

Financial Statements



for the year ended 31 July 2012

Welcome from the Chairman of Governors and the Vice-Chancellor

Welcome to the Operating and Financial Review, 2011-2012, for Southampton Solent University. The year saw preparation for the major changes in the way in which the higher education sector is to be funded in the future, most notably the introduction of the new student fees regime from autumn 2012. The University remains financially robust, posting a 6% surplus. Excellent student numbers and effective cost controls were again the key explanatory factors.

We are first and foremost a university, not a business. The surplus enables re-investment, development and the ongoing enhancement of the student experience. As one notable example, over the last two years the University estate benefited from £20 million capital investment. Detailed plans for development of the East Park Terrace campus have been drawn up, focusing on a £35 million new teaching and sport complex that will be completed by early 2015.

The University also completed successfully the third and final year of its £7.8 million, Higher Education Funding Council for England supported Strategic Development Programme, 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.

As anticipated, student recruitment for the 2012 entry proved challenging for the sector, following the introduction of new fees and student number controls. The University allocated greater resource to the marketing and recruitment processes, introducing some innovations, including a Careers Coach.

Collaboration with the city, local employers and the community has been strengthened still further, for example, through the organisation of the Southampton Titanic 100 commemorative event this year, and continuation of the award winning Eco Ernie project, the Solent Skills Development Zone, Graduate Jobs South and active membership of Southampton Connect, a City-wide partnership organisation dedicated to the economic, social and cultural development of Southampton.

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

Grahame Sewell
Chairman of the Board of Governors

Professor Van Gore
Vice-Chancellor

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List of Board of Governors

Governors			Attendance at Board Meetings %
Mr P Boyd-Smith	Independent Governor	From August 2011	50
Professor P Bush	Independent Governor		75
Mr P Cardy	Independent Governor	From August 2011	100
Mr J Cheshire	Independent Governor		100
Ms A Colley	Independent Governor		75
Professor V Gore	Vice-Chancellor, Ex-officio Governor		100
Mr G Holland	Independent Governor		100
Mr K King	Independent Governor, Vice-Chairman		100
Dr L Lee	Independent Governor		75
Mr G Little	Independent Governor		50
Dr R Marasini	Staff Governor		100
Dr J Mountfield	Independent Governor		100
Mrs S Norris-Reeves	Staff Governor	From August 2011	100
Mr D Prendergast	Student Governor	To June 2012	67
Mr J Prest	Independent Governor		75
Mr S Rose	Staff Governor		100
Mr G Sewell	Independent Governor, Chairman		100
Councillor R Smith	Co-opted External Governor		100
Miss C Stone	Student Governor	From August 2012	100
Dr J Stopp	Independent Governor		100
Clerk to the Governors			
Ms B Woolven			100

Financial Highlights

	2012	2011
Results, Cash Flows, Assets and Reserves	£000	£000
Funding Council Grants	38,400	42,216
Academic Fees and Support Grants	46,348	42,149
Research Grants and Contracts	335	695
Other Operating Income	16,729	15,825
Endowment and Investment Income	585	471
Total Income	<u>102,397</u>	<u>101,356</u>
Historical Cost Surplus for the Year After Tax	<u>6,177</u>	<u>8,760</u>
Net Cash Flow from Operating Activities	9,672	12,091
Net Outflow on Investments and Servicing of Finance	(1,823)	(2,001)
Net Cash Flow before Investing	<u>7,849</u>	<u>10,090</u>
Fixed Assets	87,294	83,510
Endowment Asset Investments	706	634
Debtors	3,999	3,094
Investments	17,670	18,991
Cash	10,234	9,701
Creditors: amounts falling due within one year	13,672	13,711
Total Assets less Current Liabilities	<u>106,231</u>	<u>102,219</u>
Total Reserves excluding FRS 17 Pension Liability	<u>65,163</u>	<u>58,421</u>
Total Reserves including FRS 17 Pension Liability	<u>25,603</u>	<u>29,381</u>
Other Key Statistics	2011-12	2010-11
Number of Higher Education Full-Time Equivalents	10,987	10,757
Total Number of Higher Education Students	12,523	12,282
Number of Employees	1,258	1,212

Operating and Financial Review

SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements comprise the consolidated results of the University, its fully owned trading subsidiary undertaking: Southampton Solent University Limited (SSUL) and the charity Sport Solent in the Community (SSIC). The results of the Solent Students' Union are not included as it is a separate unincorporated association in which the University has no financial interest and no control or significant influence over policy decisions.

The main activities of SSUL 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. SSIC is a registered charity with the aim of benefitting the local community through the use of sports.

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 2011-2012	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	6.03%	8.64%
Net cash inflow from operating activities	At least 6% of income	9.45%	11.93%
Cash reserves	Available cash reserves of £6m	£10.2m	£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 £1.0 million (1.0%) to £102.4 million.

Funding body grants decreased by £3.8 million (9.1%) to £38.4 million, with £37.8 million (98.5%) being received from the Higher Education Funding Council for England (HEFCE) and the remaining £0.6 million (1.5%) from the Further Education (FE) funding bodies.

The HEFCE recurrent grant for 2011-2012 totalled £33.0 million, representing a decrease of £1.9 million (5.4%) from 2010-2011, which was a result of the reduction in teaching grant. Widening participation funding, received for the additional costs associated with recruiting and teaching students from under-represented social groups and communities, was £4.3 million.

Tuition fee income increased by £4.2 million (10.0%) to £46.3 million, which is largely due to higher income from the Warsash Ship Simulation courses and a full year of income from Timsbury Lake.

Other operating income increased by £0.9 million (5.7%) to £16.7 million. A variety of income streams have contributed to the increase, including additional Sport Solent Community income and Southampton City Council's contribution to Test Park Community Sports Facility.

Endowment and investment income increased by £0.1 million (24.2%) to £0.6 million due to a higher proportion of cash being held in longer term investments for the first six months of the year.

Overall total expenditure has increased to £96.3 million.

Staff costs rose by £1.6 million (3.3%) to £52.2 million. Associated Lecturers were employed for more hours during the year, which resulted in an increase in costs of £0.7 million. In addition to this, FRS17 pension costs were higher and the number of redundancies increased.

Other operating expenses have increased by £1.7 million (4.8%) to £36.9 million, several areas of expenditure have contributed to this increase. Costs of software licences and support have risen due to the implementation of IT systems as part of the Strategic Development Programme. As a result of estate developments, such as Test Park and Southampton School of Art, there has been an increase in rent and cleaning costs. The bad debt provision for the current year has increased as a result of overdue student debt being reallocated to individuals' accounts from the Student Loans Company.

Interest payable has remained relatively unchanged with reductions in loan and finance lease interest being offset by the increased pension finance costs.

The historical cost surplus for 2011-2012 was £6.2 million, compared with the 2010-2011 surplus of £8.8 million and £2.2 million higher than the budgeted surplus of £4.0 million. This increase over budgeted surplus was achieved through the control of non pay costs.

Investments and Cash Reserves

Overall investments and cash reserves have decreased by £0.8 million, which is a result of the additional capital spend during the year.

The University has continued to invest its funds in short term deposits due to unstable credit ratings and market volatility. Cash reserves have increased slightly to £10.2 million, with investments at £17.7 million.

Cash flow

The Financial Highlights on page 5 show that the University generated a net cash inflow from operating activities of £9.7 million, a decrease of £2.4 million. The factors contributing to the level of net cash inflow include:

- a surplus of £6.2 million was achieved in 2011-2012, compared to £8.8 million in the previous year.
- an increase in debtors this year of £0.9 million, compared to an increase last year of £0.2 million. The increase in trade debtors is due to the reallocation of debt from the Student Loan Company (SLC) to the individual students and an increase in debt relating to WMA due to a new invoicing system delaying allocation of payments and debt collection
- a decrease in creditors this year of £0.3 million, compared to a decrease last year of £0.2 million. The level of creditors has remained relatively constant between 2010-2011 and 2011-2012.

Capital Projects

During 2011-2012 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.

In September 2011, the University saw the completion of Test Park, a £3.7 million football facility at Millbrook in Southampton. The facility provides teaching and recreational facilities as well as community use.

During summer 2011 the Southampton School of Art opened, a £1.1 million city centre facility providing teaching, workshop and studio space for Art and Design students.

The development of a new Media Academy has also been undertaken in the year. The academy, which was completed in September 2012, will provide up to date teaching facilities for the Faculty of Creative Arts and Society.

Other projects included the refurbishment of classrooms, upgrading student accommodation and a replacement engine room simulator for Warsash Maritime Academy (WMA).

Amounts capitalised as land and buildings during the year totalled £6.7 million and additions to equipment were £2.0 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 2012 is £19.0 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 2012 are £3.0 million and £7.8 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 £1.5 million in dividends, which represents 75% 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 25 to 26.

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 37 to 39 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 Aon Hewitt 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 2012.

The University's share of deficit in the scheme has increased by 36.2% to £39.6 million as at 31 July 2012 (2010-2011: £29 million). A substantial part of this increase in the deficit of the scheme is due to the changes in assumptions.

In 2011-2012, the discount rate has fallen from 5.3% to 4.1%, due to the effects of quantitative easing on bond yields, resulting in a significant actuarial loss on liabilities, partly offset by lower inflation. Another contributory factor to the actuarial loss is the pension increase being higher than expected in July 2011; pensions increased by 5.2% in April 2012, based on the September 2011 CPI annual inflation, compared to the July 2011 assumption of 2.8%.

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 institutional risks as identified by the Vice Chancellor's management group and also the aggregated top 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, enhance the student experience and protect income streams. Conventional business recovery, financial management, and health and safety action plans are also in place. The effects of the fast moving educational environment have been closely monitored, with faculties and services updating their risks register six monthly, ensuring that emerging risks are identified, reported and mitigated.

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, contingency 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.

Currently the Top University risks continue to reflect the volatility in the undergraduate recruitment markets as well as the importance of the student experience. Financial sustainability remains key as the University continues to develop its estate and undertake various initiatives and projects.

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 spring 2012, the University's senior management reviewed the Plan and, given the uncertainties created by the new fees regime, judged it to be still fit for purpose. The Board of Governors agreed therefore that, subject to review and refreshment of key sub-strategies, as necessary, the Strategic Plan remained sufficiently flexible, challenging and 'fit for purpose' to be retained for the immediate future.

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

Generic indicator	KPI	Performance		
		2009-2010	2010-2011	2011-2012
Student demand High home undergraduate enrolments to capped target. International fee income disappointing; changes in UK Border Agency regulations and some internal reorganisation. Improvement anticipated next year.	UCAS application			
	Conversion rate (new students)			
	Enrolments (new and returning students)			
	International fees (£000s)			
Student retention, satisfaction and achievement. Welcome improvement in NSS scores, but still some way to go. Welcome improvement in good degrees. Improvement in employability but still set at 'orange'.	Retention (%)			
	Student satisfaction (%)			
	Good degrees (%)			
	Employability			
Research and enterprise outputs and sustainability Encouraging first year for student start-ups under HEIF 5.	Income from research and from enterprise activity (£m)			
	Number of student start-ups	N/A		
Financial health and sustainability Overall, another solid year. The continued surplus above 5% has benefitted cash flow, capital and cash reserves. The aggregated financial health PI shows a trend reduction. This is simply a reflection of the University's increased capital programme.	Operating surplus (% EBITDA)			
	Net liquidity			
	Debtors at year end (as % of non-funded income)			
	Annualised debt servicing costs (as a % of income)			
	Staff costs (as a % of income)			
	Annual surplus (as % of turnover)			
	Financial health aggregate			
Estates The estates remain in good condition. Significant investment is planned as part of the East Park Terrace redevelopment and will result in substantial improvement in overall building condition.	Condition of the estate (% good or above)			
	Spend on infrastructure (3 year average % of IRV)			
	Carbon dioxide (CO2) emissions			

	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).

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 fourth 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 submitting an application for Southampton Solent University to secure one of the proposed new licences 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 a continuation of the now completed £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.

Building on the success of the well-established After Schools Sports Programme, run in conjunction with Southampton City Council, the University has now taken responsibility for a wider community remit incorporating the Schools Sports Partnership, School Games Organisation and the Local Authority Sports Development Unit. These functional arms support a host of cross-discipline and cross-university interaction with

the local and regional communities, and the University's involvement has attracted favourable attention from influential National Organisations, including British University and Colleges Sport (BUCS).

A re-commissioned milk float, Eco Ernie, is used during the end of year changeover period, and throughout the academic year, to collect students' unwanted clutter. This initiative has helped to offset the effects of the large amounts of 'rubbish' left outside student accommodation, particularly when they move out. 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 fourth 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 2010-2011 were 10.5%, 30.6% and 88.7% 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
2010-2011	95.4	94.6	35.9	34.9	13.1	11.5
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

Source: HEFCE Performance Indicators

The University has a strong commitment to the higher education access and social mobility agenda.

The University employs a range of outreach activity, as set out below. 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.

- Targeted long term outreach with Year 6.
- Targeted interventions with Year 8/9 - centred on decision-making with regard to GCSE options. We will be expanding on our previous work in this area, targeting students from under-represented groups for information sessions, campus visits and a range of other activities via the internet mentoring opportunities for students from under-represented groups, matched to our own students.
- Outreach with Year 12 students, especially those dealing with the new fees regime for the first time. A large scale information campaign will focus on providing accurate and timely information to school and college staff, as well as to students.
- Contact with school and college staff to ensure that they are fully briefed on the new systems and the range of support on offer to students.
- Contact with the parents of potential students to ensure they are also fully informed.
- A key issue for students from under-represented groups is the transition from school or college to university. The University will work with our college partners to ensure that the right processes are in place to manage such transition smoothly.
- The University will develop its 'virtual campus' to engage with learners through a range of web-based initiatives prior to their enrolment.
- The University will also negotiate a 'link tutor' arrangement with local colleges, whereby college tutors will contact and support students who have progressed to Solent.

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, undertook a systematic analysis of its carbon footprint, and evaluated various opportunities for reducing carbon emissions.

A Carbon Management Plan was approved in March 2010 and a copy is available on the University's website. The plan targets a 33% reduction in carbon emissions by 2020 against a 2005 baseline, in line with HEFCE's 'Carbon Reduction Target and Strategy for Higher Education in England'. A range of energy efficiency initiatives has been implemented to reduce emissions; progress to date has been encouraging with the reductions achieved in 2011 exceeding targets. The table below demonstrates the reductions achieved in energy and water use and waste to landfill over the 2009 -2011 period.

Year	Gas Consumption		Electricity Consumption		Geothermal Consumption		Water Consumption		Waste to Landfill	
	kWh	% change	kWh	% change	kWh	% change	m ³	% change	tonnes	% change
2009	3,411,307	N/A	11,147,211	N/A	5,516,000	N/A	84,505	N/A	1,409	N/A
2010	3,497,083	+2.5	10,901,584	-2.2	5,326,000	-3.4	87,775	+3.9	431	-69.4
2011	3,025,949	-13.5	10,429,962	-4.3	3,353,000	-37.0	80,842	-7.9	332	-23.0

Energy and carbon reduction initiatives cannot succeed without student and staff commitment, and we have successfully raised awareness and encouraged behavioural change through key initiatives. These include the staff 'Green Impact' scheme, with 17 teams achieving awards in the third year; the 'Student Switch Off' competition in our Halls of Residence, which has successfully reduced energy consumption; and the popular annual 'Green Week' first taking place in 2011.

The University is a member of EcoCampus and achieved the Bronze Award in 2012. The EcoCampus National Award Scheme is guiding the University toward continual improvement of environmental performance, through the staged implementation of an accredited Environmental Management System.

The University continues to be committed to conserving and promoting biodiversity, and creating a pleasant and sustainable working environment for its staff and students. The proposed redevelopment of the East Park Terrace Campus will provide further opportunities to incorporate best sustainable practices in design and construction, including the use of sustainable materials and energy conservation measures to achieve low carbon emissions.

EQUALITY SCHEME

During 2011-2012 there has been good progress on all ten of the objectives set out in the University's Equality Scheme (2009-2012). In line with other major supporting strategies it will be refreshed for 2013. Subject to consultation in the autumn of 2012 it is envisaged that the new supporting strategy will take a more holistic approach in the form of 'equality, diversity and inclusivity' in employment at Solent.

Throughout 2011-2012 a varied programme of events and activities, including the equality film programme, has continued to promote issues, raise awareness and engage with staff and students about equality issues.

Equality reports, including a statistical analysis of the profile of the University's employees, are published annually. The 2011-2012 report contains some encouraging movement, when compared to the HE sector, of the gender balance in the senior team and of a lowering in the average age group range. The percentage of employees who have disability is unchanged at 5.0% but remains above the HE sector average of 3.1%.

EQUAL PAY REVIEW

The University carried out its second equal pay review at the end of 2011-2012. It worked with independent external experts in data analysis and in equal pay. The results of the second review reflect and improve on those of the first review which was conducted in 2010. Key findings in 2012 included significant progress in reducing the gender pay gap at University level from 11.5% in 2010 to 8.5% in 2012 which compares very favourably with 16.3% for the HE sector and 20.2% for the whole economy. Importantly there were no significant gender base-pay gaps for people doing equal work.

As was the case in 2010, the University extended the scope of the 2012 equal pay review to include consideration of equal pay from the perspectives of age, disability and ethnicity. Again, no significant base-pay gaps exist which are attributable to these characteristics for people engaged on equal work.

ESTATES

The University continues to invest heavily in the development of its estate to ensure that its learning and teaching facilities remain modern and up to date, and fully support its pedagogic aims and objectives. Significant building projects completed during the 2011-2012 academic year include:

- Test Park, a £3.7m outdoor sports facility that includes teaching facilities which support academic sports coaching courses as well as providing extensive recreational sports facilities for Football and American Football;
- A new Media Academy for the Faculty of Creative Arts and Society (completed in September 2012), to create a base for the Universities Solent Skillset Media Academy. This £1.8m development in the John Everett Millais building provides state of the art teaching facilities including a new TV studio, dedicated video and games design facilities, nine photography studios, and a 3D design lab;
- Total refurbishment of classrooms and social spaces on two floors of the Reginald Mitchell Building costing over £800k to provide modern teaching space including renewed IT media resources;
- Continued upgrading of student accommodation. Maintaining the University's Residential Accommodation is a key element of underpinning the student experience and this year's projects of approximately £2m in total have included new kitchens and showers at Southampton and Warsash and upgraded fire detections systems to the Southampton halls.
- Southampton School of Art, a £1.1m city centre teaching facility for Art and Design students, completed in August 2011.

The University is also planning a major redevelopment of the 1960's East Park Terrace campus following the successful strategic acquisition of two parcels of land adjacent to the Southampton City campus in 2010. Following the acquisition, the University developed a Masterplan Development Framework for the site and renewed its Estate Strategy to aid and facilitate discussions with Southampton City Council to gain support for educational development on the site which previously had permission for extensive commercial use. Following very constructive and positive discussions with the City Council, the University undertook an extensive EU compliant tender process and has engaged a professional design team consisting of internationally renowned Architects and Engineers and Project Manager to deliver new buildings by 2015.

Under the direction of a Project Steering Group, chaired by a Deputy Vice Chancellor, the University plans to develop a new Teaching building, Indoor Sports Complex and Sports Science Laboratories, which, subject to final designs and costs, may be phased. This is the first major step towards the renewal of an ageing 1960's campus and the University intends to commit £35m of capital funding to the project.

Objectives of the Project Steering Group are to develop high quality modern teaching space and supporting facilities that are 'green' and have low environmental impact, which significantly enhance the Southampton campus and greatly improve the external visibility of the University by facing onto East Park Terrace.

Efficiencies are also an integral part of the project, and extensive modelling of timetabling data has been undertaken to ensure an optimum design of teaching space to achieve high space utilisation to reduce both the initial capital investment and ongoing estate operating costs.

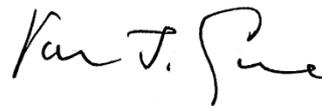
CONCLUSION

Looking ahead, in the wake of Government initiatives affecting international students, funding and fees, 2012-2013 will see continuing uncertainty and challenges surrounding student recruitment. Nevertheless, in order to support its estate development plans (which include a new teaching building and linked sports complex, ready in 2015), the University has set a budget with a minimum 4% surplus. We can therefore anticipate a broadly stable but challenging financial year in the context of cost pressures and further uncertainty about the level and resilience of student demand.

Notwithstanding this, the Strategic Development Programme, to be formally completed in 2012-2013, will be vigorously pursued in terms of embedding flexibility, curriculum innovation and business systems refinements. Recruitment, enhancement of the student learning experience, and employability and enterprise will retain a very high priority, alongside an emphasis on excellence and distinctiveness.



Grahame Sewell
Chairman of the Board of Governors
14 November 2012



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 higher education institutions (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, evaluation 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.

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.

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.

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.

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, their respective audit fee, and any questions of resignation or dismissal of the auditors; it considers and agrees an audit plan each year 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; oversees the institution's policy in fraud and irregularity, and on reporting serious incidents; and ensures that all significant losses have been properly investigated and reported.

In June 2009, the Audit Committee appointed BDO as the University's external auditors for an initial three year period. In March 2012, following its annual evaluation of the external auditors' performance, the Committee re-appointed BDO for a further two years as external audit provider. During 2011-2012 a new external audit partner was put in place, as the previous partner in charge had served for the maximum permitted term.

Name	Occupation	Qualification
Jonathan Prest	Principal, Barton Peveril Sixth Form College	BA(Hons) English and Theology; PGCE
Jenny Hill	Partner, RSM Tenon	BA (Hons) Business Studies; ACA
Gary Little	Finance Director, Retail Banking Division, Close Brothers	Bachelor of Commerce, Economics; ACA
Dr Joanna Mountfield	Director of Education and Consultant Obstetrician, University Hospital Southampton NHS Foundation Trust	MA in Education; MBChB in Pathology and Microbiology

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.

Following an annual self-evaluation of the work of the Audit Committee, members were satisfied that the Committee had discharged its duties in accordance with its terms of reference.

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.

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.

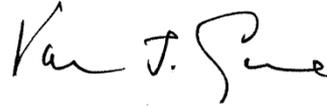
The **Vice-Chancellor** is the head of the institution who has a general responsibility to the Board of Governors for the organisation, direction and management of the University. Under the terms of the formal *Financial Memorandum (FM)* between the University and the Higher Education Funding Council for England (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.

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.

Approved by the Board of Governors on 14 November 2012
and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'G. Sewell', with a long horizontal line extending to the right.

Grahame Sewell
Chairman of the Board of Governors

A handwritten signature in black ink, appearing to be 'Van J. Gore', written in a cursive style.

Professor Van 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 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; Statement of Recommended Practice: Accounting for Further and Higher Education; Accounts Direction of the Higher Education Funding Council for England (HEFCE); 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, 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.

The Board of Governors has 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 approves the University's Annual Monitoring Statement and Financial Forecast, which are subsequently submitted to HEFCE;
- the Board of Governors has requested the Audit Committee to provide oversight of risk management. A Risk Management Group has been established and the Audit Committee receives a report at each of its meetings on any movement in the ten major risks for the University identified for that year. Any matters of concern are reported to the Board of Governors;
- 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 which includes the Internal Auditor'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 and 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.

Kingston City Group (KCG), a shared services Consortium of London and South East universities, has been appointed to serve as the University's internal auditor. The consortium operates to standards defined in the Audit Code of Practice published by HEFCE in July 2010. The internal auditor submits regular reports which include the internal auditor'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 to establish a small group to undertake this review. The working group comprised two independent governors, a Deputy Vice-Chancellor and the Clerk to the Governors.

The main purpose of the review was to assess the quality of enabling factors required for effective governance, namely: commitment to the organisation and vision, structures and processes, effective membership, strategic development and performance measurement, communication and information, and future governance. It also sought feedback on the quality of working relationships and boardroom behaviour, and the outcomes of Board and committee proceedings.

As part of the review, a detailed survey of the effectiveness of the University's governing body was undertaken using Allan Schofield's framework which was launched by the Leadership Foundation in Higher Education (LFHE) and CUC in May 2011.

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 approved by the Board of Governors on 16 November 2011.

The Governors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the University's auditors are unaware; and each Governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of the information.

Approved by the Board of Governors on 14 November 2012 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 2012 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 2012 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

BDO LLP
Statutory Auditor
Southampton
United Kingdom
21 November 2012

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 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and, is considered to pass the tests set out in Paragraph 1 Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471 and 478-488 of the CTA2010 (formerly s505 ICTA 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

Statement of Principal Accounting Policies

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 activities of two subsidiary undertakings, Southampton Solent University Limited (SSUL) and Sport Solent in the Community (SSIC), are consolidated within the University's accounts in accordance with FRS 2. SSUL is a wholly owned subsidiary of the University and SSIC is deemed to be a subsidiary undertaking as the University appoints the trustees of the charity.

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 assets of the TPS are held in a separate trustee-administered fund. Because of the nature of the scheme, the scheme's assets are not hypothecated to individual institutions and scheme-wide

contribution rates are set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of these 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 schemes in respect of the accounting period.

The University is able to identify its share of assets and liabilities of the HCCLGPS and therefore fully adopts FRS 17.

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 2012

	Notes	2012 £000	2011 £000
INCOME			
Funding Body Grants	1	38,400	42,216
Tuition Fees and Education Contracts	2	46,348	42,149
Research Grants and Contracts	3	335	695
Other Operating Income	4	16,729	15,825
Endowment and Investment Income	5	585	471
		102,397	101,356
EXPENDITURE			
Staff Costs	6	52,156	50,514
Other Operating Expenses		36,924	35,252
Depreciation	10	3,911	3,626
Interest Payable	8	3,319	3,294
	7	96,310	92,686
Surplus after depreciation of assets and before tax		6,087	8,670
Taxation	9	-	-
Surplus after depreciation of assets and tax		6,087	8,670
Surplus for the year transferred to accumulated income in endowment funds	12	(15)	(1)
Surplus for the year retained within general reserves		<u>6,072</u>	<u>8,669</u>
All amounts relate to continuing activities.			

Consolidated Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 July 2012

	Notes	2012 £000	2011 £000
Surplus after depreciation of assets and before tax		6,087	8,670
Difference between the Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the relevant amount	20	90	90
Historical Cost Surplus before Tax		<u>6,177</u>	<u>8,760</u>
Historical Cost Surplus after Tax		<u>6,177</u>	<u>8,760</u>

The Notes on pages 30 to 44 form part of these Financial Statements.

Balance Sheet as at 31 July

	Notes	Consolidated		University	
		2012	2011	2012	2011
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	10	87,244	83,460	84,418	80,688
Investments	11	50	50	2,750	2,750
		87,294	83,510	87,168	83,438
Endowment Asset Investments	12	706	634	706	634
Current Assets					
Debtors	13	3,999	3,094	4,186	3,366
Investments	14	17,670	18,991	17,670	18,991
Cash at Bank and in Hand	30	10,234	9,701	9,961	9,388
		31,903	31,786	31,817	31,745
Creditors: amounts falling due within one year	15	13,672	13,711	13,456	13,547
Net Current Assets		18,231	18,075	18,361	18,198
Total Assets less Current Liabilities		106,231	102,219	106,235	102,270
Creditors: amounts falling due after more than one year	16	28,647	29,869	28,647	29,869
Provisions for liabilities and charges	17	2,130	2,085	2,130	2,085
Net Assets Excluding Pension Liabilities		75,454	70,265	75,458	70,316
Net Pension Liability	17	39,560	29,040	39,560	29,040
TOTAL ASSETS LESS LIABILITIES		<u>35,894</u>	<u>41,225</u>	<u>35,898</u>	<u>41,276</u>
Deferred Capital Grants	18	9,585	11,210	9,585	11,210
Expendable Endowments	19	706	634	706	634
Reserves					
Income and Expenditure Account excluding Pension Reserve		57,813	50,981	57,817	51,032
Pension Reserve	17	(39,560)	(29,040)	(39,560)	(29,040)
Income and Expenditure Account including Pension Reserve	21	18,253	21,941	18,257	21,992
Revaluation Reserve	20	7,350	7,440	7,350	7,440
Total Reserves		25,603	29,381	25,607	29,432
TOTAL FUNDS		<u>35,894</u>	<u>41,225</u>	<u>35,898</u>	<u>41,276</u>

These Financial Statements were approved and authorised for issue by the Board of Governors on 14 November 2012.



Grahame Sewell
Chairman of the Board of Governors



Professor Van Gore
Vice-Chancellor

The Notes on pages 30 to 44 form part of these Financial Statements.

Consolidated Cash Flow Statement for the Year Ended 31 July 2012

	Notes	2012 £000	2011 £000
Net Cash Inflow from Operating Activities	26	9,672	12,091
Returns on investments and servicing of finance	27	(1,823)	(2,001)
Taxation		-	-
Capital expenditure and financial investment	28	(7,538)	(16,532)
Management of liquid resources	30	1,337	7,536
Financing	29	(1,100)	(1,081)
Increase in Cash		548	13

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

	Notes	2012 £000	2011 £000
Increase in Cash		548	13
Repayment of Long Term Loans		773	722
Repayment of Capital Elements of Finance Leases		395	359
New Loans Acquired		(68)	-
Decrease in Short Term Deposits		(1,321)	(7,536)
Movement in Net Debt/Funds		327	(6,442)
Net (Debt)/Funds at 1 August	30	(2,336)	4,106
Net (Debt)/Funds at 31 July	30	(2,009)	(2,336)

Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2012

	Notes	2012 £000	2011 £000
Surplus after Depreciation of Assets at Valuation and Tax		6,072	8,669
Unrealised Gain on Endowment Asset Investments	12	57	11
Endowment Surplus Retained in the Year	12	15	1
Actuarial Loss on Pension Scheme	17	(9,850)	(4,490)
Total Recognised Gains and Losses Relating to the Year		(3,706)	4,191
Reconciliation			
Opening Reserves and Endowments		30,015	
Total Recognised Gain for the Year		(3,706)	
Closing Reserves and Endowments		26,309	

The Notes on pages 30 to 44 form part of these Financial Statements.

Notes to the Accounts for the Year Ended 31 July 2012

1. FUNDING BODY GRANTS	2012	2011
	£000	£000
Recurrent Grant		
HEFCE	32,973	34,854
FE Funding Bodies	571	912
Specific HEFCE Grants		
Special Initiatives	3,231	4,894
Deferred Capital Grants Released in Year		
Buildings (Note 18)	669	536
Equipment (Note 18)	956	1,020
	38,400	42,216

2. TUITION FEES AND EDUCATION CONTRACTS	2012	2011
	£000	£000
Full time undergraduate and postgraduate fees home and EU	31,301	28,058
Part time undergraduate and postgraduate fees home and EU	975	1,113
Overseas (Non-EU) domicile students	6,664	6,981
Non credit bearing course fees	7,148	5,814
Other	260	183
	46,348	42,149

3. RESEARCH GRANTS AND CONTRACTS	2012	2011
	£000	£000
EU Grants	240	629
Research Councils	17	-
Other Sources	78	66
	335	695

4. OTHER OPERATING INCOME	2012	2011
	£000	£000
Residences, Catering and Conferences	12,993	12,810
Other Services Rendered	375	450
Profit on Disposal of Fixed Assets	-	4
Other Income	3,361	2,561
	16,729	15,825

5. ENDOWMENT AND INVESTMENT INCOME	2012	2011
	£000	£000
Income from Expendable Endowments (Trust Funds) (Note 19)	23	23
Income from Short Term Investments	512	448
Income from Long Term Investments	50	-
	585	471

Notes to the Accounts for the Year Ended 31 July 2012

6. STAFF COSTS	2012	2011
	£000	£000
Wages and Salaries	42,394	41,598
Social Security Costs	3,504	3,288
Other Pension Costs	5,462	5,212
Redundancy Costs	796	416
	52,156	50,514
Average staff numbers by major category:	Number	Number
Academic Departments	786	755
Academic Services	125	116
Research Grants and Contracts	5	6
Residences, Catering and Conferences	23	31
Premises	59	40
Administration	260	264
	1,258	1,212
Members of the Senior Management Team	17	17
Emoluments of Vice-Chancellor and remuneration of senior staff:	£	£
Emoluments of Vice-Chancellor	218,269	210,650
Employer's pension contributions (Teachers' Pension Scheme)	18,994	28,491
Other benefits	4,400	3,945
	241,663	243,086
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	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	2012	2011
Analysed by Activity:	£000	£000
Academic Departments	40,878	38,927
Academic Services	8,647	8,428
Administration and Central Services	22,334	20,982
Premises	10,913	10,989
Research Grants and Contracts	319	628
Residences, Catering and Conferences	12,549	12,382
Other Expenditure	670	350
	96,310	92,686
Other Operating Expenses include:		
External Auditor's Remuneration - Audit Fees *	40	39
External Auditor's Remuneration - Other Fees	12	26
Governors Expenses **	4	4
Internal Auditor's Remuneration - Audit Fees	49	51
Operating Lease Rentals Land/Buildings	4,662	4,436
Operating Lease Rentals Plant/Machinery	56	67

* £30,800 relates to net fee payable by the University (2011: £29,650).

**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 £3,955 was paid to 7 Governors for reimbursement of expenses (2011: £3,997 paid to 9 Governors).

Notes to the Accounts for the Year Ended 31 July 2012

8. INTEREST PAYABLE	2012	2011
	£000	£000
Loans wholly repayable within five years	-	-
Loans not wholly repayable within five years	1,437	1,488
Finance Leases	942	986
Pension finance costs	940	820
	<u>3,319</u>	<u>3,294</u>

9. TAXATION

No corporation tax charge (2011: 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	13,128	59,930	3,355	13,717	90,130
Additions	-	-	5,683	2,012	7,695
Disposals	-	-	-	(852)	(852)
Transfers	-	6,744	(6,977)	233	-
At 31 July 2012	<u>19,582</u>	<u>81,856</u>	<u>2,061</u>	<u>15,110</u>	<u>118,609</u>
Depreciation					
At 1 August 2011	-	19,138	-	9,168	28,306
Disposals	-	-	-	(852)	(852)
Provided during period	-	2,110	-	1,801	3,911
At 31 July 2012	<u>-</u>	<u>21,248</u>	<u>-</u>	<u>10,117</u>	<u>31,365</u>
Net Book Value at 31 July 2012	<u>19,582</u>	<u>60,608</u>	<u>2,061</u>	<u>4,993</u>	<u>87,244</u>
Net Book Value at 31 July 2011	<u>19,582</u>	<u>55,974</u>	<u>3,355</u>	<u>4,549</u>	<u>83,460</u>
University					
At valuation 31 July 1998	6,454	15,182	-	-	21,636
At cost	12,808	57,471	3,355	13,472	87,106
Additions	-	-	5,577	2,011	7,588
Disposals	-	-	-	(852)	(852)
Transfers	-	6,730	(6,963)	233	-
At 31 July 2012	<u>19,262</u>	<u>79,383</u>	<u>1,969</u>	<u>14,864</u>	<u>115,478</u>
Depreciation					
At 1 August 2011	-	19,132	-	8,922	28,054
Disposals	-	-	-	(852)	(852)
Provided during period	-	2,057	-	1,801	3,858
At 31 July 2012	<u>-</u>	<u>21,189</u>	<u>-</u>	<u>9,871</u>	<u>31,060</u>
Net Book Value at 31 July 2012	<u>19,262</u>	<u>58,194</u>	<u>1,969</u>	<u>4,993</u>	<u>84,418</u>
Net Book Value at 31 July 2011	<u>19,262</u>	<u>53,521</u>	<u>3,355</u>	<u>4,550</u>	<u>80,688</u>

Notes to the Accounts for the Year Ended 31 July 2012

10. TANGIBLE ASSETS (CONTINUED)

Included in Land and Buildings are two assets with a combined net book value of £9.9 million (2011: £10.1 million) held under finance leases. Depreciation for the year on these leased assets was £0.2 million (2011: £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	
	2012	2011	2012	2011
	£000	£000	£000	£000
Subsidiaries	-	-	2,700	2,700
Other Investments	50	50	50	50
	<u>50</u>	<u>50</u>	<u>2,750</u>	<u>2,750</u>

Subsidiary Undertakings

The University owns 100% of the issued ordinary share capital of £2.7 million (2011: £2.7 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.

12. ENDOWMENT ASSET INVESTMENTS	Consolidated and University	
	2012	2011
	£000	£000
Balance at 1 August	634	622
Appreciation on Revaluation	57	11
Additions	-	29
Increase/(Decrease) in cash balances	15	(28)
Balance at 31 July	<u>706</u>	<u>634</u>
MIM Britannia Maximum Income Fund	657	600
Shares and securities not incorporated in above funds	30	30
Cash balances	19	4
Balance at 31 July	<u>706</u>	<u>634</u>

Notes to the Accounts for the Year Ended 31 July 2012

13. DEBTORS	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade Debtors	2,211	1,839	1,892	1,542
Other Debtors	1,788	1,255	1,712	1,246
Amount owed by subsidiary undertakings	-	-	582	578
	<u>3,999</u>	<u>3,094</u>	<u>4,186</u>	<u>3,366</u>

Amounts owed by subsidiary undertakings includes £5,000 due after one year (2011: £nil).

14. CURRENT ASSET INVESTMENTS	Consolidated and University	
	2012	2011
	£000	£000
Deposits Maturing:		
In one year or less	13,133	14,819
In more than one year	4,537	4,172
	<u>17,670</u>	<u>18,991</u>

15. CREDITORS: amounts falling due within one year	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade Creditors	8,080	8,703	7,916	8,622
Taxation and social security	1,140	1,088	1,140	1,088
Salary and wages creditor	907	1,032	907	1,032
Other Creditors	2,103	1,725	2,051	1,630
HEFCE Capital Investment Fund (Note 18)	157	-	157	-
Amount due to subsidiary undertaking	-	-	-	12
Bank loan (Note 22b)	835	773	835	773
Other loan (Note 22c)	8	-	8	-
Obligations under finance leases (Note 22a)	442	390	442	390
	<u>13,672</u>	<u>13,711</u>	<u>13,456</u>	<u>13,547</u>

Amount due to subsidiary undertaking includes £nil in respect of unpaid share capital (2011: £0.009 million).

16. CREDITORS: amounts falling due after one year	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Long Term Bank loan (Note 22b)	18,196	19,031	18,196	19,031
Other loan (Note 22c)	60	-	60	-
Obligations under finance leases (Note 22a)	10,391	10,838	10,391	10,838
	<u>28,647</u>	<u>29,869</u>	<u>28,647</u>	<u>29,869</u>

Notes to the Accounts for the Year Ended 31 July 2012

17. PROVISIONS FOR LIABILITIES AND CHARGES	Consolidated and University				
	National Minimum Wage	Heritable	Dilapidation	Reorganisation	Total
	£000	£000	£000	£000	£000
At 1 August 2011	164	520	1,017	384	2,085
Charge to Income & Expenditure Account	10	-	27	288	325
Payments made in the year	-	-	-	(273)	(273)
Release in the year	-	(7)	-	-	(7)
At 31 July 2012	<u>174</u>	<u>513</u>	<u>1,044</u>	<u>399</u>	<u>2,130</u>

The National Minimum Wage provision relates to amounts potentially due to be paid under the National Minimum Wage regulations, prior to the change of regulations in October 2011.

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 2011 to 31 July 2012.

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

	2012	2011
	£000	£000
Contributions to Teachers' Pension Scheme	<u>2,654</u>	<u>2,705</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 2012

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. The 2008 valuation has not yet been completed.

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.

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

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:

	2012 £000	2011 £000
Contributions to USS	26	17

Notes to the Accounts for the Year Ended 31 July 2012

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 2013 are estimated to be £3.15 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 2010. The major assumptions used by the actuary for the purposes of FRS 17 were:

	31 July 2012	31 July 2011	31 July 2010
Discount Rate	4.1% pa	5.3% pa	5.4% pa
Rate of increase in salaries	4.6% pa	5.2% pa	5.0% pa
Rate of increase in pensions in payment	2.1% pa	2.8% pa	2.8% pa
Rate of inflation (RPI)	3.1% pa	3.7% pa	3.5% pa
Rate of inflation (CPI)	2.1% pa	2.8% pa	2.8% pa
Mortality Assumptions	At 31 July 2012		
		Retiring Today	Retiring in 20 years
Male		23.9	25.6
Female		24.9	26.8

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

	At 31 July 2012		At 31 July 2011		At 31 July 2010	
	Rate of Return	Value	Rate of Return	Value	Rate of Return	Value
Equities	7.5%	27,351	7.9%	29,028	8.2%	23,341
Government bonds	2.5%	13,902	3.9%	11,069	4.2%	9,452
Corporate bonds	3.2%	705	4.7%	827	4.9%	926
Property	7.0%	4,030	7.4%	3,674	7.7%	2,546
Cash	1.4%	1,712	1.5%	1,332	1.4%	2,315
Other assets	7.5%	2,670	7.9%	-	8.2%	-
		50,370		45,930		38,580
Average rate of return	5.8%		6.7%		6.7%	

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 2012.

Notes to the Accounts for the Year Ended 31 July 2012

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 2012 £000	Value at 31 July 2011 £000
Funded Benefits		
Fair Value of Fund Assets	50,370	45,930
Present Value of Liabilities	89,500	74,540
Funded Net Pension Liability	(39,130)	(28,610)
Unfunded Benefits		
Present Value of Liabilities	430	430
Unfunded Net Pension Liability	(430)	(430)
Total Net Pension Liability	<u>(39,560)</u>	<u>(29,040)</u>
Analysis of Charge to Income & Expenditure Account	2012	2011
	£000	£000
Current Service Cost (included in Other Pension Costs - Note 6)	2,830	2,570
Past Service Cost (included in Other Pension Costs - Note 6)	130	60
Interest Cost (included in Pension Finance Costs - Note 8)	4,030	3,450
Expected Return on Assets (included in Pension Finance Costs - Note 8)	(3,090)	(2,630)
Expense Recognised	<u>3,900</u>	<u>3,450</u>
The expense recognised includes £20,000 (2011: £20,000) in respect of unfunded benefits.		
Changes to the Present Value of Liabilities during the year	2012	2011
	£000	£000
Opening Value of Liabilities	74,970	62,780
Current Service Cost	2,830	2,570
Interest Cost	4,030	3,450
Contributions by Participants	1,180	1,160
Actuarial Losses	8,610	6,190
Net Benefits Paid Out	(1,820)	(1,240)
Past Service Cost	130	60
Closing Value of Liabilities	<u>89,930</u>	<u>74,970</u>

The closing liability includes £430,000 (2011: £430,000) in respect of unfunded benefits.

Notes to the Accounts for the Year Ended 31 July 2012

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Changes to the Fair Value of Assets during the year	2012	2011			
	£000	£000			
Opening Value of Assets	45,930	38,580			
Expected Return on Assets	3,090	2,630			
Actuarial (Loss)/Gain on Assets	(1,240)	1,700			
Contributions by the Employer	3,230	3,060			
Contributions by Participants	1,180	1,160			
Net Benefits Paid Out	(1,820)	(1,200)			
Closing Value of Assets	<u>50,370</u>	<u>45,930</u>			
Actual Return on Assets	2012	2011			
	£000	£000			
Expected Return on Assets	3,090	2,630			
Actuarial (Loss)/Gain on Assets	(1,240)	1,700			
Actual Return on Assets	<u>1,850</u>	<u>4,330</u>			
Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses	2012	2011			
	£000	£000			
Actuarial (Loss)/Gain on Assets	(1,240)	1,700			
Actuarial Loss on Liabilities	(8,610)	(6,190)			
Total Actuarial Loss	<u>(9,850)</u>	<u>(4,490)</u>			
The actuarial loss includes a loss of £20,000 (2011: loss of £30,000) in respect of unfunded benefits.					
5 Year History	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Present Value of Liabilities	89,930	74,970	62,780	61,160	49,080
Fair Value of Assets	50,370	45,930	38,580	31,320	32,230
Deficit on the Scheme	<u>39,560</u>	<u>29,040</u>	<u>24,200</u>	<u>29,840</u>	<u>16,850</u>
Experience (Losses)/Gains on Assets	(1,240)	1,700	2,880	(5,190)	(7,380)
Experience (Losses)/Gains on Liabilities	(40)	(4,180)	490	(90)	3,380

Notes to the Accounts for the Year Ended 31 July 2012

18. DEFERRED CAPITAL GRANTS	Consolidated and University		
	Buildings £000	Equipment £000	Total £000
At 1 August 2011	8,340	2,870	11,210
Cash Received	-	157	157
Increase in HEFCE Capital Investment Fund Creditor (Note 15)	-	(157)	(157)
Released to Income and Expenditure	(669)	(956)	(1,625)
At 31 July 2012	<u>7,671</u>	<u>1,914</u>	<u>9,585</u>

19. EXPENDABLE ENDOWMENTS AND LINKED CHARITIES	Consolidated and University	
	2012 £000	2011 £000
Capital Value	629	618
Accumulated Income	5	4
At 1 August	634	622
Appreciation of Endowment Asset Investments	57	11
Income for the Year	23	23
Expenditure for the Year	(8)	(22)
At 31 July	<u>706</u>	<u>634</u>
Represented by:		
Capital Value	686	629
Accumulated Income	20	5
	<u>706</u>	<u>634</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	
	2012 £000	2011 £000
At 1 August	7,440	7,530
Transfer to the Income and Expenditure Account (Note 21) - Depreciation for the period on revalued inherited assets	(90)	(90)
At 31 July	<u>7,350</u>	<u>7,440</u>

21. INCOME AND EXPENDITURE ACCOUNT	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
At 1 August	21,941	17,672	21,992	17,754
Retained Surplus for the Period	6,072	8,669	6,025	8,638
Loss on Pension Liability	(9,850)	(4,490)	(9,850)	(4,490)
Transfers from Revaluation Reserve (Note 20)	90	90	90	90
At 31 July	<u>18,253</u>	<u>21,941</u>	<u>18,257</u>	<u>21,992</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 2012

22. OBLIGATIONS UNDER LEASES AND LOANS	Consolidated and University	
a) Finance Leases	2012	2011
	£000	£000
Amounts Payable:		
Within one year	1,317	1,347
In more than one year and less than two years	1,317	1,347
In more than two and less than five years	3,955	4,041
After more than five years	9,606	10,984
	16,195	17,719
Less: finance charges allocated to future periods	(5,362)	(6,491)
	<u>10,833</u>	<u>11,228</u>
Analysed as:		
Amounts due in less than one year	442	390
Amounts due after more than one year	10,391	10,838
	<u>10,833</u>	<u>11,228</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) Bank Loans	2012	2011
	£000	£000
Instalments due within one year	835	773
Instalments due in more than one and less than two years	890	835
Instalments due in more than two and less than five years	3,125	2,899
Instalments not due within five years	14,181	15,297
	<u>19,031</u>	<u>19,804</u>
Analysed as:		
Amounts due within one year	835	773
Amounts due after more than one year	18,196	19,031
	<u>19,031</u>	<u>19,804</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) Other Loans	2012	2011
	£000	£000
Instalments due within one year	8	-
Instalments due in more than one and less than two years	17	-
Instalments due in more than two and less than five years	43	-
	<u>68</u>	<u>-</u>
Analysed as:		
Amounts due within one year	8	-
Amounts due after more than one year	60	-
	<u>68</u>	<u>-</u>
The above balance relates to an interest free loan from HEFCE due for repayment in 2016.		
d) The current annual commitment under non-cancellable operating leases for land and building is as follows:	2012	2011
	£000	£000
Amounts payable under leases expiring after more than five years	<u>4,511</u>	<u>4,368</u>

Notes to the Accounts for the Year Ended 31 July 2012

23. CAPITAL COMMITMENTS	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Authorised and Contracted	<u>2,960</u>	<u>1,974</u>	<u>2,960</u>	<u>1,974</u>
Authorised but not Contracted	<u>7,806</u>	<u>10,027</u>	<u>7,804</u>	<u>9,995</u>

24. CONTINGENT LIABILITIES

At 31 July 2012 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

	2012	2011
	£000	£000
Surplus before taxation	6,087	8,670
Less: Investment Income	(585)	(471)
	5,502	8,199
Add back Interest Payable	3,319	3,294
Surplus from Operating Activities	8,821	11,493
Surplus on Disposal of Fixed Assets	-	(4)
Release of Capital Grant	(1,625)	(1,556)
Depreciation	3,911	3,626
Pension contribution less amounts charged to operating surplus	(270)	(470)
Increase in Debtors	(898)	(159)
Decrease in Creditors	(312)	(253)
Increase/(Decrease) in Provisions	45	(586)
	<u>9,672</u>	<u>12,091</u>

27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012	2011
	£000	£000
Income from Endowments	23	23
Interest Received	539	457
Interest Paid under Finance Leases	(944)	(989)
Other Interest Paid	(1,441)	(1,492)
Returns on Investments and Servicing of Finance	<u>(1,823)</u>	<u>(2,001)</u>

Notes to the Accounts for the Year Ended 31 July 2012

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2012	2011
	£000	£000
Purchase of Fixed Assets	(7,695)	(18,217)
Deferred Capital Grants Received	157	1,710
Endowment Investment Addition	-	(29)
Receipts on Disposal of Fixed Assets	-	4
	<u>(7,538)</u>	<u>(16,532)</u>

29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR	At 1 August 2011	New Loans Acquired	Capital Repayments In the year	At 31 July 2012
	£000	£000	£000	£000
Kimber College Finance Lease	3,355	-	(370)	2,985
Sir James Matthews Building Finance Lease	7,874	-	(25)	7,849
Deanery College Loan	10,716	-	(418)	10,298
Chantry College Loan	6,124	-	(239)	5,885
David Moxon Annex Loan	2,963	-	(116)	2,847
HEFCE Revolving Green Fund	-	68	-	68
	<u>31,032</u>	<u>68</u>	<u>(1,168)</u>	<u>29,932</u>

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

	2012	2011
	£000	£000
Repayment of Loans	(773)	(722)
Repayment of Capital Element of Finance Leases	(395)	(359)
New Loans Acquired	68	-
	<u>(1,100)</u>	<u>(1,081)</u>

30. ANALYSIS OF CHANGES IN NET DEBT	At 1 August 2011	Cash Flow	Non Cash Movement	At 31 July 2012
	£000	£000	£000	£000
Cash at Bank and in Hand:				
Endowment Assets	4	15	-	19
Cash	9,701	533	-	10,234
	9,705	548	-	10,253
Short Term Deposit	18,991	(1,337)	16	17,670
Debt Due within one year	(1,163)	1,168	(1,290)	(1,285)
Debt Due after one year	(29,869)	(68)	1,290	(28,647)
	<u>(2,336)</u>	<u>311</u>	<u>16</u>	<u>(2,009)</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 2012

31. ACCESS FUNDS	2012	2011
	£000	£000
Balance Brought Forward	-	1
Funding Council Grants	249	244
	249	245
Disbursed to Students	(242)	(238)
Administration Costs	(7)	(7)
Balance Unspent at 31 July	-	-

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 2012 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.

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	117	25	120	-	-
Grant	-	-	-	50	401

Principal Address & Advisors

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BANKERS	
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SOLICITORS	
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