

The  
University  
Of  
Sheffield.

To  
Discover  
And  
Understand.

# Financial Statements 2006–07.



*Firth Court entrance.*

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*New Student Residences: Endcliffe Village.*



# Report of the Treasurer

2006–07

## Scope of the Financial Statements

The Consolidated Financial Statements presented to the Council of the University cover all of the University's activities, including Research Grants and Contracts, Conference and Residential Services and Companies in which the University has an interest. These Companies are detailed in Note 32 to the Financial Statements.

## Highlights of the Year

- £112.5m Research Grants and Contracts awarded, an increase of 19.7% on 2005/06. The University's position relative to other universities was highlighted by the 2005/06 Higher Education Statistical Agency (HESA) tables, which placed the University seventh in England in respect of the amounts of Total Research Grants and Contracts.
- Successful major capital project completions including the Information Commons at a cost of £23.0m.
- A private placement for borrowings of £60m over 40 years agreed in May 2007.
- Continuing affirmation from Standard and Poor's of the University's long term credit rating of AA-/stable.
- Introduction of the new finance, HR and payroll system on 1 August 2007.

## Financial Headlines

- Income growth of 5.2%.
- Expenditure growth of 3.4%.
- Operating deficit of £4.5m.
- Historical cost surplus of £15.8m.
- Continued substantial capital investment of £50.4m.
- Reduced pension scheme deficit to £32.6m from £42.5m.

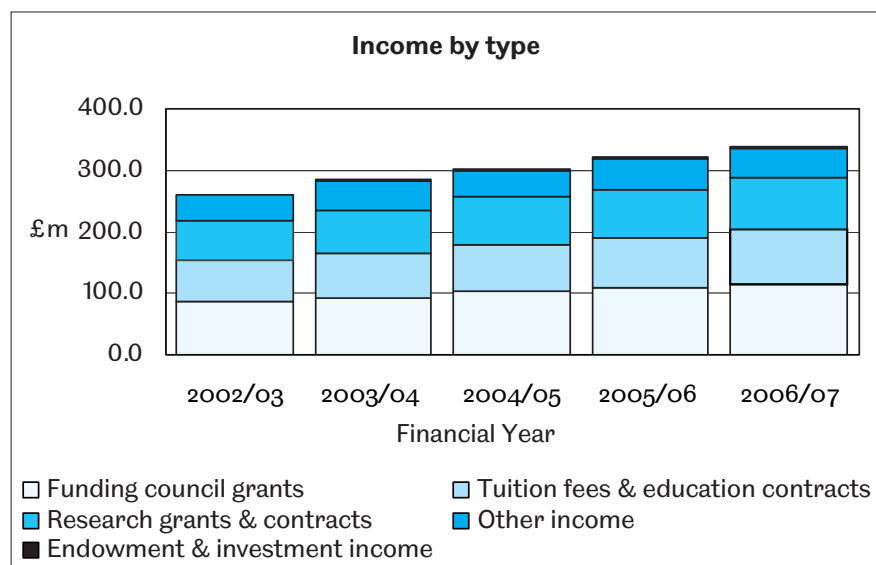
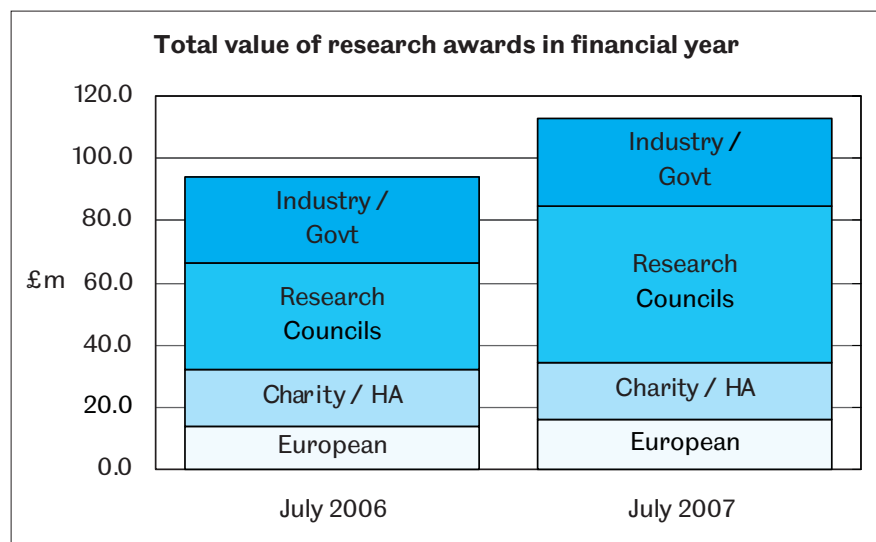
## Income and Expenditure Account

The University has continued to increase its research grant and contract income, which includes income associated with major national and international collaborations. In the last year, the University has been successful in winning over £112.5m of new research awards. Research income for the year has grown by 6.8% to £84.6m.

Grant income has grown by 3.3% to £114.1m. The recurrent grant growth

is 5.5%, but specific grants growth is only 2.8%.

Tuition fees have grown this year by 13.0% to £90.5m. The overseas student market has been volatile and with little increase since 2003/04, but concerted efforts to target overseas students by the University have been successful and led to an increase of overseas fee income of 14.5% from £25.6m in 2005/06 to £29.3m in 2006/07. Home full-time undergraduate fee income



# Report of the Treasurer – Continued

has increased by 41.4% to £22.3m as a result of the introduction of variable fees which generated an additional £6.7m. The contract for diploma nurses has commenced its three year wind down, resulting in a fall in NHS education contracts fee income of 12.2% to £18.0m.

Staff costs have increased by just 0.6%. From 2002/03 to 2005/06 staff costs increased at an average of 8.6% per annum. This was a result of market pressures on salaries resulting in above inflation salary increases, the larger staff base of the University, and the appointment of high quality research staff to seek to reinforce the University's position in world-leading research in the forthcoming Research Assessment Exercise 2008 (RAE2008). During 2006/07 the University staff fell by 162. Ceasing to offer nursing training has reduced nursing related staff by 177. In addition the University has been actively reviewing its staff base and costs in order to minimise the impact of these costs continuing to accelerate at a faster rate than income streams.

Other operating expenditure has increased by 7.3% to £116.9m. The main reasons for this movement are an increase of £3.5m due to additional scholarships paid out in response to the increase in variable tuition fees, an increase of £5.7m on rental as a result of the University requiring contracted student accommodation and a decrease of £3.6m for professional fees which were higher than usual in 2005/06 because of advisory services used for the Student Residences Strategy.

Depreciation has increased during the year by 3.9% to £21.8m. This is a consequence of the University's capital growth and the 2005/06 upward valuation of the academic estate by £76.6m.

The University's shareholding in Biofusion plc reduced from 45.94% to 25.46% during the financial year following a further share issue which raised £22.9m, relating to the pipeline agreement with Cardiff University. This

resulted in the Group having a deemed disposal and the gain on this disposal of £4.4m is recognised in full in the Income and Expenditure Account.

The loss on disposal of assets arises from the disposal of student accommodation properties. Most properties sell for a small profit, but one of the large disposals during the year sold for significantly less than its revalued net book value, giving rise to a large loss. However, the loss is matched by a revaluation reserve release arising on the disposal.

The revaluation reserve release arising due to the difference between historical cost depreciation and the actual depreciation charge is £6.1m of which £5.7m relates to assets held by the University, and £0.4m relates to student accommodation properties. The realisation of property revaluation gains of £11.8m relates wholly to disposals of the student accommodation properties.

The result is a historic cost surplus of £15.8m as shown in the Income and Expenditure Account. However, taking out the non recurrent items mentioned above, namely the Biofusion deemed profit of £4.4m and the net profit on the sale of the student properties of £10.9m would result in a historic cost surplus of only £0.5m.

## Balance Sheet

The Group's net assets have increased by 7.4% to £391.2m, which is in part due to increases in tangible fixed assets. The extensive capital programme continued with fixed asset additions of £39.0m on land and buildings and £11.4m on equipment. There were no revaluations during the financial year. Set against this is depreciation of £21.8m.

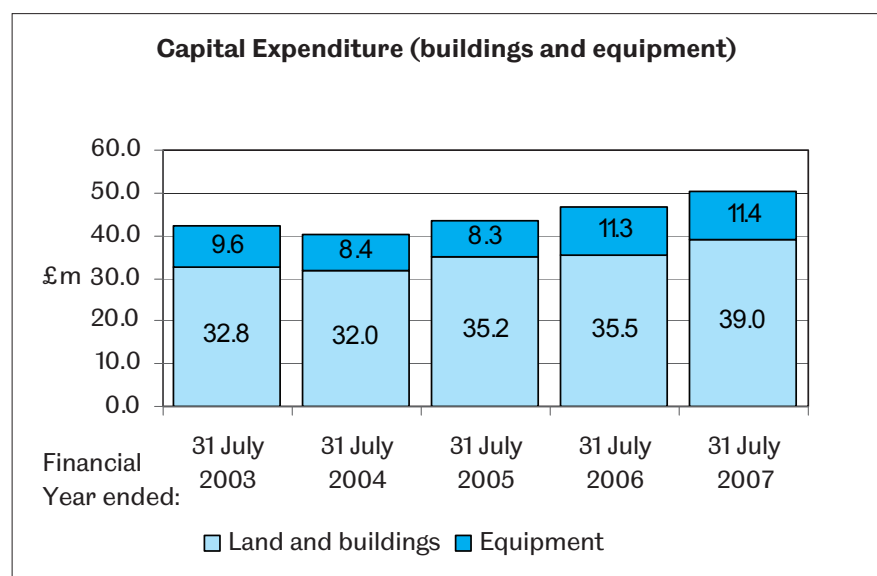
In May 2007 the University through the Royal Bank of Scotland plc and UniFund plc gained access to the bond market, raising £60.0m through a 40 year fixed interest bond with a rate of 5.33%. Unifund plc funding is guaranteed by Ambac Assurance resulting in the highest credit rating of AAA from Standard and Poor's.

During the year cash has increased by £7.3m. Overall the University's net debt fell by £11.8m to £50.4m.

The pension scheme deficit has reduced significantly by £9.9m to £32.6m as a result of the gains arising from an improvement in investment performance, additional contributions and changes in actuarial assumptions.

## Capital Programme

The capital project programme has continued to grow. On 10th April 2007



# Report of the Treasurer – Continued

the flagship Information Commons was opened at a cost of £23.0m. The building provides over 1,300 high quality additional study spaces, creates an integrated learning environment in which students can use printed and electronic material together and provides a significant boost to the development of e-learning on the campus.

The North Campus Graduate Research Centre opened in March 2007 costing £1.2m and provides dedicated desk space for 80 postgraduate research students, drop-in desk space, seminar space, an interview room, and social space. A well established seminar series for research students and other events are now being delivered in the Centre.

In order to ensure that the University provides a quality learning and teaching environment, further refurbishment of its teaching spaces have been carried out. This has included the refurbishment of lecture theatres in the Arts Tower (with funding from the Higher Education Funding Council for England (HEFCE), Project Capital for Learning and Teaching initiative) and a number of science and engineering teaching laboratories.

The University is now underway with the major project to redevelop its student residential provision. In 2005/06 the University entered into a project agreement with Catalyst Higher Education Sheffield PLC (Catalyst) to redevelop the student residential accommodation provision. The financing structure for this project does not form part of the University balance sheet and ownership of the halls of residence has been transferred to Catalyst. The University contributed approximately £18.2 million to the project and the assets will revert back to the University at the end of the 41 year contract period.

The new Advanced Manufacturing Research Centre with Boeing continues to be developed. In partnership with Rolls-Royce, the 'Factory for the Future' will pioneer

advanced engineering and materials technology in a state-of-the-art facility with a zero carbon footprint. It is a collaborative partnership that applies scientific theory, environmentally sustainable solutions and manufacturing principles to solve advanced manufacturing problems.

Planning has progressed for the redevelopment of the Jessop site and work has now commenced. The plans include the restoration of the original listed building which has an important place in the city's history. Complementing the regeneration will be the iconic Sauerbruch Hutton designed building. This development will provide a home for a range of Arts and Humanities Departments in accommodation clustered around the Humanities Research Institute.

## Resources

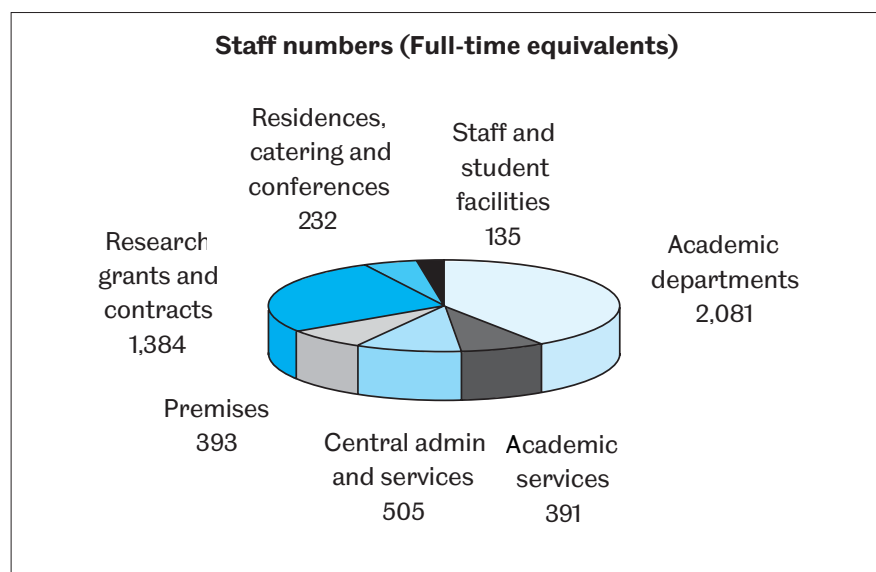
Staff are the major resource at the University of Sheffield, representing 57.7% of total expenditure. The University's Human Resource strategy includes the recruitment, reward, and development of staff at all levels. It supports the achievement of excellence through attracting excellent staff, and rewarding high levels of performance and contribution. It underpins the sense of belonging throughout the University through fair

treatment, clear processes, and shared terms and conditions of service.

During 2006/07, the University has implemented its Equality and Diversity Strategy, 'Excellence through Inclusion'. This strategy supports *Our Shared Vision* and responds to current and forthcoming legal requirements regarding race, disability and gender.

The University has been recognised for its ground-breaking programme, designed to help female academics when returning to work after maternity or carers' leave. The Women Academic Returners' Programme (WARP) won the Education Sector prize at the Opportunity Now 2007 awards, which recognise excellence in promoting gender equality and diversity in the workplace.

The University will introduce a number of initiatives to support staff, including continued work on the reward package for staff, with the development and introduction of additional and more flexible benefits, reduction of the administrative burdens across the University through improved administration systems and practices, and improved cultural awareness skills by appointing staff with diverse skills and backgrounds, and providing opportunities for staff to develop their skills and creativity.



# Report of the Treasurer – Continued

## CORPORATE STRATEGIES AND OBJECTIVES

### Corporate Plan

*Our Shared Vision*, the University's plan for the future, was published in August 2006. It sets out the University's long term goals and direction to ensure that the University remains world-class, enhances its reputation, raises its profile and further develops its already significant international standing by 2020.

The University will continue to scope and pursue a programme of organisational development including the reconfiguration of the University infrastructure. In 2007/08 it is anticipated that the framework for governance, the timescales for organisational development, and the potential groupings of academic departments will be reviewed and progressed by the incoming Vice-Chancellor.

The University will continue to identify and support key thematic and other multidisciplinary research areas with the potential for world-class and world-leading impact, building on the success of major facilities such as the Kroto Institute, the Humanities Research Institute and the Information Collaboratory of the Social Sciences (ICoSS).

The University will develop strategies in response to the changing external environment for research assessment, particularly in science, technology, engineering and medicine, and will use the outcomes of RAE2008 as a benchmark to assess competitive performance across the full range of its disciplinary base to ensure that it remains on target to reach its vision for 2020.

The University will continue to recruit, retain and develop the very best researchers and those that have the potential to become tomorrow's leading researchers. The revised Staff Review and Development Scheme will

encourage the definition and achievement of high quality research outputs. The University will also stimulate and support enhanced international researcher mobility, and work to increase its success in prestigious fellowships, particularly those that involve an international dimension.

The University has also continued to strengthen its links with alumni. A programme of telephone fundraising has continued with over 3,300 alumni now having made a gift to the University. In addition, the University's legacy programme is proving very popular with many alumni having confirmed that the University is in their will.

The University will continue to emphasise importance of customer service in a university environment and encourage improvement in underperforming areas. A University-wide feedback system will be developed and we will rollout the principles of customer relationship management into



## Report of the Treasurer – Continued

all areas of the University in order to facilitate an understanding of what students want and ensure that we are able to act quickly to address trends in dissatisfaction.

Preparations for RAE2008 have continued and have included internal peer review of draft strategy documents, data validation in respect of staff, postgraduate research and income data, ongoing performance management of staff with a view to maximising individual RAE returns, and internal review of departmental web pages research content. Further data validation activity is planned prior to, and beyond, the submission date of 30th November 2007 to ensure

compliance with the HEFCE's published verification and audit methodologies.

### Financial Strategy

The Financial Strategy is "to provide a robust, solvent and sustainable financial position that supports the University's core activities and which facilitates the strategic planning, development and implementation of activities and decision making in all academic and support areas to achieve the University's vision".

This is facilitated through the following six objectives:

- Ensure that the University's Financial Strategy targets are met.
- Ensure that financial risks associated with all ongoing activities and new opportunities are managed in accordance with the University's stated risk policy.
- Ensure high standards of financial probity and accountability through robust financial processes and provision of professional financial services.
- Increase the income from sustainable, unrestricted sources.
- Ensure that the University is able to maintain and improve its facilities and infrastructure in order to sustain and increase its productive



# Report of the Treasurer - Continued

capability and its competitive position consistent with its corporate plan.

- Ensure that the financial consequences of activities are fully evaluated and embedded within corporate and departmental level planning and decision making and that this is supported by relevant and timely financial information.

The University ensures its long term financial sustainability through a framework of strategic targets that it has set for surplus generation, current ratio, liquidity and borrowing and other measures as outlined in the Sustainability Framework submitted to HEFCE in January 2006. This framework underpins the strategic decision making process from which these financial forecasts are produced.

In particular, the University is taking steps to ensure that its cost base and its income generation are consistent with achieving its strategic target of an operating surplus equivalent to 3% of turnover. These steps include further refinements to the resource allocation model used within the University to ensure that this appropriately reflects the University's ability to generate income at departmental level. This has also placed greater emphasis on the management of activity portfolios by departments to ensure that these operate in a financially sustainable manner.

## Risk Management Policy

During the financial year the University has completed a review of its risk and opportunity policy and practices and has implemented the changes emerging from the review. The University has developed a corporate risk register of the critical risks, an operating risk register, and departmental risk registers. A risk review group has been established to oversee these tiers of risk and opportunity management and the

University has benefited from improved risk and opportunity assessment at all levels of the University's structure.

## Estates Strategy

The University estate has undergone significant investment in recent years. A programme of further capital investment is underway to support the University in its drive to achieve its academic goals of world-class research, its vision of the "Sheffield Graduate" and its contribution to regional development. A robust estates strategy is key to achieving those goals.

In determining the size and scope of the University's capital programme, account has been taken of the academic strategy and the infrastructure requirements necessary to achieve this strategy. Consideration has also been given to the availability of external funding and conditions attached to it in determining the timing of project approvals. The capital programme includes a number of projects which address the improvement of research infrastructure as well as major redevelopments of parts of the central campus area to provide improved teaching and learning facilities and departmental space.

The University will continue to plan the next phase of its estates development with the focus moving to the existing building portfolio. The University is aiming to invest by restoring, refurbishing and upgrading its existing architectural heritage. Plans for the refurbishment of the Grade II\* listed Arts Tower is central to the strategy and the redevelopment of the Students' Union and University House will also be progressed.

By investing in existing buildings the University is also seeking to improve the environmental performance of its buildings and to ensure that the overall condition of the estate improves. All

projects will have as one of their objectives the award of a British Research Establishment Environmental Assessment Method (BREEAM) excellent rating.

## Environmental Policy

The University of Sheffield is a large organisation which has over 20,000 students, 6,000 staff and several hundred buildings. Due to the size and nature of the activities the University has some significant environmental impacts affecting the local and global environment.

Some of these environmental impacts include the use of natural resources, the consumption of energy and water, the production of a variety of waste, not to mention the thousands of staff, students and visitors travelling to and from the University each day.

The University recognises it has a significant impact on the local and global environment and has made a corporate commitment to improving its environmental performance by signing up to an Environmental Policy which has been in place since 1997.

The Energy & Environment Team has responsibility for implementing the environmental policy throughout the University and its activities. In order to establish action plans for improvements a number of other policies such as transport, energy and waste have been developed that outline short, medium and long term objectives and targets to be achieved and the success of these is reviewed on a regular basis.

## The University in the Community

Over the next 12 months, the University will introduce a range of initiatives to help staff feel a sense of community and belonging to the University, and strengthen their links with the city and local area.

# Notes to the Financial Statements – Continued

The University has amalgamated its work on community liaison and external relations under a new Head of External Relations and has established a new local community forum. This has resulted in a coordinated approach to regional and city links, supporting a variety of areas in knowledge transfer and communications, and has already led to an improvement in the number and quality of contacts throughout the city.

## CONCLUSION

The University continues to show significant growth in the scope of operations and income, with income growing by 5.2% to £338.4m and net assets growing by 7.4% to £391.2m. The planned investments have resulted in operating deficits in three successive years, which have been able to be sustained from University reserves. The five year forecasts predict that from 2007/08 onwards the University will return to generating operating surpluses.

The strengthening financial position needs to continue and grow in order for the University to maintain long term financial sustainability. It is important that the University has the ability to manage changes whilst maintaining a stable financial base to give the flexibility to maximise opportunities as they arise.

Finally, I would like to take this opportunity to thank Professor Robert Boucher, for his enormous contribution to the University of Sheffield as Vice-Chancellor and to wish him well in the future. I would also like to express a warm welcome to Professor Keith Burnett who became Vice-Chancellor of the University on 1st October 2007.

KIM STANIFORTH

Treasurer



*Firth Court Quadrant.*

# Corporate Governance

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance and legal structure of the University of Sheffield.

The University is an independent corporation whose legal status derives from a Royal Charter granted in 1905. Its objectives, powers and governance framework are set out in the Charter and its supporting Statutes. The University's Charter requires the existence of the following three bodies whose main functions are detailed below.

## The Senate

The Senate is the academic authority of the University, whose role is to direct and regulate the teaching and research work of the University. Its membership is drawn mainly from the academic staff of the University.

## The Court

The Court is a large, formal body comprised mainly of lay members. Its membership is representative of the University and the community in which it is set. Court meets once per year to receive annual reports from Council and Senate, and to receive and consider the Annual Financial Statements of the University.

## The Council

The University's Council is the governing body of the University, responsible for the strategic development and overall performance of the University's business. Council membership comprises lay and academic persons appointed under the statutes of the University, the majority of whom are non-executive. The role of the Chair of the Council is separate from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the

Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies. Much of the work of Council is carried out through formally constituted committees, including the following:

- The Finance Committee is the body responsible for advising Council on all matters relating to the finances of the University. The Chair of the Finance Committee is the Treasurer. Inter alia the Committee recommends to Council the University's annual revenue and capital budgets, monitors performance in relation to the approved budgets and monitors the execution of financial policies adopted by the Council.
- The Facilities Management Committee is responsible to the Council for the stewardship and development of the University estates and buildings, for the presentation to the Council of a University Site Development Plan and for ensuring that the Plan is updated periodically. The Chair of the Facilities Management Committee is Mr P Firth.
- The Strategic Planning Committee, a joint committee of the Senate and the Council, chaired by the Vice-Chancellor, is responsible for the formulation and implementation of the University's corporate strategic plans integrating academic, financial and physical planning components. The Committee also monitors the implementation of the corporate strategy, modifying the strategy as necessary in the light of feedback from operational plans.
- The Audit Committee is constituted in line with guidance issued by HEFCE and contains both lay members of the University Council and co-optees with special expertise who are not on Council. Whilst senior executives attend meetings of the Audit Committee, they are not members of it. Both the External and Internal Auditors have independent access to the Committee, and vice versa. The Audit Committee is chaired by Mrs V Bayliss and is responsible for making recommendations to the governing body on the appointment of both the internal and external auditors to the University. The Committee meets with the External Auditors to discuss their audit findings, and to review and approve the audit aspects of the annual financial statements; and it provides the governing body with its own opinions as required by the HEFCE Code. It also approves and influences the annual audit plan prepared by the University's internal auditors, and considers completed audit reports; these deal with recommendations for the improvement of the University's systems of internal control. The Committee also reviews management responses to audit reports and monitors implementation of recommendations. The Committee also receives and considers reports from HEFCE as they affect the University's business and monitors adherence to the regulatory requirements.
- The Human Resource Management Committee is chaired by Mr G H N Peel. It is responsible for considering recommendations to and from the Strategic Planning Committee and to make recommendations to the Council for new or revised Human Resource policies to support overall strategic Human Resource objectives. The Human Resource Management Committee also approves procedures and receives and considers reports from the Director of Human Resource

# Corporate Governance – Continued

Management, including Annual Reports of meetings with Campus Unions.

## Full Statement of Internal Control

1. As the governing body of the University of Sheffield the Council has 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 governing body in the Charter and Statutes and the Financial Memorandum with the HEFCE.
2. 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.
3. 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, effectively and economically. This process has been in place for the year ended 31st July 2007 and up to the date of approval of the annual report and financial statements and accords with HEFCE guidance. The process is regularly reviewed by Council and accords with the Turnbull Guidance. The University has formally adopted the CUC (Committee of University Chairmen) Code which has the key motivation of improving effectiveness of governance structures and processes. During the financial year the University completed a review of its risk and opportunity policy and practices and has implemented the changes emerging from the review. The University has developed a Corporate Risk Register of the critical risks, an Operating Risk Register, and Departmental Risk Registers. A Risk Review Group has been established to oversee these tiers of risk and opportunity management. These were formally approved by Council on 11th June 2007.
4. The following processes have been established:
  - a. The plans and strategic direction of the institution are specifically considered at one of the regular meetings of Council every year.
  - b. Council undertakes an annual assessment for the purpose of making its public statement on internal controls. This assessment considers issues dealt with in the periodic reports received.
  - c. Council receives periodic reports from the Chairman of the Audit Committee concerning internal control and risk management.
  - d. Council has delegated to the Strategic Planning Committee the responsibility to oversee the management of strategic risks.
  - e. The Audit Committee receives regular reports from Internal Audit, which include Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement. The Audit Committee may also request additional reports to gain assurance from other parties on areas of concern.
  - f. A series of facilitated risk management workshops have been held which have encompassed the Senior Management Group, Central Services, Heads of Departments and Heads of Academic Departments. Issues addressed have included the cascading of the management of risk at departmental level.
  - g. A risk prioritisation methodology based on risk ranking has been established.
  - h. An organisation-wide risk register is maintained for corporate level risks.
  - i. A reporting structure has been implemented whereby high-level strategic opportunities and risks are overseen by Strategic Planning Committee and reported to Council. The Senior Management Group receives reports on the action taken on all corporate level risks, along with suggestions for additions to and deletions from the risk register.
5. The institution has contracted its internal audit function to an external provider, which operates to standards defined in the HEFCE Audit Code of Practice and whose work is subject to review for effectiveness by the HEFCE Audit Service. The provider's supervising partner for the assignment functions as the institution's Head of Internal Audit. The internal auditors submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.
6. Our review of the effectiveness of the system of internal control is informed by the work of Internal Audit and by the executive managers within the institution, 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.

# Responsibilities of the Council of the University of Sheffield

In accordance with the University's Statutes, the Council of the University of Sheffield is responsible for the administration and management of the affairs of the University of Sheffield and is required to present audited financial statements for each financial year.

The Council is responsible for the strategic development and overall performance of the University of Sheffield. The Council is required to ensure that the financial statements are prepared in accordance with the University's Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education (2003) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University of Sheffield, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs at the balance sheet date of the University of Sheffield and

of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University of Sheffield will continue in operation. The Council is satisfied that the University 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.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency for Schools (TDA) are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with the Funding Council and the Funding Agreement with the TDA and any other conditions which the Funding Council or the TDA may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University of Sheffield's resources and expenditure.



*Artist's impression of the Jessop West Building, Architects Sauerbruch Hutton.*

# Report of the Auditors to the Council of the University of Sheffield

We have audited the Group and University financial statements (the "financial statements") of the University of Sheffield for the year ended 31st July 2007 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council 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, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the University's Council and Auditors

The University's Council's responsibilities for preparing the Report of the Treasurer and the Group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Council of The University of Sheffield on page 13.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice:

Accounting for Further and Higher Education (2003). We also report to you whether income from funding bodies, 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 and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you whether in our opinion the Report of the Treasurer is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Treasurer and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31st July 2007 and of the Group's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003);
- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31st July 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31st July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

KPMG LLP  
Chartered Accountants  
Registered Auditor

29th November 2007

# Statement of Principal Accounting Policies

## 1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments, fixed asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2003) and applicable accounting standards.

## 2. Recognition of Income

Income from research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs.

All income from endowment asset investments and from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

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

All other income is credited to the income and expenditure account in the period in which it is earned.

## 3. Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all subsidiary undertakings. In accordance with FRS2 the results of Sheffield University Students' Union have not been consolidated as the University does not control its activities.

## 4. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Sheffield Pension Scheme (1975) (USPS). The schemes are defined-benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of FRS17, except for the USS, a multi-employer scheme, for which contributions are charged directly to the income and expenditure account as if the scheme were a defined contribution scheme. The USPS scheme's assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The post-retirement benefit surplus or deficit is included on the University's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the profit and loss account within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the statement of total recognised gains and losses.

## 5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of

exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 6. Leases

Fixed assets held under finance leases, and the related lease obligations, are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as a finance charge and amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to the income and expenditure account as they are incurred.

## 7. Land and Buildings

Land and buildings are stated at valuation. All valuations are carried out by parties external to the University. The basis of valuation is as follows:

Specialised Properties

depreciated replacement cost

Non-specialised Properties

open market value on existing use basis

Residential Accommodation – student houses

open market value on a vacant possession basis

Residential Accommodation – cluster flats and halls of residence

investment basis, capitalising the realistic net income

Assets with personal user rights in respect of hospital premises have been included in the valuation in accordance with the SORP, although the occupation rights are not formally documented.

# Statement of Principal Accounting Policies

## – Continued

A full valuation of academic, office, ancillary and support buildings was carried out on 31st July 2006 by Gerald Eve, Chartered Surveyors.

A full valuation of the University's halls of residence and other residential properties was carried out on 31st July 2005 by Knight Frank plc.

A full valuation of the University's land upon which Catalyst Higher Education Sheffield PLC (Catalyst) will build in accordance with the redevelopment of student residential provision, was carried out on 31st July 2006 by Eadon, Lockwood and Riddle.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of 50 years and leasehold land over the life of the lease. Refurbishments are depreciated over their expected useful lives, up to a maximum of 20 years.

Specialised short-life assets, for example synthetic sports pitches, are depreciated over their expected useful lives up to a maximum of seven years.

Depreciation is charged against individual assets as soon as their full, unrestricted use becomes available to the University. In the year of acquisition, the depreciation charged against the asset is in proportion to the part of the year the asset is available for use.

When buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

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

funded by deferred capital grants are impaired, the related deferred capital grant is released to income.

### 8. Equipment

Equipment, including computers and software, costing less than £20,000 per individual item is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over an expected useful life of five years, with the exception of equipment acquired for specific research projects, which is depreciated over the average project life of three years.

Depreciation is charged against individual assets as soon as their full, unrestricted use becomes available to the University. In the year of acquisition, the depreciation charged against the asset is in proportion to the part of the year the asset is available for use.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment.

Donated equipment is capitalised at its market value and depreciated over five years.

### 9. Investments

Endowment asset investments and fixed asset investments are included in the Balance Sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

### 10. Stocks

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

### 11. Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits and certificates of deposit held as part of the University's Treasury management activities.

### 12. Maintenance of Premises

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

### 13. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

The University's commercial activities are generally contained within its subsidiary undertakings, and are subject to taxation in the same way as

# Statement of Principal Accounting Policies

## – Continued

those of commercial organisations generally.

### 14. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 15. Financial Instruments

All hedging instruments undertaken in respect of interest rate and foreign currency exposure and any amounts receivable or payable on hedging contracts are accounted for on a consistent basis with the underlying assets or liabilities. Interest payable and receivable is accounted for on an

accruals basis. Premiums or charges incurred in respect of the hedge instruments are deferred and amortised over the term of the instrument.

*New Student Residences: The Edge.*



# Consolidated Income and Expenditure Account

For the Year Ended 31st July 2007

## INCOME

Funding Council Grants	
Tuition Fees and Education Contracts	
Research Grants and Contracts	
Other Income	
Endowment and Investment Income	
<b>Total Income</b> (Excluding Joint Ventures' turnover of £307K (2006: £200K))	

## EXPENDITURE

Staff Costs	
Other Operating Expenses	
Depreciation	
Interest Payable	
<b>Total Expenditure</b>	
Deficit on Continuing Operations after Depreciation of Assets at Valuation and Before Tax	
- Group	
- Joint ventures	
- Associates	
Profit on Sale of Investments	
Loss on Disposal of Assets	
Deficit on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax	
Taxation	
<b>Deficit on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax</b>	
Minority Interests	
Transfer to/(from) Accumulated Income within Specific Endowments	
<b>Deficit on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and After Tax and Minority Interests</b>	

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

Note	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
	<b>114,079</b>	110,403
	<b>90,548</b>	80,108
	<b>84,556</b>	79,152
	<b>46,435</b>	49,569
	<b>2,781</b>	2,405
	<b>338,399</b>	321,637
	<b>197,790</b>	196,348
	<b>116,942</b>	108,971
	<b>21,823</b>	21,004
	<b>6,379</b>	5,387
	<b>342,934</b>	331,710
	<b>(4,535)</b>	(10,073)
	<b>38</b>	7
	<b>(821)</b>	(820)
	<b>4,856</b>	697
	<b>(1,377)</b>	(48,733)
	<b>(1,839)</b>	(58,922)
	<b>(33)</b>	2
	<b>(1,872)</b>	(58,920)
	<b>97</b>	(33)
	<b>(384)</b>	143
	<b>(2,159)</b>	(58,810)

# Consolidated Statement of Historical Cost Surpluses and Deficits

For the Year Ended 31st July 2007

Deficit on Continuing Operations after Tax, Minority Interests and Transfers to Endowments	
Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Revalued Amount	
Realisation of Property Revaluation Gains of Previous Years	
Gains on Investments	
<b>Historical Cost Surplus/(Deficit) After Tax, Minority Interests and Transfers to Endowments</b>	

Note	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
	<b>(2,159)</b>	(58,810)
	<b>6,127</b>	3,754
	<b>11,799</b>	46,896
	<b>-</b>	108
	<b>15,767</b>	(8,052)

# Statement of Consolidated Total Recognised Gains and Losses

For the Year Ended 31st July 2007

	Note	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
Deficit on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets, Tax and Transfers to Endowments		<b>(2,159)</b>	(58,810)
Unrealised Surplus on Revaluation of Fixed Assets	22	–	73,446
Appreciation of Endowment Asset Investments	21	<b>1,468</b>	1,843
Appreciation of Fixed Asset Investments	22	<b>396</b>	209
Endowment Income Increase/(Decrease) For Year	21	<b>384</b>	(140)
New Endowments Less Realisations	21	<b>(131)</b>	52
Actuarial Gain in respect of Pension Scheme		<b>10,920</b>	–
Actuarial Loss in respect of Pension Scheme		<b>(276)</b>	(2,844)
<b>Total Recognised Gains Relating to the Period</b>		<b>10,602</b>	13,756
<b>Reconciliation</b>			
Opening Reserves and Endowments		<b>234,023</b>	220,267
Total Recognised Gains/(Losses) for the Year		<b>10,602</b>	13,756
Closing Reserves and Endowments		<b>244,625</b>	234,023

# Balance Sheet

at 31st July 2007

	Note	Group at 31st July 2007 £000	University at 31st July 2007 £000	Group at 31st July 2006 £000	University at 31st July 2006 £000
<b>FIXED ASSETS</b>					
Tangible Assets	12	467,842	448,083	453,631	419,119
Investments	13	12,888	36,489	9,362	45,556
		<b>480,730</b>	<b>484,572</b>	462,993	464,675
<b>ENDOWMENT ASSETS</b>	21	<b>35,062</b>	<b>35,062</b>	33,341	33,341
<b>DEBTORS: DUE AFTER MORE THAN ONE YEAR</b>	14	<b>17,951</b>	<b>17,951</b>	18,151	18,151
<b>CURRENT ASSETS</b>					
Stock		316	316	275	249
Debtors	15	35,995	41,979	38,505	44,285
Investments		30,284	30,284	11,559	11,559
Cash at Bank and in Hand		17,934	3,043	11,087	1,115
		<b>84,529</b>	<b>75,622</b>	61,426	57,208
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<b>(91,763)</b>	<b>(94,976)</b>	(80,189)	(84,320)
<b>NET CURRENT LIABILITIES</b>		<b>(7,234)</b>	<b>(19,354)</b>	(18,763)	(27,112)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>526,509</b>	<b>518,231</b>	495,722	489,055
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	<b>(98,027)</b>	<b>(98,027)</b>	(83,520)	(83,520)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	<b>(4,711)</b>	<b>(4,711)</b>	(5,430)	(5,430)
<b>NET PENSION ASSET/(LIABILITY)</b>	29	<b>(32,591)</b>	<b>(32,591)</b>	(42,519)	(42,519)
<b>NET ASSETS</b>		<b>391,180</b>	<b>382,902</b>	364,253	357,586

# Balance Sheet

at 31st July 2007

	Note	Group at 31st July 2007 £000	University at 31st July 2007 £000	Group at 31st July 2006 £000	University at 31st July 2006 £000
<b>DEFERRED CAPITAL GRANTS</b>	20	<b>146,616</b>	<b>146,616</b>	130,237	130,237
<b>ENDOWMENTS</b>					
Specific	21	<b>27,128</b>	<b>27,128</b>	25,761	25,761
General	21	<b>7,934</b>	<b>7,934</b>	7,580	7,580
		<b>35,062</b>	<b>35,062</b>	33,341	33,341
<b>RESERVES</b>					
Revaluation Reserve	22	<b>197,651</b>	<b>197,440</b>	215,181	211,317
Pension Reserve	29	<b>(32,591)</b>	<b>(32,591)</b>	(42,519)	(42,519)
General Reserve	23	<b>44,503</b>	<b>36,375</b>	28,020	25,210
		<b>209,563</b>	<b>201,224</b>	200,682	194,008
<b>MINORITY INTERESTS</b>		<b>(61)</b>	–	(7)	–
<b>TOTAL FUNDS</b>		<b>391,180</b>	<b>382,902</b>	364,253	357,586

The Financial Statements on pages 18 to 44 were approved by the Council on 29th November 2007 and were signed on its behalf by:

Mr A M C STANIFORTH, Treasurer

Professor K BURNETT, Vice-Chancellor

Mr R RABONE, Director of Finance

The University of Sheffield

# Consolidated Cash Flow Statement

For the Year Ended 31st July 2007

	Note	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	24	<b>23,198</b>	(17,944)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	25	<b>(3,123)</b>	(2,338)
<b>TAXATION</b>	10	<b>(33)</b>	2
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	26	<b>(8,238)</b>	1,985
<b>MANAGEMENT OF LIQUID RESOURCES</b>		<b>(18,725)</b>	2,335
<b>FINANCING</b>	27	<b>14,220</b>	22,082
<b>INCREASE IN CASH IN THE PERIOD</b>	28	<b>7,299</b>	6,122

## Note of Movement in Cash Available on Demand and Short-Term Deposits

	Movement in Year £000
INCREASE IN SHORT-TERM DEPOSITS	18,725
INCREASE IN CASH AT BANK AND CALL ACCOUNTS	7,299
TOTAL INCREASE IN CASH AND LIQUID RESOURCES	26,024

## Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
<b>INCREASE IN CASH IN THE PERIOD</b>		<b>7,299</b>	6,122
<b>INCREASE/(DECREASE) IN SHORT-TERM DEPOSITS</b>		<b>18,725</b>	(2,335)
<b>NET CASH OUTFLOW/(INFLOW) FROM REVOLVING CREDIT FACILITY</b>		<b>42,700</b>	(25,200)
<b>ADDITIONAL DEBT</b>		<b>(60,000)</b>	–
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>		<b>3,079</b>	3,069
<b>MOVEMENT IN NET DEBT IN PERIOD</b>		<b>11,803</b>	(18,344)
<b>NET DEBT AT 1st AUGUST</b>		<b>(62,200)</b>	(43,856)
<b>NET DEBT AT 31st JULY</b>	28	<b>(50,397)</b>	(62,200)

# Notes to the Financial Statements

## Note 1: Funding Council Grants

1

Recurrent Grant

Specific Grants

Training and Development Agency for Schools Grant

Rewarding and Developing Staff

Knowledge Exchange

Student Support Funding

Higher Education Reach Out to Business and Community

Higher Education Innovation Fund (Round 2 &amp; 3)

Teaching Quality Enhancement Fund (Round 2 &amp; 3)

Other

Deferred Capital Grants Released in Year

Buildings (Note 20)

Equipment (Note 20)

Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
<b>104,705</b>	99,289
<b>820</b>	763
<b>62</b>	(10)
<b>18</b>	53
<b>16</b>	116
<b>19</b>	14
<b>1,400</b>	1,475
<b>520</b>	446
<b>1,308</b>	1,194
<b>3,269</b>	5,437
<b>1,942</b>	1,626
<b>114,079</b>	110,403

## Note 2: Tuition Fees and Education Contracts

2

Home Full-time Undergraduate Students

Home Full-time Postgraduate Students

Home Part-time Students

Overseas Students

NHS Education Contracts

Research Training Support Grants and Other Fees

<b>22,331</b>	15,793
<b>7,310</b>	6,482
<b>2,217</b>	2,385
<b>29,323</b>	25,604
<b>18,029</b>	20,525
<b>11,338</b>	9,319
<b>90,548</b>	80,108

## Note 3: Research Grants and Contracts

3

Research Councils

UK Based Charities

European Commission

Other Grants and Contracts

Release from Deferred Capital Grants (Note 20)

<b>34,948</b>	34,818
<b>11,477</b>	11,846
<b>7,918</b>	5,539
<b>26,932</b>	22,608
<b>3,281</b>	4,341
<b>84,556</b>	79,152

## Note 4: Other Income

4

Residences, Catering and Conferences

Other Services Rendered

Health Authorities

Release from Deferred Capital Grants (Note 20)

Other Income

<b>18,906</b>	18,656
<b>11,019</b>	11,521
<b>6,682</b>	6,872
<b>2,178</b>	1,967
<b>7,650</b>	10,553
<b>46,435</b>	49,569

# Notes to the Financial Statements – Continued

## Note 5: Endowment and Investment Income

# 5

Income from Specific Endowment Asset Investments (Note 21)  
Income from General Endowment Asset Investments (Note 21)  
Other Investment Income

Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
778	616
252	267
1,751	1,522
<b>2,781</b>	<b>2,405</b>

## Note 6: Staff

# 6

Staff Costs:

Wages and Salaries  
Social Security Costs  
Other Pension Costs (Note 29)

162,776	161,723
14,090	13,274
20,924	21,351
<b>197,790</b>	<b>196,348</b>

Emoluments of the Vice-Chancellor included above:

Salary  
Benefits in Kind  
  
Pension Contributions  
  
Total

209	208
5	4
214	212
29	23
<b>243</b>	<b>235</b>

Remuneration of other Higher Paid Staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment, are shown below.

	Number	Number
£70,000 - £79,999	56	51
£80,000 - £89,999	39	28
£90,000 - £99,999	25	16
£100,000 - £109,999	25	18
£110,000 - £119,999	6	8
£120,000 - £129,999	8	10
£130,000 - £139,999	11	14
£140,000 - £149,999	12	9
£150,000 - £159,999	8	1
£160,000 - £169,999	3	3
£170,000 - £179,999	3	3
£180,000 - £189,999	0	2
£190,000 - £199,999	2	4
£200,000 - £209,999	3	2
£260,000 - £269,999	0	1

# Notes to the Financial Statements – Continued

## Note 6: Staff (continued)

# 6

Academic Departments	2,213	2,081	2,359	2,227
Academic Services	472	391	476	395
Central Administration and Services	557	505	524	477
Premises	506	393	521	388
Research, Grants and Contracts	1,504	1,384	1,527	1,405
Residences, Catering and Conferences	328	232	375	260
Staff and Student Facilities	193	135	169	131
	<b>5,773</b>	<b>5,121</b>	<b>5,951</b>	<b>5,283</b>

	Year Ended 31st July 2007		Year Ended 31st July 2006	
	Number of staff	Number of FTEs	Number of staff	Number of FTEs
Academic Departments	2,213	2,081	2,359	2,227
Academic Services	472	391	476	395
Central Administration and Services	557	505	524	477
Premises	506	393	521	388
Research, Grants and Contracts	1,504	1,384	1,527	1,405
Residences, Catering and Conferences	328	232	375	260
Staff and Student Facilities	193	135	169	131
	<b>5,773</b>	<b>5,121</b>	<b>5,951</b>	<b>5,283</b>

## Note 7: Other Operating Expenses

# 7

Consumables and Laboratory Expenditure	13,391	11,732
Books and Periodicals	2,588	2,483
Printing, Stationery and Postage	2,900	2,731
Rates	917	1,007
Fellowships, Scholarships and Prizes	20,417	16,941
Furniture and Equipment	8,554	7,536
Heat, Light, Water and Power	7,404	8,283
Repairs and General Maintenance	7,354	9,607
Grants to University of Sheffield Students' Union	1,373	1,278
Rents	8,300	2,577
Auditors' Remuneration	63	58
Auditors' Remuneration in Respect of Non-Audit Services	113	124
Professional Fees	6,848	10,448
Provision for Bad & Doubtful Debts	207	817
Administrative Expenses	5,916	6,103
Travel & Subsistence Expenses	7,247	6,666
Payments to Non-Contracted Staff	13,943	11,274
Conference and Meeting Expenditure	1,465	1,574
Professional Subscriptions	781	1,003
Restructuring Costs and Redundancy Payments	879	628
Other Expenses	6,282	6,101
	<b>116,942</b>	<b>108,971</b>

	Year Ended 31st July 2007	Year Ended 31st July 2006
	£000	£000
Consumables and Laboratory Expenditure	13,391	11,732
Books and Periodicals	2,588	2,483
Printing, Stationery and Postage	2,900	2,731
Rates	917	1,007
Fellowships, Scholarships and Prizes	20,417	16,941
Furniture and Equipment	8,554	7,536
Heat, Light, Water and Power	7,404	8,283
Repairs and General Maintenance	7,354	9,607
Grants to University of Sheffield Students' Union	1,373	1,278
Rents	8,300	2,577
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Professional Fees	6,848	10,448
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Payments to Non-Contracted Staff	13,943	11,274
Conference and Meeting Expenditure	1,465	1,574
Professional Subscriptions	781	1,003
Restructuring Costs and Redundancy Payments	879	628
Other Expenses	6,282	6,101
	<b>116,942</b>	<b>108,971</b>

Auditors' remuneration for the University of Sheffield is £46,500 (2006: £40,000).

## Note 8: Interest Payable and Similar Charges

# 8

Loans wholly repayable within five years	1,856	902
Loans not wholly repayable within five years	4,048	3,979
Finance Leases	–	15
Finance Pension Costs	475	491
	<b>6,379</b>	<b>5,387</b>

Loans wholly repayable within five years	1,856	902
Loans not wholly repayable within five years	4,048	3,979
Finance Leases	–	15
Finance Pension Costs	475	491
	<b>6,379</b>	<b>5,387</b>

# Notes to the Financial Statements – Continued

## Note 9: Analysis of 2006/07 Expenditure by Activity

9

	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	104,751	2,300	18,144	–	125,195
Academic Services	11,270	586	7,761	–	19,617
Central Administration & Services	13,028	38	8,333	–	21,399
General Educational Expenditure	3,451	–	11,101	–	14,552
Staff and Student Facilities	4,097	411	3,105	70	7,683
Research Grants and Contracts	40,637	3,300	24,086	–	68,023
Residences, Catering and Conferences	5,460	1,229	12,777	–	19,466
Premises	7,872	13,757	14,991	6,396	43,016
Other Expenses	7,224	202	16,644	(87)	23,983
	<b>197,790</b>	<b>21,823</b>	<b>116,942</b>	<b>6,379</b>	<b>342,934</b>

The depreciation charge has been funded by:  
 Deferred Capital Grants Released  
 Revaluation Reserve Released (Note 22)  
 General Income

Deferred Capital Grants Released	10,535
Revaluation Reserve Released (Note 22)	6,127
General Income	5,161
	<b>21,823</b>

## Note 10: Taxation

10

United Kingdom Corporation Tax – Group

Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
(33)	2

No provision has been made for deferred taxation on the revaluation reserve relating to the potential profits in the University Group following the intra-group transfer of certain properties in the year to 31st July 2005.

Profits on the sale of the properties will arise in Escafeld Estates Limited. They will be paid in total to the University under a Deed of Covenant, reducing profits chargeable to tax to nil. No tax liability is therefore expected to crystallise within the Group.

The full potential liability to tax if the Deed of Covenant were not in place is disclosed below.

	Group Year Ended 31st July 2007 £000	University Year Ended 31 July 2007 £000	Group Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000
Total	4,196	4,196	6,460	6,460

## Note 11: Deficit on Continuing Operations for the Period

11

The deficit on continuing operations for the period is made up as follows:

	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
University's Deficit for the Period before Loss on disposal of Fixed Assets	(4,047)	(10,849)
Profit/(Loss) on Disposal of Fixed Assets and Investments	3,479	(48,036)
Consolidation of Subsidiary Companies	(488)	776
Group Deficit for the Period	(1,056)	(58,109)
Share of Associates' and Joint Ventures' Deficit	(783)	(813)
Deficit on Continuing Operations Before Tax	(1,839)	(58,922)

## Notes to the Financial Statements – Continued

## Note 12: Tangible Assets (Consolidated)

12

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
<b>Valuation/Cost</b>						
At 1st August 2006						
Valuation	228,279	20,947	–	960	–	250,186
Cost	149,678	23,379	30,026	68,709	6,797	278,589
Additions at Cost	858	989	37,118	11,385	–	50,350
Transfers	41,692	1,169	(42,861)	–	–	–
Gain on Revaluation	–	–	–	–	–	–
Loss on Revaluation	–	–	–	–	–	–
Disposals						
Valuation	(7,995)	(6,706)	–	(9)	–	(14,710)
Cost	–	–	–	–	–	–
At 31st July 2007						
Valuation	220,284	14,241	–	951	–	235,476
Cost	192,228	25,537	24,283	80,094	6,797	328,939
<b>Depreciation</b>						
At 1st August 2006						
	20,310	694	–	47,723	6,417	75,144
Charge for Year	13,613	1,601	–	6,376	233	21,823
Impairment Write-Down	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Eliminated on Disposals	(191)	(194)	–	(9)	–	(394)
At 31st July 2007						
	33,732	2,101	–	54,090	6,650	96,573
<b>Net Book Value</b>						
At 31st July 2007						
	378,780	37,677	24,283	26,955	147	467,842
At 1st August 2006						
	357,647	43,632	30,026	21,946	380	453,631

## Notes to the Financial Statements – Continued

## Note 12: Tangible Assets (University)

12

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
<b>Valuation/Cost</b>						
At 1st August 2006						
Valuation	203,721	10,397	–	960	–	215,078
Cost	149,678	23,379	30,026	68,655	6,797	278,535
Additions at Cost	858	989	37,118	11,290	–	50,255
Transfers	41,692	1,169	(42,861)	–	–	–
Gain on Revaluation	–	–	–	–	–	–
Loss on Revaluation	–	–	–	–	–	–
Impairment Write-Down	–	–	–	–	–	–
Disposals						
Valuation	–	–	–	–	–	–
Cost	–	–	–	–	–	–
At 31st July 2007						
Valuation	203,721	10,397	–	960	–	215,078
Cost	192,228	25,537	24,283	79,945	6,797	328,790
<b>Depreciation</b>						
At 1st August 2006	19,879	511	–	47,687	6,417	74,494
Charge for Year	13,256	1,442	–	6,360	233	21,291
Impairment Write-Down	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
Eliminated on Disposals	–	–	–	–	–	–
At 31st July 2007	33,135	1,953	–	54,047	6,650	95,785
<b>Net Book Value</b>						
At 31st July 2007	362,814	33,981	24,283	26,858	147	448,083
At 1st August 2006	333,520	33,265	30,026	21,928	380	419,119

## Notes to the Financial Statements – Continued

## Note 13: Fixed Asset Investments

13

Balance at 1st August				
Additions				
Disposals				
Other Net Gains/(Losses)				
Loans to Associate Companies				
Investment return on Escafeld Estates				
Repayment of Loan to Associate Company				
Appreciation on Revaluation				

**Represented By:**

Fixed Interest Stocks				
Unit Trusts/Property Trusts				
Equities				
Escafeld Estates Limited				
Loans				
Cash				
Total Fixed Asset Investments				
Fixed Interest and Equities at Cost and Bank Balances				

Group Year Ended 31st July 2007 £000	University Year Ended 31st July 2007 £000	Group Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000
9,362	45,556	8,786	52,856
70	20	584	583
(144)	(149)	(206)	(3)
4,287	–	(282)	–
253	253	268	268
–	(8,251)	–	(8,360)
(1,127)	(1,127)	(10)	(10)
187	187	222	222
<b>12,888</b>	<b>36,489</b>	9,362	45,556
1,321	1,321	1,126	1,126
93	93	72	72
9,668	33,176	5,265	39,900
–	93	–	1,559
1,754	1,754	2,628	2,628
52	52	271	271
<b>12,888</b>	<b>36,489</b>	9,362	45,556
<b>8,872</b>	<b>32,475</b>	4,463	40,855

## Note 14: Debtors

14

Amounts falling due after one year:

Prepayment: Capital Contribution to Student Residences Project

17,951	17,951	18,151	18,151
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## Note 15: Debtors

15

Amounts falling due within one year:

Debtors

Prepayment: Capital Contribution to Student Residences Project

Other Prepayments and Accrued Income

33,161	39,145	36,971	42,744
193	193	50	50
2,641	2,641	1,484	1,491
<b>35,995</b>	<b>41,979</b>	38,505	44,285

# Notes to the Financial Statements – Continued

## Note 16: Creditors: Amounts falling due within one year

16

	Group Year Ended 31st July 2007 £000	University Year Ended 31st July 2007 £000	Group Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000
Bank Loans and Overdrafts	2,793	2,793	2,844	2,793
Loans from Subsidiary Companies	–	–	–	3,000
Obligations Under Finance Leases	–	–	235	235
Payments Received in Advance	46,404	45,821	36,512	36,512
Creditors	19,733	23,664	17,802	19,043
Social Security and Other Taxation Payable	4,759	4,750	4,724	4,724
Accruals	18,047	17,948	17,893	17,834
Corporation Tax	27	–	–	–
Amounts Owed to Funding Councils	–	–	179	179
	<b>91,763</b>	<b>94,976</b>	80,189	84,320

## Note 17: Creditors: Amounts falling due after more than one year

17

Unsecured Loans Repayable:				
Between One and Two Years	2,793	2,793	2,793	2,793
Between Two and Five Years	8,379	8,379	51,079	51,079
In Five Years or more	86,855	86,855	29,648	29,648
Finance Leases Repayable:				
Between One and Two Years	–	–	–	–
Between Two and Five Years	–	–	–	–
	<b>98,027</b>	<b>98,027</b>	83,520	83,520

## Note 18: Borrowings

18

### Summary of University Borrowing at 31st July 2007

Institution	Date	Term	Type	Due within one year £000	Due in more than one year £000
Royal Bank of Scotland	31st May 1996	25 years	Term loan	1,417	18,419
Barclays	15th August 1997	25 years	Term loan	1,376	19,608
Barclays	22nd June 2004	up to 5 years	Revolving Credit Facility	–	–
Barclays	12th May 2006	up to 30th June 2009	Revolving Credit Facility	–	–
Unifund PLC	31st May 2007	40 years	Private Placement	–	60,000
				<b>2,793</b>	<b>98,027</b>

Amounts due within one year are included within bank loans and overdrafts in Note 16.

Amounts due in more than one year are included in Note 17.

# Notes to the Financial Statements – Continued

## Note 19: Provisions for Liabilities and Charges

# 19

	Pensions £000	Early Retirement Costs £000	Other £000	Total £000
At 1st August 2006	296	4,979	155	5,430
Utilised in Year	(376)	(1,310)	(50)	(1,736)
Transfer from/(to) Income and Expenditure	80	685	252	1,017
At 31st July 2007	–	4,354	357	4,711

The provision for pensions relates to ex-gratia benefits. Further details are provided in Note 29. The provision for early retirement is the estimated liability that will arise from agreed early retirements under the University's restructuring arrangements.

Included within other provisions are the final disposal costs of sealed sources disposal costs as defined by the High Activity Sealed Source Regulations of 2005 (SI2005 No. 2686). The current estimates for the provision are £1,500 for the disposal of a large Sr-90 source and £80,000 for the disposal of two Cs-137 blood irradiators. These provisions will be reviewed on a biennial basis.

## Note 20: Deferred Capital Grants

# 20

	Consolidated and University		Total
	Funding Council £000	Other Grants & Benefactions £000	£000
At 1st August 2006			
Buildings	59,764	47,578	107,342
Equipment	17,616	5,279	22,895
Total	77,380	52,857	130,237
Cash Received			
Buildings	12,064	7,693	19,757
Equipment	1,161	6,131	7,292
Total	13,225	13,824	27,049
Released to Income and Expenditure			
Buildings (Notes 1, 3 and 4)	3,269	2,287	5,556
Equipment (Notes 1, 3 and 4)	1,942	3,172	5,114
Total	5,211	5,459	10,670
At 31st July 2007			
Buildings	68,559	52,984	121,543
Equipment	16,835	8,238	25,073
Total	85,394	61,222	146,616

# Notes to the Financial Statements – Continued

## Note 21: Endowments

# 21

At 1st August 2006	
New Endowments Received	
Realisations	
Appreciation of Endowment Assets	
Income for Year (Note 5)	
Expenditure for Year	

At 31st July 2007

### Representing:

Fellowships and Scholarship Funds	
Prize Funds	
Chairs and Lectureship Funds	
Other Funds	

Consolidated and University		
Specific £000	General £000	Total £000
25,761	7,580	33,341
68	–	68
(199)	–	(199)
1,114	354	1,468
778	252	1,030
(394)	(252)	(646)
<b>27,128</b>	<b>7,934</b>	<b>35,062</b>
12,206	–	12,206
1,267	–	1,267
3,412	–	3,412
10,243	7,934	18,177
<b>27,128</b>	<b>7,934</b>	<b>35,062</b>

### The value of Endowment Asset Investments at 31st July 2007 was represented by:

Fixed Interest Stocks	11,059
Unit Trusts/Property Trusts	694
Equities	20,831
Land and Property	47
Bank Balances	2,431
Total Endowment Assets	35,062
Land and Property at Cost	49

## Note 22: Revaluation Reserve

# 22

	Consolidated Year Ended 31st July 2007 £000	University Year Ended 31st July 2007 £000	Consolidated Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000
Balance at 1st August – Tangible Assets	212,570	208,839	189,774	184,541
– Investments	2,611	2,478	2,717	2,268
	<b>215,181</b>	<b>211,317</b>	192,491	186,809
Revaluation in Year – Tangible Assets	–	–	73,446	73,446
– Investments	396	176	210	210
Released to Income & Expenditure Account on Sale of Tangible Asset	(11,799)	(8,381)	(46,896)	(45,989)
Released to Income & Expenditure Account on Sale of Investment	–	–	(316)	–
Contribution to Depreciation	(6,127)	(5,672)	(3,754)	(3,159)
Balance at 31st July – Tangible Assets	194,644	194,786	212,570	208,839
– Investments	3,007	2,654	2,611	2,478
	<b>197,651</b>	<b>197,440</b>	215,181	211,317

## Notes to the Financial Statements – Continued

## Note 23: General Reserve

23

	Group Year Ended 31st July 2007 £000	University Year Ended 31st July 2007 £000	Group Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000
Balance at 1st August	(14,499)	(17,309)	(3,812)	(4,133)
Surplus/(Deficit) after Depreciation of Assets	(2,159)	(2,136)	(58,810)	(56,751)
Release from Revaluation Reserve	17,926	14,053	50,758	49,148
Historical Cost Surplus/(Deficit) after Tax	1,268	(5,392)	(11,864)	(11,736)
Actuarial Gain/(Loss) in respect of pension scheme	10,644	10,644	(2,844)	(2,844)
Unrealised Profit on Disposal of Fixed Assets	–	(1,468)	209	(2,729)
Balance at 31st July	11,912	3,784	(14,499)	(17,309)
<b>Represented By:</b>				
Pension Reserve	(32,591)	(32,591)	(42,519)	(42,519)
General Reserve	44,503	36,375	28,020	25,210
	11,912	3,784	(14,499)	(17,309)

## Note 24: Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

24

	Year Ended 31st July 2007 £000	Year Ended 31st July 2006 £000
Deficit before Tax and after Transfers to Endowments	(2,126)	(58,918)
Depreciation (Note 12)	21,823	21,004
(Profit)/Loss on Disposal of Assets	(3,479)	48,036
Deferred Capital Grants Released to Income (Note 20)	(10,670)	(13,371)
Pension Costs less Contributions Payable	716	271
Investment Income	(2,781)	(2,479)
Interest Payable	5,904	4,896
(Increase)/Decrease in Stocks	(41)	39
Decrease/(Increase) in Debtors	2,710	(24,317)
Increase in Creditors	11,861	8,059
Decrease in Provisions	(719)	(1,164)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>23,198</b>	<b>(17,944)</b>

# Notes to the Financial Statements – Continued

## Note 25: Returns on Investments and Servicing of Finance

# 25

Income from Endowments
Income from Short-Term Investments
Interest Paid
Interest Element of Finance Lease Rental Payments

### Net Cash Outflow from Returns on Investments and Servicing of Finance

Year Ended 31st July 2007	Year Ended 31st July 2006
£000	£000
1,205	1,444
1,576	1,114
(5,904)	(4,881)
–	(15)
<b>(3,123)</b>	<b>(2,338)</b>

## Note 26: Capital Expenditure and Financial Investment

# 26

Tangible Assets Acquired (Other than Leased Equipment)
Fixed Asset Investments Acquired
Endowment Asset Investments Acquired

Total Fixed and Endowment Asset Investments Acquired
Receipts from Sales of Fixed Assets
Fixed Asset Loan Investments Repaid
Deferred Capital Grants Received
Utilisation of Endowment Fund Balances
Endowments Received

### Net Cash (Outflow)/Inflow from Capital Expenditure and Financial Investment

Year Ended 31st July 2007	Year Ended 31st July 2006
£000	£000
(50,350)	(46,807)
(4,213)	(134)
102	248
<b>(54,461)</b>	<b>(46,693)</b>
17,795	12,161
1,127	–
27,049	36,608
354	157
(102)	(248)
<b>(8,238)</b>	<b>1,985</b>

## Notes to the Financial Statements – Continued

## Note 27: Analysis of Changes in Financing during the Year

27

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balance at 1st August 2005	511	64,007	64,518
New Leases/Loans	–	57,700	57,700
Capital Repayments	(276)	(35,342)	(35,618)
Net Amount Released in Year	(276)	22,358	22,082
Balance at 31st July 2006	235	86,365	86,600
New Leases/Loans	–	157,900	157,900
Capital Repayments	(235)	(143,445)	(143,680)
Net Amount Acquired/(Released) in Year	(235)	14,455	14,220
Balances at 31st July 2007	–	100,820	100,820

## Note 28: Analysis of Changes in Net Debt

28

	At 1st August 2006 £000	Cash Flows £000	Other Changes £000	At 31st July 2007 £000
Cash at Bank and in Hand:				
Endowment Assets	1,792	453	–	2,245
Other	10,488	5,593	–	16,081
Deposits Repayable on Demand	560	1,253	–	1,813
Overdrafts	–	–	–	–
Total Cash at Bank and in Hand	12,840	7,299	–	20,139
Short-Term Deposits	11,559	18,725	–	30,284
Debt Due Within One Year	(3,079)	286	–	(2,793)
Debt Due After One Year	(83,520)	(14,507)	–	(98,027)
<b>Total</b>	<b>(62,200)</b>	<b>11,803</b>	<b>–</b>	<b>(50,397)</b>

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes

# 29

Different categories of staff are eligible to join one of four different schemes:

- Universities' Superannuation Scheme (USS)
- University of Sheffield Pension Scheme (1975) for Non Academic Staff (USPS)
- Federated Superannuation System for Universities (FSSU)
- National Health Service Pension Scheme (NHSPS).

The two main schemes, being USS and USPS, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee-administered funds.

The other two schemes are firstly the Federated Superannuation System for Universities (FSSU), a money purchase scheme contracted into the State Second Pension (S2P), which covers a small number of academic staff who elected not to transfer to USS when the new scheme was established in 1975, and secondly the National Health Service Pension Scheme (NHSPS), a defined-benefit scheme contracted out of the State Second Pension (S2P), which is restricted to a number of clinical staff who, when transferring from the Health Service to the University, opted to remain in the Health Service Scheme. Both schemes are administered nationally and their assets are held independently of the University.

The total pension cost to the University was:

	Year Ended 31st July 2007	Year Ended 31st July 2006
	£000	£000
USS	14,979	14,989
USPS including FRS 17 adjustments	4,476	4,584
Other Pension Schemes	1,469	1,778
	<b>20,924</b>	<b>21,351</b>

### (i) The Universities' Superannuation Scheme (USS)

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, therefore full FRS 17 disclosure is not required. The cost recognised within the surplus/deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2005. The assumptions which have the most significant effect on the result of the valuation are shown below. The valuation was carried out using the projected unit method. At the valuation date the value of the assets of the scheme was £21,740m and the value of past service liabilities was £28,308m, leaving a deficit of assets of £6,568m. It was agreed that the employers' contribution rate will be maintained at 14% of salaries. The contribution rate will be subject to review at the next actuarial valuation date which is due to take place on 31st March 2008. Depending on the analysis of promotional salary increases and other factors, it may be necessary to consider the contribution rate in advance of the next actuarial valuation. The valuation includes a reserve of £800m to take account of recent promotional salary experience.

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

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

# 29

Latest actuarial valuations

Actuarial Assumptions:

Investment return per annum

Salary increases per annum

Pension increases per annum

Market value of assets at date of last valuation

Proportion of members' accrued benefits covered by the actuarial value of the assets

USS 31st March 2005	
Future Service Liabilities	Past Service Liabilities
6.20%	4.50%
3.90%	3.90%
2.90%	2.90%
£21,740 million	
77%	

Since 31st March 2005 the financial security of the scheme has improved and the actuary estimated that the funding level has increased from 77% at 31st March 2005 to 91% at 31st March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31st March 2005 being higher than allowed for in the funding assumptions. On the FRS 17 basis, the actuary estimated that the funding level at 31st March 2007 was above 109% and on a buy-out basis was approximately 84%.

### FRS 17 (Retirement Benefits)

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits the following disclosure is required for the University of Sheffield Pension Scheme (1975) for Non Academic Staff.

A disclosure is not required under FRS 17 for the Universities Superannuation Scheme or the NHS Pension Scheme, because although they are defined benefit schemes it is not possible to identify surpluses and deficits by individual employer. These schemes are accordingly accounted for as if they were defined contribution schemes, which are exempt from FRS 17 disclosure requirements. The Federated Superannuation Scheme for Universities is a defined contribution scheme and therefore exempt from the disclosure.

### (ii) The University of Sheffield Pension Scheme (1975) (USPS)

The University of Sheffield Pension Scheme (1975) (USPS) provides for all non academic staff. The latest actuarial valuation was carried out as at 1st April 2005. The assumptions used for that valuation and the main results, are shown below.

Latest actuarial valuations

Actuarial Assumptions:

Investment return per annum

Salary increases per annum

Pension increases per annum

Market value of assets at date of last valuation

Proportion of members' accrued benefits covered by the actuarial value of the assets

USPS 1st April 2005
6.90%
4.20%
2.70%
£62 million
81%

### FRS 17 (Retirement Benefits) Disclosure for the accounting period ending 31st July 2007

#### University of Sheffield Pension Scheme (1975) for Non Academic Staff

a. The University operates a final salary defined benefit pension scheme that non-academic employees of the University can participate in, called the University of Sheffield Pension Scheme (1975) for Non Academic Staff (USPS). The scheme is externally funded and is contracted out of the state scheme.

b. The last formal actuarial valuation of the scheme was performed as at 1st April 2005 by a professionally qualified actuary. The next valuation is due to be made as at 1st April 2008.

c. During the accounting period, the University paid contributions to the pension scheme at the rate of 15.6% of pensionable salaries. Members are required to contribute 6% of pensionable salaries.

d. The University also provides ex-gratia pension benefits to certain employees and former employees who previously did not join other pension arrangements. Ex-gratia benefits have ceased accruing for all such employees except in respect of one member. The University currently pays ex-gratia pensions of £390,000 pa. These liabilities are not separately funded.

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

# 29

### Financial assumptions

The financial assumptions used to calculate scheme liabilities under FRS 17 are as follows:

	At 31st July 2007 %pa	At 31st July 2006 %pa	At 31st July 2005 %pa
Inflation (RPI)	3.30	3.00	2.70
Rate of increase in salaries	4.80	4.50	4.20
Rate of increase of pensions in payment *	3.30	3.00	2.70
Rate of increase for deferred pensioners	3.30	3.00	2.70
Discount rate	5.80	5.10	5.00

\* Excluding ex-gratia pensions for non-academics, which are subject to fixed 3% pa increases.

### Scheme assets and expected rate of return for USPS

	Fair value as at 31st July 2007 £000	Expected rate of return %pa	Fair value as at 31st July 2006 £000	Expected rate of return %pa	Fair value as at 31st July 2005 £000	Expected rate of return %pa
Equities	74,545	7.90	69,926	8.00	59,017	8.00
Property	3,716	6.80	–	–	–	–
Corporate						
Bonds	1,114	5.80	–	–	–	–
Government						
Bonds	5,639	5.00	12,090	4.60	9,814	4.50
Cash	7,534	5.75	673	4.75	608	4.75
Total	92,548	7.48	82,689	7.48	69,439	7.48

### Components of defined benefit cost

	Year to 31 July 2007		Year to 31 July 2006	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
<b>Amounts charged to operating profit:</b>				
Current service cost	4,871	–	4,958	2
Past service costs	58	–	–	–
<b>Total charge to operating profit:</b>	4,929	–	4,958	2
<b>Other amounts charged to profit and loss account:</b>				
(Gain)/Loss on settlements	–	–	–	–
(Gain)/Loss on curtailments	–	–	–	–
<b>Net (Gain)/Loss charged to profit and loss account</b>	–	–	–	–
<b>Amounts charged to other finance income:</b>				
Interest cost	6,196	269	5,282	259
Expected return on assets	(5,990)	–	(5,050)	–
<b>Net charge/(credit) to other finance income</b>	206	269	232	259
<b>Total profit and loss charge before deduction for tax</b>	5,135	269	5,190	261

## Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

29

	Year to 31 July 2007		Year to 31 July 2006	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
<b>Analysis of amounts recognised in STRGL:</b>				
(Gain)/Loss on assets	(769)	–	(3,725)	–
Experience (Gain)/Loss on liabilities	–	276	1,889	179
(Gain)/Loss on change of assumptions	(9,950)	(201)	4,481	20
<b>Total (Gain)/Loss recognised in STRGL before adjustment for tax</b>	<b>(10,719)</b>	<b>75</b>	<b>2,645</b>	<b>199</b>

## History of experience gains and losses

	Year to 31st July 2007		Year to 31st July 2006		Year to 31st July 2005	
	USPS	Ex-gratia pensions	USPS	Ex-gratia pensions	USPS	Ex-gratia pensions
<b>(Gain)/Loss on assets:</b>						
Amount (£000)	(769)	–	(3,725)	–	(7,896)	–
% of assets at end of year	-1%	–	-5%	–	-11%	–
<b>Experience (Gain)/Loss on liabilities</b>						
Amount (£000)	–	276	1,889	179	–	(553)
% of liabilities at end of year	–	5%	2%	3%	–	-10%
<b>Total actuarial (Gain)/Loss</b>						
Amount (£000)	(10,719)	75	2,645	199	(9,781)	–
% of liabilities at end of year	-9%	1%	2%	4%	-9%	–

	Year to 31st July 2004		Year to 31st July 2003	
	USPS	Ex-gratia pensions	USPS	Ex-gratia pensions
<b>(Gain)/Loss on assets:</b>				
Amount (£000)	301	–	1,527	–
% of assets at end of year	1%	–	3%	–
<b>Experience (Gain)/Loss on liabilities</b>				
Amount (£000)	486	56	1,139	(55)
% of liabilities at end of year	1%	1%	2%	-1%
<b>Total actuarial (Gain)/Loss</b>				
Amount (£000)	4,573	46	6,396	275
% of liabilities at end of year	6%	1%	10%	5%

## Reconciliation to balance sheet

	At 31st July 2007		At to 31st July 2006		At 31st July 2005	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
Scheme assets	92,548	–	82,689	–	69,439	–
Scheme liabilities	119,724	5,415	119,747	5,461	103,465	5,379
<b>Surplus/(Deficit)</b>	<b>(27,176)</b>	<b>(5,415)</b>	<b>(37,058)</b>	<b>(5,461)</b>	<b>(34,026)</b>	<b>(5,379)</b>

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

### Analysis of movement in surplus/(deficit)

	At 31st July 2007		At to 31st July 2006	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
<b>Surplus/(Deficit) at beginning of year</b>	<b>(37,058)</b>	<b>(5,461)</b>	<b>(34,026)</b>	<b>(5,379)</b>
Contributions or benefits paid by University	4,298	390	4,803	378
Current service cost	(4,871)	–	(4,958)	(2)
Past service cost	(58)	–	–	–
Settlement cost	–	–	–	–
Curtailment cost	–	–	–	–
Other finance income/(charge)	(206)	(269)	(232)	(259)
Gain/(Loss) recognised in STRGL	10,719	(75)	(2,645)	(199)
<b>Surplus/(Deficit) at end of year</b>	<b>(27,176)</b>	<b>(5,415)</b>	<b>(37,058)</b>	<b>(5,461)</b>

## Note 30: Capital Commitments

Commitments contracted at 31st July

Consolidated and University	
Year Ended 31st July 2007	Year Ended 31st July 2006
£000	£000
<b>17,069</b>	12,780

## Note 31: Financial Commitments

Operating lease commitments in respect of buildings and equipment for the 2006/07 financial year, on leases expiring:

Within One Year	–	79
Between Two and Five Years	267	110
Over Five Years	571	441
	<b>838</b>	630

The University has derivative financial instruments for the future sale of US dollars and euros that it has not recognised at fair value as follows:

Forward Extra Transactions (Forward Plus)

Within One Year	(4)	–
-----------------	-----	---

A Forward Plus contract is a binding contract which eliminates the premium cost of a standard option contract and provides protection against adverse movement in rates, whilst allowing upside potential up to a pre-agreed trigger rate. If the trigger rate is reached in the underlying spot market in the month prior to expiry the University is locked into exchanging at the pre-agreed protection rate.

The University is a member of a mutual association for the provision of insurance against terrorism risks. In connection with this membership the University has undertaken to loan, if called upon to do so, the sum of £2m. The term of the loan facility is for one year from 1st August 2004, and any loans made under the facility would be repayable over seven years.

As part of the Student Residences Strategy the University entered into a project agreement during 2005/06 with Catalyst Higher Education Sheffield PLC (Catalyst), to build 3,533 new bed spaces, deliver 401 refurbished bed spaces and take over 257 transferred bed spaces. The project will cost £162m and was partly financed by a bond issue by Catalyst of £155m and this project does not form part of the University Balance Sheet. The ownership of the halls of residence have been transferred to Catalyst but under the terms of the land lease will revert to the University after 41 years.

# Notes to the Financial Statements – Continued

## Note 32: University Companies

# 32

### Subsidiary Companies

AIVRU Systems Ltd	100.0%	Dormant
AMRC Ltd	100.0%	Dormant
Auxetics Ltd	100.0%	Dormant
BIOH2 Ltd	100.0%	Dormant
Biohydrogen Ltd	100.0%	Dormant
Blade Leasing Co Ltd	100.0%	Dormant
Ceregen Ltd	100.0%	Dormant
Dental Teamwork Training Ltd	100.0%	Dormant
ECUS Ltd (until 30 June 2007)	100.0%	Environmental Consultancy Services
Escafeld Estates Ltd	100.0%	Property Disposal for Student Residences Strategy
Farapak Polymers Ltd	100.0%	Innovative Packaging Solutions
First World Manufacturing Ltd	100.0%	Dormant
In-Tend Ltd	100.0%	Procurement Software
Invector Ltd	100.0%	Dormant
Luminaires Ltd	100.0%	Dormant
Molecular Healthworks Ltd	100.0%	Dormant
Risk2Value Ltd	75.0%	Insurance Services
Shefcote Ltd	100.0%	Dormant
Sheffield Advisory Services Ltd	100.0%	University Malaysian Office
Sheffield Centre of Sports Medicine Ltd	Limited by Guarantee	Dormant
Sheffield International College Ltd	Limited by Guarantee	Dormant
Sheffield University Enterprise Ltd	100.0%	Holding Company
South Yorkshire Education Services Ltd	100.0%	Training Services
Thixoforge Ltd	100.0%	Dormant
Unisheff Properties Ltd	100.0%	Dormant
University Knowledge Ltd	100.0%	Exploitation of Intellectual Property Rights
Vforge Ltd	100.0%	Dormant
Viewcheck Ltd	100.0%	Dormant
Wildfire Snowsports Ltd	100.0%	Dormant
Xsuppress Ltd	100.0%	Dormant

### Associate Companies

Bethan Ltd	25.00%	Environmental Engineering
Biofusion plc	25.46%	Property
Blastech Ltd	24.88%	Blast, Impact and Ballistic Testing Services
Conteque Ltd	24.90%	Novel reinforcement systems for structural concrete
Endcliffe Holt Ltd	10.00%	Environmental Consultancy Services
Limit State Ltd	25.01%	Computational limit analysis and design software
Material State Ltd	25.00%	Advanced materials testing and analysis
Vulcan Solutions Ltd	35.00%	Structural Fire Engineering Software Tool
Webelements Ltd	30.00%	Web Publications
White Rose Technology Ltd	40.00%	Investment in New Technology Companies

# Notes to the Financial Statements – Continued

## Note 32: University Companies (continued)

# 32

The University also has an interest in the following Joint Venture Companies:

N8 Ltd	12.50%	Promotes research and collaborative research between member universities
White Rose Research Ltd	33.33%	Promotes research and collaborative research between member universities
WUN Trading Ltd	16.70%	Promotes research and distributes e-learning
WUN Foundation Ltd	16.70%	Promotes research and distributes e-learning
YHMAN Ltd	12.50%	Procurement, operation and management of a metropolitan area network

Apart from Sheffield Advisory Services Ltd, which is incorporated in Malaysia, all companies are incorporated in Great Britain.

## Note 33: Hardship Funds

# 33

Balance Unspent at 1st August  
Funding Council Grants  
Interest Earned  
Less Returned to Funding Council

Disbursed to Students  
Interest Used to Publicise  
Audit Fees

Balance Unspent at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2007	31st July 2006
£000	£000
112	397
732	810
14	12
(32)	(303)
<b>826</b>	<b>916</b>
(740)	(792)
(11)	(11)
(1)	(1)
<b>74</b>	<b>112</b>

Funding Council grants are available solely for students: the University acts only as a paying agent.

The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## Note 34: ITT Training Bursaries

# 34

Balance Unspent at 1st August  
TDA Grant Received

Disbursed to Students

Balance Unspent at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2007	31st July 2006
£000	£000
44	35
1,183	973
<b>1,227</b>	<b>1,008</b>
(1,203)	(964)
<b>24</b>	<b>44</b>

TDA grants for ITT Bursaries are available solely for students: the University acts only as a paying agent.

The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## Notes to the Financial Statements – Continued

## Note 35: Minority Ethnic Recruitment

35

Balance Unspent at 1st August  
TDA Basic, Challenge Funds and Recruitment Funds received

Expenditure in the year

Balance Unspent at 31st July

<b>Consolidated and University</b>	
<b>Year Ended</b>	<b>Year Ended</b>
<b>31st July 2007</b>	<b>31st July 2006</b>
<b>£000</b>	<b>£000</b>
<b>2</b>	<b>–</b>
<b>2</b>	<b>13</b>
<b>4</b>	<b>13</b>
<b>(1)</b>	<b>(11)</b>
<b>3</b>	<b>2</b>

## Note 36: Related Party Disclosure

36

During the year ended 31st July 2007 the University had transactions with a number of organisations which fell within the definition of Related Parties under Financial Reporting Standard 8 'Related Party Disclosures'. These include some of the University's subsidiary, associated and joint venture companies, the University of Sheffield Union of Students and other organisations and companies. Details of transactions are shown below, where material.

The following cross-memberships with other organisations and companies were also found to exist:

<b>Related Party</b>	<b>Name</b>	<b>Cross Membership</b>
Hotcourses	Prof R F Boucher	Vice-Chancellor of the University of Sheffield Member of Hotcourses Advisory Council
HESA	Dr D E Fletcher	Registrar and Secretary of the University of Sheffield Director of HESA Director of Sheffield International College
Connexions South Yorkshire Ltd Sheffield Homes Ltd	Prof A D H Crook	Pro Vice-Chancellor Member of University Council and Member of Strategic Planning Committee Chairman of Connexions South Yorkshire Ltd and Sheffield Homes Ltd
Yorkshire & the Humber Strategic H.A. Eadon, Lockwood and Riddle	Mrs K E Riddle	Chairman of University Council, Pro-Chancellor, Member of Strategic Planning Committee, Facilities Management Committee, Finance Committee and Senior Remuneration Committee Chairman of Yorkshire & the Humber Strategic Health Authority Family relation is a partner of Eadon, Lockwood and Riddle
Sheffield Church Burgesses Trust	Mr P W Lee	Member of Finance Committee and Facilities Management Committee Trustee of Sheffield Church Burgesses Trust
DLA Piper UK LLP	Mr P N Firth	Member of University Council, Strategic Planning Committee, Facilities Management Committee, Finance Committee and Senior Remuneration Committee Partner in DLA Piper UK LLP
Fretwell-Downing Group Ltd	Mr C A J Biggin	Member of University Council and Member of Finance Committee Financial Director of Fretwell-Downing Group Ltd
Footprint Tools Ltd	Mr C J Jewitt	Member of University Council and Member of Facilities Management Committee Managing Director of Footprint Tools Ltd

## Notes to the Financial Statements – Continued

## Note 36: Related Party Disclosure (continued)

36

Related Party	(Income)/Expenditure		(Debtors)/Creditors		Details
	2006/07	2005/06	Balance at 31st July		
	£000	£000	2007	2006	
	£000	£000	£000	£000	
<b>University Companies</b>					
Adjuvantix Ltd	(63)	(10)	–	–	Research income
Asterion Ltd	(246)	(248)	(16)	(49)	Research income
Axordia Ltd	(61)	(94)	(8)	(3)	Salary recharges
Cavendish Instruments Ltd	(135)	(127)	(23)	(10)	Salary recharges
CellTran Ltd	(249)	(151)	(171)	(105)	Research income
	7	36	–	–	Medical supplies
Sheffield Advisory Services	92	86	–	–	Salaries and expenses of Malaysian office
Supaplants Ltd	(1)	–	–	(1)	Office costs recharges
WUN Foundation Ltd	(4)	36	–	(2)	Research award
	–	41	–	–	Subscription costs
YHMAN Ltd	(2)	(3)	–	–	Network services charged
	19	18	–	–	Network services paid
<b>Other Organisations and Companies</b>					
DLA Piper UK LLP	(56)	(4)	(34)	–	Consultancy fees
	179	179	3	–	Professional fees
Eadon, Lockwood and Riddle	2	16	–	16	Rental costs
Footprint Tools Ltd	25	11	–	2	Training costs
Fretwell-Downing Group Ltd	10	25	3	5	Conference costs
HESA	31	26	–	–	Subscription costs
Hotcourses	26	35	2	1	Promotional costs
Sheffield Church Burgesses Trust	278	206	6	–	Rental costs
Sheffield Homes Ltd	(36)	(42)	(7)	(4)	Conference costs
University of Sheffield Union of Students	(4,091)	(3,683)	–	–	Payroll payment, other services provided and sundry purchases
	239	280	–	41	Annual subvention grant
	1,352	1,288	–	–	
Yorkshire & the Humber Strategic H.A.	(2)	(11)	–	–	Printing costs
	3	140	–	3	Salary costs





The  
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Sheffield.