



Manchester
Metropolitan
University

Financial Statements

Year ended 31 July 2012





COVER IMAGE

The new Business School and Student Hub is an award-winning building constructed to the highest standards of energy efficiency and sustainable development. The building provides an inspirational learning and teaching environment and the extensive atria offer a welcoming social space to meet, eat and study.

Financial Statements Report and Accounts 2011/12

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Report of the Board of Governors

Operating and Financial Review

The Governors submit the University's annual report and audited consolidated financial statements for the year ended 31 July 2012. The financial statements have been prepared to comply with the Statement of Recommended Practice (SORP) for further and higher education institutions.

The report for the year to 31 July 2012 records continued success both academically and financially in an increasingly competitive environment.

Introduction: 2020 Vision and Corporate Strategy

The University's 2020 Vision (published in 2006), provided the catalyst for the strategic development of the University in recent years. The key elements of the 2020 Vision were;

- a clear focus on the student experience in order to improve student satisfaction, progression and employability;
- a change agenda which set out the ambition to rationalise the physical estate from seven campuses to two, centralise and modernise services with the aim to deliver better value for money, and enable investment in learning, teaching and research.

The 2020 Vision was reviewed in the recent update of the University Corporate Strategy for the period 2012 to 2017, taking due account of the significant changes now taking place in Government HE Policy and in how Universities will be funded from 2012 onwards. That review concluded that the original vision and values remained valid, but emphasised renewed focus, in particular, upon the student experience.

This review of 2011/12 records significant progress by the University in support of its Vision, and excellent performance in a number of key areas identified in the themes enshrined in both the 2020 Vision and the recently updated Corporate Strategy.

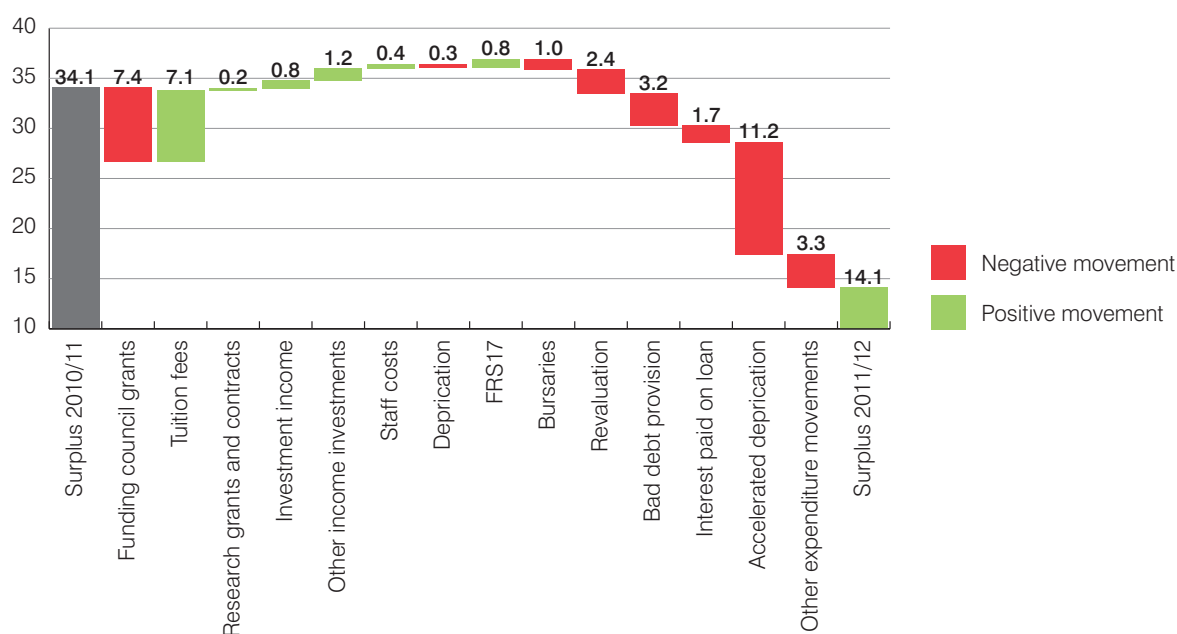
Financial Performance and Sustainability

The financial performance of the University in 2011/12 reflects another strong year of good financial health, and delivery of key performance indicators (KPIs) as set out in the University's Financial Strategy. The 2011/12 financial results are summarized as follows:

Results for the Year	2011/12	2010/11	Movement	Movement
	£000	£000	£000	%
Income	245,405	248,028	(2,623)	(1.1)
Expenditure (before exceptional items)	(219,210)	(213,103)	(6,107)	2.9
Surplus on Operating Activities before Exceptional Items	26,195	34,925	(8,730)	(25.0)
Exceptional Items	(12,064)	(855)	(11,209)	1,311.0
Surplus on continuing operations after depreciation, tax and exceptional items	14,131	34,070	(19,939)	(58.5)
(Surplus) / Deficit for the year transferred to accumulated income in endowment funds	(16)	7	(23)	(328.6)
Surplus for the year retained within General Reserves	14,115	34,077	(19,962)	(58.6)
Historic cost surplus for the year	26,409	37,714	(11,305)	(30.0)
Cash flow from operating activities	28,440	41,228	(12,788)	(31.0)
Capital expenditure	31,425	49,446	(18,021)	(36.4)

The key income and expenditure movements between the two financial years are illustrated below:

Surplus movement waterfall chart



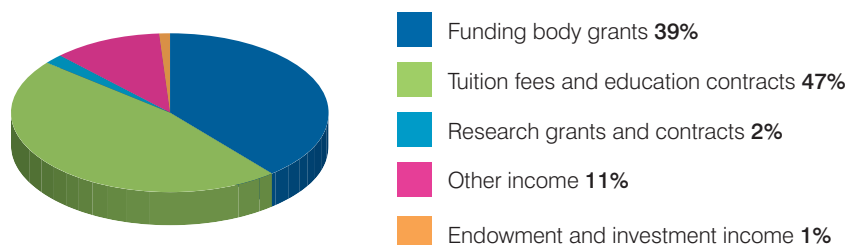
For the financial year ended 2011/12, the surplus on continuing operations after depreciation, but before tax and exceptional items was £26.2m (10.7% of income), compared with £34.9m (14.1% of income) in 2010/11; this represents continued excellent performance against a financial strategy KPI that sets a minimum operating surplus requirement of £15m (6% of annual income).

Income

Total income decreased by £2.6m, some 1.1%, year-on-year.

Income Analysis 2011/2012 (£'000)

Income	2011/12	2010/11	£000 Movement	% Movement
Funding body grants	96,318	103,717	(7,399)	(7.1)
Tuition fees and education contracts	113,943	106,875	7,068	6.6
Research grants and contracts	5,163	4,992	171	3.4
Other income	27,983	31,371	(3,388)	(10.8)
Endowment and investment income	1,998	1,073	925	86.2
Total Income	245,405	248,028	(2,623)	(1.1)



Funding Council Grants

Funding body grants reduced by £7.4m overall (some 3%). In respect of Higher Education Funding Council for England (HEFCE), there were a number of non-recurrent/specific grant movements year on year, which masked the underlying movement in the recurrent grant position. Overall underlying recurrent HEFCE teaching and research grants fell by £7.4m and £0.7m respectively, reflecting the sector-wide recurrent grant reductions in teaching funds, and the greater concentration of research funding as set out in Government announcements. The reduction in grants from the Teaching Agency of £2.4m year on year, reflects a reduction in Initial Teacher Training numbers and the phasing out of some special initiative funding; these reductions in income have been reflected in associated reductions in expenditure.

Tuition Fees and Educational Contracts

The following table illustrates the movement of tuition fee income between 2010/11 and 2011/12:

Tuition fees and education contracts	2011/12	2010/11	£000 Movement	% Movement
Full-time students	82,122	75,112	7,010	9.3
Full-time students charged overseas fees	13,143	11,593	1,550	13.4
Part-time fees	5,343	4,600	743	16.2
Short course fees	1,116	1,446	(330)	(22.8)
Education contracts - NHS	8,946	9,012	(66)	(0.7)
Education contracts - other	3,273	5,112	(1,839)	(36.0)
	113,943	106,875	7,068	6.6

Overall, tuition fees and education contracts increased by £7.1m, some 6.6% year on year, principally as a result of a £7.0m increase in full time Home and EU fee income. This above inflation movement reflects an increase in Undergraduate entry and improved retention. There was more modest growth in overseas student numbers year on year of some 1.6%, but income was bolstered by increased fee levels. Education contracts (excluding NHS contracts which held steady year on year) declined by £1.8m reflecting the reduction in publicly funded contracts within the HE sector as a result of the tightening fiscal conditions and the need for Government to reduce public spending.

Research Grants and Contracts

Research grants and contracts income increased by £0.2m, some 3.4% year on year, but contribution increased to 15.9%, compared to contribution of 14.1% in 2010/11.

Other Income

The decrease in other income of £3.4m reflects a number of movements, including;

- a decrease of £4.5m of student residences income as a result of reduction of leased bedspaces, with a corresponding reduction in expenditure. Overall gross contribution on residences and catering activity rose slightly from £2.5m in 2010/11 to some £2.6m in the year;
- recognition of account surpluses on the closure of projects/initiative; an improvement of some £0.5m year on year.

Endowment and Investment Income

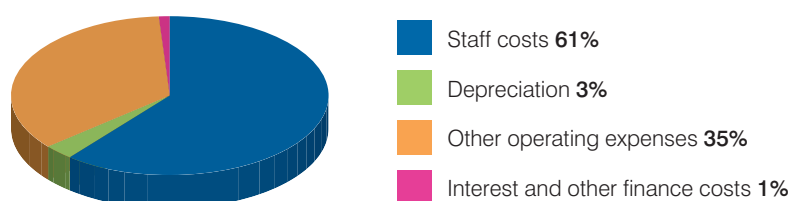
The improvement in endowment and investment income of £0.9m year on year, to some £2m overall, reflects the continued strong performance in respect of cash resources being generated and held for future investment, and improvements in short to medium term interest rates on deposits placed with approved counter-parties.

Expenditure

The University's expenditure increased by some £6.2m, or 2.9%, year-on-year.

Expenditure Analysis 2011/12

Expenditure	2011/12	2010/11	£000 Movement	% Movement
Staff costs	134,935	135,298	(363)	(0.3)
Depreciation	5,814	5,508	306	5.6
Other operating expenses	76,462	71,186	5,276	7.4
Interest and other finance costs	1,999	1,111	888	79.9
Total expenditure	219,210	213,103	6,107	2.9



Staff Costs

Staff costs were stable year on year, with a slight reduction of £0.4m from £135.3m in 2010/11 to some £134.9m in 2011/12. There was upward growth from normal incremental progression, pension cost adjustments, national pay award settlements and targeted investment in support (particularly) of the student experience. However this growth was effectively offset by reductions in activity in respect of education contracts and special initiative funding, restructuring, and by continued focus being placed upon effective cost management and prioritisation of resource.

As a percentage of income, staff cost in the year amounted to 55.0% of the income base, which actually represents a small increase on the 2010/11 figure of 54.5%. However the 2011/12 percentage is within Financial Strategy target thresholds, and is just a little above the sector mean.

Other operating costs

Other operating costs increased by £5.3m from £71.2m in 2010/11 to £76.5m, an increase of some 7.5% year on year. The headline figure masks a number of significant changes during the year. The key movements include;

- an additional £1.0m expenditure on bursaries during the year taking total spend to £11.7m, reflecting the University's commitment to provide financial support to students from lower income backgrounds;
- a £2.4m revaluation loss arising from the write down of the Chatham Tower which is currently undergoing refurbishment as part of the Art and Design Capital Programme;
- property rents reduced by £4.5m due to the termination of the leases with Wilmslow Park and Mill Point Halls of Residences;
- the excellent performance around bad debt collection continued, resulting in there being no charge during the year; however this compared to a prior year release of £3.2m of bad debt provision resulting in an adverse movement year on year;
- increased expenditure on energy costs (£0.4m), with increased investment in the library (£0.5m), and computers and class room equipment (£0.4m).

Interest and other finance costs

The increase of £1.7m in interest payable on loans reflects the drawdown in September 2011 of £35.0m of the approved £70.0m long term borrowing facility with Barclays Bank plc.

Exceptional items

An exceptional accelerated depreciation charge of £12.1m has been made in respect of buildings vacated during the year, which at the balance sheet date are being held for future disposal in accordance with the University's Estates Strategy to rationalize the physical estate from seven campuses to two.

Balance sheet

The balance sheet of the University remained very strong as at 31 July 2012. Net funds stand at a healthy £104.5m, with operating cash flow from operating activities, at some £28.4m, continuing to exceed the target set by the Financial Strategy of some £25m. This has enabled the University to maintain stable levels of net liquidity year on year whilst continuing to invest material sums on its estates consolidation and capital programme. Total net assets decreased in year by £50.9m to £336.1m, reflecting valuation changes in the revaluation reserve held in respect of the University's land and buildings, and in the FRS17 accounting valuation of pension liability. However the general income and expenditure reserve (excluding FRS17 pension liability) increased by £28.0m, from £217.4m to 2010/11 to £245.4m at the balance sheet reflecting, in large part, the historic cost surplus of £26.4m generated in the year.

The valuation of the Greater Manchester Pension Fund on a FRS17 accounting basis as at 31 July 2012, has given rise to a net deficit of £75.8m (2010/11 deficit £36.9m), reflecting a year on year movement of £38.9m. This valuation movement reflects the inherent volatility of the pension valuation, and the significant sensitivities around key assumptions; in particular the adverse movement in 2011/12 primarily reflects record low yields in corporate bonds which are used to determine the discount rate for valuing future pension liabilities. The sensitivity associated with key assumptions for measuring pension liabilities is illustrated below:

Change in assumption	Approximate % increase to Liability	Approximate monetary value £000
0.5% decrease in real discount rate	10 %	28,308
1% increase in member life expectancy	3%	8,092
0.5% increase in salary increase rate	3%	8,074
0.5% increase in the pension increase rate	7%	19,927

Students

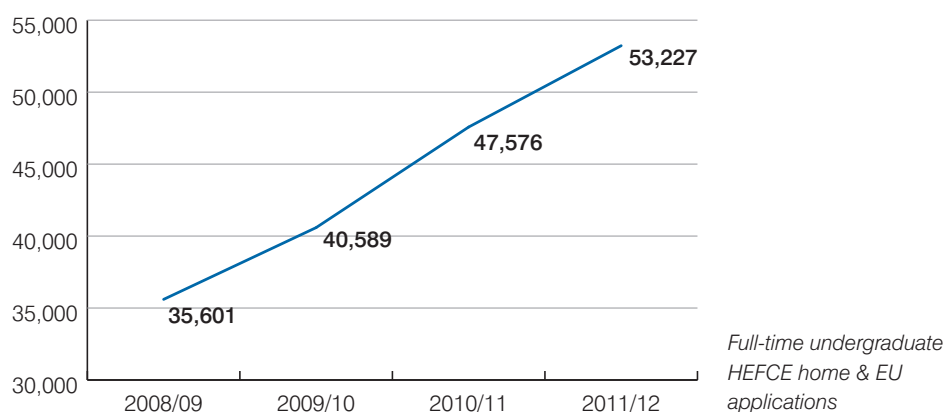
Student Numbers by Mode

The table below shows the University's active population (i.e. excluding withdrawn, suspended or dormant students) for the past three years. Overall student numbers have increased slightly with falls in postgraduate full-time taught (7.0%) and undergraduate part-time (16.1%) numbers being compensated by strong undergraduate (UG) recruitment and an increase in full-time postgraduate research students, of 20.8% in the same period.

Study Level	Student Mode	2009/10	2010/11	2011/12
Undergraduate	Full Time	22,882	23,743	24,700
	Part Time	3,270	3,110	2,744
Postgraduate Taught	Full Time	2,099	2,053	1,953
	Part Time	3,915	3,840	3,647
Postgraduate Research	Full Time	250	284	302
	Part Time	329	365	402
Total	Full Time	25,231	26,080	26,955
	Part Time	7,514	7,315	6,793
	Total	32,745	33,395	33,748

Active student numbers by mode of study

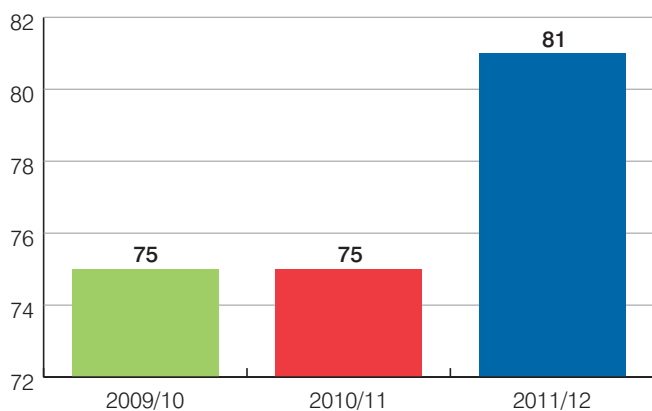
The University's undergraduate student population has continued to contribute the majority of the institution's growth reflecting healthy level of applications as set out in the table below.



The University, along with the rest of the sector, is planning for a contraction in the UK full time student number base as a result of the Government announced student number controls, and the anticipated impact of the 2012 Fee and funding changes on student demand.

Student satisfaction

The following graph shows the proportion of our final year undergraduate students who are satisfied with their overall experience at the Manchester Metropolitan University over the last three years;



The significant step change improvement between 2010/11 and 2011/12 is due to a comprehensive improvement plan that has positively addressed many aspects of the student experience. These improvements have included a review and restructuring of the whole of the undergraduate curriculum, new timetabling system, delivered earlier and now accessible using mobile devices, additional academic tutors to provide one-to-one help and guidance, and personal tutors providing general development, help and guidance to ensure students start their careers positively. The University is determined to sustain and further enhance these improvements as the sector responds to the more volatile and competitive environment around student demand, funding and tuition fees.

Student Experience

The strong focus on student experience during 2011/12 has been evidenced by a wide range of initiatives, investments and enhancement projects which have included;

- a new virtual learning environment and personalised online information;
- comprehensive Wi-Fi coverage and roll out of Windows 7 to support mobile access and IT provision;
- development of an online course/unit feedback survey tool;
- investing in staff, including some 32 academic support tutors to give direct support to students in their learning and;
- provision of 50 graduate internships as part of enhancing our employability offer and provision;
- investing in facilities including new state-of-art advice centres in the Student and Employability Hubs based in the new Faculty of Business and Law building, and refurbishment of the ground floor of the Library.

Staff

The University is committed to development of its staff. In the more dynamic and competitive environment that HEIs are now operating within, the University relies more and more upon its staff, and their quality, commitment and creativity.

A number of projects, programmes and developments progressed during the year in support of staff development, including;

- focus on customer care and service to students;
- new development programmes on Academic Leadership and Change Management;
- embedding of a the Manchester Metropolitan University Internal Change Academy with networking sessions, toolkits and advice;
- restructuring projects to improve efficiency and modernise services;
- adoption and embedding of the graduate intern scheme, providing value for both graduates on the programme, and for staff providing leadership, training and support.

The University places great emphasis on high standards of leadership and management, regular communication and engagement, the development of its HR systems, provision of training and development opportunities, a supportive environment and a strong team ethos. The award in 2012 of the Gold Standard Investor In People, (IIP) accreditation was therefore an outstanding achievement and recognized the progress being made in supporting staff investment and development. The IIP assessors were particularly positive about the clarity of the University's change agenda, the effectiveness of the University's communication strategies, and the engagement of staff.

Infrastructure including Estates development

The University's Estates Strategy that developed from the original 2020 vision, has resulted in a major capital programme that is already transforming the physical environment, the facilities available for students and staff, and the environmental sustainability and impact of the University.

The current major capital building programme, which runs to 2014, has resulted in a cumulative spend to date of circa £190m, of which some £28.3m has been expended in 2011/12; total capital additions in year, including equipment, amount to some £31.4m. The new Business School and Student Hub was completed during the year, and has been occupied and used extensively in the lead up to the start of the 2012/13 academic year. The Art and Design new build and refurbishment made good progress during the year, and the development is on track for practical completion and handover by the end of 2012.

The new campus development at Birley Fields also achieved a number of significant milestones in the year. The land acquisition was progressed, early enabling works initiated and a successful competitive tender process for the main construction contract completed.

Increasing focus has also been given throughout the year to ongoing investment in IT infrastructure, minor works and facilities. Examples of investments made in the year include:

- establishment of the wired and wireless networks, PCs, printers and classroom IT/AV, and provision of furniture, for the new Student Hub and Business School;
- migration to new Internet Protocol Telephony (IPT) and Unified Communications Systems, which will allow an integrated communication platform that is able to unify different communication systems (voice, video, data, and mobile applications) and the University network;
- initiation of improvements to the Sir Kenneth Green Library starting with a first phase which has significantly enhanced the Ground Floor of the Library for the start of the 2012/2013 academic year. The investment comprises a reconfigured Ground Floor entrance that provides new turnstiles, combined reception and help desk, new social learning spaces, and an automated book sorter;
- reconfigured catering provision, including the addition of a new Café Bar and kitchen/restaurant in the Student Hub;
- investment in business systems, including a new Integrated HR/Payroll system, and a procurement to pay system that will be rolled out during 2012/2013.

University Environmental Sustainability

Aims of the University Environmental Strategy

Environmental awareness and sustainability have become core values of the University influencing policy development, and estates and infrastructure investment.

The Environmental Sustainability Strategy and plan outline the strategic and tactical activities needed to improve and enhance the University's environmental credentials. The top 5 objectives of the Strategy set out to prevent waste in all forms, be that energy, material and/or time.

- reducing paper, energy use and waste;
- investing in comprehensive recycling;
- investing in informed energy efficiency measures;
- increasing visible greenness of the Manchester Metropolitan University through outstanding communication;
- making green travel more practical.

Progress in 2011/12

The following key achievements have been made over the past year:

- Full external audit and compliance with the Carbon Reduction Commitment has shown a 1850 tonne or 8.8% reduction in carbon footprint from 21,014 to 19,164 tonnes.
- The University has climbed further up the Green League of Universities to 10th place. This represents a systematic improvement of 81 places since 2007.
- Green Impact, a project which encourages staff to take action to reduce environmental impact in the workplace, increased participation from 29 to 67 departmental teams taking part. Over 80 students were trained as environmental auditors to carry out the verification audits for the awards.
- Internal and external recycling hubs have been rolled out across the University to reduce the costs of waste collection. Recycling has formed a very visible commitment to reducing environmental impact.
- The use of the 'Let's make a sustainable planet' brand, has increased attitudes and awareness to the University's progress on sustainability issues. Measured through student feedback, the University's "Eco Friendly" attitude has increased from 81% (2009/10) to 93.8% (2011/12).
- The 'Manchester Carbon Literacy Programme' is intrinsically linked to the City Climate Change Strategy – Manchester a Certain Future. The Manchester Metropolitan University has linked with the programme and is seen as a very proactive player. The Manchester Metropolitan University is, so far, the only University to have accredited 'Carbon Literate' students.

Over the coming year the University will carry out a review of Environmental Policy, reviewing its aims, commitments and targets, to ensure that they are still fit for purpose.

International

The University's International Strategy has three key strands, namely;

- internationalisation of the curriculum and exchange programmes;
- international recruitment to programmes based at our campuses in Manchester and Crewe;
- partnership delivery of programmes overseas.

Direct recruitment to our UK campus based programmes has been broadly stable in recent years, but the University's market share in terms of student number and fee income remains below the UK sector average. The University has therefore been focusing on developing new strategic international partnerships and pathways to enhance its market share in what remains a highly competitive market. During 2011/12 there were two significant partnership developments.

- a new collaboration with INTO University Partnerships in Manchester, to recruit and deliver a number of pathway programmes that will enhance progression to the University in future years;
- a partnership with PSB Academy (Singapore) supported by Barings Investment Asia, to deliver degree programmes in Business and Engineering in Singapore, involving a combination of local delivery and Flying Faculty provision, starting in the 2012/13 academic year

It is hoped that these new partnerships will provide growth opportunities for the University, and provide some risk mitigation, in an area that is subject to volatility due to uncertainties around international political developments, global student demand and UK government immigration policy.

Future outlook and risks

The HE Sector has now entered a period of funding change and faces a new, challenging and uncertain environment.

The shift in funding from publicly funded block grant to the individual student (albeit with a student support package that enables the deferment of fee liability), is likely to profoundly change the dynamics of the HE marketplace in the longer term.

The prospect of increasing marketisation, coupled with short to medium term funding imperatives from Central Government, also presents a complex environment in which to manage and respond.

A different business and operating model for Universities is already emerging. The risk environment has also increased as a result of funding changes, the continued need for Government to manage funding and exercise policy interventions, and from the on-going volatility that inherently presents itself when transformation is planned over relatively short time scales.

Fundamentally key risks and uncertainties for the University continue to centre around home student demand; both at undergraduate and postgraduate level. In addition the UK HE sector as a whole is facing ever increasing pressure in respect of international student recruitment, which is being compounded by existing Visa regulations and policy that might be adversely impacting upon the Sector's international profile and reputation.

The University's 2020 Vision and Corporate Strategy, and the associated measures that the University is taking, provide effective risk responses in addressing the challenges and opportunities presented by this environment. In particular the University has a clear aim to further enhance its profile and reputation, improve its competitiveness and enhance the quality (and popularity) of its University offer generally. This is underpinned by the significant focus on improving the Student Experience, the continued evidence of good financial management and the generation of resource headroom to invest, and the enhancement (via the funded capital and infrastructure investment programme) of the working and learning environment.

Conclusion

In summary, the University remains well positioned for the challenges that lie ahead, but recognizes that it can ill afford to be complacent given the changed risk and funding environment in which HEIs are now operating. Of critical importance will be the maintenance of competitive position, enhancing quality of the student and the learning experience, and securing (and delivering) continued value from the key strands of its 2020 Vision and Corporate Strategy in the years ahead. The University can build upon recent successes, and the growing evidence that its transformation and change agenda is having an increasingly positive impact. Maintaining confidence, remaining strategically focused, and being decisive in setting out plans and priorities should, with the benefit of the transformed estate and healthy financial base, enable the University to build upon the positive momentum that has been evidenced in 2011/12.

Public Benefit Statement

The purpose of The Manchester Metropolitan University is to advance education and learning through the conduct and support of teaching and research alongside contributing to the local and regional economy.

When establishing the strategic direction of the university, the Board of Governors and the University's Executive Board has given careful consideration to the Charity Commission's general and supplementary guidance on public benefit; and also to the guidance issued by HEFCE in its capacity as principal regulator on behalf of the Commission.

In accordance with the University's charitable status, the principles of public benefit that are relevant to the Manchester Metropolitan University are:

Principle 1 – There must be an identifiable benefit or benefits

In addition to the obvious benefits of advancing education and research, the Manchester Metropolitan University also seeks to provide benefit to the local and regional community in a variety of ways through generating economic activity, working with local schools and colleges to improve their own activities, organising volunteering for local charities and providing support for local community sports, health and environmental groups.

Principle 2 – Benefit must be to the public, or section of the public

Students and staff of the University are the immediate beneficiaries of the activities of the University. However the range of beneficiaries is much wider than this. These include local and regional businesses, other public sector organisations in the region, local charities and a wide variety of community groups.

During 2011/12 the University delivered its charitable purpose for public benefit through a wide ranging number of activities and financial support packages. These have included;

- the University paid out more than £11.6 million (2010/11 £10.6 million) in bursaries to students from lower income and disadvantaged backgrounds. These bursaries benefited 12,868 students (11,717 in 2010/11). In terms of both values and numbers of student benefitting, the figures for 2010/11 were the highest for a single university – sector figures are not yet available for 2011/12;
- more than 50% of our undergraduate students received a bursary or scholarship, the majority from low-income households within the region, underpinning one of our primary purposes, access to higher education for all;
- much of our recent research benefits the public across wide subject areas – some examples include;
 - i. proving a direct correlation between smoking and the fatigue resistance of muscle and bone strength;
 - ii. significant impact on national and international legislation and policy in relation to climate change from aviation and shipping from the work of the Manchester Metropolitan University Centre for Air Transport and the Environment (CATE); included in United Nations report 'Bridging the Emissions Gap';
 - iii. developed a novel, non-imaging method for stand-off screening of people to provide safe screening at long ranges of people in a wide variety of scenarios; aim is to save lives, deter and stop gun crime and prevent damage to key infrastructure;
 - iv. research into the interaction between railway vehicles and the track now being used to predict deterioration of railway wheels and rails. The research findings were implemented to reduce track maintenance costs, increase safety levels and allow modal shift from road to rail with improved charging methods;
 - v. researchers are working with Manchester Diabetes Centre and the Wellness Foundation to provide effective interventions for improving the safety of tasks and contribute to enhancing quality of life for people with diabetes;
- we employed 32 academic support tutors (as a cost of £850k, compared to a cost of £450k in 2010/11), to directly improve the support and advice to our students, particularly those with difficulties in learning.
- provided 50 paid internships for our graduates to undertake valuable work experience across many departments of the University.
- seen our 100th student graduate from our innovative retail Foundation Degree, which was developed in conjunction with Tesco to give formal qualifications to retail workers. Now offered to main retailers across the North West.
- developed and hosted the second Manchester Children's Book Festival – over 70 events held across 11 days in venues across Manchester, featuring top UK authors and attended by more than 10,000 adults and children. Also included major schools and outreach programme to drive improvements in literacy standards.
- the University was named one of the greenest in the UK, entering the top 10 in the People and Planet League Table for reducing carbon footprint by 18.5% and investing in carbon reduction projects to achieve major savings on energy bills.

- started enabling works at Birley Fields, a £139 million investment in a new campus in Hulme; creating opportunities for space, community, education and employment in this major regeneration area are at the heart of our plans.
- working with the University of Manchester, we have supported Aspire, a not for profit agency, to help local residents back to work. This year we placed the 1,000th worker in work giving local unemployed people supported access to available roles before they appear to the general public.
- working with the Museum of Science and Industry, the University provided events for adults and children: popular science lectures, 'try-it-yourself' workshops and fun, educational presentations for Manchester Science Week, which attracts more than 113,000 visits each year. Our computer scientists also contributed to the Alan Turing Centenary celebrations creating artificially intelligent 'chatbots' and asking the public to test them online.
- our contribution to comedy and theatre: BA Acting students were the stars of Carl Davis' new opera at the Bridgewater Hall (June 2012), Contemporary Art staff and students organised the Manchester Flare, an international festival of alternative theatre and graduate Sarah Adams' play call Me shows at the 2012 Edinburgh Festival.
- we hosted Vanuatu, Kiribati, Solomon Islands and Papua New Guinea athletes at the Manchester Metropolitan University Cheshire at our official Pre-Olympic Training Camp in partnership with Cheshire East Council. The athletes have enjoyed world-class training facilities, sport science support and also social and cultural support.
- seven of our Exercise and Sport Scientists were among the GB backroom staff at this summer's Olympic and Paralympic Games.
- historians and archaeologists undertook two public digs, in Manchester and in Cambridge involving the local community, while Terry Wyke produced a landmark book of Hulme for which he won the first Manchester Community History Award
- our Art & Design Degree Shows – the largest free art show in Manchester attract around 15,000 visitors in June, while a 'sister' event Out of School allows 1,000 school children to exhibit their own artwork in the famous Holden Gallery.
- photography students have this year provided around 100 images to decorate the interiors of the new Ronald McDonald house at Manchester Children Hospital and the arrivals area at Manchester Airport.
- a community science project led by the faculty of Science and Engineering have supported and sponsored MadLab, a project in the Northern Quarter which allows 'citizen scientists' to participate in real science including creating a map of Manchester's microbes.
- the Manchester Time Machine, an app developed by the University, allows tourists to the city mobile access to historic film of around 100 locations in the city centre. It was downloaded by 5,000 people within the first two weeks of its launch.
- the University's innovative Bridging the Gap employability scheme works with two schools in the city to allow pupils with moderate learning difficulties to benefit from a series of 3-month work placements.

By order of the Board of Governors

A Benzie
Chairman

30 November 2012

Corporate Governance Report

The Manchester Metropolitan University is a higher education corporation established under the Education Reform Act 1988. The University is also an exempt charity under schedule 2 of the Charities Act 1993. The University's framework of governance is established in the Instrument and Articles of Government which are approved by the Privy Council.

The University is committed to exhibiting best practice in all aspects of corporate governance. It aims to conduct its business in accordance with the principles identified in the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the Committee of University Chairs (CUC) 'Guide for Members of Higher Education Governing Bodies in the UK, which incorporates the Governance Code of Practice and General Principles.

In accordance with CUC guidance, the University maintains a Register of Interests of Governors and senior managers which is available for inspection on request to the Clerk to the Board of Governors.

Summary of the University's Structure of Corporate Governance

The Board of Governors is the governing body of the University. The Board's responsibilities are set out in the University's Articles of Government, the Scheme of Delegation and the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). The Board's responsibilities include determining the educational character and mission of the University, approving annual estimates of income and expenditure, ensuring the solvency of the University, safeguarding the University's assets, appointing the Vice-Chancellor, Clerk and external auditors and for putting in place effective systems of control and accountability.

In accordance with the University's Instrument of Government, the Board of Governors comprises predominantly independent members, together with the Vice-Chancellor and members of the staff and student bodies. The roles of Chair and Deputy Chair are separated from the role of the University's Chief Executive, the Vice-Chancellor.

The Vice-Chancellor has responsibility to the Board of Governors for the organisation, direction and management of the University. He is also the designated Accountable Officer for the purposes of the Financial Memorandum with HEFCE. The Vice-Chancellor is supported by an Executive comprising the Deputy Vice-Chancellors, Directors of Finance, Human Resources and Services and the Registrar.

Conduct of Business

The Board of Governors has three Board meetings per year along with two Away Days to consider long-term strategy. The Board has three Committees and two Advisory Groups:

- Audit Committee
- Finance and Human Resources Committee
- Nominations, Governance and Remuneration Committee
- Estates and Services Advisory Group
- Marketing and Student Experience Advisory Group

These Committees and Advisory Groups meet regularly and have clearly defined, delegated responsibilities

The **Audit Committee** is responsible for:

- reviewing the audit issues relating to the draft annual accounts prior to submission to the Board of Governors, monitoring compliance with statutory requirements, accounting standards and best practices for financial reporting;
- agreeing with the internal and external auditors the range of the respective audits and reviews and discussing with the auditors and with management any matters arising from the audits and agreeing appropriate action;
- monitoring the adequacy and effectiveness of the accounting, internal control, governance and risk management systems.

The Vice-Chancellor and the Director of Finance attend all Audit Committee meetings although they are not members of the Committee. There are also opportunities for the internal and external auditors to meet with the Audit Committee for independent discussions without any of the University's management being present. The Audit Committee met three times during 2011/12.

The **Finance and Human Resources Committee** is responsible for:

- making recommendations to the Board concerning the annual estimates for both capital and recurrent income and expenditure, the effective and efficient use of resources and the safeguarding of the University's assets;
- reviewing management accounts and operating statements;
- determining policies relating to borrowing of money and the granting of mortgages, charges or other security;
- authorising the establishment of companies and acquiring membership of existing companies;
- reviewing policies and practices concerned with staffing issues such as annual pay awards, staff appraisal, staff development, discipline and grievance, equality and diversity and staff welfare.

The Finance and Human Resources Committee met three times during 2011/12.

The **Nominations, Governance and Remuneration Committee** is responsible for:

- advising the Board on the appointment and reappointment of Governors;
- ensuring arrangements are in place for the induction and ongoing development of Governors;
- ensuring arrangements are in place for monitoring the effectiveness of the Board;
- making decisions on behalf of the Board on the terms of employment and the levels of remuneration of the holders of senior posts as defined in the Articles of Government and expressing a view on behalf of the Board on the general salary structure, remuneration and terms of employment of the University's senior management.

The Nominations, Governance and Remuneration Committee met four times during 2011/12.

The **Estates and Services Advisory Group** is responsible for:

- reviewing the University's estates strategy and the maintenance of its existing assets;
- advising the Board on the acquisition, disposal and best use of land and accommodation for the purposes of the University;
- overseeing the progress of major capital projects;
- monitoring issues in relation to catering, residential, domestic and other services;
- reviewing the University's health and safety policy and its effectiveness.

The Estates and Services Advisory Group met three times during 2011/12.

The **Marketing and Student Experience Advisory Group** is responsible for assisting the University in achieving both greater internal market awareness and improved external market visibility and reputation. The Marketing and Student Experience Advisory Group met three times during 2011/12.

All the Board's Committees and Advisory Groups regularly report to the Board, making recommendations as appropriate. In addition, the Audit Committee produces an annual report, which is also sent to HEFCE. The Vice-Chancellor provides an update on University business at each Board meeting and members of the Executive also attend Board meetings to answer any questions that may arise.

In accordance with good practice/CUC guidance, the Board of Governors periodically reviews its own effectiveness. The last review took place in November 2010. A review of the interrelationship between the Board of Governors and Academic Board also took place in June 2011. Recommendations arising from both reviews have been implemented.

Newly appointed Governors are encouraged to participate in an individual induction programme, tailored to their specific needs and experience. In addition, all Governors are kept informed of seminars and conferences for Governors offered by organisations such as the Leadership Foundation for Higher Education.

Internal Control

The University's Governing Body has 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 it is responsible, in accordance with the responsibilities assigned to the Governing Body in the Instrument and Articles and the Financial Memorandum with the Higher Education Funding Council for England (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 implemented during the year ended 31 July 2012 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

The University's internal control system is supported by a number of policies which have been approved by the Governing Body. These include a Risk Management Policy, a Bribery Act Compliance Statement and comprehensive Financial Regulations which detail financial controls and procedures.

The Governing Body has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- it meets formally three times during the year to consider the plans and strategic direction of the University
- it has two Away Days, at which it interrogates the strategy of the University, the Strategic Plan and its implementation;
- it receives regular reports from the Chairman of the Audit Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- a member of the Executive has responsibility for the promotion and co-ordination of risk management processes and reporting;
- the Audit Committee receives regular reports from the Head of Internal Audit, which includes Internal Audit's independent opinion on the adequacy and effectiveness of the Institution's system of internal control, together with recommendations for improvement;
- a system of key performance and risk indicators has been developed;
- a University-wide Risk Register is maintained;
- the University has arranged for reports on internal control activities to be received from budget holders, departmental heads and project managers;
- a robust risk prioritisation methodology has been established.

The Governing Body's review of the effectiveness of the system of internal control is informed by Internal Audit which operates to standards defined in the HEFCE Audit Code of Practice. In addition to being subject to periodic review by the HEFCE Audit Service, the services provided by the internal audit consortium are kept under review by a Board made up of senior staff from member institutions.

The most recent Internal Audit annual opinion concluded that the University's internal controls and arrangements for governance, risk management and securing value for money were effective.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the Institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

By order of the Board of Governors

A Benzie
Chairman

30 November 2012

Responsibilities of the Board of Governors

In accordance with Articles of Government made by the Board in exercise of powers conferred by the Education Reform Act 1988, the Board of Governors of the Manchester Metropolitan University is responsible, inter alia, for the oversight of the University's activities and for the effective and efficient use of resources, for the solvency of the Institution and for the safeguarding of its assets. The Board is required by the Act to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and enables it to ensure that the financial statements are prepared in accordance with the Act and with guidance from the Higher Education Funding Council for England (HEFCE) and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Governors of the University, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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.

The Board of Governors has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure;
- a formalised treasury management policy;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the University's system of internal control. Any system of internal financial control can, however, provide only reasonable, but not absolute, assurance against material mis-statement or loss.

The maintenance and integrity of the Manchester Metropolitan University website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member 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 that information.

By order of the Board of Governors

A Benzie
Chairman

30 November 2012

Independent Auditors' Report to the Governing Body of Manchester Metropolitan University

We have audited the group and parent institution financial statements (the "financial statements") of The Manchester Metropolitan University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses 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).

Respective responsibilities of the governing body and auditors

As explained more fully in the Responsibilities of Board of Governors the governing body is 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 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the governing body as a body in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Governors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2012 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion the statement of internal control included as part of the Corporate Governance Report is inconsistent with our knowledge of the parent institution and group.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

30 November 2012

Notes:

- The maintenance and integrity of The Manchester Metropolitan University's website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income and Expenditure Account

for the year ended 31 July 2012

	Note	Total 2011/12 £000	Total 2010/11 £000
Income			
Funding body grants	2	96,318	103,717
Tuition fees and education contracts	3	113,943	106,875
Research grants and contracts	4	5,163	4,992
Other income	5	27,983	31,371
Endowment and investment income	6	1,998	1,073
		<hr/>	<hr/>
Total Income		245,405	248,028
Expenditure			
Staff costs	7	134,935	135,298
Depreciation	11	5,814	5,508
Other operating expenses	8	76,462	71,186
Interest and other finance costs	9	1,999	1,111
		<hr/>	<hr/>
Total expenditure	10	219,210	213,103
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation but before tax and exceptional items		26,195	34,925
		<hr/>	<hr/>
Exceptional items: continuing operations			
Accelerated depreciation charge	11	(12,064)	(855)
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets, tax and exceptional items		14,131	34,070
		<hr/>	<hr/>
(Surplus) / Deficit for the year transferred to accumulated income in endowment funds	18	(16)	7
		<hr/>	<hr/>
Surplus for the year retained within general reserves	20	14,115	34,077
		<hr/> <hr/>	<hr/> <hr/>

The consolidated income and expenditure of the University, its subsidiaries and associated undertakings relate wholly to continuing operations.

Note of Historical Cost Surpluses and Deficits

for the year ended 31 July 2012

	Note	Total 2011/12 £000	Total 2010/11 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		14,131	34,070
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	19	12,278	3,644
Historical cost surplus for the year after taxation		26,409	37,714

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2012

		2011/12 £000	2010/11 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		14,131	34,070
Actuarial (loss)/gain in respect of pension scheme	28	(37,322)	19,401
Reduction in value of assets	19	(27,679)	-
New endowments	18	326	665
Total recognised (losses)/gains relating to the year (including endowments)		(50,544)	54,136

Reconciliation of Reserves

	2011/12 £000	2010/11 £000
Opening reserves and endowments	320,087	265,951
Total recognised (losses)/gains for the year	(50,544)	54,136
Closing reserves and endowments	269,543	320,087

Balance Sheets

as at 31 July 2012

	Note	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Tangible assets	11	346,643	363,206	346,643	363,206
Investments	12	1,770	1,770	1,770	1,770
Total fixed assets		348,413	364,976	348,413	364,976
Endowment assets	18	1,326	984	1,326	984
Current assets					
Stock		141	123	141	123
Debtors	13	8,145	8,778	8,148	8,778
Investments in short-term deposits		101,075	77,506	101,075	77,506
Cash at bank and in hand		37,227	28,108	37,227	28,108
Total current assets		146,588	114,515	146,591	114,515
Creditors: amounts falling due within one year	14	(35,935)	(42,539)	(35,935)	(42,539)
Net current assets		110,653	71,976	110,656	71,976
Total assets less current liabilities		460,392	437,936	460,395	437,936
Creditors: amounts falling due after more than one year	15	(35,062)	(104)	(35,062)	(104)
Provisions for liabilities and charges - enhanced pensions	16	(13,429)	(13,933)	(13,429)	(13,933)
NET ASSETS EXCLUDING PENSION LIABILITY		411,901	423,899	411,904	423,899
Provisions for liabilities and charges - FRS17 pension liability	16	(75,800)	(36,933)	(75,800)	(36,933)
NET ASSETS INCLUDING PENSION LIABILITY		336,101	386,966	336,104	386,966

Balance Sheets

as at 31 July 2012 (continued)

	Note	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Deferred capital grants	17	66,558	66,879	66,558	66,879
Permanent endowments	18	116	249	116	249
Expendable endowments	18	1,210	735	1,210	735
Total endowments		1,326	984	1,326	984
Revaluation reserve	19	98,643	138,600	98,643	138,600
Income and expenditure account (excluding FRS17 pension liability)		245,374	217,436	245,377	217,436
Pension liability (FRS17)	16	(75,800)	(36,933)	(75,800)	(36,933)
Income and expenditure account (including pension liabilities)	20	169,574	180,503	169,577	180,503
Total reserves		268,217	319,103	268,220	319,103
TOTAL FUNDS		336,101	386,966	336,104	386,966

The financial statements on pages 24 to 63 were approved by the Board of Governors on 30 November 2012 and signed on its behalf by:-

A BENZIE
Chairman

R BIDE
Governor

PROF J BROOKS
Vice-Chancellor

J CUNNINGHAM
Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2012

	Note	2011/12 £000	2010/11 £000
Cash flow from operating activities	23	28,440	41,228
Returns on investments and servicing of finance	24	295	1,055
Capital expenditure and financial investment	25	(30,657)	(48,501)
Management of liquid resources			
- represented by (increase)/decrease in short-term deposits		(23,569)	10,239
Financing	26	34,952	3
Increase in cash (including endowment assets)		9,461	4,024
Reconciliation of net cash flow to movement in net funds			
Increase in cash for year		9,461	4,024
Increase/(decrease) in short term deposits		23,569	(10,239)
New loan		(35,000)	(166)
Repayment of debt		48	163
Movement in net funds in the year		(1,922)	(6,218)
Net funds at 1 August 2011		106,446	112,664
Net funds at 31 July 2012	27	104,524	106,446

Notes to the Financial Statements

31 July 2012

1. Statement of principal accounting policies

In accordance with the *Financial Reporting Standard ("FRS") No 18: Accounting Policies*, these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the University's activities.

i) Basis of preparation and accounting

The financial statements have been prepared under the historical cost convention, except in respect of certain fixed assets which are included at valuation, and in accordance with both the *Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions 2008* and applicable Accounting Standards in the United Kingdom. The financial statements are prepared on a going concern basis and accounting policies have been applied consistently from one year to the next.

ii) Basis of consolidation

In accordance with FRS 2, the financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2012. The University's share of income and expenditure of any material associated undertakings is recognised in the University's income and expenditure account. Associated undertakings are those in which the group has a significant, but not dominant, influence over their commercial and financial policy decisions. The University has no material associate undertaking in the year. Any Inter-group sales and profits are eliminated on consolidation. Uniform group accounting policies have been used for the consolidated financial statements.

In accordance with FRS 2, the Manchester Metropolitan Students' Union is not consolidated because the University has no representative on the Union Executive Committee and consequently exercises no significant control or influence over policy decisions of the Union. The relationship with the Students' Union extends only to the provision of grant funding to the Union each financial year. This treatment is consistent with other institutions in the Higher Education sector.

iii) Recognition of income

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

Tuition fee income (including Educational contracts) is stated gross and credited to the income and expenditure account over the years in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

iv) Pension schemes

(a) Teachers' Pensions Scheme ('TPS') and the Greater Manchester Local Government Pension Scheme ('GMPF')

Retirement benefits to employees of the University are provided by the TPS and the GMPF. These are defined benefit schemes which are externally funded and contracted out of the Second State Pension (S2P). A small number of staff remain in other pension schemes.

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

Notes to the Financial Statements

31 July 2012

The GMPF is accounted for in line with FRS 17. The assets of the GMPF are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The scheme is reviewed by qualified actuaries every three years.

(b) **Enhanced pensions**

The University continues to make a diminishing number of pension enhancement payments to retired employees or their dependants. The value of this liability is reflected as a provision in the balance sheet and is reviewed by qualified actuaries every three years. Each year there is a charge against the provision for payments to pensioners and credit to the provision for net return on assets.

v) **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 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 financial year.

vi) **Leases**

Rentals under operating leases are charged to the income and expenditure account in the year in which the expenditure is incurred.

If the University enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included in other liabilities. Rentals payable are apportioned in accordance with SSAP21 between the finance element, which is charged to the income and expenditure account, and the capital element, which reduces the outstanding obligation for future instalments.

vii) **Tangible fixed assets**

(a) **Capitalisation**

Tangible assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- individually have a cost equal to, or greater than £25,000, or
- collectively have a cost equal to, or greater than £25,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control,
- irrespective of their individual cost, form part of the initial equipping of a new building, or
- where assets are financed by lease agreements that give rights approximating to ownership, the assets are treated as if they have been purchased outright regardless of the value of the individual items which relate to the finance lease.

The initial measurement of cost only includes expenditure directly incurred in bringing an asset into working condition for its intended use.

Costs incurred in relation to major enhancements of existing buildings are capitalised to the extent that they increase the expected future benefits from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

During the year, resulting from a review of policy, the capitalisation value was increased from cost equal to, or greater than £10,000 to £25,000, so to align with industry benchmarks.

Notes to the Financial Statements

31 July 2012

(b) Valuation

Tangible fixed assets are stated at cost less accumulated impairment. However, freehold and long leasehold land and buildings are included in the balance sheet at valuation. The basis of valuation is depreciated replacement cost. Buildings identified as surplus to requirements are valued at open market value. A valuation was undertaken as at 31 July 2012 by Eddisons, Chartered Surveyors. Valuations take place every five years.

Any increase in value arising on the revaluation of tangible assets is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

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

(c) Heritage assets

Works of art and other valuable artefacts (heritage assets) have been capitalised and recognised at a value based on a valuation carried out by Bonhams during the financial year 2009/10.

Heritage assets are not depreciated since their economic life and high residual value mean that any depreciation would not be material.

(d) Depreciation

Land is not depreciated. Other tangible assets are depreciated on a straight-line basis over their useful life as follows

Freehold buildings	60 years
Leasehold properties	Period of lease (but maximum of 60 years)
Plant and machinery	4 years
Fixtures and fittings	5 years for computer equipment otherwise 10 years

No depreciation is charged on assets in the course of construction

(e) Capital grants

Where assets are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the asset

viii) Investments

Investments in subsidiary undertakings are shown at the lower of cost or net realisable value, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets. Endowment assets represent a number of minor bequests, mainly for the establishment of prize funds, which have been made to the University over time. They are held as cash or in local authority stocks and are included at cost, which does not vary materially from market value.

ix) Stocks

Stocks consist solely of cleaning materials, consumables, food and bar stocks. They are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Notes to the Financial Statements

31 July 2012

x) Accounting for charitable donations

Unrestricted donations

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

Endowment funds

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

- Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University (SORP, para 144).
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income (SORP, paras 143 and 147).
- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective (SORP, para 144).

Donations for fixed assets

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

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

xi) Provisions

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

xii) Cash flows and liquid resources

Cash flows comprise increase or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They are sums on short-term deposits with recognised banks and building societies held as part of the Institution's treasury management activities.

xiii) Repairs and maintenance

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

Notes to the Financial Statements

31 July 2012

xiv) Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 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 CTA 2010 or section 256 of the Taxation of Chargeable Gains Act to the extent that such income and gains are applied to exclusively charitable purposes.

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.

The University's subsidiary companies are subject to corporation tax and value added tax in the same way as any commercial organisation.

xv) Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

2. Funding council grants

	2011/12 £000	2010/11 £000
Recurrent grant:		
Higher Education Funding Council	80,562	83,163
Teaching Agency	11,288	13,707
Education Funding Agency	966	711
Specific grants:		
Higher Education Funding Council	2,436	5,221
Deferred capital grants released in year:		
— Buildings	(note 17) 889	738
— Equipment	(note 17) 177	177
	96,318	103,717

3. Tuition fees and education contracts

	2011/12 £000	2010/11 £000
Full-time students	82,122	75,112
Full-time students charged overseas fees	13,143	11,593
Part-time fees	5,343	4,600
Short course fees	1,116	1,446
Education contracts - NHS	8,946	9,012
Education contracts - other	3,273	5,112
	113,943	106,875

Notes to the Financial Statements

31 July 2012

4. Research grants and contracts

	2011/12	2010/11
	£000	£000
Grants	2,368	2,361
Contracts	2,795	2,631
	<u>5,163</u>	<u>4,992</u>

5. Other income

	2011/12	2010/11
	£000	£000
Residences, catering and conferences	13,942	18,511
Other services rendered	9,731	9,152
Released from deferred capital grants	(note 17) 23	23
Other income	4,287	3,685
	<u>27,983</u>	<u>31,371</u>

6. Endowment and investment income

	2011/12	2010/11
	£000	£000
Income from short-term deposits	1,923	1,071
Income from expendable endowments	73	1
Income from permanent endowments	2	1
	<u>1,998</u>	<u>1,073</u>

Notes to the Financial Statements

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7. Staff

	2011/12	2010/11
	£000	£000
Wages and salaries	110,710	111,860
Social Security costs	8,706	8,486
Other pension costs	(note 28) 15,519	14,952
	(note 10) 134,935	135,298

	2011/12	2010/11
	£000	£000
Emoluments of the Vice-Chancellor	248	246
Benefits in kind	1	1
	249	247
Pension contributions:	30	30

The Vice-Chancellor's pension contributions to the Teachers' Pension Scheme are paid at the same rates as for other academic staff.

	2011/12	2010/11
Staff numbers by major category (not full-time equivalent):		
Academic full-time	1,429	1,445
Academic part-time	497	439
Support staff	1,916	1,898
Casual staff	265	184
	4,107	3,966

Remuneration of higher paid staff, including employer's pension contributions and benefits in kind:-

£100,000 - £109,999	6	3
£110,000 - £119,999	2	2
£120,000 - £129,999	2	2
£130,000 - £139,999	-	-
£140,000 - £149,999	3	2
£160,000 - £169,999	1	-
£170,000 - £179,999	-	1
£270,000 - £279,999	1	1

Compensation for loss of office payable to senior post holder:

	2011/12	2010/11
Compensation payable	142	0

Notes to the Financial Statements

31 July 2012

8. Other operating expenses

	2011/12	2010/11
	£000	£000
Residences, catering and conference operating expenses	8,072	12,363
Bursaries	11,657	10,683
Consumables and laboratory expenditure	1,918	1,753
Books and periodicals	2,946	2,364
Heat, light, water and power	4,690	4,246
Repairs and general maintenance	4,821	5,682
Operating lease rentals:		
— Plant and machinery	436	0
— Other operating lease rentals	626	549
Revaluation loss	2,431	0
External auditors' remuneration	54	52
External auditors' remuneration for non-audit services	4	2
	37,655	37,694
Other expenses	38,807	33,492
	(note 10)	
	76,462	71,186

One governor (all of whom are trustees to the University's charitable status) has received £11,000 remuneration from the group during the year (2010/11 - none). This represents payment for consultancy services provided to the University.

The total expenses paid to or on behalf of 3 trustees was £4,000 (2010/11 - £1,000 to 4 trustees). This represents travel and subsistence expenses incurred in attending committee meetings and charity events in their official capacity.

Notes to the Financial Statements

31 July 2012

9. Interest and other finance costs

	2011/12 £000	2010/11 £000
Loans not wholly repayable within five years	0	18
Loans not wholly repayable within five years	1,703	0
Net charge on pension scheme	(note 28) 296	1,093
	<u>1,999</u>	<u>1,111</u>

10. Analysis of total expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2011/12 Total £000	2010/11 Total £000
Academic departments	86,786	731	16,802	-	104,319	104,529
Academic services	12,819	107	9,591	-	22,517	22,493
Research grants and contracts	3,029	-	1,313	-	4,342	5,250
Residences, catering and conferences	3,053	491	7,851	-	11,395	16,038
Premises	9,600	4,463	11,470	1,703	27,236	23,855
Administration	14,629	22	25,445	-	40,096	28,999
Other expenses	5,019	-	3,990	296	9,305	11,939
Total per Income and Expenditure account	<u>134,935</u>	<u>5,814</u>	<u>76,462</u>	<u>1,999</u>	<u>219,210</u>	<u>213,103</u>

Notes to the Financial Statements

31 July 2012

11. Tangible assets

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets in the course of construction	Heritage assets	Total
CONSOLIDATED AND UNIVERSITY	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 August 2011	321,694	250	173	7,997	71,342	3,865	405,321
Additions	-	-	-	3,107	28,318	-	31,425
Transfers	70,470	-	-	-	(70,470)	-	-
Loss on revaluation	(44,767)	-	-	-	-	-	(44,767)
Disposals	(3,328)	-	-	-	-	-	(3,328)
At 31 July 2012	344,069	250	173	11,104	29,190	3,865	388,651
Consisting of Valuation:							
As at 1 August 2010	-	-	-	-	-	3,865	3,865
As at 1 August 2012	344,069	250	-	-	-	-	344,319
Cost	-	-	173	11,104	29,190	-	40,467
	344,069	250	173	11,104	29,190	3,865	388,651
Accumulated Depreciation							
At 1 August 2011	38,228	-	158	3,729	-	-	42,115
Charge for the year	16,938	-	9	931	-	-	17,878
Written back on revaluation	(14,657)	-	-	-	-	-	(14,657)
Disposals	(3,328)	-	-	-	-	-	(3,328)
At 31 July 2012	37,181	-	167	4,660	-	-	42,008
Net book value							
At 31 July 2012	306,888	250	6	6,444	29,190	3,865	346,643
At 31 July 2011	283,466	250	15	4,268	71,342	3,865	363,206

The value of land included in freehold and leasehold land and buildings at 31 July 2012 was £30,365,000 (2011: £33,311,000)

Included above are fixtures and fittings held by the University under finance leases with a net book value of £63,647 at 31 July 2012 (2011: £191,000). The depreciation charge on these assets was £127,295 (2011: £127,000) for the year.

Included in the land and buildings depreciation charge of £16,938,000 (2011: £5,554,000) is an amount of £12,064,000 (2011: £855,000) for accelerated depreciation. This charge relates to buildings that are no longer in use by the University and therefore the depreciation charge has been accelerated to reflect no further remaining economic life of the buildings.

Notes to the Financial Statements

31 July 2012

11. Tangible assets (continued)

A valuation of land and buildings was undertaken by Eddisons Chartered Surveyors on 31 July 2012, in accordance with the RICS Appraisal and Valuation Standards. This resulted in a reduction on revaluation of £30,111,000. Buildings in use by the University are valued using the Depreciated Replacement Cost methodology whilst the remaining estate is valued either at market value or in use value. When valued at market value, the value has been based on similar properties that have been disposed of in the recent past.

The heritage assets consist of a specialised book collection together with chattels held in the Fine Art/Special Collection of artefacts which have been donated or bequeathed to the University over a number of years. The University conserves these assets in order to enable use of the assets for teaching and research and access to the assets for engagement with members of the public. Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website: <http://www.specialcollections.mmu.ac.uk/>

The books have been valued at £2,270,000 (2011: £2,270,000) and the chattels at £1,595,000 (2011: £1,595,000). This valuation was undertaken by Bonham's in 2009/10.

Contingent assets

The University is at an advanced stage in entering into the long lease of land from Manchester City Council for the new campus development at Birley Fields. An agreement to lease was signed on 23rd February 2012 by both parties, which will be fully effective once all the conditions precedent in the agreement are met.

At the balance sheet date, the only outstanding requirement was to obtain the Secretary of State's consent to road closures on the site; this consent was subsequently obtained on 9th October 2012, with public notice of closure order being advertised on 18th October 2012. The order is subject to a six week period of challenge to the High Court from the date of public notice, but any challenge is strictly limited to the grounds that it is not within the appropriate powers of the Town and Country Planning Act, or that procedural requirements of that Act have not been complied with. Accordingly, it is intended that the value of this gift of land (£5,310,000) will be recognised in the accounts for the 2012/2013 financial year.

Assets in the course of construction

Included within the assets in the course of construction as at 31st July 2012 are costs of £6,975,000 for preliminary development and enabling works for this campus. The University and Manchester City Council were committed to the Birley Fields development at the balance sheet date, as evidenced by planning reports, the lease agreement itself and the approvals of the University Board of Governors and the Executive of Manchester City Council. The development costs to date to support the relevant asset have therefore been capitalised in these accounts. If a successful appeal were to be made against the road closures, appropriate adjustments to the development will be made to ensure that the development costs incurred to date are still relevant to the ultimate final cost of the project, and the future economic benefit that will be generated by the asset.

Notes to the Financial Statements

31 July 2012

12. Investments

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Loans to related parties:				
Sugden Sports Trust	1,687	1,687	1,687	1,687
Other investments:				
Manchester Science Parks Limited	32	32	32	32
CVCP Properties plc	46	46	46	46
Microarray Limited	5	5	5	5
	1,770	1,770	1,770	1,770

The Governors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary Companies

The subsidiary companies (all of which are registered in England and Wales) are as follows:

Name	Activity	Share Capital	Status
Uni-Rec Limited	Debt collection services	£1	100% owned
Manmet Limited	Dormant	£1	100% owned

Loan to Sugden Sports Trust

The loan to the Sugden Sports Trust has been provided to facilitate the building of a sports centre for the use of students and staff of the University (see Note 30). The loan comprises cash contributions to meet the construction cost together with certain equipment transferred to the trust. Under the terms of the agreement with the trustees, the loan is repayable in full on 31 December 2017 and bears interest at the rate of 6.5% per annum.

The Corridor, Manchester

The University had a 25% interest from 1st August 2011 to 31st March 2012, and from 1st April 2012 a 20% (2011 - 25%) interest in The Corridor, Manchester which was incorporated on 2 July 2007. The University, together with the University of Manchester, Manchester City Council, the Central Manchester University Hospitals NHS Foundation Trust and Bruntwood Limited collectively provide the funding for The Corridor, Manchester (see note 30).

Notes to the Financial Statements

31 July 2012

13. Debtors

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade and sundry debtors	6,092	6,970	6,092	6,970
Amounts due from associated companies	31	31	31	31
Amounts due from subsidiary companies	-	-	3	-
Prepayments and accrued income	2,022	1,777	2,022	1,777
	<u>8,145</u>	<u>8,778</u>	<u>8,148</u>	<u>8,778</u>

14. Creditors: amounts falling due within one year

	Consolidated and University	
	2012 £000	2011 £000
Obligations under debt finance:		
Unsecured loan	42	42
Finance leases	-	6
Other creditors:		
Trade and other creditors	24,539	28,284
Deferred income	6,797	9,493
Income tax, National Insurance and Superannuation	4,557	4,714
	<u>35,935</u>	<u>42,539</u>

Notes to the Financial Statements

31 July 2012

15. Creditors: Amounts falling due after more than one year

	Consolidated and University	
	2012	2011
	£000	£000
Unsecured loans:		
Due within one year	42	42
Due between one and two years	742	42
Due between two and five years	4,221	62
Due after five years	30,099	-
Finance leases:		
Due in less than one year	-	6
	35,104	152
Due within one year	(note 14) 42	48
Due after more than one year	35,062	104

During the year, the University drew down a £35,000,000 unsecured loan from its bankers as part of the funding arrangements for the capital programme. The loan bears interest at 5.62% and is repayable by equal quarterly instalments of £350,000 commencing in March 2014. The final instalment is due in December 2038.

The University has six instalments of £21,000 to pay on an interest free loan from Salix Finance Ltd (an independent, not for profit company, funded by various government bodies). The instalments are due every six months with the final instalment due in September 2014.

Notes to the Financial Statements

31 July 2012

16. Provisions for liabilities and charges

	Consolidated and University		
	FRS 17 pension liability £000	Enhanced pensions £000	Total £000
At 1 August 2011	36,933	13,933	50,866
Movement in year:			
Current service cost	6,865	-	6,865
Employer's contributions	(6,032)	-	(6,032)
Payments to pensioners	-	(1,008)	(1,008)
Impact of settlements and curtailments	196	-	196
Past service cost	220	-	220
Net charge	296	504	800
Actuarial gain (see note 28)	37,322	-	37,322
	<hr/>	<hr/>	<hr/>
At 31 July 2012	75,800	13,429	89,229
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The FRS 17 pension liability relates to staff who are members of the Greater Manchester Pension Fund (see note 28).

The University continues to make a diminishing number of pension enhancement payments to retired employees or their dependants. The value of this liability is reflected as a provision in the balance sheet and is reviewed by qualified actuaries every three years. Each year there is a charge against the provision for payments to pensioners and credit to the provision for net return on assets.

Notes to the Financial Statements

31 July 2012

17. Deferred capital grants

	Consolidated and University		
	Funding council £000	Other grants £000	Total £000
At 1 August 2011			
Buildings	63,269	1,187	64,456
Equipment	2,423	-	2,423
Total	65,692	1,187	66,879
Grants receivable			
Buildings	768	-	768
Total	768	-	768
Released to income and expenditure account			
Buildings	889	23	912
Equipment	177	-	177
Total	1,066	23	1,089
At 31 July 2012			
Buildings	63,148	1,164	64,312
Equipment	2,246	-	2,246
Total	65,394	1,164	66,558

Notes to the Financial Statements

31 July 2012

18. Endowment assets and reserves

	Restricted permanent £000	Restricted expendable £000	Unrestricted expendable £000	Consolidated and University	
				2012 total £000	2011 total £000
At 1 August 2011					
Capital	203	561	171	935	270
Accumulated income	46	3	-	49	56
	<u>249</u>	<u>564</u>	<u>171</u>	<u>984</u>	<u>326</u>
New endowments	1	462	-	463	665
Investment income	2	72	1	75	2
Expenditure	(7)	(52)	-	(59)	(9)
Transfer	(129)	(8)	-	(137)	
	<u>116</u>	<u>1,038</u>	<u>172</u>	<u>1,326</u>	<u>984</u>
At 31 July 2012					
Represented by:					
Capital	75	1,015	171	1,261	935
Accumulated income	41	23	1	65	49
	<u>116</u>	<u>1,038</u>	<u>172</u>	<u>1,326</u>	<u>984</u>
Analyses by type of purpose:					
Research Support	-	925	-	925	450
Prize Funds	116	113	-	229	363
General	-	-	172	172	171
	<u>116</u>	<u>1,038</u>	<u>172</u>	<u>1,326</u>	<u>984</u>

The endowment assets previously held on the University's behalf by Manchester City Council which have now been subsumed into the Manchester Fund, a fund run by Manchester City Council to support education and community activity in Manchester.

Major endowments:

Restricted expendable endowments include one major individual fund, the Margaret Beaker Fund resulted from an endowment given for the purpose of research in the field of applied image engineering. The movement on this fund for the year was as follows:

	Consolidated and University £000
At 1 August 2011	450
New endowments	443
Investment income	71
Expenditure	(39)
At 31 July 2012	925

Notes to the Financial Statements

31 July 2012

19. Revaluation reserve

	Consolidated and University	
	£000	£000
At 1 August 2011		138,600
Release in respect of assets transferred on incorporation	(11,619)	
Release in respect of assets revalued since incorporation	(659)	
Transfer to income and expenditure account		(12,278)
Revaluation		(27,679)
		<u> </u>
At 31 July 2012		<u>98,643</u>

20. Income and expenditure account

	Consolidated and University	
	£000	£000
At 1 August 2011	180,503	180,503
Surplus retained for the year	14,115	14,118
Net actuarial loss (note 28)	(37,322)	(37,322)
Release from revaluation reserve (note 19)	12,278	12,278
	<u> </u>	<u> </u>
At 31 July 2012	<u>169,574</u>	<u>169,577</u>

21. Lease obligations

The University is committed to make the following operating lease payments in the next financial year, analysed by lease expiration date:

	Consolidated and University	
	2012	2011
	£000	£000
Land and buildings:		
Within one year	34	-
Between one and two years	18	155
Greater than five years	5,743	5,568
Plant and equipment:		
Between one and two years	399	-
	<u> </u>	<u> </u>
	<u>6,194</u>	<u>5,723</u>

Notes to the Financial Statements

31 July 2012

22. Capital commitments

	Consolidated and University	
	2012	2011
	£000	£000
Commitments contracted at 31 July 2012	16,199	33,608
Authorised but not contracted at 31 July 2012	108,459	105,492

23. Reconciliation of consolidated surplus after depreciation of assets at valuation to net cash from operating activities

	2011/12	2010/11
	£000	£000
Surplus after depreciation of assets at valuation before tax	14,131	34,070
Depreciation	(note 11) 17,878	6,363
Deferred capital grants released to income	(note 17) (1,089)	(938)
Interest receivable	(note 6) (1,923)	(1,071)
Endowment income	(note 6) (75)	(2)
Loss on property revaluation through I&E	2,431	-
New endowments	326	665
Interest payable	(note 9) 1,703	18
(Increase)/decrease in debtors	633	(664)
Decrease/(increase) in stock	(18)	(6)
(Decrease)/increase in creditors	(6,598)	1,232
(Decrease)/increase in provisions	1,041	1,561
Net cash inflow from operating activities	28,440	41,228

24. Returns on investments and servicing of finance

	2011/12	2010/11
	£000	£000
Income from short term investments	(note 6) 1,923	1,071
Endowment interest received	(note 6) 75	2
Interest paid	(note 9) (1,703)	(18)
	295	1,055

Notes to the Financial Statements

31 July 2012

25. Capital expenditure and financial investment

	2011/12	2010/11
	£000	£000
Tangible assets acquired	(31,425)	(49,446)
Deferred capital grants receivable	768	945
	(30,657)	(48,501)

26. Analysis of changes in consolidated financing during the year

	Mortgages, loans and finance leases
	£000
Balance at 1 August 2010	149
New loan	166
Capital repayments	(163)
Balance at 31 July 2011	152
New loan	35,000
Capital repayments	(48)
Balance at 31 July 2012	35,104

27. Analysis of changes in net funds

	As at 1 August 2011 £000	Cashflows £000	Other changes £000	As at 31 July 2012 £000
Cash at bank and in hand:				
Endowment assets	984	342	-	1,326
Other	28,108	9,119	-	37,227
	29,092	9,461	-	38,553
Short term deposits	77,506	23,569	-	101,075
Debt due within one year	(48)	48	(42)	(42)
Debt due after one year	(104)	(35,000)	42	(35,062)
	106,446	(1,922)	-	104,524

Notes to the Financial Statements

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28. Pension schemes

The principal pension schemes for the University's staff are the Greater Manchester Pension Fund ("GMPF") which is administered by Tameside Metropolitan Borough Council and the Teachers' Pension Scheme ("TPS") which is administered by the Teachers' Pension Agency. The schemes are defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The GMPF is externally funded and the TPS is notionally funded. The GMPF and the TPS are valued every three and five years respectively by actuaries using a prospective benefits valuation method, the rates of contribution payable being determined by the pension fund on the advice of the actuaries.

Under the definitions set out in FRS 17, the GMPF is a multi-employer defined benefit pension scheme. In the case of the GMPF the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2012.

Greater Manchester Pension Fund

Composition of the scheme

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2012 by a qualified independent actuary. The major assumptions used by the actuary were:

	2012	2011
	%	%
Rate of increase in salaries	4.0	4.5
Rate of increase in pensions in payment	2.2	2.7
Discount rate	4.1	5.3
Inflation assumption	2.2	2.7

Contribution rates are as follows:

	%
From 1 April 2011 to 31 March 2012	16.2
From 1 April 2012 to 31 March 2013	17.1
From 1 April 2013 to 31 March 2014	17.9

The increases in contribution rates may reduce the deficit.

The assumed life expectations on retirement at age 65 are:

	Males	Females
	years	years
Current pensioners	20.1	22.9
Future pensioners	22.5	25.0

The assets in the scheme attributable to the University and the expected rate of return were:-

	Long term	Assets	Long term	Assets	Long term	Assets
	rate of return	value at	rate of return	value at	rate of return	value at
	per annum	2012	per annum	2011	per annum	2010
	2012	2012	2011	2011	2010	2010
	%	£000	%	£000	%	£000
Equities	5.5	127,992	7.0	127,606	7.3	116,366
Bonds	3.3	40,725	4.6	35,655	4.8	25,297
Property	3.7	9,696	5.1	9,383	5.3	10,119
Cash	2.8	15,514	4.0	15,013	4.4	16,865
Total		193,927		187,657		168,647

Notes to the Financial Statements

31 July 2012

28. Pension schemes (continued)

The following amounts at 31 July 2012 and 31 July 2011 were measured in accordance with the requirements of FRS17:-

Analysis of the amount shown in the balance sheet

	2012	2011
	£000	£000
The University's estimated asset share	193,927	187,657
Present value of the University's scheme liabilities	(269,727)	(224,590)
	<hr/>	<hr/>
Net pension liability	(75,800)	(36,933)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount charged to staff costs within surplus after depreciation of assets at valuation

	2012	2011
	£000	£000
Current service cost	6,865	6,637
Past service cost	220	98
Settlements and curtailments	196	265
	<hr/>	<hr/>
Total operating charge	7,281	7,000
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount credited to interest and other finance costs

	2012	2011
	£000	£000
Expected return on pension scheme assets	11,675	11,026
Interest on pension scheme liabilities	(11,971)	(12,119)
	<hr/>	<hr/>
Net charge	(296)	(1,093)
	<hr/> <hr/>	<hr/> <hr/>

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

	2012	2011
	£000	£000
Actual return less expected return on pension scheme Assets	(6,759)	5,699
Actual return less expected return on pension scheme liabilities	(2,475)	4,207
Changes in assumptions underlying the present value of the scheme liabilities	(28,088)	9,495
	<hr/>	<hr/>
Actuarial (loss) / gain recognised in STRGL	(37,322)	19,401
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 July 2012

28. Pension schemes (continued)

Movement in deficit in the year

	2012	2011
	£000	£000
Deficit in scheme at 1 August 2011	(36,933)	(54,389)
Movement in the year:		
Current service costs	(6,865)	(6,637)
Contributions	6,032	6,148
Past service costs	(220)	(98)
Net change on assets	(296)	(1,093)
Impact of settlements and curtailments	(196)	(265)
Actuarial (loss) / gain	(37,322)	19,401
	<hr/>	<hr/>
Deficit in the scheme at 31 July 2012	(75,800)	(36,933)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of movement in the present value of scheme liabilities

	2012	2011
	£000	£000
At 1 August 2011	224,590	223,036
Current service costs	6,865	6,637
Interest cost	11,971	12,119
Contributions by members	2,427	2,458
Actuarial (loss) / gain	30,563	(13,702)
Past service costs	220	98
Loss on curtailments	196	265
Estimated benefits paid	(7,105)	(6,321)
	<hr/>	<hr/>
At 31 July 2012	269,727	224,590
	<hr/> <hr/>	<hr/> <hr/>

Analysis of movement in market value of the scheme assets

	2012	2011
	£000	£000
At 1 August 2011	187,657	168,647
Expected return on assets	11,675	11,026
Contributions by members	2,427	2,458
Contributions by employer	6,032	6,148
Actuarial gain / (loss)	(6,759)	5,699
Estimated benefits paid	(7,105)	(6,321)
	<hr/>	<hr/>
At 31 July 2012	193,927	187,657
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 July 2012

28. Pension schemes (continued)

History of experience gains and losses

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Difference between the expected and actual return on scheme assets:	(6,759)	5,699	13,081	(12,749)	(25,769)
Value of assets	193,927	187,657	168,647	142,495	141,805
Percentage of scheme assets	(3.5%)	3.0%	7.8%	(9.0%)	(18.2%)
Experience gains/(losses) on scheme liabilities:	220	98	154	-	2167
Present value of liabilities	269,727	224,950	223,036	205,576	168,014
Percentage of the present value of the scheme liabilities	0.1%	0.0%	0.1%	0.0%	1.3%
Actuarial losses recognised in statement of total recognised gains and losses	(37,322)	19,401	13,938	(35,449)	(16,177)
Present value of liabilities	269,727	224,950	223,036	205,576	168,014
Percentage of the present value of the scheme liabilities	(13.8%)	8.6%	6.2%	(17.2%)	(9.6%)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a £52,031,000 loss, (2011: £14,709,000 loss).

Defined benefit scheme assets do not include any of the University's own financial instruments or any property occupied by the University.

The estimate for the contribution for the defined benefit scheme for the year to 31 July 2013 will be approximately £6,312,000.

The actual return on scheme assets in the year was a £4,946,000 gain, (2011: £19,876,000 gain).

The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers, and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions increases). From 1 April 2001, the account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Notes to the Financial Statements

31 July 2012

28. Pension schemes (continued)

Valuation of the Teachers' Pension Scheme

Not less than every four years, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies which, if it were paid over the entire active service of these teachers and lecturers, would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The GA'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 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR 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). This resulted in a total contribution rate of 20.5%, which translated 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 employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's full time equivalent salary. Further changes to the employee contribution rates will be applied in 2013/14 and 2014/15.

Actuarial scheme valuations are dependent on assumptions about the future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the proposed final agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions of FRS17, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme and, accordingly, the scheme is treated as a defined contribution scheme.

Cheshire Pension Fund

A small number of former employees (18) receive retirement benefits from the Cheshire Pension Fund. The related asset is not material to the University's accounts.

Total pension cost

The total pension cost for the University and its subsidiaries is:

	2012	2011
	£000	£000
Teachers' Pension Scheme: contributions paid	7,860	7,933
Local government pension scheme: charge	7,281	7,000
Other pension schemes: contributions paid	378	19
	15,519	14,952

29. Access funds and external bursaries

	2012	2011
	£000	£000
Balance brought forward at 1 August 2011	1,172	1,117
Funding council grants and bursaries	2,159	5,996
	3,331	7,113
Disbursed to students	(3,152)	(5,941)
Balance remaining at 31 July 2012	179	1,172

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

30. Related party transactions

	The Corridor, Manchester	Sugden Sports Trust
	£000	£000
Income receivable from related party	-	111
Expenditure payable to related party	50	174
Amount owed by related party	-	1,687
Amount owed to related party	56	60

The Sugden Sports Trust was established by the Manchester Metropolitan University and the University of Manchester to provide facilities for sporting activities for students and staff of both universities. Both universities have provided loans to the Trust to construct a sports facility (the Sugden Sports Centre). Interest is charged on these loans and the centre is leased back to the Universities. The Trust may be wound up in 2035 unless the period is extended by mutual agreement and the proceeds are to be divided equally between the two Universities. The University's Deputy Financial Director and the Assistant Financial Director (Systems), act as trustees along with three representatives of the senior staff at the University of Manchester.

Convagent Limited is a company engaged in the development of business related software and the Manchester Metropolitan University has a 20% interest in the company. The Company has not traded since 31 December 2006 and, therefore, there are no figures included within this note.

The Corridor, Manchester is a company whose principal activity is to maximise the economic potential of the City South area by harnessing the investment currently being made by key institutions (Universities, the Health Trust and the Private Sector); by stimulating future improvement and growth at key locations within the areas; and by capturing economic benefit from this investment for disadvantaged local residents in the wards surrounding the area in the city as a whole. It is a company registered in England and is limited by guarantee, the five members and guarantors being Manchester City Council, the Manchester Metropolitan University, the University of Manchester, the Central Manchester University Hospitals NHS Foundation Trust, and Bruntwood Limited.

Manchester Knowledge Capital is a unique partnership of the Manchester Metropolitan University and other Greater Manchester universities, local authorities, public agencies and leading businesses. The partnership is committed to creating positive change by increasing innovation across the city-region and creating a sustainable and prosperous city from which everyone can benefit. The company accounts have yet to be prepared and have therefore been excluded from the table within this note.

30. Related party transactions (continued)

North West Universities Association (NWUA) is the representative body of fourteen higher education institutions in the North West of England including the Manchester Metropolitan University. NWUA provides a means whereby member institutions may co-ordinate their regional activities and identify opportunities for collaborative action so as to maximise their contribution to the social, economic and cultural life of the North West of England and develop partnerships with business, industry and public bodies accordingly. The company ceased operating on 31 March 2012.

The following disclosures have been made in the University's Register of Interests compiled by the governors and senior staff of the University.

The chairman of the Board of Governors, Alan Benzie, is also the chairman of DWF Solicitors and Manchester Sport and Leisure Trust. During the year, the University paid DWF Solicitors £74,284 (2011 - £35,900) and at the 31 July 2012 there was an amount outstanding of £12,469 (2011 - £8,465). The University contributed £95,557 (2011 - £90,324) to the running of the Manchester Aquatics Centre which is managed by the Trust.

Peter Budd is director of Ove Arup & Partners Ltd. During the year the University paid £62,376 (2011 - £316,084) to the company and at the 31 July 2012 there was £19,050 (2011 - £21,893) outstanding. The University received £25,000 in sales from Ove Arup & Partners Ltd during the year. Peter is also a member of the audit committee and the estates committee for Edinburgh University. The University paid Edinburgh University £6,219 (2011 - £3,763) in 2011/12.

Elisabeth Taylor's husband is a partner of Addleshaw Goddard to whom the University paid £613,271 (2011 - £518,974) during 2011/12 and the amount outstanding as of the 31 July 2012 was £4,517 (2011 - £71,514).

John Thornhill is a director on the BT Management Board. During the year 2011/12 the University paid BT £460,737 (2011 - £57,325) and on the 31 July 2012 there was an amount outstanding of £5,079 (2011 - £4,195).

John Cunningham is a director on the UNIAC Management Board to whom the University paid £174,992, and received £8,654 in sales from UNIAC during 2011/12.

Senior Officers

Chancellor

Dianne Thompson CBE

Pro-Chancellor

Alan Benzie FCA

Vice-Chancellor

Professor J S Brooks BSc PhD DSc CEng CPhys FInstP

Deputy Vice-Chancellor for Student Experience

Professor K Bonnett BA MA

Deputy Vice-Chancellor for Strategic Planning

Professor G Kelleher BSc(Econ) PhD FBCS CIP

Chief Operating Officer and Financial Director

L Grant MBA FCMA to 8 January 2012

Acting Director of Finance

R Keyworth from 1 January to 28 February 2012

Director of Finance

J Cunningham BA (Hons) FCCA from 1 March 2012

Director of Human Resources

G Hemus MA LLB DPA DPM FCIPD

Registrar

G Arnold BA CMA

Director of Services

M Heaney BA DipLib MCLIP FHEA FRSA

Director of Marketing, Communications and Development

G Hughes BSc(Hons) MA MCIM

Pro-Vice-Chancellor

P Renwick

Pro-Vice-Chancellors and Deans of Faculty:

Art and Design

Professor D Crow BA (Hons) MA

Faculty of Business and Law

Dr R Ashford BA PhD BEd FCIM MIPR MAM

MMU Cheshire

D Dunn JP BA MA

Health, Psychology and Social Care

Professor V K Ramprogus RGN RMN BA MSc PhD

Hollings

Professor C Renfrew BA(Hons) MA CertEd

Humanities, Languages and Social Science

Professor A E Holmes BA MPhil PgDip FRSA MHEA

to 11 September 2011

Dr S Handley BA PhD

Acting Dean from 1 August 2011, Dean from 12 January 2012

Faculty of Education

A C Jones BA PGCE MPhil FInstAM

Science and Engineering

Professor P Dunleavy BSc PhD

Board of Governors

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Mr B Atkins from 1 July 2012

Mr A A E Benzie (Chairman)

Mr R Bide

Mr G Brady MP to 25 September 2011

Mr D Brewin from 26 September 2011

Professor J Brooks

Mr P Budd

Mr A Connock to 13 November 2011

Mr G Dawber

Professor P Dunleavy

Mr N Harrison

Ms L Holden

Ms D Lauterburg

Professor Sir David Melville CBE from 23 September 2011

Ms K Michel

Mr B Mistry

Mr G Muirhead CBE

Ms V Murray OBE from 25 November 2011

Mr E O'Neal

Miss L Ramli

Ms E L Taylor

Mr J Thornhill

Ms W Wright



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