

THE ~~AD~~ TIMES  
THE SUNDAY TIMES  
**University  
of the Year**  
2013-14  
UNIVERSITY OF BIRMINGHAM

UNIVERSITY OF  
BIRMINGHAM  
**2012**  
**2013**  
ANNUAL REPORT  
AND ACCOUNTS



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## Vice-Chancellor's Report



These remain challenging times for higher education. Yet in spite of the UK's slower than hoped-for economic recovery, the University of Birmingham has enjoyed another 12 months of sustained success; particularly in the areas that underpin our purpose and exemplify our ambitions as a world-leading institution: teaching and research. Proof of this success was amply demonstrated recently when we were named University of the Year 2013–14 in *The Times* and *The Sunday Times Good University Guide*.

This accolade recognised not only our improvement in virtually every league table but our innovative approach to HE and our growing confidence. Entering the Clearing Process this summer reflected our bold approach to undergraduate recruitment and proved a particular triumph. We made unconditional offers to outstanding applicants for the first time and used the opportunity afforded by the new clearing rules on student numbers to attract additional high-calibre ABB+ students. This approach, along with our media domination on Clearing Day itself, helped us to meet challenging recruitment targets.

While we strive to transform the lives of our students and to extend the originality and global reach of our research, we also recognise and are proactive in our civic responsibilities. It matters that we contribute to the local economy and that we enhance the well-being and financial health of our city and region. To this end, last year we commissioned a methodologically rigorous, externally-produced report from Oxford Economics to calculate the University of Birmingham's economic impact. The results came as no surprise. They showed that we have a major economic impact on the region: as an educator, an employer, a research leader and a leading global university. They demonstrated that we now generate

nearly £1.1 billion of spending a year in the West Midlands economy – a 38-per-cent rise on the previous figure – and support almost 12,000 jobs. To put these figures in context, our impact is almost the combined value-added impact of the eight leading football clubs in the region! We value immensely our relationships with business. Through a wide range of mechanisms, including Knowledge Transfer Partnerships, a new SME Business Club and free incubation space at Birmingham Research Park, we directly support local businesses, entrepreneurs and start-up companies to innovate and develop new commercial applications. Measured globally, our economic impact is greater still.

We have especially excelled in the area of student employability and I am delighted that an impressive 80.8 per cent of Birmingham graduates found graduate-level employment or were engaged in further study within six months of graduating. Only five Russell Group universities can match this figure. Such a performance has contributed to Birmingham improving its position in all three of the UK University League Tables published during 2012/13. *The Guardian's* 2014 table is particularly noteworthy as we rose by 15 places to become the highest ranking civic Russell Group institution. Internationally, the University

is placed 62<sup>nd</sup> in the 2013/14 QS World University Rankings, a rise of 15 places since 2012. We have also seen an unprecedented rise in our research awards over the last two years; an encouraging upward trend in an increasingly competitive environment. Figures for this year show total research awards of almost £130 million.

Of course, outstanding researchers evolve from outstanding students. One of the stated aims of our Strategic Framework is curriculum innovation, a clear responsibility of any university that aims to produce well-informed, capable and rounded graduates – that is, after all, our reason for being. The University has recently undertaken a comprehensive review of its undergraduate curriculum. Some of the key developments of this review have been introduced already and others will follow over the next two years.

In the academic context the aim has been to provide students with a more personalised curriculum with opportunities to undertake an interdisciplinary project in their first year, to experience the world of work through the new placement module, to spend a semester or year studying abroad, to study a modern foreign language as part of their degree, and to have greater flexibility in the structure of their Joint Honours programmes.

Academic support for our students has been enhanced by the new Transition Review - an in-depth, one-to-one personal review and tutorial for all first-year students to ensure that they have made a successful transition to university and are planning their later years of study to support their career ambitions.

The University has also created an Academic Skills Centre that provides support in the areas of academic writing and mathematics. In the wider context of student life the University is working in partnership with the Guild of Students to co-ordinate opportunities for volunteering, and this combination of academic and wider achievement will be captured in an Enhanced Transcript, provided for all graduates to enhance their employability.

Our enhanced reputation has been reflected in the calibre of academic staff we have attracted to Birmingham. In addition to continuing to recruit world-leading academic experts in disciplines ranging from cryogenic energy storage and environmental genomics to education and morality, in 2012 we recruited a second cohort of 31

Birmingham Fellows: outstanding doctoral researchers who will become the academic and research leaders of tomorrow. Having been overwhelmed with applications from all continents for these prestigious academic posts, we have since chosen to open the door to a third wave of Fellows. This is expected to be a smaller and more targeted selection of candidates whose work will be focused on key research priority areas. More generally, over a quarter of our academic staff have joined the University since 2008; a clear statement of our commitment to invest in outstanding academics.

Such investment in academic excellence runs alongside our commitment to landmark campus developments, bolstering our transition from good University to truly great one. As well as improving the campus for our students, including refurbishing the Learning Centre on West Campus and enhancing facilities at University Centre, we have been securing investment for ambitious research projects. Last October we announced plans to create a £60 million High Temperature Research Centre in partnership with our long-time collaborator Rolls-Royce. The centre will develop future generations of aero engines to help to make air travel greener and more efficient. It is anticipated that construction will be complete and the centre be open for business by the end of summer 2015.

In July last year we were chosen to receive Government funding under the City Deals programme to create a world-class clinical research facility in Birmingham. This £24 million investment will help to develop an Institute of Translational Medicine, in which the latest scientific research findings will be turned into enhanced treatments for patients across a range of major health issues, including cancer and liver disease.

We also won approval to build the UK's first University Training School. A secondary school and sixth form for students of all abilities and backgrounds, it will not only meet the City's needs for additional secondary places but will enable our first rate teacher training provision to expand further. It is hoped to have the school open in brand new purpose-built accommodation ready for its first intake in summer 2015. Birmingham is one of only two UK universities to have been rated 'excellent' in a recent Ofsted assessment for primary and secondary Initial Teacher Training.

Our international profile has continued to blossom in the last 12 months and we can now claim to be a truly global institution. In addition to recruiting students from 150 countries, our links in China, India and North America are extensive and growing. In the city of Guangzhou, for example, we are seeing significant investment from partnering initiatives in areas such as biomedical and transport technologies research.

We have a considerable joint investment with the University of Nottingham in Brazil, extensive engagement with cultural partners in Chicago and the American Midwest; and a permanent presence in New Delhi, Shanghai, Lagos and Brussels. We were particularly proud to host the Jamaican track and field team during their training for the London 2012 Olympic Games.

Finally, this December we will say farewell to our distinguished Chancellor, Sir Dominic Cadbury, who is to retire. Dominic has played a significant role in the life of the University for the past 11 years, not least through his support for philanthropy. Particular achievements include generating more than £1 million worth of gifts towards the Chancellor's Challenge Fund, a match-funding scheme established as his parting gift to the University, to which he has generously given £250,000 to lever £2 million from other donors.

This has contributed to another highly successful 12 months for the University's Development team, during which the new gift target of £8 million was exceeded. We have now raised gifts and pledges of £125 million towards the 2015 Circles of Influence target of £160 million and are expecting to meet that figure early again.

Gifts to date will support a wide range of capital projects, including the new Library, the University School, and the Lapworth Museum as well as our research into cancer and autism and our leading widening participation programme: Access to Birmingham.

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

27 November 2013





## Treasurer's Report



In 2012/13 we have established and developed many exciting initiatives which will help put us in a strong position for the future.

The Vice-Chancellor's Foreword expands on these in some detail. This report focuses on their impact in 2012/13 which was a challenging year and heralded the start of the new funding regime bringing to an end the relative stability of previous years. One year on, it is now very clear that the implementation of 'Students at the Heart of the System', the move to the 'core and margin' funding for teaching by HEFCE and national grade deflation in A level marking have all increased significantly the competition for students and the consequent volatility of the funding of higher education. The volatility is here to stay. The sector continues to respond and adapt to a more market focused environment and the outlook for higher education will remain uncertain for the foreseeable future.

However, the University is well placed to continue to use its financial strength to absorb the effect of this volatility by delivering new approaches to attract the very best students and staff. They will sustain and continue to build a sound financial platform which will support us in the future. The success of this is evidenced in being named the University of the Year 2013–14 in The Times and The Sunday Times Good University Guide. In common with many of our Russell Group counterparts, we admitted fewer students than planned in 2012/13

and as a result our income was less than budgeted. The shortfall at Undergraduate levels resulted in a reduction of some £4.5m in 2012/13, with a consequential knock on effect for the cohort of approx £20m over three to four years. However, we addressed the financial challenge arising with shared purpose right across the University which ensured that we still delivered the required surplus and cash flow in support of our strategic five year plan – Shaping our Future – Birmingham 2015.

Income from teaching and research remain the two most significant drivers of financial sustainability. They account for almost 80% of our income. In an increasingly competitive environment both for UK and overseas students and staff where high quality and excellence are measures of success, teaching and research remain of fundamental importance to us. They are a key focus in our risk assessment, mitigation and monitoring.

The activities of the UK Border Agency continue to impact upon the marketability of UK universities to international students too. The potentially longer term impact of the UKBA intervention in the sector during 2012/13 still remains to be seen.

Sustaining income from our teaching activity is core to delivering our strategic plan. By re-positioning some of our academic disciplines and developing new areas, we continue to work hard to ensure that the quality and variety of our teaching remain paramount. We have continued to improve our support of academic delivery by reconfiguring and enhancing a number of professional services across the University together with investing in our estates, IT and campus infrastructure. New developments in 2012/13 included:

- the Birmingham Foundation Academy which opened to its first cohort of very high quality international students in Autumn 2012 – a large number of whom will articulate onto undergraduate programmes in 2013;
- the KPMG school leavers programme supporting degrees in Accounting and Finance – the delivery of which is interspersed with periods of employment at KPMG; and
- a £3.2m investment in 'state of the art' facilities for a Pharmacy programme which was accredited in 2012/13 and has admitted its first students in Autumn 2013.

## Treasurer's Report (continued)

We continue to develop and support our research activities with capital investment and collaborations. We are immensely proud to work in partnership with Rolls Royce and to have secured UK Research Partnership Investment Fund (UKRPIF) funding of £60m to build a High Temperature Casting Research Facility near Ansty in Coventry. We have made a significant number of new and high profile appointments ahead of the Research Excellence Framework 2014, a review which will determine the level of financial support for research from HEFCE for several years to come. The outcome, which will be known in 2014, is also likely to influence the funding we can secure from external sponsors of research. We have also continued with our Birmingham Fellows Scheme (which nurtures some of the brightest and best young research talent from the UK and overseas) and have been successful in winning new funding to support our talented researchers, often in collaboration with others.

Investment in our estates and infrastructure has continued apace with a focus on the three signature projects, a new library, a sports centre and an 800 bed student residence. Council approved these at the end of the 2011/12 financial year committing resources of £175m which will transform the campus for staff, students and the local community over the next three to four years.

Continual investment in our facilities is core to our strategic framework and we are developing plans to commit further significant sums beyond this period.

Our commitment to new staff and academic activities in the last two financial years, which amounts to some £15m, has undoubtedly helped us to enhance the student experience and our research capability. Committing these resources ahead of the new student funding arrangements being fully established has led to a lower surplus in both years than might be expected historically.

We continue to be actively engaged with the external environment which enables us to understand the degree and the consequences of major changes which will affect the University and take steps to influence them. Our engagement is not only within the sector but also through serving on industry bodies, responding to consultations

and maintaining active membership of global alliances. This engagement and influence remain critical to enable the University's Executive Board and Council to make informed decisions about the University and how it should develop.

During 2012/13 the University entered into a business relationship to provide training to NHS staff with KMPG LLP which necessitated their resignation as our external auditors on independence grounds. Through a competitive process, which was overseen by the Audit Committee, Deloitte LLP was appointed as external auditor for a term of 5 years. The impact of the appointment is outlined more fully in note 7 to the accounts.

### Income and Expenditure

Income for the year was £492.6m (2011/12 £472.0m), the historical cost surplus was £8.7m (2011/12 £8.2m), with a net cash inflow from operating activity of £20.3m (2011/12 £30.2m).

We continue to use the following key financial indicators to measure our performance:

- Generating a continuing recurrent surplus to support long term sustainability;
- Continuous capital investment in our estate, facilities and infrastructure; and
- Maintaining adequate cash balances.

The operating surplus for the year of £6.4m (2011/12 £5.8m) was in line with our medium term financial plan and leaves us on course to deliver the objectives set out in 'Shaping Our Future: Birmingham 2015'. The surplus equates to approximately 1.3% of total income (2011/12 1.2%) and reflects the impact of the investment initiatives in staff and academic activities mentioned above.

### Income

Our revenues grew by some 4% to £492.6m (2011/12 £472.0m). As the first year of the new student funding arrangement came into effect, the proportion of our teaching income from HEFCE reduced to less than 12% (16%), with fees from Home/EU Undergraduates now representing 16% (12%). This switch will continue over the next three to four years until each annual cohort of home undergraduate students is embraced by the new funding regime.

## Treasurer's Report (continued)

Income from research grant and contracts was £104.6m (2011/12 £103.3m). Activity on new awards secured in 2011/12 has begun to convert into income in this year. Awards in 2012/13 also remained strong at £130m in the face of the challenge of declining funding opportunities. We are delighted that the value of competitively won European Union funds increased by over 30%, often in collaboration with other institutions and organisations.

Demand for our on campus student residences is strong on the back of recent refurbishments which have improved the breadth of our offering. However, income from this was £31.9m (2011/12 £32.9m) reflecting the lower than planned student intake in 2012. We have further plans for refurbishment and new developments to help us respond to both the strength of demand and the need to diversify the range of accommodation that we offer.

Other income includes revenue from the use of our facilities by third parties, funding for student support and general donations. It therefore shows some variation due to changes in the level of activity between years. Significant items for 2012/13 were donations of £2m, (2011/12 £1m); funds received from third parties relating to specific university activity such as student support £9m (2011/12 £9m) and to cover the costs of certain staff £3m (2011/12 £2m).

### Expenditure

During the year we have continued to identify areas of activity which can be delivered more cost effectively or where disinvestment is appropriate as a means of managing our ongoing cost base.

The largest proportion of our costs continues to relate to staff, who are key to delivering our activity in teaching, research and corporate services. The overall costs, whilst remaining at 54% of total expenditure, largely reflect an increase in staff numbers of 257 to 6,403. This increase was strongly influenced by the growth in research activity and the Birmingham Fellows initiative. Over 70% of the staff costs are directly in support of teaching and research in our Colleges.

With an estate valued at £1.4bn (2011/12 £1.4 bn), the costs of up keep and maintenance are significant and amounted to £55.6m (2011/12 £50.6m). This

represented 11% (2011/12 11%) of our total cost, with depreciation accounting for almost half the premises cost at £25.6m (2011/12 £22.9m).

During the year we continued to deliver on the commitments we had made in support of teaching and research of almost £50m over the five year period to 2015. Building on the £13.8m in 2011/12 a further £12m has been spent in 2012/13; this included investing almost £1m in our Brazil and China partnership programmes; £0.5m enhancing IT capability for both staff and students; over £3m supporting newly recruited academic staff; £2m developing new academic areas including £3.5m on small capital projects associated with new programmes of teaching and research and £1.4m on student services and support such as internships, scholarships and academic tutoring. The commitment to invest to enhance and improve the well being of the University continues to be at the heart of our strategy.

### Balance Sheet

#### Fixed Assets

The University operates from a large estate covering 230 hectares with over 270 buildings. Those buildings and other facilities in addition to ongoing maintenance require substantial investment to sustain and enhance them. This year £31.3m (2011/12 £46.6m) was spent on land and buildings with projects including:

- Refurbishment and development of two of our student residence blocks;
- Fire precaution improvements within the Aston Webb building; and
- Infrastructure developments including car parking in preparation for the signature new buildings such as the Sports Centre, Library and Chamberlain Hall.
- Enhancements to the IT infrastructure e.g. campus network.

This spend was lower than budget due to rescheduling of some projects

#### Investments

The Investment Sub-Committee sets the policy for the short, medium and long term investment portfolios and has oversight of their management and performance. Each year, it reviews the strategic asset allocation to ensure that it remains fit for purpose to deliver investment

## Treasurer's Report (continued)

returns whilst managing risk. In 2012/13, and as a consequence of that review, we rebalanced the long term portfolio, reducing our exposure to equities and bonds and increasing the values held in hedge fund of funds and commodities in order to diversify and spread risk. Difficult economic conditions have continued to prevail and yet this strategy has delivered a total return on the long term portfolio of 9.4% (2011/12 4.3%). The short term cash investments delivered 1.0% (2011/12 1.4%). In both cases, the performance exceeded the benchmarks set by the committee. The portfolios continue to be managed by external providers with careful consideration of the cash needs of the University as it pursues its investment strategy.

### Liabilities

The long term loan from the European Investment Bank secured in 2011 and drawn down in 2012 has incurred a full year of debt servicing costs of £2.7m (2011/12 £0.7m). Capital repayments will commence in July 2015.

The University's defined benefit pension scheme, BPAS, which was closed to new entrants over a decade ago, is accounted for in the balance sheet in accordance with FRS17. The FRS 17 deficit at 31 July 2013 of £46.8m (2011/12 £24.2m) reflects the further reduction in corporate bond rates impacting negatively on both the return on assets and the liabilities. The triennial actuarial valuation as at March 2013 is almost complete and the Trustees of BPAS and the University are currently discussing the outcome and assessing its impact. The University is contributing an additional £4.3m per annum for a further 17 years towards the deficit identified in the last actuarial valuation of the scheme.

### Reserves

The University holds significant income and expenditure reserves; £456.9m (2011/12 £452.9m) to cover the depreciation cost of the asset base and to support future capital investment.

### Cash Flow and Working Capital

The University continues to generate a positive cash inflow from its operations. At £20.3m in the year (2011/12 £30.1m), it supports the ongoing investment in new and growing academic areas as well as the capital plan. We aim to generate annual cash surpluses,

through sustainable financial planning, which are sufficient to meet our longer term investment needs.

Ensuring that our cash generation is sufficient to maintain our longer term sustainability is a key focus for the University's Executive Board and Council.

The reduction in operating cash flow from last year is mainly as a result of working capital movements due to timing differences. However, the policy of paying our supplier accounts within 30 days has been maintained.

The total cash balances held at year end of £220m (2011/12 £229m) remain significant and include the total facility of £75m drawn down from the European Investment Bank. The majority are earmarked to support specific capital schemes due to begin within the next twelve months. The inevitable consequence will be a planned reduction in our cash balances over the next three to five years. Managing working capital has therefore become a more fundamental focus, especially in the volatile market in which we now operate.

### Risks and Opportunities

Council, with University Executive Board, continue to monitor the strategic risks using the strategic risk register and the revised risk management process introduced in 2010/11. No new key institutional risks were identified during 2012/13; however, with the increasing changes in the external environment we have continued to assess carefully the potential likelihood and impact of the risks already identified. It has proven valuable in focussing our assessment and response to key risks.

The risk register is very clearly aligned to 'Shaping Our Future: Birmingham 2015'. The way we are responding to the key institutional risks within each of the strategic goals in the plan is outlined below.

### Sustained Financial Strength

The admissions round for 2012/13 presented challenges with financial consequences for many institutions including Birmingham, as already mentioned.

The planned changes to the funding of teaching continued in 2012/13 with adjustments to student number controls for undergraduates being extended

## Treasurer's Report (continued)

to ABB for the 2013 admissions. The University's engagement with potential applicants and responses to market trends became ever more relevant during the year as we sought to ensure we could meet our 2013 intake targets. The introduction of an unconditional offer strategy for selected academic programmes had a very positive impact on our 2013/14 admissions round, the impact of which will be reflected in the next financial year.

The decisions as to how and where to invest to sustain the University's growth and development is a part of our response to the changing market. Regular monitoring of these investments has, therefore been critical to ensure we could fulfil the promises made to our students and staff.

In an increasingly competitive landscape, management of the overall cost base whilst seeking new sources of income, combined with creating new opportunities to develop our staff, continue to be necessary to deliver and contribute to the University's financial sustainability.

### Research Power

The flat cash settlement for the science and research budgets in the spending Review 2010 whilst a positive signal from the Government recognising the importance of sector to economic growth, nevertheless, creates funding pressures representing a real terms decline, resulting in more intensive levels of competition to secure new awards. We were very successful in 2011/12 with new awards of over £145m and that has continued in 2012/13 with new awards of almost £130m, which will convert to income in future years. The ongoing challenge is to sustain this performance and maintain our market share so that we are well equipped to capitalise on the outcome of the 2014 Research Excellence Framework.

### Student Experience

We continue to focus on enhancing the student experience in Birmingham and improving student satisfaction through targeted investment and development. We have seen increases in scores for graduate employability, maintained our overall score in the National Student Survey at 88% and enhanced our position in a number of UK league tables. This year we have worked hard to offer our students a wide variety of employment opportunities within the University and feedback has been very positive.

### Destination of Choice

In order to deliver the experience for our students, we need to recruit and retain the best staff. Initiatives such as the Birmingham Fellows continue to provide new opportunities to recruit high-quality, early career academic staff to the University into specific areas of existing excellence. Due to the outstanding success in 2011/12 a further 31 Fellows were recruited in 2012/13. We are embarking on a third round in 2013/14. We continue to enhance the development opportunities for both academic and professional services teams, responding to change and ensuring our staff are supported and engaged.

### Engaged University

The need to sustain external recognition on an international scale for our teaching and research activities is ongoing. The development of new alliances and initiatives in new geographies, staff and student mobility and taking positive actions to enhance our league table performance, all contribute to keeping Birmingham at the forefront of national and international engagement. Relationships in China, North and South America have been strengthened during the year and partnerships in those areas are delivering very positive results particularly through student recruitment and research collaborations.

### Other Operating Risks

In addition to the strategic risks outlined above, there are a number of high-level operating risks which could, if not properly managed, impact seriously on the reputation of the University as well as its capacity to deliver the five-year plan. These include failure of leadership, management, governance, IT, infrastructure, financial control, regulation, compliance and our environmental and carbon management strategy. The related controls and other mitigating actions are all kept under regular review to ensure that the likelihood of failure is minimised and in the event that any such risk does materialise that the impact is managed and controlled.

### Opportunities

The University has a number of opportunities for development and wider engagement. All have been at the centre of activity in 2012/13 and will continue to be developed. They include:

- Further strengthening of our international engagement, particularly in North America, Brazil and China.
- Developing research collaborations internationally to deliver innovative and thought provoking activity. This also includes appointing internationally acclaimed academics.
- Capital enhancements to the campus which are in line with our ambitious plans, such as the planned new Library and Sports Centre.
- Engagement with the student body through a range of initiatives and governance involvement to enable the students to contribute to and influence significant decisions about the University's activities.
- Seeking new areas where our academic skills can interact with the local, national and international agendas which include building the first University Training School; the High Temperature Casting Research facility in partnership with Rolls Royce; our academics contributing to the inaugural Life Sciences Summit in Birmingham earlier in 2013; and joining international partners to develop an R3B detector to study nuclei within supernovas.
- Supporting the teaching in the University through curriculum review; the Centre for Learning and Academic Development which is training teaching staff; the implementation of a new virtual learning environment platform; and maximising the use of resources and special collections on campus.

All of these contribute to the University's ability to respond to changes in the external environment and to develop strategies for continuous improvement.

### Regulatory Environment

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 Statute. In accordance with these, the University is required to:

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

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

### Public Benefit

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 30,000 students, with over 5,000 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. 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/students/ug](http://www.birmingham.ac.uk/students/ug)).

The University also provides a series of lectures which are open to students, staff and the local community on areas of wide interest. In 2013 our Baggs Memorial Happiness Lecture was given by Gyles Brandreth and

## Treasurer's Report (continued)

attended by over 900 people. The public lecture series was extensive with 22 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 each June 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.

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, such as discovering what may be the world's oldest calendar; providing scientific advice to the BBC Horizon programme 'The Secret Life of Cats'; enhancing awareness of the challenges of antibiotic resistance; and developing new voice recognition technology to understand accents effectively. Additional information about how these and other research activities impact can be found online (see [www.birmingham.ac.uk/news](http://www.birmingham.ac.uk/news)). In the year 27 patent applications were made and over 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 the recently released 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 2012/13 financial support amounted to £35m (2011/12 £33m). 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.

We continue to 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.

### Economic Impact

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 in the year. It confirmed that our 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/economic-impact](http://www.birmingham.ac.uk/economic-impact)).

### Conclusions

The University remains an exciting and dynamic organisation, and we are very proud of being recognised as The Sunday Times/Times University of the Year 2013–14. Our global impact continues to grow through educating leaders, experts and professionals of the future.

By combining our on-going financial strength, with a focus on sound investment to develop, and disinvesting where necessary, the University remains well placed for the longer term whilst weathering the impact of short term volatility. We remain agile to respond to the ever changing dynamics of the sector led by an Executive Board which is focused on delivering the University's ambitions as set by Council.

The commitment of our staff is critical to ensure the University remains an exciting and dynamic organisation which is at the heart of the international Higher Education sector. I would like to thank all of our staff and students for both their engagement with, and their contribution to, the University.

We embark upon another year which will see the University continuing to be flexible in responding to the markets in which we operate as they change. We remain well placed to achieve our strategic objectives and to continue to have an impact on research and teaching which reach far beyond Birmingham.

This will be my last report as I step down from Council at the end of the 2013/14 year after 9 years. I believe the University is well placed to continue to capitalise on and develop the strong foundations it possesses and to be at the heart of global teaching and research.

**Dr Michael Gilbert**

Treasurer

27 November 2013

## Corporate Governance

Current members of the Council, who are also trustees of the exempt charity, who served throughout the year ended 31 July 2013 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 are shown below.

Members	Council membership dates	Meeting attendance 2012/13				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 3 in year
<b>Lay Members appointed by the Council</b>						
Mr J E K Smith The Pro-Chancellor		5/5	5/6	-	2/2	3/3
Dr C N Banks CBE Deputy Pro-Chancellor		5/5	6/6	-	2/2	3/3
Dr M G Gilbert Treasurer		4/5	6/6	3/4*	2/2	3/3
Mr D Anderson CBE		4/5	-	-	-	-
Mr D Davies OBE		4/5	-	-	-	-
Mrs M Davies	Term ended July 2013	5/5	-	4/4	-	3/3
Mr M R Devenish		3/5	3/6	-	-	-
Mr R Halton		5/5	6/6	-	2/2	-
Mr R Haywood		4/5	-	4/4	-	-
Dr R C Horton		3/5	-	-	-	-
Ms S Kaur-Stubbs		4/5	-	-	-	-
Mr R J Keys		3/5	-	4/4	-	-
Mrs C Merrick	Term commenced August 2013	-	-	-	-	-
Dr N E Price OBE		5/5	-	3/4	-	-
Mr D Roy, Hon Alderman	Term ended July 2013	5/5	-	-	-	-
Ms C Snowball CBE	Resigned August 2013	3/5	-	-	2/2	-
Dr R Sondhi		5/5	-	-	-	-

\* In attendance only

## Corporate Governance (continued)

Members		Meeting attendance 2012/13				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 3 in year
<b>Appointed by Guild of Students</b>						
Miss P Wilkinson President of the Guild of Students	Term commenced August 2013	-	-	-	-	-
Ms E Halford Postgraduate and Mature Students Officer	Term ended October 2013	5/5	-	-	-	-
Mr D Franklin President of the Guild of Students	Term ended July 2013	5/5	6/6	-	-	-
<b>Ex Officio Members</b>						
Professor D S Eastwood The Vice-Chancellor and Principal		5/5	6/6	3/4*	2/2	3/3
Professor M C Sheppard The Provost and Vice-Principal	Term ended September 2013	5/5	5/6	-	-	3/3
Professor A Tickell The Provost and Vice-Principal	Term commenced October 2013	-	-	-	-	-
<b>Academic Members Appointed by Senate</b>						
Professor J Frampton		4/5	-	-	-	2/3
Professor C Ryan	Term ended July 2013	5/5	5/6	-	-	-
Professor A Sanders		5/5	-	-	-	-
Professor A J Schofield	Term ended July 2013	5/5	6/6	-	-	-
Professor K Armour	Term commenced August 2013	-	-	-	-	-
Professor P Fryer	Term commenced August 2013	-	-	-	-	-
<b>Secretary to Council</b>						
Mr L Sanders The Registrar and Secretary		5/5*	6/6*	4/4*	2/2*	3/3*
* In attendance only						
<b>Advisors</b>						
External Auditors	Deloitte LLP					
Bankers	Lloyds Bank					
Solicitors (from Panel of)	Martineau Johnson Mills & Reeve LLP Pinsent Masons LLP					

## Corporate Governance (continued)

The following statement is given to assist readers of the Financial Statements 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),
- 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'; and
- iii) in accordance with the UK Corporate Governance Code in so far as it is applicable to the Higher Education sector.

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

The University's Council comprises 24 lay and academic persons appointed under the Statutes of the University, the majority of whom are lay members. The roles of Chairman and Deputy Chairman of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor and Principal. The 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 Code of Practice of Corporate Governance statutes and on the University's website.

The University is committed to exhibiting best practice in all aspects of corporate governance, and complies with the CUC's Governance Code of Practice and General Principles, which summarises the Council's 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 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 several committees: Strategy, Planning and Resources (SPRC), Audit, Membership and Remuneration, all of which include lay members. Attendance at meetings in the year is shown on pages 16 and 17. Senate and the University Executive Board have no lay members. All committees are formally constituted with terms of reference.

### Strategy, Planning and Resources

SPRC recommends to the Council a corporate plan for 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. The Committee also recommends the annual budget to the Council; oversees the development and implementation of systems relating to institutional performance monitoring; including 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, two Pro-Vice-Chancellors, two academic members of Council, three lay members of Council and the President of the Guild of Students.

### Audit

The Audit Committee, chaired by Richard Keys, meets four times a year and is made up of five lay members of Council who are not members of SPRC. There is also provision for two possible co-opted members. The co-opted member at present is Mr James Hunt. At present the Committee has two vacancies, one Council member and one co-opted position.

## Corporate Governance (continued)

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 adherence with regulatory requirements and reviews the University's annual financial statements together with the accounting policies.

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

### Membership

Membership Committee considers nominations for vacancies in the Council membership under the relevant Ordinance. 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 remuneration for the Vice-Chancellor and those staff who report directly to him (excluding his Personal Assistant).

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 data by their Head of College, who makes recommendations regarding proposed remuneration increases for their college and is responsible for ensuring consistency and equality of treatment. The Vice-Chancellor meets with each Head of College to scrutinise these recommendations, and, following moderation by the Pro-Vice-Chancellors (thematic) and the Provost and Vice-Principal, the Vice-Chancellor presents his plan for the remuneration of professors to the second meeting of Remuneration Committee for consideration and approval.

## Corporate Governance (continued)

3. There is a parallel process for senior professional staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative market data and equal pay issues. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations and then presents his plan for the remuneration of professional staff to the second meeting of Remuneration Committee for consideration and approval.

Those members of 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 10% of salary. The Pro-Chancellor proposes targets for payout of the performance-related element to the Remuneration Committee who determine the level of award.

### University Executive Board

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

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

### Senate

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

### Statement of Internal Control

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

## Corporate Governance (continued)

The system of internal control is designed to manage rather than eliminate risk based on an ongoing process established to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the extent and nature of those risks and to manage them efficiently, effectively and economically. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. This process has been in place for the year ended 31 July 2013 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.
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly.

- A regular formal review takes place to identify and where necessary revise and update the record of risks facing the institution.
- 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 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**

Pro-Chancellor

27 November 2013

## Responsibilities of the Council

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

The University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England (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**

Pro-Chancellor

27 November 2013

# 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 2013 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. 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 2013 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 2013 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2013 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

27 November 2013

# Statement of Principal Accounting Policies and Estimation Techniques

*The Accounts for the year ended 31 July 2013*

## 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, providing focus and direction up to 2015 and as a consequence Council believes that the University is well placed to manage its business risks successfully despite the uncertain economic climate and the increased level of competition in the HE 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 2013 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 2013*

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 either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 7. Land and buildings

Land and buildings are stated at cost, or at valuation 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 and valued annually in accordance with SSAP19 within Investments, and are not depreciated. Value appreciation is reflected in the revaluation reserve. Any permanent diminution in value is recorded in the Income and Expenditure Account.

## 8. Heritage assets

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.

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

*The Accounts for the year ended 31 July 2013*

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

## 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 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 Fixed Asset Investments are carried to the Revaluation Reserve. Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent it is not covered by a revaluation surplus.

Endowment Asset Investments are carried at market value. Such investments held at the previous year end, and carried at market value at that date, may be sold during the year. This crystallizes the value and any difference between the opening market value and the sale proceeds represents a revaluation movement.

Consequently, the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as 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 2013*

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

## 19. Accounting for donations and endowments: Donations

Donations given to the University which are not subject to any restrictions set by the donor on how the monies may be used are recognised in the Income and Expenditure Account on receipt of the gift or before receipt where there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

## 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 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.

# Consolidated Income and Expenditure Account

For the year ended 31 July 2013

	Note	2012/13	2011/12
		£000	£000
<b>Income</b>			
Funding Council grants	1	120,504	138,256
Academic fees and support grants	2	166,696	136,288
Research grants and contracts	3	104,588	103,266
Other operating income	4	95,565	88,297
Endowment income and interest receivable	5	5,272	5,890
<b>Total income</b>		<b>492,625</b>	<b>471,997</b>
<b>Expenditure</b>			
Staff costs	6	263,453	253,302
Restructuring costs	6	2,078	746
Depreciation	7	45,917	48,960
Other operating expenses	7	171,469	161,845
Interest payable	8	3,355	1,320
<b>Total expenditure</b>	<b>7</b>	<b>486,272</b>	<b>466,173</b>
<b>Operating surplus</b>		<b>6,353</b>	5,824
Corporation Tax	9	197	343
<b>Surplus for the year after taxation</b>		<b>6,550</b>	6,167
Minority interest		(11)	(39)
<b>Surplus after minority interest and taxation</b>		<b>6,539</b>	6,128
Transfer from accumulated income in endowment funds	18	1,489	1,470
<b>Surplus for the year retained in general reserves</b>		<b>8,028</b>	<b>7,598</b>
There were no discontinued operations during 2012/13 or 2011/12.			
<b>Note of historical cost surpluses and deficits</b>			
<b>Surplus for the year</b>		<b>8,028</b>	<b>7,598</b>
Difference between historical cost depreciation and the actual charge based on the revalued amount		624	624
<b>Historical cost surplus</b>		<b>8,652</b>	<b>8,222</b>

# Balance Sheets

For the year ended 31 July 2013

	Note	Consolidated		University	
		2013	2012	2013	2012
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10	570,228	576,353	553,491	559,851
Investments	11	18,621	18,106	18,149	17,551
		<b>588,849</b>	594,459	<b>571,640</b>	577,402
<b>Endowment asset investments</b>	12	<b>88,257</b>	83,476	<b>88,257</b>	83,476
<b>Current assets</b>					
Stocks and stores in hand		715	813	554	633
Debtors and prepayments	13	53,463	46,336	55,937	48,399
Investments and short term cash deposits		189,448	172,673	189,448	172,673
Cash at bank and in hand	14	30,259	56,343	25,638	52,182
		<b>273,885</b>	276,165	<b>271,577</b>	273,887
<b>Creditors</b>					
Amounts falling due within one year	14	(126,408)	(128,313)	(123,478)	(126,272)
<b>Net current assets</b>		<b>147,477</b>	147,852	<b>148,099</b>	147,615
<b>Total assets less current liabilities</b>		<b>824,583</b>	825,787	<b>807,996</b>	808,493
Creditors: amounts falling due after more than one year	15	(75,000)	(75,000)	(75,000)	(75,000)
Provisions for liabilities and charges	16	(1,458)	(1,260)	(538)	(131)
<b>Net assets excluding pension fund liability</b>		<b>748,125</b>	749,527	<b>732,458</b>	733,362
Pension fund liability	27	(46,800)	(24,200)	(46,800)	(24,200)
<b>Total net assets</b>		<b>701,325</b>	725,327	<b>685,658</b>	709,162

## Balance Sheets (continued)

For the year ended 31 July 2013

	Note	Consolidated		University	
		2013	2012	2013	2012
		£000	£000	£000	£000
Represented by:					
<b>Deferred capital grants</b>	17	<b>157,627</b>	167,815	<b>157,074</b>	167,223
<b>Endowments</b>					
Restricted expendable	18	<b>6,493</b>	6,255	<b>6,493</b>	6,255
Permanent	18	<b>81,764</b>	77,221	<b>81,764</b>	77,221
		<b>88,257</b>	83,476	<b>88,257</b>	83,476
<b>Reserves</b>					
Income and Expenditure Account (excluding pension reserve)	19	<b>456,894</b>	452,942	<b>444,127</b>	439,707
Pension reserve	19	<b>(46,800)</b>	(24,200)	<b>(46,800)</b>	(24,200)
Revaluation reserve	19	<b>43,090</b>	43,046	<b>43,000</b>	42,956
Minority interest		<b>2,257</b>	2,248	-	-
		<b>455,441</b>	474,036	<b>440,327</b>	458,463
<b>Total funds</b>		<b>701,325</b>	725,327	<b>685,658</b>	709,162

The financial statements on pages 25 to 60 were approved by the Council on 27 November 2013 and signed on its behalf by:

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

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

# Consolidated Cash Flow Statement

For the year ended 31 July 2013

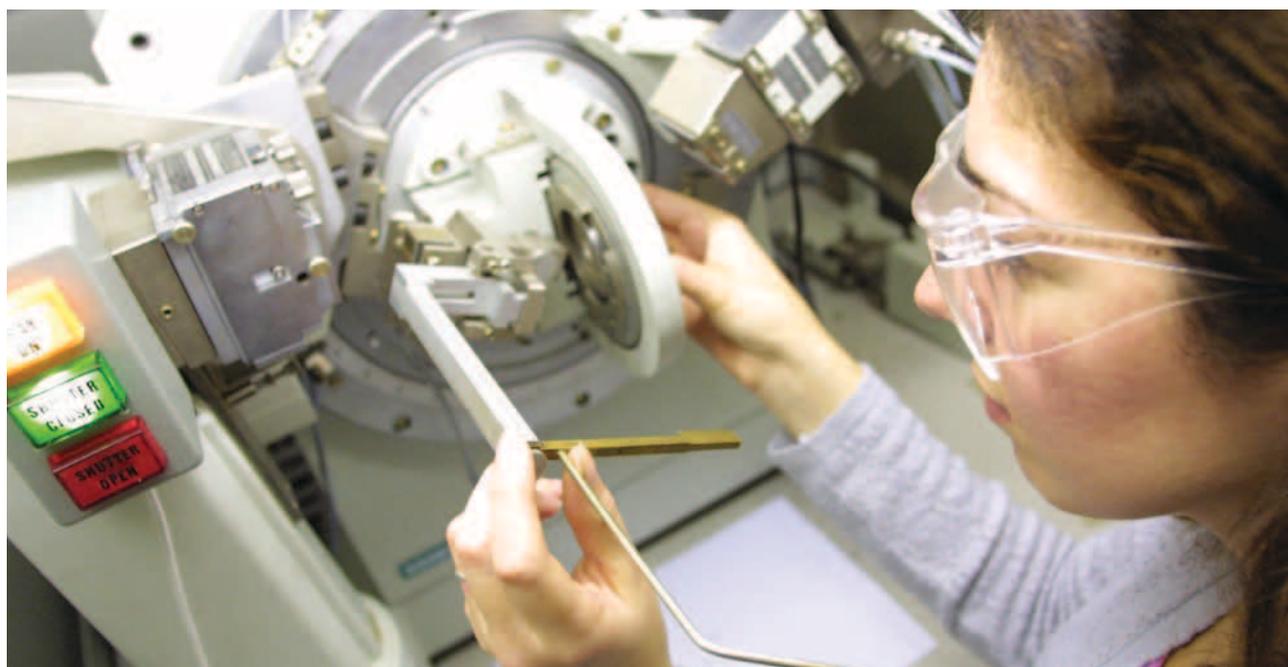
	Note	2012/13	2011/12
		£000	£000
<b>Net cash inflow from operating activities</b>	22	<b>20,260</b>	30,170
Returns on investments and servicing of finance	23	<b>1,917</b>	4,569
Taxation		<b>(4)</b>	(12)
Capital expenditure and financial investment	24	<b>(27,411)</b>	(35,194)
<b>Net cash (outflow) before financing</b>	26	<b>(5,238)</b>	(467)
Financing	25	-	75,000
<b>(Decrease)/increase in cash in the year</b>	26	<b>(5,238)</b>	74,533
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year		<b>(5,238)</b>	74,533
Drawdown of new loans	25	-	(75,000)
(Decrease) in net funds		<b>(5,238)</b>	(467)
<b>Net funds at 1 August</b>		<b>159,823</b>	160,290
<b>Net funds at 31 July</b>	26	<b>154,585</b>	159,823



# Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2013

	Note	2012/13	2011/12
		£000	£000
Surplus after minority interest and taxation		6,539	6,128
Appreciation of endowment asset investments	18	4,659	1,017
Appreciation of fixed asset investments	19	668	6
New endowments	18	1,611	950
Actuarial (loss)/gain on pension fund	27	(27,300)	1,300
<b>Total recognised (gains)/losses since the last accounting period</b>		<b>(13,823)</b>	<b>9,401</b>
<b>Reconciliation of reserves and endowments</b>			
Opening reserves and endowments		555,264	545,863
Total recognised gains/(losses) for the year		(13,823)	9,401
<b>Closing reserves and endowments</b>		<b>541,441</b>	<b>555,264</b>



# Notes to the Accounts

For the year ended 31 July 2013

	<i>Note</i>	<b>2012/13</b>	2011/12
		<b>£000</b>	£000
<b>1. Funding Council grants</b>			
Teaching recurrent grant from HEFCE		<b>59,148</b>	73,970
Research recurrent grant from HEFCE		<b>42,371</b>	42,249
Other grants from HEFCE		<b>5,622</b>	7,411
Teaching Agency grants		<b>507</b>	3,017
Deferred capital grants released – buildings and equipment	<i>17</i>	<b>12,856</b>	11,609
		<b>120,504</b>	<b>138,256</b>
<b>2. Academic fees and support grants</b>			
Undergraduate tuition – home and EU students		<b>80,208</b>	55,849
Undergraduate tuition – other students		<b>20,682</b>	18,794
Postgraduate tuition – home and EU students		<b>20,961</b>	18,486
Postgraduate tuition – other students		<b>36,618</b>	34,423
Other courses		<b>4,114</b>	4,480
Research, training and support grants		<b>4,113</b>	4,256
		<b>166,696</b>	<b>136,288</b>
<b>3. Research grants and contracts</b>			
Research Councils		<b>33,934</b>	34,041
UK-based charities		<b>23,579</b>	21,614
UK Central/Local Government, Health and Hospital Authorities		<b>24,022</b>	27,074
UK industry, commerce and public corporations		<b>6,022</b>	5,223
EU government bodies		<b>11,519</b>	10,099
EU other		<b>1,536</b>	1,722
Other overseas		<b>3,186</b>	2,601
Other sources		<b>790</b>	892
		<b>104,588</b>	<b>103,266</b>

Income from research grants and contracts includes £2,560k (2011/12 £5,978k) in respect of deferred capital grants released.

## Notes to the Accounts (continued)

For the year ended 31 July 2013

	<i>Note</i>	<b>2012/13</b>	2011/12
		<b>£000</b>	<b>£000</b>
<b>4. Other operating income</b>			
Residences, catering and conferences		<b>31,855</b>	32,885
Other services rendered		<b>8,227</b>	8,675
Externally funded posts – Health Authorities		<b>15,185</b>	14,244
Self-financing teaching activities		<b>3,282</b>	2,893
Rented properties and University Centre lettings		<b>1,288</b>	1,263
Day nursery and health centre		<b>2,134</b>	2,058
Release of deferred capital grants		<b>1,795</b>	1,485
Barber Trust annual grant		<b>1,103</b>	1,088
VAT refund		<b>740</b>	493
Other income		<b>29,956</b>	23,213
		<b>95,565</b>	<b>88,297</b>

Other income includes general donations (£2m, 2011/12 £1m) and funds received from third parties relating to specific University activity such as student support (£9m, 2011/12 £9m), and to cover the cost of certain staff (£3m, 2011/12 £2m).

<b>5. Endowment income and interest receivable</b>			
Income from permanent endowment investments	<i>18</i>	<b>1,622</b>	1,680
Income from restricted expendable investments	<i>18</i>	<b>87</b>	91
Income from short-term investments		<b>2,137</b>	2,284
Net return on pension scheme	<i>27</i>	<b>400</b>	800
Other investment income		<b>1,026</b>	1,035
		<b>5,272</b>	<b>5,890</b>



## Notes to the Accounts (continued)

For the year ended 31 July 2013

6. Staff	Note	2012/13	2011/12
		£000	£000
<b>Staff costs:</b>			
Salaries		217,317	208,051
Social security costs		18,442	17,328
Pension costs	27	29,772	28,669
<b>Total (includes restructuring costs of £2,078k (2011/12 £746k))</b>		<b>265,531</b>	<b>254,048</b>
<b>Emoluments of the Vice-Chancellor:</b>			
Professor David Eastwood			
Salary and benefits		400	372
Pension contributions to USS		-	34
		<b>400</b>	<b>406</b>
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:			
		2012/13 Number	2011/12 Number
Academic and related/clinical		4,099	3,877
Other, including technical, clerical and manual		2,304	2,269
		<b>6,403</b>	<b>6,146</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### 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.

	<b>2012/13</b>	2011/12
	<b>Number</b>	Number
£100,001 – £110,000	<b>28</b> (1)	24
£110,001 – £120,000	<b>16</b> (1)	14 (2)
£120,001 – £130,000	<b>5</b> (1)	10 (1)
£130,001 – £140,000	<b>16</b> (4)	13 (4)
£140,001 – £150,000	<b>10</b> (1)	11 (3)
£150,001 – £160,000	<b>12</b> (1)	13
£160,001 – £170,000	<b>6</b> (1)	5
£170,001 – £180,000	<b>6</b>	7 (1)
£180,001 – £190,000	<b>6</b> (1)	3
£190,001 – £200,000	<b>3</b>	4
£200,001 – £210,000	<b>4</b>	4
£210,001 – £220,000	<b>1</b>	1
£220,001 – £230,000	<b>2</b> (1)	1 (1)
£370,001 – £380,000	-	1 (1)
£390,001 – £400,000	<b>1</b> (1)	-
	<b>116</b> (13)	<b>111</b> (13)

During the financial year 2012/13 expenses of £8,102 (2011/12, £7,982) were reimbursed to Council members, who are also trustees.

## Notes to the Accounts (continued)

For the year ended 31 July 2013

7. Analysis of expenditure by activity	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	<b>Total 2012/13</b>	Total 2011/12
	£000	£000	£000	£000	£000	£000
<b>Academic schools</b>						
Core teaching and research	141,543	3,297	27,765	-	<b>172,605</b>	166,160
Research grants and contracts	49,184	2,561	32,451	-	<b>84,196</b>	82,975
Student support	-	-	34,679	-	<b>34,679</b>	33,569
Other trading	742	14	7,172	-	<b>7,928</b>	6,221
	<b>191,469</b>	<b>5,872</b>	<b>102,067</b>	<b>-</b>	<b>299,408</b>	<b>288,925</b>
<b>Academic services</b>						
Information services	14,679	3,642	11,922	-	<b>30,243</b>	29,291
Other academic services	14,026	345	9,227	-	<b>23,598</b>	22,970
	<b>28,705</b>	<b>3,987</b>	<b>21,149</b>	<b>-</b>	<b>53,841</b>	<b>52,261</b>
<b>Premises</b>						
Energy and utilities	668	787	8,781	-	<b>10,236</b>	8,546
Repairs and general maintenance	3,724	1,507	5,481	-	<b>10,712</b>	10,444
Depreciation of buildings	-	25,639	-	-	<b>25,639</b>	22,947
Other	5,987	187	2,905	-	<b>9,079</b>	8,654
	<b>10,379</b>	<b>28,120</b>	<b>17,167</b>	<b>-</b>	<b>55,666</b>	<b>50,591</b>
<b>Administration and services</b>						
Administrative services	13,456	24	3,601	-	<b>17,081</b>	18,071
Audit fees	-	-	108	-	<b>108</b>	105
Fees to auditor for non-audit work	-	-	167	-	<b>167</b>	81
Sports facilities	3,946	99	2,447	-	<b>6,492</b>	6,359
Health, nursery and counselling services	4,860	80	3,316	-	<b>8,256</b>	6,121
Grant to Guild of Students (Note 31)	-	-	1,862	-	<b>1,862</b>	1,873
	<b>22,262</b>	<b>203</b>	<b>11,501</b>	<b>-</b>	<b>33,966</b>	<b>32,610</b>
<b>Residences catering and conferences</b>						
Residences	1,521	48	7,374	-	<b>8,943</b>	9,294
Catering and conferences	5,861	492	6,835	-	<b>13,188</b>	13,188
Depreciation of buildings	-	6,960	-	-	<b>6,960</b>	6,808
	<b>7,382</b>	<b>7,500</b>	<b>14,209</b>	<b>-</b>	<b>29,091</b>	<b>29,290</b>
<b>Other expenditure</b>						
Other services rendered	2,163	235	3,726	-	<b>6,124</b>	6,883
Restructuring costs	2,078	-	-	-	<b>2,078</b>	746
Write down of investment properties	-	-	75	-	<b>75</b>	75
Other	1,093	-	1,575	3,355	<b>6,023</b>	4,792
	<b>5,334</b>	<b>235</b>	<b>5,376</b>	<b>3,355</b>	<b>14,300</b>	<b>12,496</b>
<b>Total</b>	<b>265,531</b>	<b>45,917</b>	<b>171,469</b>	<b>3,355</b>	<b>486,272</b>	<b>466,173</b>
The depreciation charge has been funded by:						
Deferred capital grants released (Note 17)					<b>17,211</b>	19,150
General income					<b>28,706</b>	29,810
					<b>45,917</b>	<b>48,960</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### Fees paid to auditors

During the year KPMG LLP resigned as auditors and Deloitte LLP were appointed in May 2013 following a competitive tender which was overseen by the Audit Committee.

The Audit Committee carefully monitors the nature and monetary value of non audit services provided by the external auditors to ensure that their independence is not impaired. As a result of the appointment of Deloitte LLP as external auditors certain services previously provided by them (for example, book keeping and compliance services for subsidiaries) will no longer be appropriate. They also provided IT audit support to the University's internal audit function and this contract has now ceased and PricewaterhouseCoopers LLP have been appointed in their place. Of the non audit fees set out in the table below, £116k in 2012/13 paid to Deloitte LLP relates to services contracted prior to their appointment as external auditors.

<i>Fees paid to auditors for audit and non-audit work</i>	<b>2012/13</b>	2011/12
	<b>£000</b>	<b>£000</b>
<b>Deloitte</b>		
Audit	<b>108</b>	-
Other assurance services	<b>7</b>	-
Taxation advice and compliance	<b>44</b>	92
Internal audit service	<b>67</b>	69
Book keeping and compliance services for subsidiaries	<b>49</b>	39
	<b>275</b>	<b>200</b>
<b>KPMG</b>		
Audit	-	105
Other assurance services	<b>30</b>	67
Other	<b>2</b>	14
	<b>32</b>	<b>186</b>
<b>8. Interest payable</b>	<i>Note</i>	Total
	<b>2012/13</b>	2011/12
	<b>£000</b>	<b>£000</b>
Swap interest	<i>21b</i> <b>631</b>	588
Loan interest	<b>2,724</b>	732
	<b>3,355</b>	<b>1,320</b>
<b>9. Tax on profit on ordinary activities</b>	<b>£000</b>	<b>£000</b>
United Kingdom Corporation Tax at 25% on subsidiary company profits:		
Current year	<b>(12)</b>	(23)
Prior year	-	-
Deferred tax credit – due to timing differences in subsidiary companies	<b>209</b>	366
<b>Total credit</b>	<b>197</b>	<b>343</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

10. Tangible fixed assets Consolidated	Note	Assets in the Course of Construction	Land and Buildings	Equipment	Heritage Assets	Total 2013
		£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
As at 1 August 2012		7,352	784,152	49,950	164	<b>841,618</b>
Transfers		(4,425)	4,425	-	-	-
Additions		9,235	22,068	8,290	200	<b>39,793</b>
Disposals		-	-	(24,438)	-	<b>(24,438)</b>
<b>As at 31 July 2013</b>		<b>12,162</b>	<b>810,645</b>	<b>33,802</b>	<b>364</b>	<b>856,973</b>
<b>Accumulated depreciation</b>						
As at 1 August 2012		-	226,708	38,558	-	<b>265,266</b>
Charge for the year	7	-	34,747	11,170	-	<b>45,917</b>
Depreciation on disposals		-	-	(24,438)	-	<b>(24,438)</b>
<b>As at 31 July 2013</b>		<b>-</b>	<b>261,455</b>	<b>25,290</b>	<b>-</b>	<b>286,745</b>
<b>Net book value as at 31 July 2013</b>		<b>12,162</b>	<b>549,190</b>	<b>8,512</b>	<b>364</b>	<b>570,228</b>
Net book value as at 31 July 2012		7,352	557,446	11,391	164	576,353

The accumulated cost of assets in the course of construction includes:	£000
Pritchatts Road Car Park	39
New Library	1,924
Gisbert Kapp Car Park	1,460
Ansty Park High Temperature Casting Facility	311
Grange Road	315
Sports Centre	2,263
Chamberlain Hall	1,829
Jarrett Hall	4,021
	<b>12,162</b>

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

In the year the University received a donation of an art collection valued at £200,000. This is categorised in heritage assets.

During 2011/12 the basis of capitalising equipment was changed. In 2012/13 £10,081k (2011/12/£7,636k) has been written off as a result of this change in capitalisation.

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### 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 40 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	8,133	37,145
Clinical research building (leased in 1953 for 75 years from the NHS)	3,106	62	932	2,174
Residential leasehold properties	775	26	387	388
	<b>49,159</b>	<b>849</b>	<b>9,452</b>	<b>39,707</b>

The reinstatement cost of buildings for insurances purposes is £1,361m (2011/12 £1,378m). 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](http://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 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 2013

10. Tangible fixed assets continued University	Assets in the course of Construction £000	Land and Buildings £000	Equipment £000	Heritage Assets £000	<b>University Total 2013 £000</b>
<b>Cost or valuation</b>					
As at 1 August 2012	7,352	755,078	49,716	164	<b>812,310</b>
Transfers	(4,425)	4,425	-	-	-
Transfers from subsidiary	-	80	-	-	<b>80</b>
Additions	9,235	20,938	8,124	200	<b>38,497</b>
Disposals	-	-	(24,438)	-	<b>(24,438)</b>
<b>As at 31 July 2013</b>	<b>12,162</b>	<b>780,521</b>	<b>33,402</b>	<b>364</b>	<b>826,449</b>
<b>Accumulated depreciation</b>					
As at 1 August 2012	-	214,102	38,357	-	<b>252,459</b>
Charge for the year	-	33,819	11,118	-	<b>44,937</b>
Depreciation on disposals	-	-	(24,438)	-	<b>(24,438)</b>
<b>As at 31 July 2013</b>	<b>-</b>	<b>247,921</b>	<b>25,037</b>	<b>-</b>	<b>272,958</b>
<b>Net book value</b>					
<b>As at 31 July 2013</b>	<b>12,162</b>	<b>532,600</b>	<b>8,365</b>	<b>364</b>	<b>553,491</b>
As at 31 July 2012	7,352	540,976	11,359	164	559,851



## Notes to the Accounts (continued)

For the year ended 31 July 2013

11. Fixed asset investments	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Balance at 1 August	18,106	21,527	17,551	20,671
Additions	5	-	5	50
Transfers to Tangible Fixed Assets	-	(3,230)	-	(3,230)
Writedown to Income and Expenditure Account	(75)	(75)	(75)	(75)
Appreciation/(depreciation) on disposals and revaluation	585	(116)	668	135
<b>Balance at 31 July</b>	<b>18,621</b>	<b>18,106</b>	<b>18,149</b>	<b>17,551</b>
Represented by:				
Fixed interest securities and bonds	3,548	3,662	3,548	3,662
Equities	2,785	2,410	2,785	2,410
Property	8,364	8,305	4,404	4,262
Hedge funds	2,557	2,871	2,557	2,871
Investments in subsidiaries	-	-	3,488	3,488
Other investments	467	464	467	464
Cash	900	394	900	394
	<b>18,621</b>	<b>18,106</b>	<b>18,149</b>	<b>17,551</b>

In 2011/12 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.

12. Endowment asset investments	Consolidated and University	
	2013	2012
	£000	£000
Balance at 1 August	83,476	82,979
Additions	1,611	950
Disposals	(1,489)	(1,470)
Appreciation on disposals and revaluation	4,659	1,017
<b>Balance at 31 July</b>	<b>88,257</b>	<b>83,476</b>
Represented by:		
Fixed interest securities and bonds	26,264	27,047
Equities	22,982	20,332
Property	8,954	7,323
Hedge funds	18,929	21,211
Cash	11,128	7,563
	<b>88,257</b>	<b>83,476</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

13. Debtors	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Research grants and contracts	30,640	28,182	30,640	28,182
Trade debtors	7,967	4,366	7,965	4,162
Other debtors	2,497	2,910	2,256	2,015
Prepayments and accrued income	11,619	10,163	11,244	10,075
Amounts due from Subsidiary Undertakings	-	-	1,625	1,250
	<b>52,723</b>	<b>45,621</b>	<b>53,730</b>	<b>45,684</b>
<b>Amounts falling due after one year:</b>				
Alta Estate Services Limited loan	-	-	1,467	2,000
Manufacturing Technology Centre Limited	375	475	375	475
Other debtors and prepayments	365	240	365	240
	<b>740</b>	<b>715</b>	<b>2,207</b>	<b>2,715</b>
	<b>53,463</b>	<b>46,336</b>	<b>55,937</b>	<b>48,399</b>

Reclassification of trade debtors, other debtors, prepayments and amounts owed by Subsidiary Undertakings have been made to 2011/12 figures for consistency purposes.

14. Creditors:	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Research grants and contracts in advance	60,958	65,157	60,958	65,157
Corporation Tax	114	13	-	-
Social security and other taxation payable	6,681	6,503	6,677	6,416
Trade creditors	7,014	11,248	6,804	11,056
Deferred income	23,417	19,952	23,047	19,793
Accruals	14,742	13,712	12,827	13,181
Other creditors	13,482	11,728	12,823	9,684
Amounts owed by Subsidiary Undertakings	-	-	342	985
	<b>126,408</b>	<b>128,313</b>	<b>123,478</b>	<b>126,272</b>

The Other creditors category includes an amount of £13k (£806k 2011/12) which represents funds being held as cash by the University on behalf of HEFCE relating to the STEM initiative. The STEM project plans to increase and widen student participation in Science, Technology, Engineering and Mathematics. The other creditors category also includes amounts due in relation to Agency Arrangements, see note 28. A reclassification of £32.4m has occurred between Deferred Income and Research grants and contracts in advance in 2011/12 to better reflect amounts relating to Euro research accounts.

## Notes to the Accounts (continued)

For the year ended 31 July 2013

15. Creditors:	Consolidated		University	
	2013	2012	2013	2012
<b>Amounts falling due after one year</b>	<b>£000</b>	£000	<b>£000</b>	£000
Bank loan (unsecured)	75,000	75,000	75,000	75,000
	<b>75,000</b>	75,000	<b>75,000</b>	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	
	2013	2012	2013	2012
	<b>£000</b>	£000	<b>£000</b>	£000
Less than one year	-	-	-	-
One to two years	938	-	938	-
Two to five years	11,250	11,250	11,250	11,250
More than five years	62,812	63,750	62,812	63,750
	<b>75,000</b>	75,000	<b>75,000</b>	75,000

16. Provisions for liabilities and charges	Consolidated		University	
	2013	2012	2013	2012
<b>Restructuring</b>	<b>£000</b>	£000	<b>£000</b>	£000
At 1 August	131	993	131	993
Utilised during the year	(73)	(862)	(73)	(862)
Provided in year	480	-	480	-
<b>At 31 July</b>	<b>538</b>	131	<b>538</b>	131
<b>Deferred taxation</b>				
At 1 August	1,129	1,495	-	-
(Released) in year (Note 9)	(209)	(366)	-	-
<b>At 31 July</b>	<b>920</b>	1,129	-	-
<b>Total at 31 July</b>	<b>1,458</b>	1,260	<b>538</b>	131
<b>Analysis of deferred taxation:</b>				
Accelerated capital allowances	714	933	-	-
Other timing differences	206	196	-	-
<b>At 31 July</b>	<b>920</b>	1,129	-	-

The above provisions are subject to an regular review and expected 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 2013

### 17. Deferred capital grants

			Consolidated	University
	HEFCE	Grants Other	Total	Total
	£000	£000	£000	£000
At 1 August 2012				
Buildings	128,361	35,541	163,902	163,310
Equipment	1,457	2,456	3,913	3,913
	129,818	37,997	167,815	167,223
<b>Amounts receivable</b>				
Buildings	3,324	590	3,914	3,914
Equipment	506	2,603	3,109	3,109
<b>Released to Income and Expenditure Account</b>				
Buildings	(11,657)	(1,450)	(13,107)	(13,068)
Equipment	(1,199)	(2,905)	(4,104)	(4,104)
At 31 July 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

### 18. Endowments

			Consolidated and University		2012/13 Total £000	2011/12 Total £000
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable		
	£000	£000	£000	£000		
<b>Balance at 1 August 2012</b>						
Capital	28,351	47,111	75,462	6,150	81,612	80,422
Accumulated income	-	1,759	1,759	105	1,864	2,557
	28,351	48,870	77,221	6,255	83,476	82,979
New endowments	-	313	313	1,298	1,611	950
Investment income	571	1,051	1,622	87	1,709	1,771
Expenditure	(571)	(1,224)	(1,795)	(1,403)	(3,198)	(3,241)
Transfer to Income and Expenditure Account	-	(173)	(173)	(1,316)	(1,489)	(1,470)
Increase in market value of investments	1,501	2,902	4,403	256	4,659	1,017
<b>At 31 July 2013</b>	<b>29,852</b>	<b>51,912</b>	<b>81,764</b>	<b>6,493</b>	<b>88,257</b>	<b>83,476</b>
Represented by:						
Capital	29,852	50,326	80,178	6,457	86,635	81,612
Accumulated income	-	1,586	1,586	36	1,622	1,864
	29,852	51,912	81,764	6,493	88,257	83,476

## Notes to the Accounts (continued)

For the year ended 31 July 2013

<b>19. Reserves</b>	<b>Consolidated</b>	<b>University</b>
<b>Income and Expenditure Account</b>	£000	£000
At 1 August 2012	452,942	439,707
Surplus retained for the year	8,028	8,496
Transfer from revaluation reserve	624	624
Deduct pension surplus	(4,700)	(4,700)
<b>At 31 July 2013</b>	<b>456,894</b>	<b>444,127</b>
<b>Pension reserve</b>		
At 1 August 2012	(24,200)	(24,200)
Actuarial (loss)	(27,300)	(27,300)
Add FRS 17 net pension gain	4,700	4,700
<b>At 31 July 2013</b>	<b>(46,800)</b>	<b>(46,800)</b>
<b>Revaluation reserve</b>	£000	£000
Balance at 1 August 2012	43,046	42,956
Revaluation in the year	668	668
Released to Income and Expenditure Account	(624)	(624)
<b>At 31 July 2013</b>	<b>43,090</b>	<b>43,000</b>

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 2012/13 or 2011/12. There were payments of £771k during the year (£960k in 2011/12) in respect of operating leases for equipment which expire between two and five years.

### 21. Commitments

<b>(a) Capital</b>	<b>Consolidated and University</b>	
	<b>2013</b>	2012
	<b>£000</b>	£000
<b>Contracts for capital expenditure</b>	<b>51,761</b>	<b>38,016</b>

Committed expenditure includes: Aston Webb C Block refurbishment (£12.6m), Jarratt Hall extension (£8.9m), CHP and Turbine Replacement (£6.7m), IT Network replacement (£4.8m), Gisbert Kapp car park (£3.9m) and Central Heating Station (CHS) upgrade (£2.7m).

#### (b) Financial

The only financial instruments the University has are interest rate swaps which are not held for speculative purposes and are held to hedge exposure to interest rate movements.

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### 21. Commitments

#### (b) Financial continued

The University has two Interest swap transactions with Barclays and one with the National Bank of Australia, 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 National Bank of Australia Swap expires in 2026.

The fair value of the liability for Swaps at 31 July 2013 was £3.77m (2012 a liability for £4.59m).

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

	Note	Consolidated	
		2012/13	2011/12
		£000	£000
Surplus for the year before tax		6,353	5,824
Depreciation of tangible assets	10	45,917	48,960
Deferred capital grants released to income	17	(17,211)	(19,150)
Investment income (net)		(1,917)	(4,570)
Increase/(decrease) in stocks		98	(10)
(Increase)/decrease in debtors		(7,906)	1,954
(Decrease)/increase in creditors		(647)	3,515
(Decrease)/increase in provisions		198	(1,228)
Pension cost less than contributions payable		(4,300)	(4,400)
Net return on pension scheme		(400)	(800)
Writedown of fixed asset investment		75	75
<b>Net cash inflow from operating activities</b>		<b>20,260</b>	<b>30,170</b>

### 23. Returns on Investments and Servicing of Finance

	£000	£000
Income from fixed asset investments	2,039	2,763
Income from endowments	1,709	1,771
Income from short-term investments	1,524	1,356
Interest paid	(3,355)	(1,320)
	<b>1,917</b>	<b>4,570</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### 24. Capital expenditure and financial investment

	Consolidated	
	2012/13	2011/12
	£000	£000
Tangible assets (acquired)	(39,691)	(53,603)
Fixed asset investments sold	506	80
Endowment asset investments sold/(acquired)	1,955	(1,115)
<b>Total fixed and endowment assets (acquired)</b>	<b>(37,230)</b>	<b>(54,638)</b>
Deferred capital grants received	8,208	18,494
Endowments received	1,611	950
	<b>(27,411)</b>	<b>(35,194)</b>

### 25. Analysis of changes in borrowings during the year

	2012/13	2011/12
	£000	£000
Balance at 1 August	75,000	-
Unsecured loan	-	75,000
<b>Balance at 31 July</b>	<b>75,000</b>	<b>75,000</b>

### 26. Analysis of changes in Net Funds

	At 1 August 2012	Cash Flows	At 31 July 2013
	£000	£000	£000
Short-term deposits repayable on demand	170,523	16,775	187,298
Fixed asset investments	394	506	900
Endowment asset investments	7,563	3,565	11,128
Cash in hand, and at bank	56,343	(26,084)	30,259
	234,823	(5,238)	229,585
Debt due after one year	(75,000)	-	(75,000)
<b>Net funds</b>	<b>159,823</b>	<b>(5,238)</b>	<b>154,585</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### 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 some 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 who joined the scheme before 30 September 2011 and for those joining from the 1 October 2011 benefits are 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:

	<b>2012/13</b>	2011/12
	<b>£000</b>	£000
USS	<b>22,656</b>	22,519
BPAS	<b>2,700</b>	2,242
Other pension schemes	<b>4,416</b>	3,908
<b>Total Pension Costs (Note 6)</b>	<b>29,772</b>	<b>28,669</b>

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 148,000 active members, of which the University has 3,632 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.

## Notes to the Accounts (continued)

*For the year ended 31 July 2013*

The latest triennial actuarial valuation 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 2013 are set out below.

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 three 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 had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the Scheme on a number of other bases as at the valuation date. On the Scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 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 an 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.

## Notes to the Accounts (continued)

For the year ended 31 July 2013

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* – Contributions were uplifted to 7.5% per annum and 6.5% per annum 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%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme-specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation as 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken in to account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

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 the shortfall by March 2021.

## Notes to the Accounts (continued)

*For the year ended 31 July 2013*

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 £2.2 billion, 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 £22.7 million (2012: £22.5 million). This includes £2 million (2012: £1.9 million) outstanding contributions at the Balance Sheet date.

### **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 UBS Asset Management Ltd (Property), Royal London Asset Management Ltd (Index Linked Securities and Sterling Credit Bonds), Blackrock (Equities, Market Advantage Fund and Sterling Currency Hedge Fund), Standard Life Investments (Global Absolute Return Fund) and Comgest (Emerging market equities). The latest actuarial valuation of the scheme was at 31 March 2010 and it revealed a funding shortfall as the Scheme's assets were less than the technical provisions. The valuation for March 2013 is currently being compiled.

The assumptions which have the most significant impact on the valuation are those relating to the rate of return on investments (ie, the discount rates pre- and post-retirement), the rates of increase in salary and pension and the mortality rate. The 2010 valuation utilised differential discount rates pre- and post-retirement to reflect the nature of the assets held to generate the required returns. The pre-retirement discount rate was 7.4% and the post-retirement rate was 4.7%. It was assumed that salary increases would be 4.4% with pension increases at 3.1% (for service post-2006 where a pension increase cap of 2.5% applied to some members a rate of 2.25% was used). Improvements in mortality rates have impacted the scheme and led to higher liabilities.

The 2010 valuation used 105% of the SAPS 'All pensioners' tables with medium cohort improvements from 2002 to 2010. A further allowance for future improvements in line with medium cohort improvements with a minimum improvement of 1.25% per annum is also applied from 2010. The 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 £293.8 million and the market value of the assets was £231.3 million leaving a shortfall of £62.5 million. The assets were therefore sufficient to cover 79% of the accrued benefits. The Trustees of the Scheme have therefore put a Recovery Plan in place to address the shortfall. The Recovery Plan provides for the University making payments of £4.3m per annum on the 1 August each year from 2010 to 2030. The estimated total employer contributions including the £4.3m for the year ending 31 July 2014 is £7.1m.

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). £4.3 million per annum is being paid as additional contributions, as determined by the Schedule of Contributions agreed by the Scheme Actuary.

As at July 2013, the scheme had 575 members. The total cost of normal employer contributions for the institution was £2.7m (2012 £2.2 million). This included £130k outstanding contributions at the balance sheet date (2012 £142k).

## Notes to the Accounts (continued)

For the year ended 31 July 2013

The assumptions employed by the Scheme Actuary for the valuation of liabilities as at 31 July 2013 were as follows:

	2013	2012
Discount rate	4.45%	4.50%
Salary growth	3.85%	3.10%
Inflation	3.55%	2.80%
Pension increases	2.85%	2.10%

The invested assets of the Scheme amounted to £289.4 million (after investment of the additional contribution). The assets and the expected long-term rate of return were:

	2013 £million	2013 Rate of Return	2012 £million	2012 Rate of Return
Equities	131.3	6.7%	112.0	6.5%
Property	12.6	5.5%	13.9	5.2%
Corporate Bonds	62.4	4.4%	63.4	3.9%
Index Linked Bonds	50.7	3.5%	52.2	2.7%
Fixed Interest Bonds	0.4	3.5%	0.4	2.7%
Other Assets	32.0	3.1%	22.2	2.0%
<b>Total</b>	<b>289.4</b>		<b>264.1</b>	

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

	2013 £million	2012 £million
Total market value of assets	289.4	264.1
Present value of scheme liabilities	(336.2)	(288.3)
<b>Deficit in the scheme</b>	<b>(46.8)</b>	<b>(24.2)</b>

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

	2013 £million	2012 £million
Net assets excluding pension deficit	748.1	749.5
Pension deficit	(46.8)	(24.2)
<b>Net assets including pension deficit</b>	<b>701.3</b>	<b>725.3</b>
Profit and loss reserve excluding pension deficit	456.9	452.9
Pension deficit	(46.8)	(24.2)
<b>Profit and loss reserve including pension deficit</b>	<b>410.1</b>	<b>428.7</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2013

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 2013:

Analysis of amounts charged to Income and Expenditure account:	<b>2013</b>	<b>2012</b>			
	<b>£million</b>	<b>£million</b>			
<b>Current service cost</b>	<b>2.7</b>	<b>2.9</b>			
Finance:					
Interest on pension scheme liabilities	<b>12.8</b>	<b>14.7</b>			
Expected return on assets in the pension scheme	<b>(13.2)</b>	<b>(15.5)</b>			
Net interest credit to other finance income	<b>(0.4)</b>	<b>(0.8)</b>			
<b>Total charge before tax</b>	<b>2.3</b>	<b>2.1</b>			
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:					
Gain on assets	<b>15.8</b>	<b>0.0</b>			
Experience gain/(loss) on scheme liabilities	<b>1.1</b>	<b>(4.3)</b>			
(Loss)/gain on change of assumptions	<b>(44.2)</b>	<b>5.6</b>			
<b>Total (loss)/gain before tax</b>	<b>(27.3)</b>	<b>1.3</b>			
The experience gains and losses for the year were as follows:	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
Gain/(loss) on assets	<b>15.8</b>	0.0	11.3	16.8	(29.8)
Experience gain/(loss) on scheme liabilities	<b>1.1</b>	(4.3)	1.6	11.1	(11.1)
	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>
Liability assumptions					
Loss/(gain) over period	<b>44.2</b>	(5.6)	4.4	2.2	9.8
Loss/(gain) expressed as percentage of Scheme liabilities	<b>13.1%</b>	(1.9%)	1.6%	0.8%	3.6%
Surplus/(deficit) in the Scheme					
Actuarial value of Scheme liabilities	<b>(336.2)</b>	(288.3)	(281.6)	(271.4)	(269.6)
Fair value of assets (FVA)	<b>289.4</b>	264.1	250.9	227.4	201.1
(Deficit) in the Scheme	<b>(46.8)</b>	(24.2)	(30.7)	(44.0)	(68.5)

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### Changes in Disclosed Assets and Liabilities

	2013	2012
Change in Scheme Liabilities	£million	£million
Scheme liabilities at prior year	288.3	281.6
Employer service cost	2.7	2.9
Interest cost	12.8	14.7
Actuarial loss	43.1	(1.3)
Benefits paid from scheme assets	(10.2)	(9.2)
Administrative expenses paid	(0.5)	(0.4)
<b>Scheme liabilities at year end</b>	<b>336.2</b>	<b>288.3</b>

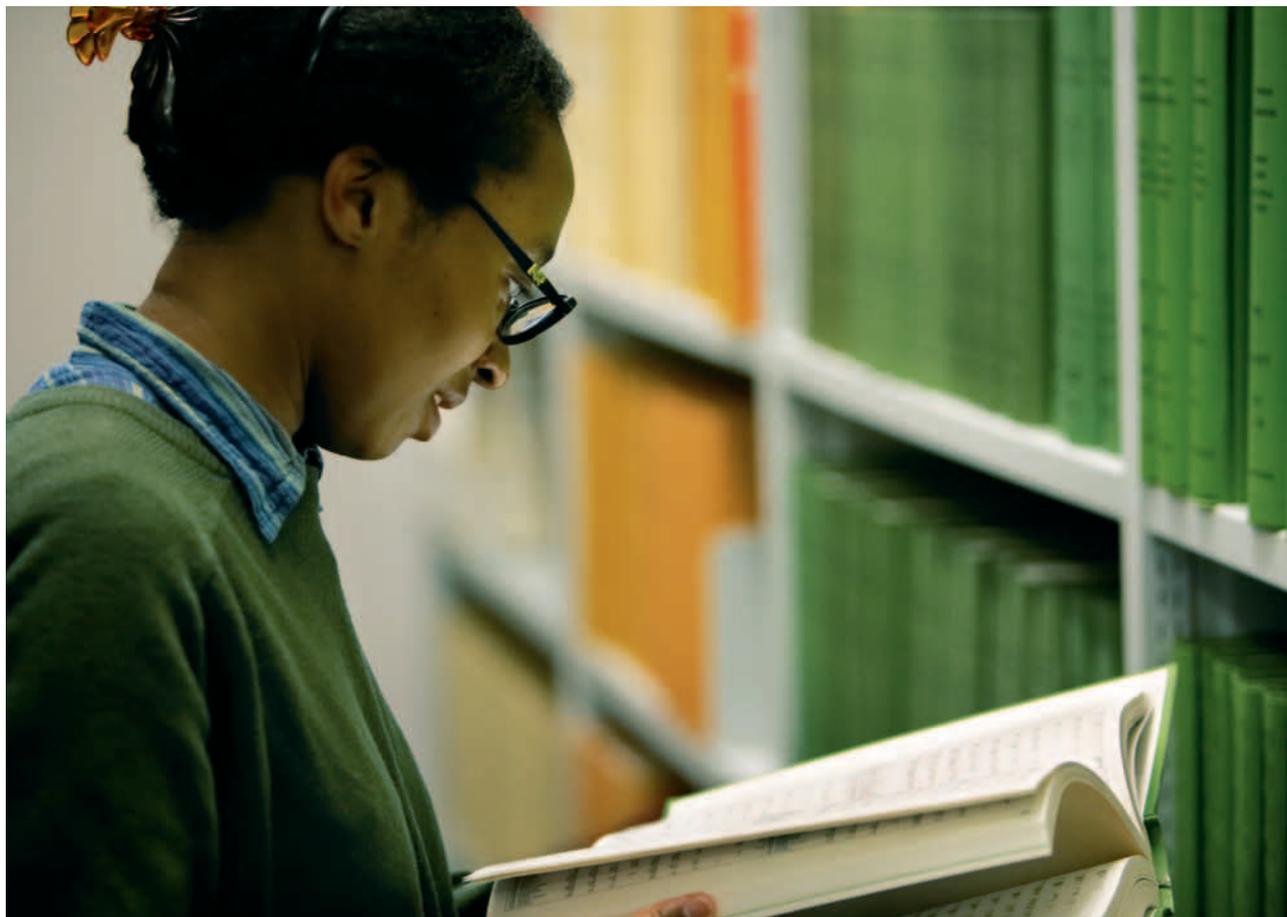
	2013	2012
Change in Scheme Assets	£million	£million
Fair value of assets at prior year end	264.1	250.9
Expected return on assets	13.2	15.5
Actuarial gain on assets	15.8	–
Employer contributions	7.0	7.3
Benefits paid	(10.2)	(9.2)
Other adjustments	(0.5)	(0.4)
<b>Fair value of assets at year end</b>	<b>289.4</b>	<b>264.1</b>

### Group Personal Pension Scheme (GPPP)

The University introduced from 1 April 2008 a new 'defined contribution' pension scheme for its support staff who are not members of 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 £2.1 million.

28. Agency Arrangements	Consolidated and University			
	Access to Learning		Teaching Agency	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Balances unspent as at 1 August	33	26	68	185
Funding Council grants received	301	349	2,733	869
Disbursed to students	(295)	(331)	(2,779)	(986)
Administration costs	(9)	(11)	-	-
<b>Balances unspent at 31 July</b>	<b>30</b>	<b>33</b>	<b>22</b>	<b>68</b>

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 2013

### 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 an interest. 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.

Two examples of such relationships are:

- (i) Mr J E K Smith, who was the Chairman of the Student Loans Company Limited during the year, with which the University transacted for a proportion of its student fee income. His term with the Student Loan Company Limited ended in October 2013.
- (ii) Professor D S Eastwood is a Director of the Universities Superannuation Scheme (USS), of which many University employees are members.

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

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

The Barber Institute of Fine Arts, which is hosted 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 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 2012 are as follows:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
Tangible Fixed Assets	30,927	31,167
Investment property	3,705	3,830
Net Current Assets	2,911	2,635
<b>Net Assets/funds</b>	<b>37,543</b>	<b>37,632</b>
<b>Net movement in funds for the year</b>	<b>(89)</b>	<b>1,083</b>

The University's Income and Expenditure Account includes a receipt from the Trust of an annual grant of £1,103k (2011/12 £1,047k).

## Notes to the Accounts (continued)

For the year ended 31 July 2013

### 30. Subsidiary Undertakings

Name	University Holding	Business Activity
Alta Birmingham China Limited	100%	Management of a representative office 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
Alta Innovations Limited	100%	Technology transfer
Alta Library Services Limited	100%	Provision of library services
Birmingham Research and Development Limited	100%	Technology transfer
Birmingham Research Park Limited	51%	Provision of accommodation to high technology companies
University of Birmingham Selly Oak Educational Trust	100%	Management of land and buildings on the Selly Oak campus
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 holds a representative office in China. The minority interest relates to the Birmingham Research Park Limited.

	Alta Birmingham China Limited	Alta Cyclotron Services Limited	Alta Estate Services Limited	Alta Library Services Limited	Birmingham Research and Development Limited	Birmingham Research Park Limited	University of Birmingham Selly Oak Educational Trust	Alta Innovations Limited	University of Birmingham School and Sixth Form
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	2	7,105	-	-	4,617	9,499	13	-
Investments	-	-	-	-	-	-	-	-	-
Current assets	267	299	516	83	1,306	763	3	2,470	122
	267	301	7,621	83	1,306	5,380	9,502	2,483	122
Capital and reserves	80	1	2,859	-	1,296	4,607	9,499	725	74
Creditors	187	300	3,842	83	10	773	3	1,758	48
Provisions	-	-	920	-	-	-	-	-	-
	267	301	7,621	83	1,306	5,380	9,502	2,483	122
<b>Profit/(loss) for the year</b>	<b>5</b>	<b>1</b>	<b>(283)</b>	<b>-</b>	<b>(87)</b>	<b>18</b>	<b>(177)</b>	<b>(8)</b>	<b>74</b>

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

	2012/13	2011/12
	£000	£000
Mercia Technology Fund 2	400	400
Universities UK Limited	64	64
Waterloo House	2,361	2,528

## Notes to the Accounts (continued)

For the year ended 31 July 2013

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	50	Oral Health Innovations Ltd	5
Biowaste2 Energy	37	Ortus Medical Limited	20
Cambridge Mechatronics	<1	Personal Screening PLC	<1
Celentyx Limited	31	Plasgene Limited	40
Circassia Holdings Limited	<1	PsiOxus Therapeutics	1
Cobra Bio-manufacturing Limited	2	Smart Antenna Technologies	41
Cytox Limited	4	Speech Ark Limited	10
Inanovate Inc	<1	Talis Group Limited	3
Interface Spectra	75	U21 Equity Limited	5
McBurney Scientific Limited	16	Weather Systems International Limited	<1
Metal Nanopowders Limited	37	Irresistible Materials Limited	22

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 2013 are as follows:

	2012/13	2011/12
	£000	£000
Tangible Fixed Assets	1,051	1,117
Investments	5	5
Current Assets	2,191	2,037
	<b>3,247</b>	<b>3,159</b>
Reserves	1,850	1,928
Creditors	1,397	1,231
	<b>3,247</b>	<b>3,159</b>
<b>(Deficit) for the year</b>	<b>(78)</b>	<b>(68)</b>

The University's Income and Expenditure Account reflects payment to the Guild of Students of a block grant of £1,862k (Note 7) (2011/12 £1,873k).

## Five-Year Summary Accounts

	Consolidated and University				
	2012/13	2011/12	2010/11	2009/10	2008/09
	£000	£000	£000	£000	£000
<b>Income &amp; Expenditure Account</b>					
<b>Income</b>					
Funding Council grants	120,504	138,256	142,209	146,750	144,111
Academic fees and support grants	166,696	136,288	125,825	116,083	104,592
Research grants and contracts	104,588	103,266	101,540	104,811	98,075
Other operating income	95,565	88,297	95,003	88,485	87,031
Endowment income and interest receivable	5,272	5,890	6,171	6,244	7,190
<b>Total income</b>	<b>492,625</b>	<b>471,997</b>	<b>470,748</b>	<b>462,373</b>	<b>440,999</b>
<b>Expenditure</b>					
Staff costs	265,531	254,048	248,794	247,270	233,353
Depreciation	45,917	48,960	48,702	47,435	44,384
Other operating expenses	171,469	161,845	145,627	142,890	137,955
Interest payable	3,355	1,320	616	2,510	171
<b>Total expenditure</b>	<b>486,272</b>	<b>466,173</b>	<b>443,739</b>	<b>440,105</b>	<b>415,863</b>
<b>Operating surplus, before tax and exceptional items</b>	<b>6,353</b>	<b>5,824</b>	<b>27,009</b>	<b>22,268</b>	<b>25,136</b>
<b>Capital expenditure</b>					
Land and buildings	31,303	46,640	46,117	36,970	32,476
Equipment	8,490	8,761	16,516	23,501	21,606
<b>Total capital expenditure</b>	<b>39,793</b>	<b>55,401</b>	<b>62,633</b>	<b>60,471</b>	<b>54,082</b>
<b>Balance Sheet</b>					
Fixed assets	588,849	594,459	588,209	575,961	563,961
Endowment asset investments	88,257	83,476	82,979	78,136	71,184
Net current assets	147,477	147,852	69,636	49,864	24,694
Creditors: amounts due after one year	(75,000)	(75,000)	–	–	–
Provisions for liabilities and charges	(1,458)	(1,260)	(2,488)	(4,360)	(2,478)
<b>Total net assets, excluding pension liability</b>	<b>748,125</b>	<b>749,527</b>	<b>738,336</b>	<b>699,601</b>	<b>657,361</b>
Represented by:					
Deferred capital grants	157,627	167,815	159,442	147,588	136,525
Endowments	88,257	83,476	82,979	78,136	71,184
Revaluation reserve	43,090	43,046	43,664	44,311	44,144
Income and expenditure reserve	459,151	455,190	452,251	429,566	405,508
<b>Total funds, excluding pension liability</b>	<b>748,125</b>	<b>749,527</b>	<b>738,336</b>	<b>699,601</b>	<b>657,361</b>

## Financial Statistics

	Consolidated and University				
	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
<b>Sources of income</b>					
% of total income					
Grants from Funding Councils (HEFCE and TA)	24.5	29.2	30.1	31.7	32.7
Tuition fees – home and EU	22.2	17.6	16.7	16.3	15.3
Tuition fees – overseas	11.6	11.3	10.1	8.8	8.4
Income from research grants and contracts	21.2	21.9	21.6	22.7	22.2
Income from residences, catering and conferences	6.5	7.0	6.5	6.4	6.5
Other income	14.0	13.0	15.0	14.1	14.9
<b>Total income</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Analysis of Expenditure</b>					
% of total expenditure					
Staff costs	54.6	54.5	56.1	56.2	56.1
Depreciation	9.4	10.5	11.0	10.8	10.7
Other operating expenses	35.3	34.7	32.8	32.4	33.2
Interest payable	0.7	0.3	0.1	0.6	0.0
<b>Total expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Operating surplus for the year as % of total income</b>	<b>1.3%</b>	<b>1.2%</b>	<b>5.7%</b>	<b>4.8%</b>	<b>5.7%</b>
<b>Indicators of financial strength</b>					
Ratio of short-term cash to total expenditure (days)	163	178	125	110	75
<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	9.1%	9.3%	0.0%	0.0%	0.1%
<i>Measures the extent to which an institution is funded by long-term debt</i>					
<b>Indicators of liquidity and solvency</b>					
Ratio of liquid assets to current liabilities	1.7	1.8	1.1	1.0	0.8
<i>Extent to which current liabilities could be met from cash and liquid investments</i>					
Ratio of current assets to current liabilities	2.2	2.2	1.5	1.4	1.2
<i>Extent to which current liabilities could be met from current assets</i>					
Debtor days	52	51	54	56	53
<i>Days of total income (excluding Funding Council grants) represented by debtors</i>					



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