

Financial Statements



for the year ended 31 July 2011

Welcome from the Chairman of Governors and the Vice-Chancellor

Welcome to the Operating and Financial Review, 2010-2011, for Southampton Solent University. The year saw major changes proposed for the way in which the higher education sector is funded, most notably the coalition government plans for national deficit reductions and a radically new student fees regime from 2012. The accompanying debate and the much delayed White Paper created a great deal of uncertainty, distraction and additional workload for University staff. We are very pleased to report, therefore, that the University enjoyed its most successful year to date. It remains financially robust, posting an 8.6% surplus, the latest in a five-year, rising sequence, and the highest ever achieved in its history. Excellent student numbers, improved debt recovery, and effective cost controls were the key explanatory factors.

We are first and foremost a university, not a business, and the surplus enables re-investment, development and the ongoing enhancement of the student experience. As one notable example, the University estate enjoyed £18 million capital investment in the year under review. The main highlights here included the purchase of a prime site for development to the side of the main University campus in the centre of Southampton; the opening of the Timsbury Lake ship handling centre in Hampshire (£2.7m), one of only five such centres in the world; the commencement of work on the new Wessex league standard football facilities at Test Park (£3.5m, completed in September 2011); a visually exciting new home for the Southampton Solent School of Art and Design, in a converted former department store on the High Street, Below Bar (£1.2m); and a raft of refurbishments to learning and circulation spaces on the main East Park Terrace campus.

The University also completed successfully the second year of its £7.8 million, Higher Education Funding Council for England supported, Strategic Development Plan, securing a number of important employer partnerships, creating greater flexibility within the curriculum, cementing links with further education colleges and introducing a number of new, interlinked, university-wide IT business systems. These are important foundations for future success and sustainability.

Fundamental to our continuing success is the quality and attractiveness of our courses to students. We are pleased to report that applications for 2011 entry showed a 10% increase on the preceding year, with a welcome increase in the qualifications level of applicants and also in the proportion making the University their first choice (up 37%). Amongst other positive indicators, retention and good honours outcomes have both improved. Collaboration with the city, local employers and the community has been significantly strengthened, for example, through the award winning 'Eco Ernie' project, the Solent Skills Development Zone, Graduate Jobs South and active membership of Southampton Connect, an innovative city-wide partnership organisation dedicated to the economic development, social and cultural well being of Southampton.

Finally, we should like to take this opportunity to record our warm appreciation of all the dedicated and highly professional work of University staff over the last year.

Grahame Sewell
Chairman of the Board of Governors

Van J Gore
Vice-Chancellor

Contents

List of Board of Governors	4
Financial Highlights	5
Operating and Financial Review	6-15
Corporate Governance Statement	16-18
Responsibilities of the University's Board of Governors	19-20
Independent Auditor's Report	21-22
Statement of Principal Accounting Policies	23-24
Consolidated Income and Expenditure Account	25
Consolidated Statement of Historical Cost Surpluses and Deficits	25
Balance Sheet	26
Consolidated Cash Flow Statement	27
Statement of Total Recognised Gains and Losses	27
Notes to the Accounts	28-42
Principal Address & Advisors	43

List of Board of Governors

Governors			Attendance at Board Meetings %
Professor P Bush	Independent Governor		100
Mr J Cheshire	Independent Governor		100
Ms A Colley	Independent Governor	From August 2010	100
Professor V Gore	Vice-Chancellor, Ex-officio Governor		100
Mr G Holland	Independent Governor	From August 2010	100
Mr K King	Independent Governor, Vice-Chairman		100
Dr L Lee	Independent Governor		75
Mr G Little	Independent Governor	From August 2010	75
Dr R Marasini	Staff Governor		100
Ms C Millward	Staff Governor	To February 2011	50
Dr Jo Mountfield	Independent Governor		100
Mrs P Powell	Independent Governor	To March 2011	100
Mr D Prendergast	Student Governor		100
Mr J Prest	Independent Governor		100
Mr S Rose	Staff Governor		75
Mr G Sewell	Independent Governor, Chairman		100
Councillor R Smith	Co-opted External Governor		75
Dr J Stopp	Independent Governor	From August 2010	75
Clerk to the Governors			
Ms B Woolven			100

Financial Highlights

	2011	2010
Results, Cash Flows, Assets and Reserves	£000	£000
Funding Council Grants	42,216	40,248
Academic Fees and Support Grants	42,149	41,309
Research Grants and Contracts	695	423
Other Operating Income	15,825	15,168
Endowment and Investment Income	471	436
Total Income	<u>101,356</u>	<u>97,584</u>
Historical Cost Surplus for the Year After Tax	<u>8,760</u>	<u>4,883</u>
Net Cash Flow from Operating Activities	12,091	11,774
Net Outflow on Investments and Servicing of Finance	(2,001)	(2,160)
Net Cash Flow before Investing	<u>10,090</u>	<u>9,614</u>
Fixed Assets	83,510	68,919
Endowment Asset Investments	634	622
Debtors	3,094	2,945
Investments	18,991	26,527
Cash	9,701	9,660
Creditors: amounts falling due within one year	13,711	15,974
Total Assets less Current Liabilities	<u>102,219</u>	<u>92,699</u>
Total Reserves excluding FRS 17 Pension Liability	<u>58,421</u>	<u>49,402</u>
Total Reserves including FRS 17 Pension Liability	<u>29,381</u>	<u>25,202</u>
Other Key Statistics	2010-11	2009-10
Number of Higher Education Full-Time Equivalents	10,757	11,042
Total Number of Higher Education Students	12,282	12,537
Number of Employees	1,212	1,213

Operating and Financial Review

SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements comprise the consolidated results of the University and its fully owned trading subsidiary undertaking: Southampton Solent University Limited (SSUL).

The main activities of this undertaking are to provide short courses, training and facilities, consultancy services, meals and accommodation for employees of other organisations using the company's facilities for their own training programmes, and miscellaneous commercial activities.

FINANCIAL REVIEW

Financial Key Performance Indicators

The following Key Performance Indicators which derive from the University's Strategic Plan for 2008-2013 relate to the University's financial position:

Performance Indicator	Criteria	Outcome for 2010-2011
Annual historic cost surplus (after tax and FRS 17 pension costs)	At least 3% of income over the period of the Plan	8.64% (2009-2010 5.00%)
Net cash inflow from operating activities	At least 6% of income	11.93% (2009-2010 12.07%)
Cash reserves	Available cash reserves of £6m	£9.7m (2009-2010 £9.7m)*

*See Investments and Cash Reserves section on page 7 for further details

Results for the Year

The University's results are summarised in the Financial Highlights on page 5.

Total income increased by £3.8 million (3.9%) to £101.4 million.

Funding body grants increased by £2.0 million (4.9%) to £42.2 million, with £41.3 million (97.8%) being received from the Higher Education Funding Council for England (HEFCE) and the remaining £0.9 million (2.2%) from the Further Education (FE) funding bodies.

The HEFCE recurrent grant for 2010-2011 totalled £34.9 million, representing an increase of £1 million (2.9%) from 2009-2010, which was related to the teaching element of the grant. Widening participation funding, received for the additional costs associated with recruiting and teaching students from under-represented social groups and communities, was £4.5 million.

Tuition fee income increased by £0.8 million (2.0%) to £42.1 million. The majority of this increase was in respect of the increase in fees.

Other operating income increased by £0.7 million (4.3%) to £15.8 million, primarily as a change in accounting treatment due to the new catering contract, which commenced in August 2010.

Endowment and investment income increased by £0.03 million (8.0%) to £0.5 million due to a higher proportion of cash being invested for up to 12 months.

Overall total expenditure has fallen slightly to £92.7 million.

Staff costs rose by £0.8 million (1.6%) to £50.5 million. The national pay award increase for all staff was 0.4% in August 2010 and employers National Insurance rose by 1% from April 2011. Severance costs were £0.4 million (50%) lower than 2009-2010 due to the withdrawal of the Solent Severance Scheme.

Other operating expenses have increased slightly by £0.2 million (0.4%) to £35.3 million. Increases in catering due to a change in accounting treatment were partially offset by a reduction in the bad debt provision.

Interest payable decreased by £0.9 million (22.1%) to £3.3 million as a result of a reduction in the pension finance costs.

The historical cost surplus for 2010-2011 was £8.8 million, compared with the 2009-2010 surplus of £4.9 million and £4.9 million higher than the budgeted surplus of £3.8 million. This increase over budgeted surplus was achieved through higher than budgeted funded income and tuition fees combined with controlled pay costs.

Investments and Cash Reserves

Overall investments and cash reserves have decreased by £7.5 million, which is a result of the additional capital spend during the year.

The University has continued to invest a proportion of its funds for up to 12 months rather than hold them in instant access accounts. Cash reserves have remained constant at £9.7 million, with investments at £19.0 million.

Cash flow

The Financial Highlights on page 5 show that the University generated a net cash inflow from operating activities of £12.1 million, which is in line with the previous year. The factors contributing to the level of net cash inflow include:

- a surplus of £8.7 million was achieved in 2010-2011.
- an decrease in creditors this year of £0.2 million, compared to an increase last year of £0.9 million. Whilst trade creditors are higher reflecting the level of capital work over the summer, other creditors have decreased due to HEFCE Capital Investment Framework being accounted for under Deferred Capital Grants.
- an increase in debtors this year of £0.2 million, compared to an increase last year of £0.5 million. The increase in trade debtors is due to the provision for bad debt being reduced by £0.6 million as a result of the University's continuing focus on debt management.

Capital Projects

During 2010-2011 the University has continued to invest in the estate and equipment at the East Park Terrace and Warsash campuses, in order to enhance the student experience and adapt to the changing nature of student learning. The University was allocated £7.8 million under the HEFCE Capital Investment Framework for 2008-2011.

The University purchased a second piece of land adjacent to the city campus at East Park Terrace. The land will facilitate the next phase of estate development to create modern and flexible learning and teaching accommodation.

The University has also seen the completion of Timsbury Lake, which was officially opened in June 2011. The £2.7 million facility houses the Warsash Maritime Academy (WMA) world-class Manned Model Training Centre.

Work has continued on Test Park, a £3.5 million football facility at Millbrook in Southampton. The facility was completed in September 2011 and will provide teaching and recreational facilities as well as community use.

Amounts capitalised as land and buildings during the year totalled £13.7 million and additions to equipment were £1.9 million.

Long-Term Borrowing Facility

The University has a standard commercial loan with the Allied Irish Bank, secured on individual halls of residence. The amount outstanding as at 31 July 2011 is £19.8 million and will be repaid by July 2026.

The University also has two finance leases with the Co-operative Bank and the Bank of Scotland. The amounts outstanding as at 31 July 2011 are £3.3 million and £7.9 million and will be repaid in 2018 and 2019 respectively.

Post Balance Sheet Events

The Governors are not aware of any post balance sheet events that they feel attention should be drawn to.

Financial Strategy

The financial strategy is one of the supporting strategies to the University's Strategic Plan 2008-2013. It sits alongside other service strategies and is inextricably woven through all strategies of the University. It has an enabling role to ensure that the appropriate resources are provided to support the University's strategic objectives and academic development.

The University will aim to:

- Achieve and maintain a historic cost surplus of at least 3% of income;
- Generate a net cash flow from operating activities of at least 6% of income;
- Maintain a minimum cash balance of £6 million;
- Minimise the use of working capital (i.e. debtors);
- Optimise investment returns of liquid assets, whilst safeguarding the assets;
- Optimise the cost of financing the student residences;
- Make available borrowing capability to develop the enabling infrastructure;
- Develop existing and new funding relationships.

The Director of Finance and Resources, together with the finance senior management team, is responsible for the delivery of the strategy. A set of key performance indicators has been developed as part of the strategic plan process; three key financial indicators are included on page 6.

Treasury Management

Treasury management encompasses the management of the University's cash flows, banking, money, and capital market transactions and the effective control of the risk associated with those activities.

The policy of the University is to safeguard its assets whilst at the same time aiming to achieve the best possible return on its investment. The over-riding principle however must be to minimise risk rather than maximise return.

The financing and liquidity of the University and its exposure to financial risk are managed by the central Finance Service. The University's financial strategy sets out the minimum liquidity levels needed to ensure that financial and operational control is maintained. A rolling five year forecast is prepared each year, which incorporates a review of capital expenditure, cash generated and any future borrowing requirements.

The University's Treasury Management Policy is in line with the revised guidance contained in the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition 2009).

The University's deposit with Heritable Bank became at risk following the collapse of the banking sector in Iceland during 2008-2009. To date the University has received £1.2 million in dividends, which represents 60% of the original investment.

Accounting Policies

The University's Financial Statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 23 to 24.

In accordance with Financial Reporting Standard 18, *Accounting Policies*, the University has reviewed its accounting policies to ensure that they remain appropriate. There have been no changes to the accounting policies in the year.

Pensions

The University has three defined benefit pension schemes for staff, which are the Teachers' Pension Scheme (TPS), the Hampshire County Council Local Government Pension Scheme (HCCLGPS), and the Universities Superannuation Scheme.

The Teachers' Pension Scheme and Universities Superannuation Scheme are defined as a multi-employer pension scheme under Financial Reporting Standard 17 Retirement Benefits. The University is unable to identify its share of the underlying liabilities in the schemes. The University has taken advantage of the exemption of FRS 17 and has accounted for them as if they were defined contribution schemes.

The disclosure notes on pages 35 to 37 relate only to the HCCLGPS and unfunded obligations. The latest actuarial valuation of the fund took place as at 31 March 2010 and was updated by Hewitt Associates Limited, as actuaries appointed by Hampshire County Council, in order to assess the University's share of assets and liabilities of the scheme as at 31 July 2011.

The University's share of deficit in the scheme has increased by 20% to £29.0 million as at 31 July 2011 (2009-2010: £24.2 million). A substantial part of this increase in the deficit of the scheme is due to the change in mortality assumptions.

For 2010-2011, the mortality assumptions are based on actual mortality experience of members within the fund as opposed to a generic mortality rate. The assumptions also allow for an improvement in the future life expectancy of members.

Linked Charities

On 1 June 2010, HEFCE became the principal regulator of English higher education institutions (HEIs) that are exempt charities. This extends to those exempt charities that are administered by or on behalf of an exempt charity HEI and fall within paragraph 'w' of schedule 2 of the Charities Act 1993 (i.e. linked charities).

Reserves and financial results for Southampton Solent University's linked charities are disclosed in the Notes to the Accounts, Note 19 Expendable Endowments and Linked Charities.

Risk and Risk Management

The University has an established risk management policy which identifies management of risk as a responsibility of all management post holders, as appropriate to their level of accountability, led by the Vice-Chancellor. The Risk Management Group (RMG) has evolved an annual analysis process which identifies the top ten institutional risks as identified by the Vice Chancellor's management group and also the aggregated top ten risks prioritised by faculty and service managers. This ensures there is consistency between those risks perceived by top managers and the management teams of faculties and services. Should differences of view become apparent these can then be easily identified and investigated.

As a largely teaching orientated institution these processes revolve mainly around the planning, marketing, budgeting and student support measures necessary to recruit and retain students and protect funding, student and halls of residence fee income. Conventional business recovery, financial management and health and safety action plans are also in place. In the current volatile Higher Education (HE) sector environment government decision making, funding factors and institutional reputational issues have been monitored closely. Faculties and services are also being asked to update their risks registers six monthly in future to reflect the rate of change.

The Audit Committee (AC) of the Board of Governors is briefed at each of its meetings on the latest Vice-Chancellor's Group (VCG) risk analysis update and progress on the larger cycle of analysis and action planning. This provides the AC members with reassurance that executive action is underway and with an opportunity to seek clarification where appropriate. The final annual action plan is agreed with the University Senior Management Team as part of this process to ensure their ownership and then endorsed by Audit Committee. As Chair of RMG, the Director of Finance and Resources provides a direct link with VCG in reviewing all levels of risk across the University.

The RMG receives and reviews the risk registers associated with key University projects, such as the WMA Horizon project and the Strategic Development Programme. For 2011-2012, following discussions with internal auditors, the risks in the University Risk Register will be linked to the relevant strategic objectives.

Currently the Top Ten risks continue to reflect the volatility in the undergraduate recruitment markets as well as the importance of the student experience. Financial sustainability continues to remain key as the University waits for the effects of government policy changes and the wider implications of the HE White Paper to become clear.

Creditor Payment Policy

It is the University's policy to pay suppliers 30 days from the end of the month in which invoices are received, unless special terms have been negotiated.

STRATEGIC PLAN

In July 2008 we launched our Strategic Plan (2008-2013). This seeks to forge greater distinctiveness and strengthen the University's position as a provider of education, learning and skills, characterised by the effective integration of theory and practice. Distinctiveness, development and sustainability will constitute the key priorities for the future. In early 2010, the University's senior management reviewed the Plan and found it to be still fit for purpose.

The University's Strategic Plan 2008-2013 is set out below.

Southampton Solent University's **Vision** is:

- A vibrant, inclusive and successful University that is well known for the excellence of its work with students and employers and the effective integration of theory and practice;
- A stimulating student experience characterised by intellectual rigour, personal fulfilment and excellent career prospects;
- Imaginative external partnerships which develop the University and make a significant contribution to social justice and economic competitiveness.

Southampton Solent University's **Mission** is:

- The pursuit of inclusive and flexible forms of Higher Education that meet the needs of employers and prepare students to succeed in a fast-changing competitive world.

Southampton Solent University's Strategic Plan 2008-2013 includes eight **strategic objectives**:

- Inclusive and flexible forms of Higher Education that meet market needs;
- Imaginative working partnerships with Further Education and employers;
- A significant contribution to social justice and economic competitiveness for Southampton and its region;
- Knowledge creation and exchange that fuse academic rigour and professional practice;
- Excellent student employability;
- Entrepreneurship and diversified income streams;
- Changed employment arrangements that support high performance;
- Sustainable growth and investment in the estate.

HEFCE awarded the university £7.8 million to enable us to accelerate attainment of those objectives through our Strategic Development Programme, over the period 2009-2012.

KEY PERFORMANCE INDICATORS

KPI	Definition/Measurement	Comment	Performance		
			2008-2009	2009-2010	2010-2011
Financial Position	Annual surplus, cash flow, reserves, 'third stream' income	Rising surplus trend in excess of 3% achieved; corresponding positive benefits for cash flow & cash reserves; 'third stream' income has remained constant			
Student demand, completion & satisfaction	Applications, enrolments FE & HE, non-completions	Student applications, enrolments & non-completions show a positive trend; student applications 2010-2011 above sector performance, increased by 10%; 37% increase in first choice applications and higher average entry qualifications			
	Student satisfaction by National Student Survey	2 years of successive improvement 2008-2009 and 2009-2010; upward trend not maintained 2010-2011			
Student Profile	State schools, low participation neighbourhoods, social class, disabled students allowance	SSU continues to perform better than benchmark for students from low participation neighbourhoods, state schools, lower social classes and for full-time disabled students			
Student achievement	Degrees awarded	Improved; the most recent figures show a welcome closer alignment with sector outcomes			
Graduate employment	Employment rate of graduates	A 2.3% fall but figure of 77.8% remains above national average (71.3%)			
Teaching quality	QAA/OFSTED, professional body, Skillset and other accreditation, external examiner feedback	Positive outcomes for all categories			
Research income	Income received from research grants and contracts	Income from research has significantly increased over the period from a modest base; Horizon project (€2.8m EU funded consortium, coordinated by SSU) is the main factor			
Condition of the estate	80% of buildings in 'good' RICS condition category B	Achieved 82% in Category B; in upper quartile of all HEIs			
Spend on infrastructure	Estate investment as a minimum of 4.5% of insured asset value	Investment has increased year on year since 2007 but not reached threshold target. This will improve given the University's estate masterplan			
Staff costs	Staff costs as a % of turnover	Fairly constant at around the efficient 50% mark; minor fluctuation attributable to vacancy rate			

	GREEN	Good - at or above expectations
	ORANGE	Some concerns which may need addressing
	RED	Serious concerns; below expectations

STATEMENT OF PUBLIC BENEFIT

Southampton Solent University is a Higher Education Corporation as set up under the Further and Higher Education Act 1992. The University is a Charity under Statute, also known as an 'exempt charity'. Following changes in charity legislation, from 1 June 2010 HEFCE became the 'principal regulator' for HEIs in England that are exempt charities.

The Governors, as trustees of an exempt charity, are aware of the guidance issued by the Charity Commission on public benefit. Given the activities of the University and the student population that it serves, the Governors consider that the University meets its statutory requirements in all respects.

Educational Purpose

Southampton Solent University is a vibrant and enterprising modern university which places the student experience and a commitment to preparing graduates for successful careers at the heart of its mission.

The University is a friendly, open, and inclusive place where talented people can achieve extraordinary things. We offer excellence, distinctiveness, and in these difficult economic times, good value. We are an engine of social mobility. We meet or exceed the published HEFCE benchmarks for widening participation (see below). About 60% of our students are the first in their family to go to University.

We offer our students a stimulating university education that combines theory and practice and carries good job prospects. We collaborate closely with employers, placing a strong emphasis on 'real world' work experience integrated into the formal curriculum.

Supporting economic growth

The University is characterised by close engagement with its local and regional communities, a broad curriculum for the professions, applied research, and knowledge transfer activities. Based on a principled commitment to social justice and economic competitiveness for Southampton and its region, we engage strongly with our civic community. We are fully engaged with the sub-regional growth agenda, networked across the main business organisations, active members of Southampton Connect and positioned to participate actively in the development of the Solent Local Enterprise Partnership.

The University has led the Solent Skills Development Zone (SSDZ), a major initiative for up-skilling the local workforce in the public and private sector, since its inception. SSDZ is an innovative partnership between education, local employers, and government agencies to meet workforce development needs and address wider objectives relating to regional economic growth, worklessness, and social inequality. The apprenticeship strand of SSDZ has created over 60 new apprenticeships so far. Our relationship with SSDZ partner University Hospital Southampton NHS Foundation Trust is developing into a major strategic alliance for (non-clinical) workforce development, involving foundation degrees, short courses, and student internships.

Southampton Solent University has also created a one-year intern programme, currently running for the third year, in each year it has recruited 25 of its own graduates to fairly paid positions within the University and with the opportunity for further study.

The University is acting as broker, alongside Business Solent and the City Council, in various regional initiatives to articulate and promote the interests of the Solent maritime sector, in its widest sense. In terms of creative employer partnerships, we have also championed innovative arrangements for local newsgathering, most recently arguing the case for Southampton to secure one of the proposed new 'pioneer sites' for Local TV.

Supporting the local community

At local community level, the University is keen to ensure that it provides genuine, added value benefit to the many voluntary and community groups seeking to address deprivation, hardship, and better social and healthcare provision. Through the £6.2 million HEFCE-supported and match-funded South East Coastal Communities project (SECC), the University has sought, for example, to work with disadvantaged groups in developing sport coaching and mentoring activities, health and well-being initiatives and employment awareness-raising campaigns through partnership projects.

Southampton Solent University has created an After School Sports Programme in conjunction with Southampton City Council and, over the last three years, students from our sports courses have been delivering supervised activity sessions in infant, junior, primary, and secondary schools across the city. The Programme now consists of 50 sessions per week delivered across 15 different sports, and engaging over 500 pupils each week.

We have also instigated an initiative to offset the antisocial effects of the large amounts of ‘rubbish’ left by students outside their accommodation, particularly when they move out. Eco ‘Ernie’ is a recommissioned milk float which is used during the end of year changeover period, and throughout the academic year, to collect students’ unwanted clutter. This is then sorted, recycled wherever possible, and in the process raises money for local causes, including the Hampshire and Isle of Wight Air Ambulance. The project, now in its third year, tackles issues in an area densely populated with student houses. It is an example of a close working partnership between the University and its students, local residents, the City Council and Hampshire Police and has won several national and local awards.

Widening Participation

The University is proud of its record on widening participation and remains committed to promoting social mobility, in line with its mission and Strategic Plan 2008-2013 (see page 10).

We have consistently performed better than the UK sector average for the three key performance measures: attracting students from low participation neighbourhoods; lower social classes; and state schools (total UK sector averages in 2009-2010 were 10.3%, 30% and 88.8% respectively). We have frequently exceeded our benchmark for these indicators and for the past four years have exceeded the location adjusted benchmarks (see table below).

	State School			Social Class			Low Participation Neighbourhoods		
	% from group	Location Adjusted Benchmark	+/-	% from group	Location Adjusted Benchmark	+/-	% from group	Location Adjusted Benchmark	+/-
2009-2010	96.8	94.5		36.0	33.5		11.9	10.9	
2008-2009	96.2	94.4		38.5	36.7		11.0	10.3	
2007-2008	97.2	92.8	+	34.1	32.8		12.8	10.2	
2006-2007	96.7	93.1	+	36.0	32.9		12.2	9.8	
2005-2006	96.0	92.8	+	35.5	31.4		11.3	11.5	

+/- shows that the indicator is significantly better/worse than its benchmark

Source: HEFCE Performance Indicators

The University has a strong commitment to the higher education access agenda, having played a key role in the Aimhigher project from inception and having held the Chair of the Hampshire and Isle of Wight Lifelong Learning Network from 2006-2010.

The table below shows a range of outreach activity. These initiatives will help inform prospective students of the costs of higher education, the financial and academic support available and the benefits in terms of career opportunities and future earnings.

Measure	Activity	Target Group	Reach
Moving up	Information on financial management/ improved employment prospects/ sources of help and advice	Students from lower socio-economic groups	Colleges in South Hampshire
Lifemaps	Innovative information activities including HE careers staff in outreach	Students from lower socio-economic groups	Colleges in South Hampshire
Ambassadors Programme	FE/HE students, including mature undergraduates in schools and colleges	Students from lower socio-economic groups	Colleges in South Hampshire
HE 4 Me?	Year 7 taster visit	ALL Year 7 pupils in Southampton	Southampton schools

A scheme of bursaries and scholarships has been introduced to reflect the University Mission and to influence the composition of the student body. Further information can be found in our Access Agreement available at www.offa.org.uk.

Environmental sustainability policy

The University is committed to ensuring that its operations and activities are conducted with proper regard for the environment. In April 2009, it joined the Carbon Trust's Higher Education Carbon Management Programme. Since joining the programme, the University has undertaken a systematic analysis of its carbon footprint and evaluated a wide range of opportunities for managing its carbon emissions. As the main outcome of the work, a Carbon Management Plan has been implemented. The plan was approved in March 2010 and a copy is available on the University's website.

The plan targets a 25% reduction in carbon emissions between 2010 and 2014, and sets out a direction of travel consistent with HEFCE's 'Carbon Reduction Target and Strategy for Higher Education in England' published in January 2010.

The University is also a member of the EcoCampus Project. Its membership is being used to inform the University's environmental and sustainability agenda over the next few years.

When developing the new Ship Handling Centre at Timsbury Lake, safeguarding the ecology of the lake and its woodland surroundings was a major element in the University's project so that, as well as providing world leading maritime training, the site can continue to be a haven for wildlife and a local natural asset.

EQUALITY SCHEME

The first year of Solent's Equality Scheme, which was launched in January 2010, straddled 2009-2010 and 2010-2011. During 2010-2011, the Marshall e-learning programme was rolled out on a University-wide basis and a major employee consultation was carried out to inform further development of the Equality Scheme. A range of employment policies was also updated, relating to bullying and harassment, dignity at work, culture and religion. The University will continue during 2011-2012 to facilitate and support further advances in an area closely aligned with its core values.

EQUAL PAY REVIEW

The University carried out its first equal pay review in 2010. The scope of the review went beyond 'protected groups' to provide a broad perspective across the University, examining gender, disability, ethnicity and age. Analysis of the results was undertaken by independent external experts. The report included positive commentary about the Solent approach to its first equal pay review and it found no significant base pay gaps for people doing equal work. It also found that the overall gender pay gap at Solent is significantly smaller than the higher education sector and the whole economy.

ESTATES

This year saw the completion of several important capital projects and the development of a comprehensive masterplan. The plan incorporates the strategic acquisition of land immediately adjacent to the East Park Terrace main campus and takes a holistic view of all the University's estate holdings, including the Warsash Maritime Academy site.

The challenge for the University has been to continue to invest in the estate in a way that provides impact and value for money, but that does not compromise future estate development plans. With this in mind, investment has been strategically targeted to enhance the student experience through upgrading of teaching and learning facilities, and through the refurbishment of social spaces. The University was allocated £7.8 million under the HEFCE Capital Investment Fund 2008-2011.

Amounts capitalised as land and buildings during the year totalled £13.7 million and additions to equipment were £1.9 million. Total spend on the estate for the year 2010-2011 amounted to £18 million.

Estates development during the year has focused on four major projects:

- *Test Park*, a £3.5 million football facility at Millbrook in Southampton. This facility will provide teaching facilities for sports coaching courses, recreational facilities, and community use. It was completed in September 2011 ready for the academic new year.
- *Manned Model Centre*, a £2.7 million facility to provide a new home for the Warsash Maritime Academy's world-class ship handling training centre, completed spring 2011.

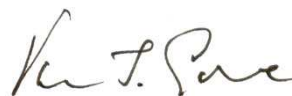
- *Below Bar*, a £1.2 million investment in a city centre site for the new Southampton Solent School of Art and Design, completed August 2011.
- *Media Academy*, £1 million project to create a Skillset accredited central facility for all creative arts students for completion by summer 2011. (The opening of the Below Bar visual arts complex provides the opportunity to carry out the conversion and refurbishment works, with minimal disruption to the student experience).

CONCLUSION

After a year of achievement, Southampton Solent University faces the future with confidence. In 2011-2012, the Strategic Development Project will see its third and final year and the emphasis will be upon implementation, selectivity and sustainability. The Estates Master Plan, now complete, will guide the planning of exciting developments on the university campus at East Park Terrace, with a new academic building scheduled for completion in 2014. Student numbers and associated revenue streams are high. The University will once again deliver a budget surplus (minimum 3%) albeit at a more modest level than last year, as it manages through cuts in funding which form part of the government's deficit reduction policy. There will be a number of initiatives in response to the employability agenda, most notably the integration of work experience within the curriculum, a significant extension of the graduate internship scheme and the creation of 35 student business start ups. The single greatest challenge and the area of most uncertainty will be student recruitment and the impact on demand created by the new fees regime. The University has put additional measures in place to promote its courses and to explain the new funding system to the public. International recruitment will be particularly challenging following recent government pronouncements and changes in migration legislation. More positively, our chosen fee level for home and EU applicants, £7,800, offers good value to students. Net of fee waivers, it will make the University eligible to bid for extra student places created by any introduction of a 'core and margin' funding model.



Grahame Sewell
Chairman of the Board of Governors
16 November 2011



Professor Van Gore
Vice-Chancellor

Corporate Governance Statement

The following statement is provided to enable readers of the Financial Statements of the University to obtain a better understanding of the governance and legal structure of the institution.

The University is committed to exhibiting best practice in all aspects of corporate governance. It applies the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998 and the Higgs Report issued by the Financial Reporting Council in July 2003 in so far as they relate to universities; and endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership), and with the guidance to HEIs which has been provided by the Committee of University Chairmen (CUC) in its *Guide for Members of Governing Bodies in the UK*. The University has put systems in place for identifying, evaluating, and managing its significant risks. The processes are reviewed regularly by the University under the guidance of a Risk Management Group, which reports to the Audit Committee.

The institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Instrument and Articles of Government, the latest version of which were approved by the Privy Council in July 2005.

The Articles require the institution to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board is the executive governing body, responsible for the finance, property and human resource and employment policy of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction; and to appoint and determine the pay and conditions of service of the Vice-Chancellor, the University Secretary and Registrar and the holders of such other senior posts as the Board of Governors may determine.

The Board has adopted the **Statement of Primary Responsibilities** as set out by the CUC in its *Governance Code of Practice and General Principles*, namely:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be - where possible and appropriate - benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with the senate or academic board.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

The Board has a majority of independent members, chosen in line with strict criteria contained in the legislation. The Chairman of the Board is elected from the independent members. There is also provision for the appointment of co-opted members, some of whom are members of the staff of the institution, and for the appointment of a representative of the student body.

Board members have no financial interest in the Corporation and receive no remuneration from the University in respect of their duties as Governors other than reimbursement of reasonable expenses for travelling and subsistence.

Subject to the overall responsibility of the Board of Governors, the **Academic Board** has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. It is particularly concerned with general issues relating to the teaching and research work of the institution.

The **Vice-Chancellor** is the head of the institution who has a general responsibility to the Board of Governors for the organisation, direction and management of the institution. Under the terms of the formal *Financial Memorandum (FM)* between the University and HEFCE, the Vice-Chancellor is the designated officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons. He is required to advise the Board on the discharge of all its responsibilities under the FM and its *Audit Code of Practice* and is required, jointly with the Board, to ensure that all such responsibilities are discharged. He is required to advise the Board if, at any time, any action or policy under consideration by the Board appears to him to be incompatible with the terms of the FM. He is required to inform an appropriate officer of the Funding Council should the Board decide nevertheless to proceed with such an action or policy.

Although the Board of Governors meets at least four times each academic year, much of its detailed work is initially handled by its **committees**: Resources; Audit; Governance; Remuneration; and Student Liaison and Experience. The decisions of these committees are formally reported to the Board. All of these committees are formally constituted with terms of reference and, with the exception of the Student Liaison and Experience Committee, comprise mainly independent and co-opted members of the Board, other than co-opted student and staff members. An evaluation of the business conducted by the Board and each of its committees concluded that each Committee's terms of reference had been covered during the year.

Resources Committee

The Resources Committee considers and keeps under review such strategic aspects of finance and resource management as are required for the fulfilment of the Strategic Plan. These include: the recommendation to the Board of Governors of an annual budget, both revenue and capital; regular monitoring of management accounts and progress of the capital programme against approval; review and recommendation to the Board of Governors of annual Financial Statements; advice to the Board of Governors on employment policy; approval of a framework for the pay and conditions of staff other than senior post-holders.

Audit Committee

The Audit Committee's remit includes advising the Board of Governors on the appointment of both external and internal auditors. It also considers and agrees audit plans and scope for the internal auditors in the context of key risks faced by the University, and reviews both the internal and external auditors' respective recommendations for improvement of the University's systems of internal control, together with management's responses and implementation plans. It considers arrangements that are in place to promote economy, efficiency and effectiveness, and for the management and quality assurance of data submitted to HEFCE and the other funding bodies; receives and considers reports from HEFCE as they affect the University's business and monitors compliance with the regulatory requirements; and oversees the institution's policy in fraud and irregularity. Whilst senior executives attend the meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets with the external and internal auditors on their own prior to the start of the meeting which considers the University's annual Financial Statements.

Governance Committee

The Governance Committee keeps under review the membership of the Board of Governors and its Committees and makes recommendations to the Board for new, independent, and co-opted external members. It oversees the induction, training and development of the members of the Board; and ensures that the Board and its Committees evaluate their performance on a regular basis.

The Governance Committee also reviews the University's governing instruments on a regular basis, and considers the effectiveness of the arrangements to select and recruit the Chairman and Vice-Chairman of the Board, the Clerk to Governors, and the University Chancellor and Vice-Chancellor.

Remuneration Committee

The Remuneration Committee determines the annual remuneration of the University's Vice-Chancellor and senior post-holders, the scheme for remuneration of staff on management contracts, and individual severance arrangements.

Student Liaison and Experience Committee

The Student Liaison and Experience Committee operates as a channel of communication between the Board of Governors and the Students' Union. It also receives quarterly and annual Student Union management accounts, and advises the Board on these, as appropriate.

As the head of the institution, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The deputies to the Vice-Chancellor and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the head of the institution.

The University maintains a **Register of Interests** of members of the Board and senior officers. The register is available for inspection under the Freedom of Information Act 2000.

In accordance with the Articles of Government, the University has appointed a **Clerk to the Board**. The Clerk provides independent advice on matters of governance to all Board members.

Approved by the Board of Governors on 16 November 2011
and signed on its behalf by:



Grahame Sewell
Chairman of the Board of Governors



Professor V Gore
Vice-Chancellor

Responsibilities of the University's Board of Governors

In accordance with the Education Reform Act 1988 and the Instrument and Articles of Government, the Board of Governors is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control and is required to present audited Financial Statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and to enable it to ensure that the Financial Statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum which sets out the conditions of funding from HEFCE, the Board of Governors of the University, 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 year.

Financial Statements

In causing the Financial Statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

Internal Controls

As the Board of Governors of Southampton Solent University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Instrument and Articles and the Financial Memorandum with HEFCE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place throughout the year and up to the date of approval of the Financial Statements and accords with the HEFCE guidance.

As the Board of Governors, we have responsibility for reviewing the effectiveness of the system of internal control. The University has established the following processes:

- the Board of Governors annually monitors the delivery of the University's Strategic Plan. As part of its monitoring process, the Board determines the annual risk matrix for the University as well as approving the Financial Forecasts which are sent to HEFCE;
- the Board of Governors has requested the Audit Committee to provide oversight of risk management and a Risk Management Group has been established with Governor representation and the Audit Committee receives a report at each of its meetings on any movement
- the Board of Governors has requested the Audit Committee to provide an opinion on the quality assurance of data provided to HEFCE, HESA and other public bodies. In order to provide the opinion, the Committee seeks and assesses information and evidence from management and auditors during the course of the year;
- the Board of Governors receives regular reports from the chair of the Audit Committee concerning internal control;

- the Audit Committee receives regular reports from Internal Audit (IA) which includes the IA's independent opinion on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement;
- a regular process of meetings, workshops and discussions is used at both University level and cascaded through individual faculties and services to identify and keep up to date the record of risks facing the University;
- a programme of risk awareness training is ongoing;
- a system of key performance and risk indicators has been developed;
- the Board of Governors sets the policy where the University does not seek to recover the full cost of its activities. A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established;
- a University-wide risk register is maintained;
- reports are received from budget holders, department heads and project managers on internal control activities.

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

The University uses a third party audit firm to provide internal audit services. Following a retendering exercise, new internal auditors, Kingston City Group (KCG), an in-house shared services Consortium of London and South East universities, have been appointed from 2010-2011. The consortium operates to standards defined in the Accountability and Audit: HEFCE Code of Practice which was last reviewed for effectiveness by the HEFCE Audit Service in 2007. The internal auditors submit regular reports which include the IA's independent opinion on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement.

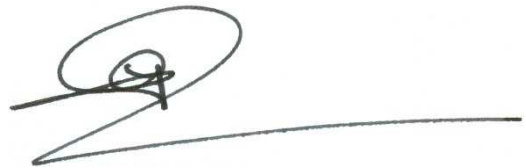
Through its Assurance Services, HEFCE visits higher education institutions every three to five years with the objective of evaluating each University's risk management, control and governance and its arrangements to achieve value for money. An auditor from HEFCE visited the University in November 2010. The following core aspects of operation were reviewed: risk management, control and governance; audit arrangements; and accountability. Subsequent to the visit, the Funding Council issued its Final Report in September 2011, which confirmed a satisfactory level of assurance in each of the areas that were assessed and advised HEFCE's overall conclusion that it was able to place reliance on the accountability information provided by Southampton Solent University.

Guidance issued by the Committee of University Chairmen (CUC) recommends that a governing body should keep its effectiveness under regular review. According to the CUC this should include a 'formal and rigorous evaluation of its own effectiveness and that of its committees ... not less than every five years'. At its meeting in February 2011, the Board of Governors agreed to conduct a four-yearly review of its governance arrangements and established a small working group, which would report back to the Board at its first meeting in 2011-2012. The working group comprised, two independent governors, a Deputy Vice-Chancellor and the Clerk to the Governors.

During July and August, a detailed survey of the effectiveness of the University's Governing Body was carried out using Allan Schofield's new framework which was launched by LFHE and CUC in May 2011. The goal was to review and analyse the enabling factors for good governance including communication, working relationships, boardroom behaviour and also the quality of outcomes.

The results were very positive and confirmed a high level of confidence in the current governance arrangements, good communication and relationships. A few recommendations for continuing to improve board effectiveness were made by the working party. These were presented to, and endorsed by, the Governance Committee on 2 November and will be presented to the Board for approval on 16 November 2011.

Approved by the Board of Governors on 16 November 2011 and signed on its behalf by:



Grahame Sewell
Chairman of the Board of Governors

Independent Auditor's Report

Independent Auditors' Report to the Governors of Southampton Solent University

We have audited the Financial Statements of Southampton Solent University for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets for the Group and the University, the Consolidated Statement of Historical Costs Surpluses and Deficits, Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the University's Governing Body and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

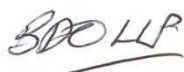
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

In addition, 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 income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2011 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Education Reform Act 1988;
- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England



BDO LLP
Statutory Auditor
Southampton
United Kingdom
16 November 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

Basis of preparation

These Financial Statements have been prepared under the historical cost convention (modified by the revaluation of certain land and buildings), in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education July 2007 and in compliance with applicable Accounting Standards.

Fixed Assets

i. Inherited Assets - land and buildings

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from Hampshire County Council with effect from 1 April 1989. These were not valued prior to transfer. On 31 July 1998 a valuation of the open market for existing use was made by Chesterton International Limited, a firm of international property advisors, using the depreciated replacement cost basis. The property is recorded in the Financial Statements at this value, as adjusted for subsequent disposals. It is the University's policy to recognise a related revaluation reserve in respect of this property. Under the transitional arrangements of FRS 15, this 1998 valuation is retained as the carrying amount for those assets within that valuation, subject to annual testing for indicators of impairment under FRS 11.

ii. Assets acquired after incorporation

Tangible asset additions whose cost of acquisition exceeds £10,000 are capitalised. Items costing less than this are written off in the year of purchase.

iii. Assets under construction

Assets under construction represent the costs of assets under development. As these assets become complete and operational they are transferred to the appropriate asset category and depreciated over their useful lives.

Capital Grants

Capital grants are released to revenue over the useful life of relevant assets, or where permitted applications to non-capitalised expenditure occur, to match that expenditure in the year of application.

Depreciation

Depreciation is provided on all tangible assets other than freehold or long leasehold land and assets under construction, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset systematically over its expected useful life, as follows:

Freehold buildings	- over 50 years
Long Leasehold buildings	- over the life of the lease up to 50 years. For leases longer than 50 years, over the greater of 50 years or 75% of the life of the lease.
Computer equipment and software	- over 3 to 5 years
Other equipment	- over 5 to 15 years
Vehicles	- over 5 years
Vessels	- over 7 years

Stocks

Stocks are mainly departmental and have limited realisable value. They are written off in the year, as their value is not material to the accounts of the University. Expenditure on consumables is charged fully to revenue in the year of purchase.

Revenue Recognition

Grants from HEFCE and similar bodies are included in income in the year, except for grants received for specific initiatives which span more than one year. In such cases grant income is deferred to the extent it is not matched by qualifying expenditure.

All income from short-term deposits, tuition fees and other operating income is credited to the Income & Expenditure Account on a receivable basis.

Building Maintenance

Expenditure on building maintenance is charged to the Income and Expenditure Account in the year in which it is incurred. The University maintains a rolling ten-year long-term maintenance plan, which is reviewed on a regular basis. Only to the extent that the costs arise under dilapidation clauses within operating leases is a regular charge made to the Income and Expenditure Account on the basis that the dilapidating event is deemed to be the passage of time, subject to periodic valuation.

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 Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-788 of the Corporation Tax Act 2010 (CTA2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Statement of Principal Accounting Policies

Provisions

A provision is recognised in the Financial Statements when a present legal or constructive obligation arising from past events exists and it is probable that an outflow of economic benefits will be required to settle the obligation.

Basis of Consolidation

The University has one wholly owned subsidiary undertaking, Southampton Solent University Limited (SSUL). The activities of SSUL are consolidated within the University's accounts in accordance with FRS 2.

The consolidated Financial Statements do not include those of the Solent Students' Union as it is a separate unincorporated association in which the University has no financial interest and no control or significant influence over policy decisions.

Listed Investments

Listed investments are shown at market value.

Research and Development

Research and development expenditure is written off in the year incurred.

Pensions

The University has 2 principal pension schemes for staff, the Teachers' Pension Scheme (TPS) and the Hampshire County Council Local Government Pension Scheme (HCCLGPS). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

The HCCLGPS has been accounted for in accordance with FRS 17 Retirement Benefits, which requires the difference between the assets held in the scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method to be recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the Income and Expenditure Account or as appropriate the Statement of Total Recognised Gains and Losses in accordance with FRS 17 Retirement Benefits.

Pension costs in respect of the TPS charged to the income and expenditure are equal to the contributions paid to this arrangement. The contribution rate is calculated in such a way that it is a substantially level percentage of current and future pensionable payroll. Not less than every four years, with a supporting interim valuation in between, the Government Actuary conducts a formal actuarial review of the TPS in order to specify the level of future contributions.

Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and bank certificates of deposit held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Leased Assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the University and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the Balance Sheet.

The interest elements of the rental obligations are charged in the Income and Expenditure Account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the Income and Expenditure Account on a systematic basis.

Consolidated Income & Expenditure Account for the Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
INCOME			
Funding Body Grants	1	42,216	40,248
Tuition Fees and Education Contracts	2	42,149	41,309
Research Grants and Contracts	3	695	423
Other Operating Income	4	15,825	15,168
Endowment and Investment Income	5	471	436
		101,356	97,584
EXPENDITURE			
Staff Costs	6	50,514	49,734
Other Operating Expenses		35,252	35,111
Depreciation	10	3,626	3,721
Interest Payable	8	3,294	4,226
	7	92,686	92,792
Surplus after depreciation of assets and before tax		8,670	4,792
Taxation	9	-	-
Surplus after depreciation of assets and tax		8,670	4,792
Surplus for the year transferred to accumulated income in endowment funds	12	1	8
Surplus for the year retained within general reserves		<u>8,669</u>	<u>4,784</u>
All amounts relate to continuing activities.			

Consolidated Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus after depreciation of assets and before tax		8,670	4,792
Difference between the Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the relevant amount	20	90	91
Historical Cost Surplus before Tax		<u>8,760</u>	<u>4,883</u>
Historical Cost Surplus after Tax		<u>8,760</u>	<u>4,883</u>

The Notes on pages 28 to 42 form part of these Financial Statements.

Balance Sheet as at 31 July

	Notes	Consolidated		University	
		2011	2010	2011	2010
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	10	83,460	68,869	80,688	68,218
Investments	11	50	50	2,750	1,650
		83,510	68,919	83,438	69,868
Endowment Asset Investments	12	634	622	634	622
Current Assets					
Debtors	13	3,094	2,945	3,366	3,124
Investments	14	18,991	26,527	18,991	26,527
Cash at Bank and in Hand	30	9,701	9,660	9,388	9,473
		31,786	39,132	31,745	39,124
Creditors: amounts falling due within one year	15	13,711	15,974	13,547	16,833
Net Current Assets		18,075	23,158	18,198	22,291
Total Assets less Current Liabilities		102,219	92,699	102,270	92,781
Creditors: amounts falling due after more than one year	16	29,869	31,032	29,869	31,032
Provisions for liabilities and charges	17	2,085	2,671	2,085	2,671
Net Assets Excluding Pension Liabilities		70,265	58,996	70,316	59,078
Net Pension Liability	17	29,040	24,200	29,040	24,200
TOTAL ASSETS LESS LIABILITIES		<u>41,225</u>	<u>34,796</u>	<u>41,276</u>	<u>34,878</u>
Deferred Capital Grants	18	11,210	8,972	11,210	8,972
Expendable Endowments	19	634	622	634	622
Reserves					
Income and Expenditure Account excluding Pension Reserve		50,981	41,872	51,032	41,954
Pension Reserve	17	(29,040)	(24,200)	(29,040)	(24,200)
Income and Expenditure Account including Pension Reserve	21	21,941	17,672	21,992	17,754
Revaluation Reserve	20	7,440	7,530	7,440	7,530
Total Reserves		29,381	25,202	29,432	25,284
TOTAL FUNDS		<u>41,225</u>	<u>34,796</u>	<u>41,276</u>	<u>34,878</u>

These Financial Statements were approved and authorised for issue by the Board of Governors on 16 November 2011.



Grahame Sewell
Chairman of the Board of Governors



Professor V Gore
Vice-Chancellor

The Notes on pages 28 to 42 form part of these Financial Statements.

Consolidated Cash Flow Statement for the Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
Net Cash Inflow from Operating Activities	26	12,091	11,774
Returns on investments and servicing of finance	27	(2,001)	(2,160)
Taxation		-	-
Capital expenditure and financial investment	28	(16,532)	(1,781)
Management of liquid resources	30	7,536	(16,374)
Financing	29	(1,081)	(1,122)
Increase/(Decrease) in Cash		13	(9,663)

Reconciliation of Net Cashflow to Movement in Net (Debt)/Funds

	Notes	2011 £000	2010 £000
Increase/(Decrease) in Cash		13	(9,663)
Repayment of Long Term Loans		722	793
Repayment of Capital Elements of Finance Leases		359	329
(Decrease)/Increase in Short Term Deposits		(7,536)	16,374
Movement in Net Debt/Funds		(6,442)	7,833
Net Funds/(Debt) at 1 August	30	4,106	(3,727)
Net (Debt)/Funds at 31 July	30	(2,336)	4,106

Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus after Depreciation of Assets at Valuation and Tax		8,669	4,784
Unrealised Gain on Endowment Asset Investments	12	11	26
Endowment Surplus Retained in the Year	12	1	8
Actuarial (Loss)/Gain on Pension Scheme	17	(4,490)	7,210
Total Recognised Gains and Losses Relating to the Year		4,191	12,028
Reconciliation			
Opening Reserves and Endowments		25,824	
Total Recognised Gain for the Year		4,191	
Closing Reserves and Endowments		30,015	

The Notes on pages 28 to 42 form part of these Financial Statements.

Notes to the Accounts for the Year Ended 31 July 2011

1. FUNDING BODY GRANTS	2011	2010
	£000	£000
Recurrent Grant		
HEFCE	34,854	33,872
FE Funding Bodies	912	978
Specific HEFCE Grants		
Special Initiatives	4,894	3,815
Deferred Capital Grants Released in Year		
Buildings (Note 18)	536	576
Equipment (Note 18)	1,020	1,007
	<u>42,216</u>	<u>40,248</u>

2. TUITION FEES AND EDUCATION CONTRACTS	2011	2010
	£000	£000
Full time undergraduate and postgraduate fees home and EU	28,058	27,518
Part time undergraduate and postgraduate fees home and EU	1,113	1,158
Overseas (Non-EU) domicile students	6,981	7,096
Non credit bearing course fees	5,814	5,230
Other	183	307
	<u>42,149</u>	<u>41,309</u>

3. RESEARCH GRANTS AND CONTRACTS	2011	2010
	£000	£000
EU Grants	629	384
Research Councils	-	11
Other Sources	66	28
	<u>695</u>	<u>423</u>

4. OTHER OPERATING INCOME	2011	2010
	£000	£000
Residences, Catering and Conferences	12,810	11,944
Other Services Rendered	450	614
Profit on Disposal of Fixed Assets	4	3
Other Income	2,561	2,607
	<u>15,825</u>	<u>15,168</u>

5. ENDOWMENT AND INVESTMENT INCOME	2011	2010
	£000	£000
Income from Expendable Endowments (Trust Funds) (Note 19)	23	30
Income from Short Term Investments	448	404
Income from Long Term Investments	-	2
	<u>471</u>	<u>436</u>

Notes to the Accounts for the Year Ended 31 July 2011

6. STAFF COSTS	2011	2010
	£000	£000
Wages and Salaries	41,598	40,165
Social Security Costs	3,288	3,259
Other Pension Costs	5,212	5,480
Redundancy Costs	416	830
	50,514	49,734
Average staff numbers by major category:	Number	Number
Academic Departments	755	794
Academic Services	116	117
Research Grants and Contracts	6	4
Residences, Catering and Conferences	31	32
Premises	40	35
Administration	264	231
	1,212	1,213
Members of the Senior Management Team	17	17
Emoluments of Vice-Chancellor and remuneration of senior staff:	£	£
Emoluments of Vice-Chancellor	210,650	202,062
Employer's pension contributions (Teachers' Pension Scheme)	28,491	28,491
Other benefits	3,945	5,117
	243,086	235,670
Other higher paid staff (excluding employer's pension contributions), but including payment for compensation for loss of office	Number	Number
£100,000 to £109,999	2	2
£110,000 to £119,999	1	-
£220,000 to £229,999	1	-
The Governors received no remuneration for services provided during the current or prior year.		

7. ANALYSIS OF TOTAL EXPENDITURE	2011	2010
Analysed by Activity:	£000	£000
Academic Departments	38,927	39,733
Academic Services	8,428	8,446
Administration and Central Services	20,982	19,070
Premises	10,989	11,374
Research Grants and Contracts	628	381
Residences, Catering and Conferences	12,382	12,218
Other Expenditure	350	1,570
	92,686	92,792
Other Operating Expenses include:		
External Auditor's Remuneration - Audit Fees *	39	36
External Auditor's Remuneration - Other Fees	26	11
Governors Expenses **	4	5
Internal Auditor's Remuneration - Audit Fees	51	42
Operating Lease Rentals Land/Buildings	4,436	4,284
Operating Lease Rentals Plant/Machinery	67	54

* £29,650 relates to net fee payable by the University (2010: £27,500).

**Governors have been reimbursed for travel and subsistence expenses relating to attendance at Board and Committee meetings and other events attended in their official capacity. A total of £3,997 was paid to 9 Governors for reimbursement of expenses (2010: £5,272 paid to 11 Governors).

Notes to the Accounts for the Year Ended 31 July 2011

8. INTEREST PAYABLE	2011	2010
	£000	£000
Loans wholly repayable within five years	-	4
Loans not wholly repayable within five years	1,488	1,536
Finance Leases	986	1,016
Pension finance costs	820	1,670
	3,294	4,226

9. TAXATION

No corporation tax charge (2010: no charge) arises on consolidation as a result of taxable profits in a subsidiary undertaking. Under the Education Reform Act 1998 the University obtained charitable status, consequently it is not liable to corporation tax on its income and gains. No deferred taxation has been provided in the accounts on the basis that future taxable profits of all subsidiary companies will be paid to the University by way of Deed of Covenant.

10. TANGIBLE ASSETS

	Freehold and Leasehold		Assets under Construction	Equipment	Total
	Land	Building			
	£000	£000	£000	£000	£000
Consolidated					
At valuation 31 July 1998	6,454	15,182	-	-	21,636
At cost	4,854	54,534	769	16,769	76,926
Additions	-	-	16,321	1,896	18,217
Disposals	-	-	-	(5,013)	(5,013)
Transfers	8,274	5,396	(13,735)	65	-
At 31 July 2011	19,582	75,112	3,355	13,717	111,766
Depreciation					
At 1 August 2010	-	17,221	-	12,472	29,693
Disposals	-	-	-	(5,013)	(5,013)
Provided during period	-	1,917	-	1,709	3,626
At 31 July 2011	-	19,138	-	9,168	28,306
Net Book Value at 31 July 2011	19,582	55,974	3,355	4,549	83,460
Net Book Value at 31 July 2010	11,308	52,495	769	4,297	68,869
University					
At valuation 31 July 1998	6,454	15,182	-	-	21,636
At cost	4,534	54,508	512	16,524	76,078
Additions	-	-	14,145	1,896	16,041
Disposals	-	-	-	(5,013)	(5,013)
Transfers	8,274	2,963	(11,302)	65	-
At 31 July 2011	19,262	72,653	3,355	13,472	108,742
Depreciation					
At 1 August 2010	-	17,221	-	12,275	29,496
Disposals	-	-	-	(5,013)	(5,013)
Provided during period	-	1,911	-	1,660	3,571
At 31 July 2011	-	19,132	-	8,922	28,054
Net Book Value at 31 July 2011	19,262	53,521	3,355	4,550	80,688
Net Book Value at 31 July 2010	10,988	52,469	512	4,249	68,218

Notes to the Accounts for the Year Ended 31 July 2011

10. TANGIBLE ASSETS (CONTINUED)

Included in Land and Buildings are two assets with a combined net book value of £10.1 million (2010: £10.3 million) held under finance leases. Depreciation for the year on these leased assets was £0.2 million (2010: £0.2 million).

The University commissioned a revaluation of its land and buildings held at valuation, undertaken by Chesterton International Ltd as at 31 July 1998. The valuation was undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The basis of the valuation was open market value for existing use. Those properties for which no open market value was readily ascertainable were valued on the depreciated replacement cost basis. Other assets continue to be shown at historic cost.

Under the transitional arrangements of FRS 15 this valuation (after impairment charges) has been retained as the carrying amount for those assets within the valuation.

11. INVESTMENTS	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Subsidiaries	-	-	2,700	1,600
Other Investments	50	50	50	50
	<u>50</u>	<u>50</u>	<u>2,750</u>	<u>1,650</u>

Subsidiary Undertakings

The University owns 100% of the issued ordinary share capital of £2.7 million (2010: £1.6 million) of Southampton Solent University Limited, a company registered in England.

The main activities of this undertaking are to provide short courses, training and facilities, consultancy services, and meals and accommodation for employees of other organisations using the company's facilities for their own training programmes.

Other Investments

The University has an investment of £50,000 representing an 11% share of the capital of Learning Network South East (LNSE), a company formed by the collaboration of a number of Institutions in order to provide internet access.

Notes to the Accounts for the Year Ended 31 July 2011

12. ENDOWMENT ASSET INVESTMENTS	Consolidated and University	
	2011	2010
	£000	£000
Balance at 1 August	622	588
Appreciation on Revaluation	11	26
Additions/(Disposals)	29	(24)
Increase in Net Current Assets excluding cash	-	2
(Decrease)/Increase in cash balances	(28)	30
Balance at 31 July	634	622
MIM Britannia Maximum Income Fund	600	590
Shares and securities not incorporated in above funds	30	-
Cash balances	4	32
Balance at 31 July	634	622

13. DEBTORS	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade Debtors	1,839	1,579	1,542	1,333
Other Debtors	1,255	1,366	1,246	1,314
Amount owed by subsidiary undertaking	-	-	578	477
	3,094	2,945	3,366	3,124

14. CURRENT ASSET INVESTMENTS	Consolidated and University	
	2011	2010
	£000	£000
Deposits Maturing:		
In one year or less	14,819	22,711
In more than one year	4,172	3,816
	18,991	26,527

15. CREDITORS: amounts falling due within one year	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade Creditors	8,703	7,257	8,622	7,112
Taxation and social security	1,088	1,082	1,088	1,082
Salary and wages creditor	1,032	1,089	1,032	1,089
Other Creditors	1,725	3,380	1,630	3,312
HEFCE Capital Investment Fund (Note 18)	-	2,085	-	2,085
Amount due to subsidiary undertaking	-	-	12	1,072
Bank loan (Note 22b)	773	722	773	722
Obligations under finance leases (Note 22a)	390	359	390	359
	13,711	15,974	13,547	16,833

Amount due to subsidiary undertaking includes £0.009 million in respect of unpaid share capital (2010: £1.0 million).

16. CREDITORS: amounts falling due after one year	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Long Term Bank loan (Note 22b)	19,031	19,804	19,031	19,804
Obligations under finance leases (Note 22a)	10,838	11,228	10,838	11,228
	29,869	31,032	29,869	31,032

Notes to the Accounts for the Year Ended 31 July 2011

17. PROVISIONS FOR LIABILITIES AND CHARGES	Consolidated and University				
	National Minimum Wage	Heritable	Dilapidation	Reorganisation	Total
	£000	£000	£000	£000	£000
At 1 August 2010	-	900	1,208	563	2,671
Charge to Income & Expenditure Account	164	-	136	416	716
Payments made in the year	-	-	(52)	(595)	(647)
Release in the year	-	(380)	(275)	-	(655)
At 31 July 2011	<u>164</u>	<u>520</u>	<u>1,017</u>	<u>384</u>	<u>2,085</u>

The National Minimum Wage provision relates to amounts potentially due to be paid under the National Minimum Wage regulations.

The Heritable provision relates to the at risk element of an investment of £2 million in Heritable Bank, which is at risk due to the bank being placed into administration following the collapse of the Icelandic banking sector.

The dilapidation provision relates to a contractual obligation under certain of the operating leases and is based on professional valuations carried out at 12 March 2010. Management are not aware of any events since that date which would indicate any material change to that provision.

The reorganisation provision is made to cover the cost of redundancy and severance payments for changes to the University's staff structures.

PENSIONS

Retirement benefits for employees of Southampton Solent University are provided by defined benefit schemes, which are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme for academic staff, to the Hampshire County Council Local Government Pension Scheme for non-academic staff and to the Universities Superannuation Scheme. These are all independently administered, defined benefit schemes.

Teachers' Pension Scheme

Under the definitions set out in Financial Reporting Standard 17 - Retirement benefits, the Teachers' Pension Scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employer's contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2010 to 31 July 2011.

The total pension contributions for the University in respect of current employees were:

	2011	2010
	£000	£000
Contributions to Teachers' Pension Scheme	<u>2,705</u>	<u>2,650</u>

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

Notes to the Accounts for the Year Ended 31 July 2011

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008 and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, plus a supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from the 2008 valuation, a 14% cap on employers' contributions payable, although this agreement has not yet come into effect.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006 and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

A copy of the Government Actuary's 2004 valuation report and 2006 interim valuation report can be found on the TeacherNet website at:

<http://webarchive.nationalarchives.gov.uk/20110110234732/teachernet.gov.uk/pensions>.

Hampshire County Council Local Government Pension Scheme

The Hampshire County Council Local Government Pension Scheme (HCCLGPS) is valued every three years by a professionally qualified independent actuary using the Projected Unit method, the rates of contribution being determined by the actuary. The latest actuarial assessment of the HCCLGPS was at 31 March 2010. The level of employers' contributions is set out below:

	At 31 March 2010	At 31 March 2011	At 31 March 2012
Non teaching staff - HCC	18.6%	19.1%	19.1%

The University also has unfunded obligations in respect of enhanced pension entitlements to staff who took early retirement under a reorganisation programme in 1993.

Where the University ceases to trade and there is no successor establishment, the Secretary of State for Education and Employment becomes the compensating authority.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit 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 total pension contributions for the University in respect of current employees were:

	2011 £000	2010 £000
Contributions to USS	17	-

Notes to the Accounts for the Year Ended 31 July 2011

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

FRS 17

Details in respect of the pension liabilities are provided in accordance with FRS 17. As noted earlier it is not possible to identify the University's share of the underlying assets and liabilities of the Teachers' Pension Scheme or USS and therefore the following disclosures relate to the HCCLGPS

The regular contributions to the Fund for the accounting period ending 31 July 2012 are estimated to be £3.07 million.

In the budget of 22 June 2010 the Government announced that the Consumer Price Index (CPI) will be used for the price indexation of pensions from April 2011, rather than the Retail Price Index (RPI). This statutory change to pensions increases was reflected as a change to actuarial assumptions and included as an actuarial gain on liabilities in the accounting period ending 31 July 2010.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2007. The major assumptions used by the actuary for the purposes of FRS 17 were:

	31 July 2011	31 July 2010	31 July 2009
Discount Rate	5.3% pa	5.4% pa	6.0% pa
Rate of increase in salaries	5.2% pa	5.0% pa	5.3% pa
Rate of increase in pensions in payment	2.8% pa	2.8% pa	3.8% pa
Rate of inflation (RPI)	3.7% pa	3.5% pa	3.8% pa
Rate of inflation (CPI)	2.8% pa	2.9% pa	N/A
Mortality Assumptions	At 31 July 2011		
		Retiring Today	Retiring in 20 years
Male		23.8	25.6
Female		24.8	26.7

The University's share of the assets in the scheme and the expected rate of return were:

	At 31 July 2011		At 31 July 2010		At 31 July 2009	
	Rate of Return	Value	Rate of Return	Value	Rate of Return	Value
Equities	7.9%	29,028	8.2%	23,341	8.0%	18,698
Government bonds	3.9%	11,069	4.2%	9,452	4.5%	1,723
Corporate bonds	4.7%	827	4.9%	926	5.9%	8,049
Property	7.4%	3,674	7.7%	2,546	7.0%	752
Cash	1.5%	1,332	1.4%	2,315	0.9%	2,067
Other assets	7.9%	-	8.2%	-	0.9%	31
		<u>45,930</u>		<u>38,580</u>		<u>31,320</u>
Average rate of return	6.7%		6.7%		6.5%	

The scheme actuaries employ a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2011.

Notes to the Accounts for the Year Ended 31 July 2011

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The following amounts were measured in accordance with the requirements of FRS 17:

Reconciliation to Balance Sheet	Value at 31 July 2011 £000	Value at 31 July 2010 £000
Funded Benefits		
Fair Value of Fund Assets	45,930	38,580
Present Value of Liabilities	74,540	62,360
Funded Net Pension Liability	(28,610)	(23,780)
Unfunded Benefits		
Present Value of Liabilities	430	420
Unfunded Net Pension Liability	(430)	(420)
Total Net Pension Liability	<u>(29,040)</u>	<u>(24,200)</u>
Analysis of Charge to Income & Expenditure Account	2011	2010
	£000	£000
Current Service Cost (included in Other Pension Costs - Note 6)	2,570	2,730
Past Service Cost (included in Other Pension Costs - Note 6)	60	100
Interest Cost (included in Pension Finance Costs - Note 8)	3,450	3,740
Expected Return on Assets (included in Pension Finance Costs - Note 8)	(2,630)	(2,070)
Expense Recognised	<u>3,450</u>	<u>4,500</u>
The expense recognised includes £20,000 (2010: £30,000) in respect of unfunded benefits.		
Changes to the Present Value of Liabilities during the year	2011	2010
	£000	£000
Opening Value of Liabilities	62,780	61,160
Current Service Cost	2,570	2,730
Interest Cost	3,450	3,740
Contributions by Participants	1,160	1,050
Actuarial Losses/(Gains)	6,190	(4,330)
Net Benefits Paid Out	(1,240)	(1,670)
Past Service Cost	60	100
Closing Value of Liabilities	<u>74,970</u>	<u>62,780</u>
The closing liability includes £430,000 (2010: £420,000) in respect of unfunded benefits.		

Notes to the Accounts for the Year Ended 31 July 2011

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Changes to the Fair Value of Assets during the year	2011	2010			
	£000	£000			
Opening Value of Assets	38,580	31,320			
Expected Return on Assets	2,630	2,070			
Actuarial Gain/(Loss) on Assets	1,700	2,880			
Contributions by the Employer	3,060	2,890			
Contributions by Participants	1,160	1,050			
Net Benefits Paid Out	(1,200)	(1,630)			
Closing Value of Assets	<u>45,930</u>	<u>38,580</u>			
Actual Return on Assets	2011	2010			
	£000	£000			
Expected Return on Assets	2,630	2,070			
Actuarial Gain/(Loss) on Assets	1,700	2,880			
Actual Return on Assets	<u>4,330</u>	<u>4,950</u>			
Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses	2011	2010			
	£000	£000			
Actuarial Gain/(Loss) on Assets	1,700	2,880			
Actuarial (Loss)/Gain on Liabilities	(6,190)	4,330			
Total Actuarial (Loss)/Gain	<u>(4,490)</u>	<u>7,210</u>			
The actuarial loss includes a loss of £30,000 (2010: gain of £30,000) in respect of unfunded benefits. An actuarial gain on liabilities of £7.1 million has been included in 2010 due to the change in inflation rate used to calculate pension increases from RPI to CPI.					
5 Year History	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Present Value of Liabilities	74,970	62,780	61,160	49,080	49,930
Fair Value of Assets	45,930	38,580	31,320	32,230	35,600
Deficit on the Scheme	<u>29,040</u>	<u>24,200</u>	<u>29,840</u>	<u>16,850</u>	<u>14,330</u>
Experience Gains/(Losses) on Assets	1,700	2,880	(5,190)	(7,380)	560
Experience (Losses)/Gains on Liabilities	(4,180)	490	(90)	3,380	(70)

Notes to the Accounts for the Year Ended 31 July 2011

18. DEFERRED CAPITAL GRANTS	Consolidated and University		
	Buildings £000	Equipment £000	Total £000
At 1 August 2010	6,196	2,776	8,972
Cash Received	1,170	540	1,710
Decrease in HEFCE Capital Investment Fund Creditor (Note 15)	1,510	574	2,084
Released to Income and Expenditure	(536)	(1,020)	(1,556)
At 31 July 2011	<u>8,340</u>	<u>2,870</u>	<u>11,210</u>

19. EXPENDABLE ENDOWMENTS AND LINKED CHARITIES	Consolidated and University	
	2011 £000	2010 £000
Capital Value	618	588
Accumulated Income	4	-
At 1 August	<u>622</u>	<u>588</u>
Appreciation of Endowment Asset Investments	11	26
Income for the Year	23	30
Expenditure for the Year	(22)	(22)
At 31 July	<u>634</u>	<u>622</u>
Represented by:		
Capital Value	629	618
Accumulated Income	5	4
	<u>634</u>	<u>622</u>

All endowments are classified as restricted expendable endowments. The endowments are made up of four linked (paragraph w) charities with the aim of supporting research.

20. REVALUATION RESERVE	Consolidated and University	
	2011 £000	2010 £000
At 1 August	7,530	7,621
Transfer to the Income and Expenditure Account (Note 21) - Depreciation for the period on revalued inherited assets	(90)	(91)
At 31 July	<u>7,440</u>	<u>7,530</u>

21. INCOME AND EXPENDITURE ACCOUNT	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 August	17,672	5,587	17,754	5,701
Retained Surplus for the Period	8,669	4,784	8,638	4,752
(Loss)/Gain on Pension Liability	(4,490)	7,210	(4,490)	7,210
Transfers from Revaluation Reserve (Note 20)	90	91	90	91
At 31 July	<u>21,941</u>	<u>17,672</u>	<u>21,992</u>	<u>17,754</u>

The University has taken advantage of the exemption within section 408 of the Companies Act 2006 and only presented a Consolidated Income and Expenditure Account for the group, the unconsolidated surplus for the year relating to Southampton Solent University is shown above.

Notes to the Accounts for the Year Ended 31 July 2011

22. OBLIGATIONS UNDER LEASES AND LOANS		Consolidated and University	
a) Finance Leases		2011	2010
		£000	£000
Amounts Payable:			
Within one year		1,347	1,347
In more than one year and less than two years		1,347	1,347
In more than two and less than five years		4,041	4,041
After more than five years		10,984	12,331
		17,719	19,066
Less: finance charges allocated to future periods		(6,491)	(7,479)
		<u>11,228</u>	<u>11,587</u>
Analysed as:			
Amounts due in less than one year		390	359
Amounts due after more than one year		10,838	11,228
		<u>11,228</u>	<u>11,587</u>
The above balances are comprised of two finance leases due for repayment in 2018 and 2019. All long term borrowing is at applicable market determined rates (fixed) from the commencement of the borrowing.			
b) Loans		2011	2010
		£000	£000
Instalments due within one year		773	722
Instalments due in more than one and less than two years		835	773
Instalments due in more than two and less than five years		2,899	2,694
Instalments not due within five years		15,297	16,337
		<u>19,804</u>	<u>20,526</u>
Analysed as:			
Amounts due within one year		773	722
Amounts due after more than one year		19,031	19,804
		<u>19,804</u>	<u>20,526</u>
The above balance is comprised of one loan due for repayment in 2026. All long term borrowing is at applicable market determined rates (fixed) from the commencement of the borrowing.			
c) The current annual commitment under non-cancellable operating leases for land and building is as follows:		2011	2010
		£000	£000
Amounts payable under leases expiring after more than five years		<u>4,368</u>	<u>4,245</u>

23. CAPITAL COMMITMENTS	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Authorised and Contracted	<u>1,974</u>	<u>1,912</u>	<u>1,974</u>	<u>1,579</u>
Authorised but not Contracted	<u>10,027</u>	<u>20,602</u>	<u>9,995</u>	<u>18,803</u>

Notes to the Accounts for the Year Ended 31 July 2011

24. CONTINGENT LIABILITIES

At 31 July 2011 the Governors were not aware of any liabilities for which full provision has not been made.

25. POST BALANCE SHEET EVENTS

The Governors are not aware of any post balance sheet events that they feel attention should be drawn to.

26. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£000	£000
Surplus before taxation	8,670	4,792
Less: Investment Income	(471)	(436)
	8,199	4,356
Add back Interest Payable	3,294	4,226
Surplus from Operating Activities	11,493	8,582
Surplus on Disposal of Fixed Assets	(4)	(3)
Release of Capital Grant	(1,556)	(1,583)
Depreciation	3,626	3,721
Pension contribution less amounts charged to operating surplus	(470)	(100)
Increase in Debtors	(159)	(453)
(Decrease)/Increase in Creditors	(253)	942
(Decrease)/Increase in Provisions	(586)	670
Increase in Endowment Net Current Assets	-	(2)
	<u>12,091</u>	<u>11,774</u>

27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011	2010
	£000	£000
Income from Endowments	23	26
Interest Received	457	376
Interest Paid under Finance Leases	(989)	(1,018)
Other Interest Paid	(1,492)	(1,544)
Returns on Investments and Servicing of Finance	<u>(2,001)</u>	<u>(2,160)</u>

Notes to the Accounts for the Year Ended 31 July 2011

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2011	2010
	£000	£000
Purchase of Fixed Assets	(18,217)	(4,463)
Deferred Capital Grants Received	1,710	2,650
Endowment Investment (Addition)/Disposal	(29)	28
Receipts on Disposal of Fixed Assets	4	4
	<u>(16,532)</u>	<u>(1,781)</u>

29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR	At 1 August 2010	Capital Repayments In the year	At 31 July 2011
	£000	£000	£000
Kimber College Finance Lease	3,691	(336)	3,355
Sir James Matthews Building Finance Lease	7,897	(23)	7,874
Deanery College Loan	11,107	(391)	10,716
Chantry College Loan	6,347	(223)	6,124
David Moxon Annex Loan	3,071	(108)	2,963
	<u>32,113</u>	<u>(1,081)</u>	<u>31,032</u>

Changes in financing as disclosed in the Cashflow Statement may be analysed as follows:

	2011	2010
	£000	£000
Repayment of Loans	(722)	(793)
Repayment of Capital Element of Finance Leases	(359)	(329)
	<u>(1,081)</u>	<u>(1,122)</u>

30. ANALYSIS OF CHANGES IN NET DEBT	At 1 August 2010	Cash Flow	Non Cash Movement	At 31 July 2011
	£000	£000	£000	£000
Cash at Bank and in Hand:				
Endowment Assets	32	(28)	-	4
Cash	9,660	41	-	9,701
	9,692	13	-	9,705
Short Term Deposit	26,527	(7,536)	-	18,991
Debt Due within one year	(1,081)	1,081	(1,163)	(1,163)
Debt Due after one year	(31,032)	-	1,163	(29,869)
	<u>4,106</u>	<u>(6,442)</u>	<u>-</u>	<u>(2,336)</u>

Non-Cash Movement relates to the portion of long-term borrowings due within one year.

Notes to the Accounts for the Year Ended 31 July 2011

31. ACCESS FUNDS	2011	2010
	£000	£000
Balance Brought Forward	1	-
Funding Council Grants	244	273
	245	273
Disbursed to Students	(238)	(264)
Administration Costs	(7)	(8)
Balance Unspent at 31 July	-	1

32. RELATED PARTY TRANSACTIONS

Governors receive no payments in respect of their duties as Governors other than for the reimbursement of travel and subsistence expenses incurred in the course of those duties.

During the year ended 31 July 2011 the University had transactions with a number of organisations which fell within the definition of Related Parties under FRS 8. Transactions are disclosed where members of the Board of Governors and senior members of staff disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's financial statements and/or the other party. Due to the nature of the University's operations and the composition of the Board of Governors, being drawn largely from local public and private sector organisations, it is inevitable that transactions will take place with organisation 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 arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

The University has taken advantage of the exemption within FRS 8 and has not disclosed transactions with wholly owned subsidiary companies.

Solent Synergy Limited has been included as a related party due to a senior manager's position on its board.

Southampton Solent University	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party	Grants and loans made to related party
	£000	£000	£000	£000	£000
Solent Students Union					
Trade	9	17	2	-	-
Grant	-	-	-	51	354
Solent Synergy Limited	-	28	-	-	-

Principal Address & Advisors

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BANKERS	
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