

UNIVERSITY OF  
BIRMINGHAM

2010  
2011

ANNUAL REPORT  
AND ACCOUNTS



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## Vice-Chancellor's Report



In 2010 we published our strategic framework for the next five years which articulated our ambition to make Birmingham a leading global institution.

This vision, to raise the University's performance and profile, is designed to chart the University's course through the most significant changes in UK higher education for a generation and in challenging financial times. This last year has seen further changes, in teaching and research funding, and the market for international student recruitment. Despite these chill winds, our strategy remains on course and the University faces the future with confidence.

Central to our strategy was a commitment to sustain our financial strength and use it purposefully. In the past 12 months, we have made ambitious investments and shrewd business decisions that have set our course.

We have developed a series of initiatives that will:

- Secure an outstanding educational experience for our students;
- Establish an international network of alliances;
- Invest in the facilities and academy to deliver high quality research;
- Preserve, enhance, and safeguard our inspiring campus for the 21st century.

### Our students

The changes in the UK higher education funding and the introduction of fees up to £9,000 per annum for undergraduate students from 2012 will transform English higher education.

Our focus has been on enhancing the experience of our students and facilitating access to the University. We modelled likely changes in student funding in the quinquennium 2011–16, sought efficiencies wherever

possible, and then prioritized areas for investment in the new fees regime. In setting a fee of £9,000 the University and its Council were acutely aware of the likely competitive pressures, and the anxieties and priorities of potential applicants. We were equally aware of the centrality of quality, the importance of maintaining the University's near-unique breadth of subjects, and our proud history as the Russell Group University which has led the way in promoting access to a great university for outstanding applicants from disadvantaged backgrounds.

Our 'Access Agreement', approved by the Office for Fair Access in July, balanced these competing pressures. It will enable us to invest in academic tutorial, enhance contact hours, continue to invest in best-in-class student support, further enhance our investment in student facilities, and offer targeted financial aid to ensure that no student capable of benefitting from a Birmingham education should be deterred for financial reasons.

This investment in the teaching experience is being matched by the development of our employability services, recognizing that today's students face one of the most challenging employment markets of recent decades. The University committed an investment of £3.5m that will ensure that Birmingham graduates continue to succeed after university and which included the provision of services dedicated to our international students, for whom the drive to succeed professionally can be particularly acute. As a result, Birmingham students will enjoy access to unrivalled advice and support, internships offered generously, often facilitated by our own alumni and by funding provided through benefactions of remarkable generosity.

The University has been working with the Guild of Students in the development of a high quality living and learning environment for our undergraduate students as well as a funding package that will encourage applicants from disadvantaged backgrounds to realize their ambitions at Birmingham. We recognize the additional benefits of living independently, and have devised our financial support to enable those from the most disadvantaged backgrounds to live on campus, rent free.

Around a quarter of our undergraduate community meet the widening participation criteria, and our integrated financial aid package will offer support to over 4000 students. When combined with a significant expansion in our widening participation recruitment activities, our investment in these areas will rise to over £15.2m by 2015/6. Following the withdrawal of Government funding from the nationwide Aimhigher scheme, the University has led the development of a partnership between some of the region's other institutions, University College Birmingham, Aston, and Birmingham City universities. This partnership will continue to deliver the successful work of the Aimhigher programme to 500 local young people from disadvantaged backgrounds and encourage them to aspire to higher education.

Our plans include the development of a hub for all student facing services in the heart of our iconic Aston Webb building, building more student accommodation on campus that will lift students out of the private landlord accommodation in the surrounding area, as well as further development of our academic portfolio and teaching methods. I am confident that, as we continue to work with our student community in the development of these services and facilities, we are forging an outstanding academic experience.

#### **Our campus**

A world-class university deserves a world class environment to attract and retain the best staff and students. In the last year we have seen work continuing apace on a number of significant capital developments, including the Bramall music building, made possible through the great generosity of our philanthropic donors, which will provide a state-of-the-art home for our UK leading Department of Music and perhaps the finest small concert venue in the country. The refurbishment of 52 Pritchatts Road was completed and the hugely-ambitious refurbishment of the Metallurgy and Materials Building nears completion.

We have also completed a major refurbishment of facilities in our Guild of Students, bringing the services that our student body valued most highly, study space, and careers support to the fore.

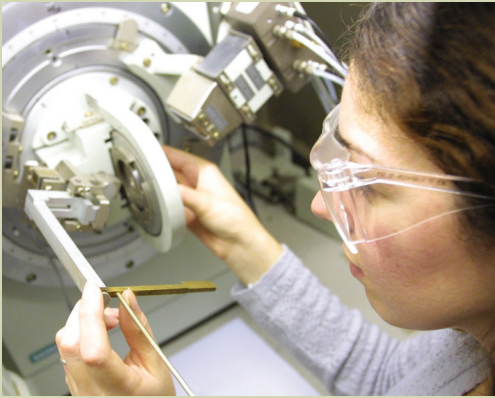
These projects form part of a long term vision for our estate, which will not only continue to deliver the highest quality facilities for staff and students, but open up resources for our local communities and the wider region. A centrepiece will be a new library that will offer outstanding facilities to a new generation of students and academics, and enable the University to extend the green heart of campus, reinterpreting our Founders' architectural vision for the new millennium. Our plans also include the construction of a new sports centre, with sports halls, gyms and the city's only 50 metre pool, providing facilities consistent with the quality of sport at Birmingham which ranks us second in the country for performance sport and continues to produce Olympic standard sportsmen and women. It is our firm intention that these facilities will continue to extend the range of services and facilities available to the local community, with whom we continue to build strong relations.

Environmental sustainability is at the core of our estates strategy. These and other developments will help the University move closer towards achieving a 20% reduction in our carbon emissions by 2020, a significant challenge with an estate that dates back to 1900.

#### **Our Research – at home and around the world**

Whilst the campus is an undoubted asset, the University is built around the academy. Birmingham is committed to attracting the brightest minds from around the world and, towards the end of the academic year, launched the Birmingham Fellows initiative, a drive to attract 50 of the most outstanding post-doctoral researchers: the next generation of research and academic leaders. We received 1,400 applications from around the world. This will be significant contribution to securing an internationally renowned academy for the future. No other university has been able to match the scale and ambition of the Birmingham Fellows scheme.

In 2009 we announced investment in key areas of research innovation across our academic portfolio. These initiatives encourage cross disciplinary collaboration and generate globally significant research outcomes. In the last year we have seen many of these areas flourish: for example the Birmingham Heritage and Culture Learning



**THE NEXT FIVE YEARS WILL CONTINUE TO SEE PROFOUND CHANGES IN HIGHER EDUCATION WITH GREATER COMPETITION FOR THE BEST STUDENTS AND RESEARCH GRANTS, GREATER SCRUTINY OF THE QUALITY OF OUR TEACHING AND RESEARCH, AND AN INCREASINGLY COMPLEX ARRAY OF EDUCATIONAL PROVIDERS.**

Hub. The Centre for Excellence in Nuclear Energy is recruiting new researchers, winning external funding and undertaking ground-breaking research. Many readers will have heard of the breakthroughs funded by our Metamaterials initiative, which have produced an invisibility cloak, which is the product of quite stunning science and promises myriad applications as the technology matures. Elsewhere on our campus the arrival of 152 trials previously managed by the Children's Cancer Research and Leukaemia Group make Birmingham the leading European centre for clinical trials and a powerhouse of translational medicine.

We have also expanded the global reach of our research, developing a number of successful research partnerships with institutions in our sister city Chicago. These are in areas of academic activity including neuroscience and endocrinology. In September 2011 we opened a collaborative centre in Guangzhou, China, in partnership with the People's Government of Guangzhou Municipality. The project will identify, design, and co-ordinate the delivery of joint research projects in Guangzhou. The strong research focus of the centre and the direct involvement of the Municipal Government makes it a unique undertaking for a UK university. World class research is the lifeblood of an institution like Birmingham and our plans to develop mutually beneficial academic partnerships with international institutions continues, with the University poised to build on its long standing presence in India and to grasp new opportunities emerging in South America. Targeted investments

will support a strategy to increase the proportion of world leading research developed at Birmingham and to enhance research grant capture.

**Our future**

The next five years will continue to see profound changes in higher education with greater competition for the best students and research grants, greater scrutiny of the quality of our teaching and research, and an increasingly complex array of educational providers.

Birmingham is well placed to meet these challenges. Our strategic framework sets purposeful, bold goals for Birmingham: goals we intend to achieve and then exceed. Over the course of this year, we have drawn on the expertise of our Council, our students and our international friends and partners. Their knowledge and our own ambition have resulted in a series of major investments which will benefit our students, our research, and the fabric of our historic Edgbaston home.

With the next major assessment of UK research (the 2014 Research Evaluation Framework) looming large we will continue to invest in areas of research strength, disinvesting too, where necessary.

We will continue to invest in activities that enhance the reputation of our University in the region, across the UK, and around the world. We will measure our success against international comparators, and be uncompromising in our drive for excellence wherever it occurs within the University and wherever we encounter it in the opportunities that arise in the UK and overseas. This will ensure that we succeed at this time where change brings opportunity, where ambition is rewarded, and where quality is paramount.

**Professor David Eastwood**  
Vice-Chancellor and Principal

25 November 2011

## Our community links

Birmingham is proud of its heritage as one of the first civic universities. It was established as a resource to secure a prosperous and successful future for the city and the region.

Today, Birmingham is a world-renowned university with outstanding staff and students from across the globe. However, we also recognise that the people and businesses of the city have played a crucial role in our success and continue to cultivate productive community relationships.

Over the past year, we have taken decisive steps to improve access for the local community and regional partners to the facilities and services on campus.

We held our second Community Open Day which attracted more than 10,000 visitors, and is believed to be the largest event of its kind in the UK. Held annually, visitors can participate in research, learn more about how students support their local community, as well as enjoying the funfair, entertainment from University musicians and student groups, the local craft fair and the farmers' market.



Community Day at Winterbourne House







There have also been initiatives that seek to embed research excellence in the local area. The 'Obesity Ambassadors' programme promotes dialogue between the local population and health researchers at the University in a move to tackle this damaging condition which is prevalent in the region. The new Health Research Bus is a fully equipped mobile unit that enables research experts to reach the local population from sites on supermarket car parks and on local housing estates and is part of the initiative to ensure that our research developments benefit the lives of its neighbours.

The Guild of Students is the University's student union and operates a team of volunteers who work in all areas of the local community. This includes working with young children, the elderly, regular street cleaning, litter picks, painting local school playgrounds and working with local resident groups. This level of involvement fosters a sense of community responsibility amongst our students for their temporary home in the city, with a view to making them more effective citizens of the future.

**REGULAR STREET CLEANING,  
LITTER PICKS, PAINTING LOCAL  
SCHOOL PLAYGROUNDS AND  
ENGAGEMENT WITH LOCAL  
RESIDENT GROUPS FOSTERS  
A SENSE OF RESPONSIBILITY  
AMONG OUR STUDENTS**

#### Supporting the region's businesses: Aston Martin

The University has a strong tradition of working with industry and particularly values the relationship with premium car manufacturer Aston Martin, which is based in the West Midlands region.

An Advanced Materials project, part of the Science City Research Alliance initiative, investigated the company's paint processes and successfully identified areas for improvement. The project led to a further collaboration with Aston Martin on The Human/ Machine Interface.

**'We are very keen on promoting Engineering as a future career choice and the opportunity to partner with University of Birmingham on a number of different projects will hopefully inspire undergraduates through exposure to practical application of their degree discipline.'**

*Ian Minards – Product Development Director,  
Aston Martin Lagonda*

\*The Advanced Materials Project is part of a larger investment by Advantage West Midlands and ERDF, which unites the Universities of Birmingham and Warwick in a strategic research partnership – the Science City Research Alliance (SCRA).

## A wealth of culture

Throughout our history, the arts and humanities have been an essential component in the academic experience at Birmingham, providing a counterpoint to scientific subjects.

Today, the University's cultural life, both academic and social, is flourishing.

The campus contains many clues that point to the quality of our cultural pedigree: paintings in the Barber Institute of Fine Arts, objects from amongst our culturally significant collections, and the blue plaques outside our many academic buildings which mark the achievements of our alumni and staff over the past century. Taken individually, it is impossible for these clues to demonstrate the breadth of cultural activity at Birmingham, from academic research which is accessing the power of new technology to preserve our cultural heritage, to the creativity of our many Guild societies whose music and drama performances enrich life on campus.

The University has established a Cultural Engagement Team to formulate this activity into a cultural strategy which will secure Birmingham's cultural significance locally, nationally and internationally. The impact of this team has been evident over the past 12 months as a result of a series of major initiatives.

A range of cultural internships have been developed for University students, providing opportunities to work with our collections on campus, our cultural partners in the region including the City of Birmingham Symphony Orchestra, the Birmingham Royal Ballet and the Birmingham Museums and Art Gallery, and even to acquire curatorial or archival experience with international partners. Our 'U21 Student Projects Programme' offers a month-long placement for Birmingham students in the University of Melbourne, working across a wide range of collections. Providing excellent employment experience for individual students, these opportunities are also preserving the skills required to maintain our global cultural heritage.

The University's Heritage and Cultural Learning Hub is another example of the integrated approach to culture at Birmingham. This multi-million pound, multi-disciplinary research initiative uses cutting edge mobile and smart technology to increase public access to artefacts that might previously have been kept in storage. It enables individuals to access multiple information sources to better understand a cultural artefact, and facilitates greater interaction with cultural icons as individuals are able to include their own feedback to the information associated with that item. Through the generosity of alumni donations and a Garfield Weston foundation grant, a new Prototyping Hall opens in early 2012 which will include the worlds' largest 3D touch table.

Over the past twelve months our Special Collections have moved into a new state-of-the-art home, the Cadbury Research Library at the heart of campus, improving access to and preservation of the collection.



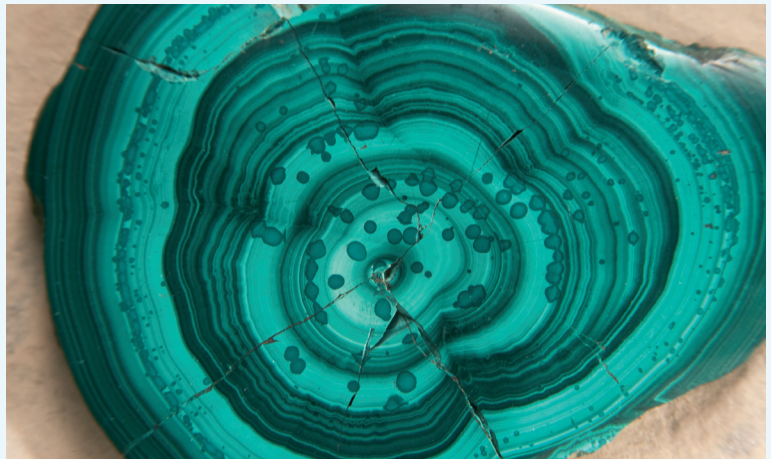
Painted by rust

An exhibition of photography by Brigitte Winsor



Ian Grosvenor,  
Deputy Pro-Vice-Chancellor for Cultural Engagement

ONE OF THE ELEMENTS OF THE  
CULTURE STRATEGY IS TO BRING  
THE CITY INTO THE UNIVERSITY  
AND VICE VERSA



Winterbourne Botanic Gardens

## Our Colleges

The University is structured into five colleges, which puts academic endeavour at the heart of our decision making. Each college is led by a Pro-Vice-Chancellor who sits on the University Executive Board. This structure has facilitated the development of a range of important interdisciplinary research initiatives such as our Centre for Computational Neuroscience and Cognitive Robotics and the Heritage and Cultural Learning Hub. The work of our Colleges is supported by the University's Professional Services located both centrally and in the Colleges.

### College of Arts and Law

Home to a host of learning resources and facilities, including the Harding Law Library, Shakespeare Institute and the Visual and Spatial Technology Centre.



### College of Engineering and Physical Sciences

Our Centre for Hydrogen and Fuel Cell Research is home to England's first hydrogen gas fuelling station and has its own fleet of hydrogen powered cars.

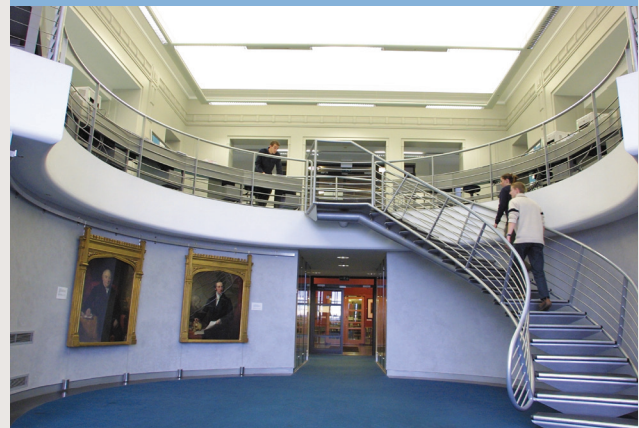


## College of Life and Environmental Sciences

Our School of Sport and Exercise Sciences is one of the longest established in Europe for scientific research into exercise and sport and ranked first in the UK for research of international significance.

## College of Medical and Dental Sciences

The College brings together healthcare related research and education. The research focus includes Cancer; Endocrinology and Metabolism; and Immunity and Infection.



## College of Social Sciences

Our School of Education has an overall rating of 'outstanding' by OFSTED inspection for our primary and secondary initial teacher education and training programmes.

## Treasurer's Report



2010/11 was a busy year. Announcements were made which will have a fundamental impact on university finances and bring some uncertainties for the future. A sound financial base will be important to navigate the way ahead. The University of Birmingham is well placed to meet these challenges. 2010/11 saw revenues grow to £470.7m (2009/10 £462.4m); with an operating surplus of £27m (2009/10 £22.3m) and cash generated of £13.5m (2009/10 £42.3m).

During the year we have continued to capitalise on opportunities to deliver on our five year plan 'Shaping our Future: Birmingham 2015'. This is against the backdrop of a changing funding landscape, regulatory developments, including the Government's White Paper released in June and our need to operate on a sustainable basis. Our engagement with the external environment, through initiatives responding to consultations, serving on industry bodies and institutional membership of global alliances, ensures that our management team can make informed decisions about the University with the wider context in mind.

### Sustaining our financial strength and using it purposefully

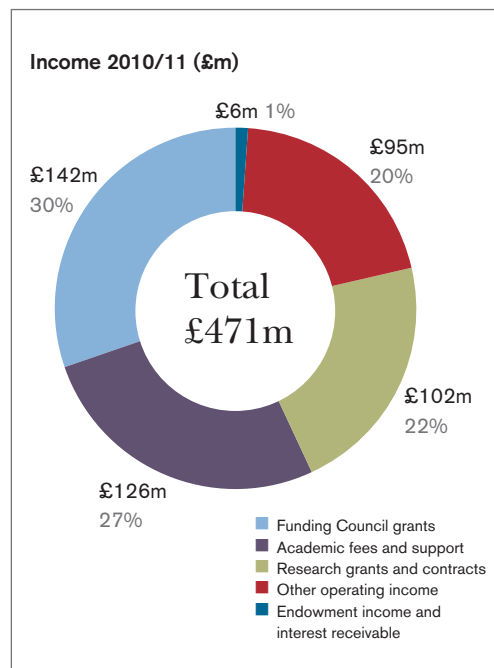
#### Income and Expenditure

The operating surplus grew by 21% to £27m. We have continued to take decisions about our cost base, as well as make investments for the future, despite challenging times.

Our delivery of financial sustainability is driven and measured by our financial KPIs, the most significant being:

- Generation of a continuing recurrent surplus to support long term sustainability
- Continuous capital investment in the estate, facilities and infrastructure
- Maintaining adequate cash balances

Delivery has been sustained in 2010/11 and supports a long history of financial strength from which we can deliver growth and invest in academic and other areas, as well as deal with the uncertainties caused by the changes in the funding mechanisms for the HE sector.



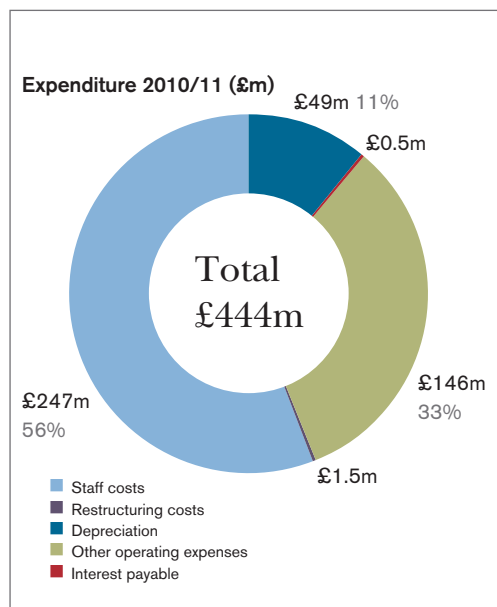
Total income was £470.7m, an increase of 2%. Funding council grants represented around 30% of the total, which is marginally lower than in 2009/10 and reflects not only funding pressures, but the continuing move to student rather than public funding. As a result academic fees and support grants now represent 27% of the total income, up from 25% in 2009/10.

Research grants and contracts have reduced by 3% year on year as we begin to see available funding

## Treasurer’s Report (continued)

reducing from all sources. Not only is Government spending being reduced, but the impact of additional competition and efficiency pressures relating to other funders is being felt.

Other operating, endowment and interest income are largely in line with the prior year. This includes income from student residences, which we own, and enables us to directly influence the overall student experience. Residences, catering and conference incomes show small increases with the funds being allocated to ensure residences are appropriately maintained and services across campus are delivered to suit both student and staff needs.



We continue to review our ongoing cost profile and to disinvest in activities which are no longer congruent with our strategic aims. Indeed costs for the year have been broadly contained.

Our staff costs continue to represent over 55% (2009/10 55%) of our total expenditure, with pension costs continuing to increase at £28.1m (2009/10 £27m).

With a substantial owned estate coupled with our ongoing investment programme, depreciation continues to be a significant cost at £48.7m (2009/10 £47m).



Artist’s impressions of the new Bramall Music Building

In these challenging times, we remain committed to investing in the student experience. During the year we have committed funding to:

- Employability support and guidance
- Academic enhancement, with new Chairs of subject areas being appointed
- Student facilities
- Establishing a technology hub to house and maintain equipment for wider access
- IT infrastructure enabling more innovative approaches to communication and teaching delivery.

### Donations and fundraising

During the year the University achieved the fundraising target of £60m for the first phase of our Circles of Influence campaign. Funds have come from a variety of sources over the term of the campaign and include donations from alumni and charities, contributions from philanthropic sources to our research activities and project funding.

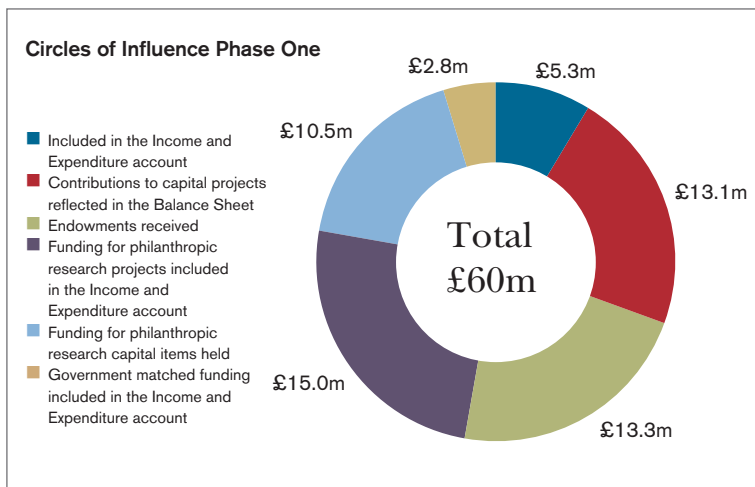
This has enabled us to undertake a wide variety of capital programmes, support research into many areas such as cancer treatment innovations and support students attending the University from diverse backgrounds through our Access to Birmingham programme and much more.

The philanthropic support the University has received is from a wide variety of sources and has been applied to an equally wide number of activities. As a result the

## Treasurer's Report (continued)

impact is recorded in a number of areas in the financial statements.

The overall impact is as follows and is spread across a number of financial years.



We have now launched phase two of the campaign which seeks to raise an additional £100m.

### Balance sheet

#### Fixed assets

With our estate covering 230 hectares, containing over 270 buildings and having an insurance value of more than £1bn, the requirement for infrastructure development and enhancement is significant. Against our annual target of £50m we have spent £46.1m on our land and buildings in 2010/11 including:

- The Bramall Music Building, which will open in 2012. This will provide an excellent music and performance space and will complete the Aston Webb semi circle. This has been funded by a mix of generous donations from Alumni and others and the University's own funds;
- A substantial upgrade and refurbishment of the Metallurgy and Materials building;
- Supporting and improving the subway system which provides service infrastructure across the campus;
- Extending the steam main to the Medical School to enable the benefit of steam heating on the west side of the campus;

These four schemes alone total £26m in the year.

Unusually within the sector, this level of investment has been achieved without the need for external loans. As capital funding from the Government continues to reduce significantly, the need to find alternative funding sources grows. Our ambitious capital plan, announced earlier this year, may necessitate some borrowing to meet the timing of potential cash flows and to benefit from advantageous rates where available.

On implementation of the Accounting Standard in relation to Heritage Assets, we have identified one of our sculptures and one of our portraits, with a combined value of £164k as Heritage assets. These form just part of the University's assets and initiatives to promote cultural life on campus. Other examples are:

- The Cadbury Research Library: Special Collections;
- Blue plaque trail;
- Sculpture trail;
- Lapworth Museum of Geology;
- Pop up performances; and
- Collection of Fine Art.

### Investments and cash

Through the Investment Sub-Committee, the University sets the policy for investment in long and short term portfolios. The long term portfolio delivered a total return of 9.8% while the short term cash return delivered 1.7%. The investment portfolios are managed by external providers with the focus being on the asset allocation delivering an appropriate balance of risk/return. The investments in cash are spread across a number of banks and financial institutions. In the current economic environment, risk management is more of a focus than return.

The University continues to generate cash from its operations of £59.7m (2009/10 £55.7m). This strong and active management of our cash enables us to fund the capital programme, invest in new or growing academic areas and support our activities despite declining funding from other sources.

### Liabilities

We pay careful attention to the management of working capital and in particular the robust control of debtors and fair treatment of creditors. Our trade creditors are comparatively small at £5.2m reflecting our policy for payment of suppliers being to settle accounts within 30 days of invoice.



## Treasurer's Report (continued)

Due to the size of our capital programme, together with the timing of receipt of funds in advance of activity, the £100.1m of research grants and other deferred income is consistent with the prior year (£98.8m).

The University's Self-Administered Trust, a defined benefit pension scheme, BPAS, was closed to new entrants in 2002. The last triennial actuarial valuation was in March 2010 and a new schedule of contributions includes deficit contributions of £4.3m for 20 years.

### Reserves

At the year end our Income and Expenditure account reserve was £449.9m before the £30.7m pension reserve. Of this approximately £407m is necessary to match our investment in the estate.

### Risks and opportunities

During the year, the risk management processes for the University have been reviewed and a new strategic risk register approved by Council. The register has been aligned to 'Shaping our future: Birmingham 2015', our five year plan and the key institutional risks are as follows:

#### Sustained financial strength

The sector continues to experience spending constraints. Uncertainty still exists on the outcome of the Government's White Paper consultation along with the Higher Education Funding Council's mechanism for implementation of the White Paper's proposals. We anticipate major changes in teaching funding and during the last year a significant amount of time has been spent on defining the offer to our students from 2012/13 and the fee required to support a high quality student experience. The impact of the 'free at point of entry' policy on undergraduate demand is unknown and other changes in the funding mechanisms, such as the removal of student number controls on those applicants with AAB or equivalent qualifications means the University needs to pay close attention to trends and market related data in order to assess and manage our position and the financial implications.

Pay and pensions, when combined, continue to represent over 55% of our total expenditure. Pay rates continue to rise, but at lower rates than before. This will assist in delivering a financially sustainable future as other economic pressures increase.

#### Research power

The Government has rightly chosen to protect the science and research budgets in cash terms. This recognises the importance of the sector to economic growth. The distribution of the research budget has become clearer and the University continues to focus on ensuring that our research income from all sources is enhanced. The impact of our research is as important as the funding for it, activity to grow our market share and to continually enhance quality. The relevance of our outputs is a key area of focus.

#### Student experience

The student experience, and measurement of it, is also facing a changing landscape, with the introduction of the new Key Information Set ('KIS') from next year. The University already monitors student satisfaction in a number of ways, involving both national and local benchmarking. This remains important. The significance of maintaining high academic quality alongside demand for our programmes and the overall experience of students whilst at the University will continue to be enhanced.

#### Destination of Choice

The delivery of our academic goals requires recruitment and retention of the best academic staff as well as identifying the talent of the future. The Birmingham Research Fellows scheme is an example of how we seek to recruit new members of staff and provide them with development opportunities. Similarly within our professional teams the focus is on continuous improvement and delivery to support the ongoing response to change that is essential if we are to achieve our aims.

## Treasurer's Report (continued)

### Engaged University

The engaged university element of risk is around external recognition for our research and academic activity as well as the need to deliver an international experience as a global player that impacts all of our staff and students. A number of initiatives in relation to our international presence; the development of new partnerships, both internationally and in the UK; mobility for both staff and students and employability opportunities all form part of our efforts to mitigate the likelihood and impact of this risk.

### Other operating risks

The other operating risks include matters such as a failure of our IT systems and environmental impacts that we need to keep under careful review to ensure that the likelihood is minimised and in the event of any such risk arising, the impact is managed and controlled.

### Opportunities

The University has a number of opportunities for development and wider engagement.

## WE HAVE DEVELOPED AND STRENGTHENED OUR OVERSEAS PARTNERSHIPS DURING THE YEAR WITH RELATIONSHIPS IN PLACE IN CHICAGO, BRAZIL, GUANGZHOU AND INDIA

Building on these will enable research and business related projects to be delivered. As a result we would expect to see an increase in our share of the international research and student markets.

Council has recently approved a number of projects, including library, sports centre and student hub. Full designs and discussions with stakeholders are already underway. These are planned to complete within 4/5 years and will further enhance the campus and the experiences of our students and staff as well as presenting more opportunities to engage with the local community.

Our focus on the student experience has led to a greater dialogue between students and those who run the University. Students are engaged in a range of initiatives and have established many mechanisms through which their voices can be heard to deliver

the experience across campus. During the last year, with many significant decisions to be made around fees and investment priorities the engagement with the student body has been very important and has ensured that decisions have been taken with a full appreciation of students' views.

The achievement of second place in the BUCS championships for University Sport is a credit to our sports teams and the commitment they show in representing the University through their sport. We also have a large number of volunteers related to our sports activity, who engage and support many local community sports clubs through coaching and mentoring.

### Regulatory environment

The University is able to operate in a relatively autonomous fashion, having regard to requirements to fulfil our charitable objectives under the Royal Charter (by which it was established in 1900), to the Higher Education Funding Council for England (HEFCE) and other regulatory bodies within the sector.

The University is an exempt charity by virtue of schedule 2 of the Charities Act 1993 and since June 2010 HEFCE has been the University's principal regulator under the Charities Act 2006.

The University's activities are governed by its Charter and Statute. In accordance with these, the University is required to:

- be both a teaching and an examining university;
- further the prosecution of original research;
- provide instruction in such branches of learning as the University may think fit;
- work for the advancement, dissemination and application of knowledge in such a manner as the University may determine so as to be for the public benefit; and
- set up fellowships, scholarships, studentships, exhibitions, bursaries, prizes and other such awards for the benefit of individuals and society at large.

All our activities are defined by these principles delivering a benefit to the students and staff who are involved with the University and more widely to the public.

## OUR INCREASED FOCUS ON THE STUDENT EXPERIENCE HAS LED TO A GREATER DIALOGUE BETWEEN STUDENTS AND THOSE WHO RUN THE UNIVERSITY, WITH STUDENTS ENGAGED IN MANY AREAS OF DELIVERING THE EXPERIENCE ACROSS CAMPUS AND HAVING MULTIPLE MECHANISMS THROUGH WHICH THEIR VOICE CAN BE HEARD

### Public benefit

Under the Charities Act 2006, the University is required to report on how it has delivered its charitable purposes for the public benefit. In setting strategy and implementing decisions to enhance the University's activity, Council has taken due regard of the Charity Commission guidance on public benefit. The charitable aim of the advancement of education is exemplified in both our under and post graduate teaching across a wide range of subjects. More than 29,000 students, with over 5,000 graduating each year, enjoy the benefits of higher education at the University. Through professional courses such as our Environmental Health MSc programme, to the more traditional BA English with Creative Writing, we are sharing knowledge and developing enquiring minds. Many pursued research across a wide range of disciplines, finding original concepts and new inventions which will in time result in changes to our society, advancements in healthcare and enhanced economic well being, in the year over 15 patent applications were made and over 60 new records of inventions were registered.

The University also provides a series of lectures which are open to students, staff and the local community on areas of wide interest. In 2011 our Baggs Memorial Happiness Lecture was given by Alistair Campbell and was attended by over 600 people.

Further information in relation to the wide range of academic opportunities can be found in the University's online prospectus (see [www.birmingham.ac.uk/students/ug](http://www.birmingham.ac.uk/students/ug)).

Our student population is drawn from both the UK and further afield and this mix of backgrounds and experiences enriches the learning experience gained in attending the University. We produce graduates who have received training in their chosen academic discipline, together with other skills, through volunteering, electives or placements abroad, training as student mentors and numerous other extracurricular activities.

Our research interests are varied and wide-ranging. Our internationally acclaimed academics advance knowledge in cutting edge and global areas of concern, such as nature inspired computations and their applications, an inter-disciplinary project; indoor contamination with flame retardant chemicals, considering the potential health risks; metabolic flux analysis and cancer, training researchers to exploit the gains of new technology; and computational neuroscience and cognitive robotics, considering how the brain learns, ages and recovers from injury. Additional information about how these and other research activities impact can be found online (see [www.birmingham.ac.uk/research/heroes/index.aspx](http://www.birmingham.ac.uk/research/heroes/index.aspx)). In delivering research the University is mindful of the need to minimise any detrimental impact and there are policies and procedures for initial ethical approvals of projects as well as in relation to compliance with appropriate standards for dealing with clinical tissue, sensitive data or areas of ethical concern.

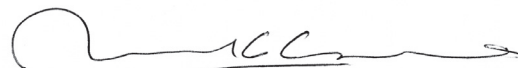
The University's strategic goals of enhancing research power and providing students with a distinctive high quality experience will result in a continued focus on the benefits provided to society and our student population, maximising the impact of the University of Birmingham as widely as possible.

The University provided £32m (2009/10 £27m) of scholarships and bursaries to encourage entry to, and continuation of, higher education from as wide a cross section of the community as possible. We also actively encourage widening participation through our highly praised Access to Birmingham scheme. This involves targeted engagement with young people who have little or no experience of university, to assist them in finding out what studying at university involves. The scheme started in 2000 and due to its success, we are now supporting the development of similar schemes across the country.

Whilst at the University we provide a full range of support for students to enhance their learning experience. The range of student services available includes student welfare and counselling, additional support for our disabled students, sports facilities, careers and financial advice. We also have two day nurseries, available for use by our students and the public.

Many of the University's facilities are also used by our local community. This includes swimming lessons for children in the sports centre and use of our hockey and rugby pitches by local clubs and societies. Additional details of the cultural engagement and community activities are provided on pages 8 and 9.

The University is able to deliver on all of its activities due to the engagement of our staff and in many circumstances also our students. I would like to thank everyone for their contribution over the last year and I look forward to us working together in the future to capitalise on opportunities in a period of continuing change.



**Michael Gilbert, BSc, FCA**  
Treasurer

25 November 2011

## Corporate Governance

Current members of the Council who are also trustees of the exempt charity, who served throughout the year ended 31 July 2011 and to the date of approval of these accounts, except where indicated otherwise are set out in the table. Their attendance at meetings as members of Council, Strategy, Planning and Resources (SPRC), Audit, Membership and Remuneration Committees are shown below.

Members	Meeting attendance 2010/11				
	Council 6 in year	SPRC 6 in year	Audit 4 in year	Remuneration 3 in year	Membership 3 in year
<b>Lay Members appointed by the Council</b>					
Mr J E K Smith The Pro-Chancellor (Pro-Chancellor from 1 August 2010)	6/6	6/6	–	3/3	3/3
Mr C N Banks CBE Deputy Pro-Chancellor	6/6	6/6	–	3/3	2/3
Mr M G Gilbert Treasurer	5/6	6/6	–	3/3	3/3
Mrs M Davies	5/6	–	4/4	–	3/3
Mr M R Devenish	Commenced August 2010	4/6	4/6	–	–
Mr R Halton	5/6	4/6	–	3/3	–
Dr R C Horton	Commenced August 2010	4/6	–	–	–
Mr R J Keys	Commenced August 2010	6/6	–	4/4	–
Mr G R Mackenzie OBE	6/6	–	4/4	–	–
Dr N E Price OBE	6/6	–	3/4	–	–
Mr D Roy, Hon Alderman	4/6	–	–	–	–
Ms C Snowball CBE	Commenced August 2010	4/6	–	–	3/3
Dr R Sondhi	Commenced December 2010	2/4	–	–	–
Mr C I Squires	Resigned March 2011	2/2	–	–	–
Dr J S Taunque MBE	Term ended 31 July 2011	4/6	–	–	–
Ms S Vickers	Commenced August 2010	2/6	–	–	–
2 Lay Member vacancies	–	–	–	–	–

		<b>Meeting attendance 2010/11</b>				
<b>Members</b>		Council 6 in year	SPRC 6 in year	Audit 4 in year	Remuneration 3 in year	Membership 3 in year
<b>Appointed by Guild of Students</b>						
Mr M Harrop President of the Guild of Students	Term commenced August 2011	–	–	–	–	–
Vacancy Post Graduate Representative from the Guild of Students		–	–	–	–	–
Ms D Meredith President of the Guild of Students	Term ended July 2011	5/6	6/6	–	–	–
Mr R Hunter Vice-President, Education and Access of the Guild of Students	Term ended July 2011	5/6	–	–	–	–
<b>Ex Officio Members</b>						
Professor D S Eastwood The Vice-Chancellor and Principal		6/6	6/6	–	3/3	3/3
Professor M C Sheppard The Vice-Principal and Provost		6/6	6/6	–	–	3/3
<b>Academic Members Appointed by Senate</b>						
Professor M J Hilton Modern History		5/6	–	–	–	–
Professor J M Marshall Medicine		3/6	6/6	–	–	–
Professor C Ryan Economics		6/6	6/6	–	–	–
Professor A J Schofield Physics and Astronomy		5/6	–	–	–	3/3
<b>Secretary to Council</b>						
Mr L Sanders The Registrar and Secretary		6/6	–	–	–	–
<b>Advisors</b>						
External Auditors	KPMG LLP					
Bankers	Lloyds TSB Plc					
Solicitors (from Panel of)	Martineau Johnson Mills & Reeve LLP Pinsent Masons LLP					

## Corporate Governance (continued)

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the University's Council.

The University endeavours to conduct business:

- i) in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and
- ii) in full accordance with the guidance to the University which has been provided by the Committee of University Chairmen in its 'Guide for Members of Governing Bodies of Universities in England and Wales'
- iii) in accordance with combined code on corporate governance in so far as it is applicable to the Higher Education sector.

The University is committed to exhibiting best practice in all aspects of corporate governance, in particular Council has adopted and complied with CUC governance code of practice and general principles.

### Summary of the University's structure of Corporate Governance

The University's Council comprises 24 lay and academic persons appointed under the Statutes of the University, the majority of whom are lay members. The roles of Chairman and Deputy Chairman of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor and Principal. The matters specifically referred to the Council for decision are set out in the Statutes of the University, by custom and under the Financial Memorandum with the Higher Education Funding Council for England. The Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies.

### Council

The Council which is chaired by the Pro-Chancellor, meets at least four times a year and has several Committees: a Strategy, Planning and Resources Committee (SPRC), Audit Committee, a Membership Committee, and Remuneration Committee all of which have lay members. Attendance at meetings in the year is shown on pages 20 and 21. Senate and the University

Executive Board (UEB) have no lay members. All committees are formally constituted with terms of reference.

### Strategy, Planning and Resources

SPRC recommends to Council a corporate plan for the University, embracing all matters of a long-term, medium-term and short-term nature. It brings together academic, financial and physical planning and monitors the effectiveness of all such plans. The committee also recommends the annual budget to Council, oversees the development and implementation of systems relating to institutional performance monitoring, and monitors strategic risks.

The membership currently comprises the Vice-Chancellor (Chairman), the Pro-Chancellor, the Deputy-Pro Chancellor, the Treasurer, the Provost and Vice-Chancellor, 3 Pro-Vice-Chancellors, 3 academic members of Council, 3 lay members of Council and the President of the Guild of Students.

### Audit

The Audit Committee meets four times annually and is made up of five lay members of Council who are not members of SPRC. There are also two possible co-opted members. At present the committee has three vacancies, one Council member and two co-opted positions.

The Committee reviews the effectiveness of the University's financial and other internal control systems, satisfies itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and advises the Council on risk management. It reviews the external auditor's report and the scope and effectiveness of the internal auditor's work and advises Council on the appointment of both the Internal and External Auditor. It receives and considers reports from the Higher Education Funding Council for England as they affect the University's business. It reviews adherence with regulatory requirements and reviews the University's annual financial statements together with the accounting policies.

Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee does meet regularly with the Internal and External Auditors on their own for independent discussions.

## Corporate Governance (continued)

### Membership

Membership Committee considers nominations for vacancies in the Council membership under the relevant ordinance. The committee is chaired by the Pro-Chancellor and includes the Vice-Chancellor, and at least three members of Council.

At one of its meetings each year, the Committee reviews the establishment, terms of reference, constitution, composition and membership of all Council committees and will make any recommendations to Council for changes in consultation with the chairperson of the relevant Committee.

### Remuneration

The Remuneration Committee is responsible to the University Council for setting the remuneration of all senior staff including the Vice-Chancellor, those staff on UEB who report directly to him, professors and senior professional staff.

The Committee is comprised of 5 lay members of University Council and the Vice-Chancellor. The Registrar and Secretary is in attendance. No member of staff is present for discussion of their own remuneration. The Committee is chaired by the Deputy Pro-Chancellor. The Pro-Chancellor is a member of the Committee, but since he reports to the Committee on the Vice-Chancellor's performance and recommends to the Committee the Vice-Chancellor's remuneration, the University believes it is appropriate that a different senior lay officer chairs the Committee. Human Resources service the Committee and support the remuneration process.

The Remuneration Committee meets at least twice a year and its purpose is to:

- Take an overview of the reward policy on associated structures and processes which are designed to support a high performance culture;
- Review senior staff remuneration;
- Review equal pay issues; and
- Review remuneration for the Vice-Chancellor and those staff who report directly into him (excluding his Personal Assistant).

The Committee ensures that it complies with the HEFCE Accounts Directive on senior staff remuneration.

The annual process for setting senior staff remuneration is as follows:

1. At its first meeting, the Remuneration Committee considers and agrees the parameters and principles that will apply to that year's process and the information and data it wishes to consider at its second meeting, when it sets senior staff remuneration. The Vice-Chancellor is then responsible for overseeing the annual process for senior staff (other than himself, which falls to the Pro-Chancellor) working within the approach agreed by the Committee.
2. In the case of senior academic staff, professors are invited to submit a statement describing their achievements over the previous twelve months, which is reviewed by their Head of School. These are then considered alongside market data by their Head of College, who makes recommendations regarding proposed remuneration increases for their College and is responsible for ensuring consistency and equality of treatment. The Vice-Chancellor meets with each Head of College to scrutinise these recommendations, and, following moderation by the Pro-Vice-Chancellors (thematic) and the Provost and Vice-Principal, the Vice-Chancellor presents his plan for the remuneration of professors to the second meeting of Remuneration Committee for consideration and approval.
3. There is a parallel process for senior professional staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative market data and equal pay issues. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations and then presents his plan for the remuneration of professional staff to the second meeting of Remuneration Committee for consideration and approval.

Those members of UEB who report directly to the Vice-Chancellor agree a series of collective and individual objectives at the start of the year, which are reviewed at least twice during the year and provide the Vice-Chancellor with an assessment of performance which, along with market pay data and other relevant inputs, is used by him to prepare proposals for the remuneration of those staff which he presents to the second meeting of the Remuneration Committee for consideration and for approval.

## Corporate Governance (continued)

The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are endorsed by the Remuneration Committee. The Pro-Chancellor undertakes six and twelve month appraisal discussions with the Vice-Chancellor and obtains feedback from selected individuals both within the University and its external stakeholders and reports these to Remuneration Committee. The Pro-Chancellor makes a recommendation to the Remuneration Committee's second meeting on the Vice-Chancellor's remuneration, informed by his assessment of the Vice-Chancellor's performance, the findings of the annual Committee of University Chairmen (CUC) Survey of Vice-Chancellors' remuneration, other market data and relevant information. The Committee scrutinises the Pro-Chancellor's recommendation and agrees the Vice-Chancellor's remuneration.

The Vice-Chancellor's total remuneration is comprised of two elements, base salary and a performance-related payment of up to 10% of salary. The Pro-Chancellor proposes targets for payout of the performance-related element to the Remuneration committee who determine the level of award.

### University Executive Board

The University Executive Board (UEB) is a committee of the Council established by Ordinance (our internal legislation) that normally meets weekly to steer the implementation of University strategy and policies under Council's direction and within the Council's scheme of delegation. An additional purpose is to foster good communication and inter-collegiate activity in the University and to promote transparency in decision-making.

Its membership is comprised of the Vice-Chancellor and Principal (in the Chair), the Provost and Vice Principal, the Pro-Vice-Chancellors, the Heads of Colleges, the Registrar and Secretary, the Director of Finance, the Director of Human Resources and such other persons as may be recommended by the Vice-Chancellor, after consultation with the University Executive Board, and approved by the Council for such terms of office as it determines.

### Senate

The Senate, under the Statutes, is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research for the award of all Degrees, Diplomas, Certificates and other academic distinctions of the University and for the discipline (whether intra-mural or extra-mural) of the students of the University and for the enforcement of such discipline. The Senate is chaired by the Vice-Chancellor and consists of up to 60 members drawn from the University leadership, Academic staff and the Guild of Students.

### Statement of Internal Control

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in article 7 of the Charter of Incorporation, Section 9 of the Statutes of the University and the Financial Memorandum with the HEFCE.





## Corporate Governance (continued)

The system of internal control is designed to manage rather than eliminate risk based on an ongoing process established to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the extent and nature of those risks and to manage them efficiently, effectively and economically. It can therefore only provide reasonable and not absolute assurance of effectiveness. This process has been in place for the year ended 31 July 2011 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

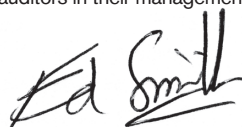
Council has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- Council meets a minimum of four times a year to consider the plans and strategic direction of the institution
- Council receives periodic reports from the Audit Committee concerning internal control, and requires regular reports from managers, either directly or through the SPRC, on the steps they are taking to manage strategic risks in their area of responsibility, including progress reports on key projects
- Council has requested the Audit Committee to provide oversight of the risk management process. This provides a formal reporting and appraisal mechanism, in addition to the reports noted above
- The Audit Committee receives regular reports from the Head of Internal Audit, which include an independent opinion on the adequacy and effectiveness of the institution's systems of governance, risk management and internal control, together with recommendations for improvement
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly
- Reports are received from budget holders, department heads and project managers on internal control activities via sub committees of Council.
- A regular formal review takes place to identify and where necessary to revise and update the record of risks facing the institution

- An organisation wide risk register has been maintained. Heads of budget centres have received guidance on how to implement risk management within their own areas of responsibility and how to embed risk management within their normal management practices
- During the year, a Task Group consisting of two members of Council and senior university management has reviewed and revised the risk management principles and devised a new strategic risk register which is fully aligned to the strategic goals set out in the Strategic Framework which was approved by Council in 2010 and, has been implemented for full operation in 2011/12.

The review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to standards defined in the HEFCE Audit Code of Practice, and which was last reviewed for effectiveness by the HEFCE Audit Service in May 2006.

The review of the effectiveness of the system of internal control is also informed by the work of the executive managers of 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.



**Ed Smith**  
Pro-Chancellor

25 November 2011

## Responsibilities of the Council

In accordance with the Royal Charter, the Council of the University of Birmingham is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the University Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit, cash flows, and total recognised gains and losses for that year.

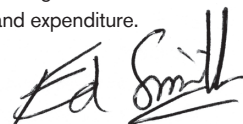
In preparation of the financial statements, the University Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;

- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- it is satisfied that the University has adequate resources to continue in operation for the foreseeable future; and
- the going concern basis is appropriate for the preparation of the financial statements.

The University Council has taken reasonable steps to:

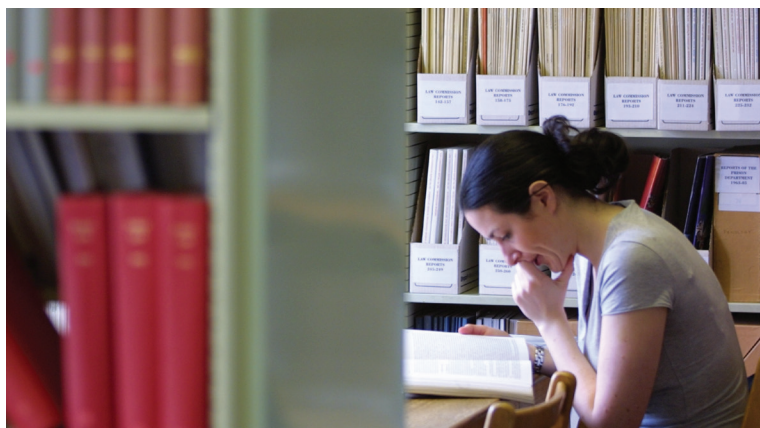
- ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with these bodies and any other conditions which these bodies may from time to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



**Ed Smith**

Pro-Chancellor

25 November 2011



# Report of the Auditor

## **Independent auditor's report to the Council of the University of Birmingham**

We have audited the group and University financial statements (the "financial statements") of The University of Birmingham for the year ended 31 July 2011 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, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance the Charters and Statutes of the institution. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Council for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of the University Council and Auditors**

As explained more fully in the Statement of Responsibilities of the Council on page 26 the Council is responsible for the preparation of financial statements which 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.

## **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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Treasurer's Report 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.

## Report of the Auditor (continued)

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 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 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 University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- 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 the following matter 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 Statement is inconsistent with our knowledge of the University and Group.



### M J Rowley

For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

29 November 2011

# Statement of Principal Accounting Policies and Estimation Techniques

The Accounts for the year ended 31 July 2011

## 1. Basis of Preparation

The Financial Statements have been prepared on the historical cost accounting basis, modified for the revaluation of certain fixed assets and investments, and in accordance with the Statement of Recommended Practice (SORP) 2007 applicable to Higher and Further Education Institutions and applicable Accounting Standards. They conform to the guidance published by the Higher Education Funding Council for England.

In accordance with FRS 18 these accounting policies have been reviewed by the University's Council and are considered appropriate to the University's activities.

## 2. Going Concern Basis

The University's business activities and current financial position, together with the factors likely to affect its future development, performance and position are set out in the Treasurer's Report on pages 14 to 19.

The University has considerable financial resources and a diverse range of income streams to ensure sustainability. The University has embarked on the delivery of a new strategic plan, providing focus and direction up to 2015 and as a consequence Council believes that the University is well placed to manage its business risks successfully despite the uncertain economic climate.

Council has an expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

## 3. Basis of Consolidation

The results of the University's subsidiary undertakings have been consolidated in the financial statements and details of interests in these subsidiary undertakings are provided in note 30 to the Accounts. The University also has interests in a number of other companies which are also identified in note 30.

The financial statements for the University of Birmingham Guild of Students have not been consolidated, as the University has no control or dominant influence over policy decisions. The contribution made by the University to the Guild is shown in note 7 and the aggregate capital and reserves and surplus for the year to 31 July 2011 are shown in note 31.

## 4. Recognition of Income

The recurrent grant from the Higher Education Funding Council for England represents the funding allocation, which is attributable to the current financial year and is credited direct to the Income and Expenditure Account.

Grants which are applied to acquire tangible fixed assets are credited to deferred grants and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

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

All 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.

Income from other services rendered is included to the extent of completion of the contract or services concerned and is measured at the fair value of the consideration receivable.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2011

The University acts as an agent in the collection and payment of training bursaries from Government agencies and of Learning Support Funds from HEFCE. Related payments received from Health Authorities, Research Councils, the Training and Development Agency and HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in note 28.

Income from short term deposits is accrued up to the Balance Sheet date.

## 5. Taxation

The University 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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

## 6. Foreign Currencies

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

## 7. Land and Buildings

Land and Buildings are stated at cost, or at valuation if acquired before 31 July 1998.

The University depreciates its buildings on the basis of:

- Academic and administrative buildings – 50 years
- Residential and commercial buildings – 30 years

The costs of renovating or converting buildings are capitalised and depreciated in accordance with the above basis.

Historic buildings are maintained in such a state that their residual values are not materially different from their book values and hence a nil depreciation charge is made. Land is not depreciated.

Major repairs and refurbishments are capitalised and depreciated over 10 years, where they substantially add to the total area of the building, prolong its useful life or enhance the economic benefits of the building.

Where buildings are acquired with the aid of specific grants they are capitalised and the related grants are credited to deferred grants.

All buildings are regularly reviewed for indications of impairment. Where there is an impairment, the difference between the assessed recoverable value of the building and its written down cost is charged to the Income and Expenditure Account.

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2011

The transitional rules in FRS 15 have been applied and the book values at implementation have been retained.

Where land and buildings are held for either income generation or capital appreciation they are classified as investment properties and valued annually in accordance with SSAP19 within Investments, and are not depreciated. Value appreciation is reflected in the revaluation reserve. Any permanent diminution in value is recorded in the Income and Expenditure Account.

## 8. Heritage Assets

FRS 30 Heritage Assets was adopted in 2010/11 and relates to works of art and other valuable artefacts, held principally for their contribution to knowledge and culture rather than for the University's operational use. Heritage assets acquired since 1 August 1999 and valued over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

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

## 9. Equipment

All equipment is capitalised at cost, irrespective of value, and is depreciated over three years on a straight-line basis. Where equipment is acquired with the aid of specific grants, the grant is treated as a deferred capital grant and released to the Income and Expenditure Account over the expected useful economic life of the equipment.

## 10. Donated Assets

Where the University receives a donation, bequest or gift with no specific terms attached to its use, it is recorded as income in the Income and Expenditure Account.

Donated buildings and equipment are recognised in the Balance Sheet at value and are depreciated over their expected useful life, with corresponding income released from deferred capital grants to the Income and Expenditure Account in line with the University's asset capitalisation policies in paragraphs 7 and 8.

Any donated tangible fixed assets are accounted for at valuation on receipt.

## 11. Repairs and Maintenance

The University has established a long-term plan for repairs and maintenance which ensures that the buildings remain in their current state of repair. The costs of repairs and maintenance are charged to the Income and Expenditure Account as incurred, unless they fulfil the capitalisation criteria described in paragraph 7.

## 12. Leased Assets

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the Income and Expenditure Account on the same basis as above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the Income and Expenditure Account over the period of the lease.

All other leases are operating leases and the annual rentals payable are charged to the Income and Expenditure Account.

## 13. Investments

Fixed Asset Investments are included in the Balance Sheet at market value. Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent it is not covered by a revaluation surplus.

Endowment Asset Investments are carried at market value. Such investments held at the previous year end, and carried at market value at that date, may be sold during the year. This crystallizes the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently, the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as

# Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2011

they are together treated as changes in the values of the investment portfolio.

Current Asset Investments are included at the lower of cost and net realisable value.

## 14. Stocks

Stocks for building maintenance and for resale are included at the lower of cost and net realisable value. Consumable items are charged directly to the Income and Expenditure Account.

## 15. Pensions

Retirement benefits for certain employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and employees.

The two principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS) for academic and academic-related staff, and the University of Birmingham Pension and Assurance Scheme (BPAS) for other staff. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The assets of these schemes are held in separate trustee-administered funds. The institution is unable to identify its share of the underlying assets and liabilities of the USS scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

As required by FRS 17 'Retirement benefits', the difference between the fair value of the assets held in BPAS and the scheme's liabilities is recognised in the University's Balance Sheet as a pension scheme asset or liability as appropriate. Changes in the BPAS scheme asset or liability arising from factors other than cash contribution by the University are dealt

with in the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses in accordance with FRS 17 'Retirement Benefits'.

In addition the University has a 'defined contribution' pension scheme for its support staff who are not members of BPAS.

## 16. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, when it is probable that a transfer of economic benefit will be incurred, and this transfer can be reliably estimated.

## 17. Cash and Short Term Deposits

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Short term deposits comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

The only financial instruments the University has are interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate, or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.



# Consolidated Income and Expenditure Account

For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
<b>Income</b>			
Funding Council grants	1	142,209	146,750
Academic fees and support grants	2	125,825	116,083
Research grants and contracts	3	101,540	104,811
Other operating income	4	95,003	88,485
Endowment income and interest receivable	5	6,171	6,244
<b>Total income</b>		<b>470,748</b>	<b>462,373</b>
<b>Expenditure</b>			
Staff costs	6	247,258	244,191
Restructuring costs	7	1,536	3,079
Depreciation	7	48,702	47,435
Other operating expenses	7	145,627	142,890
Interest payable	8	616	2,510
<b>Total expenditure</b>	<b>7</b>	<b>443,739</b>	<b>440,105</b>
<b>Operating surplus</b>		<b>27,009</b>	<b>22,268</b>
Corporation tax	9	153	34
<b>Surplus for the year after taxation</b>		<b>27,162</b>	<b>22,302</b>
Minority interest		(72)	(113)
<b>Surplus after minority interest and taxation</b>		<b>27,090</b>	<b>22,189</b>
Surplus transferred from/(to) accumulated income in endowment funds		194	(67)
<b>Surplus for the year retained in general reserves</b>		<b>27,284</b>	<b>22,122</b>
(There were no discontinued operations during 2010/11 or 2009/10.)			
<b>Note of historical cost surpluses and deficits</b>			
<b>Surplus for the year</b>		<b>27,284</b>	<b>22,122</b>
Difference between historical cost depreciation and the actual charge based on the revalued amount.		624	624
<b>Historical cost surplus</b>		<b>27,908</b>	<b>22,746</b>

## Balance Sheets

For the year ended 31 July 2011

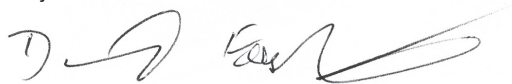
	Note	Consolidated		University	
		2011	2010	2011	2010
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10	<b>566,682</b>	553,171	<b>549,871</b>	535,056
Investments	11	<b>21,527</b>	22,842	<b>20,671</b>	20,839
		<b>588,209</b>	576,013	<b>570,542</b>	555,895
<b>Endowment asset investments</b>	12	<b>82,979</b>	78,136	<b>82,979</b>	78,136
<b>Current assets</b>					
Stocks and stores in hand		<b>803</b>	757	<b>616</b>	639
Debtors and prepayments	13	<b>48,955</b>	48,076	<b>51,981</b>	51,832
Investments		<b>128,664</b>	114,035	<b>128,664</b>	114,035
Cash at bank and in hand	14	<b>25,733</b>	20,404	<b>20,653</b>	15,788
		<b>204,155</b>	183,272	<b>201,914</b>	182,294
Creditors: amounts falling due within one year	14	<b>(134,519)</b>	(133,408)	<b>(133,386)</b>	(132,597)
<b>Net current assets</b>		<b>69,636</b>	49,864	<b>68,528</b>	49,697
<b>Total assets less current liabilities</b>		<b>740,824</b>	704,013	<b>722,049</b>	683,728
Creditors: amounts falling due after more than one year	15	–	–	<b>(96)</b>	(191)
Provisions for liabilities and charges	16	<b>(2,488)</b>	(4,360)	<b>(993)</b>	(2,672)
<b>Net assets excluding pension fund liabilities</b>		<b>738,336</b>	699,653	<b>720,960</b>	680,865
Pension fund liability	27	<b>(30,700)</b>	(44,000)	<b>(30,700)</b>	(44,000)
<b>Total net assets</b>		<b>707,636</b>	655,653	<b>690,260</b>	636,865

## Balance Sheets (continued)

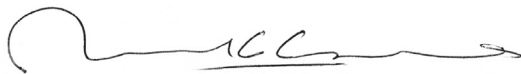
For the year ended 31 July 2011

	Note	Consolidated		University	
		2011	2010	2011	2010
		£000	£000	£000	£000
Represented by:					
<b>Deferred capital grants</b>	17	<b>159,442</b>	147,588	<b>158,811</b>	146,918
<b>Endowments</b>					
Restricted expendable	18	<b>6,348</b>	5,777	<b>6,348</b>	5,777
Permanent	18	<b>76,631</b>	72,359	<b>76,631</b>	72,359
		<b>82,979</b>	78,136	<b>82,979</b>	78,136
<b>Reserves</b>					
Income and expenditure account (Excluding pension reserve)	19	<b>449,920</b>	426,812	<b>435,724</b>	412,303
Pension reserve	19	<b>(30,700)</b>	(44,000)	<b>(30,700)</b>	(44,000)
Revaluation reserve	19	<b>43,664</b>	44,311	<b>43,446</b>	43,508
Minority interest		<b>2,331</b>	2,806		–
		<b>465,215</b>	429,929	<b>448,470</b>	411,811
<b>Total funds</b>		<b>707,636</b>	655,653	<b>690,260</b>	636,865

The financial statements on pages 29 to 65 were approved by the Council on 25 November 2011 and signed on its behalf by:



■ **Professor David Eastwood, Vice-Chancellor and Principal**



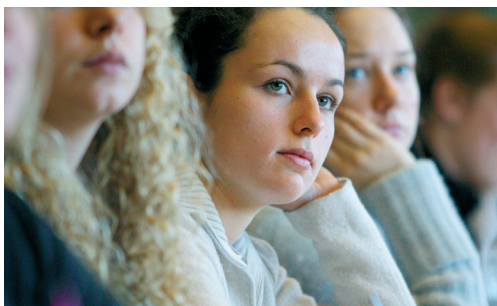
■ **Michael Gilbert, BSc, FCA Treasurer**



# Consolidated Cash Flow Statement

For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
<b>Net cash inflow from operating activities</b>	22	<b>59,713</b>	55,667
Returns on investments and servicing of finance	23	<b>4,855</b>	5,634
Taxation		<b>(38)</b>	(17)
Capital expenditure and financial investment	24	<b>(51,010)</b>	(18,684)
Net cash inflow before financing	26	<b>13,520</b>	42,600
Financing	25	–	(344)
<b>Increase in cash in the year</b>	26	<b>13,520</b>	<b>42,256</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year		<b>13,520</b>	42,256
Repayment of debt	25	–	344
Increase in net funds	26	<b>13,520</b>	42,600
<b>Net funds at 1 August</b>		<b>146,770</b>	104,170
<b>Net funds at 31 July</b>	26	<b>160,290</b>	<b>146,770</b>



# Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
Surplus after depreciation of assets at valuation and tax		27,090	22,189
Appreciation of endowment asset investments	18	3,963	5,909
Revaluation of fixed asset investments	19	(23)	791
New endowments	18	1,074	976
Actuarial gain on pension fund	27	8,500	7,600
Past service costs	27	–	18,100
<b>Total recognised gains relating to the year</b>		<b>40,604</b>	<b>55,565</b>
<b>Reconciliation of reserves and endowments</b>			
Opening reserves and endowments as previously stated		505,207	449,642
Prior year adjustment for adoption of FRS30		52	–
Opening reserves and endowments as restated		505,259	449,642
Total recognised gains for the year		40,604	55,565
<b>Closing reserves and endowments</b>		<b>545,863</b>	<b>505,207</b>



# Notes to the Accounts

For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
<b>1. Funding Council grants</b>			
Teaching recurrent grant from HEFCE		76,921	80,551
Research recurrent grant from HEFCE		43,850	44,976
Other grants from HEFCE		6,511	8,580
Training Development Agency grants		4,537	3,220
Deferred capital grants released – buildings and equipment	17	10,390	9,423
		<b>142,209</b>	<b>146,750</b>
<b>2. Academic fees and support grants</b>			
Undergraduate tuition – home and EU students		54,010	51,165
Undergraduate tuition – other students		17,861	16,285
Postgraduate tuition – home and EU students		17,006	16,221
Postgraduate tuition – other students		29,519	24,623
Other courses		3,779	3,975
Research, training and support grants		3,650	3,814
		<b>125,825</b>	<b>116,083</b>
<b>3. Research grants and contracts</b>			
Research Councils		35,241	38,904
UK based charities		23,194	23,430
UK Central/Local Government, Health and Hospital Authorities		26,341	25,452
UK Industry, Commerce and Public Corporations		5,273	6,513
EU Government bodies		7,268	6,777
EU other		1,138	772
Other overseas		2,219	2,175
Other sources		866	788
		<b>101,540</b>	<b>104,811</b>

Income from research grants and contracts includes £10,004k (2009/10 £11,074k) in respect of deferred capital grants released.

## Notes to the Accounts (continued)

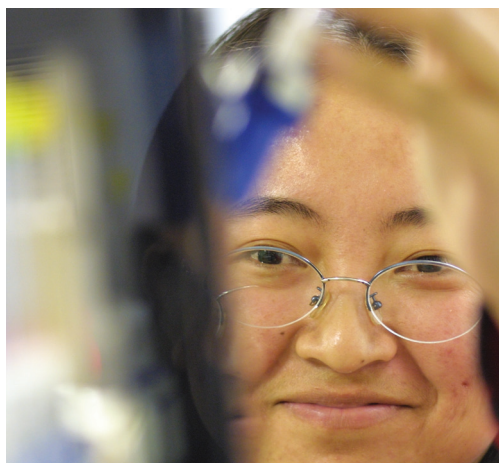
For the year ended 31 July 2011

	Note	2010/11	2009/10
		£000	£000
<b>4. Other operating income</b>			
Residences, catering and conferences		30,743	29,508
Other services rendered		12,405	15,394
Externally funded posts – Health Authorities		13,721	12,505
Self-financing teaching activities		3,162	3,717
Rented properties and University Centre lettings		1,362	1,509
Day nursery and health centre		2,044	1,567
Release of deferred capital grants	17	1,118	956
Barber Trust		1,054	893
VAT refund		779	1,620
Other income		28,615	20,816
		<b>95,003</b>	<b>88,485</b>

Other income includes £4.25 million in respect of a legal settlement in 2010/11.

### 5. Endowment income and interest receivable

Income from permanent endowment investments	18	2,462	2,222
Income from restricted expendable endowment investments	18	137	137
Income from short term investments		2,295	1,632
Net return on pension scheme	27	400	–
Other investment income		877	2,253
		<b>6,171</b>	<b>6,244</b>





## Notes to the Accounts (continued)

For the year ended 31 July 2011

6. Staff	Note	2010/11	2009/10
		£000	£000
Staff costs:			
Salaries		<b>203,900</b>	203,488
Social security costs		<b>16,770</b>	16,818
Other pension costs	27	<b>28,124</b>	26,964
<b>Total (includes restructuring costs of £1,536k (2009/10 £3,079k))</b>		<b>248,794</b>	<b>247,270</b>
<b>Emoluments of the Vice-Chancellor:</b>			
Professor David Eastwood			
Salary and benefits		<b>368</b>	341
Pension contributions to USS		<b>51</b>	51
		<b>419</b>	<b>392</b>
<p>The emoluments shown are in respect of Professor David Eastwood for the 2009/10 and 2010/11 financial years. They have been independently determined by Remuneration Committee and reviewed according to performance.</p>			
Compensation for loss of office paid to members of staff earning in excess of £100,000 per annum			
		<b>132</b>	133
Average staff numbers by major category:			
Academic and related/clinical		<b>3,818</b>	3,767
Other, including technical, clerical and manual		<b>2,268</b>	2,322
		<b>6,086</b>	<b>6,089</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

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Remuneration of higher paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are included in the University's Income and Expenditure Account:

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	<b>2010/11 Number</b>	2009/10 Number
£100,000 – £110,000	<b>16</b>	20
£110,001 – £120,000	<b>14</b>	10
£120,001 – £130,000	<b>7</b>	10
£130,001 – £140,000	<b>13</b>	9
£140,001 – £150,000	<b>9</b>	7
£150,001 – £160,000	<b>8</b>	10
£160,001 – £170,000	<b>9</b>	10
£170,001 – £180,000	<b>6</b>	6
£180,001 – £190,000	<b>2</b>	2
£190,001 – £200,000	<b>6</b>	3
£200,001 – £210,000	<b>4</b>	7
£210,001 – £220,000	<b>1</b>	–
£220,001 – £230,000	<b>1</b>	1
£340,001 – £350,000	<b>–</b>	1
£360,001 – £370,000	<b>1</b>	–

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During the financial year 2010/11 expenses of £5,960 were reimbursed to Council members, who are also the trustees (2009/10, £6,873).

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## Notes to the Accounts (continued)

For the year ended 31 July 2011

<b>7. Analysis of expenditure by activity</b>	Staff Costs (Note 6)	Depreciation	Other Operating Expenses	Interest Payable	<b>Total 2010/11</b>	Total 2009/10
	£000	£000	£000	£000	<b>£000</b>	£000
<b>Academic schools</b>						
Core teaching and research	131,322	4,887	23,239	–	<b>159,448</b>	154,232
Research grants and contracts	45,236	10,004	25,030	–	<b>80,270</b>	81,098
Student support	–	–	28,454	–	<b>28,454</b>	24,836
Other trading	3,358	52	5,222	–	<b>8,632</b>	10,465
	<b>179,916</b>	<b>14,943</b>	<b>81,945</b>	<b>–</b>	<b>276,804</b>	<b>270,631</b>
<b>Academic services</b>						
Information services	11,867	4,188	9,669	–	<b>25,724</b>	25,661
Other academic services	15,661	736	7,014	–	<b>23,411</b>	21,128
	<b>27,528</b>	<b>4,924</b>	<b>16,683</b>	<b>–</b>	<b>49,135</b>	<b>46,789</b>
<b>Premises</b>						
Energy and utilities	584	768	6,632	–	<b>7,984</b>	10,699
Repairs and general maintenance	3,568	1,051	5,263	–	<b>9,882</b>	9,504
Depreciation of buildings	–	19,742	–	–	<b>19,742</b>	17,923
Other	6,502	456	1,137	–	<b>8,095</b>	8,281
	<b>10,654</b>	<b>22,017</b>	<b>13,032</b>	<b>–</b>	<b>45,703</b>	<b>46,407</b>
<b>Administration and services</b>						
Administrative services	11,126	85	5,648	616	<b>17,475</b>	16,175
Audit fees	–	–	95	–	<b>95</b>	94
Fees to auditor for non-audit work	–	–	52	–	<b>52</b>	65
Sports facilities	2,005	170	1,635	–	<b>3,810</b>	3,817
Health, nursery and counselling services	3,259	43	907	–	<b>4,209</b>	4,694
Grant to Guild of Students (Note 31)	–	–	1,874	–	<b>1,874</b>	1,847
	<b>16,390</b>	<b>298</b>	<b>10,211</b>	<b>616</b>	<b>27,515</b>	<b>26,692</b>
<b>Residences catering and conferences</b>						
Residences	1,281	162	6,686	–	<b>8,129</b>	8,268
Catering and conferences	5,938	630	7,320	–	<b>13,888</b>	12,412
Depreciation of buildings	–	5,273	–	–	<b>5,273</b>	5,113
	<b>7,219</b>	<b>6,065</b>	<b>14,006</b>	<b>–</b>	<b>27,290</b>	<b>25,793</b>
<b>Other expenditure</b>						
Other services rendered	5,551	455	7,212	–	<b>13,218</b>	15,822
Restructuring costs	1,536	–	–	–	<b>1,536</b>	3,079
Writedown of investment properties	–	–	730	–	<b>730</b>	1,825
Other	–	–	1,808	–	<b>1,808</b>	3,067
	<b>7,087</b>	<b>455</b>	<b>9,750</b>	<b>–</b>	<b>17,292</b>	<b>23,793</b>
<b>Total</b>	<b>248,794</b>	<b>48,702</b>	<b>145,627</b>	<b>616</b>	<b>443,739</b>	<b>440,105</b>

The depreciation charge has been funded by:

Deferred capital grants released (Note 17)	21,512
General income	27,190
	<b>48,702</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

8. Interest payable	Note	Total 2010/11	Total 2009/10
		£000	£000
Net interest from pension scheme	27	–	1,900
Swap interest	21b	616	607
Loan interest		–	3
		<b>616</b>	<b>2,510</b>

9. Tax on profit on ordinary activities		
United Kingdom Corporation tax at 30% on subsidiary company profits:		
Current year	(40)	(67)
Prior year	–	–
Deferred tax – due to timing differences in a subsidiary company	193	101
<b>Total credit</b>	<b>153</b>	<b>34</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2011

<b>10. Tangible fixed assets</b>	Assets in the	Land	Equipment	Heritage	<b>Consolidated</b>
<b>Consolidated</b>	Course of	and		Assets	<b>Total</b>
	Construction	Buildings			
	£000	£000	£000	£000	£000
<b>Cost</b>					
As at 1 August 2010	5,624	690,873	65,000	164	<b>761,661</b>
Additions	17,259	28,858	16,516	–	<b>62,633</b>
Disposals	–	(978)	(18,756)	–	<b>(19,734)</b>
<b>As at 31 July 2011:</b>	<b>22,883</b>	<b>718,753</b>	<b>62,760</b>	<b>164</b>	<b>804,560</b>
<b>Accumulated depreciation</b>					
As at 1 August 2010	–	166,402	42,088		<b>208,490</b>
Charge for the year		28,162	20,540	–	<b>48,702</b>
Depreciation on disposals		(558)	(18,756)	–	<b>(19,314)</b>
<b>As at 31 July 2011:</b>	<b>–</b>	<b>194,006</b>	<b>43,872</b>	<b>–</b>	<b>237,878</b>
<b>Net book value as at 31 July 2011</b>	<b>22,883</b>	<b>524,747</b>	<b>18,888</b>	<b>164</b>	<b>566,682</b>
Net book value as at 31 July 2010	5,624	524,471	22,912	164	<b>553,171</b>

The accumulated cost of assets in the course of construction includes:	£000
Medical School steam main	6,602
Bramall Music Building	10,976
Rose Garden Building	5,305
	<b>22,883</b>

Fully depreciated equipment is written out after 3 years and shown as a disposal and a depreciation adjustment.

## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 10. Tangible fixed assets continued Consolidated

Leasehold land and buildings	Cost	Depreciation in year	Accumulated Depreciation	Net Book Value
	£000	£000	£000	£000
The value of land and buildings shown on previous page represents freehold interests except for the following:				
Medical School (on land leased in 1933 for 999 years from Birmingham City Council)	45,278	761	6,614	38,664
Clinical research building (leased in 1953 for 75 years from the NHS)	3,106	62	808	2,298
Residential leasehold properties	775	26	336	439
	<b>49,159</b>	<b>849</b>	<b>7,758</b>	<b>41,401</b>

The reinstatement cost of buildings for insurances purposes is £1,320m (2010 £1,229m). In addition the University occupies space in a number of NHS owned properties for which it pays no rent due to the existence of longstanding reciprocal cost sharing arrangements.

#### Exchequer funded assets

There exists an exchequer interest in certain buildings. It is a condition of funding imposed by the Secretary of State and the Treasury that no transaction involving these assets should be entered into without the prior approval of the Higher Education Funding Council for England.

### Tangible Fixed Assets

#### Heritage Assets

The University holds and maintains historic buildings, collections of art and other valuable items of artistic, scientific and historical importance (heritage assets). The University conserves these assets and supplements the collections where appropriate in order to enable use of the assets for teaching and research and allow access to 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.collections.bham.ac.uk/>

The application of FRS 30 resulted in a reclassification of £164,000 in tangible fixed assets from land and buildings to Heritage assets with an impact on reserves of a prior year Income and Expenditure Account of £52,000, see page 38.

The University also holds heritage assets that have not been capitalised as, due to their unique nature, reliable information on cost or valuation is not readily available. This is owing to the lack of information on original purchase cost and the fact that these assets are not readily realisable. All costs incurred in relation to preservation and conservation are expensed as incurred. There have been no significant additions in the year or disposals.

Key heritage assets held by the University fall into the categories detailed below.

#### Historic buildings

The University has a number of prestigious heritage buildings, including the Aston Webb building and the Chamberlain clock tower.

#### Research and Cultural Collections

The University displays and teaches from thousands of objects within the following distinct collections, the Danford Collection of West African Art and Artefacts, the Institute of Archaeology and Antiquity Museum, the Collection of Historic Physics Instruments, the Biological Sciences Collection, the Zoology Collection, the Medical School Collection, the Silver and Plate Collection, the University Heritage Collection, and the Campus Collection of Fine & Decorative Art.

#### Special Collections

The Special Collections and Archives of the University of Birmingham consist of approximately 120,000 pre-1850 books dating from 1471 and some 3 million archives and manuscripts, all of which provide a rich resource for teaching and research.

#### Lapworth Museum of Geology

The Lapworth is specialist geological museum dating back to 1880 containing over 250,000 specimens.

## Notes to the Accounts (continued)

For the year ended 31 July 2011

10. Tangible fixed assets continued University	Assets in the course of Construction £000	Land and Building £000	Equipment £000	Heritage Assets £000	<b>University Total £000</b>
<b>Cost</b>					
As at 1 August 2010	5,624	661,416	64,849	164	<b>732,053</b>
Additions	17,259	28,831	16,510	–	<b>62,600</b>
Disposals	–	–	(18,756)	–	<b>(18,756)</b>
<b>As at 31 July 2011:</b>	<b>22,883</b>	<b>690,247</b>	<b>62,603</b>	<b>164</b>	<b>775,897</b>
<b>Accumulated depreciation</b>					
As at 1 August 2010	–	155,054	41,943	–	<b>196,997</b>
Charge for the year	–	27,249	20,536	–	<b>47,785</b>
Depreciation on disposals	–	–	(18,756)	–	<b>(18,756)</b>
<b>As at 31 July 2011:</b>	<b>–</b>	<b>182,303</b>	<b>43,723</b>	<b>–</b>	<b>226,026</b>
<b>Net book value</b>					
<b>Net book value as at 31 July 2011</b>	<b>22,883</b>	<b>507,944</b>	<b>18,880</b>	<b>164</b>	<b>549,871</b>
Net book value as at 31 July 2010	5,624	506,362	22,906	164	<b>535,056</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 11. Fixed asset investments

	Note	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
Balance at 1 August		22,842	23,878	20,839	21,793
Additions		–	80	–	80
Writedown to Income and Expenditure Account		(730)	(1,825)	(730)	(1,825)
(Depreciation)/appreciation on disposals and revaluation		(585)	709	562	791
<b>Balance at 31 July</b>		<b>21,527</b>	<b>22,842</b>	<b>20,671</b>	<b>20,839</b>
Represented by:					
Fixed interest & bonds		4,171	4,574	4,171	4,574
Equities		3,053	1,883	3,053	1,883
Property		11,872	13,734	7,578	8,293
Hedge funds		1,653	949	1,653	949
Investments in subsidiaries	30	–	–	3,438	3,438
Other investments		464	464	464	464
Cash		314	1,238	314	1,238
		<b>21,527</b>	<b>22,842</b>	<b>20,671</b>	<b>20,839</b>

### 12. Endowment asset investments

	Consolidated and University	
Balance at 1 August	78,136	71,184
Additions	1,551	1,043
Appreciation on disposals and revaluation	3,292	5,909
<b>Balance at 31 July</b>	<b>82,979</b>	<b>78,136</b>
Represented by:		
Fixed interest and bonds	30,709	33,894
Equities	24,987	16,628
Property	7,387	7,342
Hedge funds	12,168	7,021
Cash	7,728	13,251
	<b>82,979</b>	<b>78,136</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2011

13. Debtors	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Research grants and contracts	31,532	27,674	31,532	27,674
Trade debtors	5,215	5,644	5,215	5,644
Other debtors	2,799	2,349	2,759	2,506
Prepayments and accrued income	9,184	10,728	9,184	10,728
Alta Estate Services Limited	–	–	533	533
	<b>48,730</b>	<b>46,395</b>	<b>49,223</b>	<b>47,085</b>
<b>Amounts falling due after one year:</b>				
Alta Estate Services Limited	–	–	2,533	3,066
Manufacturing Technology Centre Limited	225	100	225	100
Other debtors and prepayments	–	1,581	–	1,581
	<b>225</b>	<b>1,681</b>	<b>2,758</b>	<b>4,747</b>
	<b>48,955</b>	<b>48,076</b>	<b>51,981</b>	<b>51,832</b>

### 14. Creditors: amounts falling due within one year

Research grants and contracts in advance	38,003	28,124	38,003	28,124
Corporation tax	39	67	–	–
Social security and other taxation payable	6,353	6,314	6,100	6,065
Trade creditors	5,182	5,731	5,074	5,716
Deferred income	62,136	70,685	61,982	70,202
Accruals	10,230	7,404	9,881	7,270
Other creditors	12,576	15,083	12,346	15,220
	<b>134,519</b>	<b>133,408</b>	<b>133,386</b>	<b>132,597</b>

The Other creditors category includes an amount of £2.4m (£3.1m 2009/10) which represents funds being held as cash by the University on behalf of the HEFCE relating to the STEM initiative. The STEM project plans to both increase and widen student participation in Science, Technology, Engineering and Mathematics. The Research grants and contracts in advance category includes £5.4m (£ nil 2009/10) of grant funding held on behalf of partner universities.

### 15. Creditors: amounts falling due after more than one year

Alta Estate Services Limited	–	–	96	191
	<b>–</b>	<b>–</b>	<b>96</b>	<b>191</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

16. Provisions for liabilities and charges	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Restructuring</b>				
At 1 August	2,328	181	2,328	181
Utilised during the year	(2,052)	(181)	(2,052)	(181)
Provided in year	717	2,328	717	2,328
<b>At 31 July</b>	<b>993</b>	<b>2,328</b>	<b>993</b>	<b>2,328</b>
<b>Other provisions</b>				
At 1 August	344	509	344	509
Utilised during the year	(344)	(165)	(344)	(165)
Provided in year	–	–	–	–
<b>At 31 July</b>	<b>–</b>	<b>344</b>	<b>–</b>	<b>344</b>
<b>Deferred taxation</b>				
At 1 August	1,688	1,788	–	–
(Released) in year (Note 9)	(193)	(100)	–	–
<b>At 31 July</b>	<b>1,495</b>	<b>1,688</b>	<b>–</b>	<b>–</b>
<b>Total at 31 July</b>	<b>2,488</b>	<b>4,360</b>	<b>993</b>	<b>2,672</b>
<b>Analysis of deferred taxation:</b>				
Accelerated capital allowances	1,138	1,464	–	–
Other timing differences	357	224	–	–
<b>At 31 July</b>	<b>1,495</b>	<b>1,688</b>	<b>–</b>	<b>–</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 17. Deferred capital grants

	Funding Council	Grants Other	Consolidated Total	University Total
	£000	£000	£000	£000
<b>At 1 August 2010</b>				
Buildings	106,152	26,659	<b>132,811</b>	132,141
Equipment	1,883	12,894	<b>14,777</b>	14,777
	<b>108,035</b>	<b>39,553</b>	<b>147,588</b>	<b>146,918</b>
<b>Amounts receivable</b>				
Buildings	20,443	6,246	<b>26,689</b>	26,689
Equipment	1,807	4,870	<b>6,677</b>	6,677
<b>Released to income and expenditure account</b>				
Buildings (Note 7)	(8,393)	(1,118)	<b>(9,511)</b>	(9,472)
Equipment (Note 7)	(1,997)	(10,004)	<b>(12,001)</b>	(12,001)
<b>At 31 July 2011</b>				
Buildings	118,202	31,787	<b>149,989</b>	149,358
Equipment	1,693	7,760	<b>9,453</b>	9,453
	<b>119,895</b>	<b>39,547</b>	<b>159,442</b>	<b>158,811</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 18. Endowments

	Consolidated and University				2010/11 Total £000	2009/10 Total £000
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000		
<b>Balance at 1 August 2010</b>						
Capital	26,729	43,579	70,308	5,541	<b>75,849</b>	67,628
Accumulated income	–	2,051	2,051	236	<b>2,287</b>	3,556
	<b>26,729</b>	<b>45,630</b>	<b>72,359</b>	<b>5,777</b>	<b>78,136</b>	<b>71,184</b>
New endowments	39	150	189	885	<b>1,074</b>	976
Investment income	826	1,636	2,462	137	<b>2,599</b>	2,359
Expenditure	(826)	(1,303)	(2,129)	(664)	<b>(2,793)</b>	(2,292)
	–	333	333	(527)	<b>(194)</b>	67
Increase in market value of investments	1,230	2,520	3,750	213	<b>3,963</b>	5,909
<b>Balance at 31 July 2011</b>	<b>27,998</b>	<b>48,633</b>	<b>76,631</b>	<b>6,348</b>	<b>82,979</b>	<b>78,136</b>
Represented by						
Capital	27,998	46,249	74,247	6,175	<b>80,422</b>	75,849
Accumulated income	–	2,384	2,384	173	<b>2,557</b>	2,287
	<b>27,998</b>	<b>48,633</b>	<b>76,631</b>	<b>6,348</b>	<b>82,979</b>	<b>78,136</b>

### 19. Income and expenditure account

	Consolidated £000	University £000
At 31 July 2010	426,812	412,303
Surplus retained for the year	27,284	27,597
Transfer from revaluation reserve	624	624
Deduct pension surplus	(4,800)	(4,800)
<b>At 31 July 2011</b>	<b>449,920</b>	<b>435,724</b>
<b>Pension reserve</b>		
At 31 July 2010	(44,000)	(44,000)
Actuarial gain	8,500	8,500
Add FRS 17 net pension expense	4,800	4,800
<b>At 31 July 2011</b>	<b>(30,700)</b>	<b>(30,700)</b>
<b>Revaluation reserve</b>		
Balance at 31 July 2010	44,311	43,508
Revaluation in the year	(23)	562
Released to income and expenditure account	(624)	(624)
<b>At 31 July 2011</b>	<b>43,664</b>	<b>43,446</b>

The revaluation in the year is due to changes in the market values of investment properties.

## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 20. Lease obligations

The University had no finance lease obligations in 2010/11 or 2009/10. There were payments of £784k during the year (£567k in 2009/10) in respect of operating leases for equipment which expire between two and five years.

### 21. Commitments

	Consolidated and University	
(a) Capital	2011	2010
	£000	£000
<b>Contracts for capital expenditure</b>	<b>59,846</b>	<b>81,470</b>

Committed expenditure includes: Metallurgy and Materials (£18.7m), Bramall Music Building (£7.9m), Subways (£4.7m) and the Barnes Library refurbishment (£1.8m).

### (b) Financial

The University has two Interest SWAP transactions with Barclays and one with the National Bank of Australia, for £5m. Each SWAP transaction incorporates a fixed rate, which is compared with a variable 3 month LIBOR interest rate. The University incurs an interest charge when the SWAP rate is less than the 3 month LIBOR rate, and receives interest where the variable LIBOR interest rate exceeds the SWAP. Both of the Barclays SWAPs expire in 2021, while the National Bank of Australia SWAP expires in 2026.



## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 22. Reconciliation of operating surplus to net cash from operating activities

	Note	Consolidated	
		2010/11	2009/10
		£000	£000
Surplus for the year before taxation		27,009	22,268
Depreciation of fixed assets	10	48,702	47,435
Deferred capital grants released to income	17	(21,512)	(21,453)
Returns on investments and servicing of finance		(5,555)	(5,634)
(Increase) in stocks		(46)	(27)
Decrease/(increase) in debtors		116	(2,622)
Increase in creditors		16,121	10,733
Increase/(decrease) in provisions		(1,872)	1,942
Pension cost less than contributions payable		(100)	(700)
Cash Payment to pension scheme		(4,300)	–
Net return on pension scheme		–	1,900
Writedown of fixed asset investment		730	1,825
Write off of assets in income and expenditure		420	–
<b>Net cash inflow from operating activities</b>		<b>59,713</b>	<b>55,667</b>

### 23. Returns on investments and servicing of finance

Income from fixed asset investments	877	2,253
Income from endowments	2,599	2,359
Income from short term investments	1,995	1,632
Interest paid	(616)	(610)
	<b>4,855</b>	<b>5,634</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 24. Capital expenditure and financial investment

	Note	Consolidated	
		2010/11	2009/10
		£000	£000
Tangible assets acquired		(63,015)	(60,539)
Fixed asset investments acquired		(924)	(757)
Endowment asset investments acquired		(6,597)	(5,422)
<b>Total fixed current and endowment assets acquired</b>		<b>(70,536)</b>	<b>(66,718)</b>
Deferred capital grants received		17,975	46,988
Endowments received		1,551	1,046
		<b>(51,010)</b>	<b>(18,684)</b>

### 25. Analysis of changes in external financing during the year

Balance at 1 August	–	344
Capital repayments	–	(344)
<b>Balance at 31 July</b>	<b>–</b>	<b>–</b>

### 26. Analysis of changes in net funds

	At 1 August 2010	Cash Flows	At 31 July 2011
	£000	£000	£000
Short term deposits repayable on demand	111,877	14,638	<b>126,515</b>
Fixed asset investments	1,238	(924)	<b>314</b>
Endowment asset investments	13,251	(5,523)	<b>7,728</b>
Cash in hand, and at bank	20,404	5,329	<b>25,733</b>
<b>Net funds</b>	<b>146,770</b>	<b>13,520</b>	<b>160,290</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 27. Pension schemes

Pension arrangements are funded by employee and employer contributions to pension schemes that are financially separate from the University. Staff paid on academic and academically-related scales who are eligible, acquire pension rights through the Universities Superannuation Scheme (USS), which is a national scheme administered by a separate company on behalf of all universities. Some staff contribute to private schemes. Staff on other salary scales may be covered by the University of Birmingham Pension and Assurance Scheme (BPAS), administered in-house by a Trustee Group comprising four employer nominated and four employee nominated Trustees with an independent Chair. Management of the Scheme's investments is undertaken by UBS Global Asset Management Ltd.

Both schemes provide benefits based on final pensionable salary and the pension cost is assessed using the projected unit method for USS and a modified aggregate funding method for BPAS.

The total pension cost for each scheme for the University is as follows:-

	2010/11	2009/10
	£000	£000
USS	22,332	21,055
BPAS	2,254	2,960
Other pension schemes	3,538	2,949
<b>Total pension costs</b>	<b>28,124</b>	<b>26,964</b>

### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 135,000 active members and the institution has 3,179 active members participating in the scheme.

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.



## Notes to the Accounts (continued)

For the year ended 31 July 2011

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie, the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

### Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables-Rated down 1 year
Female members' mortality	PA92 MC YoB tables-No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28.8 billion and the value of the scheme's technical provisions was £28.1 billion indicating a surplus of £0.7 billion. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie, assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

## Notes to the Accounts (continued)

For the year ended 31 July 2011

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above

## Notes to the Accounts (continued)

For the year ended 31 July 2011

100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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

The total pension cost for the year was £22.3m (2010: £21.1m). This includes £1.8m (2010: £1.8m) outstanding contributions at the balance sheet date.

The Contribution rate payable by the institution increased from 14% to 16% from 1 October 2009 of pensionable salaries.

### University of Birmingham Pension and Assurance Scheme (BPAS)

BPAS is contracted out of the State Earnings Related Pension Scheme and the management of the Scheme's investments is undertaken by a team of investment managers comprised of UBS Asset Management Ltd. (Equities and Property), Royal London Asset Management Ltd. (Index Linked Securities and Sterling Credit Bonds), Barclays Global Investors Ltd. (Sterling Currency Hedge Fund), Standard Life Investments (Global Absolute Return Fund) and Comgest (Emerging market equities). It was closed to new members in 2002. The latest actuarial valuation of the scheme was at the 31 March 2010 and it revealed a funding shortfall as the scheme's assets were less than the technical provisions.

The assumptions which have the most significant impact on the valuation are those relating to the rate of return on investments (ie, the discount rates pre and post retirement), the rates of increase in salary and pension and the mortality rate. The 2010 valuation utilised differential discount rates pre and post retirement to reflect the nature of the assets held to generate the required returns. The pre retirement discount rate was 7.4% and the post retirement rate was 4.7%. It was assumed that salary increases would be 4.4% with pension increases at 3.1% (for service post 2006 where a pension increase cap of 2.5% applied to some members a rate of 2.25% was used). Improvements in mortality have impacted on all schemes and led to higher liabilities. The 2010 valuation used 105% of the SAPS 'All pensioners' tables with medium cohort improvements from 2002 to 2010. A further allowance for future improvements in line with medium cohort improvements with a minimum improvement of 1.25% per annum is also applied from 2010.

The total value of the accrued benefits (Technical Provisions) was £293.8 million and the market value of the assets was £231.3 million leaving a shortfall of £62.5 million. The assets were therefore sufficient to cover 79% of the accrued benefits. The Trustees of the scheme have therefore put a Recovery Plan in place to address the shortfall. The Recovery Plan provides for the University making payments of £4.3m per annum on the 1 August each year from 2010 to 2030.

Contributions have been paid by the University at the rate of 14% of employees' pensionable pay. Further payments were made by the University on behalf of those members who have chosen to participate in the salary sacrifice scheme. These contributions were dependent on the benefit option chosen by each member and their age on 1 August 2006 (the date of implementation of this scheme design). Additionally a further £12.9 million was paid in the period ended 31 July 2008 and a further £4.3m pa thereafter as determined by the Schedule of Contributions agreed by the Scheme Actuary.

In June 2010, the government announced that it intended for future increases in occupational pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The University has considered the Birmingham Pension and Assurance Scheme rules and associated members' literature and has concluded that, as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL').

## Notes to the Accounts (continued)

For the year ended 31 July 2011

The assumptions employed by the scheme actuary for the valuation of liabilities as at 31 July 2011, were as follows:

	July 2011		July 2010	
Discount rate	5.3%		5.4%	
Salary growth	4.05%		4.0%	
Inflation	3.75%		3.5%	
Pension increases	3.05%		3.0%	
The invested assets of the Scheme amounted to £250.9 million (after investment of the additional contribution). The assets and the expected long term rate of return were:	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£million</b>	<b>Rate of Return</b>	<b>£million</b>	<b>Rate of Return</b>
Equities	107.8	7.7%	92.7	8.0%
Property	13.7	6.5%	12.6	6.7%
Corporate bonds	58.3	5.3%	73.7	5.4%
Index linked bonds	47.2	4.1%	21.4	4.4%
Fixed interest bonds	1.0	4.1%	0.6	4.4%
Other assets	22.9	5.0%	26.4	4.5%
<b>Total</b>	<b>250.9</b>		<b>227.4</b>	

The following amounts were measured in accordance with the requirements of Financial Reporting Standard 17:

Total market value of assets	250.9	227.4
Present value of scheme liabilities	(281.6)	(271.4)
<b>Deficit in the scheme</b>	<b>(30.7)</b>	<b>(44.0)</b>

The above amounts have been recognised in the financial statements as follows:

Net assets excluding pension deficit	738.3	699.6
Pension deficit	(30.7)	(44.0)
<b>Net assets including pension deficit</b>	<b>707.6</b>	<b>655.6</b>
Income and expenditure reserve excluding pension deficit	449.9	426.8
Pension deficit	(30.7)	(44.0)
<b>Income and expenditure reserve including pension deficit</b>	<b>419.2</b>	<b>382.8</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

Analysis of amounts charged to income and expenditure account:	<b>July 2011</b>	<b>July 2010</b>			
	<b>£million</b>	<b>£million</b>			
<b>Current service cost</b>	<b>3.2</b>	<b>3.5</b>			
Finance:					
Interest on pension scheme liabilities	<b>14.3</b>	15.9			
Expected return on assets in the pension scheme	<b>(14.7)</b>	(14.0)			
<b>Net interest charge/(credit) to other finance income</b>	<b>(0.4)</b>	<b>1.9</b>			
<b>Total charge before tax</b>	<b>2.8</b>	<b>5.4</b>			
Analysis of amounts recognised in statement of total recognised gains and losses:					
Gain on assets	<b>11.3</b>	16.8			
Experience gain on scheme liabilities	<b>1.6</b>	11.1			
(Loss) on change of assumptions	<b>(4.4)</b>	(2.2)			
<b>Total gain before tax</b>	<b>8.5</b>	<b>25.7</b>			
The experience gains and losses for the year were as follows:	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
Gain on assets	<b>11.3</b>	16.8	(29.8)	(29.4)	4.3
Experience loss/(gain) on scheme liabilities	<b>1.6</b>	11.1	(11.1)	(2.3)	(8.0)
Total gain recognised in the statement of total recognised gains and losses	<b>8.5</b>	25.7	(40.9)	(32.1)	30.8

### Changes in disclosed assets and liabilities

	<b>July 2011</b>	<b>July 2010</b>
	<b>£million</b>	<b>£million</b>
<b>Change in scheme liabilities</b>		
Scheme liabilities at prior year	<b>271.4</b>	269.6
Employer service cost	<b>3.2</b>	3.5
Interest cost	<b>14.3</b>	15.9
Actuarial loss	<b>2.8</b>	9.2
Experience loss	–	–
Administration expenditure	<b>(0.7)</b>	(0.3)
Past service (gain)	–	(18.1)
Benefits paid from scheme assets	<b>(9.4)</b>	(8.4)
Curtailments	–	–
<b>Scheme liabilities at year end</b>	<b>281.6</b>	<b>271.4</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2011

<b>Change in scheme assets</b>	<b>July 2011 £million</b>	<b>July 2010 £million</b>
Fair value of assets at prior year end	<b>227.4</b>	201.1
Expected return on assets	<b>14.7</b>	14.0
Actuarial gains/(losses) on assets	<b>11.3</b>	16.8
Employer contributions	<b>7.6</b>	4.2
Benefits paid	<b>(9.4)</b>	(8.4)
Other adjustments	<b>(0.7)</b>	(0.3)
<b>Fair value of assets at year end</b>	<b>250.9</b>	<b>227.4</b>

### Group Personal Pension Scheme (GPPP)

The University introduced from 1 April 2008, a new 'defined contribution' pension scheme for its support staff who are not members of the University of Birmingham Pension and Assurance Scheme (BPAS). The scheme will enable staff to build a fund that can be used to provide a pension on retirement in addition to the normal state pension. The University contributes 10% in addition to an agreed percentage paid by the individual. The scheme operates as a Group Personal Pension Scheme and is run on the University's behalf by Friends Provident.

<b>28. Agency arrangements</b>	Consolidated and University			
	Learning Support Funds		Training and Development Agency	
	<b>2010/11</b>	2009/10	<b>2010/11</b>	2009/10
	<b>£000</b>	£000	<b>£000</b>	£000
Balances unspent as at 1 August	<b>166</b>	128	<b>73</b>	18
Funding council grants received	<b>381</b>	442	<b>2,065</b>	2,216
Disbursed to students	<b>(382)</b>	(391)	<b>(1,953)</b>	(2,161)
Administration costs	<b>(11)</b>	(13)	-	-
<b>Balances unspent at 31 July</b>	<b>154</b>	166	<b>185</b>	73

The above 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.

The University also received £2.2m (2009/10 £2.2m) from the Funding Council in respect of the Aim Higher initiative of which £2m has been disbursed to colleges in the West Midlands.

## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 29. Related party transactions

To capture information on related party transactions the University has circularised members and officers who attend Council, Strategy, Planning and Resources Committee, and the Trustees of the University of Birmingham Pension and Assurance Scheme.

Due to the nature of the University's operations and the composition of the University's governing body, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of the governing body has an interest. All such transactions are conducted at arms length and in accordance with the University's Manual of Financial Rules and Procedures with respect to procurement.

Two examples of such relationships are:

- (i) Mr J E K Smith is the chairman of the Student Loans Company Limited, with which the University transacts for a proportion of its student fee income.
- (ii) Professor D S Eastwood is a director of the Universities Superannuation Scheme (USS), of which many University employees are members.

The University has strong links with The Henry Barber Trust which is a separate registered charity incorporated under the Charitable Trustees Incorporation Act 1872. Its charitable objects are:

'to provide funding for the four professorial chairs of Law, Jurisprudence, Fine Arts and Music, together with a number of other annuities, scholarships and prizes, the repair, maintenance and equipment of the Institute building, the purchase of works of art and the provision of musical recitals'.

The Barber Institute of Fine Arts which is hosted on the University of Birmingham's site, holds one of the finest small collections of European art in the United Kingdom. The University has no association with the financial statements of The Henry Barber Trust because the University has no control or dominant influence over policy decisions. The summarised balance sheet and results for the year ended 31 July 2011 are as follows:

	2010/11	2009/10
	£000	£000
Investments	30,283	27,242
Investment property	3,830	3,905
Net current assets	2,436	2,639
<b>Net assets/funds</b>	<b>36,549</b>	33,786
<b>Net movement in funds for the year</b>	<b>2,763</b>	(110)

The University's Income and Expenditure Account includes a receipt from the Trust of an annual grant of £1,044k (2009/10 £1,020k).

## Notes to the Accounts (continued)

For the year ended 31 July 2011

### 30. Subsidiary undertakings

Name	University Holding	Business Activity
Alta Birmingham China Limited	100%	Management of a representative office in China
Alta Cyclotron Limited	100%	Preparation and sale of chemicals for clinical use
Alta Estate Services Limited	100%	Operation a Combined Heat and Power plant
Alta Library Services Limited	100%	Provision of library services
Birmingham Research and Development Limited	100%	Technology Transfer (ceased trading 1 May 2008)
Birmingham Research Park Limited	51%	Provision of accommodation to High Technology Companies
University of Birmingham Selly Oak Educational Trust	100%	Management of land and buildings on the Selly Oak Campus
Alta Innovations Limited	100%	Technology Transfer

The subsidiaries are all incorporated in and operate in Great Britain.

The summarised balance sheets and results for the year ended 31 July 2011 are as follows:

	Alta Birmingham China Limited	Alta Estate Services Limited	Alta Library Services Limited	Birmingham Research and Development Limited	Birmingham Research Park Limited	University of Birmingham Selly Oak Educational Trust	Alta Innovations Limited
	£000	£000	£000	£000	£000	£000	£000
Tangible fixed assets	2	6,956	–	–	4,753	9,853	–
Investments	–	–	–	80	–	–	–
Current assets	379	2,716	180	1,327	992	–	2,643
	<b>381</b>	<b>9,672</b>	<b>180</b>	<b>1,407</b>	<b>5,745</b>	<b>9,853</b>	<b>2,643</b>
Capital and reserves	–	3,987	–	1,397	4,757	9,853	730
Creditors	381	4,191	180	10	988	–	1,913
Provisions	–	1,494	–	–	–	–	–
	<b>381</b>	<b>9,672</b>	<b>180</b>	<b>1,407</b>	<b>5,745</b>	<b>9,853</b>	<b>2,643</b>
<b>Profit/(loss) for the year before deed of covenant payments</b>	<b>245</b>	<b>(193)</b>	<b>61</b>	<b>(32)</b>	<b>146</b>	<b>(177)</b>	<b>264</b>

Alta Cyclotron Services Limited changed its name to Alta Birmingham China Limited on 15 June 2011. A newly incorporated subsidiary Alta Cyclotron Services Limited was established on 22 June 2011. The University has investments in the following companies shown at cost or valuation.

	2010/11	2009/10
	£000	£000
Mercia Technology Fund 2	400	400
Universities UK Limited	64	64
Waterloo House Limited	2,513	2,646



## Notes to the Accounts (continued)

For the year ended 31 July 2011

The University also has an interest in the following companies, the results of which have not been included or consolidated on grounds of materiality:

	% Holding		
Ad Surf Eng Limited	6	McBurney Scientific Limited	16
Adsfab Limited	<1	Metal Nanopowders Limited	36
Applied Functional Materials Limited	31	The Native Antigen Company	6
Astron Clinica Limited (in liquidation)	<1	Neuregenix Limited	41
Bioscience Ventures	50	Oral Health Innovations Limited	5
Biowaste2energy Limited	37	Ortus Medical Limited	20
Cambridge Mechatronics	<1	Personal Screening Plc	<1
Celentyx Limited	32	Plasgene Limited	40
Circassia Holdings Limited	<1	Practice Management Services Limited (in administration)	10
Cobra Bio-manufacturing Plc	2	Psioxus Therapeutics	3
Cytox Limited	<1	Speech Ark Limited	10
Inanovate Limited	3	Talis Group Limited	3
Interface Spectra Limited	75	U21 Equity Limited	5
INTREC Limited	17	Weather Systems International Limited	<1

The University has two linked charities as defined under paragraph w of schedule 2, to the Charities Act 1993. One is the University of Birmingham Selly Oak Educational Trust included as a subsidiary in these consolidated accounts. The other is the Sir Samuel Hanson Robowtham Trust, with the University's investment of shares being included within Endowment Assets in the Balance Sheet. It is not consolidated on the basis of the University holding a minority shareholding.

### 31. Guild of Students

The University has not consolidated the financial statements of the Guild of Students because the University has no control or dominant influence over policy decisions. The summarised balance sheet and results for the year ended 31 July 2011 are as follows:

	2010/11	2009/10
	£000	£000
Tangible fixed assets	1,224	976
Investments	6	6
Current assets	1,746	1,834
	<b>2,976</b>	<b>2,816</b>
Reserves	1,996	1,918
Creditors	980	898
	<b>2,976</b>	<b>2,816</b>
<b>Surplus for the year</b>	<b>78</b>	<b>51</b>

The University's Income and Expenditure Account reflects payments to the Guild of Students of a block grant of £1,874k (Note 7) (2009/10 £1,847k) and Residents Association funding of £533k (2009/10 £516k).

## Five Year Summary Accounts

	Consolidated and University				
	2010/11	2009/10	2008/09	2007/08	2006/07
	£000	£000	£000	£000	£000
<b>Income</b>					
Funding Council grants	142,209	146,750	144,111	135,941	130,467
Academic fees and support grants	125,825	116,083	104,592	90,782	81,526
Research grants and contracts	101,540	104,811	98,075	89,522	82,513
Other operating income	95,003	88,485	87,031	84,503	86,660
Endowment income and interest receivable	6,171	6,244	7,190	10,853	7,554
<b>Total income</b>	<b>470,748</b>	<b>462,373</b>	<b>440,999</b>	<b>411,601</b>	<b>388,720</b>
<b>Expenditure</b>					
Staff costs	248,794	247,270	233,353	220,666	206,209
Depreciation	48,702	47,435	44,384	38,641	36,424
Other operating expenses	145,627	142,890	137,955	133,787	129,121
Interest payable	616	2,510	171	66	77
Total expenditure	443,739	440,105	415,863	393,160	371,831
<b>Operating surplus before tax and exceptional items</b>	<b>27,009</b>	<b>22,268</b>	<b>25,136</b>	<b>18,441</b>	<b>16,889</b>
<b>Capital expenditure</b>					
Land and buildings	46,117	36,970	32,476	60,274	44,305
Equipment	16,516	23,501	21,606	18,762	16,837
<b>Total capital expenditure</b>	<b>62,633</b>	<b>60,471</b>	<b>54,082</b>	<b>79,036</b>	<b>61,142</b>
<b>Balance sheet</b>					
Fixed assets	588,209	575,961	563,961	557,204	509,893
Endowment asset investments	82,979	78,136	71,184	72,480	77,062
Net current assets/(liabilities)	69,636	49,864	24,695	12,967	42,993
Creditors: amounts due after one year	–	–	–	(344)	(687)
Provisions for liabilities and charges	(2,488)	(4,360)	(2,478)	(4,633)	(2,233)
<b>Total net assets, excluding pension liability</b>	<b>738,336</b>	<b>699,601</b>	<b>657,362</b>	<b>637,674</b>	<b>627,028</b>
Represented by:					
Deferred capital grants	159,442	147,588	136,525	136,987	123,740
Endowments	82,979	78,136	71,184	72,480	77,062
Revaluation reserve	43,664	44,311	44,145	46,023	47,503
Income and expenditure reserve	452,251	429,566	405,508	382,184	378,723
<b>Total funds, excluding pension liability</b>	<b>738,336</b>	<b>699,601</b>	<b>657,362</b>	<b>637,674</b>	<b>627,028</b>

## Financial Statistics

	Consolidated and University				
	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
<b>Sources of income</b>					
% of total income					
Grants from Funding Councils (HEFCE and TDA)	30.1	31.7	32.7	33.0	33.6
Tuition fees – home and EU	16.7	16.3	15.3	18.8	17.7
Tuition fees – overseas	10.1	8.8	8.4	3.3	3.3
Income from research grants and contracts	21.6	22.7	22.2	21.7	21.2
Income from residences, catering and conferences	6.5	6.4	6.5	5.5	6.8
Other income	15.0	14.1	14.9	17.7	17.4
<b>Total income</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Analysis of expenditure</b>					
% of total expenditure					
Staff costs	56.1	56.2	56.1	56.1	55.5
Depreciation	11.0	10.8	10.7	9.8	9.8
Other operating expenses	32.8	32.4	33.2	34.1	34.7
Interest payable	0.1	0.6	0.0	0.0	0.0
<b>Total expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Operating surplus for the year as a % of total income</b>	<b>5.7%</b>	<b>4.8%</b>	<b>5.7%</b>	<b>4.5%</b>	<b>4.4%</b>
<b>Indicators of financial strength</b>					
Ratio of short term cash to total expenditure (days)	125	110	75	41	86
The number of days expenditure that could be sustained from available funds					
Ratio of long-term liabilities to total net assets	0.0%	0.0%	0.1%	0.1%	0.2%
Measures the extent to which an institution is funded by long term debt					
<b>Indicators of liquidity and solvency</b>					
Ratio of liquid assets to current liabilities	1.1	1.0	0.8	0.6	1.1
Extent to which current liabilities could be met from cash and liquid investments					
Ratio of current assets to current liabilities	1.5	1.4	1.2	1.2	1.5
Extent to which current liabilities could be met from current assets					
Debtor days	54	56	53	57	53
Days of total income (excluding Funding Council grants) represented by debtors					

UNIVERSITY OF  
BIRMINGHAM

Edgbaston, Birmingham,  
B15 2TT, United Kingdom  
[www.birmingham.ac.uk](http://www.birmingham.ac.uk)