consideration.

Our planning consultants Turley Associates together with the Pro Vice Chancellor (Strategic Partnerships) Keith Barnes, have been liaising closely with external partners such as Salford City Council, the Urban Regeneration Company, GMPTE and the Strategic Rail Authority with respect to development of a planning development framework for the future physical improvements to the University estate.

Tenders have recently been received for the fit out of our development at Media City with works anticipated to commence in November and be completed by September 2011.

d) Equipment

The ICT Transformation Programme is now well advanced and will replace all of the IT Infrastructure within the next 9-12 months. This will consolidate the number of servers running down onto virtual server and storage arrays and will provide an 'active-active' data centre configuration across two data centres. The use of virtualization, modern monitoring tools and high speed network connections will ensure that the University has a sound infrastructure base from which to provide the necessary support for staff and students.

In addition to this we will be investing in virtual desktop technology which will provide 'anywhere log in' facilities and substantially reduce our carbon footprint and hardware investment costs going forward.

The introduction of central procurement of desktop Personal Computers last year has improved our value for money proposition and this will be further enhanced later this year by the introduction of central procurement for all equipment, software, IT consultancy and IT Services ensuring that we maximize terms with suppliers and drive overall costs down.

Our network capacity will shortly be increased from 1Mb to 10Mb which will ensure both support for our Media City development and that our network is fit for purpose for several years to come. In addition we have already expanded wireless network provision to all buildings and will shortly be commencing roll-out of wireless network provision across the campus open areas.

Mobile communication is rapidly becoming the norm and we will be investigating the development of mobile learning aids a Salford specific applications for mobile devices over the next 12 months.

## 6. Public Benefit

The University is an exempt charity under the terms of the Charities Act, 2006. The University had due regard to the Charity Commission's guidance on the reporting of public benefit, and particularly to its supplementary guidance on the advancement of education, in accordance with the requirements of the Funding Council as the principal regulator of English higher education institutions under the Charities Act, 2006.

The overall aim of the University is that set out in its Charter, namely to advance education and knowledge by teaching and research, and in doing so to foster an academic environment which is enterprising and applied to business and the professions, for the benefit of society at large.

Section 4 above (current performance and future development), particularly those sections relating to teaching and learning, research and innovation, enterprise and engagement sets out, in broad terms, how the University has delivered against the public benefit principles.

The initiatives and developments set out below are highlighted as particular examples of how the University has demonstrated public benefit:

- the University's Admissions and Retention Policy, approved by Senate in June 2010, commits the University to the principle of providing the opportunity for all people with the merit and potential to succeed to enter higher education. The policy supports the University's practice of recruiting on the basis of attainment and potential in accordance with the principles of fair and transparent admissions, and commits the University to the development of compact agreements (including appropriate support and guidance) for students from a widening participation background (i.e. students from lower socio-economic groups and those from disadvantaged backgrounds who live in areas of relative deprivation where participation in higher education is low). The University also proactively supports access to higher education for disabled learners and other groups under-represented in higher education; the University's Access Agreement with the Office for Fair Access sets out support provided by the University (in addition to government grants) to lower income and under-represented groups; this includes both statutory bursaries (for all students entitled to a full Higher Education Maintenance Grant – HEMG) and University specific bursaries (e.g. £500 for all students with a Salford postcode at the time of application who receive a HEMG (pro rata for partial HEMG));

- the University of Salford Institutional Repository (USIR) is an online database showcasing research that is carried out by researchers at the University. USIR is an open access repository and all material is freely available on the internet. It can be read, downloaded and copied for non-commercial private study or research purposes;

- a £1.9 million project enabled the University to deliver a range of postgraduate courses and Knowledge Transfer Partnerships to all business in the North West to access training for their employees. A variety of schemes linked postgraduate research and training activities and the University tailored activities to meet emerging business requirements.

- A North West Construction ERDF funded project which embeds resource sustainability and efficiency within construction focusing on small and medium sized enterprises.

- Delivery of Leading Enterprise and Development Programme (LEAD) to develop small businesses and their owner managers.

- The work of Community Finance Solutions (CFS). Located in the School of English, Sociology, Politics and contemporary History, CFS has spent a decade empowering communities to address the problems of financial exclusion and affordable housing. It has helped create 13 microfinance loan funds that have provided 20,000 businesses and individuals with affordable credit in some of England's poorest neighbourhoods; while its work on affordable housing, especially in rural areas, has to date led to the construction of over 200 community-owned homes with many more in the pipeline. Today they combine this practical support with a theoretical understanding to advise local authorities, national politicians and the European Commission.

- Erasmus funded International Entrepreneurial boot camp to equip participants with the tools necessary to be self employed working with a European partner institution.

The University has been commended by HEFCE for its track record of working with industry. The University Employer Engagement team shared best practice at a December employer engagement conference attended by more than 50 delegates from business, partner organisations and HEI's across the country. At the conference HEFCE described the project as "transformational".

## 7. Vice Chancellor

On 31 July 2009, Professor Michael Harloe retired as Vice Chancellor of the University, having been first appointed on 1 September 1997. He took over at an important time in the University's history, the year following the merger with the Northern College of Nursing and Midwifery and the University College Salford. We wish him a long and happy retirement.

On 1 August 2009, Professor Martin Hall, was appointed as the new Vice Chancellor, having moved from the University of Cape Town in South Africa where he had held several senior academic positions, including deputy Vice Chancellor.

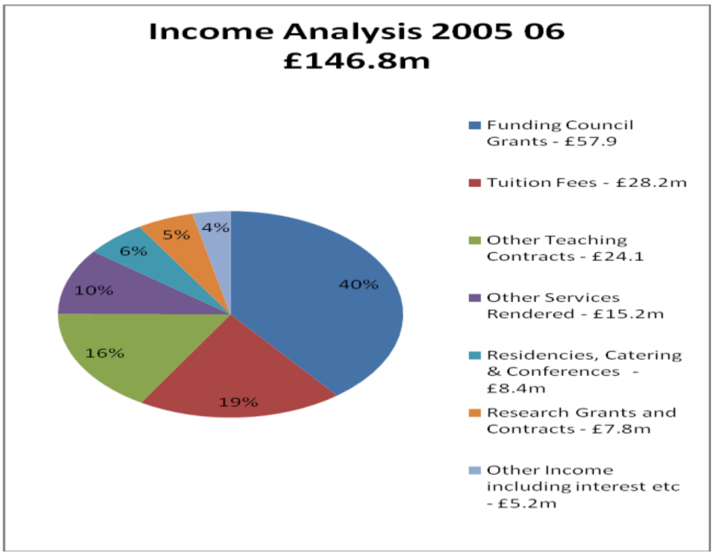
## 8. Financial review

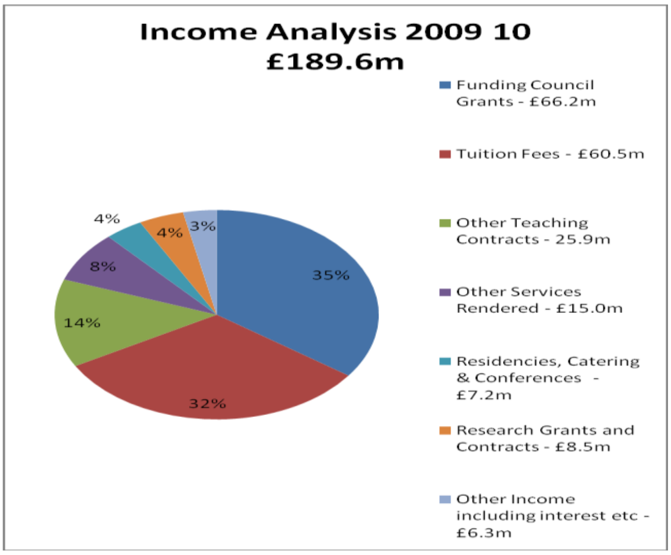
### Scope of the financial statements

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

### Five year trends

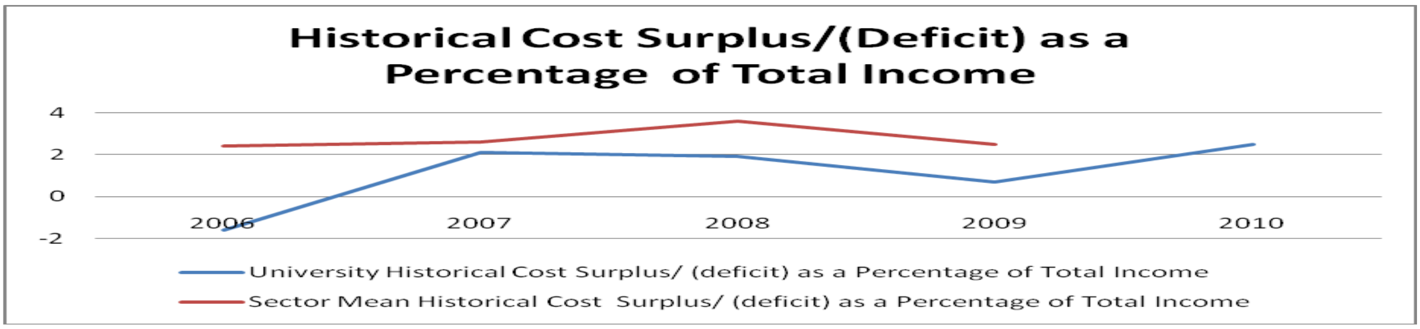
In autumn 2006 the home undergraduate student fee cap was raised from £1,175 to £3,000. This as well as the growth in overseas student income has resulted in tuition fees rising from £28.2m in 2005 06 to £60.5m in 2009 10 – a growth of 114.5%. In 2009 10 Student fees now account for 32% of total income and is the second biggest income source after HEFCE, whose grants currently account for 35% of income.

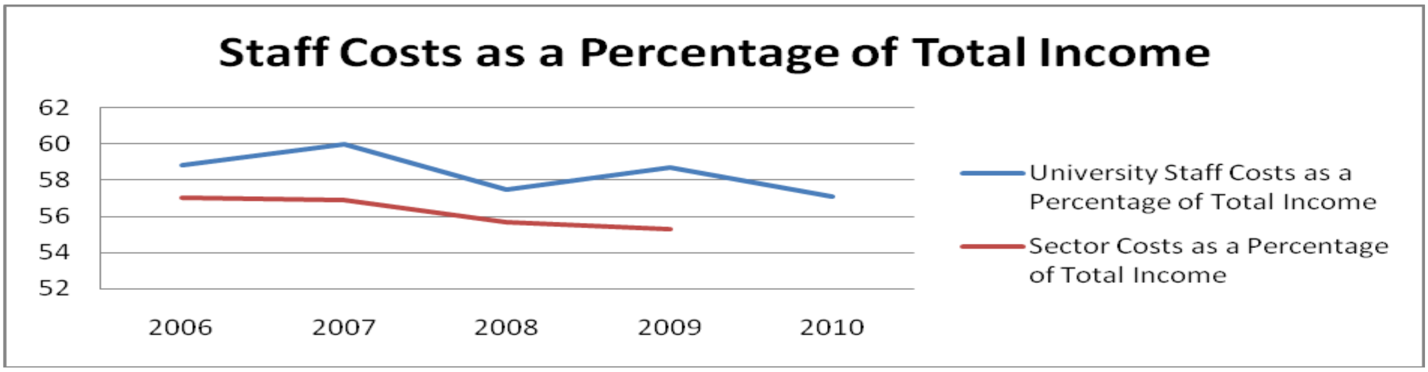


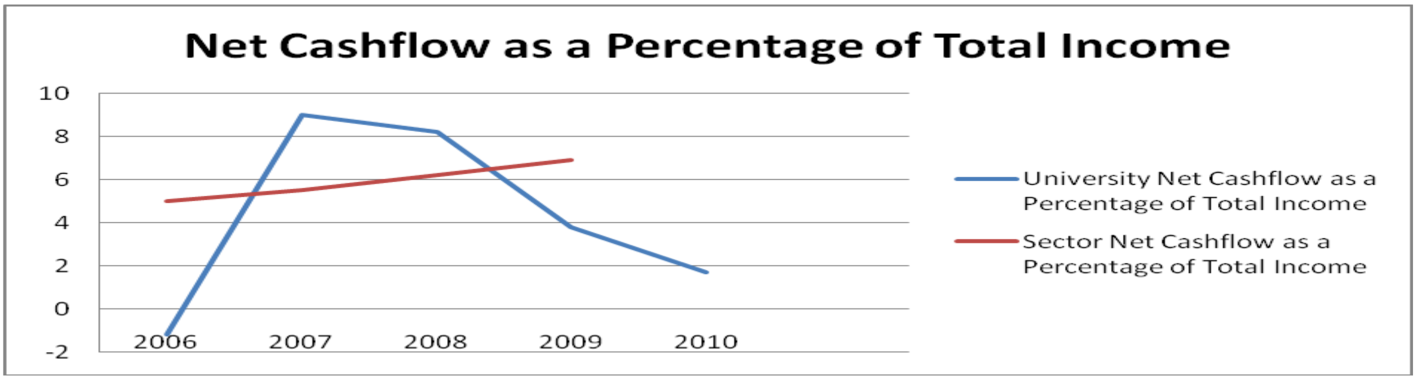

### Extracts from the Income & Expenditure Account

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Income | 146.8 | 156.2 | 176.7 | 180.5 | 189.6 |
| Staff Costs | 86.4 | 93.7 | 101.7 | 106.0 | 108.3 |
| Historical Cost Surplus/ (Deficit) excluding all Exceptional items and Revaluation Gains | 2.5 | 1.8 | 4.1 | 2.4 | 4.8 |
| Historical Cost Surplus/( Deficit) including all Exceptional items | (2.4) | 3.3 | 3.3 | 1.3 | 4.8 |

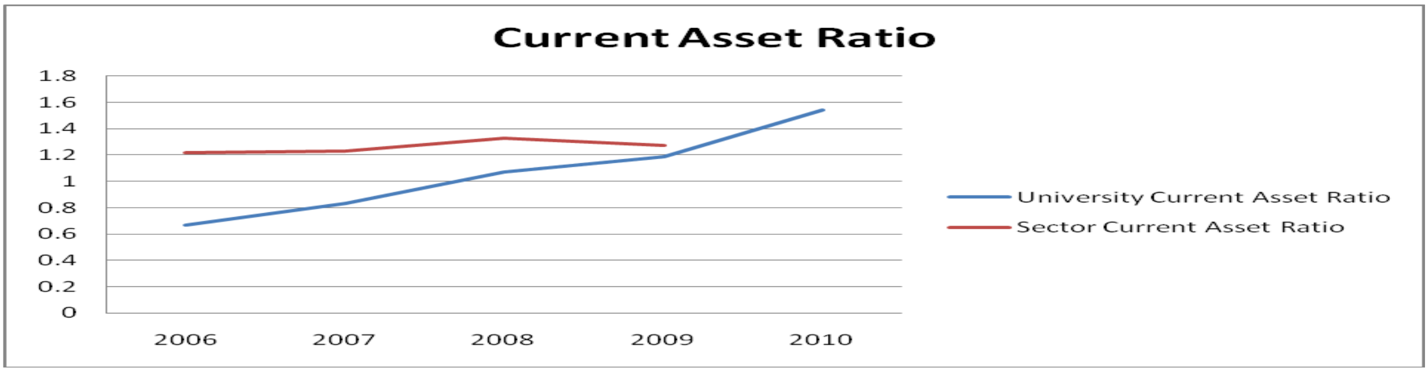


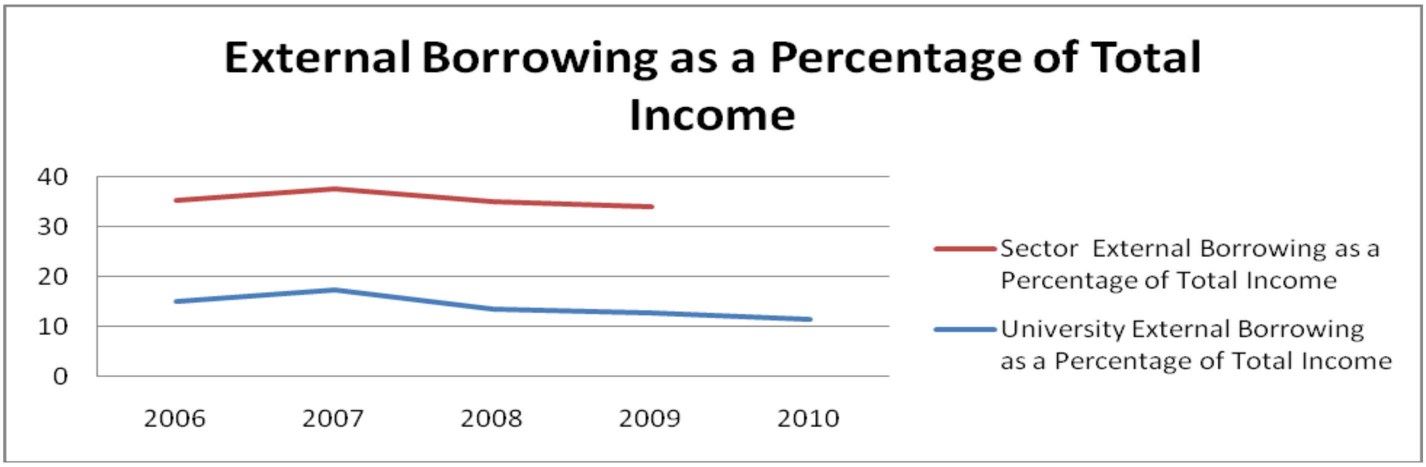



| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Net Cash Inflow/(Outflow) from Operating Activities | (1.7) | 14.1 | 14.5 | 6.9 | 3.2 |




| **Extracts from the Balance Sheet** | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Cash and Short Term Deposits | 4.2 | 13.8 | 26.4 | 39.2 | 39.5 |
| Net Current Assets/ (Liabilities) | (8.2) | (5.0) | 2.6 | 8.7 | 18.8 |
| Long term Liabilities | 21.7 | 26.3 | 23.8 | 22.8 | 22.0 |
| Total Funds Excluding Pension Deficit | 133.5 | 133.6 | 136.2 | 134.6 | 141.1 |
| Total Funds Including Pension Deficit | 107.2 | 116.9 | 109.4 | 86.4 | 103.8 |






**2009 10 Financial headlines**

- Income growth of 5.0% to £189.6m.
- Historical cost surplus of £4.8m.
- Short-term deposits and cash increased by £0.4m to £39.5m.
- Improvement in net current assets of £10.1m to £18.8m.
- Pension deficit falls by £10.9m to £37.3m

**Income and expenditure**

Total income grew by 5.0%- £9.1m to £189.6m. This was mainly due to a rise in tuition fees and educational contracts of 9.4% - £7.4m. This growth was largely due to an increase in home undergraduate fee income of 5.5m, an increase in Other Teaching Contract Income of £1.7m and an increase in home post graduate fee income and part time students of £0.9m offset by a fall of £0.7m in overseas student income. Funding council grants increased by 5.8% - £3.4m, due to a provision made to cover HEFCE clawback for 2007 08 and 2008 09.

Research grants and contracts income fell by 4.2% reflecting an increasingly competitive research market and cutbacks in the level of research commissioned. Residencies and Catering fell by £4% - £0.3m primarily due to the full year impact of disposing of two student hall of residencies in November 2008.

Total expenditure increased by 3.7% - £6.7m to £186.9m. Staff costs, excluding early retirement and voluntary severance and the exceptional pension, grew by 2.1% - £2.2m to £108.2m. This reflects a 0.5% pay rise at the beginning of August, increased pension costs of £1.3m due to additional USS employer contributions costing £0.9m, the additional cost of the Local Government Pension scheme costing £0.6m, savings on TPS costs of £0.2m and savings due to the full year impact of the prior year redundancies. Recurrent staff costs accounted for 56.3% of total income in 2009-10 (58.6% in 2008-09).

Other operating expenses rose by 4.9% - £3m to £64.2m. Significant rises include £1.9m on subsidiary company expenditure which was due to additional expenditure in Salford Software of £2.3m partly offset by savings of £0.1m in Salford University Purchasing Services Ltd following the sale of the Further Education Procurement division with the remaining saving of £0.3m due to a fall in the subcontracting of educational contracts to Manchester Metropolitan University by University of Salford (Health Services Training) Ltd. Premises expenditure increased by £0.5m reflecting the completion of HEFCE funded refurbishments including student support areas in University House and Allerton Building and laboratories in Cockcroft Building. Agency and contract staff increased by £1m reflecting the contracting out of the catering and increased usage of contract staff whilst the Estates and Information services departments were restructured. Savings of £0.9m were made in Rates, Rents and Utilities primarily due to the University negotiating better utility rates than the previous year. The balance of the rise reflects general inflationary rises as well as the impact of the VAT rise back to 17.5% on the 1 January 2010.

At the end of October the group completed the disposal of the Further Education (FE) procurement division generating an exceptional profit on disposal of £0.85m with the proceeds of £1.25m due to be paid over the next 5 years. The group also sold Holly Cottage (former VC's residence) generating a profit of £0.25m. Further exceptional reorganisation costs were incurred restructuring Estates and the Information Services Department.

**Subsidiaries Performance**

The University's main trading subsidiaries Salford Software Ltd and Salford University Purchasing Services Ltd generated combined profits for the group of £0.175m which was £0.725m down on the previous year. This reflects the decision to sell the FE procurement division on the 1st November and the tough trading conditions that Salford Software has faced in 2009 10.

**Balance sheet**

At the 31 July 2010 the University Net Current Assets had risen by £10.1m to £18.8m.This was primarily due an increased historical cost surplus and relatively low levels of University funded capital expenditure – of the total capital expenditure of £7.1m, £5.1m was funded by HEFCE. Total Net Assets including the Pension Liability increased by £17.5m to £103.8 due the improvement in Net Current Assets and a reduction in Pension liability of £11.0m. The fall in the Pension Liability was due to the proposal in the Chancellor's budget statement on 22 June 2010 that future pension increases be linked to the Consumer Price Index (CPI) rather than the Retail Price Index ( RPI) resulting in a saving of £6.9m with the remaining improvement largely due to a rise in the stock market.

**Cash flows**

The University increased its holding of short term deposits and cash by £0.4m during the year. This is the combined effect of cash inflows of £3.2m from operating activities, less net capital expenditure of £0.9m, financing costs of £0.9m, and servicing of Finance costs of £1.0m. The current level of cash is at a temporary high in advance of planned significant capital expenditure in 2010 11.

**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 endeavoured to adhere to this policy during the year except where there were genuine reasons for dispute and incurred minimal interest charges in respect of late payment for this period. Subject to the terms of individual contracts, where there are disputes on invoices, the University only withholds payment on the disputed element of the invoice.

In 2009-10 the University made interest payments totalling £83 in respect to late payment of invoices (2008-09 nil).

**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**

The Vice-Chancellor has already commented in his opening remarks on the financial climate in which we have to plan and operate ahead of any firm decision on future spending cuts that will affect our grants from HEFCE and the extent to which we can and need to substitute an increase in student tuition fees.
As a University we continue to set cautious budgets which anticipate substantial reductions in future funding but without any offsetting tuition fee income and reflect the work we are doing to further improve our level of efficiency and economy in all areas of our operation.
We have extended our planning to cover five years on a rolling basis, including Capital investment and have put in place a performance management system that directly links to our strategic plan and risk register.
We are fully aware of and cognisant with the challenges facing our University and those of our staff and students and other stakeholders at a time of unprecedented uncertainty as the country faces up to current economic difficulties and we are particularly conscious of the socio-economic profile of a large number of our students and the financial commitment that they have made and continue to make towards their future.
We believe however that as a University we are in good shape to be able to respond to these financial challenges as we have done successfully in the past, through sensible and prudent management but which still allows opportunities to invest.

| | |
|---|---|
| Professor M Hall<br>Vice- Chancellor | Dr A Mawson<br>Chair of Council |
| 24 November 2010 | 24 November 2010 |

## Statement of Council Primary Responsibilities

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

**1. Strategic planning**

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

**2. Monitoring effectiveness and performance**

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

**3. Finance**

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

**4. Audit**

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

**5. Estate management**

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

**6. Human resource management**

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

**7. Equality and diversity**

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

**8. Health and safety**

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

**9. Students' Union**

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

## Corporate Governance Statement

1. The University is committed to best practice in all aspects of corporate governance and seeks, in particular, to apply the principles set out in Part 1 of the Committee of University Chairmen (CUC) Guide for Members of Higher Education Governing Bodies in the UK first published in November 2004 and reissued in February 2009. The purpose of this summary is to help the reader of the financial statements understand how the principles have been applied.

2. In the opinion of the Council, the University complies with the principles set out in the Guide. In 2008-09 Council operated for the first time with a reduced membership of 24 (compared to 37 in 2007-08) 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; further amendments were agreed in 2010.

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 23. It has a majority of members from outside the University described as independent members, from whom the Chairman and Vice-Chairman must be drawn. A full statement of the membership for year 2009-10 is provided on page 3. None of the independent members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University (details of expenses paid to or on behalf of trustees are contained *on page 38*).

   b) The Senate – is the academic authority of the University with responsibility for monitoring the academic quality and standards of the University and draws its membership from the academic staff and students of the institution. Council delegates to Senate functions relating to the planning, co-ordination and supervision of the academic work of the University.

5. The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the Financial Memorandum between the University and HEFCE, the Vice-Chancellor is the Designated Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

6. 2009-10 was the second year in which the University operated under the new constitutional arrangements approved by Privy Council in June 2008. The Council met five times in 2009-10 and was supported by three Committees, Audit, Nominations and Governance and Remuneration. The decisions and recommendations of these committees were reported to the Council. These committees were formally constituted with written terms of reference and specified membership, including a majority of lay or independent members (from whom the Chair for each Committee was selected). In addition, between Council meetings a Council Advisory Group comprising members of the Strategic Leadership Team and senior Council members met providing a regular and effective means of communication between senior management and Council. The Group ensured that there was consideration and coordination of Council business between meetings and that business was presented to Council in the most effective way. Further details of the three standing committees is set out in paragraph 8 below.

7. In other business areas previously handled by Committees, Council appointed independent members to act as lead members. Lead members have the responsibility for working with relevant members of the Strategic Leadership Team in their portfolio area to ensure that the area is well managed, that decisions are evidence based, have followed appropriate processes and are aligned to institutional and local strategy. Lead

members report to Council on areas of responsibility assigned to them. The role of the lead member is not to manage the business area but to ensure that it is being well managed and that the management is making appropriate, well-informed decisions and following due process. Key questions which the lead members reports on to Council include;

a) to what extent are the objectives in the strategy/plans relating to the business area being delivered?

b) are the risks relating to activity in the business area being well managed?

c) is communication between the lead member and business management area sufficient?

Lead Members have now been established for the areas of Estates, Finance, Human Resources, Information Technology and Performance. Further extension of the Lead Member concept will take place in 2010-11 (covering Equality and Diversity and the three Colleges of the University).

8. The Audit Committee met four times in 2009-10, with the University's external and internal auditors in attendance. Whilst senior officers attend meetings of the Audit Committee, they are not members of the Committee, and the Committee has also met the external auditors and internal auditors for independent discussions. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the HEFCE as they affect the University's business and monitors adherence to the regulatory requirements. The Audit Committee's Annual Report indicates its satisfaction with the independence and performance of both the internal and external auditors and contains details of appointment and review processes. The Remuneration Committee determines the remuneration of the Vice-Chancellor and the Registrar and Secretary based on performance against agreed objectives and sets the remuneration policy for senior staff. The Nominations and Governance Committee advises Council on its membership and representation on other internal and external bodies and the operation and effectiveness of corporate governance arrangements.

9. As Principal Officer of the University, the Vice-Chancellor exercises considerable influence upon the development of strategy, the identification and planning of new developments and the shaping of the ethos of the institution. The Pro-Vice-Chancellors and the Senior Officers who comprise the Executive Committee all contribute in various ways to this aspect of the institution, but the ultimate responsibility for what is done rests with the Council. The Executive Committee and the Audit Committee receive regular reports from the internal auditors, which include recommendations for improvement.

10. The University maintains a register of interests of members of the Council and Senior Officers, which may be consulted by arrangement with the Registrar and Secretary. Any enquiries about the constitution and governance of the University should be addressed to the Registrar and Secretary.

## 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 University Council.

6. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

7. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently and economically. These procedures have been in operation throughout the year ended 31 July 2010 and up to the date of the approval of the financial report and accounts.

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

   a) In accordance with the approved Policy for Risk and Risk Management, maintained and reviewed a Corporate Risk Register

   b) Charged the University's Executive Committee with overseeing the management of risk.

   c) Requested the Audit Committee to provide advice on whether the University has an effective and mature risk management process.

   d) Requested that the internal auditors adapt their audit planning arrangements, methodology and approach, so that the audit conforms to the latest professional standards reflecting the adoption of risk management.

9. We have ensured that our meeting calendar and agendas enable risk management and internal control to be considered on a regular basis during the year. Risk management has been incorporated more fully into the corporate planning and decision making processes of the institution.

10. We receive periodic reports from the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

11. 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. Based on the reviews undertaken during 2009 -10, KPMG LLP concluded that the University had satisfactory arrangements in order to provide assurance to the Council over the effectiveness and adequacy of Internal control.

12. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the University who have responsibility for the development and maintenance of the internal control framework and by comments made by the external auditors in their management letter and other reports.

A. Mawson,

Dr Alan Mawson
Chair
24 November 2010

## Report of the independent auditor to the Council of University of Salford

We have audited the group and university financial statements (the 'financial statements') of the University of Salford ('the University') for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the university balance sheet, the consolidated cash flow statement, the statement of principal accounting policies and the related notes 1 to 38. These financial statements have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of the University's Council and auditors

The Council's responsibilities for preparing the Operating and Financial Review and the group financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Council's Responsibilities and Internal Control on pages 23 and 24.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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 have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council'). We also report to you whether in our opinion the information in the Operating and Financial Review is not consistent with the financial statements. In addition we report to you if in our opinion the University has not kept proper accounting records, if the University's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

### Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Funding Council. 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 governing body in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and 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 other irregularity or error. In forming our opinion we have 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 the Group's and the University's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Funding Council.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Manchester
24 November 2010

## Consolidated Income and Expenditure Account

for the Year Ended 31 July 2010

| | Note | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|---|
| **Income** | | | |
| Funding Body Grants | 1 | 66,203 | 62,265 |
| Tuition Fees and Education Contracts | 2 | 86,351 | 78,902 |
| Research Grants and Contracts | 3 | 8,470 | 8,849 |
| Other Income | 4 | 28,328 | 29,285 |
| Endowment and Investment Income | 5 | 286 | 1,235 |
| **Total Income** | | 189,638 | 180,536 |
| **Expenditure** | | | |
| Staff Costs | 6 | 108,233 | 105,990 |
| Other Operating Expenses | 7 | 64,190 | 61,215 |
| Depreciation of Tangible Fixed Assets | 12 | 10,810 | 10,110 |
| Interest and Other Finance Costs | 8 | 3,691 | 2,950 |
| **Total Expenditure** | 9 | 186,924 | 180,265 |
| **Surplus after Depreciation of Tangible Fixed Assets at Valuation and Before Tax** | | 2,714 | 271 |
| Taxation | 10 | - | - |
| Surplus before Exceptional items | | 2,714 | 271 |
| Exceptional Items: | | | |
| Profit on Disposal of Fixed Assets and Sale of Further Education Procurement Division | 11 | 1,113 | 7,555 |
| Restructuring Costs | 11 | (1,467) | (9,753) |
| Surplus / (Deficit) on Operations After Depreciation of Assets at Valuation, Disposal of Assets and Tax | | 2,360 | (1,927) |
| Surplus for the year transferred to accumulated income in endowment funds | | 15 | 251 |
| **Surplus / (Deficit) for the Year Retained within General Reserves** | | 2,375 | (1,676) |

## Statement of Historical Cost Surpluses and Deficits

| | Note | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|---|
| Surplus / (Deficit) on Continuing Operations after Taxation | | 2,360 | (1,927) |
| Difference between Historical Cost Depreciation and the Actual Charge for the Year calculated on the Revalued Amount | 24 | 2,076 | 2,113 |
| Realisation of Property Revaluation Gains of Previous Years | 24 | 337 | 1,106 |
| **Historical Cost Surplus for the Year after Taxation** | | 4,773 | 1,292 |

## Consolidated Statement of Total Recognised Gains and Losses

for the Year Ended 31 July 2010

| | Note | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|---|
| Surplus / (Deficit) on Continuing Operations after Depreciation of Assets at Valuation and Disposal of Assets and Tax | | 2,360 | (1,927) |
| Actuarial Gain / (Loss) in Respect of Pension Schemes (a) | 33 (d) | 13,866 | (19,018) |
| Total Recognised Gains / (Losses) relating to the year | | 16,226 | (20,945) |
| **Reconciliation** | | | |
| Opening Reserves and Endowments | | 56,781 | 77,726 |
| Total Recognised Gains / (Losses) for the Year | | 16,226 | (20,945) |
| **Closing Reserves and Endowments** | | 73,007 | 56,781 |

(a) In the Budget statement on 22 June 2010, it was announced that index-linking for pensions entitlements in the public sector would, in future, be linked to the Consumer Price Index ('CPI') in place of the Retail Prices Index ('RPI').The University has treated this as a change in actuarial assumptions with the resulting gain of £6.9m being treated as an actuarial gain within the total Consolidated Statement of Total Recognised Gains and Losses of £13.866m. (See Note 33(b).

## Consolidated Balance Sheet
as at 31 July 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible Assets | 12 | 143,852 | 148,243 |
| Investments | 13 | 2 | 2 |
| | | 143,854 | 148,245 |
| **Endowment Assets** | 14 | 447 | 462 |
| **Current Assets** | | | |
| Stock | 15 | 108 | 183 |
| Debtors | 16 | 14,140 | 14,651 |
| Short Term Deposits | 17 | 36,991 | 38,773 |
| Cash at Bank and in Hand | | 2,558 | 415 |
| | | 53,797 | 54,022 |
| Less Creditors: Amounts Falling Due Within One Year | 18 | (35,001) | (45,307) |
| **Net Current Assets** | | 18,796 | 8,715 |
| **Total Assets Plus Current Assets (Less Current Liabilities)** | | 163,097 | 157,422 |
| Less: Creditors: Amounts Falling Due After More Than One Year | 19 | (20,880) | (21,819) |
| Less: Provisions for Liabilities | 21 | (1,129) | (1,005) |
| **Total Net Assets Excluding Pension Liability** | | 141,088 | 134,598 |
| Net Pension Liability | 33(d) | (37,273) | (48,234) |
| **Total Net Assets Including Pension Liability** | | 103,815 | 86,364 |
| | | | |
| **Deferred Capital Grants** | 22 | 30,808 | 29,583 |
| **Endowments** | 23 | 447 | 462 |
| **Revaluation Reserve** | 24 | 50,326 | 52,739 |
| Income and Expenditure account excluding Pension Reserve | 25 | 59,507 | 51,814 |
| Pension Reserve | 33(d) | (37,273) | (48,234) |
| **Income and Expenditure account including Pension Reserve** | | 22,234 | 3,580 |
| **Total Funds** | | 103,815 | 86,364 |

The Financial Statements on pages 27 to 61 were approved by the Council on 24 November 2010 and signed on its behalf by:-

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

## University Balance Sheet
as at 31 July 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible Assets | 12 | 143,777 | 148,175 |
| Investments | 13 | 1 | 1 |
| | | 143,778 | 148,176 |
| **Endowment Assets** | 14 | 447 | 462 |
| **Current Assets** | | | |
| Stock | 15 | 108 | 143 |
| Debtors | 16 | 11,168 | 12,037 |
| Short Term Deposits | 17 | 36,991 | 38,773 |
| Cash at Bank and in Hand | | 1,944 | 149 |
| | | 50,211 | 51,102 |
| Less Creditors: Amounts Falling Due Within One Year | 18 | (31,852) | (43,375) |
| **Net Current Assets** | | 18,359 | 7,727 |
| **Total Assets Plus Current Assets (Less Current Liabilities)** | | 162,584 | 156,365 |
| Less: Creditors: Amounts Falling Due After More Than One Year | 19 | (20,880) | (21,819) |
| Less: Provisions for Liabilities | 21 | (1,129) | (1,005) |
| **Total Net Assets Excluding Pension Liability** | | 140,575 | 133,541 |
| Net Pension Liability | 33(d) | (37,273) | (48,234) |
| **Total Net Assets Including Pension Liability** | | 103,302 | 85,307 |
| | | | |
| **Deferred Capital Grants** | 22 | 30,808 | 29,583 |
| **Endowments** | 23 | 447 | 462 |
| **Revaluation Reserve** | 24 | 50,326 | 52,739 |
| Income and Expenditure account excluding Pension Reserve | 25 | 58,994 | 50,757 |
| Pension Reserve | 33(d) | (37,273) | (48,234) |
| **Income and Expenditure account including Pension Reserve** | | 21,721 | 2,523 |
| **Total Funds** | | 103,302 | 85,307 |

The Financial Statements on pages 27 to 61 were approved by the Council on 24 November 2010 and signed on its behalf by: -

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

## Consolidated Cash Flow Statement
for the Year Ended 31 July 2010

| | Note | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|---|
| **Net Cash Inflow from Operating Activities** | 27 | 3,232 | 6,902 |
| Returns on Investments and Servicing of Finance | 28 | (993) | (200) |
| Capital Expenditure and Financial Investment | 29 | (920) | 7,436 |
| Net Cash Inflow before Use of Liquid Resources and Financing | | 1,319 | 14,138 |
| Management of Liquid Resources | 30 | 1,723 | (13,111) |
| Financing | 31 | (899) | (1,043) |
| **Increase/ (Decrease) in Cash in the Year** | | 2,143 | (16) |

**Reconciliation of Net Cash Flow to movement in Net Debt to the year ended 31 July 2010**

| | Note | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|---|
| Increase / (Decrease) in Cash in the Year | 32 | 2,143 | (16) |
| (Decrease)/ Increase in Short Term Deposits | 32 | (1,723) | 13,111 |
| HEFCE Loans | 31 | (180) | - |
| Repayment of Loans and Leases | 31 | 1,079 | 1,043 |
| **Change in Net Funds** | 32 | 1,319 | 14,138 |
| Net Funds at Beginning of Year | 32 | 15,255 | 1,117 |
| **Net Funds at End of Year** | 32 | 16,574 | 15,255 |

## 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. They conform to guidance published by the Higher Education Funding Council for England (HEFCE).

### 2. Basis of Accounting

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

### 3. Basis of Consolidation

The consolidated Financial Statements include the University and all its subsidiaries for the financial year to 31 July 2010. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

### 4. Income Recognition

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

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

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

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

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

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

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

### 5. Access Funds

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

### 6. Leases and Hire Purchase Contracts

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

## 7. 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 Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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's principal activities are exempt from Value added Tax (VAT), but certain ancillary supplies are liable to VAT at various rates. The University receives no exemption in respect of Value Added Tax on purchases. 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.

## 8. 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. Full valuations are carried out every 5 years by independent Chartered Surveyors. Interim reviews are carried out every 3 years by an appropriately qualified member of the Estates Department. Land and Building additions since the last valuation on 31 July 2006 and assets in the course of construction are valued at cost while all other Land and Building are based on the valuation at 31 July 2006.Assets under the course of construction does not include any interest costs incurred during construction.

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

**Depreciation**
Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University of up to 50 years on the amount at which the tangible fixed asset is included in the balance sheet. 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.

Assets while in the course of construction are not depreciated.

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

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

## 9. Equipment

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

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

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

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

## 10. Investments

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

## 11. Endowment Assets

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

## 12. Stock

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

## 13. Cash Flows and Short Term Deposits

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

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

## 14. Foreign Currency Translations

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

## 15. 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.

## 16. Accounting for Charitable Donations

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

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

- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donation sum into income.

- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

**Total Return on Investment for Permanent Endowments**
Total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen.

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

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

## 17. Accounting for Retirement Benefits

The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers Pension Scheme (TPS). All schemes are defined benefit schemes which are contracted out of the Second State Pension (S2P). The assets of the USS and TPS are held in separate trustee-administered funds. Because of the nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contributions are set. The University is therefore exposed to actuarial risks associated with other universities employees and is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore as required by FRS17 " Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.
The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts FRS 17 "Retirement benefits". This means assets are included at market value, measured on a bid price basis where applicable, and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA rated corporate bonds. The post retirement deficit is included on the University's balance sheet.
The current service cost and any past service costs are included in the income and expenditure account within operating expenses and the net impact of the expected charge on unwinding of the discount on scheme liabilities less the expected return on scheme assets is included within either interest payable. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

## 18. 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 from a past event.

## Notes to the Accounts

| 1. **Funding Body Grants** | **2009-10 £'000** | **2008-09 £'000** |
| --- | --- | --- |
| Higher Education Funding Council for England | | |
| Teaching Grants | 48,824 | 44,565 |
| Research Grants | 7,444 | 8,260 |
| Other Specific Grants | 6,805 | 6,805 |
| Deferred Capital Grants released in year : | | |
| Buildings (Note 22) | 1,295 | 1,294 |
| Equipment (Note 22) | 1,835 | 1,341 |
| | 66,203 | 62,265 |

| 2. **Tuition Fees and Education Contracts** | **2009-10 £'000** | **2008-09 £'000** |
| --- | --- | --- |
| Full-time Students Charged Home Fees | 36,547 | 30,565 |
| Full-time Students Charged Overseas Fees | 17,039 | 17,746 |
| Part-time Students | 5,609 | 5,227 |
| Other Teaching Contracts | 25,194 | 23,503 |
| Short Courses | 1,284 | 1,344 |
| Research Training Support Grants | 678 | 517 |
| | 86,351 | 78,902 |

| 3. **Research Grants and Contracts** | **2009-10 £'000** | **2008-09 £'000** |
| --- | --- | --- |
| Research Councils | 3,728 | 4,456 |
| UK Charities | 287 | 445 |
| Central Government | 1,732 | 1,254 |
| Industry | 542 | 294 |
| European Union Central | 1,251 | 1,566 |
| European Union Other | 100 | 82 |
| Other Overseas | 27 | 158 |
| Knowledge Transfer Partnerships | 685 | 486 |
| Deferred Equipment Grants released in year (Note 22) | 118 | 108 |
| | 8,470 | 8,849 |

## Notes to the Accounts

| 4. **Other Income** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Residencies, Catering and Conferences | 7,165 | 7,466 |
| Other Services Rendered | 14,970 | 14,323 |
| Other Income Generating Activities | 5,439 | 6,844 |
| Deferred Capital Grants released in year : | | |
| Buildings (Note 22) | 652 | 652 |
| Equipment (Note 22) | 102 | - |
| | 28,328 | 29,285 |

| 5. **Endowment and Investment Income** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Investment Income and Other Interest Receivable | 341 | 1,287 |
| Allocated to Standardisation of Pension Benefits for Former University College Staff Provision (Note 21) | (55) | (52) |
| | 286 | 1,235 |

| 6. **Staff Costs** | **2009-10 Number** | **2008-09 Number** |
|---|---|---|
| The staff numbers by major category (including senior post holders) employed by the University during the period, expressed as full-time equivalent:- | | |
| Academic | 1,010 | 1,074 |
| Administrative, including clerical and manual | 1,422 | 1,514 |
| | 2,432 | 2,588 |

| | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Wages and Salaries | 85,149 | 86,999 |
| Social Security Costs | 7,057 | 7,249 |
| Other Pension Costs (Note 33) | 14,616 | 11,621 |
| | 106,822 | 105,869 |
| Early Retirement and Voluntary Severance | 1,411 | 121 |
| | 108,233 | 105,990 |

## Notes to the Accounts

### Staff Costs (Continued)

| **Emoluments of the Vice-Chancellor** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Salary | 191 | 274 |
| Benefits in Kind | 2 | 3 |
| Compensation for loss of Office | - | 30 |
| Total | 193 | 307 |
| Pension Contributions | 30 | - |
| Total Emoluments | 223 | 307 |

### Remuneration of Other Higher Paid Staff Over £100,000

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

| | **2009-10 Number** | **2008-09 Number** |
|---|---|---|
| £100,001 - £110,000 | 5 | 3 |
| £110,001 - £120,000 | 5 | 6 |
| £120,001 - £130,000 | 2 | 2 |
| £150,001 - £160,000 | - | 1 |
| £170,000 - £180,000 | 1 | - |
| £180,001 - £190,000 | - | 1 |

In 2009 10 one higher paid member of staff left and was paid an ex gratia payment of £30,000.

### Trustee Expenses

#### Payments to Council members for serving as a Council member

No payments were made in 2009 10 to Council members for serving as a Council member.

#### Expenses paid to and on behalf of Council members

In November 2009 £3,162 was paid on behalf of 11 Council members attending an overnight Council retreat. During 2009 10 expenses totalling £7,364 were paid to and on behalf of 7 Council members in respect of travel, hotel and course costs.

## Notes to the Accounts

| 7. **Other Operating Expenses** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Scholarships, Bursaries & Other Student Expenses | 9,601 | 9,597 |
| Catering | 1,246 | 1,036 |
| Student Union Grant | 884 | 836 |
| IT Supplies and Lease Costs | 3,825 | 4,176 |
| Books and Periodicals including Online Access | 2,258 | 2,193 |
| Printing Stationery and Office Expenses | 1,660 | 1,789 |
| Licences/Insurance/Subscriptions | 1,462 | 1,378 |
| Telephones | 499 | 489 |
| Equipment and Furniture including Hire and Maintenance | 3,632 | 3,343 |
| Financial Charges | 755 | 662 |
| Consumables | 633 | 535 |
| Vehicle and Transport Costs | 543 | 573 |
| Professional and Other Fees | 8,551 | 8,805 |
| Agency and Contract Staff | 4,548 | 3,545 |
| Staff Travel & Subsistence Costs | 3,698 | 3,475 |
| Marketing | 1,740 | 1,567 |
| Staff Recruitment & Welfare | 809 | 729 |
| Premises, Maintenance and Repairs | 7,698 | 7,184 |
| Rates, Rents and Utilities | 4,133 | 5,023 |
| Security | 638 | 842 |
| Subsidiary Company Expenditure | 5,377 | 3,438 |
| | 64,190 | 61,215 |
| Fees and Expenses includes: | | |
| External auditors remuneration in respect of audit of the University | 41 | 40 |
| External auditors remuneration in respect of audit of the University's subsidiaries | 10 | 9 |
| External auditors remuneration in respect of other audit services | 16 | 31 |
| Internal auditors' remuneration in respect of internal audit services | 123 | 135 |
| Internal auditors' remuneration in respect of non – audit services | 192 | 197 |

| 8. **Interest and Other Finance Costs** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| On Bank Loans, Overdrafts and Other Loans : | | |
| Repayable wholly or partly in more than 5 years | 1,271 | 1,394 |
| Net Charge on Pension Schemes (Note 33d) | 2,412 | 1,515 |
| Students' Union Deposit Interest | 8 | 41 |
| | 3,691 | 2,950 |

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

## Notes to the Accounts

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

| | Staff Costs | | Other Operating Expenses | | Depreciation | | Interest | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 09/10 £'000 | 08/09 £'000 | 09/10 £'000 | 08/09 £'000 | 09/10 £'000 | 08/09 £'000 | 09/10 £'000 | 08/09 £'000 | 09/10 £'000 | 08/09 £'000 |
| Academic Departments | 62,992 | 61,773 | 10,000 | 11,425 | 1,738 | 1,101 | - | - | 74,730 | 74,299 |
| Academic Services | 6,229 | 7,727 | 4,908 | 5,943 | 756 | 728 | - | - | 11,893 | 14,398 |
| Administration & Student Services | 20,787 | 16,804 | 18,655 | 16,775 | 953 | 904 | - | - | 40,395 | 34,483 |
| Premises | 5,502 | 6,116 | 12,823 | 11,699 | 6,130 | 6,067 | 1,271 | 1,394 | 25,726 | 25,276 |
| Residencies, Catering and Conferences | 1,301 | 2,050 | 6,365 | 6,175 | 1,033 | 1,171 | - | - | 8,699 | 9,396 |
| Research Grants and Contracts | 4,130 | 4,662 | 1,742 | 1,782 | 119 | 109 | - | - | 5,991 | 6,553 |
| Other Expenses | 7,292 | 6,858 | 9,697 | 7,416 | 81 | 30 | 2,420 | 1,556 | 19,490 | 15,860 |
| | 108,233 | 105,990 | 64,190 | 61,215 | 10,810 | 10,110 | 3,691 | 2,950 | 186,924 | 180,265 |

10. **Taxation**

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

| 11. **Exceptional Items** | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|
| Profit on Disposal of John Lester and Eddie Colman Hall of Residencies | | 7,555 |
| Profit on Disposal of Salford University Purchasing Services Limited's (formerly called Crescent Purchasing Limited ) Procurement Division. | 856 | - |
| Profit on Disposal of Holly Cottage | 257 | - |
| Restructuring Costs (a) | 64 | (9,753) |
| Reorganisation Costs (b) | (1,531) | - |
| | (354) | (2,198) |

(a) Restructuring costs incurred in the year includes the cost of payments to staff under the University's voluntary severance scheme (including any pension liabilities) in relation to the Realising Our Vision exercise and restructuring programme.

(b) These relate to the costs of reorganising the Estates and Information Services Department and redundancies at Salford Software.

## Notes to the Accounts

| 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 2009 | 156,632 | 884 | 35,406 | 192,922 |
| Additions | - | 844 | 6,240 | 7,084 |
| Disposals | (697) | - | (1,058) | (1,755) |
| At 31 July 2010 | 155,935 | 1,728 | 40,588 | 198,251 |
| Depreciation | | | | |
| At 1 August 2009 | 20,077 | - | 24,602 | 44,679 |
| Charge for the Year | 6,605 | - | 4,205 | 10,810 |
| Disposals | (52) | - | (1,038) | (1,090) |
| At 31 July 2010 | 26,630 | - | 27,769 | 54,399 |
| Net Book Value | | | | |
| At 31 July 2010 | 129,305 | 1,728 | 12,819 | 143,852 |
| At 1 August 2009 | 136,555 | 884 | 10,804 | 148,243 |

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

An interim review was carried out by the Director of Estates on 31 July 2009 to ensure that the carrying values of land and buildings were still appropriate.

| 12. **Tangible Assets (Continued)** | 2010 £'000 | 2009 £'000 |
| --- | --- | --- |
| The net book value of the Land and Buildings can be analysed as:- | | |
| 2006 Valuation Market Value | 11,234 | 12,432 |
| 2006 Valuation Depreciated Replacement Cost | 105,188 | 110,680 |
| Historical Cost (Including Assets in the Course of Construction) | 14,611 | 14,327 |
| | 131,033 | 137,439 |

| | Land and Buildings £'000 | Assets in the Course of Construction £'000 | Equipment £'000 | Total £'000 |
| --- | --- | --- | --- | --- |
| **University** | | | | |
| Historical Cost/Valuation | | | | |
| At 1 August 2009 | 156,632 | 884 | 34,985 | 192,501 |
| Additions | - | 844 | 6,199 | 7,043 |
| Disposals | (697) | - | (988) | (1,685) |
| At 31 July 2010 | 155,935 | 1,728 | 40,196 | 197,859 |
| Depreciation | | | | |
| At 1 August 2009 | 20,077 | - | 24,249 | 44,326 |
| Charge for the Year | 6,605 | - | 4,170 | 10,775 |
| Disposals | (52) | - | (967) | (1,019) |
| At 31 July 2010 | 26,630 | - | 27,452 | 54,082 |
| Net Book Value | | | | |
| At 31 July 2010 | 129,305 | 1,728 | 12,744 | 143,777 |
| At 1 August 2009 | 136,555 | 884 | 10,736 | 148,175 |

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

An interim review was carried out by the Director of Estates on 31 July 2009 to ensure that the carrying values of land and buildings were still appropriate.

## Notes to the Accounts

| 13. **Investments** | 2010 £'000 | 2009 £'000 |
| --- | --- | --- |
| **Consolidated** | | |
| Trade Investments | 2 | 2 |
| **University** | | |
| Trade Investments | 1 | 1 |

At the 31 July 2010 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 2010 the University of Salford Enterprises Limited owned the following subsidiary companies which are all registered and operating in England and Wales :

| | | | |
| --- | --- | --- | --- |
| Salford Software Limited | Software Marketing | Ordinary | 100.0% |
| Salford University Purchasing Services Limited (Formerly called Crescent Purchasing Limited ) | Purchasing Services | Ordinary | 100.0% |

At the 31 July 2010 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% |
| 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.

# Notes to the Accounts

13. **Investments (Continued)**

At the 31 July 2010 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% |
| BioeMech Tecnnologies International Limited | Medical Insole Products | Ordinary | 15.0% |

The investments in Photonics Research Systems Ltd, CVD Technology Limited, The Protocol Lab Limited and One Central Park Limited are all treated as trade investments as the University does not have significant influence over these companies.

| 14. **Endowment Asset Investments** | **2010 £'000** | **2009 £'000** |
|---|---|---|
| **Consolidated and University** | | |
| Balance at 1 August 2009 | 462 | 713 |
| (Decrease) in Cash Balances | (15) | (251) |
| Balance at 31 July 2010 | 447 | 462 |

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

| 15. **Stock** | **2010 £'000** | **2009 £'000** |
|---|---|---|
| **Consolidated** | | |
| Building and Engineering Stores | 108 | 110 |
| Catering Stock | - | 33 |
| Goods for sale | - | 40 |
| | 108 | 183 |
| **University** | | |
| Building and Engineering Stores | 108 | 110 |
| Catering Stock | - | 33 |
| | 108 | 143 |

## Notes to the Accounts

| 16. **Debtors** | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Consolidated** | | |
| Amounts Falling Due Within One Year: | | |
| Trade Debtors | 5,592 | 8,042 |
| Amounts Due on Research Grants and Contracts | 984 | 1,641 |
| Accrued Income | 3,414 | 2,778 |
| Other Debtors and Prepayments | 3,025 | 2,190 |
| | 13,015 | 14,651 |
| **University** | | |
| Amounts Falling Due Within One Year: | | |
| Trade Debtors | 4,869 | 6,709 |
| Amounts Due on Research Grants and Contracts | 984 | 1,641 |
| Accrued Income | 2,310 | 1,785 |
| Other Debtors and Prepayments | 1,860 | 1,738 |
| Amounts Owed by Subsidiary Undertakings | 1,145 | 164 |
| | 11,168 | 12,037 |
| **Debtors** | | |
| **Consolidated** | | |
| Amounts Falling Due After One Year | 1,125 | - |
| | 1,125 | - |
| **University** | | |
| Amounts Falling Due After One Year | - | - |
| | - | - |

| 17. **Short Term Deposits** | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Consolidated and University** | | |
| At 31 July 2010 | 37,438 | 39,235 |
| Allocated to Endowment Investments (Note 14) | (447) | (462) |
| | 36,991 | 38,773 |

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

## 18. **Creditors: Amounts Falling Due Within One Year**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Consolidated** | | |
| Bank and Other Loans | 1,118 | 1,078 |
| Research Contract Payments Received on Account | 2,364 | 1,756 |
| Trade Creditors | 6,777 | 7,356 |
| Social Security and Other Taxation Payable | 3,224 | 3,033 |
| Other Payroll Creditors | 1,351 | 1,332 |
| Accruals | 6,605 | 12,474 |
| Other Creditors | 246 | 265 |
| Deferred Income | 10,839 | 12,177 |
| Provision for overpayment of Teaching Grant | 1,500 | 4,800 |
| Students' Union Deposit | 977 | 1,036 |
| | 35,001 | 45,307 |
| **University** | | |
| Bank and Other Loans | 1,118 | 1,078 |
| Research Contract Payments Received on Account | 2,364 | 1,756 |
| Trade Creditors | 5,983 | 6,819 |
| Social Security and Other Taxation Payable | 2,488 | 2,399 |
| Other Payroll Creditors | 1,351 | 1,332 |
| Accruals | 6,327 | 11,934 |
| Other Creditors | 246 | 265 |
| Deferred Income | 7,858 | 10,235 |
| Provision for overpayment of Teaching Grant | 1,500 | 4,800 |
| Amounts Due to Subsidiary Undertakings | 1,640 | 1,721 |
| Students' Union Deposit | 977 | 1,036 |
| | 31,852 | 43,375 |

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** | **2010 £'000** | **2009 £'000** |
|---|---|---|
| **Consolidated** | | |
| Bank and Other Loans | 20,700 | 21,819 |
| HEFCE Loan | 180 | - |
| | 20,880 | 21,819 |
| **University** | | |
| Bank and Other Loans | 20,700 | 21,819 |
| HEFCE Loan | 180 | - |
| | 20,880 | 21,819 |

| 20.**Borrowings: Bank Loans and Mortgages** | **2010 £'000** | **2009 £'000** |
|---|---|---|
| **University and Consolidated** | | |
| Amounts Falling Due Within 1 Year | 1,118 | 1,078 |
| Amounts Falling Due between 1 to 2 Years | 1,164 | 1,118 |
| Amounts Falling Due between 2 to 5 Years | 3,596 | 3,484 |
| Amounts Falling Due After 5 Years or More | 15,940 | 17,217 |
| | 21,818 | 22,897 |

**Analysis of Loans**

| **Year Obtained Loan** | **Security** | **Year Repayable** | **Interest Rate** | **Balance Outstanding £'000** |
|---|---|---|---|---|
| 1996 | Centenary Building | 2017 | Variable on Libor | 2,768 |
| 2004 | Mary Seacole Building | 2030 | Fixed at 5.86% | 13,770 |
| 2007 | Law Building | 2032 | Fixed at 5.18% | 5,280 |
| | | | | 21,818 |

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

21. **Provisions for Liabilities**

| | £'000 |
|---|---|
| **Consolidated and University** | |
| As at 1 August 2009 | 1,005 |
| Utilised in Year | - |
| Interest on Funds (Note 5) | 55 |
| Transfer from Income and Expenditure Account | 69 |
| As at 31 July 2010 | 1,129 |

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 2009** | | | |
| Buildings | 18,952 | 7,342 | 26,294 |
| Equipment | 2,470 | 819 | 3,289 |
| Total | 21,422 | 8,161 | 29,583 |
| **Cash Receivable** | | | |
| Buildings | 748 | - | 748 |
| Equipment | 4,360 | 192 | 4,552 |
| Total | 5,108 | 192 | 5,300 |
| **Released to Income and Expenditure** | | | |
| Buildings (Notes 1 & 4) | 1,295 | 652 | 1,947 |
| Equipment (Notes 1, 3 & 4) | 1,835 | 220 | 2,055 |
| Building Disposal | 42 | 10 | 52 |
| Equipment Disposal | 21 | - | 21 |
| Total | 3,193 | 882 | 4,075 |
| **At 31 July 2010** | | | |
| Buildings | 18,363 | 6,680 | 25,043 |
| Equipment | 4,974 | 791 | 5,765 |
| **Total** | 23,337 | 7,471 | 30,808 |

## Notes to the Accounts

### 23. **Endowments**

| **Consolidated and University** | **£'000** | **£'000** | **£'000** |
|---|---|---|---|
| | **Restricted** | **Restricted** | **Restricted** |
| | **Expendable** | **Permanent** | **Total** |
| **Opening Balances:** | | | |
| Capital Value | 166 | 129 | 295 |
| Accumulated Income | 70 | 97 | 167 |
| At 1 August | 236 | 226 | 462 |
| | | | |
| New Endowments | - | - | - |
| Income for the year | 2 | 2 | 4 |
| Expenditure for the Year | (17) | (2) | (19) |
| | | | |
| **At 31 July 2010** | (15) | 0 | (15) |
| | | | |
| **Represented by:** | | | |
| Capital Value | 151 | 129 | 280 |
| Accumulated Income | 70 | 97 | 167 |
| | 221 | 226 | 447 |

| 24. **Revaluation Reserve** | **University £'000** | **Consolidated £'000** |
|---|---|---|
| At 1 August 2009 | 52,739 | 52,739 |
| Transfer to Income and Expenditure Account (Note 25) | (2,076) | (2,076) |
| Transfer to Income and Expenditure Account on Disposal of Buildings (Note 25) | (337) | (337) |
| At 31 July 2010 | 50,326 | 50,326 |

| 25. **Income and Expenditure Reserve** | **University £'000** | **Consolidated £'000** |
|---|---|---|
| Balance at 1 August 2009 | 50,757 | 51,814 |
| Transfer from Revaluation Reserve (Note 24) | 2,076 | 2,076 |
| Transfer from Revaluation Reserve on Disposal of Buildings (Note 24) | 337 | 337 |
| Transfer from Pension Reserve (Note 26) | 2,905 | 2,905 |
| Profit for the Financial Year | 2,919 | 2,375 |
| As at 31 July 2010 | 58,994 | 59,507 |

The £2,076,000 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.

| 26. **Pension Reserve** | **University £'000** | **Consolidated £'000** |
|---|---|---|
| Balance at 1 August 2009 | (48,234) | (48,234) |
| Actuarial Gain (Note 33d) | 13,866 | 13,866 |
| Transferred to Income and Expenditure Reserve (Note 25) | (2,905) | (2,905) |
| Pension Reserve at 31 July 2010 | (37,273) | (37,273) |

| 27. **Reconciliation of Consolidated Operating Surplus / (Deficit) to Net Cash Inflow from Operating Activities** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Surplus / (Loss) on Operations After Depreciation of Assets at Valuation and Disposal of Assets and Tax | 2,360 | (1,927) |
| Depreciation (Note 12) | 10,810 | 10,110 |
| (Profit) on Disposal of Fixed Assets ( Note 11) | (257) | (7,555) |
| Deferred Capital Grants Released to Income (Note 22) | (4,002) | (3,395) |
| Investment Income (Note 5) | (286) | (1,235) |
| Interest and Other Finance Costs (Note 8) | 3,691 | 2,950 |
| Decrease/(Increase) in Stocks | 75 | (12) |
| Decrease/(Increase) in Debtors | 511 | (3,149) |
| (Decrease)/Increase in Creditors | (10,287) | 10,066 |
| Increase in Provisions | 124 | 133 |
| Pension Costs less Contributions Payable | 493 | 916 |
| Net Cash Inflow from Operating Activities | 3,232 | 6,902 |

| 28. **Returns on Investments and Servicing of Finance** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Income from Short Term Investments (Note 5) | 286 | 1,235 |
| Interest Paid (Note 8) | (1,279) | (1,435) |
| | (993) | (200) |

There has been a restatement of the 2008 09 comparatives for Note 27 and 28 so that Note 28 only reflects “interest paid” with a corresponding restatement of the “Pension Costs less Contributions Payable” line in Note 27.

| 29. **Capital Expenditure and Financial Investment** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Purchase of Tangible Fixed Assets (Note 12) | (7,084) | (4,989) |
| Proceeds from Sales of Fixed Assets | 850 | 10,878 |
| Endowment Assets Disposed | 15 | 251 |
| Deferred Capital Grants Received (Note 22) | 5,299 | 1,296 |
| | (920) | 7,436 |

## Notes to the Accounts

| 30. **Management of Liquid Resources** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Movement in Students' Union Deposit | (59) | (318) |
| Withdrawal of / (Placement) of Short Term Deposits | 1,782 | (12,793) |
| Net Cash Inflow / (Outflow) | 1,723 | (13,111) |

| 31. **Analysis of Changes in Consolidated Financing** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Opening Balance | 22,897 | 23,940 |
| New Loans | 180 | - |
| Repayments of Amounts Borrowed | (1,079) | (1,043) |
| Net Amount Repaid during the year | (899) | (1,043) |
| Closing Balance | 21,998 | 22,897 |

| 32. **Analysis of Changes in Consolidated Net Funds** | **1 August 2009 £'000** | **Cash Flow £'000** | **31 July 2010 £'000** |
|---|---|---|---|
| Short Term Deposits | 38,773 | (1,782) | 36,991 |
| Students' Union Deposit | (1,036) | 59 | (977) |
| | 37,737 | (1,723) | 36,014 |
| Cash at Bank and in Hand | 415 | 2,143 | 2,558 |
| Debt Due Within One Year | (1,078) | (40) | (1,118) |
| Debt Due Over One Year | (21,819) | 939 | (20,880) |
| | 15,255 | 1,319 | 16,574 |

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: -

| | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| USS -Note 33(a) | 10,509 | 7,915 |
| GMPF-Note 33(b) | 3,257 | 2,662 |
| TPS -Note 33(c) | 792 | 964 |
| Other Pension Schemes | 58 | 80 |
| (Note 6) | 14,616 | 11,621 |
| USS Early Retirement Costs | 568 | 2,653 |
| GMPF Curtailments and Settlements and Past Service Costs | 748 | 681 |
| TPS Curtailments and Settlements | 23 | 884 |
| **Total Pension Costs** | 15,955 | 15,839 |

## Notes to the Accounts

| The University contribution rates at 31 July were: | 2010 % | 2009 % |
|---|---|---|
| USS | 16.0 | 14.0 |
| GMPF | 14.6 | 13.8 |
| 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 scheme’s assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions’ employees and 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 triennial valuation was at 31 March 2008. This was the first valuation for USS under the new scheme – specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical pensions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31st March 2010 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3 % per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

| | |
|---|---|
| Male members’ mortality | PA92 MC YoB tables – rated down 1 year |
| Female members’ mortality | PA92 MC YoB tables – No age rating |

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

| | |
|---|---|
| Males (females) currently aged 65 | 22.8 (24.8) years |
| Males (females) currently aged 45 | 24.0 (25.9) years |

## Notes to the Accounts

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

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme has discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities 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 increases | Increase / decrease by 0.5% | Decrease / Increase by £1.5 billion |
| Rate of salary growth | Increase / decrease by 0.5% | Increase / decrease by £0.7 billion |
| Rate of Mortality | More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation). | Increase by £1.6 billion |

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector.

# Notes to the Accounts

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

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 although the trustee is mindful of the desirability of keeping the funds level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.
At 31 March 2010, USS had over 135,000 active members and the University had 1,134 members participating in the scheme.

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

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

The following information is based upon a full actuarial valuation of the fund as at 31 March 2007 updated to 31 July 2009 and 31 July 2010 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 2010.

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 2010 were:

| | **31 July 2010** | **31 July 2009** |
|---|---|---|
| | % p.a. | % p.a. |
| Pension Increase Rate | 2.9% | 3.7% |
| Salary Increase Rate | 3.4% | 5.2% |
| Expected Return on Assets | 6.4% | 6.6% |
| Discount Rate | 5.4% | 6.0% |

The average future life expectancy are based on the PFA92 and PMA92 tables, based on individual year of birth with improvements in line with the medium cohort and a 1% p.a. underpin from 2007. Based on these assumptions, the average future life expectancies at age 65 are summarised below

| | **Males** | **Females** |
|---|---|---|
| Current Pensions | 20.8 years | 24.1 years |
| Future Pensions | 22.8 years | 26.2 years |

An allowance is included for 50% of future retirements to elect to take additional tax – free cash up to HMRC limits.

## Notes to the Accounts

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

| **The breakdown of the expected return on assets by category:** | **Long Term Rate of Return Expected at 31 July 2010** | **Long Term Rate of Return Expected at 31 July 2009** |
|---|---|---|
| Equities | 7.3% | 7.3% |
| Bonds | 4.8% | 5.3% |
| Property | 5.3% | 5.3% |
| Cash | 4.4% | 4.3% |

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

| **The fair value of employer assets were:** | **31 July 2010 £'000** | **31 July 2009 £'000** |
|---|---|---|
| Equities | 62,331 | 55,780 |
| Bonds | 13,550 | 10,846 |
| Property | 5,420 | 4,649 |
| Cash | 9,033 | 6,198 |
| | 90,334 | 77,473 |

The following amounts were measured in accordance with FRS17:

| **Analysis of the Amount Shown in the Balance Sheet** | **31 July 2010 £'000** | **31 July 2009 £'000** |
|---|---|---|
| Fair Value of Employer Assets | 90,334 | 77,473 |
| Present Value of Funded Liabilities | (113,763) | (111,666) |
| Net Underfunding in Funded Plans | (23,429) | (34,193) |
| Present Value of Unfunded Liabilities | (4,288) | (4,471) |
| Net Liability | (27,717) | (38,664) |

| **Analysis of the Amount Charged to Staff Costs within Operating Surplus / (Deficit)** | **2009-10 £'000** | **% of Pay** | **2008-09 £'000** | **% of Pay** |
|---|---|---|---|---|
| Service Cost | 3,257 | 16.5 | 2,662 | 13.6 |
| Past Service Cost in respect of efficiency and other early retirements | 370 | 1.9 | - | 1.0 |
| Curtailments and Settlements | 378 | 1.9 | 681 | 3.5 |
| Total Operating Charge | 4,005 | | 3,343 | |

## Notes to the Accounts

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

| **Analysis of Net Charge / (Return) on Pension Scheme** | **2009-10 £'000** | **% of Pay** | **2008-09 £'000** | **% of Pay** |
|---|---|---|---|---|
| Expected Return on Pension Scheme Assets | (5,132) | 26.0 | (5,498) | 28.2 |
| Interest on Pension Scheme Liabilities | 7,016 | 35.6 | 6,492 | 33.3 |
| Net Charge | 1,884 | | 994 | |
| The actual return on Pension Scheme Assets was | 12,202 | | (1,464) | |

| **Amounts Recognised in the Statement of Total Recognised Gains and Losses** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Actual Return Less Expected Return on Pension Scheme Assets | 7,090 | (6,946) |
| Experience Gains and Losses Arising on the Scheme Liabilities | 589 | (81) |
| Change in Financial and Demographic Assumptions Underlying the Scheme Liabilities – (a) | 6,187 | (11,991) |
| Actuarial Gain/ (Loss) recognised in Statement of Gains and Losses | 13,866 | (19,018) |

| **Changes in the Present Value of the Defined Benefit Pension Obligations are as follows:** | **31 July 2010 £'000** | **31 July 2009 £'000** |
|---|---|---|
| Opening Defined Benefit Obligation | (116,137) | (96,291) |
| Current Service Cost | (3,257) | (2,662) |
| Interest Cost | (7,016) | (6,492) |
| Contributions by Members | (1,252) | (1,267) |
| Actuarial Gains/ (Loss) – (a) | 6,776 | (12,072) |
| Past Service Costs | (370) | - |
| Losses on Curtailments | (378) | (681) |
| Contributions in Respect of Unfunded Benefits Paid | 302 | 300 |
| Estimated Benefits Paid | 3,281 | 3,028 |
| Closing Defined Benefit Obligation | (118,051) | (116,137) |

(a) The actuarial gain for 2009 10 includes a £6,865,000 gain in respect of the change in actuarial assumption from RPI to CPI as detailed in the Note on page 28.

| **Changes in the Present Value of the Fair Value of Assets are as follows:** | **31 July 2010 £'000** | **31 July 2009 £'000** |
|---|---|---|
| Opening Fair Value of Employer Assets | 77,473 | 78,185 |
| Expected Return on Assets | 5,132 | 5,498 |
| Contributions by Members | 1,252 | 1,267 |
| Contributions by the Employer | 2,668 | 2,497 |
| Contributions in Respect of Unfunded Benefits | 302 | 300 |
| Actuarial Gains /(Losses) | 7,090 | (6,946) |
| Estimated Unfunded Benefits Paid | (302) | (300) |
| Estimated Benefits Paid | (3,281) | (3,028) |
| | 90,334 | 77,473 |

## Notes to the Accounts

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

**History of Experience Gains and Losses**

| Year Ended | 31 July 2010 £'000 | 31 July 2009 £'000 | 31 July 2008 £'000 | 31 July 2007 £'000 | 31 July 2006 £'000 |
|---|---|---|---|---|---|
| Fair Value of Scheme Assets | 90,334 | 77,473 | 78,185 | 88,825 | 80,081 |
| Present Value of Defined Benefit Obligation | (118,051) | (116,137) | (96,291) | (97,542) | (98,491) |
| Deficit in the Scheme | (27,717) | (38,664) | (18,106) | (8,717) | (18,410) |
| Experience Gains / (Losses) on Assets | 7,090 | (6,946) | (17,259) | 2,565 | 3,642 |
| Experience Gains/(Losses) on Liabilities | 589 | (81) | 4,655 | 186 | (52) |

| **Changes in the Amounts Recognised in the Statement of Total recognised Gains and Losses (STRGL) are as follows:** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Opening Cumulative STRGL | (18,481) | 537 |
| Actuarial Gain /(Losses) | 13,866 | (19,018) |
| Closing Cumulative STRGL | (4,615) | (18,481) |

The estimate for the contribution by the employer to the Local Government Pension scheme for 2010-11 is £2,847,000

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 |

## Notes to the Accounts

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

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 2010 | 31 July 2009 |
|---|---|---|
| Total Interest Rate for Calculating Interest on Pension Liabilities | 5.5% | 6.0% |
| Net Interest Rate to Discount Scheme Liabilities | 2.0% | 2.0% |

| | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|
| Present Value of Unfunded Liabilities | 9,556 | 9,570 |

| **Analysis of the Amount Charged to the Income and Expenditure Account** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Curtailments and Settlements | 23 | 884 |

| **Analysis of Net Return on TPS Scheme Early Retirements** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Interest on Pension Liabilities | 528 | 521 |

| **Analysis of Amounts Recognised in Statement of Recognised Gains and Losses** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Changes in Financial and Demographic Assumptions Underlying the Scheme Liabilities | - | - |

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

| **Movements in Deficit During Year** | **31 July 2010 £'000** | **31 July 2009 £'000** |
|---|---|---|
| Opening Defined Benefit Obligation | (9,570) | (8,679) |
| Contributions in respect of Unfunded Benefits | 565 | 514 |
| Impact of Settlements and Curtailments | (23) | (884) |
| Interest and Pension Liabilities | (528) | (521) |
| Closing Defined Benefit Obligation | (9,556) | (9,570) |

## Notes to the Accounts

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

**History of Experience Gains and Losses**

| Year Ended | 31 July 2010 £'000 | 31 July 2009 £'000 | 31 July 2008 £'000 | 31 July 2007 £'000 | 31 July 2006 £'000 |
|---|---|---|---|---|---|
| Present Value of Defined Benefit Obligation | (9,556) | (9,570) | (8,679) | (7,996) | (7,878) |
| Experience Losses on Liabilities | | - | (654) | - | - |

| Changes in the Amounts Recognised in the Statement of Total recognised Gains and Losses (STRGL) are as follows : | 31 July 2010 £'000 | 31 July 2009 £'000 |
|---|---|---|
| Opening Cumulative STRGL | (1,453) | (1,453) |
| Closing Cumulative STRGL | (1,453) | (1,453) |

The estimated contributions in respect of Unfunded Benefits for 2010-11 is £571,000.

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: -

| | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|
| **Income and Expenditure Account – Interest Paid** | | |
| Greater Manchester Pension Fund – Note 33(b) | 1,884 | 994 |
| Teachers' Pension Scheme Early Retirement – Note 33(c) | 528 | 521 |
| | 2,412 | 1,515 |

| | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|
| **Statement of Total Recognised Gains and Losses** | | |
| Actuarial (Losses)/ Gains | | |
| Greater Manchester Pension Fund – Note 33(b) | 13,866 | (19,018) |
| Teachers' Pension Scheme Early Retirement – Note 33(c) | - | - |
| | 13,866 | (19,018) |

| | 2009-10 £'000 | 2008-09 £'000 |
|---|---|---|
| **Balance Sheet – Pension Scheme Deficits** | | |
| Greater Manchester Pension Fund – Note 33(b) | (27,717) | (38,664) |
| Teachers' Pension Scheme Early Retirement – Note 33(c) | (9,556) | (9,570) |
| | (37,273) | (48,234) |

## Notes to the Accounts

### 34. **Operating Lease Commitments**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| At 31 July the annual commitments under non-cancellable operating leases were as follows: | | |
| **Consolidated** | | |
| Land and Buildings | | |
| Within One Year | 25 | 21 |
| Between Two and Five Years | 494 | 477 |
| Over Five Years | 2,586 | 66 |
| | 3,105 | 564 |
| Other | | |
| Within One Year | 150 | 155 |
| Between Two and Five Years | 700 | 381 |
| Over Five Years | | - |
| | 850 | 536 |

| **University** | **2010 £'000** | **2009 £'000** |
|---|---|---|
| Land and Buildings | | |
| Within One Year | 25 | 21 |
| Between Two and Five Years | 447 | 440 |
| Over Five Years | 2,586 | 66 |
| | 3,058 | 527 |
| Other | | |
| Within One Year | 150 | 155 |
| Between Two and Five Years | 700 | 381 |
| Over Five Years | - | - |
| | 850 | 536 |

### 35. **Capital Commitments**

| | **2010 £'000** | **2009 £'000** |
|---|---|---|
| **Consolidated and University** | | |
| Commitments Contracted at 31 July | 2,346 | 1,797 |
| Authorised but not Contracted at 31 July | 38,860 | 33,533 |

The University has entered into a 25 year lease commencing February 2011 to lease 103,000 square feet at Media City. The University is obliged to fit this property out at it its own expense and the authorised commitment includes an approved fit out of this property costing £30.41m.

## Notes to the Accounts

36. **Contingent Liabilities**

Further to the sale of John Lester and Eddie Colman student accommodation residencies to Campus Living Villages in 2008 09 the University has entered into a nominations agreement where the University guarantees minimum levels of occupancy over the next 4 years. The size of the guarantee gradually falls over this period.

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

| 37. **Access Funds** | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Balance Brought Forward | 22 | 41 |
| HEFCE Grants | 641 | 736 |
| Interest Earned | 2 | 13 |
| Administration Costs | (4) | (3) |
| Disbursed to Students | (632) | (765) |
| Balance Carried Forward | 29 | 22 |

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

The University undertook transactions with the following public sector bodies and a charity to which Council members had connections –Salford City Council and Salix Homes and various NHS bodies including The Christie NHS Foundation Trust, Salford Primary Care Trust and University Hospital of South Manchester NHS Trust and the children's charity Kidscan as well as Manchester University. The University also undertook transactions with the following commercial organisation to which a Council member had connections –Halliwells LLP.

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:-

| | **2009-10 £'000** | **2008-09 £'000** |
|---|---|---|
| Annual Grant Paid to Students' Union from University | 884 | 836 |
| Payments made to the Students' Union from the University for Services provided | 24 | 177 |
| Payments made to the University from Students' Union for Services provided | (115) | (64) |

At the 31 July 2010 Student's Union had £977,000 (2009: £1,036,000) invested with the University of Salford as detailed in Note 18.