

2013

UNIVERSITY OF
BIRMINGHAM

ANNUAL
REPORT
AND
ACCOUNTS

14

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Vice-Chancellor's Report



Great organisations are defined by the quality of their people. At the University of Birmingham our people are among the most talented and dedicated to be found in any sector. This has been amply borne out during the past 12 months when, as the 2013-14 *Times* and *Sunday Times* University of the Year, we have received public recognition for the innovation, energy, and quality of work we show in all areas of our institution.

Over the last year we have enhanced our reputation for excellence in everything from teaching, research and student support to sustainability and promoting equality. We have also continued to invest heavily in our people and places. We improved our position across all league tables and achieved our best-ever performance in the National Student Survey (NSS), in which we were awarded an overall satisfaction mark of 89 per cent - up from 88 per cent for the past two years and a rise of five places among Russell Group institutions. In particular, students praised the quality of teaching at Birmingham, giving the University an overall satisfaction rating of 90 per cent for teaching, while a number of individual courses attained a 100 per cent score. We were ranked fourth in the UK for graduate prospects in the 2015 *Times* and *Sunday Times* Good University Guide, which placed us 15th overall, up from 16th in 2013.

Having said farewell to an outstanding Chancellor with the departure of Sir Dominic Cadbury, we were delighted to welcome his successor: Lord Bilimoria of Chelsea. The entrepreneur and founder of Cobra Beer was installed as our seventh Chancellor in July. His appointment was followed by the announcement

of three new Pro-Vice-Chancellors and a new Director of Finance, Mr Chris Granger, who will succeed Mrs Gill Ball when she steps down next month after 30 years' distinguished service. We also said goodbye to Dr Mike Gilbert, who retired from Council and his role as Treasurer.

This has also been our most successful student recruitment year to date. Our status as University of the Year strengthened our popularity among undergraduate students and, strategically, we chose to expand student numbers in key academic programmes, giving even more young people the opportunity to experience life at our University. We also maintained the quality of our students. Applications to study at Birmingham rose by 18 per cent and our Unconditional Offer strategy was again successful with just under 1,000 students recruited via this route.

Confirmation and clearing was another major success after we piloted several new approaches centred on digital activity. In a new initiative, to maximise the number of accepted students who went on to enrol with us, successful applicants were sent a personalised congratulations video. Students were encouraged to share this on social media to further raise the

University's profile with potential Clearing applicants. The #hellobrum hashtag proved extremely popular on A-level results day, trending nationally and ensuring that the University had a significantly larger share of voice on social media than our key competitors.

We can be proud to be home to some of the most highly cited researchers in the world. In a poll conducted in the summer by Thomson Reuters, listing some of the world's most influential scientists, four Birmingham academics were found to have written the most reports designated by Essential Science Indicators as highly cited papers.

Excellent people require - and deserve - excellent places in which to work. We have continued our programme of capital investment, which will see us spending £300 million over five years on substantial improvements to our campus. Last November, thanks to a transformational gift of £15 million, we launched the Birmingham Institute of Forest Research (BIFoR) to study the impact of climate and environmental change on woodlands - and the resilience of trees to pests and diseases. The donation, by former academic and alumnus Professor Jo Bradwell and his wife Barbara, was one of the largest gifts to a UK university. This, combined with the generosity of so many of our alumni, benefactors and supporters, has put us on target to exceed our ambitious £160 million fundraising target ahead of schedule.

Spring saw us break ground on the High Temperature Research Centre (HTRC), a partnership between the University and Rolls-Royce. Based at Ansty Park, near Coventry, it builds on a longstanding collaborative relationship and is funded via a £40 million investment by Rolls-Royce and a £20 million Government grant through the Higher Education Funding Council for England's (HEFCE) UK Research Partnership Investment Fund.

Work also began on the £24 million Institute of Translational Medicine (ITM), a new world-class clinical research facility, and the BioHub, a brand new £6.8 million biomedical centre. The ITM will help to turn our latest scientific research findings into enhanced treatments for patients, while the £6.8 million BioHub is designed to provide innovative start-ups, such as the Hungarian company NanoTi, with access to affordable laboratory facilities and equipment and is jointly funded

by the European Regional Development Fund, the University, and Birmingham City Council. The Lapworth Museum of Geology received a major Heritage Lottery Fund (HLF) grant towards a £2.5 million redevelopment project, including facilities to display of one of the most outstanding rock, fossil and mineral collections in the UK.

Our new sports centre remains on course to open in early 2016. This £55 million showpiece will be a gateway to the University for students, staff, and the local community and will include Birmingham's only 50-metre swimming pool. The centre builds on Birmingham's pedigree of sporting excellence, as demonstrated by the success of Birmingham alumni in two major sporting events. Kat Merchant (2007 Sport and Exercise Science) and Laura Keates (2010 Zoology) helped England women's team to triumph in the 2014 Rugby World Cup, while alumni Susie Gilbert and Sophie Bray, along with undergraduate Lily Owsley, won silver for England in the women's hockey competition at the Commonwealth Games.

Construction of our new £60 million library continues on schedule. Due for completion in summer 2016 the library will provide outstanding facilities for a new generation of students and researchers, as well as a cultural space for the University, and will be open to the people of Birmingham.

We also consolidated our aim to extend our educational expertise to an even wider audience. The University of Birmingham School is due to open next September to year 7 and year 12 pupils. A free, mixed ability, co-educational state school for students aged 11-16, with a broad, academic sixth form, pupils will be admitted without consideration of religion, ability, disability, or social or financial background. It will be the only secondary University Training School in the country and a centre for outstanding teacher development and student achievement.

Meanwhile, the University joined a consortium of universities to provide free online learning courses or Massive Open Online Courses (MOOCs) via the new UK-based FutureLearn platform. Our first MOOC was launched in December 2013 and there have since been more than 50,000 registrations. Themes to date include the First World War, Hamlet, dental photography, international politics, liver disease, and Parkinson's.

We have also explored new ways to enhance the education experience for our students, in particular through more interactive learning opportunities. We procured and implemented CANVAS, a new virtual learning environment (VLE), and are the first European university to adopt this ground-breaking online platform providing engaging teaching methods for our students, whether based on campus or studying via distance learning.

Last spring the University of Birmingham and the University of Illinois at Urbana-Champaign announced a strategic partnership which is unprecedented in the way that leading research intensive universities go about enhancing their research power and global impact. The BRIDGE (BiRmingham-Illinois Partnership for Discovery EnGagement and Education) alliance sets out a framework based on collaborative research and teaching across a breadth of disciplines. This was followed by a ground-breaking agreement with BGI, the world's largest genome research institute in Shenzhen, China, to create the Joint Centre for Environmental Omics (JCEO) at Birmingham. The JCEO will seek to protect environment, health and global biodiversity by analysing the toxicity of compounds more efficiently than has been achieved before. In my capacity as the new chair of Universitas 21, I will be continuing to drive our ambitions for global expansion.

A highlight of our year was the enormous success of the British Science Festival, hosted on campus in September. During this six-day national event, organised in conjunction with the British Science Association, we welcomed leading researchers, Nobel Prize-winners, journalists and broadcasters - along with some 50,000 visitors - to celebrate science and its impact on our culture, society, and economy. Birmingham's academics generated media coverage with an Advertising Revenue Equivalent of around £6 million. This, along with high-profile press conferences promoting our research, helped to consolidate our place among the world's leading academic institutions.

The most significant news story to emerge out of the Festival belonged to us, with the announcement that our archaeologists had unveiled the most detailed map ever to be produced of the earth beneath Stonehenge and its surroundings.

The academic year 2013/14 was designated our official year of Advancing Equality in Employment. Noteworthy achievements included the Athena Swan charter, which promotes and rewards good employment practice in the recruitment, retention, and progression of female academics in STEMM (Science, Technology, Engineering, Maths and Medicine), granted its silver award to the College of Medical and Dental Sciences and bronze to the University and the Schools of Biosciences, Geography, Earth and Environmental Sciences, Mathematics, Chemistry, Chemical Engineering, and Civil Engineering. The School of Physics and Astronomy became the Institute of Physics' tenth Juno Champion for its commitment to addressing gender inequities. Meanwhile, Professor Laura Piddock, Professor of Microbiology, played a significant role in highlighting the spectre of antibiotic resistance, which led to the issue being awarded the Longitude Prize by public vote on the BBC Horizon programme.

An outstanding year, which gives us the platform from which to look forward with confidence as we open the next chapter of our history with the new Strategic Framework.

Professor Sir David Eastwood
Vice-Chancellor and Principal

26 November 2014



Treasurer's Report



A track record of financial strength characterises the University of Birmingham. We recognised early on, that securing income would become increasingly competitive and coupled with that, continuing to invest wisely would underpin our success.

I take up the role of Treasurer at a time of immense change in the Higher Education sector as the implications of moving away from an environment dominated by state funding towards one where income must be competitively won are gradually being revealed and understood, despite these challenges the University remains in a strong financial position after the delivery of a surplus of £31m in 2013/14.

Our strategic framework 'Shaping our future: Birmingham 2015' has guided us successfully through the early challenges of this change and resulted in us being awarded 2013/14 University

of the Year by the Times and the Sunday Times. This award was given in recognition of our innovation in a number of areas. None of these innovations, however, would have been possible without the funds to invest in the skills and resources needed to convert good ideas into plans capable of being implemented. The need to maintain the financial strength of the University and protect and enhance its ability to generate financial resources for investment must continue to be the aim of our financial strategy.

Key financial highlights 2013/14

7% growth in income		22 patent applications made in year		£39m spent on student support and bursaries		76 % of students are from the UK/EU		£57m spent maintaining campus and £70m of fixed asset additions	
39% of total income derived from student fees			£31m surplus for reinvestments and growth			Surplus 6% of income		£62m cash generated from operations	
£271m spent on over 6,500 members of staff		£179m other operating costs		£112m income for research activity		157 new records of invention registered in the year			
58% of income spent on academic schools	£5m endowment income and interest		£238m held as cash and short term investments at year end	£33m defined benefit pension liability	£34m income from residences, catering and conferences, 6% total income				
		£1430m reinstatement value of buildings	41% of students are post graduates		65% fees income from undergraduate students				
Over £1bn spending generated in the West Midlands	£92m held in endowment investments at year end		£152m contracts entered into for capital expenditure in future		£14m spent on growing successful activities in year		Administrational services cost 6.9% of income		

Treasurer's Report (continued)

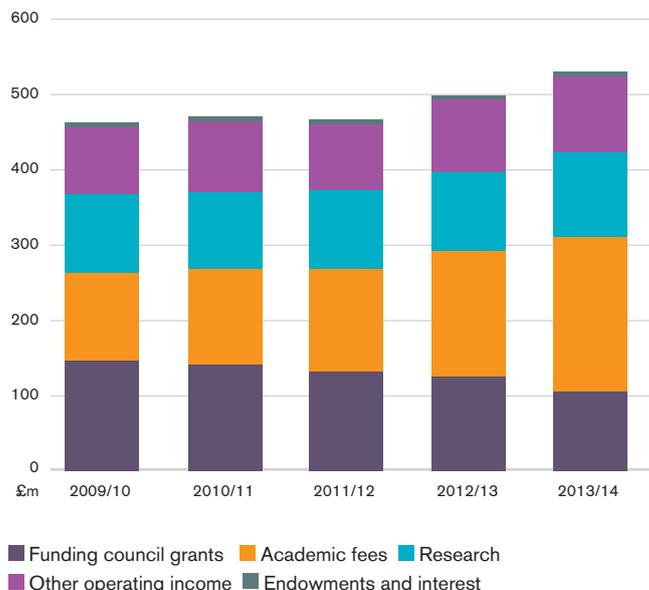
Review of the year

- 7% growth in income
- Surplus of £31m, representing 6% of income, generated for investment
- Cash generated from operations of £62m

2013/14 has been a year of strong financial performance as measured by all the key financial measures but while the headlines above are impressive the underlying picture foretells the challenges ahead.

Over the last 5 years income has grown by 14% to £528m (2012/13 £493m). During that time, there has been a shift from grant income to fee funding primarily as a result of Government policy. The chart indicates very clearly the growing extent to which income is competitively won. Funding Council grants overall were 20% of total income in 2013/14 compared with 32% in 2009/10 and fees were 39% and 25% respectively.

Total Income

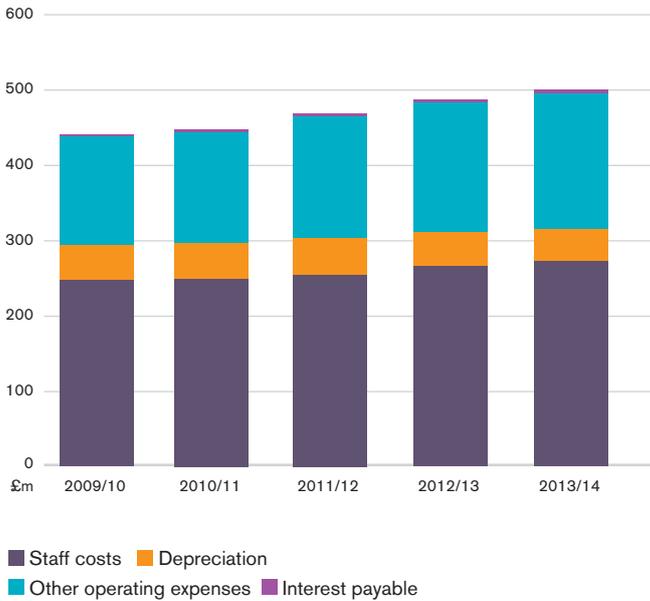


Given the strength of competition in the sector, the 7% increase in income we achieved in 2013/14 is a great performance. This increase was mainly driven by a 24% increase in academic fees and support grants. A key component of this is undergraduate recruitment and meeting targets on student intake has become a business critical objective for us. We were pleased to see that the investment we had made in refreshing and improving our student application experience had contributed to strong recruitment at undergraduate level in 2013/14 and we are delighted to see this being sustained into 2014/15 with our applications from Home/EU undergraduates being the highest ever.



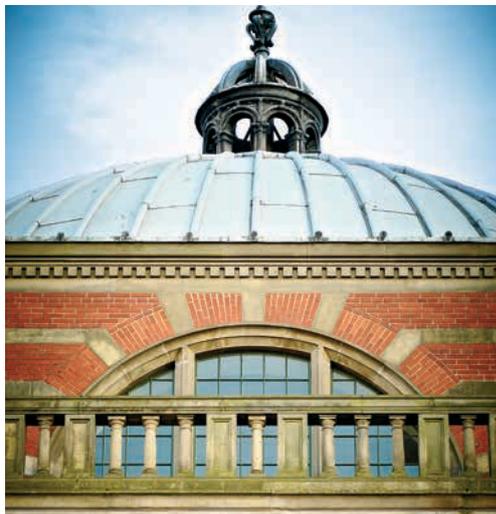
Treasurer’s Report (continued)

Total expenditure



Total expenditure in the last 5 years has grown from £440m in 2009/10 to £499m in 2013/14. Since 2011/12 the University has been investing heavily (£15m over 3 years) in the student experience ahead of the changing fee regime for Home/EU undergraduates. Spending in 2013/14 included additional internships, scholarships, student support services, particularly in IT and learning resources, new courses and modules and addressing student experience issues emerging from the National Student Survey. However, we have held the costs of administration and services in 2013/14 to 6.9% of income as in 2012/13 and so increased spending has been primarily to support and enhance income generating activities. Overall we have been able to provide additional funds for investment in 2014/15 of £31m being our accounting surplus for the year and this in part generated some £62m in cash from operations enabling us to continue to support our substantial capital projects.

Maintaining this strong financial performance will continue to present challenges in the competitive Higher Education sector both at home and abroad. The five goals of our strategic framework ‘Shaping our future: Birmingham 2015’ drive our financial performance and the achievements and challenges of each are set out below.



Treasurer’s Report (continued)

Enhance our research power

- £112m from research activity
- 22 patent applications made in year
- 157 new records of invention registered in the year

For a research intensive university, research activity and outputs are fundamental to our research power. A measure of that power is our market share of both externally funded research and doctoral research students.

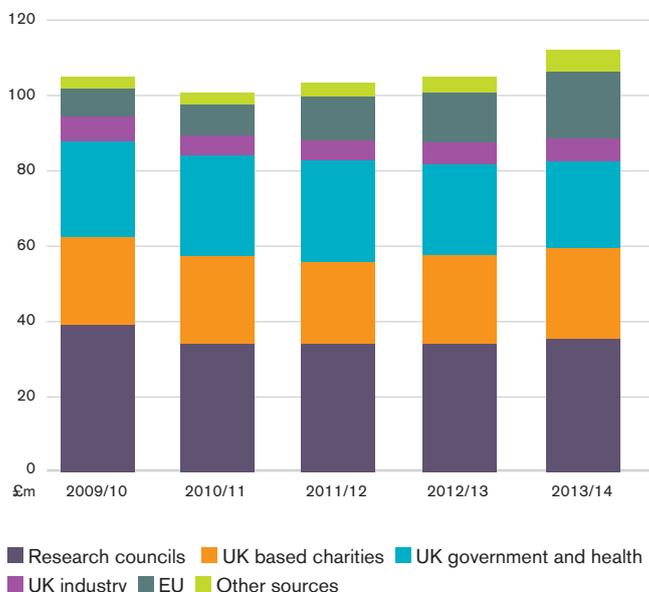
Research income has grown steadily over the last 4 years to £112m in 2013/14, and we achieved an increase of 7% over the preceding year. We are particularly pleased with the growth in income in European Union funding which has grown by 134% in the last 5 years. In assessing both our UK and international academic impact, we monitor

citation levels and we have been pleased to see positive progress in the levels we are achieving. Many of our academics are regularly sought for media comments on current issues and events such as the British Science Festival, which we hosted in September 2014.

Growing our market share in a highly competitive research environment where the overall level of funding available is being reduced as a result of public spending constraints remains a high priority for us. Failing to rise to this challenge represents a significant risk. We are due to hear shortly the results of the Research Excellence Framework (REF) which will determine the amount of direct Government Funding we will receive for research activities over the next 5 years. This funding currently amounts to just under £30m of our research income.

There has been a strong leadership focus on improving our research performance in 2013/14 and this is continuing in 2014/15 with increased investment resources being made available to support actions to deliver growth through a step change in our impact post the REF and to develop a sustainable diversified income stream for the future. While we await the outcome of the REF in December 2014, planning for the next assessment has already begun. The continuation of the Birmingham Fellows scheme, successes in diversifying our funding sources and our activity to drive tangible outputs from our research activities will all mitigate the challenges we face and contribute positively to future outcomes.

Research income

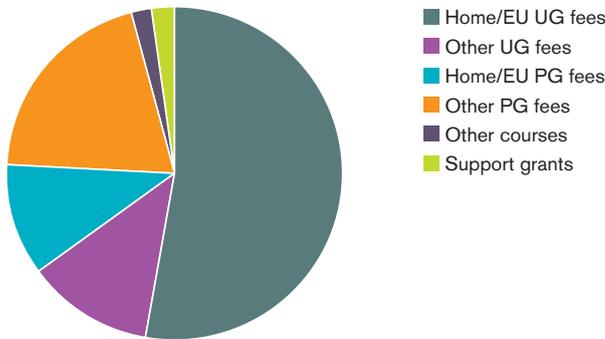


Treasurer's Report (continued)

Provide our students with a distinctive high quality student experience

- 39% of our total income is from student fees
- 76% of students from the UK
- 41% of students are post graduates
- 65% of fee income is from undergraduate students
- 58% of our income is spent directly in our academic schools

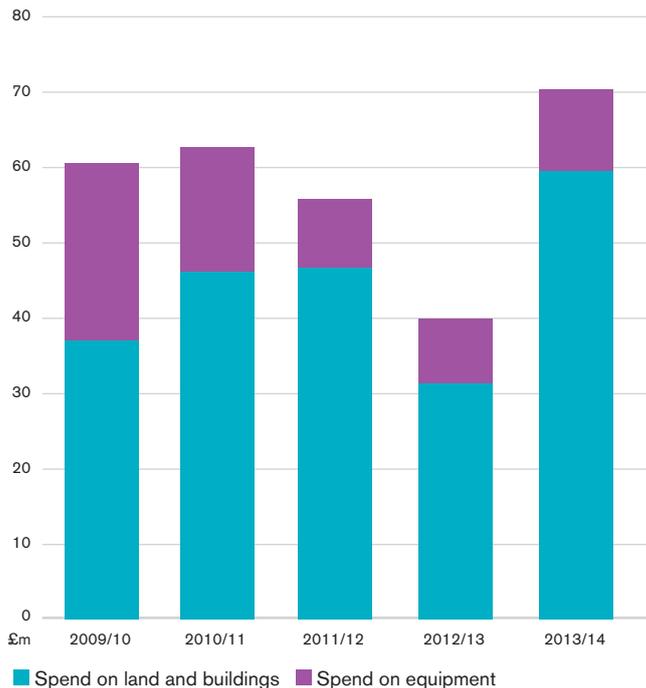
Fee Income



Total student numbers in 2013/14 were 32,336 (2012/13 30,700) and fee income was £206m (2012/13 £167m). The composition of that income continues to change with the proportion from Home/EU undergraduate fees increasing as the new fee regime rolls through. We are seeking to grow our intakes of high quality students across the board.

In an environment of reducing Government funding our reliance on not just maintaining but growing student numbers, at quality, is a strategic imperative and a very challenging one in a sector where all institutions will have a similar objective. To meet this challenge and mitigate a significant institutional risk the University will continue to invest heavily in enhancing the student experience.

Capital Investment



We invested in a new approach to student employability in 2012/13 with considerable success and to justifiable acclaim and we have built on that by developing a more comprehensive approach to providing excellent student advisory services. Key to this is the building of a student hub within part of the Aston Webb building and we have committed to invest £12m on this project with £9m being spent next year. It is scheduled to open at the beginning of the 2015/16 academic year.

A high quality, fit for purpose, estate is vital to a first class student experience. Our estate has an insured value of some £1.4billion and needs to be maintained by regular annual and long term maintenance, replacement and refurbishment each year for upkeep and development. We spent £20m in 2013/14 (2012/13 £19m) on maintenance and refurbishment. The current phase of the capital programme includes a new sports centre (£55m) a state of the art library (£60m) and additional student residences (£60m). These all began in earnest in 2013/14 and will be largely completed in 2016/17. We have more still to do and we are currently engaged in putting together the next phase of our capital development plans.

Treasurer's Report (continued)

Sustain our financial strength

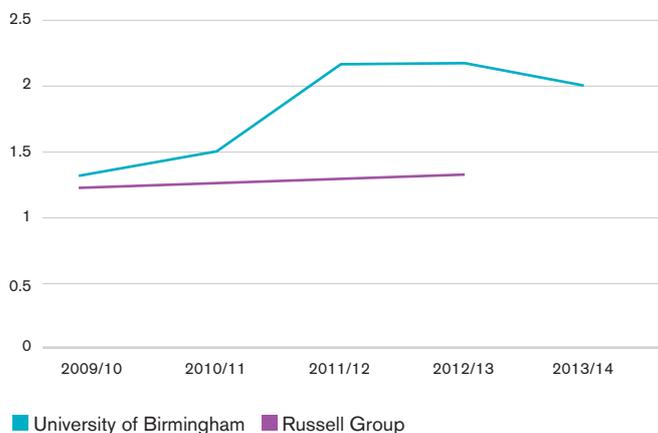
- £234m held as cash and short term investments
- £92m held in endowment investments generating £5m in endowment income and interest
- £14m spent on growing successful activities in year
- £34m income generated from student residences, catering and conferences representing some 6% of total income

Financial Sustainability



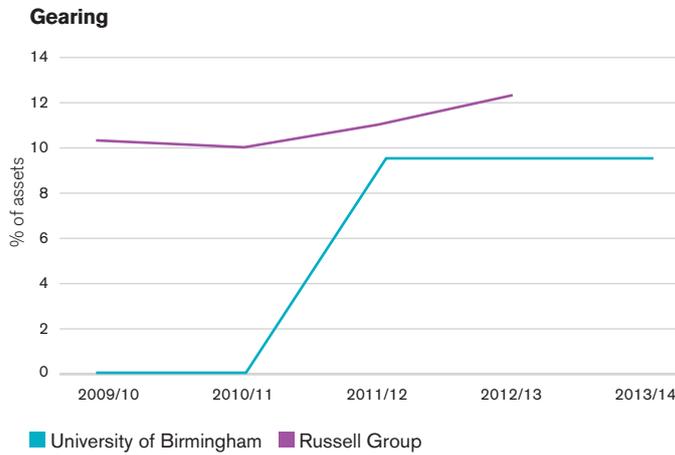
The generation of a surplus to enable both revenue and capital investments is a key performance measure of our financial sustainability. We have consistently delivered planned surpluses year on year to support our investment plans. Since 2009/10 we have invested in new activities such as the Birmingham Fellows, early career researchers; new courses such as Pharmacy; and extending existing research and teaching activities in areas of industrial importance such as railways. This has allowed us to invest to reflect both our ambition to be innovative as well as be responsive to the changing landscape in which we operate.

Current Ratio

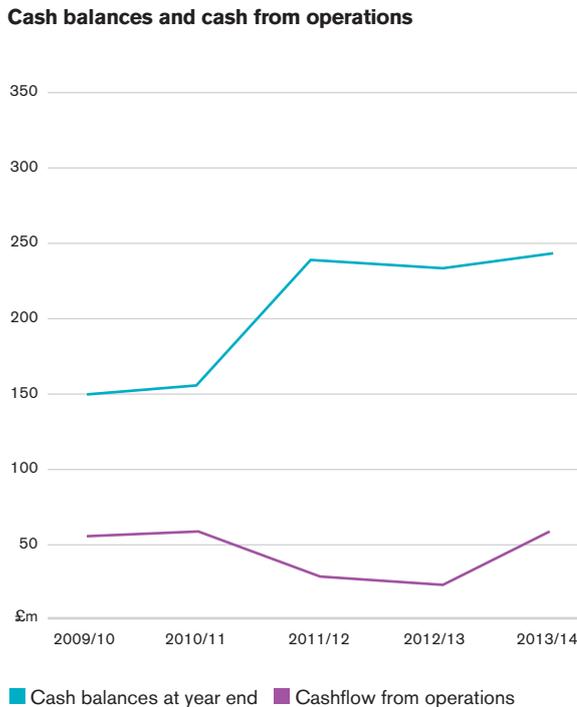


Another measure of financial strength is our ability to pay our creditors as required. For the last 5 years, the University has had a better position than the Russell Group average. We seek to pay all our creditors within 30 days as we recognise the importance of the University as a 'Good Financial Citizen'.

Treasurer's Report (continued)



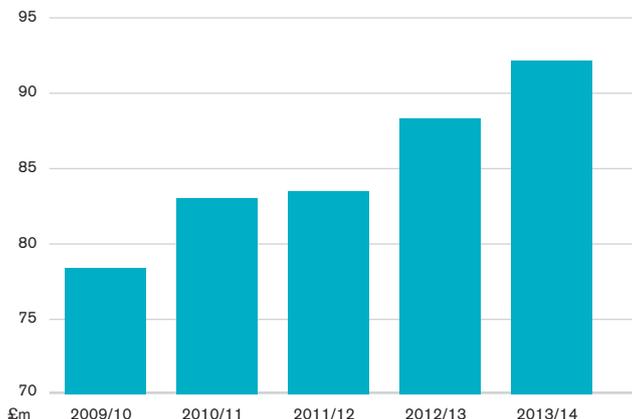
Similarly the ratio of assets to debt, or 'gearing' shows the sustainability of an organisation. The University has a history of using its own cash to fund investments which results in very low gearing ratios. The increase in 2011/12 was after securing a £75m loan from the European Investment Bank on favourable terms to stimulate capital investments. The University continues to maintain a gearing ratio that is lower than the Russell Group average.



At the year end the cash balances, coupled with our investment portfolio, remain in excess of £245m, reflecting our ability to generate surpluses over a number of years and maintain them effectively.

Treasurer’s Report (continued)

5 year Endowments



■ Endowments, restricted and permanent

The Investment Sub Committee determines the policy for investing the long term endowment portfolio and the short term cash balances; carefully balancing the need to maximise returns within an appropriate risk profile. This year the long term investment portfolio generated a total return of 6.1 % (2012/13 9.4%). Short term cash returned 0.69% (2012/13 1%). Both exceeded the benchmarks set by the Committee.

Sustaining financial strength in an uncertain and highly competitive market remains a priority. We have a strong balance sheet and a strong track record in cash generation but we cannot be complacent. Plans to deliver our strategic objectives in the areas of research, students and our staff will be the main drivers of financial sustainability but within the area of corporate services we will be looking to increase our focus in the coming year on value for money through improved procurement and investment in further automation of administrative systems.

Another area of focus will be on building greater diversity in our general income. This will be a significant challenge in a market where many funding sources are either static or declining. However we have made good progress in a number of areas not least in the area of donor development and business engagement. Our very successful Circles of Influence campaign to raise some £160m will draw to a close in 2014/15 but we have already begun the design of the next fundraising programme. We have enhanced significantly our engagement with Alumni and have had success in developing strategic partnerships and collaborations with industry, which the Vice-Chancellor mentions in his report.



Treasurer’s Report (continued)

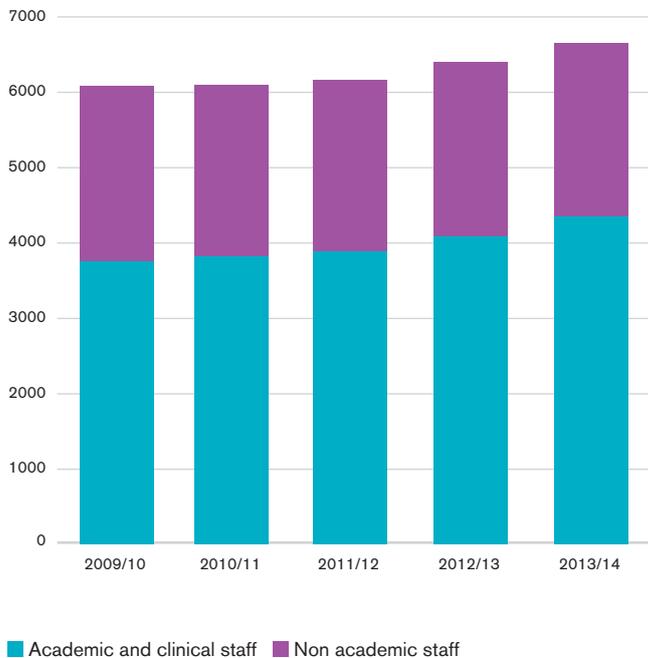
Be the destination of choice amongst our peers

■ £273m spent on over 6,500 members of staff

Our student experience, our research success, our service delivery and our impact on our community are dependent upon us being able to recruit and retain high quality people and create a working environment in which they can thrive. We invest around 55% of our total income in our people. This year we have invested in attracting a number of high quality staff into areas of research strength in order to build stronger international profiles. This has already resulted in improved research grant capture, which should come through as income in future years. High quality staff are inspirational in

their fields and we are now also beginning to see this reflected in student feedback. Getting our recruitment right is important but retaining our high performing staff is arguably even more so and we have been pleased to see our performance remains strong in this area. This year we continued to invest in people development and in improved performance management. This has included new emerging and senior leadership programmes, core training in areas such as financial management and the introduction of the Coaching Academy.

Categories and numbers of staff



Falling short of achieving our objectives in this area is a significant risk to the University and we must continue to improve particularly in the post graduate and international student areas. We have recently been developing our HR and international recruitment strategies and we will be implementing our plans in the coming months.

A specific financial risk relates to pensions. The University Superannuation Scheme (USS) has been subject to a valuation in March 2014 which shows a deficit of £2.9bn. Sector employers, including the University, must consider how this shortfall can be met. Consultation has commenced but with cost of £25m in the year any changes to employer contribution levels will be significant.

Treasurer's Report (continued)

Enhance our performance and status as an engaged university

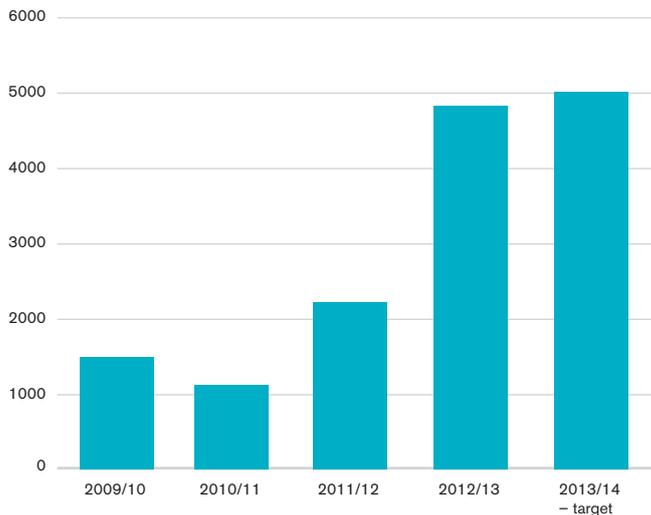
- £1bn additional spending generated in the West Midlands translating to a £530m value added contribution to the region's economy

Engagement is considered on a local, national and global scale and we have many ways in which this is delivered. Our performance measures include technology transfers; public engagement (including student registered volunteers) and consultancy income. The externally produced assessment of our economic impact in the West Midlands as referred on page 22 showed the spending generated by the University was up 38% and jobs supported grew from 9,600 to 11,800 over a 6 year period. We have over 100,000 visitors each year to our cultural assets and many of our collections are loaned to museums and galleries across the UK.

The Vice-Chancellor's report and the Our Community section provide some further examples in these areas. In addition, many of our senior staff have external roles which extend our reach and ensure we are well placed to deliver on this objective.

Alongside the key performance indicators described our strategic framework, Shaping our future: Birmingham 2015. We have already begun to refresh that framework through engagement with staff, external stakeholders and partners and we will complete this work later in the 2014/15 financial year.

Registered student volunteers



As a large and influential business in the region, we recognise the challenge of gaining the national and international attention the West Midlands deserves and are actively engaged in promoting the organization and our partners to address this whenever and wherever we can.



Treasurer's Report (continued)

Risks

We have highlighted the key strategic risks faced by the University within each goal of our strategic framework as discussed above. These risks are held in our strategic risk register around which we have developed key performance indicators that help us to assess how these risks are developing and to monitor the effectiveness of the mitigating actions we have put in place. Our strategic framework is in the process of being refreshed and we will complete this work in the coming months.

As we look to the future, we are clear that the University is well placed to compete on an international scale. We recognise some challenges closer to home – particularly as we approach a general election in 2015, which could lead to changes in University teaching and research funding models. By starting with a sound financial position; investing carefully; and maintaining national engagement at senior levels, we seek to influence and plan early for the impacts of such changes.

Conclusion

During my first year as a member of Council I have met many of our staff, students and partners. Consequently, I have been privileged to witness at first hand the innovation and dynamism, which characterises so much of what this great University does.

As I approve my first annual report for the University I must acknowledge the commitment and dedication of our staff without whom this University would not enjoy the distinguished position it holds within the Higher Education Sector both at home and abroad. I thank all of you for your hard work, engagement with the University's plans and contribution to our strong and improving position.

The Vice Chancellor has already commented on the retirement of my predecessor Dr. Michael Gilbert and of Gill Ball our Finance Director who is retiring at the end of this calendar year. He has rightly acknowledged the huge contribution both have made to our University but I do not want to let this opportunity pass without expressing my personal thanks to them both for their time, patience and support in helping me to understand the University's financial affairs and enable me to take on my new role with confidence.

The University of Birmingham is a large business underpinned by a sound financial base. We are well placed financially to meet the challenges ahead, to continue to take advantage of opportunities as they arise and be at the forefront of innovation. I am very proud to become Treasurer of the University of Birmingham and I look forward to a challenging future with optimism, enthusiasm and excitement.

Mrs Caragh Merrick

Treasurer

26 November 2014

Treasurer's Report (continued)



Our Community

The University is an exempt charity by virtue of schedule 3 of the Charities Act 2011 and since June 2010, HEFCE has been the University's principal regulator under the Charities Act 2006.

The University is able to operate autonomously, having regard to requirements to fulfil our charitable objectives under the Royal Charter (by which it was established in 1900), to HEFCE and other regulatory bodies within the sector.

The University's activities are governed by its Charter and Statutes. 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.

In setting strategy and implementing decisions to enhance the University's activity, the University's Council has 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 32,000 students, with over 6,000 graduating each year, enjoy the benefits of higher education at the University. Through continually developing new and innovative professional courses, alongside the more traditional programmes, we are sharing knowledge and developing enquiring minds. The value of our education is measured by the employability of our graduates, which exceeded 94% last year.

In 2013/14 we have introduced a range of 'Massive Open Online Courses' (MOOCs) which allow people from all walks of life to access the University's knowledge base (www.birmingham.ac.uk/postgraduate/courses/MOOCs). Many of our students pursue 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. Further information on the wide range of academic opportunities can be found in the University's prospectus (see www.birmingham.ac.uk/undergraduate/courses and www.birmingham.ac.uk/postgraduate/courses)



The University also provides a series of lectures which are open to students, staff and the local community on areas of wide interest. In 2014 our Baggs Memorial Happiness Lecture was given by Chris Addison and attended by 1,000 people. The public lecture series was extensive with over 35 inaugural lectures delivered this year alongside prestigious events, often involving distinguished external academics, from many disciplines across the campus. The University also opens many of its collections and exhibitions to the public and runs year round events to extend its reach. The annual Community Day attracts thousands of visitors to the campus offering an extensive range of experiences thereby giving our guests some insights into the exciting work of the University and in September 2014 the University hosted the British Science Festival.

We continue to draw over 75% of our student population from the UK. The rest come from a wide range of countries with a mix of backgrounds and experiences. This combination enriches the learning experience gained in attending this University. We produce graduates who have received training in their chosen academic discipline, together with other skills, through volunteering, coaching, electives or placements abroad, languages, training as student mentors and numerous

other extracurricular activities. The wide range of student societies ensures there is opportunity for everyone to extend their network and try out new things.

Our research interests are varied and wide-ranging. Our internationally acclaimed academics advance knowledge in cutting edge and global areas of concern, for example:

- members of the public are invited to take part in research into the impact of different exercise regimes;
- measuring the concentration of flame retardants in domestic environments has led to new international policies;
- econometric studies have supported the developing landscape of banking regulations in Africa;
- we are contributing to the treatment of cancer with Boron Neutron Capture Therapy; and
- our research is changing how the human rights of refugees are protected under international law.

Additional information about how these and many other research activities impact can be found online (see www.birmingham.ac.uk/research). To protect our activities in the year 22 (2012/13/14: 27) patent applications were made and 157 (2012/13/14: 150) new records of inventions were registered.



In delivering research the University is mindful of the need to minimise any detrimental impact and there are policies and procedures for initial ethical approval of projects as well as in relation to compliance with appropriate standards for dealing with clinical tissue, sensitive data or areas of ethical concern. We fully endorse the principles of Research Concordat from Universities UK which codifies many of our adopted policies around research integrity.

The University continues to provide scholarships and bursaries to encourage entry to, and continuation of, higher education from as wide a cross section of the community as possible. In 2013/14 financial support amounted to £39m (2012/13 £35m). 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 has now been in existence for well over 10 years and we are supporting the development of similar schemes across the country. The investment in the University of Birmingham School will provide opportunities for young people across the city to access high quality secondary education through which they will benefit from the University's research and facilities.

We provide a full range of support for students whilst at the University 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 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.

The University is one of a small number of large global organisations in Birmingham. The public and private investment it attracts, its operational expenditure and its capital investment mean it has a significant impact on the region's economy. It is also an international gateway which attracts students and staff from around the world. Generating an economic contribution of over £1bn on a regional basis each year is a significant achievement and was affirmed in the externally commissioned Economic Impact Study we undertook last year. It confirmed that the University has a major economic impact on the region as an educator, a research leader, an employer and as a leading global university. The full report is available online (see www.birmingham.ac.uk/about/our-economic-impact).



Corporate Governance

Members of the Council, who are also trustees of the University as an exempt charity, who served throughout the year ended 31 July 2014 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, Remuneration and Membership Committees is shown below.

Members	Council membership dates	Meeting attendance 2013/14				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 3 in year	Membership 5 in year
Lay Members appointed by the Council						
Mr J E K Smith CBE The Pro-Chancellor		5/5	5/6	-	3/3	5/5
Dr C N Banks CBE Deputy Pro-Chancellor		5/5	6/6	-	3/3	5/5
Mrs C Merrick Treasurer*	Term commenced August 2013	5/5	-	2/4	-	-
Dr M G Gilbert Treasurer*	Term ended July 2014	5/5	6/6	3/4**	3/3	5/5
Mr D Anderson CBE		4/5	3/6	-	-	-
Mr D Davies OBE		4/5	-	-	-	-
Mr M R Devenish		2/5	3/6	-	-	3/5
Mr R Halton		4/5	5/6	-	3/3	-
Mr R Haywood		5/5	-	3/4	-	-
Dr R C Horton	Term ended July 2014	0/5	-	-	-	-
Ms S Kaur-Stubbs		3/5	-	-	2/2	-
Mr R J Keys		3/5	-	4/4	-	-
Dr N E Price OBE		3/5	-	4/4	-	-
Ms C Snowball CBE	Resigned August 2013	-	-	-	-	-
Dr R Sondhi CBE		5/5	-	-	-	-
Dame Christine Braddock DBE	Term commenced August 2014	-	-	-	-	-
Mr A Davey	Term commenced August 2014	-	-	-	-	-
Mr M Harbour CBE	Term commenced August 2014	-	-	-	-	-

There were two lay member vacancies during 2013/14

* Mrs C Merrick became Treasurer from August 2014 replacing Dr MG Gilbert who completed his term of office as Treasurer in July 2014

** In attendance only

Corporate Governance (continued)

Members		Council membership dates	Meeting attendance 2013/14				
			Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 3 in year	Membership 5 in year
Appointed by Guild of Students							
Miss P Wilkinson President of the Guild of Students	Term commenced August 2013	4/5	6/6	-	-	-	
Mr W Danquah Postgraduate and Mature Student Officer	Term commenced February 2014	3/3	-	-	-	-	
Ms E Halford Postgraduate and Mature Students Officer	Term ended October 2013	1/1	-	-	-	-	
Ex Officio Members							
Professor Sir David Eastwood The Vice-Chancellor and Principal		5/5	6/6	2/4*	3/3	5/5	
Professor M C Sheppard The Provost and Vice-Principal	Term ended September 2013	-	-	-	-	-	
Professor A Tickell The Provost and Vice-Principal	Term commenced October 2013	5/5	6/6	2/2**	-	5/5	
Academic Members elected by Senate							
Professor J Frampton		4/5	-	-	-	3/5	
Professor A Sanders		5/5	6/6	-	-	-	
Professor K Armour	Term commenced August 2013	4/5	6/6	-	-	-	
Professor P Fryer	Term commenced August 2013	5/5	-	-	-	-	
Secretary to Council							
Mr L Sanders The Registrar and Secretary		5/5*	5/6*	4/4*	3/3*	4/5*	
* In attendance only							
** Deputised for the Vice-Chancellor and Principal on two occasions							
Advisors							
External Auditor	Deloitte LLP						
Bankers	Lloyds Bank						
Solicitors (from Panel of)	Martineau Johnson Mills & Reeve LLP Pinsent Masons LLP Eversheds						

Corporate Governance (continued)

The University is committed to exhibiting best practice in all aspects of corporate governance. The following statement is given to assist readers of the Financial Statements in obtaining 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 which has been provided by the Committee of University Chairmen (CUC) in its 'Guide for Members of Governing Bodies of Universities in England and Wales' which is the Governance Code applying to the sector and which takes account of guidance from other sectors.

Summary of the University's structure of Corporate Governance

Under the University's Statutes the University's Council is its governing body. It comprises 24 lay, academic and student members, the majority of whom are external to the University. 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 powers of the Council are set out in the Statutes of the University, by custom and under the Financial Memorandum with the Higher Education Funding Council for England (HEFCE). Full details of the Council's responsibilities are set out in the University's statutes and its Code of Practice of corporate governance on the University's website. The University complies with the CUC's Governance Code of Practice and General Principles, which summarises the Council's primary responsibilities as follows:

- Approving the mission and strategic vision of the institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of stakeholders;
- Appointing the head of institution as chief executive and putting in place stable arrangements for monitoring his/her performance;

- Ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest; and
- Monitoring institutional performance against plans and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions.

Council

The Council, which is chaired by the Pro-Chancellor, meets at least four times a year and has five committees: University Executive Board (UEB), Strategy, Planning and Resources (SPRC), Audit, Membership and Remuneration, which other than UEB include lay members. Attendance at meetings in the year is shown on pages 24 and 25. All committees are formally constituted with terms of reference. The Council operates a scheme of delegation which delegates specific matters to committees or senior members of staff.

Strategy, Planning and Resources

SPRC undertakes on behalf of Council, detailed governance oversight of corporate planning in the University, embracing all matters of a long, medium and short-term nature. It brings together academic, financial and physical planning and monitors the effectiveness of all such plans. It scrutinises business plans for major capital or other activities and recommends these to Council. The Committee also recommends the annual budget and forward look to the Council; oversees the development and implementation of systems relating to institutional performance monitoring, including key performance targets, the promotion of economy, efficiency and effectiveness; and monitors strategic risks.

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

SPRC has operational sub-committees of its own which include Council members and external parties as required, for example the Investment Sub-Committee has six external members.

Corporate Governance (continued)

Audit

The Audit Committee, chaired by Richard Keys a lay Member of Council, meets four times a year and is made up of up to five lay members of Council who are not members of SPRC. There is also provision for up to two co-opted members. The co-opted member is Mr James Hunt, who attended all the meetings in the year.

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 HEFCE as they affect the University's business. It reviews regulatory requirements and 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. The Committee meets regularly with the Internal and External Auditors on their own for independent discussions.

Membership

The Membership Committee considers nominations for vacancies in the membership of Council. The Committee is chaired by the Pro-Chancellor and consists of the Vice-Chancellor and Principal, Treasurer, Provost and Vice-Principal, two lay members of Council and an academic member 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 University Executive Board who report directly to him, professors and senior professional staff.

The Committee is comprised of five 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 and associated structures and processes which are designed to support a high performance culture;
- Review senior staff remuneration;
- Review equal pay issues; and
- Review and agree remuneration for the Vice-Chancellor and members of UEB who report directly to him.

The Committee ensures that it complies with the HEFCE Accounts Direction 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 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 12 months, which is reviewed by their Head of School. These are then considered alongside market and equality 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

Corporate Governance (continued)

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 and equality data. 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 University Executive Board 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.

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 15% 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

UEB is the University's Senior Management team and is a committee of the Council established by Ordinance. It normally meets weekly to steer the implementation of University strategy and policies under Council's direction and within the Council's scheme of delegation. It oversees and makes decisions on major issues relating to the University and monitors institutional performance. It also fosters good communication and inter-collegiate activity in the University.

Its membership comprises of the Vice-Chancellor and Principal (in the Chair), the Provost and Vice-Principal, the Pro-Vice-Chancellors, the Heads of College, the Registrar and Secretary, the Director of Finance and the Director of Human Resources.

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. It oversees quality assurance and standards in the education the University provides with detailed work being undertaken by the Education and Quality Assurance Committees. The Senate is chaired by the Vice-Chancellor and consists of up to 60 members drawn from the University leadership, academic staff and the student community.

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

Corporate Governance (continued)

Charter of Incorporation, Section 9 of the Statutes of the University and the Financial Memorandum with HEFCE.

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 2014 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 risk management process has been established which includes a risk register which is fully aligned to the strategic goals set out in the strategic framework which was approved by the Council in 2010. Heads of Budget Centres seek to manage the risks in their own areas and embed this within their normal management processes.

- The risks on the strategic risk register are fully linked to the key performance targets in the strategic framework. Risks are monitored regularly by UEB, Audit Committee and Council. Council reviews the strategic risk register at the same meeting it reviews the key performance targets to ensure a fully integrated approach to risk and performance.
- As part of the regular formal reviews of the strategic risk register the record of risks facing the institution is revised and updated as necessary.
- Reports are received from budget holders, department heads and project managers on internal control activities via committees of Council.
- A framework is in place to raise the profile of significant risks throughout the institution in a timely manner outside of the normal risk management cycle.
- Systematic and comprehensive independent peer reviews of Schools and Corporate Services have been introduced for UEB aimed at enhancing performance in line with the strategic framework.

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 November 2011.

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 CBE

Pro-Chancellor

26 November 2014

Responsibilities of the Council

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 (HEFCE) 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 HEFCE and the Teaching Agency are used only for the purposes for which they have been given and in accordance with the Financial Memoranda 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 CBE

Pro-Chancellor

26 November 2014

Report of the Auditor

Independent Auditor's Report to the Council of the University of Birmingham

We have audited the financial statements of the University of Birmingham for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the note of historical cost surpluses and deficits, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the statement of principal accounting policies and estimation techniques and the related notes 1 to 31. 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) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Council in accordance with the Charters and Statutes of the University. 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Council and auditor

As explained more fully in the Statement of Responsibilities of the Council, the Council is responsible for the preparation of the financial statements that 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's and the University's affairs as at 31 July 2014 and of the Group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice 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.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Birmingham, UK

26 November 2014

Statement of Principal Accounting Policies and Estimation Techniques

The Accounts for the year ended 31 July 2014

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 (HEFCE).

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.

The University has considerable financial resources and a diverse range of income streams to ensure sustainability. The University continues to deliver its strategic plan, which will be subject to review in 2015 and as a consequence Council believes that the University is well placed to manage its business risks successfully despite the uncertain economic climate and the increased level of competition in the Higher Education sector.

Council believes 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 the

operations. 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 2014 of the Guild are shown in note 31.

4. Recognition of income

The recurrent grant from HEFCE represents the funding allocation, which is attributable to the current financial year and is credited directly 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 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. Where the amount of the tuition fee is reduced by discounts for prompt payment, income is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2014

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 Section 287 CTA 2009 and sections 471, 478-488 CTA 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 (VAT), 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 at year-end rates. The resulting exchange differences are dealt within the determination of income and expenditure for the financial year.

7. Land and buildings

Land and buildings are stated at cost, or at valuation as at 31 July 1998, if acquired before that date.

The University has a number of prestigious historic buildings which 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.

The University depreciates its other 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.

Major repairs and refurbishments are capitalised and depreciated over ten 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 value is charged to the Income and Expenditure Account.

Where land and buildings are held for either income generation or capital appreciation they are classified as investment properties within Investments and valued annually in accordance with SSAP19, 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

Heritage assets are 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 or donated 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 values mean that any depreciation would not be material.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2014

9. Equipment

Equipment costing £25,000 or less per item is written off to the Income and Expenditure Account in the period of acquisition. All other equipment is capitalised at cost 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 on receipt as income in the Income and Expenditure Account.

Donated buildings and equipment are recognised in the Balance Sheet at fair value and an equivalent sum is recognised in deferred capital grants. They 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, 8 and 9.

11. Repairs and maintenance

The University has established a long-term plan for repairs and maintenance which ensures that the buildings remain in a functional 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 such investments are carried to the Revaluation Reserve.

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.

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.

Consequently, the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as 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.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2014

The schemes 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 addition the University has a 'defined contribution' pension scheme for its support staff who are not members of BPAS. University contributions are charged to the Income and Expenditure Account as incurred.

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 value 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.

18. Financial instruments

The University holds certain instruments to predict and manage its cashflow. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments. Hedge accounting is not applied and the instruments are not marked to market or included in the Balance Sheet.

19. Endowments

The University holds the following types of endowments:

1. Unrestricted permanent endowments where the capital element of the gift must be maintained and any associated income or expenditure thereon is included within the Income and Expenditure Account on a receivables basis with no restriction on the application.
2. Restricted permanent endowments where the capital element of the gift must be maintained within the Balance Sheet and any income generated thereon is applied to the Income and Expenditure Account on a receivables basis in the year to which it relates on a purpose specified by the donor.
3. Restricted expendable endowments are those where the gift is fully expendable against objectives specified by the donor. The donor can specify whether the University is able to spend the capital element of the gift. If the capital element of the gift is expendable it is held within the Balance Sheet until such time as it is used, whereby it is released to the Income and Expenditure Account.

20. Agency arrangements

Funds that the University receives and disburses as paying agent on behalf of a funding body are excluded from the Income and Expenditure Account where the University is exposed to minimal risks or enjoys minimal economic benefit related to the transaction.

Consolidated Income and Expenditure Account

For the year ended 31 July 2014

	Note	2013/14	2012/13
		£000	£000
Income			
Funding Council grants	1	104,717	120,504
Academic fees and support grants	2	206,104	166,696
Research grants and contracts	3	111,769	104,588
Other operating income	4	100,125	95,565
Endowment income and interest receivable	5	5,436	5,272
Total income		528,151	492,625
Expenditure			
Staff costs	6	271,085	263,453
Restructuring costs	6	1,899	2,078
Depreciation	7	43,584	45,917
Other operating expenses	7	179,079	171,469
Interest payable	8	3,357	3,355
Total expenditure	7	499,004	486,272
Operating surplus		29,147	6,353
Corporation Tax	9	910	197
Surplus for the year after taxation		30,057	6,550
Minority interest		(25)	(11)
Surplus after minority interest and taxation		30,032	6,539
Transfer from accumulated income in endowment funds	18	1,423	1,489
Surplus for the year retained in general reserves		31,455	8,028
There were no discontinued operations during 2013/14 or 2012/13.			
Note of historical cost surpluses and deficits			
Surplus for the year		31,455	8,028
Difference between historical cost depreciation and the actual charge based on the revalued amount		624	624
Historical cost surplus		32,079	8,652

Balance Sheets

For the year ended 31 July 2014

	Note	Consolidated		University	
		2014	2013	2014	2013
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	596,829	570,228	582,023	553,491
Investments	11	19,595	18,621	18,287	18,149
		616,424	588,849	600,310	571,640
Endowment asset investments	12	92,126	88,257	92,126	88,257
Current assets					
Stocks and stores in hand		644	715	639	554
Debtors and prepayments	13	64,659	53,463	64,433	55,937
Investments and short term cash deposits		212,858	189,448	212,858	189,448
Cash at bank and in hand	28	25,201	30,259	18,741	25,638
		303,362	273,885	296,671	271,577
Creditors					
Amounts falling due within one year	14	(151,144)	(126,408)	(148,324)	(123,478)
Net current assets		152,218	147,477	148,347	148,099
Total assets less current liabilities		860,768	824,583	840,783	807,996
Creditors: amounts falling due after more than one year	15	(74,063)	(75,000)	(74,063)	(75,000)
Provisions for liabilities and charges	16	(337)	(1,458)	(337)	(538)
Net assets excluding pension fund liability		786,368	748,125	766,383	732,458
Pension fund liability	27	(33,300)	(46,800)	(33,300)	(46,800)
Total net assets		753,068	701,325	733,083	685,658

Balance Sheets (continued)

For the year ended 31 July 2014

	Note	Consolidated		University	
		2014	2013	2014	2013
		£000	£000	£000	£000
Represented by:					
Deferred capital grants	17	164,891	157,627	159,039	157,074
Endowments					
Restricted expendable	18	6,785	6,493	6,785	6,493
Permanent	18	85,341	81,764	85,341	81,764
		92,126	88,257	92,126	88,257
Reserves					
Income and Expenditure Account (excluding pension reserve)	19	484,373	456,894	472,613	444,127
Pension reserve	19	(33,300)	(46,800)	(33,300)	(46,800)
Revaluation reserve	19	42,695	43,090	42,605	43,000
Minority interest		2,283	2,257	-	-
		496,051	455,441	481,918	440,327
Total funds		753,068	701,325	733,083	685,658

The financial statements on pages 33 to 68 were approved by the Council on 26 November 2014 and signed on its behalf by:

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

■ **Caragh Merrick, MA, FCA, Treasurer**

Consolidated Cash Flow Statement

For the year ended 31 July 2014

	<i>Note</i>	2013/14	2012/13
		£000	£000
Net cash inflow from operating activities	22	61,544	20,260
Returns on investments and servicing of finance	23	2,079	1,917
Taxation		5	(4)
Capital expenditure and financial investment	24	(48,040)	(27,411)
Net cash inflow/(outflow) before financing	26	15,588	(5,238)
Financing	25	-	-
Increase/(decrease) in cash in the year	26	15,588	(5,238)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year		15,588	(5,238)
Increase/(decrease) in net funds		15,588	(5,238)
Net funds at 1 August		154,585	159,823
Net funds at 31 July	26	170,173	154,585



Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2014

	<i>Note</i>	2013/14	2012/13
		£000	£000
Surplus after minority interest and taxation		30,032	6,539
Appreciation of endowment asset investments	<i>18</i>	1,582	4,659
Appreciation of fixed asset investments	<i>19</i>	229	668
New endowments	<i>18</i>	3,710	1,611
Actuarial gain/(loss) on pension fund	<i>27</i>	8,900	(27,300)
Total recognised gains/(losses) in the year		44,453	(13,823)
Reconciliation of reserves and endowments			
Opening reserves and endowments		541,441	555,264
Total recognised gains/(losses) for the year		44,453	(13,823)
Closing reserves and endowments		585,894	541,441



Notes to the Accounts

For the year ended 31 July 2014

	<i>Note</i>	2013/14	2012/13
		£000	£000
1. Funding Council grants			
Teaching recurrent grant from HEFCE		44,895	59,148
Research recurrent grant from HEFCE		41,865	42,371
Other grants from HEFCE		5,761	5,622
Teaching Agency grants		684	507
Deferred capital grants released – buildings and equipment	<i>17</i>	11,512	12,856
		104,717	120,504
2. Academic fees and support grants			
Undergraduate tuition – home and EU students		109,144	80,208
Undergraduate tuition – other students		25,309	20,682
Postgraduate tuition – home and EU students		22,713	20,961
Postgraduate tuition – other students		40,705	36,618
Other courses		4,087	4,114
Research, training and support grants		4,146	4,113
		206,104	166,696
3. Research grants and contracts			
Research Councils		35,315	33,934
UK-based charities		24,191	23,579
UK Central/Local Government, Health and Hospital Authorities		23,021	24,022
UK industry, commerce and public corporations		5,913	6,022
EU government bodies		16,182	11,519
EU other		1,462	1,536
Other overseas		5,228	3,186
Other sources		457	790
		111,769	104,588

Income from research grants and contracts includes £1,761k (2012/13 £2,506k) in respect of deferred capital grants released.

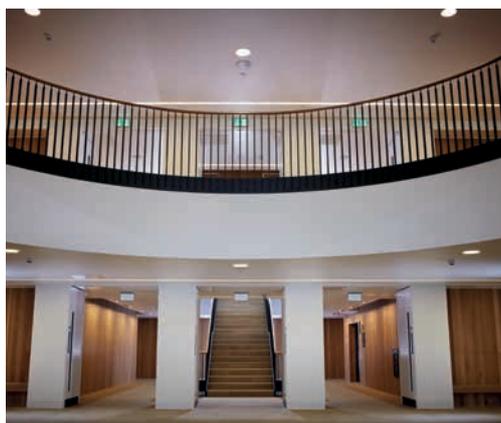
Notes to the Accounts (continued)

For the year ended 31 July 2014

	<i>Note</i>	2013/14	2012/13
		£000	£000
4. Other operating income			
Residences, catering and conferences		33,872	31,855
Other services rendered		8,700	8,227
Externally funded posts – Health Authorities		14,881	15,185
Self-financing teaching activities		3,790	3,282
Rented properties and University Centre lettings		1,259	1,288
Day nursery and health centre		2,326	2,134
Release of deferred capital grants		2,608	1,795
Barber Trust annual grant		1,040	1,103
VAT refund		782	740
Other income		30,867	29,956
		100,125	95,565

Other income includes general donations £1.6m (2012/13 £1.8m) and funds received from third parties relating to specific University activity such as student support £9.2m (2012/13 £9m), and to cover the cost of certain staff £2.7m (2012/13 £2.2m).

5. Endowment income and interest receivable			
Income from permanent endowment investments	<i>18</i>	1,019	1,622
Income from restricted expendable investments	<i>18</i>	90	87
Income from short-term investments		1,519	2,137
Net return on pension scheme	<i>27</i>	700	400
Other investment income		2,108	1,026
		5,436	5,272



Notes to the Accounts (continued)

For the year ended 31 July 2014

6. Staff	Note	2013/14	2012/13
		£000	£000
Staff costs:			
Salaries		222,808	217,317
Social security costs		18,899	18,442
Pension costs	27	31,277	29,772
Total (includes restructuring costs of £1,899k (2012/13 £2,078k))		272,984	265,531
Emoluments of the Vice-Chancellor:			
Professor Sir David Eastwood			
Salary		375	365
Bonus		32	32
Taxable benefits		3	3
		410	400

The Vice-Chancellor is not an active member of the Universities Superannuation Scheme. The emoluments shown have been independently determined by the Remuneration Committee of the Council and have been reviewed according to performance.

Compensation for loss of office paid to members of staff earning in excess of £100,000 per annum	-	-
--	---	---

Average staff numbers by major category:	2013/14 Number	2012/13 Number
Academic, Clinical Academic and Administrative	4,350	4,099
Other, including technical, clerical and manual	2,290	2,304
	6,640	6,403

Notes to the Accounts (continued)

For the year ended 31 July 2014

6. Staff (continued)

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 are set out below. The number in brackets indicate the number of members of the University Executive Board included.

	2013/14	2012/13
	Number	Number
£100,001 – £110,000	33 (1)	28 (1)
£110,001 – £120,000	20 (1)	16 (1)
£120,001 – £130,000	10 (1)	5 (1)
£130,001 – £140,000	13 (1)	16 (4)
£140,001 – £150,000	12 (4)	10 (1)
£150,001 – £160,000	13 (1)	12 (1)
£160,001 – £170,000	5 (1)	6 (1)
£170,001 – £180,000	10 (1)	6
£180,001 – £190,000	5 (1)	6 (1)
£190,001 – £200,000	3 -	3
£200,001 – £210,000	1 -	4
£210,001 – £220,000	3 -	1
£220,001 – £230,000	- -	2 (1)
	128 (12)	115 (12)

During the financial year 2013/14 expenses of £8,924 (2012/13, £8,102) were reimbursed to Council members, who are also trustees.

Notes to the Accounts (continued)

For the year ended 31 July 2014

7. Analysis of expenditure by activity	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	Total 2013/14	Total 2012/13
	£000	£000	£000	£000	£000	£000
Academic schools						
Core teaching and research	143,557	2,586	22,807	-	168,950	172,605
Research grants and contracts	52,872	1,762	33,997	-	88,631	84,196
Student support	-	-	39,118	-	39,118	34,679
Other trading	1,727	-	7,820	-	9,547	7,928
	198,156	4,348	103,742	-	306,246	299,408
Academic services						
Information services	14,590	3,264	12,048	-	29,902	30,243
Other academic services	14,635	106	11,846	-	26,587	23,598
	29,225	3,370	23,894	-	56,489	53,841
Premises						
Energy and utilities	672	271	9,582	-	10,525	10,236
Repairs and general maintenance	3,336	2,161	4,371	-	9,868	10,712
Depreciation of buildings	-	26,811	-	-	26,811	25,639
Other	6,243	42	4,173	-	10,458	9,079
	10,251	29,285	18,126	-	57,662	55,666
Administration and services						
Administrative services	15,299	-	4,092	-	19,391	17,081
Audit fees	-	-	117	-	117	108
Fees to auditor for non-audit work	-	-	132	-	132	167
Sports facilities	3,703	20	2,618	-	6,341	6,492
Health, nursery and counselling services	5,119	-	3,651	-	8,770	8,256
Grant to Guild of Students (Note 31)	-	-	1,889	-	1,889	1,862
	24,121	20	12,499	-	36,640	33,966
Residences catering and conferences						
Residences	1,373	-	7,204	-	8,577	8,943
Catering and conferences	5,752	36	7,432	-	13,220	13,188
Depreciation of buildings	-	6,197	-	-	6,197	6,960
	7,125	6,233	14,636	-	27,994	29,091
Other expenditure						
Other services rendered	2,207	328	4,225	-	6,760	6,124
Restructuring costs	1,899	-	-	-	1,899	2,078
Write down of investment properties	-	-	475	-	475	75
Other	-	-	1,482	3,357	4,839	6,023
	4,106	328	6,182	3,357	13,973	14,300
Total	272,984	43,584	179,079	3,357	499,004	486,272
The depreciation charge has been funded by:						
Deferred capital grants released (Note 17)					15,881	17,211
General income					27,703	28,706
					43,584	45,917

Notes to the Accounts (continued)

For the year ended 31 July 2014

Fees paid to auditors for audit and non-audit work

Fees paid to auditors for audit and non-audit work

	2013/14	2012/13
	£000	£000
Deloitte		
Audit	117	108
Other assurance services	23	7
Taxation advice and compliance	96	44
Internal audit service	-	67
Book keeping and compliance services for subsidiaries	13	49
	249	275

As a result of the appointment of Deloitte LLP as external auditors in 2012/13 certain services previously provided by them (for example, book keeping and compliance services for subsidiaries) were no longer appropriate. They also provided IT audit support to the University's internal audit function and this contract ceased and PricewaterhouseCoopers LLP were appointed in their place.

8. Interest payable	Note	Total 2013/14	Total 2012/13
		£000	£000
Swap interest	21b	654	631
Loan interest		2,703	2,724
		3,357	3,355
9. Tax on profit on ordinary activities		£000	£000
United Kingdom Corporation Tax at 25% on subsidiary company profits:			
Current year		(10)	(12)
Prior year		-	-
Deferred tax credit – due to timing differences in subsidiary companies		920	209
Total credit		910	197

Notes to the Accounts (continued)

For the year ended 31 July 2014

10. Tangible fixed assets Consolidated	Note	Assets in the Course of Construction	Land and Buildings	Equipment	Heritage Assets	Total 2014
		£000	£000	£000	£000	£000
Cost or valuation						
As at 1 August 2013		12,162	810,532	32,796	364	855,854
Transfers		(5,520)	5,520	-	-	-
Transfer from fixed asset investments		-	217	-	-	217
Additions		31,685	27,827	10,970	-	70,482
Disposals		-	(452)	(16,552)	-	(17,004)
As at 31 July 2014		38,327	843,644	27,214	364	909,549
Accumulated depreciation						
As at 1 August 2013		-	261,455	24,338	-	285,793
Charge for the year	7	-	34,326	9,658	-	43,584
Depreciation on disposals		-	(105)	(16,552)	-	(16,657)
As at 31 July 2014		-	295,676	17,044	-	312,720
Net book value as at 31 July 2014		38,327	547,968	10,170	364	596,829
Net book value as at 31 July 2013		12,162	549,190	8,512	364	570,228

In the opening balances an adjustment has been made to correct an historic error. The net effect is £43k on the brought forward cost and depreciation amounts.

The accumulated cost of assets in the course of construction includes:	£000
New Library	7,422
Ansty Park High Temperature Research Casting Facility	2,468
Grange Road Residences	396
Sports Centre	7,656
Chamberlain Hall	12,604
Turbine replacement and improvement to CHP system	4,726
Biomedical Innovation Hub	3,055
	38,327

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

Notes to the Accounts (continued)

For the year ended 31 July 2014

10. Tangible fixed assets (continued) Consolidated

Leasehold land and buildings	Valuation at 31 July 1998	Depreciation in year	Accumulated Depreciation	Net Book Value
The value of land and buildings shown on page 48 represents freehold interests except for the following:	£000	£000	£000	£000
Medical School (on land leased in 1933 for 999 years from Birmingham City Council)	45,278	761	8,894	36,384
Clinical research building (leased in 1953 for 75 years from the NHS)	3,106	151	994	2,112
Residential leasehold properties	775	26	413	362
	49,159	938	10,301	38,858

The reinstatement cost of buildings for insurances purposes is £1,430m (2012/13 £1,361m). In addition the University occupies space in a number of NHS-owned properties for which it pays no rent due to the existence of long-standing 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 www.birmingham.ac.uk/culture.

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 as follows:

Historic buildings

The University has a number of prestigious historic buildings, including the Aston Webb Building and the Chamberlain Clock Tower.

Research and Cultural Collections

The University displays and from time to time uses in teaching from thousands of objects from 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 and Decorative Art.

Special Collections

The Special Collections and Archives of the University of Birmingham consist of approximately 120,000 antiquarian 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 a specialist geological museum dating back to 1880 containing over 250,000 specimens.

Notes to the Accounts (continued)

For the year ended 31 July 2014

10. Tangible fixed assets continued University	Assets in the course of Construction	Land and Buildings	Equipment	Heritage Assets	University Total 2014
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 August 2013	12,162	780,521	32,407	364	825,454
Transfers	(5,520)	5,520	-	-	-
Transfers from subsidiary	-	18,117	-	-	18,117
Transfers from fixed asset investments	-	217	-	-	217
Additions	31,685	22,402	10,905	-	64,992
Disposals	-	(452)	(16,510)	-	(16,962)
As at 31 July 2014	38,327	826,325	26,802	364	891,818
Accumulated depreciation					
As at 1 August 2013	-	247,921	24,085	-	272,006
Transfer from subsidiary	-	11,317	-	-	11,317
Charge for the year	-	33,883	9,204	-	43,087
Depreciation on disposals	-	(105)	(16,510)	-	(16,615)
As at 31 July 2014	-	293,016	16,779	-	309,795
Net book value					
As at 31 July 2014	38,327	533,309	10,023	364	582,023
As at 31 July 2013	12,162	532,600	8,365	364	553,491



Notes to the Accounts (continued)

For the year ended 31 July 2014

11. Fixed asset investments	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 August	18,621	18,106	18,149	17,551
Additions	1,037	5	600	5
Disposals	-	-	(399)	-
Transfers to Tangible Fixed Assets	(217)	-	(217)	-
Writedown to Income and Expenditure Account	(75)	(75)	(75)	(75)
Appreciation/(depreciation) on disposals and revaluation	229	585	229	668
Balance at 31 July	19,595	18,621	18,287	18,149
Represented by:				
Fixed interest securities and bonds	3,217	3,548	3,217	3,548
Equities	2,893	2,785	2,893	2,785
Property	8,763	8,364	4,263	4,404
Hedge funds	3,210	2,557	3,210	2,557
Investments in subsidiaries	-	-	3,192	3,488
Other investments	961	467	961	467
Cash	551	900	551	900
	19,595	18,621	18,287	18,149

In 2013/14 a part of Edgbaston Park Road was transferred from fixed asset investments and reclassified as a fixed asset due to a change in the use from a commercial letting to part of the University's estate.

Consolidated and University

12. Endowment asset investments	2014 £000	2013 £000
Balance at 1 August	88,257	83,476
Additions	3,710	1,611
Disposals	(1,423)	(1,489)
Appreciation on disposals and revaluation	1,582	4,659
Balance at 31 July	92,126	88,257
Represented by:		
Fixed interest securities and bonds	24,442	26,264
Equities	24,228	22,982
Property	10,346	8,954
Hedge funds	24,397	18,929
Cash and cash equivalents	8,713	11,128
	92,126	88,257

Notes to the Accounts (continued)

For the year ended 31 July 2014

13. Debtors	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Amounts falling due within one year:				
Research grants and contracts	37,707	30,640	37,707	30,640
Trade debtors	6,076	7,967	5,889	7,965
Other debtors	1,262	2,497	1,041	2,256
Prepayments and accrued income	18,874	11,619	18,656	11,244
Amounts due from Subsidiary Undertakings	-	-	400	1,625
	63,919	52,723	63,693	53,730
Amounts falling due after one year:				
Alta Estate Services Limited loan	-	-	-	1,467
Manufacturing Technology Centre Limited	375	375	375	375
Other debtors and prepayments	365	365	365	365
	740	740	740	2,207
	64,659	53,463	64,433	55,937

14. Creditors	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Amounts falling due within one year:				
Bank loan (unsecured)	937	-	937	-
Research grants and contracts in advance	65,147	60,958	65,147	60,958
Corporation Tax	-	114	-	-
Social security and other taxation payable	6,465	6,681	6,381	6,677
Trade creditors	11,291	7,014	11,229	6,804
Deferred income	31,742	23,417	31,367	23,047
Accruals	16,252	14,742	15,461	12,827
Other creditors	19,310	13,482	17,356	12,823
Amounts owed by Subsidiary Undertakings	-	-	446	342
	151,144	126,408	148,324	123,478

The other creditors category also includes amounts due in relation to agency arrangements, see note 28.

Notes to the Accounts (continued)

For the year ended 31 July 2014

15. Creditors:	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Amounts falling due after one year				
Bank loan (unsecured)	74,063	75,000	74,063	75,000
	74,063	75,000	74,063	75,000

The University has an unsecured loan of £75m from the European Investment Bank to provide funding for the University's Capital Programme. This loan drawn down was in two tranches of £60m and £15m with fixed and variable interest rates respectively. The £60m tranche attracts interest at a fixed rate of 4.038%. The facility is for 23 years and the capital repayments will commence July 2015 with interest payable from July 2012 on a quarterly basis. The £15m tranche attracts interest at a rate of LIBOR plus 1.401%. The facility is again for 23 years and capital repayments commence from July 2015 with interest payable from July 2012.

	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Less than one year	937	-	937	-
One to two years	3,750	938	3,750	938
Two to five years	11,250	11,250	11,250	11,250
More than five years	59,063	62,812	59,063	62,812
	75,000	75,000	75,000	75,000

16. Provisions for liabilities and charges	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Restructuring				
At 1 August	538	131	538	131
Utilised during the year	(464)	(73)	(464)	(73)
Provided in year	263	480	263	480
At 31 July	337	538	337	538
Deferred taxation				
At 1 August	920	1,129	-	-
(Released) in year (Note 9)	(920)	(209)	-	-
At 31 July	-	920	-	-
Total at 31 July	337	1,458	337	538
Analysis of deferred taxation:				
Accelerated capital allowances	-	714	-	-
Other timing differences	-	206	-	-
At 31 July	-	920	-	-

The above provisions are subject to a regular review and expect to be utilised within the next year. The restructuring provision relates to committed payments under the University's ongoing voluntary severance programme

Notes to the Accounts (continued)

For the year ended 31 July 2014

17. Deferred capital grants

			Consolidated	University
	HEFCE	Grants Other	Total	Total
	£000	£000	£000	£000
At 1 August 2013				
Buildings	120,028	34,681	154,709	154,156
Equipment	764	2,154	2,918	2,918
	120,792	36,835	157,627	157,074
Amounts receivable				
Buildings	10,117	8,163	18,280	12,943
Equipment	62	4,803	4,865	4,865
Released to Income and Expenditure Account				
Buildings	(10,895)	(1,487)	(12,382)	(12,344)
Equipment	(617)	(2,882)	(3,499)	(3,499)
At 31 July 2014				
Buildings	119,250	41,357	160,607	154,755
Equipment	209	4,075	4,284	4,284
	119,459	45,432	164,891	159,039

18. Endowments

			Consolidated and University		2013/14 Total	2012/13 Total
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable		
	£000	£000	£000	£000		
Balance at 1 August 2013						
Capital	29,852	49,739	79,591	6,457	86,048	81,612
Accumulated income	-	2,173	2,173	36	2,209	1,864
	29,852	51,912	81,764	6,493	88,257	83,476
New endowments	-	2,250	2,250	1,460	3,710	1,611
Investment income	-	1,019	1,019	90	1,109	1,709
Expenditure	-	(1,199)	(1,199)	(1,333)	(2,532)	(3,198)
Transfer to Income and Expenditure Account	-	(180)	(180)	(1,243)	(1,423)	(1,489)
Increase in market value of investments	1,058	449	1,507	75	1,582	4,659
At 31 July 2014	30,910	54,431	85,341	6,785	92,126	88,257
Represented by:						
Capital	30,910	52,438	83,348	6,712	90,060	86,635
Accumulated income	-	1,993	1,993	73	2,066	1,622
	30,910	54,431	85,341	6,785	92,126	88,257

Notes to the Accounts (continued)

For the year ended 31 July 2014

19. Reserves	Consolidated	University
Income and Expenditure Account	£000	£000
At 1 August 2013	456,894	444,127
Surplus retained for the year	31,455	32,462
Transfer from revaluation reserve	624	624
Deduct pension surplus	(4,600)	(4,600)
At 31 July 2014	484,373	472,613
Pension reserve	£000	£000
At 1 August 2013	(46,800)	(46,800)
Actuarial (loss)	8,900	8,900
Add FRS 17 net pension gain	4,600	4,600
At 31 July 2014	(33,300)	(33,300)
Revaluation reserve	£000	£000
Balance at 1 August 2013	43,090	43,000
Revaluation in the year	229	229
Released to Income and Expenditure Account	(624)	(624)
At 31 July 2014	42,695	42,605

The revaluation in the year is due to changes in the market values of fixed asset investments.

20. Lease obligations

The University had no finance lease obligations in 2013/14 or 2012/13. There were payments of £684k during the year (£771k in 2012/13) in respect of operating leases for equipment which expire between two and five years.

21. Commitments

(a) Capital	Consolidated and University	
	2014	2013
	£000	£000
Contracts for capital expenditure	152,373	51,761

Committed expenditure includes: Library (£47.1m), Sports Centre (£38.5m), Chamberlain Tower (£34.1m), Ansty Park High Temperature Research Casting Facility (£14.2m) and Student Hub refurbishment (£8.8m)

Notes to the Accounts (continued)

For the year ended 31 July 2014

21. Commitments continued

(b) Financial

The University has two Interest swap transactions with Barclays and one with the Yorkshire Bank, for £5m each. Each swap transaction incorporates a fixed rate, which is compared with a variable three-month LIBOR interest rate. The University incurs an interest charge when the swap rate exceeds the three-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 Yorkshire Bank Swap expires in 2026.

The fair value of the liability for Swaps at 31 July 2014 was £3.04m (2013 a liability for £3.77m).

The University also holds forward commitments for gas and electricity in order to mitigate the effect of adverse market energy prices and provide some certainty around budgeting. The fair value of the liability is £2.9m for gas and £0.5m for electricity and both cover the period to March 2017.

Certain investments included with the General Pool long term investment fund are priced in USD. In order to reduce the impact of movements in the USD/GBP currency exchange rates, the University has entered into a number of currency hedged transactions that totalled US\$ 33.5m as at 31 July 2014, at an average exchange rate of USD 1.6 to GBP 1.0. The actual exchange rate at 31 July 2014 was USD 1.7 to GBP 1.0.

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

		Consolidated	
	Note	2013/14	2012/13
		£000	£000
Surplus for the year before tax		29,147	6,353
Depreciation of tangible assets	10	43,584	45,917
Deferred capital grants released to income	17	(15,881)	(17,211)
Investment income (net)		(2,079)	(1,917)
Decrease in stocks		71	98
(Increase)/decrease in debtors		(7,167)	(7,906)
(Increase)/decrease in creditors		18,258	(647)
(Decrease)/increase in provisions		(211)	198
Cash payment to pension scheme		(4,300)	(4,300)
Net return on pension scheme		(300)	(400)
Write-down of fixed asset investments		75	75
Loss on disposal of fixed assets		347	-
Net cash inflow from operating activities		61,544	20,260

23. Returns on Investments and Servicing of Finance

	£000	£000
Income from fixed asset investments	3,639	2,039
Income from endowments	1,109	1,709
Income from short-term investments	688	1,524
Interest paid	(3,357)	(3,355)
	2,079	1,917

Notes to the Accounts (continued)

For the year ended 31 July 2014

24. Capital expenditure and financial investment

	Consolidated	
	2013/14	2012/13
	£000	£000
Tangible assets acquired	(69,187)	(39,691)
Fixed asset investments (acquired)/sold	(1,386)	506
Endowment asset investments (acquired)/sold	(4,702)	1,955
Total fixed and endowment assets (acquired)	(75,275)	(37,230)
Deferred capital grants received	23,525	8,208
Endowments received	3,710	1,611
	(48,040)	(27,411)

25. Analysis of changes in borrowings during the year

	2013/14	2012/13
	£000	£000
Balance at 1 August	75,000	75,000
New loans	-	-
Balance at 31 July	75,000	75,000

26. Analysis of changes in Net Funds

	At 1 August 2013	Cash Flows	Non-Cash Movements	At 31 July 2014
	£000	£000	£000	£000
Short-term deposits repayable on demand	187,298	23,410	-	210,708
Fixed asset investments	900	(349)	-	551
Endowment asset investments	11,128	(2,415)	-	8,713
Cash in hand and at bank	30,259	(5,058)	-	25,201
	229,585	15,588	-	245,173
Debt due within one year	-	-	(937)	(937)
Debt due after one year	(75,000)	-	937	(74,063)
Net funds	154,585	15,588	-	170,173

Notes to the Accounts (continued)

For the year ended 31 July 2014

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 a panel of investment managers as detailed below.

USS provides benefits on a final pensionable salary basis for staff joining the scheme before 30 September 2011 and for those joining from the 1 October 2011 benefits are calculated on a Career Revalued Benefits (CRB) calculated basis; BPAS provide benefits based on final pensionable salary. The pension cost is assessed using the projected unit method for USS and a modified aggregate funding method for BPAS, based on actuarial advice.

The total pension cost charged in the year for each Scheme for the University is as follows:-

	2013/14	2012/13
	£000	£000
USS	24,923	22,656
BPAS	2,900	2,700
Other pension schemes	3,454	4,416
Total Pension Costs (Note 6)	31,277	29,772

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 162,000 active members and the institution has 3,793 active members participating in the scheme.

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 2011. This was the second 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 2014 are set out below.

Notes to the Accounts (continued)

For the year ended 31 July 2014

27. Pension schemes (continued)

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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the Scheme was £32.4 billion and the value of the Scheme's technical provisions was £35.4 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which has 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie, assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial valuation will take place as at 31st March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with the stakeholders. As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure, however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31st March 2011 to 85% at 31st March 2014. This estimate is based on the results from 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return. On the FRS 17 basis, using an AA bond discount rate of 4.5% per

Notes to the Accounts (continued)

For the year ended 31 July 2014

27. Pension schemes (continued)

annum based on spot yields, the actuary estimates that the funding level at 31st March 2014 was 75%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 61%. Surpluses or deficits which arise at future valuations may impact on the institution's future contributions 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 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 but the allowance for promotional salary increases was not as high. 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.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing contribution rate was 16% of Salaries. Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases have been based on the Retail Prices Index measure of price inflation.

Since the previous valuation there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

- *New Entrants* – Other than in specific circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
- *Normal Pension Age* – The Normal pension age was increased for future service and new entrants, to age 65.
- *Flexible retirement* – Flexible retirement options were introduced.
- *Member contributions increased* – Member contributions increased - Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.
- *Cost Sharing* – If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% per annum and members would pay the remaining 35% to the fund as additional contributions.
- *Pensions Increase Cap* – For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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 Trustees have determined after consultation with the employers, a recovery plan to pay off this shortfall by March 2021.

The next formal triennial actuarial valuation is due as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at March 2014 is estimated to be £2.2billion, equivalent to 95 % funding level. 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 £24.9m (2013: £22.7m). This includes £2.1m (2013: £2m) outstanding contributions at the Balance Sheet date.

Notes to the Accounts (continued)

For the year ended 31 July 2014

27. Pension schemes (continued)

University of Birmingham Pension and Assurance Scheme (BPAS)

The University operates two pension schemes for its support staff. Since 2008 it has offered a group personal pension plan administered from Friends Life. It also operates the BPAS defined benefit pension scheme which was closed to new members on 31 July 2002. 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 BlueBay Asset Management (Multi-Asset credit), Royal London Asset Management Ltd (Index Linked Securities and Sterling Credit Bonds), Blackrock (Equities, Market Advantage Fund and Sterling Currency Securities and Sterling Credit Bonds), Standard Life Investments (Global Absolute Return Fund and Global Focussed Strategy Fund) and Comgest (Emerging market equities). The latest actuarial valuation of the scheme was at 31 March 2013 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, the rates of increase in salary and pension and the mortality rate. The 2013 valuation utilised tiered discount rates following the introduction of a term based strategy. This was set at 4.95% for the first 10 years, transitioning to 3.7% after 17 years for a further 8 years and then further transitioning to 3.1% after 30 years. It was assumed that salary increases would be 2.8% for three years and 3.8% thereafter. The assumptions for pension increases are linked to the patterns of service over varying time periods subject to a pensions cap as appropriate.

The 2013 valuation used 107% (male) and 96% (female) of the SAPS 'All pensioners' tables with CMI 2012 series improvements from 2002 to 2013. A further allowance is made for future improvements in longevity in line with CMI 2012 series with a 1.5% trend per annum from 2013. The expected lifetime of a participant who is age 65 and the expected lifetime (from age 65) of a participant who will be 65 in 20 years time is based on the mortality tables.

The total value of the accrued benefits (Technical Provisions) was £357.2 million and the market value of the assets was £296.3 million leaving a shortfall of £60.9 million. The assets were therefore sufficient to cover 83% 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 2013 to 2030. The total estimated total employer contributions including the £4.3m for the year ending 31 July 2014 is £6.0m

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.

As at July 2014, the scheme had 520 members. The total cost of normal employer contributions for the institution was £2.5 million (2013 £2.7 million). This included £182k outstanding contributions at the balance sheet date (2013 £130K).

Notes to the Accounts (continued)

For the year ended 31 July 2014

27. Pension schemes (continued)

The assumptions employed by the Scheme Actuary for the valuation of liabilities as at 31 July 2014 were as follows:

	2014	2013		
Discount rate	4.15%	4.45%		
Salary growth	2.45% to 31/07/16 then 3.45%	3.85%		
Inflation	3.45%	3.55%		
Pension increases	1.80% to 3.15%	2.85%		
The invested assets of the Scheme amounted to £307.4 million (after investment of the additional contribution). The assets and the expected long-term rate of return were:	2014	2014	2013	2013
	£million	Rate of Return	£million	Rate of Return
Equities	127.9	6.45%	131.3	6.7%
Property	-	n/a	12.6	5.5%
Corporate Bonds	65.3	4.15%	62.4	4.4%
Index Linked Bonds	52.6	3.3%	50.7	3.5%
Fixed Interest Bonds	0.2	3.2%	0.4	3.5%
Other Assets	61.4	2.95%	32.0	3.1%
Total	307.4		289.4	

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

	2014	2013
	£million	£million
Total market value of assets	307.4	289.4
Present value of scheme liabilities	(340.7)	(336.2)
Deficit in the scheme	(33.3)	(46.8)

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

	2014	2013
	£million	£million
Net assets excluding pension deficit	786.4	748.1
Pension deficit	(33.3)	(46.8)
Net assets including pension deficit	753.1	701.3
Income and expenditure reserve excluding pension deficit	484.4	456.9
Pension deficit	(33.3)	(46.8)
Income and expenditure reserve including pension deficit	451.1	410.1

Notes to the Accounts (continued)

For the year ended 31 July 2014

27. Pension schemes (continued)

Additionally, in accordance with FRS 17, the following components of the pensions charge have been recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses for the year ended 31 July 2014:

Analysis of amounts charged to Income and Expenditure account:	2014	2013			
	£million	£million			
Current service cost	2.9	2.7			
Finance:					
Interest on pension scheme liabilities	14.7	12.8			
Expected return on assets in the pension scheme	(15.4)	(13.2)			
Net interest credit to other finance income	(0.7)	(0.4)			
Total charge before tax	2.2	2.3			
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:					
Gain on assets	8.1	15.8			
Experience gain on scheme liabilities	2.6	1.1			
(Loss) on change of assumptions	(1.8)	(44.2)			
Total gain/(loss) before tax	8.9	(27.3)			
The experience gains and losses for the year were as follows:	2013/14	2012/13	2011/12	2010/11	2009/10
	£million	£million	£million	£million	£million
Gain on assets	8.1	15.8	0.0	11.3	16.8
Experience gain/(loss) on scheme liabilities	2.6	1.1	(4.3)	1.6	11.1
	2013/14	2012/13	2011/12	2010/11	2009/10
Liability assumptions					
Loss over period	1.8	44.2	(5.6)	4.4	2.2
Loss/(gain) expressed as percentage of Scheme liabilities	0.6%	13.1%	(1.9%)	1.6%	0.8%
Surplus/(deficit) in the Scheme					
Actuarial value of Scheme liabilities	(340.7)	(336.2)	(288.3)	(281.6)	(271.4)
Fair value of assets (FVA)	307.4	289.4	264.1	250.9	227.4
(Deficit) in the Scheme	(33.3)	(46.8)	(24.2)	(30.7)	(44.0)

Notes to the Accounts (continued)

For the year ended 31 July 2014

27. Pension schemes (continued)

Changes in Disclosed Assets and Liabilities

	2014	2013
Change in Scheme Liabilities	£million	£million
Scheme liabilities at prior year	336.2	288.3
Employer service cost	2.9	2.7
Interest cost	14.7	12.8
Actuarial loss	(0.8)	43.1
Benefits paid from scheme assets	(11.3)	(10.2)
Administrative expenses paid	(1.0)	(0.5)
Scheme liabilities at year end	340.7	336.2

	2014	2013
Change in Scheme Assets	£million	£million
Fair value of assets at prior year end	289.4	264.1
Expected return on assets	15.4	13.2
Actuarial gain on assets	8.1	15.8
Employer contributions	6.8	7.0
Benefits paid	(11.3)	(10.2)
Other adjustments	(1.0)	(0.5)
Fair value of assets at year end	307.4	289.4

Group Personal Pension Scheme (GPPS)

The University introduced from 1 April 2008 a new 'defined contribution' pension scheme for its support staff who are not members of 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 Life. The estimated value of employer contributions for the year ending 31 July 2014 is £2 million.

28. Agency Arrangements	Consolidated and University			
	Access to Learning		Teaching Agency	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Balances unspent as at 1 August	30	33	-	68
Funding Council grants received	331	301	2,753	2,733
Disbursed to students	(240)	(295)	(2,626)	(2,779)
Administration costs	(10)	(9)	-	-
Balances unspent at 31 July	111	30	127	22

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 unspent balances are included within Other Creditors in note 14 and held as cash at bank.



Notes to the Accounts (continued)

For the year ended 31 July 2014

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, Investment Committee, Estates 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 a connection. All such connections are declared annually in the register of interests returns. All such transactions are conducted at arm's length and in accordance with the University's Manual of Financial Rules and Procedures with respect to procurement.

Relevant significant relationships held by members of Council are:

- (i) Mr J E K Smith CBE, was Chairman of the Student Loans Company Limited until October 2013. He is the deputy chair of NHS England.
- (ii) Professor Sir David Eastwood is a Board member of the Arts and Humanities Research Council, Board member of Universities UK and chair of Universitas 21.
- (iii) Mrs C Merrick is a member of the Board of the Trustees of UCAS.
- (iv) Dame Christine Braddock DBE was appointed Chairman of the Board of Birmingham Children's Hospital in May 2014.
- (v) Dr Norman Price OBE is deputy chair of the Local Management Committee West Midlands ERDF; and chair of Birmingham Science City.
- (vi) Dr Ranjit Sondhi CBE is a lay member of the Sandwell/West Birmingham Clinical Commissioning Group.

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 in the University of Birmingham's site, holds one of the finest small collections of European art in the United Kingdom.

The University has not consolidated the financial statements of The Henry Barber Trust because the University has no control or dominant influence over policy decisions. The most recent available summarised Balance Sheet and results for the year ended 31 July 2013 are as follows:

	2012/13	2011/12
	£000	£000
Tangible Fixed Assets	37,149	30,927
Investment property	3,705	3,705
Net Current Assets	2,996	2,911
Net Assets/funds	43,850	37,543
Net movement in funds for the year	6,307	(89)

The University's Income and Expenditure Account includes a receipt from the Trust of an annual grant of £1,052k (2012/13 £1,103k).

Notes to the Accounts (continued)

For the year ended 31 July 2014

30. Subsidiary Undertakings

Name	University Holding	Business Activity
Alta Birmingham China Limited	100%	Management of activities in China
Alta Cyclotron Services Limited	100%	Preparation and sale of chemicals for clinical use
Alta Estate Services Limited	100%	Operation a combined heat and power plant. Ceased in the year
Birmingham Research and Development Limited	100%	Wound up in year
Birmingham Research Park Limited	51%	Provision of accommodation to high technology companies
Alta Innovations Limited	100%	Technology transfer
University of Birmingham Selly Oak Educational Trust	100%	Management of land and buildings on the Selly Oak campus
University of Birmingham School and Sixth Form	100%	Preparation for the opening of the University School and Sixth Form

The subsidiaries are all incorporated in and operate in Great Britain, other than Alta Birmingham China Limited which operates in the UK and China. The minority interest relates to the Birmingham Research Park Limited. The financial information as at 31 July 2014 is as follows:

	Alta Birmingham China Limited	Alta Cyclotron Services Limited	Alta Estate Services Limited	Birmingham Research Park Limited	Alta Innovations Limited	University of Birmingham Selly Oak Educational Trust	University of Birmingham School and Sixth Form
	£000	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	-	4,638	9	9,322	5,337
Investments	100	-	-	-	-	-	-
Current assets	266	273	2,638	799	2,479	2	4,161
	366	273	2,638	5,437	2,488	9,324	9,498
Capital and reserves	175	3	2,638	4,660	737	9,322	5,403
Creditors	191	270	-	777	1,751	2	4,095
Provisions	-	-	-	-	-	-	-
	366	273	2,638	5,437	2,488	9,324	9,498
Profit/(loss) for the year	(5)	-	(492)	54	12	(177)	(11)

The University has investments in the following companies shown at cost or valuation and which are included in the Balance Sheet.

	2013/14	2012/13
	£000	£000
Mercia Technology Fund 2	400	400
Universities UK Limited	64	64
Waterloo House	2,238	2,361

Notes to the Accounts (continued)

For the year ended 31 July 2014

30. Subsidiary Undertakings (continued)

The University also has an interest in the following companies, which are not included in the accounts on the grounds of materiality:

	% Holding		% Holding
Ad Surf Eng Limited	6	The Native Antigen Company	5
Applied Functional Materials Limited	31	Neuregenix Limited	41
Bioscience Ventures Limited	50	Oral Health Innovations Ltd	5
Cambridge Mechatronics	<1	Ortus Medical Limited	20
Celentyx Limited	31	Personal Screening Ltd	<1
Circassia Holdings Limited	<1	Plasgene Limited	40
Cobra Biological Holdings Limited	2	PsiOxus Therapeutics	1
Cytox Limited	4	Serascience Limited	31
Inanovate Inc	<1	Smart Antenna Technologies Limited	27
Interface Spectra	75	Speech Ark Limited	10
Irresistible Materials Limited	22	U21 Equity Limited	5
Metal Nanopowders Limited	37	Weather Systems International Limited	<1

The University has two connected charitable institutions as defined under paragraph 28 of schedule 3 of the Charities Act 2011. One is the University of Birmingham Selly Oak Educational Trust included as a subsidiary in these consolidated accounts. The other is the 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 2014 are as follows:

	2013/14	2012/13
	£000	£000
Tangible Fixed Assets	847	1,051
Investments	-	6
Current Assets	2,138	2,185
	2,985	3,242
Reserves	2,518	2,656
Creditors	467	586
	2,985	3,242
(Deficit)/surplus for the year	(139)	103

The University's Income and Expenditure Account reflects payment to the Guild of Students of a block grant of £1,889k (Note 7) (2012/13 £1,862k).

Five-Year Summary Accounts

	Consolidated and University				
	2013/14	2012/13	2011/12	2010/11	2009/10
	£000	£000	£000	£000	£000
Income & Expenditure Account					
Income					
Funding Council grants	104,717	120,504	138,256	142,209	146,750
Academic fees and support grants	206,104	166,696	136,288	125,825	116,083
Research grants and contracts	111,769	104,588	103,266	101,540	104,811
Other operating income	100,125	95,565	88,297	95,003	88,485
Endowment income and interest receivable	5,436	5,272	5,890	6,171	6,244
Total income	528,151	492,625	471,997	470,748	462,373
Expenditure					
Staff costs	272,984	265,531	254,048	248,794	247,270
Depreciation	43,584	45,917	48,960	48,702	47,435
Other operating expenses	179,079	171,469	161,845	145,627	142,890
Interest payable	3,357	3,355	1,320	616	2,510
Total expenditure	499,004	486,272	466,173	443,739	440,105
Operating surplus, before tax and exceptional items	29,147	6,353	5,824	27,009	22,268
Capital expenditure					
Land and buildings	59,512	31,303	46,640	46,117	36,970
Equipment	10,970	8,490	8,761	16,516	23,501
Total capital expenditure	70,482	39,793	55,401	62,633	60,471
Balance Sheet					
Fixed assets	616,424	588,849	594,459	588,209	575,961
Endowment asset investments	92,126	88,257	83,476	82,979	78,136
Net current assets	152,218	147,477	147,852	69,636	49,864
Creditors: amounts due after one year	(74,063)	(75,000)	(75,000)	–	–
Provisions for liabilities and charges	(337)	(1,458)	(1,260)	(2,488)	(4,360)
Total net assets, excluding pension liability	786,368	748,125	749,527	738,336	699,601
Represented by:					
Deferred capital grants	164,891	157,627	167,815	159,442	147,588
Endowments	92,126	88,257	83,476	82,979	78,136
Revaluation reserve	42,695	43,090	43,046	43,664	44,311
Income and expenditure reserve	486,656	459,151	455,190	452,251	429,566
Total funds, excluding pension liability	786,368	748,125	749,527	738,336	699,601

Financial Statistics

	Consolidated and University				
	2013/14	2012/13	2011/12	2010/11	2009/10
	%	%	%	%	%
Sources of income					
% of total income					
Grants from Funding Councils (HEFCE and TA)	19.8	24.5	29.2	30.1	31.7
Tuition fees – home and EU	26.5	22.2	17.6	16.7	16.3
Tuition fees – overseas	12.5	11.6	11.3	10.1	8.8
Income from research grants and contracts	21.2	21.2	21.9	21.6	22.7
Income from residences, catering and conferences	6.4	6.5	7.0	6.5	6.4
Other income	13.6	14.0	13.0	15.0	14.1
Total income	100.0	100.0	100.0	100.0	100.0
Analysis of Expenditure					
% of total expenditure					
Staff costs	54.7	54.6	54.5	56.1	56.2
Depreciation	8.7	9.4	10.5	11.0	10.8
Other operating expenses	35.9	35.3	34.7	32.8	32.4
Interest payable	0.7	0.7	0.3	0.1	0.6
Total expenditure	100.0	100.0	100.0	100.0	100.0
Operating surplus for the year as % of total income	5.5%	1.3%	1.2%	5.7%	4.8%
Indicators of financial strength					
Ratio of short-term cash to total expenditure (days)	173	163	178	125	110
<i>The number of days expenditure that could be sustained from short-term cash and bank balances</i>					
Ratio of long-term liabilities to total net assets	8.6%	9.1%	9.3%	0.0%	0.0%
<i>Measures the extent to which an institution is funded by long-term debt</i>					
Indicators of liquidity and solvency					
Ratio of liquid assets to current liabilities	1.6	1.7	1.8	1.1	1.0
<i>Extent to which current liabilities could be met from cash and liquid investments</i>					
Ratio of current assets to current liabilities	2.0	2.2	2.2	1.5	1.4
<i>Extent to which current liabilities could be met from current assets</i>					
Debtor days	56	52	51	54	56
<i>Days of total income (excluding Funding Council grants) represented by debtors</i>					



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