

# **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

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*Advisors to the University of Sunderland*

**Bankers:** Barclays Bank PLC  
53 Fawcett Street  
SUNDERLAND  
SR1 1SD

**Independent Auditors:** KPMG LLP  
Quayside House  
110 Quayside  
NEWCASTLE UPON TYNE  
NE1 3DX

**Legal Advisors:** Watson Burton LLP  
1 St. James' Gate  
NEWCASTLE UPON TYNE  
NE99 1YQ

## ***Members of the Governing Body***

***The present members of the Board of Governors, changes in office and brief career details are shown below.***

### **Independent Members**

<b><i>Member</i></b>	<b><i>Changes in Office</i></b>	<b><i>Details</i></b>
R. J. Davies (Chair)	Resigned July 2009	Formerly Chairman, Biffa plc Director, Barratt Developments plc Director, British Energy plc Formerly Chief Executive, Arriva plc Chair, North East Region CBI Chair, Leighton Management Ltd
P.M.Callaghan (Chair)	Commenced as Chair July 2009	
C. Green (Deputy Chair)	Commenced as Deputy Chair July 2009	Finance Director, Northumbrian Water Group plc
C. Barnes		Director of Quality & Standards for Advancement of Communication with Deaf People (CACDP)
W. Ault		Chartered Architect & Chartered Town Planner
Lady C. Irvine, MBE		Formerly Chair, South of Tyne & Wearside Mental Health NHS Trust
S. Din		Managing Director, Whitewell Properties Ltd
C. Jobe		Formerly Director North East, Northern Rock plc
S. Forster		Director, PricewaterhouseCoopers LLP

### **Co-opted Members**

<b><i>Member</i></b>	<b><i>Changes in Office</i></b>	<b><i>Details</i></b>
Dr. A. O'Donoghue Cllr. N. Wright Cllr. C. Gofton	Term ended July 2009 Term commenced July 2009	Principal, City of Sunderland College Local Authority nominee: City of Sunderland Local Authority nominee: City of Sunderland

### **Staff Nominees**

<b><i>Member</i></b>	<b><i>Changes in Office</i></b>	<b><i>Details</i></b>
Dr. P. Rushton J. Borley G. Tuckwell S. Cain	Term ended April 2009  Term commenced July 2009	Member of teaching staff nominated by Academic Board Member of staff elected by non-teaching staff Member of staff elected by all full-time staff Member of staff elected by all non-teaching staff

### **Student Nominees**

<b><i>Member</i></b>	<b><i>Changes in Office</i></b>	<b><i>Details</i></b>
G. Dubois L. West	Term ended June 2009 Term commenced July 2009	President: USSU 2008/09 President: USSU 2009/10
D. Owens	Term commenced July 2009	Student Union Representative to Board of Governors

### **Vice-Chancellor & Chief Executive**

Prof. P. Fidler

### **Clerk to the Board of Governors**

J.D. Pacey  
S.A. Atkinson

Term ended September 2009  
Term commenced October 2009

## ***Operating and Financial Review***

The Governors of the University of Sunderland present their report and Financial Statements for the year ended 31 July 2009.

### **Legal Status**

The University was established under the Further and Higher Education Act 1992. The University is an exempt charity for the purposes of the Charities Act 1993. The Education Reform Act 1988 lays down the powers and duties of the University as being the provision of education, training and research together with associated activities.

The Group Financial Statements consolidate those of the University, its subsidiaries and its quasi subsidiaries (together referred to as the Group). The details of these undertakings are listed in note 28 of the Financial Statements.

### **Vision and Purpose**

“ ...to be recognised as one of a new generation of great civic universities – innovative, accessible, inspirational and outward looking; with international reach and remarkable local impact”

### **Strategy**

The strategic aims initially developed during 2004 have influenced the major institutional decisions in recent years and much of what the University set out to do then is still very valid today. During 2009 the University began the preparation of a new Corporate Plan for 2009/10 to 2013/14 due for publication in Autumn 2009. The focus for this next period is underpinned by five themes that capture the University’s range of activity and what it will deliver:

- To provide a purposeful higher education **opportunity** for learners from all walks of life, that enriches society and offers innovation in research-led teaching and practice that will equip learners for productive employment.
- To ensure excellent student **experience** through provision that draws together research, teaching and learning. An experience that provides a “life changing” opportunity through options for voluntary, community and employment based opportunities.
- To offer individual and tailored **support** for students, including financial, academic and pastoral guidance within a learning community to ensure progression and retention.
- To embrace the University’s wider role in **society** by focussing on economic regeneration, enterprise and creativity through the development of entrepreneurial opportunities across the curriculum, the delivery of innovative solutions and knowledge transfer for business.
- To build a **sustainable** business with a clear focus on a “fit for purpose” workforce, a well managed estate, a financial strategy that concentrates on efficiency and value for money, and product development that is relevant to students and employers.

Each of these strategic themes and emerging objectives are supported by Strategy in Action operational plans embedded across all Faculties and Services within the overall University planning framework. Targets and actions are set with a rolling three year horizon with clear lines of responsibility and accountability. Monitoring and reporting will be through the University’s statutory committee structure.

## ***Operating and Financial Review (Continued)***

### **Values**


These University shared values help frame the organisational culture and are a key element of its strategy:

<b>Academic Excellence</b>	Continual improvement in our academic standing through the creation, dissemination and application of knowledge to the highest quality standards.
<b>Community</b>	Collaborating with educational, civic and community partners to deliver the University's objectives and the wider social, cultural and economic aims of the region.
<b>Inclusiveness</b>	Recognising the diverse nature of our academic community through a proactive approach to equality and diversity and embracing a culture of mutual respect.
<b>Teamwork</b>	Working together in a culture of continuous improvement to deliver strategic objectives whilst demonstrating professionalism and integrity in all aspects of our work.
<b>Customer focus</b>	Placing the needs of our students and clients at the centre of everything we do.
<b>Sustainability</b>	A commitment to provide a safe and healthy environment for all and apply the principles of sustainable development and energy management in everything we do.
<b>Customer Satisfaction</b>	Providing an experience that is challenging and rewarding for both students and staff equipping learners to be purposeful citizens and professionals in their chosen careers.
<b>Information Sharing</b>	Meet the rising expectation of students and staff through new technologies and the sharing of relevant and accurate information and data.

## Operating and Financial Review (Continued)

### Achievement of Objectives

Achievement of strategic aims is measured against Key Performance Indicators with progress assessed by a traffic light system. Progress is reported bi-annually to the Board of Governors.

Institutional Level Key Performance Indicator	2008/09	2007/08
1 Financial Stability		
2 Teaching Contracts & Student Recruitment		
2a Teaching Contracts		
2b Student Recruitment		
3 Student Satisfaction		
4 Student Retention		
5 Teaching Quality Assurance		
6 Research		
7 Business Development		
8 Resource Investment		

### Traffic Light Assessment



**Green:** This is on track, low risk



**Amber Green:** This is broadly on track with some concerns to be addressed



**Amber:** Mixed, some concerns which could be damaging if not addressed



**Amber Red:** Problematic, some significant concern or risk, showing signs of improvement or decline



**Red:** Some serious concern, high risk to institutions overall performance

## ***Operating and Financial Review (Continued)***

Sunderland University's key achievements in 2008/09 were as follows:

**Financial Stability** was maintained with a better than budget operating surplus and cashflow.

**Teaching Contracts** were fully satisfied and student recruitment targets achieved.

**Student Satisfaction** was high with 82% of students in the National Student Survey being satisfied with their experience and the University being above the sector average in six of the seven relevant criteria.

**Student Retention** remains a key issue and focus for further improvement to achieve sector benchmarks.

**Teaching Quality Assurance.** The University's management of its quality and standards were audited by QAA in 2009 with an outcome of the highest possible rating.

**Research** outcomes from the RAE exceeded expectation and the strategy for Research Beacons and Areas of Excellence has been established.

**Business Development** targets were met in terms of finance, knowledge transfer and reach out.

**Resource Investment** was fully achieved in terms of estate, people and finance.

Overall 2008/09 has been a very positive year for the University.

### **Risks**

The University risk management processes continue to identify and manage the major strategic and financial risks. Reports are made regularly to Audit Committee and cover risk identification and mitigation plans.

Strategic risks at the corporate level include unforeseen changes in government policy, the volatility of international markets, student recruitment and retention, the increasing costs of staffing and pension provision, the ability to generate external income and recover full costs and maintaining service standards in line with increasing stakeholder expectations.

### **Financial Review**

Extracts from the University's consolidated income, expenditure and result for the year and comparison to previous year are summarised below :

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Total Income	<b>112,592</b>	102,374
Total Expenditure before FRS 17 defined benefit adjustments*	<b>110,237</b>	100,812
Operating surplus before FRS17 defined benefit adjustments and property disposals*	<b>4,480</b>	2,853
Historical cost surplus	<b>840</b>	194
Net assets excluding pension liability	<b>61,191</b>	58,107
Net assets including pension liability	<b>3,263</b>	22,277
I&E reserve excluding pension reserve	<b>12,604</b>	11,377

\*In order to facilitate a comparison of performance against the previous year the defined benefit pensions costs arising on the LGPS pension scheme have been replaced by cash contributions paid in the year.

The University operating surplus was ahead of target and an improvement on the previous financial year.

## ***Operating and Financial Review (Continued)***

Total student numbers increased from 10,282 to 10,988 expressed in terms of full time equivalents representing an increase of 6.9%.

Total income increased by 10% to £112.6m with growth in funding council and tuition fee income.

Total expenditure before FRS 17 defined benefit adjustments increased by 9.4% to £110.2m. The main areas of increase were in National Framework pay awards and student bursary payments.

Net assets excluding Pension reserve increased by 5.3% to £61.2m, with decreases in debtors and increases in cash balances.

The University continues to be significantly affected by a deteriorating pension position with an additional income and expenditure charge as a result of the actuarial valuation at the end of the financial year of £1.8m and a pension liability increase of £22.1m to £57.9m in the financial year.

Capital spend in the year was £11.5m, with over 90% being invested in the University estate. This continues the long term investment plan which has seen the proportion of the University Estate classed as Condition B or above ( good or very good ) show an improvement from 52% to 82% in the last five years.

Cashflow from operating activities was a healthy £10.6m (2008:£4.6m).

A 25 year long term borrowing facility of £28m is in place with Barclays to support the capital building programme. This facility is structured to provide flexibility at minimum cost over its whole term and is secured on part of the City Campus.

### **Financial Outlook**

The University's forecasts for the period to 2013 demonstrate a continuation of the strategy to retain sufficient surplus to invest in continued improvement of the University estate. This is at the same time as maintaining financial stability, enhancing overall student experience and managing risks to future financial sustainability.

### **Partnerships**

The University is seen as the partner of choice not only in the North East region but at a national and international level. The institution works closely with civic, educational and commercial partners in order to meet its objectives and serve the wider needs of its host community.

A significant element of the University teaching contract is for students who are based at local Further Education partner colleges. This contributes very positively to the regional widening participation targets.

In 2008 the City of Sunderland College opened its new sixth form college on University land adjacent to the St. Peters Campus.

### **Research**

Income from research continues to meet planned targets. Income of £2.9m, which is a gearing of 2.6 to HEFCE research funding, is one of the highest ratios in the sector. The value of research bids was £12m representing a 24% success rate. Over three hundred research students are currently studying at the University, with twenty-nine doctoral awards made in year including the first DProf from the recently introduced programme.

The University was very successful in the 2008 RAE submission, with world leading research being identified in 10 subject areas (Pharmacy, Environmental Sciences, Computing, Automotive Engineering, Education, Tourism, English, History, Art and Design, Media) and over two thirds of all research being internationally recognised or better. A total of 41% of academic staff were submitted for assessment representing one of the highest proportions for any new University. The RAE outcome shows Sunderland to be the best new University for research in the region and an increase in QR allocation of over 150% was one of the highest increases in the UK. This recognises the quantity and quality of research at the University and has formed the basis for the establishment of Research Beacons and Areas of Excellence to drive forward the research informed teaching strategies in coming years.



## ***Operating and Financial Review (Continued)***

### **External Engagement**

During the year the University continued its focus on the skills agenda and collaboration with business as promoted by the Lambert Report. The strategy is to promote knowledge based aspects of the local, regional, national and international economy through improving skill levels, encouraging innovation, driving productivity and supporting growth.

The University opened a Business Gateway in November 2008 supported by a dedicated Business Development team. Since that time over one hundred and fifty companies have engaged with the University. Almost one thousand students have been placed with external organisations. St. Peter's Gate, the University science park, celebrated its fifth anniversary and has so far helped thirty-seven businesses to start up in its incubator units. The University won the region's largest share of funding from the Economic Challenge Investment Fund in early 2009. The £1.4m award is to support four initiatives to help students and organisations through the economic downturn. The University won both student awards in the regional Blueprint Awards and also successfully completed a thirty month graduate enterprise project funded by One North East which saw forty-eight new businesses created.

### **Stakeholder relationships**

The University has a wide range of stakeholders and partners. They can be categorised as follows:

- Students
- Staff
- Alumni
- Students' Union
- The Governing Body/Trustees
- Funding Councils
- Quality Assurance Agencies
- The Community
- The City of Sunderland and The Sunderland Partnership
- Educational partners, strategic FE college partners and commercial agents
- Commercial partners
- Employers, business networks and professional bodies
- Government Departments/Regional Agencies
- Philanthropic donors and supporters

The University works with this wide range of stakeholders in order to meet its strategic objectives, ensure the needs of the student body are met and to deliver the economic development and social inclusion ambitions of government, the city, and the wider region.

### **Current and Future Developments**

The University is looking to further develop its relationships with students, staff, governors and funding bodies to be a transparent and self-critical community with improving service delivery, an internationally relevant curriculum and extended impact and reach out activities.

Investment in the estate continues with the opening of a £12m CitySpace sports and social building in September 2009. Closer operational links with the National Glass Centre are planned for 2009 along with the beginning of a multi-million pound investment into the infrastructure for Applied Sciences.

The introduction of Research Beacons following the successful RAE outcomes will generate increased opportunities for research-informed teaching and external income generation.

Student numbers continue to increase predominantly through international growth given the constraints of restrictive UK government funding. The political uncertainty will put greater pressure on the maintenance of financial stability, at a time when price pressure from staff, pension and energy costs is in excess of projected income streams. Consequently the University, like many others in the sector, will be looking at innovative ways of delivering expected levels of service to all its stakeholders.

## ***Operating and Financial Review (Continued)***

### **Equal Opportunities and Employment of Disabled Persons**

The University is committed to ensuring equality of opportunity for all who learn and work within it. The University respects and values positively differences in race, gender, sexual orientation, class and age. It strives to remove conditions which place people at a disadvantage and supporting policies are implemented, resourced and monitored on a regular basis.

The University considers all applications from disabled persons and if an existing employee becomes disabled every effort is made to ensure their employment with the University can continue.

In 2007, Sunderland was named the leading university in Britain for equality and diversity in the national Workplace Equality Index and was also named one of the best workplaces for women in the UK by Opportunity Now. The University was named the North East CIPD winner for Equality and Diversity in the Workplace in 2008.

### **Disability Statement**

The University seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disabilities Act 2001.

Access audits are part of the accommodation strategy and specialist resources, equipment, assistive technology, support and information are available for all students with disabilities.

### **Environmental and Social Responsibility**

The University is acutely aware of its social responsibilities and is confident in stating that it already goes well beyond what is expected of similar organisations.

Sunderland was the second university to create a Corporate Social Responsibility (CSR) statement. The University has embraced CSR principles for many years and our internal and external practices have been externally recognised.

In 2008 the University was named as the greenest University in the North East, recognising the measures of Fairtrade status, ethical investment, waste management and carbon emissions.

The University's newest building, the £12m CitySpace sports and social facility, has been named as one of the UK's greenest buildings by British Research Establishment Environmental Assessment Methodology (BREEM).

University students and staff work on a range of community projects. For example law students offer free legal advice to residents' associations and computing students create free software packages for community groups and schools.

### **Disclosure of Information to Auditors**

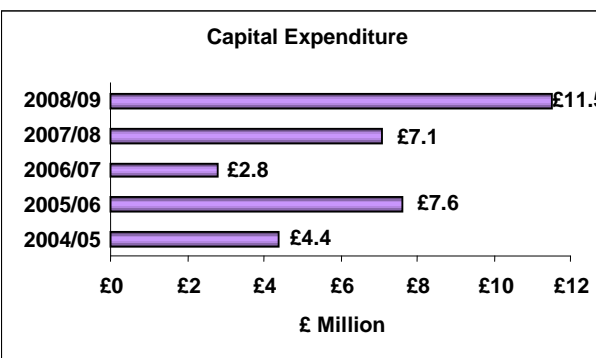
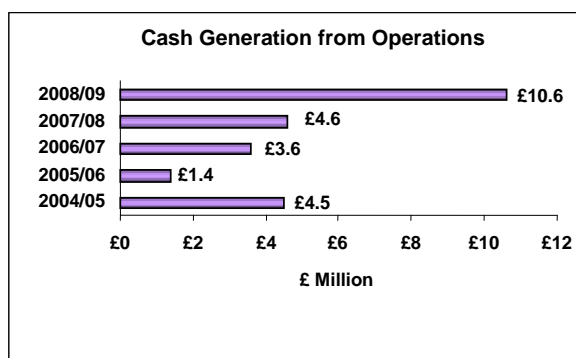
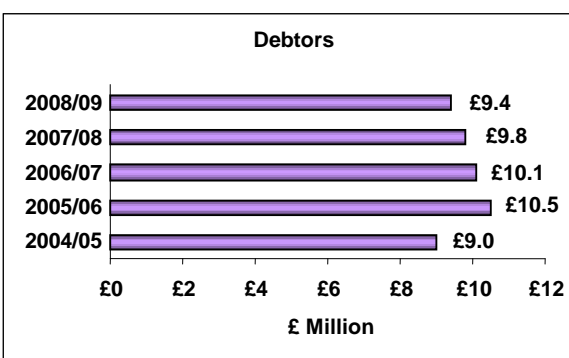
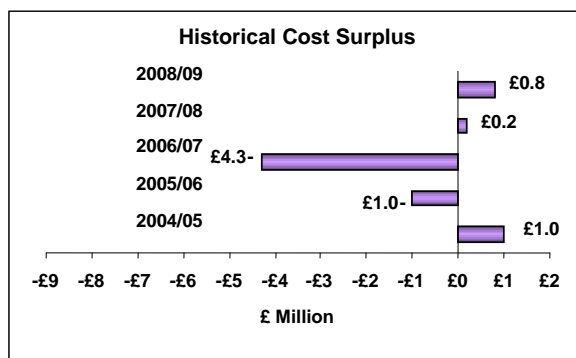
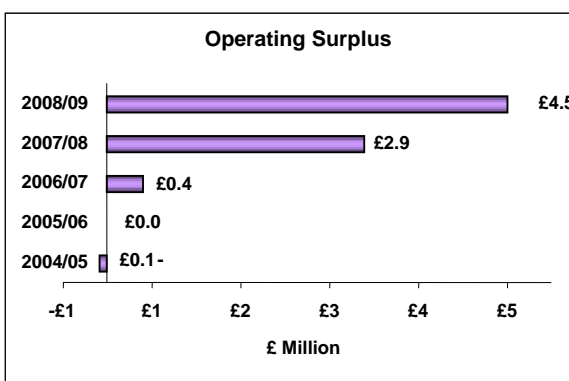
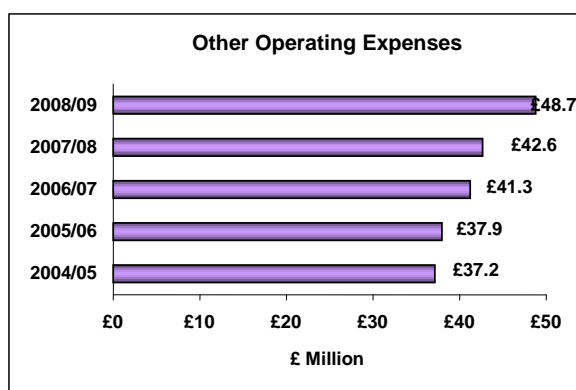
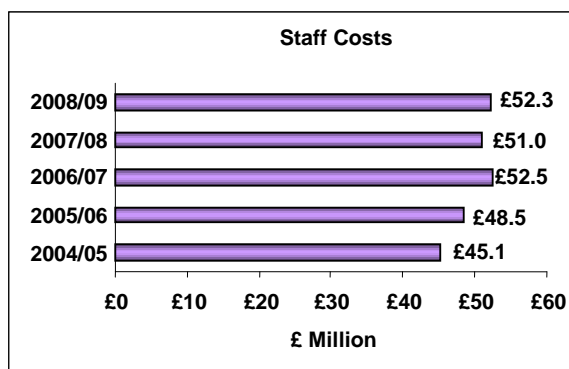
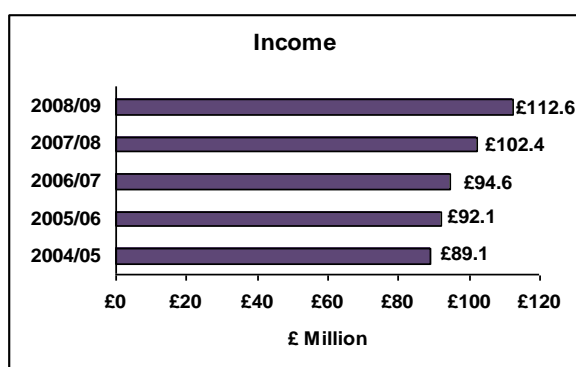
The members of the Governing body in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant information of which the University's auditors are unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

## Operating and Financial Review (Continued)

### Financial Review

#### Five year trends

The charts shown below set out the trends and changes in the University's financial position over the last five years. These trends are before the FRS 17 defined benefit pension scheme adjustments.

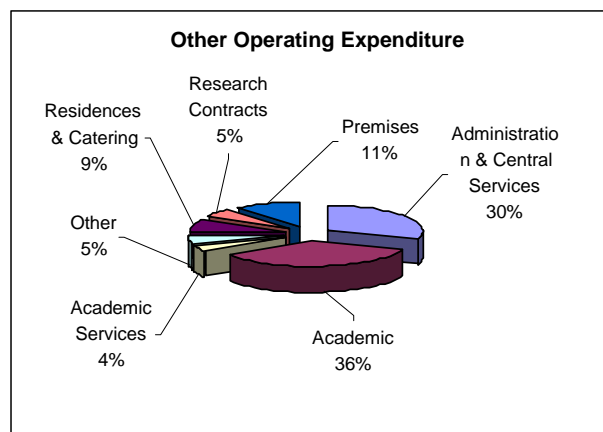
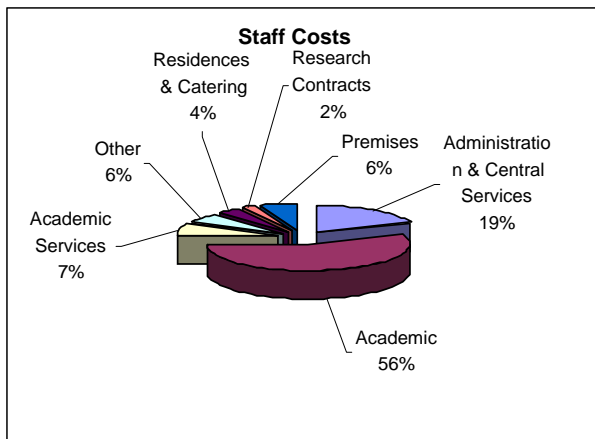
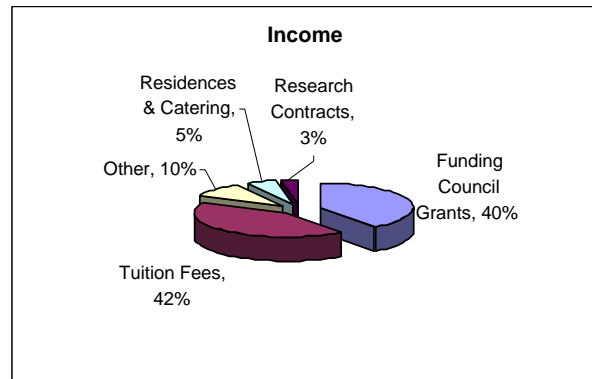
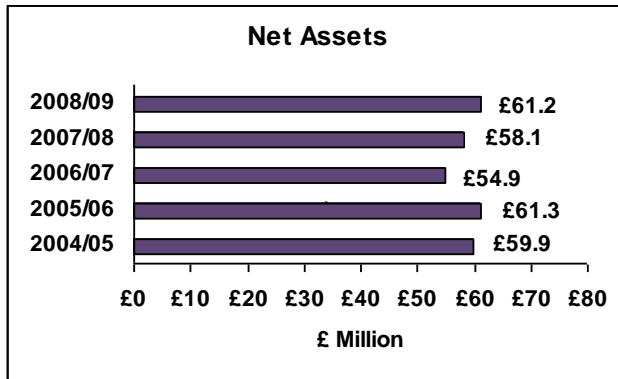


# Operating and Financial Review (Continued)

## Financial Review

### Five year trends

The charts shown below set out the trends and changes in the University's financial position over the last five years. These trends are before the FRS 17 defined benefit pension scheme adjustments.



## ***Corporate Governance Statement***

The University is committed to exhibiting best practice in all aspects of corporate governance. This statement describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors the University complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector, and it has complied throughout the year.

### **The Governing Body**

The composition of the Governing Body is set out on page 2. It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, risk, performance, resources and standards of conduct.

The University Governing Body meets four times a year and has several committees, including a Finance & Development Committee, a Nominations Committee, a Remuneration Committee, an Employment Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference. They comprise mainly independent members of the Governing Body, one of whom chairs each Committee.

The Finance & Development Committee inter alia recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

All Governors are able to take independent professional advice in furtherance of their duties at the University's expense. They all have access to the Clerk to the Governing Body who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Governing Body as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner prior to Board meetings. Briefings and workshops are provided on an ad-hoc basis.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Governing Body has adopted the CUC Governance Code of Practice and also agreed a Statement of Primary Responsibilities. On an ongoing basis the Governing Body will use these criteria to review institutional performance and effectiveness, the results of which will be widely published.

During the Financial Year 2007/08 the Board undertook a formal review of its effectiveness with independent facilitation, the conclusion being that the University is generally compliant with good governance practice, with the Board endorsing in October 2008 a number of actions to bring existing arrangements more fully into line with current best practice in the HE sector.

There is clear division of responsibility in that the roles of the Chairman and Vice-Chancellor are separate.

### **Appointments to the Governing Body**

The Nominations Committee consider and recommend appointments of independent members to the Governing Body. In addition, three members of staff and two students are appointed by internal election. The Vice-Chancellor is also a member of the Board.

### **Remuneration Committee**

The Remuneration Committee determines the remuneration and terms and conditions of service of senior staff including the Vice-Chancellor.

## ***Corporate Governance Statement (Continued)***

### **Audit Committee**

The Audit Committee meets five times a year, with the University's internal and external auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of University's systems of internal control, management responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst executive and senior management attend Audit Committee meetings they are not members of the Committee and at least once a year the Committee meet with the internal and external auditors for independent discussion.

### **Internal Control**

The University's Governing Body is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks and that the process has been in place for the year to 31 July 2009 and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Audit Committee on behalf of the Governing Body and accords with the internal control guidance for directors in the Combined Code as deemed appropriate for Higher Education.

The senior management team receive regular reports on the key performance and risk indicators and consider issues indicated by control mechanisms embedded within operational units and reinforced by risk awareness training. The senior management team and Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement. The Governing Body receives an annual report on strategic risk management. An annual report is also provided to the Governing Body by Audit Committee which provides an opinion on risk, control, governance and value for money.

### **Going Concern**

After making appropriate enquiries, the Governing Body considers that the University has adequate resources to continue in operational existence for the foreseeable future.

The activities of the University, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the University, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The University currently has £28m of loans outstanding with bankers on terms negotiated in 2008. Additionally there is £6m of uncommitted facility with all being secured by a fixed and floating charge on University assets. The terms of the existing agreement are for up to another 25 years. The University's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the University has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

## *Statement of Responsibilities of the University's Board of Governors*

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education 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 Board of Governors of the University, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that period.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in business.

The Board has taken reasonable steps to:

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

The key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities and the authority delegated to heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash-flow budgets;
- regular reviews of key performance indicators and quarterly reviews of financial results including variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, including investment decisions involving capital or revenue expenditure being subject to formal detailed approval and reviewed according to approval levels set by the Governing Body;

### ***Statement of Responsibilities of the University's Board of Governors (Continued)***

- comprehensive Financial Regulations detailing financial controls and procedures approved by the Audit Committee and Finance & Development Committee;
- an Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Governing Body. The Audit Committee provide the Governing Body with an annual report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, management of risk, corporate governance and value for money.

Any system of internal control can, however, only provide reasonable not absolute assurance against material misstatement or loss.



## ***Report of the Independent Auditors***

### **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF SUNDERLAND**

We have audited the Group and University financial statements (the "financial statements") of University of Sunderland for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of the University Board of Governors and Auditors**

The University Board of Governors' responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 14 to 15.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether 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, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements 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 Board of Governors 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.

## ***Report of the Independent Auditors (Continued)***

### **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 the group and University's affairs as at 31 July 2009 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 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, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

**Paul Moran (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
*Quayside House*  
*110 Quayside*  
*Newcastle upon Tyne*  
*NE1 3DX*

26th November 2009

**Consolidated Income and Expenditure Account**  
**for the year ended 31 July 2009**

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
<b>INCOME</b>			
Funding body grants	1	44,970	42,190
Tuition fees and education contracts	2	47,819	39,793
Research grants and contracts	3	2,865	3,779
Other income	4	16,742	16,329
Endowment and investment income	5	196	283
<b>Total income</b>		<b>112,592</b>	<b>102,374</b>
<b>EXPENDITURE</b>			
Staff costs	6	54,098	52,598
Other operating expenses	8	48,731	42,578
Depreciation	9	4,380	4,861
Interest and other finance costs	7	4,852	2,573
Loss on disposal of tangible fixed assets		-	580
<b>Total expenditure</b>		<b>112,061</b>	<b>103,190</b>
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation before and after taxation</b>			
- Group		531	(816)
- Associate		-	41
<b>Total surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation before and after taxation</b>	20	<b>531</b>	<b>(775)</b>

***Statement of Group Historical Cost Surpluses and Deficits***  
**For the year ended 31 July 2009**

	<b>Year ended 31 July 2009 £000</b>	Year ended 31 July 2008 £000
<b>Total surplus / (deficit) on continuing operations after depreciation of tangible fixed assets at valuation</b>	<b>531</b>	(775)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	<b>309</b>	603
Revaluation gains realised on disposal of tangible fixed asset investments	-	366
<b>Historical cost surplus for the year before and after taxation</b>	<b>840</b>	194

**Consolidated Balance Sheet at 31 July 2009**

	Note	31 July 2009		31 July 2008	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	9		91,671		84,508
Investments	11		359		254
<b>TOTAL FIXED ASSETS</b>			<b>92,030</b>		<b>84,762</b>
<b>ENDOWMENT ASSETS</b>	12		<b>1,076</b>		<b>962</b>
<b>CURRENT ASSETS</b>					
Stocks			122		89
Debtors	13		9,365		9,775
Investments	14		11,914		7,587
Cash at bank and in hand			550		325
<b>TOTAL CURRENT ASSETS</b>			<b>21,951</b>		<b>17,776</b>
<b>CREDITORS : Amounts falling due within one year</b>	15		<b>(21,524)</b>		<b>(17,607)</b>
<b>NET CURRENT ASSETS</b>			<b>427</b>		<b>169</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>93,533</b>		<b>85,893</b>
<b>CREDITORS : Amounts falling due after more than one year</b>	16		<b>(32,342)</b>		<b>(27,786)</b>
<b>NET ASSETS excluding pension liability</b>			<b>61,191</b>		<b>58,107</b>
Net pension liability	27		(57,928)		(35,830)
<b>NET ASSETS including pension liability</b>			<b>3,263</b>		<b>22,277</b>
<b>DEFERRED CAPITAL GRANTS</b>	18		<b>35,311</b>		<b>33,260</b>
<b>ENDOWMENTS</b>					
Expendable	19		577		473
Permanent	19		499		489
			<b>1,076</b>		<b>962</b>
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	20		12,604		11,377
Pension reserve	20		(57,928)		(35,830)
			<b>(45,324)</b>		<b>(24,453)</b>
Revaluation reserve	20		12,200		12,508
<b>TOTAL FUNDS</b>			<b>3,263</b>		<b>22,277</b>

The financial statements were approved by the Board of Governors on 26<sup>th</sup> November 2009 and were signed on its behalf by P. M. Callaghan (Chair of Governors) and Prof P. Fidler, Vice-Chancellor & Chief Executive.

**University Balance Sheet at 31 July 2009**

	Note	31 July 2009		31 July 2008	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	9		<b>91,664</b>		84,495
Investments	11		<b>1,369</b>		1,321
<b>TOTAL FIXED ASSETS</b>			<b>93,033</b>		85,816
<b>ENDOWMENT ASSETS</b>	12		<b>514</b>		504
<b>CURRENT ASSETS</b>					
Stocks			<b>81</b>		87
Debtors	13		<b>8,952</b>		9,560
Investments	14		<b>11,893</b>		7,525
Cash at bank and in hand			<b>280</b>		234
<b>TOTAL CURRENT ASSETS</b>			<b>21,206</b>		17,406
<b>CREDITORS : Amounts falling due within one year</b>	15		<b>(20,235)</b>		(15,834)
<b>NET CURRENT ASSETS</b>			<b>971</b>		1,572
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>94,518</b>		87,892
<b>CREDITORS : Amounts falling due after more than one year</b>	16		<b>(32,342)</b>		(27,786)
<b>NET ASSETS excluding pension liability</b>			<b>62,176</b>		60,106
Net pension liability	27		<b>(57,928)</b>		(35,830)
<b>NET ASSETS including pension liability</b>			<b>4,248</b>		24,276
<b>DEFERRED CAPITAL GRANTS</b>	18		<b>35,230</b>		33,260
<b>ENDOWMENTS</b>					
Expendable	19		<b>231</b>		229
Permanent	19		<b>283</b>		275
			<b>514</b>		504
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	20		<b>14,232</b>		13,834
Pension reserve	20		<b>(57,928)</b>		(35,830)
			<b>(43,696)</b>		(21,996)
Revaluation reserve	20		<b>12,200</b>		12,508
<b>TOTAL FUNDS</b>			<b>4,248</b>		24,276

The financial statements were approved by the Board of Governors on 26<sup>th</sup> November 2009 and were signed on its behalf by P. M. Callaghan (Chair of Governors) and Prof P. Fidler, Vice-Chancellor and Chief Executive.

**Consolidated Cash Flow Statement**  
**Year ended 31 July 2009**

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	<b>10,649</b>	4,585
<b>Return on investment and servicing of finance</b>			
Income from endowments	5	27	28
Other interest received		137	255
Interest paid		(3,149)	(1,763)
		<u>(2,985)</u>	<u>(1,480)</u>
<b>Capital expenditure and financial investment</b>			
Payments made to acquire fixed assets		(11,721)	(7,120)
Deferred capital grants received	18	3,431	3,112
Endowments received		124	-
		<u>(8,166)</u>	<u>(4,008)</u>
<b>Acquisitions and disposals</b>		-	33
<b>Financing</b>			
New loans		12,500	15,500
Repayment of loans		(83)	(12,126)
Capital repayments under finance leases		(7,467)	(277)
		<u>4,950</u>	<u>3,097</u>
<b>Increase in net cash</b>		<b>4,448</b>	2,227
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>For the year ended 31 July 2009</b>		<b>Year ended 31 July 2009 £000</b>	<b>Year ended 31 July 2008 £000</b>
<b>Increase in cash for the year</b>		<b>4,448</b>	2,227
Change in finance lease debt		7,467	277
Change in loans		(12,417)	(3,373)
<b>Change in net debt</b>		<b>(502)</b>	(869)
Net debt at 1 August		(17,808)	(16,939)
<b>Net debt at 31 July</b>	25	<b>(18,310)</b>	(17,808)

**Statement of Group Total Recognised Gains and Losses  
for the year ended 31 July 2009**

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposal of tangible fixed assets</b>		<b>531</b>	<b>(775)</b>
New endowments		124	49
Appreciation of endowment asset		10	-
Endowments withdrawn		(20)	-
Actuarial loss in respect of pension schemes	20	(21,710)	(6,720)
Increase in revaluation reserve	20	-	1,428
<b>Total recognised gains and losses relating to the year</b>		<b>(21,065)</b>	<b>(6,018)</b>

**Reconciliation to Closing Reserves  
for the year ended 31 July 2009**

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Opening reserves and endowments	(10,983)	(4,965)
Total recognised losses relating to the year	(21,065)	(6,018)
<b>Closing reserves and endowments</b>	<b>(32,048)</b>	<b>(10,983)</b>



## *Notes to the Financial Statements*

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable Accounting Standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The financial statements are prepared in accordance with the historical cost accounting rules modified by the revaluation of certain fixed assets.

#### **Basis of consolidation**

The consolidated financial statements include the University and its subsidiary undertakings including quasi subsidiaries and associate undertakings for the financial year to 31 July 2009. Quasi subsidiaries are entities which are controlled by the University but are not subsidiary undertakings as defined under the Companies Act 2006. Intra group sales and profits are eliminated fully on consolidation. A separate income and expenditure account dealing with the results of the University has not been presented.

The financial year ends of the consolidated entities are coterminous with those of the University.

The consolidated financial statements do not include those of the University of Sunderland Students Union (USSU) because the University does not control its activities or have significant influence over policy decisions.

#### **Going concern**

The activities of the University, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the University, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The University currently has £28m of loans outstanding with bankers on terms negotiated in 2008. Additionally there is £6m of uncommitted facility with all being secured by a fixed and floating charge on University assets. The terms of the existing agreement are for up to another 25 years. The University's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the University has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Income recognition**

Fee income is stated gross and credited to the income & expenditure account over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and included within operating income.

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

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

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

Increases in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve via the statement of group total recognised gains and losses; a diminution in value is charged to the income & expenditure account as a debit to the extent that it is not covered by a previous revaluation surplus.

## *Notes to the Financial Statements*

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES**

#### **Agency arrangements**

Funds the institution receives and disburses as paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk or enjoys minimal benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure of the institution.

#### **Accounting for retirement benefits**

The University contributes to the Local Government Superannuation Scheme (LGPS), the Teachers Pension Scheme (TPS) and the Universities Superannuation Scheme (USS). All schemes are defined benefit schemes, but the TPS and USS are both multi-employer schemes and it is not possible to identify the assets of these schemes attributable to each institution. In accordance with FRS17, these schemes are accounted for on a defined contribution basis and contributions to the schemes are included as expenditure in the period in which they are payable. The University is able to identify its shares of assets and liabilities of the LGPS and thus fully adopts FRS 17 "Retirement benefits" in accounting for this scheme.

#### **Tangible fixed assets**

##### ***Land and buildings***

The University has applied the transitional arrangements contained in FRS 15 to retain the previous valuation as the basis on which certain land and buildings are held, but not adopted a policy of on-going revaluations. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

##### ***Equipment***

Equipment additions are stated at cost, unless they cost less than £5,000 per individual item or group of related items in which case they are written off in the year of acquisition.

##### **Stock**

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

##### **Investments**

Fixed asset investments are included at cost (less impairment if appropriate) while current asset investments are included at the lower of cost and net realisable value except donated shares which are included at the lower of their market value on the date of transfer or net realisable value.

##### **Depreciation**

Depreciation is not provided on freehold land. On other assets it is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings and major improvements	Remaining life of each building between 10 and 40 years
Plant and equipment	5 years
Equipment acquired for specific research projects	If the estimated project life is two or more years at the balance sheet date, over the project life, otherwise written off as incurred

## *Notes to the Financial Statements*

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES**

#### **Taxation**

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

The University receives no similar exemption in respect of Value Added Tax (VAT). VAT on expenditure is included as an additional cost to the extent that it is irrecoverable. Any irrecoverable VAT relating to tangible fixed assets is included as part of their cost.

#### **Endowment funds**

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

Restricted permanent endowments – the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.

Unrestricted permanent endowments – these are expendable at the discretion of the trustees with no requirement that capital can be maintained.

Expendable endowments – where trustees have the power of discretion to convert endowed capital into income.

#### **Leases**

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

Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income & expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

#### **Maintenance of premises**

Expenditure on routine corrective maintenance is charged directly to the income and expenditure account in the period in which it is incurred.

Long term maintenance work is carried out on the basis of a long term maintenance plan. Actual expenditure on long term maintenance is charged against income and expenditure account in the period in which it is incurred.

#### **Goodwill**

Purchased goodwill (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1<sup>st</sup> January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual installments over its estimated useful life. Any impairment charge is included within operating profits.

## *Notes to the Financial Statements*

### **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES**

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income and expenditure account.

#### **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 as cash.

## *Notes to the Financial Statements*

<b>1. FUNDING BODY GRANTS</b>	<b>Year ended 31 July 2009 £000</b>	<b>Year ended 31 July 2008 £000</b>
<b>Recurrent grants</b>		
Higher Education Funding Council	37,856	35,650
Learning Skills Council	216	211
Training and Development Agency	4,244	4,125
<b>Specific grants</b>		
Teacher Quality Enhancement Fund	828	262
Learning & Teaching Development	-	20
Joint Information Systems Committee	481	479
Other grants	424	222
<b>Deferred capital grants released in year</b>		
Buildings	853	970
Equipment	68	251
	<u>44,970</u>	<u>42,190</u>
	<u><u>44,970</u></u>	<u><u>42,190</u></u>
 <b>2. TUITION FEES AND EDUCATION CONTRACTS</b>		
Full-time home and EU students	21,008	16,787
Full-time international students	11,585	10,367
Part-time students	12,410	10,108
Short courses	2,816	2,531
	<u>47,819</u>	<u>39,793</u>
	<u><u>47,819</u></u>	<u><u>39,793</u></u>
 <b>3. RESEARCH GRANTS AND CONTRACTS</b>		
Research councils and charities	1,078	1,271
Governmental	909	1,506
Industry and commerce	878	1,002
	<u>2,865</u>	<u>3,779</u>
	<u><u>2,865</u></u>	<u><u>3,779</u></u>
 <b>4. OTHER INCOME</b>		
Residences, catering and conferences	6,031	4,956
Other grants income	6,885	7,225
Released from deferred capital grants	459	615
Other income	3,367	3,533
	<u>16,742</u>	<u>16,329</u>
	<u><u>16,742</u></u>	<u><u>16,329</u></u>

## Notes to the Financial Statements

<b>5. ENDOWMENT AND INVESTMENT INCOME</b>	<b>Year ended 31 July 2009 £000</b>	<b>Year ended 31 July 2008 £000</b>
Income from expendable endowments	27	28
Income from short-term investments	162	239
Income from fixed asset investments	7	16
	<u>196</u>	<u>283</u>
	<u><u>196</u></u>	<u><u>283</u></u>
<b>6. STAFF COSTS</b>		
Salaries	44,776	42,041
Social security costs	3,534	3,395
Other pension costs (note 27)	5,634	6,783
Severance payments	154	379
	<u>54,098</u>	<u>52,598</u>
	<u><u>54,098</u></u>	<u><u>52,598</u></u>
<b>Analysis of total staff costs</b>		
Academic departments	30,414	29,088
Academic services	3,625	3,227
Administration and central services	10,433	9,519
Premises	3,263	3,050
Residences, catering and conferences	1,952	1,663
Research grants and contracts	1,270	1,567
Other expenses	3,141	4,484
	<u>54,098</u>	<u>52,598</u>
	<u><u>54,098</u></u>	<u><u>52,598</u></u>
<b>Emoluments of the Vice-Chancellor</b>		
Salary	185	170
Benefits	10	9
Additional pension contributions	-	2
<b>Remuneration of other higher paid staff, excluding employer's pension contributions</b>	<b>Number</b>	<b>Number</b>
£100,001 - £110,000	1	-
£110,001 - £120,000	-	1
£130,001 - £140,000	2	-
<b>Average staff numbers (full time equivalent)</b>		
Academic departments	717	703
Academic services	107	108
Administration and central services	287	308
Premises	127	114
Residences, catering and conferences	93	75
Research grants and contracts	27	28
Other expenses	72	43

## *Notes to the Financial Statements*

<b>7. INTEREST AND OTHER FINANCE COSTS</b>	<b>Year ended 31 July 2009 £000</b>	Year ended 31 July 2008 £000
On bank overdraft	-	6
On bank loans	<b>1,124</b>	787
On finance leases	<b>1,938</b>	970
Net charge on pension scheme (note 27)	<b>1,790</b>	810
	<hr/> <b>4,852</b> <hr/>	<hr/> 2,573 <hr/>
<b>8. OTHER OPERATING EXPENSES</b>		
Academic departments	<b>17,726</b>	15,306
Academic services	<b>1,975</b>	1,785
Administration and central services	<b>14,625</b>	11,274
Premises	<b>5,246</b>	4,674
Residences, catering and conferences	<b>4,215</b>	3,470
Research grants and contracts	<b>2,239</b>	3,231
Other expenses	<b>2,705</b>	2,838
	<hr/> <b>48,731</b> <hr/>	<hr/> 42,578 <hr/>
Other operating expenses include:		
External auditors' remuneration in respect of audit services	<b>41</b>	33
External auditors' remuneration in respect of non audit services	<b>89</b>	46
Operating lease rentals for land & buildings	<b>2,472</b>	2,450
Other operating leases & rentals	<b>132</b>	133

Included in the external audit fee is £30,943 in respect of the audit of University of Sunderland only (2008: £28,435). Amounts paid to the external auditor in respect of services to the University, other than the audit of the University's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

*Notes to the Financial Statements*

**9. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold land &amp; buildings £000</b>	<b>Fixtures, fittings &amp; equipment £000</b>	<b>Total  £000</b>
<b>Cost and valuation:</b>			
At 1 August 2008	107,100	8,697	115,797
Additions	9,885	1,658	11,543
Disposals	-	(1,890)	(1,890)
<b>At 31 July 2009</b>	<b>116,985</b>	<b>8,465</b>	<b>125,450</b>
<b>Depreciation:</b>			
At 1 August 2008	25,611	5,678	31,289
Charge for the year	3,179	1,201	4,380
Eliminated on disposals	-	(1,890)	(1,890)
<b>At 31 July 2009</b>	<b>28,790</b>	<b>4,989</b>	<b>33,779</b>
<b>Net book value At 31 July 2009</b>	<b>88,195</b>	<b>3,476</b>	<b>91,671</b>
At 31 July 2008	81,489	3,019	84,508
<b>University</b>			
<b>Cost and valuation:</b>			
At 1 August 2008	107,100	8,559	115,659
Additions	9,885	1,659	11,544
Disposals	-	(1,788)	(1,788)
<b>At 31 July 2009</b>	<b>116,985</b>	<b>8,430</b>	<b>125,415</b>
<b>Depreciation:</b>			
At 1 August 2008	25,611	5,553	31,164
Charge for the year	3,179	1,196	4,375
Eliminated on disposals	-	(1,788)	(1,788)
<b>At 31 July 2009</b>	<b>28,790</b>	<b>4,961</b>	<b>33,751</b>
<b>Net book value At 31 July 2009</b>	<b>88,195</b>	<b>3,469</b>	<b>91,664</b>
At 31 July 2008	81,489	3,006	84,495



## Notes to the Financial Statements

### 9. TANGIBLE FIXED ASSETS (CONTINUED)

At 31 July 2009, freehold land & buildings at cost and valuation included £11,227,896 (2008: £2,595,586) in respect of buildings under construction. The cost of freehold land at 31 July 2009 is £6,011,559 (2008: £5,811,559) which is not depreciated.

Included within freehold land & buildings are assets funded wholly or partly by finance leases with the net book value of £3,494,760 (2008: £8,388,500).

On adoption of FRS 15, the University followed the transitional provisions to retain the book value of land and buildings, which were revalued on 31 July 1997 by Messrs. Chestertons, International Property Consultants, in accordance with the RICS statements of Asset Valuation Practice and Guidance Notes. The University did not adopt an ongoing policy of revaluations. These valuations are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

### 10. INTANGIBLE FIXED ASSETS

	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost:</b>		
At 1 August 2008	-	-
Additions	110	110
<b>At 31 July 2009</b>	<b>110</b>	<b>110</b>
<b>Amortisation and impairment:</b>		
At 1 August 2008	-	-
Charge for the year	-	-
Impairment losses	(110)	(110)
<b>At 31 July 2009</b>	<b>(110)</b>	<b>(110)</b>
<b>Net book value</b>		
<b>At 31 July 2009</b>	-	-
At 31 July 2008	-	-

During the year the University became the ultimate controlling party of the National Glass Centre and this became a quasi subsidiary from this date. Goodwill of £110,000 arose on this acquisition (note 29).

Following acquisition an impairment review was carried out. This impairment review was undertaken with reference to value in use calculations based upon approved budgets and plans covering a period of 3 years with no growth assumed after this period. These value in use calculations were based on operating cashflows discounted at 7%. As a result of this review the goodwill has been fully impaired.

## Notes to the Financial Statements

### 11. FIXED ASSET INVESTMENTS

#### Group

	31 July 2009 £000	31 July 2008 £000
Associated companies	-	61
Trade investments	359	193
<b>At 31 July 2009</b>	<b>359</b>	<b>254</b>

#### University

Subsidiary companies	1,010	1,010
Associated companies	-	118
Trade investments	359	193
<b>At 31 July 2009</b>	<b>1,369</b>	<b>1,321</b>

Details of the subsidiaries in the University group are shown in Note 28.

### 12. ENDOWMENT ASSETS

#### Group

	31 July 2009 £000	31 July 2008 £000
Balance at 1 August	962	913
New endowments invested	165	68
Decrease in cash balances held for endowment funds	(51)	(19)
<b>Balance at 31 July</b>	<b>1,076</b>	<b>962</b>
<b>Represented by</b>		
Bank deposits	643	553
Corporate bonds and treasury deposits	185	176
Money market investments	248	233
<b>Balance at 31 July</b>	<b>1,076</b>	<b>962</b>

#### University

Balance at 1 August	504	480
New endowments invested	23	43
Decrease in cash balances held for endowment funds	(13)	(19)
<b>Balance at 31 July</b>	<b>514</b>	<b>504</b>
<b>Represented by</b>		
Bank deposits	514	504

## Notes to the Financial Statements

### 13. DEBTORS

	31 July 2009		31 July 2008	
	Group £000	University £000	Group £000	University £000
<b>Amounts falling due within one year</b>				
Trade debtors	4,952	4,577	6,789	5,999
Other debtors	206	206	66	66
Prepayments and accrued income	4,207	4,158	2,920	2,055
Amounts due from subsidiary companies	-	11	-	1,440
	<u>9,365</u>	<u>8,952</u>	<u>9,775</u>	<u>9,560</u>

Debtors in both the Group and University include a provision for HEFCE matched funding of £99,000 (2008:£nil) receivable in more than one year.

### 14. CURRENT ASSET INVESTMENTS

	31 July 2009		31 July 2008	
	Group £000	University £000	Group £000	University £000
Cash deposits maturing in one year or less	<u>11,914</u>	<u>11,893</u>	<u>7,587</u>	<u>7,525</u>

Deposits are held with UK clearing banks as identified in the University's treasury management policy. All deposits shown have more than 24 hours maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

### 15. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2009		31 July 2008	
	Group £000	University £000	Group £000	University £000
Bank overdraft	241	241	208	208
Secured bank loans (note 16)	211	211	83	83
Obligations under finance leases (note 16)	70	70	343	343
Payments received on account	9,952	9,812	7,702	6,687
Trade creditors	1,943	1,767	1,333	1,201
Social security and other taxation payable	1,222	1,191	1,171	1,171
Accruals and deferred income	3,738	3,292	3,915	3,414
Other creditors	914	736	844	719
Amounts due to funding bodies	3,233	2,915	2,008	2,008
	<u>21,524</u>	<u>20,235</u>	<u>17,607</u>	<u>15,834</u>

*Notes to the Financial Statements*

**16. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

**Group and University**

	<b>31 July 2009</b>	31 July 2008
	<b>£000</b>	£000
Secured bank loans	<b>27,789</b>	15,500
Finance leases	<b>3,354</b>	10,548
Other amounts owed to funding bodies	<b>1,199</b>	1,738
	<b>32,342</b>	27,786
<b>Analysis of secured bank loans</b>		
In one year or less	<b>211</b>	83
Between one and two years	<b>754</b>	105
Between two and five years	<b>6,154</b>	1,447
In five years or more	<b>20,881</b>	13,948
	<b>28,000</b>	15,583

**Summary of Group and University bank loans at 31 July 2009:**

<b>Value and type</b>	<b>Start date</b>	<b>Term</b>	<b>Int rate</b>	<b>Due within one year</b>	<b>Due more than one year</b>
				<b>£000</b>	<b>£000</b>
£12.5m treasury loan	Apr 2008	25 years	5.55%	138	12,362
£3m commercial mortgage	Apr 2008	15 years	5.38%	73	2,927
£3.5m term loan	Jan 2009	15 years	5.38%	-	3,500
£5m term loan	Mar 2009	15 years	5.98%	-	5,000
£4m term loan	Mar 2009	3 years	4.85%	-	4,000
				<b>211</b>	<b>27,789</b>

All bank loans are held with Barclays Bank and all interest rates are fixed. The bank loans and overdraft are secured by means of a fixed and floating charge over the group assets.

**Analysis of finance leases:**

	<b>31 July 2009</b>	31 July 2008
	<b>£000</b>	£000
<b>Group and University</b>		
In one year or less	<b>70</b>	343
Between one and two years	<b>47</b>	283
Between two and five years	<b>599</b>	1,174
In five years or more	<b>2,708</b>	9,091
	<b>3,424</b>	10,891

The finance lease obligations are secured on the specific fixed assets to which they relate.

## Notes to the Financial Statements

### 17. PROVISION FOR LIABILITIES Group and University

	31 July 2009 £000	31 July 2008 £000
Opening balance	-	(41)
Share of liabilities in associated undertakings	-	(138)
Release of provision	-	179
<b>At 31 July</b>	<b>-</b>	<b>-</b>

The provision release arose in 2008 following the change in status of Analytical Nano Technologies (UK) plc from an associated company to a trade investment during 2008 following a change in percentage of voting rights held and the University ceasing to hold board member status.

### 18. DEFERRED CAPITAL GRANTS Group

	Funding Council £000	Other Grants £000	Total £000
At 1 August 2008			
Buildings	20,161	12,970	33,131
Equipment	122	7	129
<b>Total</b>	<b>20,283</b>	<b>12,977</b>	<b>33,260</b>
<b>Cash receivable</b>			
Buildings	3,170	-	3,170
Equipment	-	261	261
<b>Total</b>	<b>3,170</b>	<b>261</b>	<b>3,431</b>
<b>Released to income &amp; expenditure</b>			
Buildings	853	452	1,305
Equipment	68	7	75
<b>Total</b>	<b>921</b>	<b>459</b>	<b>1,380</b>
<b>At 31 July 2009</b>			
<b>Buildings</b>	<b>22,478</b>	<b>12,518</b>	<b>34,996</b>
<b>Equipment</b>	<b>54</b>	<b>261</b>	<b>315</b>
<b>Total</b>	<b>22,532</b>	<b>12,779</b>	<b>35,311</b>

*Notes to the Financial Statements*

**18. DEFERRED CAPITAL GRANTS (CONTINUED)**

<b>University</b>	<b>Funding Council £000</b>	<b>Other Grants £000</b>	<b>Total £000</b>
At 1 August 2008			
Buildings	20,161	12,970	33,131
Equipment	122	7	129
<b>Total</b>	<u>20,283</u>	<u>12,977</u>	<u>33,260</u>
<b>Cash receivable</b>			
Buildings	3,170	-	3,170
Equipment	-	180	180
<b>Total</b>	<u>3,170</u>	<u>180</u>	<u>3,350</u>
<b>Released to income and expenditure</b>			
Buildings	853	452	1,305
Equipment	68	7	75
Total	<u>921</u>	<u>459</u>	<u>1,380</u>
<b>At 31 July 2009</b>			
<b>Buildings</b>	<b>22,478</b>	<b>12,518</b>	<b>34,996</b>
<b>Equipment</b>	<b>54</b>	<b>180</b>	<b>234</b>
	<u>22,532</u>	<u>12,698</u>	<u>35,230</u>

<b>19. ENDOWMENTS Group</b>	<b>Restricted Expendable £000</b>	<b>Restricted Permanent £000</b>	<b>Total £000</b>
At 1 August 2008			
Capital value	193	15	<b>208</b>
Accumulated income	36	260	<b>296</b>
Development Trust funds	244	214	<b>458</b>
	<u>473</u>	<u>489</u>	<u><b>962</b></u>
New endowments	123	1	<b>124</b>
Investment income	20	11	<b>31</b>
Expenditure	(49)	(2)	<b>(51)</b>
Appreciation of investments	10	-	<b>10</b>
<b>At 31 July 2009</b>	<u>577</u>	<u>499</u>	<u><b>1,076</b></u>
<b>Represented by:</b>			
Capital value	193	15	<b>208</b>
Accumulated income	38	268	<b>306</b>
Development Trust funds	346	216	<b>562</b>
	<u>577</u>	<u>499</u>	<u><b>1,076</b></u>

## Notes to the Financial Statements

19. ENDOWMENTS (CONTINUED) University	Restricted Expendable £000	Restricted Permanent £000	Restricted Total £000	
At 1 August 2008				
Capital value	193	15	<b>208</b>	
Accumulated income	36	260	<b>296</b>	
	<u>229</u>	<u>275</u>	<u><b>504</b></u>	
New endowments	6	1	<b>7</b>	
Investment income	7	9	<b>16</b>	
Expenditure	(11)	(2)	<b>(13)</b>	
<b>At 31 July 2009</b>	<u>231</u>	<u>283</u>	<u><b>514</b></u>	
<b>Represented by:</b>				
Capital value	193	15	<b>208</b>	
Accumulated income	38	268	<b>306</b>	
	<u>231</u>	<u>283</u>	<u><b>514</b></u>	
	<u><u>231</u></u>	<u><u>283</u></u>	<u><u><b>514</b></u></u>	
20. RESERVES				
	31 July 2009		31 July 2008	
	Group £000	University £000	Group £000	University £000
At 1 August	(11,945)	(9,488)	(5,878)	(3,694)
Surplus / (deficit) retained for the year	531	(298)	(775)	(502)
Actuarial loss in respect of pension scheme	(21,710)	(21,710)	(6,720)	(6,720)
Increase in revaluation reserve	-	-	1,428	1,428
<b>At 31 July</b>	<u>(33,124)</u>	<u>(31,496)</u>	<u>(11,945)</u>	<u>(9,488)</u>
	<u><u>(33,124)</u></u>	<u><u>(31,496)</u></u>	<u><u>(11,945)</u></u>	<u><u>(9,488)</u></u>
<b>Balance represented by:</b>				
Income & expenditure reserve excluding pension reserve	12,604	14,232	11,377	13,834
Pension reserve	(57,928)	(57,928)	(35,830)	(35,830)
Revaluation reserve	12,200	12,200	12,508	12,508
<b>At 31 July</b>	<u>(33,124)</u>	<u>(31,496)</u>	<u>(11,945)</u>	<u>(9,488)</u>
	<u><u>(33,124)</u></u>	<u><u>(31,496)</u></u>	<u><u>(11,945)</u></u>	<u><u>(9,488)</u></u>

## Notes to the Financial Statements

### 21. RECONCILIATION OF SURPLUS / (DEFICIT) ON CONTINUING OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

#### Group

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus / (deficit) on continuing operations	531	(816)
Depreciation	4,380	4,861
Deferred capital grants released to income (note 18)	(1,380)	(1,912)
Loss on disposal of tangible fixed assets	-	580
Investment income (note 5)	(196)	(283)
Interest payable excluding pension finance costs (note 7)	3,062	1,763
(Increase)/decrease in stocks	(33)	3
Decrease in debtors	410	366
Increase/(decrease) in creditors	3,488	(2,698)
Decrease in current asset investments	-	94
Pension costs less contributions payable (note 27)	387	2,627
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>10,649</b>	<b>4,585</b>

### 22. CAPITAL AND OTHER COMMITMENTS

#### Group and University

	31 July 2009 £000	31 July 2008 £000
<b>Capital commitments</b>		
Provision has not been made for the following capital commitments at 31 July		
Commitments contracted	2,871	10,150
Authorised but not contracted	720	1,486

### 23. LEASE OBLIGATIONS

The annual commitments under non-cancellable operating leases at 31 July were:

Group	Buildings		Equipment		Total	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Expiring within one year	207	-	42	11	249	11
Expiring within two to five years	-	197	8	78	8	275
Expiring after five years	1,812	1,768	-	-	1,812	1,768
	<b>2,019</b>	<b>1,965</b>	<b>50</b>	<b>89</b>	<b>2,069</b>	<b>2,054</b>
<b>University</b>						
Expiring within one year	207	-	42	11	249	11
Expiring within two to five years	-	197	8	78	8	275
Expiring after five years	1,711	1,666	-	-	1,711	1,666
	<b>1,918</b>	<b>1,863</b>	<b>50</b>	<b>89</b>	<b>1,968</b>	<b>1,952</b>



*Notes to the Financial Statements*

**24. AMOUNTS DISBURSED AS AGENT**

<b>ACCESS TO LEARNING FUNDS</b>	<b>Year ended 31 July 2009</b>		<b>Year ended 31 July 2008</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>				
Excess of income over expenditure 1 August	25		53	
Funding Council grants	496		629	
Interest earned	5		12	
	<u>          </u>	<b>526</b>	<u>          </u>	694
<b>Expenditure</b>				
Disbursed to students	(507)		(638)	
Fund running costs	(19)		(31)	
	<u>          </u>	<b>(526)</b>	<u>          </u>	(669)
<b>Excess of income over expenditure</b>		<u>          </u> <b>-</b>		<u>          </u> 25
 <b>TDA TRAINING SALARIES</b>				
<b>Income</b>				
Excess of income over expenditure 1 August	160		143	
TDA grants	2,054		1,709	
	<u>          </u>	<b>2,214</b>	<u>          </u>	1,852
<b>Expenditure</b>				
Disbursed to students	(1,858)		(1,665)	
Fund running costs	(35)		(28)	
	<u>          </u>	<b>(1,893)</b>	<u>          </u>	(1,693)
<b>Excess of income over expenditure</b>		<u>          </u> <b>321</b>		<u>          </u> 159
 <b>TDA SECONDARY SHORTAGE SUBJECT SCHEME FUNDS</b>				
<b>Income</b>				
Excess of income over expenditure 1 August	-		3	
TDA grants	7		43	
	<u>          </u>	<b>7</b>	<u>          </u>	46
<b>Expenditure</b>				
Disbursed to students	-		(44)	
Fund running costs	-		(2)	
	<u>          </u>	<b>-</b>	<u>          </u>	(46)
<b>Excess of income over expenditure</b>		<u>          </u> <b>7</b>		<u>          </u> -

Funding Council grants are available solely for students, the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income & expenditure account.

## Notes to the Financial Statements

### 25. ANALYSIS OF CHANGES IN NET DEBT

	1 August 2008 £000	Cash Flows £000	31 July 2009 £000
<b>Cash at bank and in hand:</b>			
Endowment assets	962	(71)	<b>891</b>
Short-term investments	7,912	4,552	<b>12,464</b>
Bank overdraft	(208)	(33)	<b>(241)</b>
	<u>8,666</u>	<u>4,448</u>	<u><b>13,114</b></u>
Finance leases	(10,891)	7,467	<b>(3,424)</b>
Loans	(15,583)	(12,417)	<b>(28,000)</b>
	<u>(17,808)</u>	<u>(502)</u>	<u><b>(18,310)</b></u>

### 26. DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

The following principal related party transactions were identified for disclosure under FRS8 : Related Party Disclosures.

	Debtor £000	Creditor £000	Sales £000	Purchases £000
North East Region CBI	-	1	-	3
Northumbria Water	-	-	-	253
City of Sunderland College	13	3	73	2,402
City of Sunderland	1	2	186	594

The value with City of Sunderland FE College relates mainly to an open and fully documented academic and financial partnership agreement for the delivery of HE to students based in the College.

### 27. PENSION SCHEMES

The University's employees belong to three pension schemes, the Teachers Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The University has accounted for pension costs in accordance with FRS 17.

#### Analysis of pension liability by scheme

	2009 £000	2008 £000
LGPS pension scheme – Funded liabilities	<b>(52,010)</b>	(30,400)
LGPS pension scheme – Enhanced pensions	<b>(3,870)</b>	(3,350)
<b>LGPS pension scheme – total liabilities</b>	<b>(55,880)</b>	(33,750)
Teachers pension scheme – Enhanced pensions	<b>(2,048)</b>	(2,080)
<b>Total FRS17 pension liability</b>	<b>(57,928)</b>	(35,830)

## Notes to the Financial Statements

### 27. PENSION SCHEMES (CONTINUED)

<b>The group pension charge to operating profit was as follows:</b>	<b>Year ended 31 July 2009</b>	Year ended 31 July 2008
	<b>£000</b>	£000
LGPS charge to the income and expenditure account	<b>2,810</b>	4,191
USS contributions paid	<b>53</b>	48
TPS contributions paid	<b>2,753</b>	2,530
Other contributions including TPS enhanced pension costs	<b>-</b>	14
Other contributions to LGPS (including National Glass Centre)	<b>18</b>	-
	<hr/>	<hr/>
<b>Total Pension Cost (note 6)</b>	<b>5,634</b>	6,783
	<hr/> <hr/>	<hr/> <hr/>
<b>Outstanding pension contributions at 31 July</b>	<b>467</b>	440
	<hr/> <hr/>	<hr/> <hr/>

The following information, taken from the latest scheme valuations, has been used to determine the contribution levels of the Schemes for 2008/9 as follows:

	<b>LGPS</b>	<b>TPS</b>	<b>USS</b>
Investment returns per annum	7.2%	6.5%	4.4%
Salary scale increase per annum	4.7%	4.5%	4.3%
Pension increase per annum	3.2%	*	3.3%
Market valuation of assets at date of last revaluation (£mill)	3,727	163,240	28,843
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	79%	98%	103%

\* information not readily available

#### Teachers Pension Scheme (TPS)

The Teachers Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every five years in accordance with the advice of the government actuary. The employer contribution rate was 14.1% (14.1% in 2008).

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

#### Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members and the University has 18 active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

## *Notes to the Financial Statements*

### **27. PENSION SCHEMES (CONTINUED)**

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The employer contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the institution was £53,000 (2008: £48,500). This includes £4,500 (2008: £4,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries and this rate will be increasing to 16% from 1 October 2009.

#### **Local Government Pension Scheme (LGPS)**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2009 was £4,098,000 of which employers ordinary contributions totalled £2,783,000 employees contributions totalled £1,286,000 and additional lump sum employer contributions for early retirements were £29,000. The agreed contribution rates for future years are 14.8% for employers and the employee rate is dependent upon salary but averages around 6.3%.

#### **LGPS Deficit Contributions**

A lump sum payment (with inflationary increases) is payable each year to address the pension scheme deficit. In 2008/09, the University was charged a total of £1,120,000 for the recovery of the scheme deficit identified in the 2004 valuation (2008: £1,095,750).

#### **Actuarial Valuation**

The following information is based upon a full actuarial valuation of the fund as at 31 March 2007 updated to 31 July 2009 by a qualified independent actuary.

	<b>31 July 2009</b>	31 July 2008
Inflation	<b>3.8%</b>	3.8%
Rate of increase in salaries	<b>5.3%</b>	5.3%
Rate of increase in pensions	<b>3.8%</b>	3.8%
Discount rate for liabilities	<b>6.0%</b>	6.5%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>31 July 2009</b>	31 July 2008
<b>Retiring today</b>		
Males	<b>19.9</b>	19.1
Females	<b>22.8</b>	22.1
<b>Retiring in 20 years time</b>		
Males	<b>22.1</b>	21.0
Females	<b>25.0</b>	23.3

## Notes to the Financial Statements

### 27. PENSION SCHEMES (CONTINUED)

The actuarial valuation has been based on the assumption that 50% of members will commute the maximum amount of pension permitted by HM Revenue and Customs (i.e. so that their lump sum is 25% of the value of their benefits) and the rest will not commute any pension.

The asset split of the whole scheme (of which the University's share is estimated at 1.7%) and the long term rates of return (LTRR) were:

	2009		2008		2007		2006	
	LTRR	Asset split	LTRR	Asset split	LTRR	Asset split	LTRR	Asset split
		31 July		31 July		31 July		31 July
Equities	8.0%	66.2%	7.8%	63.7%	7.9%	66.6%	7.4%	65.4%
Govt. Bonds	4.5%	12.5%	4.8%	8.2%	4.9%	14.7%	4.4%	13.6%
Corp. Bonds	5.9%	9.4%	6.5%	12.2%	5.7%	8%	5.1%	8.5%
Property	7.0%	6.8%	6.8%	9.5%	6.9%	9.8%	6.4%	10.5%
Other	0.9%	5.1%	5.9%	6.4%	6.0%	0.9%	4.7%	2%
		<u>100%</u>		<u>100%</u>		<u>100%</u>		<u>100%</u>

The following amounts for 31 July 2009 were measured in accordance with the requirements of FRS 17:

<b>Analysis of the amount shown in the balance sheet</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
University's estimated asset share	59,700	60,380
Present value of scheme liabilities	(115,580)	(94,130)
<b>Deficit in the scheme – net pension liability</b>	<b>(55,880)</b>	<b>(33,750)</b>

#### Analysis of the amount charged to the income & expenditure account

Current service cost	(2,780)	(3,170)
Past service cost	(30)	(1,021)
<b>Total operating charge</b>	<b>(2,810)</b>	<b>(4,191)</b>
Expected return on pension scheme assets	4,380	4,450
Interest on pension scheme liabilities	(6,170)	(5,260)
<b>Net charge</b>	<b>(1,790)</b>	<b>(810)</b>

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

Actual return less expected return on pension scheme assets	(8,130)	(11,290)
Experience gains and losses arising on pension scheme liabilities	(220)	1,810
Changes in assumptions underlying the present value of the scheme liabilities	(13,360)	2,760
<b>Actuarial loss recognised in STRGL</b>	<b>(21,710)</b>	<b>(6,720)</b>

## Notes to the Financial Statements

### 27. PENSION SCHEMES (CONTINUED)

#### Analysis of the movements in the present value of the scheme liabilities

	2009 £000	2008 £000
At 1 August	94,130	91,300
Current service cost	2,780	3,170
Contributions	1,290	1,140
Past service costs	30	1,020
Benefits paid	(2,400)	(3,190)
Interest costs	6,170	5,260
Actuarial loss	13,580	(4,570)
<b>At 31 July</b>	<b>115,580</b>	<b>94,130</b>

#### Analysis of movement in the market value of the scheme assets

At 1 August	60,380	65,210
Contributions by University and scheme participants	5,220	4,960
Benefits paid	(2,150)	(2,950)
Expected return on assets	4,380	4,450
Actuarial loss	(8,130)	(11,290)
<b>At 31 July</b>	<b>59,700</b>	<b>60,380</b>

#### History of experience gains or losses

	2009	2008	2007	2006	2005
<b>Difference between the expected and actual return on scheme assets</b>					
Amount (£000s)	(8,130)	(11,260)	2,620	2,920	6,190
Percentage of scheme assets	13.6%	18.6%	4.0%	5.2%	12.9%

#### Experience gains and losses on scheme liabilities

Amount (£000s)	(220)	1,810	(110)	(110)	(3,760)
Percentage of present value of the scheme liabilities	0.2%	1.9%	0.1%	0.1%	4.7%

#### Total amounts recognised in statement of total recognised gains and losses

Amount (£000s)	(21,710)	(6,720)	7,220	(610)	(1,070)
Percentage of scheme liabilities	18.8%	7.1%	7.9%	0.7%	1.3%

In accordance with FRS17 the University has chosen not to restate the corresponding amounts for the previous accounting periods for the effect of using the current bid-price rather than the mid-market price.

## *Notes to the Financial Statements*

### 27. PENSION SCHEMES (CONTINUED)

#### **Enhanced Pension Provisions**

In previous financial years, the University has granted enhanced pension payments to certain members of staff in both the LGPS and TPS schemes, as part of a voluntary redundancy package. The difference between enhanced pension and the amount earned according to the scheme rules is charged back to the University by the schemes. The University therefore has a liability both to the Tyne and Wear Pension Fund and to the Teachers' Pension Agency for these payments.

The enhanced pension liability for the Tyne and Wear Pension Fund is included within the total deficit of £55,880,000 (2008: £33,750,000) on the scheme, the liability to the Teacher's Pension Scheme is additional to this amount.

### 28. SUBSIDIARY UNDERTAKINGS

The subsidiary companies and groups (all of which are registered in England & Wales) wholly owned or effectively controlled by the University are as follows:

<b>Name of company</b>	<b>Principal activity</b>	<b>Status</b>
University of Sunderland Enterprises Ltd	Consultancy, non accredited courses and rentals	100% owned
Learning World Ltd	Dormant	100% owned
University of Sunderland Services Ltd	Dormant	100% owned
Usefine Ltd	Educational facilities	100% owned
Globalscreen Ltd	Educational facilities	100% owned
Learning North East Ltd	Dormant	100% owned

All subsidiaries have a year-end coterminous with that of the University.

The University also has two "quasi subsidiaries" as defined by FRS5: *Reporting the Substance of Transactions*. Quasi subsidiaries are entities which are controlled by the University but are not subsidiary undertakings as defined under the Companies Act 2006.

#### ***National Glass Centre charity***

This "quasi subsidiary" was acquired on 16 November 2008 and comprises of the National Glass Centre charity and its trading subsidiary, NGC Trading Limited. The activities of the group are provision of education and promotion of the art of glass making. Its activities from the date of acquisition to the financial year-end are included in these accounts.

#### ***University of Sunderland Development Trust charity***

This "quasi subsidiary" is a registered charity in the UK. The primary purpose of the charity is to act as a fundraiser to benefit the University and its students.

## *Notes to the Financial Statements*

### **29. ACQUISITIONS**

On 16 November 2008, the University became the ultimate controlling party of the National Glass Centre. Details of the assets and liabilities brought into these Group financial statements with effect from this date are as follows:

	<b>Book and Fair value £000</b>
<b>Fixed assets</b>	
Tangible assets	140
<b>Current assets</b>	
Stock	47
Debtors	101
Cash	37
<b>Total assets</b>	<b>325</b>
<b>Liabilities</b>	
Creditors	355
Deferred capital grants	80
<b>Total liabilities</b>	<b>435</b>
Net Liabilities	(110)
Goodwill (note 10)	110
Purchase consideration and costs of acquisition	-

The consolidated income and expenditure account of the University includes other operating income of £898,442, staff costs of £493,594 and other operating expenses of £435,010. The net impact on the Group accounts was therefore a deficit of £30,162 for the post acquisition period.



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