

UNIVERSITY OF
BIRMINGHAM

ANNUAL
REPORT
AND
ACCOUNTS

2014

15

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Vice-Chancellor's Report



The last 12 months were exceptional, even for this University. Student recruitment was excellent, student achievement remarkable, research quality outstanding, and the wider contribution of the University more diverse and powerful than ever.

We celebrated a number of firsts: the openings of the High Temperature Research Centre in Ansty, the Institute for Translational Medicine, and the University of Birmingham School. We also completed our record-breaking fundraising campaign – *Circles of Influence*, raising more than £193 million.

Last year also saw the installation of Lord Bilimoria of Chelsea as our new Chancellor. The founder of Cobra Beer, Lord Bilimoria became the first Indian-born Chancellor of a Russell Group University in England. He follows a long line of distinguished Chancellors including the Rt Hon Joseph Chamberlain; the Rt Hon Anthony Eden, Earl of Avon; Sir Alex Jarrett; and Sir Dominic Cadbury.

The year also heralded the arrival of a number of high-profile people to become part of our executive board, including Pro-Vice Chancellor and Head of the College of Social Sciences Professor Saul Becker, Pro-Vice-Chancellor and Head of the College of Life and Environmental Sciences Professor Myra Nimmo, and Pro-Vice-Chancellor and Head of the College of Medical and Dental Sciences Professor David Adams. Several members of our team replaced colleagues who had progressed to Vice-Chancellor roles at other academic institutions, demonstrating the calibre and recognition of our leadership team.

Work on our extensive programme of developments on campus continues. In September 2015, Chamberlain Hall, the University's latest hall of residence, opened its doors to first-year students. We also launched a new £13.5 million student hub, stylishly refurbishing part of the Aston Webb Building to bring a comprehensive range of student services together in one place, putting students at the heart of the campus. The new £55 million sports centre opens in Easter 2016 and will provide outstanding facilities for students, staff, and the wider community, and our new library progresses at a rapid pace and is on schedule to open next autumn.

Civic responsibility

The University's deep commitment to the life and well-being of the city of Birmingham and the Midlands region was evident in much that we do.

A major milestone was opening the Institute of Translational Medicine, a product of the Birmingham Health Partners collaboration between the University, the University Hospitals Birmingham Foundation Trust, and Birmingham Children's Hospital. This unique £24 million facility co-locates major clinical specialties with a clinical research facility, early-phase trials unit, and hub to host pharmaceutical companies and SMEs, thereby accelerating patient access to new procedures, drugs, and medical devices. It is also expected to generate 600 high value jobs in its first five years.

Vice-Chancellor's Report (continued)

The University of Birmingham School, a £22 million investment and the first 11–18 years university training school in the country, welcomed its first pupils in September 2015. It will grow to its full capacity of 1,150 pupils by 2020. Its pioneering approach has created a vibrant learning community reflecting the diversity in the city of Birmingham, transforming the lives of its pupils by raising aspirations, and becoming a centre for outstanding initial teacher training.

The cultural impact of the University was highlighted through our landmark partnership with the Royal Shakespeare Company to resurrect the iconic theatre venue The Other Place. The Bramall Music Building is cementing its position as a pre-eminent cultural venue in the city, and the Barber Institute's major exhibition to commemorate the outbreak of the First World War, featuring the work of war artist CRW Nevinson, attracted many visitors. The Lapworth Museum has been closed for extensive refurbishment over the last year, but some of its prized exhibits were showcased in a collaborative exhibition with the Library of Birmingham called *Stones & Bones*, and once again our annual community day attracted 15,000 visitors to campus.

Our high-profile and diverse partnerships with Midlands-based businesses were also underlined. The 5,800sqm High Temperature Research Centre at Ansty in Coventry was opened – a leading centre for pioneering research into advanced manufacturing. The Centre, which builds on a longstanding, successful collaboration between the University and Rolls-Royce, was funded through a £40 million investment by Rolls-Royce, matched by a £20 million government grant through the Higher Education Funding Council for England's UK Research Partnership Investment Fund (UKRPIF).

The University also took a lead role in securing £60 million from the government to establish an Energy Research Accelerator in the Midlands, bringing together six academic partners from across the Midlands. This project will develop new energy technologies around the themes of thermal energy, integrated energy systems and geo-energy – encouraging investment and adding competitive advantage to the UK in today's global markets.

Our commitment to regional enterprise and investment at every level was acknowledged publicly last February when we were awarded the title of Enterprise University of the Year 2015 at the Midlands Business Awards. This was one of a remarkable number of accolades for the University.

Enviably league table performance

Irrespective of their merits, league tables continue to be watched and used globally by applicants and staff, and a strong position in these supports all aspects of the University's success. The last 12 months heralded an enviable performance: our students are more satisfied than ever, we have one of the highest graduate level employment rates in the country – a fact most recently earning us the title of *The Times* and *The Sunday Times* University of the Year for Graduate Employment 2016 – and our research continues to gain international recognition.

Internationally, the University was placed 76th in the *QS World University Rankings* for 2015/16, and the renowned *National Taiwan Rankings* placed Birmingham ninth overall in the UK, ahead of Durham, Warwick, and Nottingham.

Outstanding research

The quality and impact of our research was reflected in the UK-wide Research Excellence Framework (REF) 2014. More than 81 per cent of all research carried out by the University of Birmingham was rated as internationally excellent (3*) or world leading (4*). REF 2014 also showed that 87 per cent of the University's research activity has a global impact, confirming our position among the world's top universities for research in a broad range of areas from History, Philosophy and Theology, and Education, to Chemical Engineering and Psychology.

Our profile was enhanced further by the impact of our research. Among the biggest stories of the last 12 months were the launch of the Birmingham Institute for Forestry Research, a £15 million, decade-long experiment, funded by a major benefactor, to study the impact of climate and environmental change on woodlands; and an £80 million grant to establish a UK

Vice-Chancellor's Report (continued)

Quantum Technology Hub. By exploiting the extreme sensitivity of quantum sensors, physicists working with industry will be able to bring to the market place technology that can look accurately and non-destructively in many scenarios, from mapping pipework and cabling under the road surface before digging takes place, to monitoring water levels in aquifers in drought prone areas, as well as providing non-invasive ways of measuring brain activity to further research into dementia.

Other discoveries hitting the headlines included the Birmingham Qur'an manuscript held by the University that was placed among the oldest in the world after being dated using modern scientific methods, and a solar system with five Earth-sized planets dating from the dawn of the galaxy.

The trial of a vaccine that can treat some forms of cancer caused by a common herpes virus, the Epstein Barr Virus, was launched by Cancer Research UK (CRUK)'s Drug Development Office at the University. The vaccine, developed by CRUK, used technology developed here, and it is hoped the vaccine will allow the immune system to distinguish between cancer cells and healthy cells, arming the immune system to destroy tumours.

Global impact

Our global impact saw continued consolidation of our signature international collaborations.

It was a pleasure for me and our new Chancellor to join a ministerial delegation to New Delhi in November 2014 to promote deeper ties between the UK and India, bolstering student recruitment, research, teaching, and business links. In partnership with The University of Nottingham, we also strengthened our collaboration with Brazilian institutions. Building on our success in Brazil with the Sao Paulo Research Council, the Rio de Janeiro State Funding Agency (FAPERJ) allocated £100,000 for nine research projects in 2014–2015, with the amount matched by combined funding from ourselves and Nottingham.

Our relationships in China have continued to strengthen, both in Guangzhou where our civic

engagement with the municipal government continues to break new ground for a UK institution working in China, and beyond Guangzhou where we collaborate with some of the biggest and most influential Chinese partners in the fields of energy, rail, and medicine. In the US our strategic alliance with the University of Illinois at Urbana-Champaign is deepening with our BRIDGE (BiRmingham Illinois Discovery EnGagement and Education) agreement offering a new model for collaboration between major universities.

Universitas 21, the global network of leading research universities that I currently Chair, is establishing itself as a powerful worldwide force in education through the strength and diversity of its members. I hope this will bring further recognition of our commitment to fostering international partnerships.

Our Massive Open Online Courses (MOOCs), which are run in conjunction with *FutureLearn*, reached 100,000 learners across the globe, and we became the first European institution to partner with the US publishing giant Wiley on the provision of three new distance-learning Masters programmes, marking a step-change in the provision of distance and online learning in the UK.

Meanwhile, more than 200 graduands in Singapore received their Master and Bachelor degree scrolls at the University of Birmingham–SIM degree congregation in November 2014. The ceremony marked 21 years since the University of Birmingham first began delivering business education in Singapore. At home, meanwhile, we celebrated our 300,000th alumni during the summer graduation ceremonies.

Destination of choice

We continue to be a destination of choice for both undergraduate and postgraduate students. Applications grew again and we continue to reap the rewards of our pioneering Unconditional Offers scheme, with just under 1,200 students recruited this way. Launched in 2013, the scheme attracts the very brightest students by making unconditional offers to high-performing applicants. Offers are made to individuals who have already demonstrated their motivation through exceptional academic performance in their schooling.

Vice-Chancellor's Report (continued)

In addition to having predicted grades in excess of 3As at A level, the views of their current institution and teachers are taken into consideration as well as the candidates' personal statements.

Our hugely successful *Circles of Influence* fundraising campaign drew to a close having far exceeded its target. The largest and most successful higher education fundraising campaign outside Oxford, Cambridge, and London, we raised £193.4 million. Over the course of the campaign, more than 11,500 donors, many of whom are *alumni*, helped to transform our campus, funded research that has global impact, and gave students life-changing opportunities. Projects supported included 570 student scholarships, the naming gift for the Bramall, the new library, sports centre, University School, the £15 million Institute for Forestry Research, and more than £5.5 million of medical research.

In April last year, the University placed itself at the heart of the nation's political debate when we welcomed the BBC, *the Guardian*, and Sky News to campus for a series of broadcast events and debates ahead of May's General Election. *Newsbeat: The Election Debates* discussed issues highlighted in a poll of more than 6,000 18- to 24-year-olds, including NHS, immigration, and education. The *Big Asian Election Debate* hosted by the BBC Asian Network was broadcast on 14 BBC local radio stations and the News Channel. *The Guardian's* 'You Talk, They Listen' took place on 27 April, and on 28 April Sky News' *Stand Up Be Counted* General Election tour was on campus throughout the day. As BBC Midlands Political Editor Patrick Burns noted: 'The magnificent Great Hall of the University of Birmingham has established itself as one of Britain's great cathedrals dedicated to our political devotions.'

Strategic Framework

More than a century after the University's founding, we remain committed to developing and enhancing our national and global influence while animating the city of Birmingham's renaissance. These ambitions, along with our excellent performance in all areas of higher education, and our global reach and reputation, give us a distinguished and distinctive platform from which to build as we launch our Strategic Framework 2015–2020 – *Making Important Things Happen*.



This will guide us through a time of significant change and challenge for universities. With rising student expectations, research funding targeted increasingly on truly excellent institutions, devolution to the national territories, a Higher Education Green Paper, and the Comprehensive Spending Review, the HE sector must adapt and evolve. We remain confident that the quality of our students, and the creativity and leadership of our people, alongside our willingness to make bold and sometimes tough choices, will enable us to realise our goals.

The past 12 months have reflected our continuing ability to bring people and resources together for the greater good. Through sustained original thinking our future success will be seen in the continued growth of our impact and reputation, regionally and internationally. By investing in, and cultivating, intellectual talent, and through delivering outstanding research and education, we will unlock value, make important things happen, and model what a great university should be.

Professor Sir David Eastwood

Vice-Chancellor and Principal

27 November 2015

Treasurer's Report



The University of Birmingham continues to invest for the future while maintaining its financial sustainability. 2014/15 is another academic year in which we achieved our financial objectives.

My first full year as Treasurer of the University of Birmingham has seen a continuation of many of the financial risks I discussed in my report last year, not least those affecting government funding and research income. The removal of student number controls by the government has created a fiercely competitive environment for Higher Education Institutions needing to secure their targeted undergraduate recruitment. The new government's budget in July 2015 resulted in cuts to our recurrent grants and signposted that more is to come. The upcoming referendum on EU Membership has introduced more uncertainty into research funding given that over 15% of our research income now comes from EU sources. These are just three indications that the challenges facing the Higher Education sector are strong and becoming stronger. Yet notwithstanding the demands made of us, I continue to be positive about how well the University responds to change and how strong is its commitment to investing for the future while maintaining financial sustainability. 2014/15 was another year in which we were able to fund, from our own financial resources, substantial investments

to enhance the student experience and to secure new sources of research funding through collaborations and partnerships both at home and abroad. We achieved this while still generating a level of cash surplus for the year, essential to sustaining our ambitious capital investment plans over the next few years.

The financial year 2014/15 was the last year of our current strategic framework and I have followed that framework in my report as it provided the strategic direction and key strategic goals for this year. In July 2015, the University's Council approved the strategic framework for the next five years to 2020 and as the Vice-Chancellor indicates in his report this is now being launched. Compared to the previous strategic framework, many of the themes remain, building on the achievements of the last five years. There is however an increased emphasis on engagement with all our stakeholders locally, nationally and internationally to build our influence and impact and this will be an increasingly important element in my future reports.

Key financial highlights 2014/15

74% of students from the UK				41% of students are postgraduates		
£248m student fees income		£73m recurrent grants from HEFCE	£126m research income		£37m residences income	9% growth in income
£289m spent on staff	£191m on other operating costs	£6m endowment and investment income	57% of income spent on academic schools	£3m of interest payable	Over 7,100 staff costing 50% of our income	£39m on student support in year
£45m operating surplus	Surplus 8% of income	£532m total expenditure on operations	£66m cash generated from operations	£153m spent on campus development	£1.6bn insurance value of our buildings	
Administrative services 8% of income	£97m endowment asset holdings	£215m cash and short term investments held	£74m bank borrowings	£47m pension liability	9% borrowings to total net assets	
£824m of net assets	67% student fees from undergraduates	21% of income from research		18% of income from other operating activity	£2.2m grant to Guild of Students	
	11% of costs are premises related	43% of income from student fees	11.1 x cover of borrowings by net assets	1.7 x cover of current liabilities by current assets		

Treasurer's Report (continued)

Review of the year

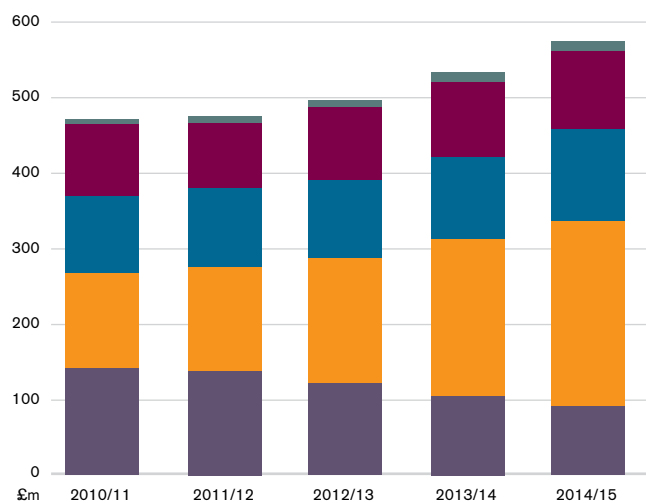
- 9% growth in income
- Surplus, before exceptional items, of £38m, representing 7% of income
- Cash generated from operations of £66m

Overall, 2014/15 has delivered a sound financial result. In a highly competitive market we have achieved growth in our income and, coupled with strong financial stewardship, we have been able to generate cash surpluses sufficient to fund our investment plans.

We have continued to make very substantial investments in our estate and I discuss these more fully later. However, while these investments grab headlines because of their scale and physical impact, I will also highlight in my report the smaller non-capital amounts we invest to enhance our performance across all aspects of our work. These are no less crucial to the financial success we have achieved this year and to sustaining it in the years to come. I particularly want to draw attention also this year to the sizeable investment we make in supporting our community and I refer you to the subsequent report entitled 'Our Community'.

Overall, the proportion of our income which is competitively won now represents 64% of the total. In 2010/11 the proportion was 48% and in this one statistic we can see the fundamental changes impacting the Higher Education Sector and the risks institutions now face over maintaining their income levels.

Total income

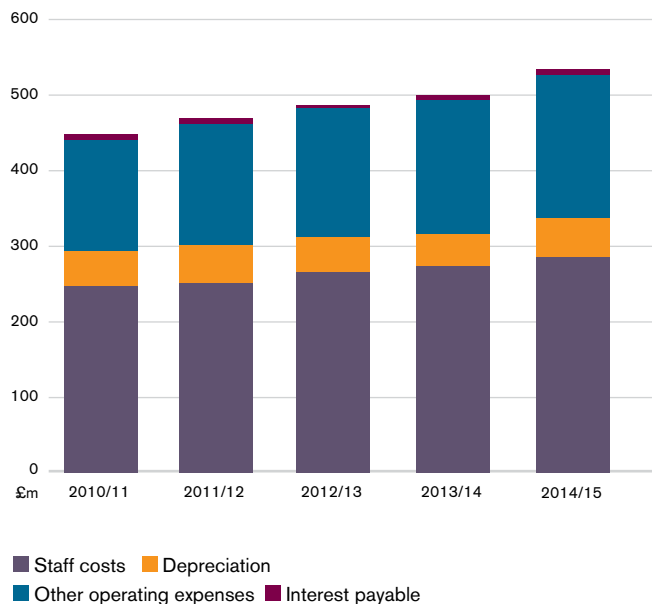


■ Funding council grants
 ■ Academic fees
 ■ Research
 ■ Other operating income
 ■ Endowments and interest



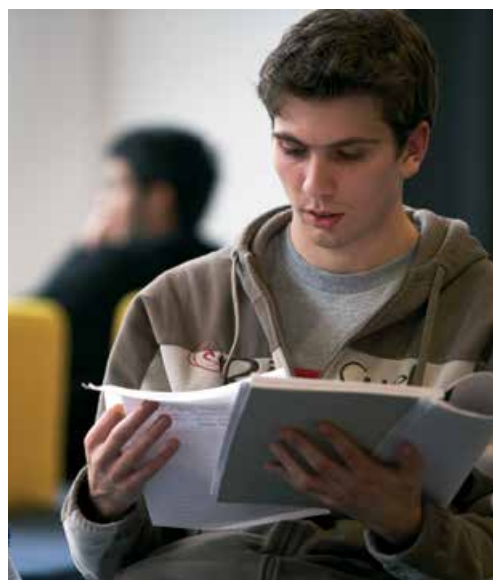
Treasurer's Report (continued)

Total expenditure



In response to the risk to maintaining income levels and in accordance with our financial plans, we have continued to invest in our staff and support areas to deliver improvements in our teaching, research and the University's physical environment. In 2014/15, following the publication of the Research Excellence Framework (REF), our particular investment focus has been on research and the need not only to sustain but also to build on our REF performance in preparation for the next REF in 2020. We invested some £3.5m (2013/14: £3.2m) this year in new research staff and associated initiatives including £0.5m on enhancing our Railways Group and £0.6m on our Business School. We also invested £1.8m in the Institute of Translational Medicine, a joint project with University Hospital Birmingham NHS Foundation Trust. We were also able this year to provide matched funding for teaching and research enhancements in areas such as Doctoral Training Centres and in total invested over £3m in teaching development and enhancement.

I am pleased to report that administrative costs remain only a small proportion of our spending and accounted for less than 8% (2013/14: 7%) of our income as we continue to prioritise frontline delivery as our main expenditure.



Treasurer's Report (continued)

Enhance our research power

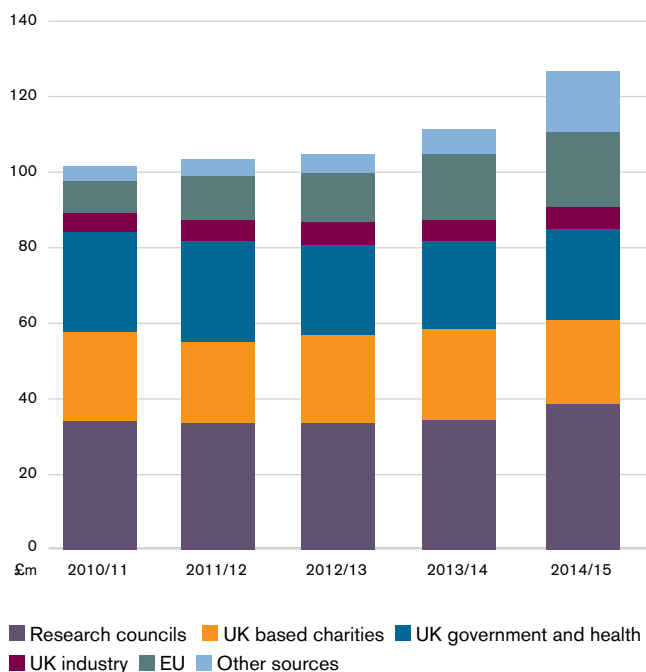
- £126m from research activity
- 21 new patent applications made in year
- 53 new records of inventions registered in year

Our performance in the REF released in December 2014 was very pleasing with 87% of the University's research activity having a global impact. Our awards in the year have increased from £124m in 2013/14 to £144m, a growth of 16% (2013/14: 7%). Our awards success over a number of years is now flowing into our income, with 2014/15 research income (excluding exceptional items) reaching £119m (2013/14: £112m), up 6% on 2013/14. In addition we recognised £7.6m (2013/14: nil) of exceptional research income under the Research and Development Expenditure Credit scheme. Funding pressures for government agencies

and for charities, coupled with the ever more competitive nature of research activity means that contribution levels are continually under pressure as funders seek to restrict their funding to direct project costs alone. This represents a significant financial risk and accordingly, we have had to become much more entrepreneurial in the funding opportunities we pursue, in the way we put funding bids together and in the pricing strategies we adopt.

The Birmingham Research Fellows scheme is now into its fourth cohort and continues to attract very high-quality early-career researchers who are actively engaged in supervising doctoral research students and delivering their own research outputs.

Research income



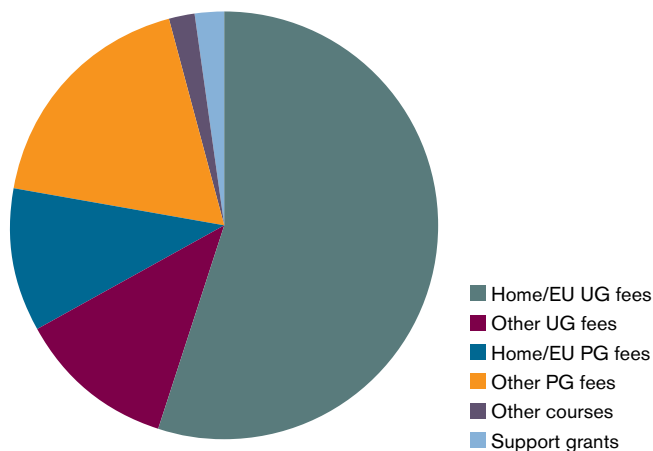
The University has actively engaged with the UK government in collaboration with other Midlands based universities and companies to enhance the reputation, standing and recognition of the region. The announcement of two significant national research funds for an Energy Research Accelerator (ERA) and the UK Collaboration for Research Infrastructure and Cities (UKCRIC) evidence our success from this activity. Strong links developed over many years with our local counterparts in areas of expertise and with our funders in the business sector have been co-ordinated in association with the local Council, the Local Enterprise Partnership and Members of Parliament to show the power base the Midlands region can offer to national government.

Treasurer's Report (continued)

Provide our students with a distinctive high-quality student experience

- 43% of our total income is from student fees
- 74% of students are from the UK
- 41% of students are postgraduates
- 57% of our income is spent directly in our academic schools

Fee income



Students represent a vital part of our activity and our income and we are committed to delivering an excellent experience to each and every one of them. We continue to spend significant amounts (£329m in 2014/15 and £306m in 2013/14) in our academic schools to support our teaching related activity and, through other investments, to help our students get the most from all we offer. For example we have introduced support to provide additional guidance to those in the early stages of their student life as well as students experiencing challenges later on in their study. Our aim is always to deliver a student experience worthy of our reputation.

The income we receive from fee paying students now represents 43% (2013/14: 40%) of our total income, significantly outweighing the teaching grant we receive from government which now amounts to just 5%. A third of our student fees come from non-EU students. Once again we set targets for student intake which balanced market demand with selected growth areas while ensuring the academic quality of our new students was maintained.

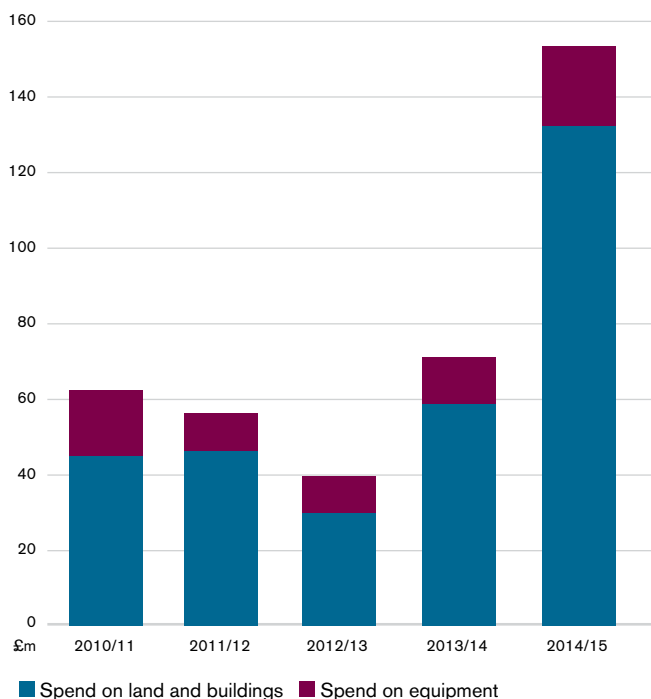


Treasurer's Report (continued)

I am delighted to report that despite the competitive pressures for 2014 intake we were able to achieve our targets at undergraduate and at taught postgraduate levels to achieve a growth in our student numbers of 5% over last year. This growth was achieved in part through our continued investment in student facilities, support and teaching but importantly also through our commitment to enhancing the application process for prospective students and their parents with improved information support and guidance and innovative use of technology. Maintaining our student numbers, particularly those from overseas, remains a significant challenge.

Overall, academic fees and support grants grew by 20% compared with 2013/14. The composition of student income continues to change with now nearly all Home/EU undergraduate students paying £9,000 a year. This fee level has remained unchanged for three years, despite increasing costs. Continuing to keep the Home/EU fee at this level represents a serious financial risk going forward. The Government teaching grant from the Higher Education Funding Council for England (HEFCE) is in decline (down 29% year on year) and we expect further cuts as a result of the Comprehensive Spending Review later in 2015, increasing the risks to our income levels.

Capital investment



Recruitment for 2015/16 is looking strong and the recent announcement of University of the Year 2016 for Graduate Employment should help us continue to build our appeal to prospective students.

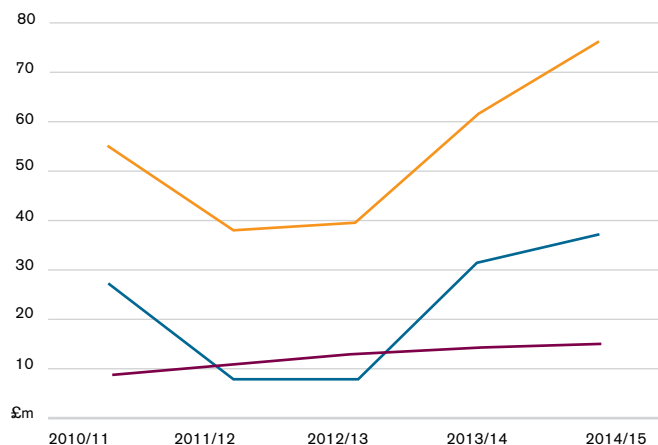
In 2015/16 a number of student facing capital projects will complete, including new student residences, the sports centre, library and the student hub. This brings to a conclusion a capital investment cycle of over £300m in the last four years. The quality of the estate is critical to the student experience and commitments to new projects such as the Collaborative Teaching Laboratory and refurbishment of a number of academic buildings have already been made. The insured value of the estate is £1.6bn and this year £20m (2013/14 £20m) was spent on maintenance and refurbishment.

Treasurer's Report (continued)

Sustain our financial strength

- £215m held as cash and short-term investments
- £97m held in endowment investments generating £6m in endowment income and interest
- £37m income generated from student residences, catering and conferences representing some 6% of total income

Financial sustainability

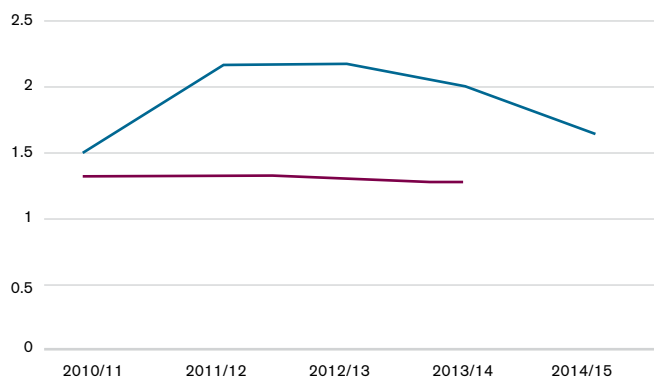


■ Surplus for the year ■ Revenue Investment in year ■ EBITDA*

*EBITDA represents the operating surplus for the year, before Research and Development Expenditure Credit, minority interest, taxation, interest payable and receivable, and depreciation and amortisation of capital grants.

The generation of a cash surplus to enable both revenue and capital investments is a key performance measure of our financial sustainability. This year areas of investment have included Bio-informatics; clinical trials support; extended library opening hours; English and Drama curriculum development; plus a number of academic appointments in key areas. Investments in existing and new areas support the principles of innovation and diversification which the University promotes in all our activities. This will help us to remain competitive in the future.

Current ratio

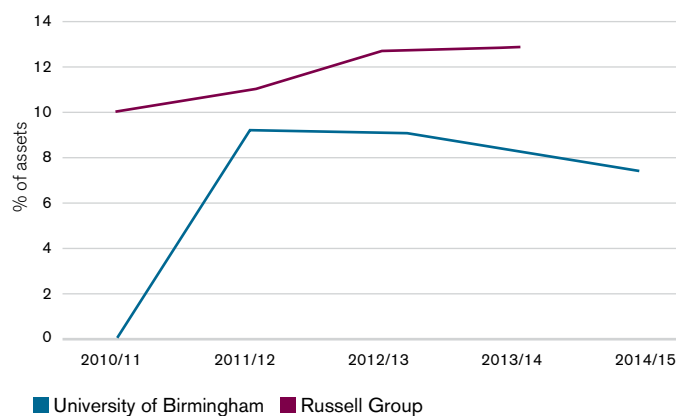


■ University of Birmingham ■ Russell Group

An important measure of financial strength is our ability to pay our creditors as required. We continue to exceed the Russell Group average due to relatively low borrowing levels and our commitment to pay creditors within 30 days.

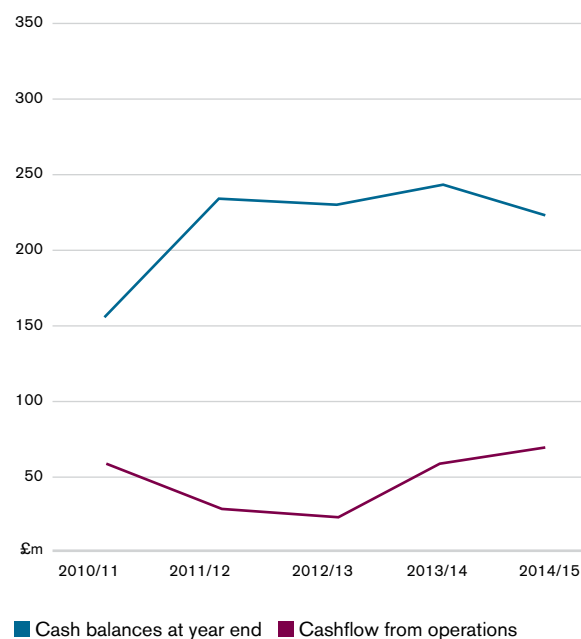
Treasurer's Report (continued)

Gearing



The University's ratio of debt to assets remains strong. We have the capacity to take on additional debt and will continue to consider additional borrowing or investments which can deliver appropriate returns to service that debt. Balancing our long-term financial needs as the University seeks to deliver ambitious capital plans against the threat of declining levels of government funding and real time cuts in income is important.

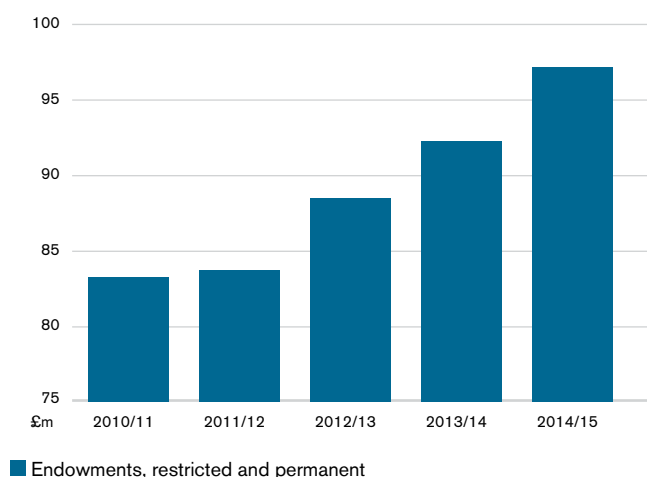
Cash balances and cash from operations



Cash balances, including the investment portfolio, remain very strong. The 2014/15 year end position includes £11m (2013/14 £0.1m) held for distribution to others in relation to research collaborations. Management of investments and cash to maintain returns while having medium-term access will continue to be important for us.

Treasurer's Report (continued)

Five-year endowments



In the year the long-term investment portfolio generated a total return of 8.3% (2013/14 6.1%). Short term cash returned 0.7% (2013/14 0.69%). Both were slightly ahead of the benchmarks set by the Investment Sub Committee which determines the policy for investing the long- and medium-term portfolio. In 2015/16 a mid-term investment fund is being created as a means of generating a greater return from cash which is not required for investment in the short term.

Significant accounting matters

I wish to draw your attention to several significant accounting matters which are important to an understanding of our financial performance this year and going forward.

- Research and Development Expenditure tax credits (RDEC):** RDEC was introduced for large businesses from April 2013. During 2014/15, the sector became aware that Higher Education Institutions were eligible for the RDEC scheme under which tax credits could be claimed in respect of certain research related expenditure. In line with most research intensive universities during

2014/15, we submitted claims for 2012/13 and 2013/14 financial years in accordance with the HMRC large company RDEC scheme. With effect from August 2015 universities are no longer eligible to claim such credits, following changes introduced in the July 2015 Budget. We are currently considering a claim for 2014/15 which may be still available to us but have not yet decided whether to submit it. Details of the accounting treatment is set out in the Statement of Principal Accounting Policies and Estimation Techniques and note 3 to the accounts.

RDEC receipts are outside of the control of the University but have nevertheless added significantly to our financial surplus in the 2014/15 accounts. The increase net of taxation amounts to £5.9m and is disclosed separately on the face of the Income and Expenditure Account.

- Pensions:** The University operates one defined benefit pension scheme – the University of Birmingham Pension and Assurance Scheme (BPAS). This scheme has been closed to new members for some years but we continue to make additional contributions and to carry a significant provision as outlined in note 27. A large element of the movement in the scheme value is non cash in nature.

The University also participates in another defined benefit pension scheme, namely the Universities Superannuation Scheme or USS. This scheme has recently concluded its March 2014 triennial valuation which produced a deficit of £5.3bn (March 2011: £2.9bn). The recovery plan which has been agreed involves additional contributions from employers and employees as well as adjusted benefit arrangements. The additional costs of this, together with the removal of the contracted out national insurance relief, will begin in April 2016 and we estimate will increase our staff costs by some £3m next financial year.

Treasurer's Report (continued)

3. **Changing accounting standards:** For 2015/16 there is a new Statement of Recommended Practice (SORP) applicable to universities, so this is the last set of accounts we will present under the current accounting framework. The University has been working on the application of this new SORP for the last couple of years and consequently the impact of the changes is well understood.

Sustaining financial strength, in a market which becomes ever more competitive and uncertain, is an on-going priority. Diversification of our income sources and our activities, while broadening our engagement both nationally and internationally, will contribute to the University's financial position. The closing of the very successful Circles of Influence fundraising campaign in the year marked a significant milestone with over £190m being raised from research funders, alumni and other donors to support both revenue and capital activity over the next five years. We are in the process of developing a new campaign in support of our 2015–2020 Strategic Framework.

Value for money and efficiency in all of our supporting operations are crucial too. In the year we embarked on a significant project to replace the core HR and Finance software over the next two to three years. This is being delivered alongside of continual improvement and simplification in processes. The scale of the changes required is significant and as such the University is committing resources and money. I am pleased to see this level of investment in core systems and will be reviewing progress closely.

Be the destination of choice among our peers

- £289m spent on over 7,100 members of staff
- £33m spent on pensions

Success in all of our activities is dependent upon us being able to recruit and retain high-quality people who work with others to ensure the University continues to thrive. Innovative approaches to recruitment and retention help the University to mitigate the impact of this risk. For example a campus-wide recruitment scheme to attract professors with global credentials has led to 11 new appointments – many of whom arrived in the year – and this has raised awareness internationally of our brand and our activities. We continue to invest over 50% (2013/14: 52%) of total income in our people. Investments this year in new staff have included the areas of Bio-informatics; Forestry Research, English and Drama; Security; and Physics.

Retaining staff who are already here and performing highly is just as important to us as recruiting new talent. To support this, new leadership training has been rolled out to our emerging leaders based on a programme for senior leaders which has been running for several years. The appointments in the year of Professors Una Martin and James Arthur as Deputy Pro-Vice-Chancellors for Equalities and Staffing, respectively, also reflect our commitment to supporting and nurturing our staff. We also continue to engage in external programmes which recognise diversity, such as Athena Swan. This external engagement provides recognition where we are successful and challenges the University to broaden its approach in areas where the recruitment and retention of particular groups remains difficult.

Treasurer's Report (continued)

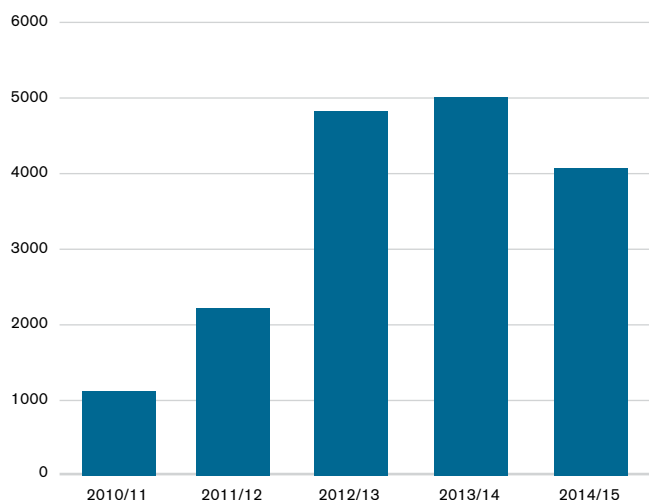
Enhance our performance and status as an engaged university

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

Our engagement is considered at local, national and international levels; our performance measures include technology transfers; public engagement; consultancy income and representation on relevant bodies.

The Vice-Chancellor's report and the 'Our Community' report provide examples of how we have engaged this year. Many of our senior staff continue to have external roles which extend our reach and enable us to influence and support as appropriate.

Registered student volunteers



The Midlands Innovation (formerly the M5), a collaboration of the six research-intensive Midlands-based universities, has committed to the next stage of its development with the appointment of a Director in July 2015. This role is being co-funded by the members and will enable us to approach local businesses on a combined basis for services and access to our equipment and research.

Our students play a significant part in our local community engagement through their volunteer scheme. This has been running for over five years now and provides a matching service for volunteers and organisations. Our students also provide many hours of sports training and coaching to local schools and community groups. The provision of life saver training to 2,500 school pupils was a further extension of this local engagement in the year.



Treasurer's Report (continued)

Risks

I have discussed the key strategic goals we set ourselves above and have highlighted the risks we face in each of these areas. The key strategic risks are linked to the strategic goals outlined within this report. The structure and format of the risk register is being refined in line with the newly approved strategy to 2020. The principles of linking the risks to the strategic goals, alongside mitigating actions and associated performance indicators, will continue as this has provided a useful focus and is embedded well across the University.

The future financial prospects of the University have been considered for a period of four years, and comprise a one-year budget plus three years' forecasts. We believe this time frame gives a reasonable planning horizon for decision making. This four-year planning horizon delivered income and expenditure statements; cash flows; capital planning budgets and summarised balance sheets. These budgets and forecasts were then subjected to sensitivity assessments which flexed the main assumptions. This forms the basis of our assessment of the ability of the University to continue as a going concern.

As a result of the highly competitive environment in which we operate, coupled with significant constraints on government funding, the level of assurance we can get from financial budgeting and longer term financial forecasting is much less than we have had historically. Consequently we have begun to supplement our strategic planning with scenarios which encompass a variety of potential outcomes for sector uncertainties driven by external and governmental factors. For example we have identified scenarios on what we consider to be our three most significant financial risks, namely cuts in government teaching grants; inability to achieve our targets on overseas recruitment; and cuts to research funding by governments in both the UK and Europe.

This developing scenario modelling enables the University to explore the potential impacts of these uncertainties crystallising and the resulting actions we might take in response.

We reflect the financial impact through contingencies we build into central operating budgets which aim to reflect a balance of risk protection and realism. Business plans and sensitivity analyses for investments, both capital and revenue, also form a part of this scenario assessment.

Conclusion

I remain confident that the University is well placed to compete on an international scale while addressing challenges closer to home. We will continue to adopt financial strategies which balance risks with rewards and aim to deliver a sustainable financial position through investment, income diversification and sound stewardship of our assets.

We will undoubtedly face challenges in the years to come but our financial strength means we are very well placed to deal with them.

We are also well placed because our staff so often rise to the challenges that confront us and find bold imaginative solutions to overcome them. The result we report in our accounts this year is the financial measurement of all their loyalty, commitment and hard work. Thank you to all our staff for delivering this year's financial performance and I look forward to working with you in 2015/16.

Mrs Caragh Merrick

Treasurer

27 November 2015

Our Community

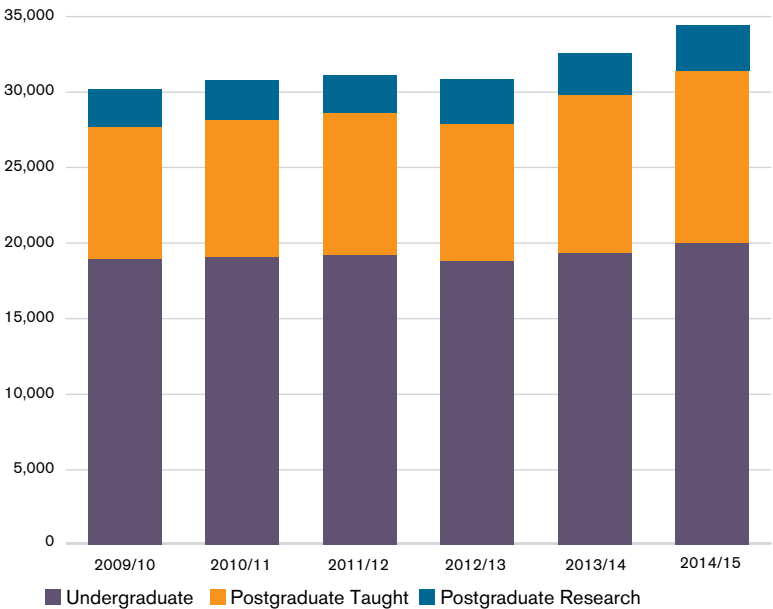
The University is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and since 2010, HEFCE has been the University’s principal regulator under the Charities Act 2006.

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

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

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

Student numbers



All our activities are defined by these principles, together with delivering benefit to our students and staff, many of whom are engaged in activities which benefit the public more widely.

Public benefit statement

In setting strategy and implementing decisions to enhance our activity, the University’s Council has due regard to the Charity Commission guidance on public benefit, and Council has noted the ways in which the University has delivered its charitable purposes for the public benefit.

Teaching and examining

The University offers the highest quality academic experience to students at both undergraduate and postgraduate level across a very wide range of subjects. We encourage all our students to contribute to the academic community and to develop their own independent thought and enquiry.



The benefits of the academic quality of the University are also available to our community. We provide a number of lecture series which are open to staff, students and the local community. In 2014/15 these have included:

- The Baggs Memorial Happiness Lecture given by Matthew Parish and attended by more than 900 people;
- The Vice-Chancellor's Distinguished Lectures focused on major social, cultural and policy issues of our time. The most recent being Professor Geoff Eley's lecture called 'What Produces Democracy?';
- College distinguished lectures including Professor Paul Cannon considering 'Solar Superstorm – a storm in a teacup or a global risk?'

In September 2014 the University hosted the British Science Festival providing an opportunity for academics across the UK to share their research and teaching with a wider audience. Eighty-thousand people attended lectures, activities and events over the week-long programme.

Our introduction of Massive Open Online Courses (MOOCs) in 2014 enabled our teaching to reach a much broader audience and we now have 11 courses available at www.birmingham.ac.uk/postgraduate/courses/moocs/index.aspx.

Research

Many of our staff and students pursue research across a wide range of disciplines, finding original concepts and new innovations which over time result in changes to our society, environment, healthcare, economies and much more. Our academics are regularly sought for comment

on their subjects and are contributing to discussions and debate through the news and online fora such as *The Conversation* (theconversation.com/uk) and podcasts (www.birmingham.ac.uk/news/podcasts/index.aspx).

Our research activities this year have included:

- Searching for new types of hydrogen-absorbing materials to reduce hydrogen tank sizes for extended use in vehicles;
- Identifying that bladder cancer may be better treated based on urine tests given by clinicians in the early stages.

Our vision is one where the transfer of knowledge and technology generated from our research into the economy, policy and society is embedded. To achieve this we engage in dissemination to our peers, the public, government and industry. By building on individual excellence and capitalising on our multi- and inter-disciplinary research strengths, we are addressing national and global challenges.

In delivering all our activities, the University is mindful of the need to minimise any detrimental impact. We have policies and procedures in place for the initial ethical approvals of research projects and courses. We also adopt and comply with appropriate standards for dealing with clinical tissue, sensitive data, or areas of ethical concern. We have ethical and sustainable policies for other areas of our operation such as procurement; investment and travel.

For more information on our research activities view www.birmingham.ac.uk/research/index.aspx

Learning

Our students and staff are involved in providing support to younger people through classroom-based engagement; lectures and competitions on campus; and coaching and mentoring sporting activity. The investment in the University Training School, which opened to Years 7 and 12 in September 2015 is a new method by which the University can deliver pedagogic innovation to secondary school pupils and enhance the ambition and opportunities for children across the city.

Knowledge advancement and dissemination

We continue to draw over 74% of our student population from the UK, with the remainder coming from a wide range of countries, backgrounds and experiences. This combination enriches the learning experience. We produce graduates and researchers who take their training and skills gained with us into a variety of careers and locations; spreading the impact of the University far and wide. Some of our research projects involve members of the public who have a continuing interest in the outcomes and assist with the dissemination process.

Engaging local and international communities

The University is one of a small number of large global organisations in Birmingham. The public and private benefit it attracts, its operational expenditure and capital investment mean it has a significant beneficial impact on the region's economy. It is an international gateway which attracts students and staff from around the world. We are proud of our contribution to the advancement of research and education and our good standing. We seek to use these to benefit our local and national community in all our engagement and activity. Many of the University's facilities are used by the local community for sporting activity; access to teaching space, particularly laboratories; attendance at events; the library; and visits to our collections. There are a number of cultural events each year which share our artefacts and facilities with those who attend. We also engage in city-wide initiatives which draw people into campus such as the Big Hoot in summer 2015.

Examples of the University of Birmingham contributions to the local community in 2014/15

OUR GRADUATES
ARE AMONG THE
TOP 10
HIGHEST
EARNERS IN THE UK

BIZZINN INCUBATOR HAS HELPED
80 LOCAL ENTREPRENEURS AND STUDENTS
CREATE **26** NEW COMPANIES AND **42** JOBS

CONTRIBUTIONS TO THE **BIRMINGHAM LIFE**
SCIENCES SECTOR THROUGH THE **BIO-HUB**,
INSTITUTE OF TRANSLATIONAL MEDICINE,
RESEARCH IMPACTS, AND POLICY DEBATE

TRAINING
ENGINEERS
OF THE FUTURE
AT THE NATIONAL COLLEGE
FOR HIGH SPEED RAIL

2,500 SCHOOL PUPILS RECEIVED
TRAINING IN LIFE SAVING SKILLS

OVER 21,000 PATIENTS RECRUITED TO
OUR CLINICAL TRIALS IN THE LAST THREE YEARS

OVER £1 billion
OF REGIONAL ECONOMIC
ACTIVITY GENERATED EACH YEAR

PROVISION OF STAFF TIME TO BE INVOLVED
IN LOCAL SCHOOL GOVERNING BODIES, LOCAL
ENTERPRISE PARTNERSHIPS, RESEARCH COUNCILS,
SECTOR BODIES, AND COMPANY BOARDS

Fellowships and scholarships

The University provides scholarships and bursaries on a targeted basis to encourage entry to and continuation of higher education from as wide a cross section of the community as possible. In 2014/15 financial support amounted to £39m (2013/14 £39m). We actively encourage widening participation through our Access to Birmingham scheme. This is funded in part by our alumni and involves targeted engagement with young people who have little or no experience of university, to assist them in understanding what it involves and supporting them from application through to graduation.

Some of the other scholarships we offer are targeted to particular disciplines to encourage study in subjects which may be less popular but nonetheless valuable. Some are for particular student types, for example musicians who are studying other subjects may be offered music tuition; sports scholarships and performance awards support students to continue their sporting success alongside their study; and fund scholarships for particular areas of skill or interest such as Lloyds Bank Scholarships.

With the variety of support offered, the University is committed to ensuring that fears about finance do not impact on the ambition and achievement of our students.

With support from external funding we run a number of doctoral training centres which provide studentships in a number of multi-disciplinary areas. These focus on postgraduate opportunities and links with businesses through the programmes ensure the activities are dealing with issues which matter in the world around us.

The University, our staff and many of our students recognise that wider engagement with our environment and community can deliver significant benefits alongside achieving the requirements of our Charter and Statutes, first introduced in the 1900s, which remain relevant today. The University was England's first civic university, where students from all backgrounds and regions were accepted on an equal basis and it continues to innovate and engage in responding to the challenges around us.

**SUPPORTING
12,000 JOBS**

**PUBLIC FESTIVALS
TO ENGAGE IN
OUR ACTIVITIES
INCLUDED ARTS
AND SCIENCE;
SIGHT AND SOUND;
FLAT PACK FILM;
BOOK TO THE
FUTURE**

365

**STUDENTS
ENTERED THE
UNIVERSITY
THROUGH THE
A2B SCHEME
IN 2015**

– THE HIGHEST NUMBER
SINCE THE SCHEME BEGAN

200 STUDENTS

YEAR 12

150 STUDENTS

YEAR 7

**UNIVERSITY TRAINING SCHOOL OPENED
IN SEPTEMBER 2015 WITH 350 STUDENTS**

**SUPPORT OF THE
RSC THEATRE
THE OTHER PLACE
THROUGH A 5-YEAR
COLLABORATION**

**RUN A BUSINESS
CLUB FOR OVER
300 MEMBERS**

**OVER 600 SMEs ENGAGED IN
MORE THAN A THOUSAND PROJECTS**

**PROVIDING ACCESS TO OUR RESEARCH IN
OTHER COUNTRIES TO ENHANCE HEALTH AND
SAVE LIVES; SUCH AS AUTISM SUPPORT IN
INDIA AND CHILD HEALTH SUPPORT IN CHINA**

Corporate Governance

The following statement is provided to enable readers of the financial statements to understand the key aspects of the governance of the University of Birmingham.

The University is committed to best practice in all aspects of corporate governance and conducts its business:

- i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii) in accordance with the guidance on corporate governance which has been provided for the sector by the Committee of University Chairs (CUC). This guidance has been updated during the year by the issue of the Higher Education Code of Governance in December 2014. The University has reviewed the new guidance and is satisfied that it is compliant with the seven primary elements of the Code.

Status of the University

The University is an independent corporation whose legal status derives from its Royal Charter granted in 1900. The University's objects, powers and framework of governance are set out in the Charter and its supporting Statutes.

The University is an exempt charity and is subject to regulation by the Higher Education Funding Council for England (HEFCE). The members of the University Council are the charity trustees and are responsible for ensuring compliance with charity law.

Council

The governing body of the University is the Council. It is chaired by the Pro-Chancellor, Mr Ed Smith CBE, and consists of 24 lay, academic and student members, the majority of whom are external to the University. The Council continues to take opportunities to broaden the diversity and skills profile of its membership, with a particular focus on increasing the number of women on Council.

The actual powers of the Council are set out in the Charter and Statutes of the University. The primary responsibilities of Council in the CUC Code can be summarised as:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.



Corporate Governance (continued)

3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To delegate authority to the Vice-Chancellor and Principal, as head of the University, for the academic, corporate, financial, estate and human resource management of the University and to keep under regular review how such management functions are undertaken by and under the authority of the Vice-Chancellor and Principal.
5. To safeguard the good name and values of the University.
6. To be the employing authority for all staff in the University and to be responsible for regular review of its human resources strategy.
7. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
8. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
9. To receive assurance that adequate provision has been made for the general welfare of students.

A key priority for the Council during 2014/15 has been the University's Strategic Framework 2015–2020. Members of Council made a significant contribution to development of the Framework. This included attendance at two Council Strategy Days which focussed on the Framework in October 2014 and April 2015 and approval of the Framework by Council in July 2015. The Council will now oversee implementation of the Framework and will monitor performance by setting key performance targets linked to the Framework.

Council meets five times per year. The formal meetings of Council are supplemented by briefing sessions to explore key issues, strategy days, visits to departments, external speakers on major issues in higher education and attendance at key University events such as the Chancellor's Dinner and Degree Congregations. This ensures that members of Council are part of the wider community of the University and that they are fully briefed on the activities of and challenges facing the University. A visit to Mondalez International in Bournville to give members of Council an insight into the University's industrial collaboration and business engagement activities was a highlight of 2014/15.

Council members also spend time within the wider activities of the University. This can take the form of specific meetings with students and members of staff including mentoring, attendance at lectures and events, representing the University in social or business communities, fundraising and raising the awareness, profile and excellence of the University within their own networks.

Council has undertaken regular reviews of its effectiveness since 2001/02. An effectiveness review of Council is currently in progress, chaired by the Deputy Pro-Chancellor, Mr Richard Haywood. The review was launched in July 2015 and is due to report to Council in November 2015. This will provide an opportunity to reflect and explore further enhancement of existing practice, particularly in light of the new Higher Education Code of Governance.

Committees of Council

There are five Committees of Council: University Executive Board (UEB), Strategy, Planning and Resources Committee (SPRC), Audit Committee, Membership Committee and Remuneration Committee. All except UEB include lay members of the Council. The decisions and recommendations of these Committees are formally reported to Council and their membership and terms of reference are reviewed on an annual basis. The Council operates a Scheme of Delegation which delegates specific matters to its Committees or senior members of staff.

The attendance at meetings of Council and its Committees for 2014/15 is shown on pages 26 and 27.

Corporate Governance (continued)

Members of the Council, who are also trustees of the University as an exempt charity, who served throughout the year ended 31 July 2015 and to the date of approval of these accounts, except where indicated otherwise, are set out in the table. Their attendance at meetings as members of Council, Strategy, Planning and Resources (SPRC), Audit, Remuneration and Membership Committees is shown below.

		Meeting Attendance 2014/15				
Members	Council membership dates	Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 1 in year
Lay Members appointed by the Council						
Mr Ed Smith CBE, Pro-Chancellor		5/5	5/6	-	2/2	1/1
Dr Chris Banks CBE, Deputy Pro-Chancellor	Term ended November 2014	1/2	2/2	-	1/1	-
Mr Richard Haywood, Deputy Pro-Chancellor	Term commenced December 2014*	5/5	4/4	2/2	1/1	1/1
Mrs Caragh Merrick, Treasurer		5/5	6/6	-	2/2	1/1
Mr Derrick Anderson CBE		4/5	3/6	-	-	-
Dame Christine Braddock DBE	Term commenced August 2014	4/5	-	2/4	-	-
Mr Alan Davey CBE	Term commenced August 2014	3/5	-	3/4	-	-
Mr David Davies OBE		4/5	-	-	-	1/1
Mr Martin Devenish		5/5	0/3**	-	-	-
Mr Robert Halton		4/5	5/6	-	1/2	-
Mr Malcolm Harbour CBE	Term commenced August 2014	4/5	-	-	-	-
Ms Sukhvinder Kaur-Stubbs		5/5	-	-	1/2	-
Mr Richard Keys		3/5	-	4/4	-	-
Dr Norman Price OBE	Term ended July 2015	5/5	-	4/4	-	-
Dr Ranjit Sondhi CBE		2/5	-	-	-	-
Mr David Stead	Term commenced August 2015	-	-	-	-	-

There was 1 lay member vacancy during 2014/15

* Previously a member of Council since 2012

** Resigned from SPRC in February 2015

Corporate Governance (continued)

		Meeting attendance 2014/15				
Members	Council membership dates	Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 1 in year
Appointed by Guild of Students						
Mr Wiseborn Danquah, Postgraduate and Mature Students Officer	Term ended October 2014	1/1	-	-	-	-
Ms Joulie Axelithioti, Postgraduate and Mature Students Officer	Term commenced November 2014	3/4	-	-	-	-
Miss Poppy Wilkinson, President of the Guild of Students	Term ended July 2015	4/5	6/6	-	-	-
Mr Jack Mably, President of the Guild of Students	Term commenced July 2015	-	-	-	-	-
Ex Officio Members						
Professor Sir David Eastwood The Vice-Chancellor and Principal		5/5	6/6	-	2/2	1/1
Professor Adam Tickell The Provost and Vice-Principal		5/5	5/6	-	-	0/1
Academic Members elected by Senate						
Professor Jonathan Frampton	Term ended July 2015	3/5	-	-	-	1/1
Professor Andrew Sanders	Resigned March 2015	0/3	2/4	-	-	-
Professor Kathy Armour		5/5	5/6	-	-	-
Professor Peter Fryer		4/5	-	-	-	-
Dr Helen Laville	Term commenced August 2015	-	-	-	-	-
Professor Hisham Mehanna	Term commenced September 2015	-	-	-	-	-
Secretary to Council						
Mr Lee Sanders The Registrar and Secretary						
Advisors						
External Auditor	Deloitte LLP					
Bankers	Lloyds Bank					
Solicitors (from Panel of)	Shakespeare Martineau Mills & Reeve LLP Pinsent Masons LLP Eversheds					

Corporate Governance (continued)

Strategy, Planning and Resources Committee

SPRC is responsible for oversight of the strategic planning of the University. It brings together academic, financial and physical planning and scrutinises business plans for major activities. The Committee also recommends the annual budget and long-term forecasts to the Council and monitors the performance of the University.

Audit Committee

The Audit Committee consists of five lay members of Council who are not members of SPRC. There is also provision for up to two co-opted members. The co-opted member is Mr James Hunt who attended all meetings of the Committee during the year.

The Committee reviews the effectiveness of the University's financial and other internal control systems, satisfies itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and advises the Council on risk management. It reviews the reports of the External Auditor and the scope and effectiveness of the work of the Internal Auditor and advises the Council on their appointment. It reviews regulatory requirements and the University's annual financial statements and accounting policies. The lay members of the Audit Committee meet regularly with the Internal and External Auditors for independent discussions.

Membership

The Membership Committee considers nominations for vacancies in the membership of Council and Court.

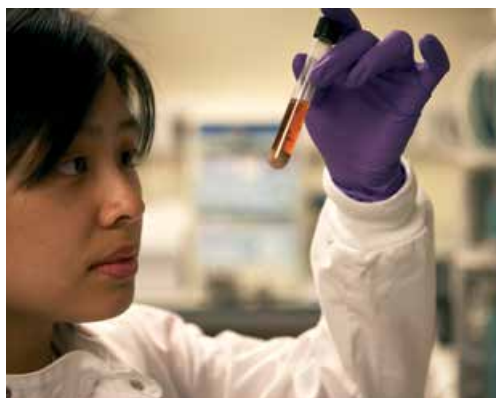
Remuneration

The Remuneration Committee is responsible for setting the remuneration of all senior staff, namely the Vice-Chancellor, members of the University Executive Board, Professors and senior professional staff.

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

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

- Take an overview of the reward policy and associated structures and processes which are designed to support a high performance culture;
- Review senior staff remuneration;
- Review equal pay issues; and
- Review and agree remuneration for the Vice-Chancellor and members of UEB who report directly to him.





Corporate Governance (continued)

The Committee ensures that it complies with the HEFCE Accounts Direction on senior staff remuneration, including severance arrangements. The annual process for setting senior staff remuneration is as follows:

1. At its first meeting, the Remuneration Committee considers and agrees the parameters and principles that will apply to that year's process and the information and data it wishes to consider at its second meeting, when it sets senior staff remuneration. The Vice-Chancellor is responsible for overseeing the annual process for senior staff (other than himself, which falls to the Pro-Chancellor) working within the approach agreed by the Committee.
2. In the case of senior academic staff, professors are invited to submit a statement describing their achievements over the previous 12 months, which is reviewed by their Head of School. These are then considered alongside market and equality data by their Head of College, who makes recommendations regarding proposed remuneration increases for their college and is responsible for ensuring consistency and equality of treatment. Proposals are subjected to both scrutiny and moderation and then the Vice-Chancellor presents his plan for the remuneration of professors to the second meeting of Remuneration Committee for consideration and approval.
3. There is a parallel process for senior professional staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative market and equality data. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations and then presents his plan for the remuneration of professional staff to the second meeting of Remuneration Committee for consideration and approval. Those members of University Executive Board who report directly to the Vice-Chancellor agree a series of collective and individual objectives at the start of the year, which are reviewed at least twice during the year and provide the Vice-Chancellor with an assessment of performance which, along with market pay data and other relevant inputs, is used by him to prepare proposals for the remuneration of those staff which he presents to the second meeting of the Remuneration Committee for consideration and for approval.

A report is presented to Council on completion of this process.



Corporate Governance (continued)

The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are endorsed by the Remuneration Committee. The Pro-Chancellor undertakes six and twelve-month appraisal discussions with the Vice-Chancellor and obtains feedback from selected individuals both within the University and its external stakeholders and reports these to Remuneration Committee. The Pro-Chancellor makes a recommendation to the Remuneration Committee's second meeting on the Vice-Chancellor's remuneration, informed by his assessment of the Vice-Chancellor's performance, the findings of the annual Committee of University Chairmen (CUC) Survey of Vice-Chancellors' remuneration, other market data and relevant information. The Committee scrutinises the Pro-Chancellor's recommendation and agrees the Vice-Chancellor's remuneration. The Vice-Chancellor's total remuneration is comprised of two elements, base salary and a performance-related payment of up to 15% of salary. The Pro-Chancellor proposes targets for payout of the performance-related element to the Remuneration Committee, who determine the level of award.

University Executive Board

The University Executive Board is the senior management team of the University. Its membership consists of the Vice-Chancellor and Principal (Chair), the Provost and Vice-Principal, the Pro-Vice-Chancellors, the Heads of College, the Registrar and Secretary, the Director of Finance and the Director of Human Resources. It normally meets weekly to steer the implementation of strategy and policies under Council's direction and within the Council's scheme of delegation. It oversees and makes decisions on major issues relating to the University and monitors institutional performance. It also fosters good communication and inter-collegiate activity in the University.

Senate

The Senate is chaired by the Vice-Chancellor and consists of up to 60 members drawn from the leadership team of the University, academic staff and the student community. It is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research. It oversees quality assurance and standards of the education provided by the University.

Register of Interests

The University maintains a Register of Interests of members of Council and senior officers which may be consulted by arrangement with the Registrar and Secretary.

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 Memorandum of Assurance and Accountability.

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 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

Corporate Governance (continued)

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

The review of the effectiveness of the system of internal control is informed by the Internal Audit Service, which operates to standards defined in the HEFCE Audit Code of Practice, and which was last reviewed for effectiveness by the HEFCE Audit Service in November 2011.

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

Ed Smith CBE

Pro-Chancellor

27 November 2015



Responsibilities of the Council

The University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability 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 Memorandum of Assurance and Accountability with these bodies and any other conditions which these bodies may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and to prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University's resources and expenditure.

Ed Smith CBE

Pro-Chancellor

27 November 2015

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 2015 which comprise the statement of Principal Accounting Policies and Estimation Techniques, 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, and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

Respective responsibilities of the University Council and auditor

As explained more fully in the Statement of Responsibilities of the Council, the Council is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Report of the Auditor (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2015 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 2015 have been applied for the purposes for which they were received; and

- in all material respects, income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of Assurance and Accountability, with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Birmingham, UK

27 November 2015



Statement of Principal Accounting Policies and Estimation Techniques

The Accounts for the year ended 31 July 2015

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 and have been applied consistently.

2. Going concern basis

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

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

Based on a one-year budget and three-year forecast, 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 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 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 has submitted claims under the Research and Development Expenditure Credit Scheme for large companies. Claims submitted and for which cash has been received have been recognised in the year the claim was submitted as research income and notional tax charge. Where there is any uncertainty around the University's ability to retain the cash received a provision has been made to reflect that risk based on a judgement.

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2015

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.

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

5. Taxation

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 CTA 2009 and sections 471, 478-488 CTA 2010 or section 256 of the taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

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

6. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt 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 major renovation or conversion of buildings are capitalised and depreciated in accordance with the above basis.

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

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

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

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

8. Heritage assets

Heritage assets are works of art and other valuable artefacts, held principally for their contribution to knowledge and culture rather than for the University's operational use. Heritage assets acquired or donated since 1 August 1999 and valued over £25,000 have been capitalised and recognised at the cost or value

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2015

of the acquisition, where such a cost or valuation is reasonably obtainable.

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

9. Equipment

Equipment costing £25,000 or less per item is written off to the Income and Expenditure Account in the period of acquisition. All other equipment is capitalised at cost and is depreciated over three years on a straight-line basis. Where equipment is acquired with the aid of specific grants, the grant is treated as a deferred capital grant and released to the Income and Expenditure Account over the expected useful economic life of the equipment.

10. Donated assets

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

Donated buildings and equipment are recognised in the Balance Sheet at fair value and an equivalent sum is recognised in deferred capital grants. They are depreciated over their expected useful life, with corresponding income released from deferred capital grants to the Income and Expenditure Account in line with the University's asset capitalisation policies in paragraphs 7, 8 and 9.

11. Repairs and maintenance

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

12. Leased assets

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the Income and Expenditure Account on

the same basis as above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the Income and Expenditure Account over the period of the lease. All other leases are operating leases and the annual rentals payable are charged to the Income and Expenditure Account.

13. Investments

Fixed Asset Investments are included in the Balance Sheet at market value. Increases/decreases in value arising on the revaluation of such investments are carried to the Revaluation Reserve.

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

Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income and Expenditure Account to the extent it is not covered by a revaluation surplus.

Consequently, the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as they are together treated as changes in the values of the investment portfolio.

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

14. Stocks

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

15. Pensions

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

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) for academic and academic-related staff, and the

Statement of Principal Accounting Policies and Estimation Techniques (continued)

The Accounts for the year ended 31 July 2015

University of Birmingham Pension and Assurance Scheme (BPAS) for other staff. 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 and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Short-term deposits comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part

of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

18. Financial instruments

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

19. Endowments

The University holds the following types of endowments:

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

20. Agency arrangements

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

Consolidated Income and Expenditure Account

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
Income			
Funding Council grants	1	89,416	104,717
Academic fees and support grants	2	248,442	206,104
Research grants and contracts	3	118,751	111,769
Exceptional Research and Development Expenditure Credit (RDEC)	3	7,644	-
Total research grants and contracts	3	126,395	111,769
Other operating income	4	106,532	100,125
Endowment income and interest receivable	5	6,303	5,436
Total income		577,088	528,151
Expenditure			
Staff costs	6	289,213	272,984
Depreciation	7	48,226	43,584
Other operating expenses	7	190,965	179,079
Interest payable	8	3,362	3,357
Total expenditure	7	531,766	499,004
Operating surplus		45,322	29,147
Corporation Tax	9	(10)	910
Tax on Exceptional Research and Development Expenditure Credit (RDEC)	9	(1,734)	-
Surplus for the year after taxation, before exceptional items		37,668	30,057
Exceptional Research and Development Expenditure Credit (RDEC) net		5,910	-
Surplus for the year after taxation and exceptional items		43,578	30,057
Minority interest		(17)	(25)
Surplus after minority interest and taxation		43,561	30,032
Transfer from accumulated income in endowment funds	18	865	1,423
Surplus for the year retained in general reserves		44,426	31,455
There were no discontinued operations during 2014/15 or 2013/14.			
Note of historical cost surpluses and deficits			
Surplus for the year		44,426	31,455
Difference between historical cost depreciation and the actual charge based on the revalued amount		624	624
Historical cost surplus		45,050	32,079

Balance Sheets

For the year ended 31 July 2015

	Note	Consolidated		University	
		2015	2014	2015	2014
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	700,741	596,829	671,772	582,023
Investments	11	23,241	19,595	21,083	18,287
		723,982	616,424	692,855	600,310
Endowment asset investments	12	97,037	92,126	97,037	92,126
Current assets					
Stocks and stores in hand		177	644	176	639
Debtors and prepayments	13	70,637	64,659	70,770	64,433
Investments and short term cash deposits		180,767	212,858	180,767	212,858
Cash at bank and in hand	14, 28	33,787	25,201	28,718	18,741
		285,368	303,362	280,431	296,671
Creditors					
Amounts falling due within one year	14	(164,410)	(151,144)	(163,008)	(148,324)
Net current assets		120,958	152,218	117,423	148,347
Total assets less current liabilities		941,977	860,768	907,315	840,783
Creditors: amounts falling due after more than one year	15	(70,313)	(74,063)	(70,313)	(74,063)
Provisions for liabilities and charges	16	(876)	(337)	(876)	(337)
Net assets excluding pension fund liability		870,788	786,368	836,126	766,383
Pension fund liability	27	(46,700)	(33,300)	(46,700)	(33,300)
Total net assets		824,088	753,068	789,426	733,083

Balance Sheets (continued)

For the year ended 31 July 2015

	Note	Consolidated		University	
		2015	2014	2015	2014
		£000	£000	£000	£000
Represented by:					
Deferred capital grants	17	202,732	164,891	182,574	159,039
Endowments					
Restricted expendable	18	6,748	6,785	6,748	6,785
Permanent	18	90,289	85,341	90,289	85,341
		97,037	92,126	97,037	92,126
Reserves					
Income and Expenditure Account (excluding pension reserve)	19	522,822	484,373	511,561	472,613
Pension reserve	19	(46,700)	(33,300)	(46,700)	(33,300)
Revaluation reserve	19	45,478	42,695	44,954	42,605
Minority interest		2,719	2,283	-	-
		524,319	496,051	509,815	481,918
Total funds		824,088	753,068	789,426	733,083

The financial statements on pages 37 to 72 were approved by the Council on 27 November 2015 and signed on its behalf by:

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

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

Consolidated Cash Flow Statement

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
Net cash inflow from operating activities	22	65,795	61,544
Returns on investments and servicing of finance	23	2,941	2,079
Taxation		-	5
Capital expenditure and financial investment	24	(92,480)	(48,040)
Net cash (outflow)/inflow before financing	26	(23,744)	15,588
Financing	25	(937)	-
(Decrease)/increase in cash in the year	26	(24,681)	15,588
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(24,681)	15,588
Repayment of debt		937	-
(Decrease)/increase in net funds		(23,744)	15,588
Net funds at 1 August		170,173	154,585
Net funds at 31 July	26	146,429	170,173



Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
Surplus after minority interest and taxation		43,561	30,032
Appreciation of endowment asset investments	18	4,344	1,582
Appreciation of fixed asset investments	19	3,407	229
New endowments	18	1,432	3,710
Actuarial (loss)/gain on pension fund	27	(20,000)	8,900
Total recognised gains in the year		32,744	44,453
Reconciliation of reserves and endowments			
Opening reserves and endowments		585,894	541,441
Total recognised gains for the year		32,743	44,453
Closing reserves and endowments		618,637	585,894



Notes to the Accounts

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
1. Funding Council grants			
Teaching recurrent grant from HEFCE		31,598	44,895
Research recurrent grant from HEFCE		41,572	41,865
Other grants from HEFCE		4,510	5,761
National College for Teaching and Learning		302	684
Deferred capital grants released – buildings and equipment	17	11,434	11,512
		89,416	104,717
2. Academic fees and support grants			
Undergraduate tuition – home and EU students		135,941	109,144
Undergraduate tuition – other students		29,736	25,309
Postgraduate tuition – home and EU students		27,149	22,713
Postgraduate tuition – other students		45,965	40,705
Other courses		5,564	4,087
Research, training and support grants		4,087	4,146
		248,442	206,104
3. Research grants and contracts			
Research Councils		39,389	35,315
UK-based charities		22,483	24,191
UK Central/Local Government, Health and Hospital Authorities		31,273	23,021
UK industry, commerce and public corporations		6,184	5,913
EU government bodies		17,962	16,182
EU other		1,710	1,462
Other overseas		6,678	5,228
Other sources		716	457
		126,395	111,769

Income from research grants and contracts includes £3,308k (2013/14 £1,761k) in respect of deferred capital grants released.

Research and Development Expenditure Credits (RDEC) were extended to large businesses in April 2013. With effect from August 2015 universities are no longer eligible to claim such credits following the July 2015 budget. £7.6m is included in UK Central/Local Government, Health and Hospital Authorities above for RDEC, which is shown separately in the Income and Expenditure Account due to its exceptional nature, relating to claims submitted for 2012/13 and 2013/14. HMRC have stated that they will be reviewing claims made by the sector and where appropriate will challenge the validity and clawback amounts received. Whilst the University is satisfied that the claims so far submitted are in accordance with its understanding of the scheme and technical advice received, a risk exists that dispute may arise with HMRC as a result of their stated approach. Appropriate provision has been made for the uncertainty that is judged to exist. There is a possibility that the University will submit a claim for 2014/15, but a decision as to whether to submit and the scale of any potential claim, has not yet been made. In the event of a submission in 2015/16, in accordance with the accounting policy, the claim net of any provision for uncertainty will be recognised as income with an associated tax charge in 2015/16.

Notes to the Accounts (continued)

For the year ended 31 July 2015

	Note	2014/15	2013/14
		£000	£000
4. Other operating income			
Residences, catering and conferences		36,635	33,872
Other services rendered		8,930	8,700
Externally funded posts – Health Authorities		15,104	14,881
Self-financing teaching activities		3,209	3,790
Rented properties and University Centre lettings		1,193	1,259
Day nursery and health centre		2,426	2,326
Release of deferred capital grants		4,162	2,608
Barber Trust annual grant		1,126	1,040
VAT refund		1,017	782
Other income		32,730	30,867
		106,532	100,125

Other income includes general donations £0.6m (2013/14 £1.6m) and funds received from third parties relating to specific University activity such as student support £8.4m (2013/14 £9.2m), and to cover the cost of certain staff £3.3m (2013/14 £2.7m).

5. Endowment income and interest receivable			
Income from permanent endowment investments	18	1,887	1,019
Income from restricted expendable investments	18	311	90
Income from short-term investments		1,440	1,519
Net return on pension scheme	27	2,300	700
Other investment income		365	2,108
		6,303	5,436



Notes to the Accounts (continued)

For the year ended 31 July 2015

6. Staff	Note	2014/15	2013/14
		£000	£000
Staff costs:			
Salaries		236,485	222,808
Social security costs		19,999	18,899
Pension costs	27	32,729	31,277
Total		289,213	272,984
Emoluments of the Vice-Chancellor:			
Professor Sir David Eastwood			
Salary		377	375
Performance related award		35	32
Taxable benefits		4	3
		416	410
The Vice-Chancellor is not an active member of the Universities Superannuation Scheme. The emoluments shown have been independently determined by the Remuneration Committee of the Council and have been reviewed according to performance.			
Compensation for loss of office paid to members of staff earning in excess of £100,000 per annum		-	-
Average staff numbers by major category:		2014/15 Number	2013/14 Number
Academic, Clinical Academic and Administrative		4,791	4,350
Other, including technical, clerical and manual		2,372	2,290
		7,163	6,640

Notes to the Accounts (continued)

For the year ended 31 July 2015

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.

	2014/15	2013/14
	Number	Number
£100,001 – £110,000	26 -	33 (1)
£110,001 – £120,000	22 (1)	20 (1)
£120,001 – £130,000	16 (2)	10 (1)
£130,001 – £140,000	13 (3)	13 (1)
£140,001 – £150,000	6 (2)	12 (4)
£150,001 – £160,000	11 -	13 (1)
£160,001 – £170,000	6 (1)	5 (1)
£170,001 – £180,000	8 -	10 (1)
£180,001 – £190,000	5 (1)	5 (1)
£190,001 – £200,000	6 (1)	3 -
£200,001 – £210,000	1 -	1 -
£210,001 – £220,000	4 (1)	3 -
£220,001 – £230,000	- -	- -
	124 (12)	128 (12)

During the financial year expenses of £6,348 (2013/14: £8,924) were reimbursed to six Council members (2013/14: 10), who are also trustees.

Notes to the Accounts (continued)

For the year ended 31 July 2015

7. Analysis of expenditure by activity	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	Total 2014/15	Total 2013/14
	£000	£000	£000	£000	£000	£000
Academic schools						
Core teaching and research	150,878	3,624	29,334	-	183,836	168,950
Research grants and contracts	55,463	3,308	35,684	-	94,455	88,631
Student support	-	-	38,768	-	38,768	39,118
Other trading	2,692	-	8,997	-	11,689	9,547
	209,033	6,932	112,783	-	328,748	306,246
Academic services						
Information services	15,239	3,502	12,797	-	31,538	29,902
Other academic services	14,074	-	10,020	-	24,094	26,587
	29,313	3,502	22,817	-	55,632	56,489
Premises						
Energy and utilities	684	-	9,054	-	9,738	10,525
Repairs and general maintenance	3,776	1,799	4,773	-	10,348	9,868
Depreciation of buildings	-	27,960	-	-	27,960	26,811
Other	5,874	54	2,469	-	8,397	10,458
	10,334	29,813	16,296	-	56,443	57,662
Administration and services						
Administrative services	18,293	-	6,922	-	25,215	19,391
Audit fees	-	-	101	-	101	117
Fees to auditor for non-audit work	-	-	127	-	127	132
Sports facilities	3,956	20	2,807	-	6,783	6,341
Health, nursery and counselling services	5,327	-	4,185	-	9,512	8,770
Grant to Guild of Students (Note 31)	-	-	2,174	-	2,174	1,889
	27,576	20	16,316	-	43,912	36,640
Residences catering and conferences						
Residences	1,388	-	6,765	-	8,153	8,577
Catering and conferences	6,199	68	8,394	-	14,661	13,220
Depreciation of buildings	-	7,543	-	-	7,543	6,197
	7,587	7,611	15,159	-	30,357	27,994
Other expenditure						
Other services rendered	3,280	348	5,016	-	8,644	6,760
Restructuring costs	2,090	-	-	-	2,090	1,899
Write down of investment properties	-	-	493	-	493	475
Other	-	-	2,085	3,362	5,447	4,839
	5,370	348	7,594	3,362	16,674	13,973
Total	289,213	48,226	190,965	3,362	531,766	499,004
The depreciation charge has been funded by:						
Deferred capital grants released (Note 17)					18,904	15,881
General income					29,322	27,703
					48,226	43,584

Notes to the Accounts (continued)

For the year ended 31 July 2015

7. Analysis of expenditure by activity (continued)

Fees paid to the auditor for audit and non-audit work	2014/15	2013/14
	£000	£000
Deloitte		
Audit	101	117
Other assurance services	35	23
Taxation advice and compliance	92	96
Book keeping and compliance services for subsidiaries	-	13
	228	249

8. Interest payable	<i>Note</i>	Total	Total
		2014/15	2013/14
		£000	£000
Swap interest	21b	645	654
Loan interest		2,717	2,703
		3,362	3,357

9. Tax on profit on ordinary activities	£000	£000
United Kingdom Corporation Tax at 20.67%:		
Current year – Subsidiary companies	(10)	(10)
Current year – Research and Development Expenditure Credit	(1,734)	-
Deferred tax credit – due to timing differences in subsidiary companies	-	920
Total (debit)/credit	(1,744)	910

The amount for RDEC represents the notional tax charge arising on the income recognised for the Research & Development Expenditure Credit claims, see note 3.

Notes to the Accounts (continued)

For the year ended 31 July 2015

10. Tangible fixed assets Consolidated	Assets in the course of Construction	Land and Buildings	Equipment	Heritage Assets	Total 2015
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 August 2014	43,664	838,443	27,078	364	909,549
Transfers	(10,249)	10,249	-	-	-
Write off of assets	-	(1,059)	-	-	(1,059)
Transfers to current asset investments	-	(1,115)	-	-	(1,115)
Additions	93,202	40,413	19,147	-	152,762
Disposals	-	(80)	-	-	(80)
As at 31 July 2015	126,617	886,851	46,225	364	1,060,057
Accumulated depreciation					
As at 1 August 2014	-	295,676	17,044	-	312,720
Write off of assets	-	(1,059)	-	-	(1,059)
Charge for the year	-	35,503	12,723	-	48,226
Depreciation on disposals and transfers	-	(571)	-	-	(571)
As at 31 July 2015	-	329,549	29,767	-	359,316
Net book value					
As at 31 July 2015	126,617	557,302	16,458	364	700,741
As at 31 July 2014	38,327	547,968	10,170	364	596,829

The accumulated cost of assets in the course of construction includes:	£000
New Library	30,329
Grange Road Sports Facility	1,285
Sports Centre	23,873
Chamberlain Hall	45,353
PGT Centre	4,733
Birmingham Institute of Forest Research (BIFoR)	1,363
University of Birmingham School and Sixth Form	19,681
	126,617

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

Notes to the Accounts (continued)

For the year ended 31 July 2015

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 52 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	9,655	35,623
Clinical research building (leased in 1953 for 75 years from the NHS)	3,106	151	1,145	1,961
	48,384	912	10,800	37,584

The reinstatement cost of buildings for insurances purposes is £1,592m (2013/14: £1,430m). In addition the University occupies space in a number of NHS-owned properties for which it pays no rent due to the existence of long-standing reciprocal cost sharing arrangements.

Exchequer funded assets

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

Tangible Fixed Assets

Heritage Assets

The University holds and maintains historic buildings, collections of art and other valuable items of artistic, scientific and historical importance (heritage assets). The University conserves these assets and supplements the collections where appropriate in order to enable use of the assets for teaching and research and allow access to the public. Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website www.birmingham.ac.uk/culture.

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

Key heritage assets held by the University fall into the following categories:

Research and Cultural Collections

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

Special Collections

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

Lapworth Museum of Geology

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

Notes to the Accounts (continued)

For the year ended 31 July 2015

10. Tangible fixed assets continued University	Assets in the Course of Construction	Land and Buildings	Equipment	Heritage Assets	University Total 2015
	£000	£000	£000	£000	£000
Cost or valuation					
As at 1 August 2014	38,327	826,461	26,666	364	891,818
Transfers	(10,249)	10,249	-	-	-
Write off of assets	-	(1,059)	-	-	(1,059)
Transfers to current asset investments	-	(1,115)	-	-	(1,115)
Additions	78,858	40,413	19,089	-	138,360
Disposals	-	(80)	-	-	(80)
As at 31 July 2015	106,936	874,869	45,755	364	1,027,924
Accumulated depreciation					
As at 1 August 2014	-	293,016	16,779	-	309,795
Write off of assets	-	(1,059)	-	-	(1,059)
Charge for the year	-	35,326	12,661	-	47,987
Depreciation on disposals and transfers	-	(571)	-	-	(571)
As at 31 July 2015	-	326,712	29,440	-	356,152
Net book value as at 31 July 2015	109,936	548,157	16,315	364	671,772
Net book value as at 31 July 2014	38,327	533,309	10,023	364	582,023



Notes to the Accounts (continued)

For the year ended 31 July 2015

11. Fixed asset investments	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Balance at 1 August	19,595	18,621	18,287	18,149
Additions	316	1,037	316	600
Disposals	(447)	-	(447)	(399)
Transfers to Tangible Fixed Assets	-	(217)	-	(217)
Writedown to Income and Expenditure Account	(46)	(75)	(46)	(75)
Appreciation/(depreciation) on disposals and revaluation	3,823	229	2,973	229
Balance at 31 July	23,241	19,595	21,083	18,287
Represented by:				
Fixed interest securities and bonds	3,150	3,217	3,150	3,217
Equities	3,124	2,893	3,124	2,893
Property	10,245	8,763	4,895	4,263
Hedge funds	3,249	3,210	3,249	3,210
Investments in subsidiaries	-	-	3,192	3,192
Other investments	2,994	961	2,994	961
Cash	479	551	479	551
	23,241	19,595	21,083	18,287

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

Consolidated and University

12. Endowment asset investments	2015	2014
	£000	£000
Balance at 1 August	92,126	88,257
Additions	1,432	3,710
Disposals	(865)	(1,423)
Appreciation on disposals and revaluation	4,344	1,582
Balance at 31 July	97,037	92,126
Represented by:		
Fixed interest securities and bonds	24,130	24,442
Equities	26,171	24,228
Property	13,717	10,346
Hedge funds	24,859	24,397
Cash and cash equivalents	8,160	8,713
	97,037	92,126

Notes to the Accounts (continued)

For the year ended 31 July 2015

13. Debtors and prepayments

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts falling due within one year:				
Research grants and contracts	32,609	37,707	32,609	37,707
Trade debtors	9,060	6,076	8,612	5,889
Other debtors	1,073	1,262	973	1,041
Prepayments and accrued income	27,180	18,874	26,984	18,656
Amounts due from Subsidiary Undertakings	-	-	877	400
	69,922	63,919	70,055	63,693
Amounts falling due after one year:				
Manufacturing Technology Centre Limited	475	375	475	375
Other debtors and prepayments	240	365	240	365
	715	740	715	740
	70,637	64,659	70,770	64,433

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
14. Creditors				
Amounts falling due within one year:				
Bank loan (unsecured)	3,750	937	3,750	937
Research grants and contracts in advance	52,574	65,147	52,574	65,147
Corporation Tax	1,734	-	1,734	-
Social security and other taxation payable	6,566	6,465	6,471	6,381
Trade creditors	15,462	11,291	15,209	11,229
Deferred income	26,560	31,742	25,859	31,367
Accruals	29,714	16,252	29,419	15,461
Other creditors	28,050	19,310	27,311	17,356
Amounts owed to Subsidiary Undertakings	-	-	681	446
	164,410	151,144	163,008	148,324

The other creditors includes an amount of £10.8m (2013/14: nil), which represents funds being held as cash from the EPSRC by the University on behalf of a number of other partner institutions relating to the Quantum Technology research project.

Notes to the Accounts (continued)

For the year ended 31 July 2015

15. Creditors:	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts falling due after one year				
Bank loan (unsecured)	70,313	74,063	70,313	74,063
	70,313	74,063	70,313	74,063

The University acquired an unsecured loan of £75m from the European Investment Bank to provide funding for the University's Capital Programme. This loan was drawn down 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 commenced in 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 commenced in July 2015 with interest payable from July 2012.

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Less than one year	3,750	937	3,750	937
One to two years	3,750	3,750	3,750	3,750
Two to five years	11,250	11,250	11,250	11,250
More than five years	55,313	59,063	55,313	59,063
	74,063	75,000	74,063	75,000

16. Provisions for liabilities and charges	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Restructuring				
At 1 August	337	538	337	538
Utilised during the year	(213)	(464)	(213)	(464)
Provided in year	752	263	752	263
At 31 July	876	337	876	337
Deferred taxation				
At 1 August	-	920	-	-
(Released) in year (Note 9)	-	(920)	-	-
At 31 July	-	-	-	-
Total at 31 July	876	337	876	337

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

Notes to the Accounts (continued)

For the year ended 31 July 2015

17. Deferred capital grants

	HEFCE	Grants Other	Consolidated Total	University Total
	£000	£000	£000	£000
At 1 August 2014				
Buildings	119,250	41,357	160,607	154,755
Equipment	209	4,075	4,284	4,284
	119,459	45,432	164,891	159,039
Amounts receivable				
Buildings	23,499	21,339	44,838	30,494
Equipment	1,522	10,385	11,907	11,907
Released to Income and Expenditure Account				
Buildings	(10,737)	(1,540)	(12,277)	(12,239)
Equipment	(697)	(5,930)	(6,627)	(6,627)
At 31 July 2015				
Buildings	132,012	61,156	193,168	173,010
Equipment	1,034	8,530	9,564	9,564
	133,046	69,686	202,732	182,574

18. Endowments

	Unrestricted Permanent	Restricted Permanent	Consolidated and University Total Permanent	Restricted Expendable	2014/15 Total	2013/14 Total
	£000	£000	£000	£000	£000	£000
Balance at 1 August 2014						
Capital	30,301	53,047	83,348	6,712	90,060	86,048
Accumulated income	-	1,993	1,993	73	2,066	2,209
	30,301	55,040	85,341	6,785	92,126	88,257
New endowments	-	590	590	842	1,432	3,710
Investment income	544	1,343	1,887	311	2,198	1,109
Expenditure	(544)	(1,118)	(1,662)	(1,401)	(3,063)	(2,532)
Transfer to Income and Expenditure Account	-	225	225	(1,090)	(865)	(1,423)
(Decrease)/Increase in market value of investments	(1,679)	5,812	4,133	211	4,344	1,582
At 31 July 2015	28,622	61,667	90,289	6,748	97,037	92,126
Represented by:						
Capital	28,622	59,449	88,071	6,748	94,819	90,060
Accumulated income	-	2,218	2,218	-	2,218	2,066
	28,622	61,667	90,289	6,748	97,037	92,126

Notes to the Accounts (continued)

For the year ended 31 July 2015

19. Reserves	Consolidated	University
Income and Expenditure Account	£000	£000
At 1 August 2014	484,373	472,613
Surplus retained for the year	44,425	44,924
Transfer from revaluation reserve	624	624
Deduct pension surplus	(6,600)	(6,600)
At 31 July 2015	522,822	511,561
Pension reserve	£000	£000
At 1 August 2014	(33,300)	(33,300)
Actuarial (loss)	(20,000)	(20,000)
Add FRS 17 net pension gain	6,600	6,600
At 31 July 2015	(46,700)	(46,700)
Revaluation reserve	£000	£000
Balance at 1 August 2014	42,695	42,605
Revaluation in the year	3,407	2,973
Released to Income and Expenditure Account	(624)	(624)
At 31 July 2015	45,478	44,954

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 2014/15 or 2013/14. There were payments of £737k during the year (£684k in 2013/14) in respect of operating leases for equipment which expire between two and five years.

21. Commitments	Consolidated and University	
(a) Capital	2015	2014
	£000	£000
Contracts for capital expenditure	76,358	152,373

Committed expenditure includes: Library (£24.4m), Sports Centre (£21.7m), The University of Birmingham School (£5.1m), Jarratt Hall (£3.3m), Chamberlain Tower (£3.1m), PGT Centre (£3.1m), Aston Webb C Block refurbishment (£2.4m), and BIFoR (£1.4m).

Notes to the Accounts (continued)

For the year ended 31 July 2015

21. Commitments continued

(b) Financial

The University has two Interest swap transactions with Barclays and one with the Yorkshire Bank, for £5m each. Each swap transaction incorporates a fixed rate, which is compared with a variable three-month LIBOR interest rate. The University incurs an interest charge when the swap rate exceeds the three-month LIBOR rate, and receives interest where the variable LIBOR interest rate exceeds the swap. Both of the Barclays Swaps expire in 2021, while the Yorkshire Bank Swap expires in 2026.

The fair value of the liability for Swaps at 31 July 2015 was £3.35m (2013/14: a liability of £3.04m).

The University also holds forward commitments for gas and electricity in order to mitigate the effect of adverse market energy prices and provide some certainty around budgeting. The fair value of the liabilities in 2013/14 was £2.9m for gas and £0.5m for electricity, both covering the period to March 2017. The fair value of the liability at 31 July 2015 is £1.2m for gas and £0.3m for electricity and covers the periods to September 2018 and July 2018 respectively.

Certain investments included with the General Pool long term investment fund are priced in USD. In order to reduce the impact of movements in the USD/GBP currency exchange rates, the University has entered into a number of currency hedged transactions that totalled USD 33.5m as at 31 July 2015 and 31 July 2014, at an average exchange rate of USD 1.52 (2013/14: USD 1.6) to GBP 1.0. The actual exchange rate at 31 July 2015 was USD 1.6 (2013/14: USD 1.7) to GBP 1.0. The 2014/15 fair value of the foreign exchange hedging balance is a surplus of £0.54m (2013/14: surplus of £0.51m).

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

		Consolidated	
	Note	2014/15	2013/14
		£000	£000
Surplus for the year before tax		45,322	29,147
Depreciation of tangible assets	10	48,226	43,584
Deferred capital grants released to income	17	(18,904)	(15,881)
Investment income (net)		(2,941)	(2,079)
Decrease in stocks		467	71
(Increase)/decrease in debtors		(4,636)	(7,167)
(Increase)/decrease in creditors		3,829	18,258
(Decrease)/increase in provisions		539	(211)
Cash payment to pension scheme		(4,300)	(4,300)
Net return on pension scheme		(2,300)	(300)
Write-down of fixed asset investments		493	75
Loss on disposal of fixed assets		-	347
Net cash inflow from operating activities		65,795	61,544

23. Returns on Investments and Servicing of Finance

	£000	£000
Income from fixed asset investments	3,419	3,639
Income from endowments	1,654	1,109
Income from short-term investments	1,230	68
Interest paid	(3,362)	(3,357)
	2,941	2,079

Notes to the Accounts (continued)

For the year ended 31 July 2015

24. Capital expenditure and financial investment

	Consolidated	
	2014/15	2013/14
	£000	£000
Tangible assets acquired	(141,277)	(69,187)
Fixed asset investments (acquired)/sold	(72)	(1,386)
Endowment asset investments (acquired)/sold	(1,985)	(4,702)
Total fixed and endowment assets (acquired)	(143,334)	(75,275)
Deferred capital grants received	49,422	23,525
Endowments received	1,432	3,710
	(92,480)	(48,040)

25. Analysis of changes in borrowings during the year

	2014/15	2013/14
	£000	£000
Balance at 1 August	75,000	75,000
Repayment of loan	(937)	-
Balance at 31 July	74,063	75,000

26. Analysis of changes in Net Funds

	At 1 August 2014	Cash Flows	Non-Cash Movements	At 31 July 2015
	£000	£000	£000	£000
Short-term deposits repayable on demand	210,708	(32,642)	-	178,066
Fixed asset investments	551	(72)	-	479
Endowment asset investments	8,713	(553)	-	8,160
Cash in hand and at bank	25,201	8,586	-	33,787
	245,173	(24,681)	-	220,492
Debt due within one year	(937)	937	(3,750)	-
Debt due after one year	(74,063)	-	3,750	(70,313)
Net funds	170,173	(23,744)	-	146,429

Notes to the Accounts (continued)

For the year ended 31 July 2015

27. Pension schemes

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

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

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

	2014/15	2013/14
	£000	£000
USS	26,378	24,923
BPAS	2,300	2,900
Other pension schemes	4,051	3,454
Total Pension Costs (Note 6)	32,729	31,277

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 162,000 active members and the institution has 4,010 active members participating in the scheme. The University is required to contribute a specific percentage of payroll costs to the scheme to fund the benefits payable to employees and in 2014/15 the percentage was 16%.

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 year.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 and this was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016. This was the third 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. At the valuation date the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts (continued)

For the year ended 31 July 2015

27. Pension schemes (continued)

FRS 17 liability numbers have been produced for 2015 the using the following assumptions. The discount rate assumption for 2015 is 3.3% and this compares with 4.5% for 2014. For the 2015 calculations it has been assumed that salary growth will be 3.5% in the first year and 4% thereafter. For the 2014 calculations a consistent figure of 4.4% was used. Price inflation, using CPI as a basis, is assumed to be 2.2% for the 2015 report whereas in 2014 2.6% was the assumed figure.

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	S1NA ['light'] YoB tables	No age rating
Female members' mortality	S1NA ['light'] YoB tables	Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2014/15	2013/14
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

If one considers the past service benefits only the position is as follows:

	2014/15	2013/14
	£billion	£billion
Scheme assets	49.0	41.6
FRS 17 liabilities	67.6	55.5
FRS 17 deficit	18.6	13.9
FRS 17 funding level	72%	75%

The total pension cost for the year was £26.4m (2014: £24.9m). This includes £2.8m (2014: £2.1m) outstanding contributions at the Balance Sheet date.

Notes to the Accounts (continued)

For the year ended 31 July 2015

27. Pension schemes (continued)

University of Birmingham Pension and Assurance Scheme (BPAS)

The University operates two pension schemes for its support staff. Since 2008 it has offered a group personal pension plan administered by 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 S2P and the management of the Scheme's investments is undertaken by a team of investment managers comprised of BlueBay Asset Management (Multi-Asset credit), Royal London Asset Management Ltd (Index Linked Securities and Sterling Credit Bonds), Blackrock (Equities, Market Advantage Fund and Sterling Currency Securities and Sterling Credit Bonds), Standard Life Investments (Global Absolute Return Fund and Global Focussed Strategy Fund) and Comgest (Emerging market equities). The latest actuarial valuation of the scheme was at 31 March 2013 and it revealed a funding shortfall as the Scheme's assets were less than the technical provisions.

The assumptions which have the most significant impact on the valuation are those relating to the rate of return on investments, the rates of increase in salary and pension and the mortality rate. The 2013 valuation utilised tiered discount rates following the introduction of a term based strategy. This was set at 4.95% for the first 10 years, transitioning to 3.7% after 17 years for a further 8 years and then further transitioning to 3.1% after 30 years. It was assumed that salary increases would be 2.8% for three years and 3.8% thereafter. The assumptions for pension increases are linked to the patterns of service over varying time periods subject to a pensions cap as appropriate.

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

The total value of the accrued benefits (Technical Provisions) was £357.2 million and the market value of the assets was £296.3 million leaving a shortfall of £60.9 million. The assets were therefore sufficient to cover 83% of the accrued benefits. The Trustees of the scheme have therefore put a Recovery Plan in place to address the shortfall. The Recovery Plan provides for the University making payments of £4.3m per annum on the 1 August each year from 2013 to 2030. The total employer contributions including the £4.3m for the year ending 31 July 2015 is £5.8m.

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

As at July 2015, the scheme had 480 members. The total cost of normal employer contributions for the institution was £1.5 million (2014 £1.7 million). This included £178k outstanding contributions at the balance sheet date (2014 £180K).



Notes to the Accounts (continued)

For the year ended 31 July 2015

27. Pension schemes (continued)

The assumptions employed by the Scheme Actuary for the valuation of liabilities as at 31 July 2015 were as follows:

	2015	2014
Discount rate	3.5%	4.15%
Salary growth	2.35% to 31/03/16 then 3.35%	2.45% to 31/07/16 then 3.45%
Inflation	3.35%	3.45%
Pension increases	1.75% to 3.10%	1.80% to 3.15%

The invested assets of the Scheme amounted to £329.7 million (after investment of the additional contribution). The major categories of plan assets are as follows:

	2015	2014
Equities	42.7%	41.6%
Bonds	38.5%	38.7%
Other	18.8%	19.7%

Principal actuarial assumptions at the balance:

Discount rate	4.15%	4.45%
Long-term rate of return on assets	5.28%	5.34%

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

	2015 £million	2014 £million
Total market value of assets	329.7	307.4
Present value of scheme liabilities	(376.4)	(340.7)
Deficit in the scheme	(46.7)	(33.3)

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

	2015 £million	2014 £million
Net assets excluding pension deficit	870.8	786.4
Pension fund liability	(46.7)	(33.3)
Net assets including pension deficit	824.1	753.1
Income and expenditure reserve excluding pension deficit	522.8	484.4
Pension fund liability	(46.7)	(33.3)
Income and expenditure reserve including pension deficit	476.1	451.1

Notes to the Accounts (continued)

For the year ended 31 July 2015

27. Pension schemes (continued)

Additionally, in accordance with FRS 17, the following components of the pensions charge have been recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses for the year ended 31 July 2015:

Analysis of amounts charged to Income and Expenditure account:	2015 £million	2014 £million
Current service cost	2.3	2.9
Finance:		
Interest on pension scheme liabilities	13.9	14.7
Expected return on assets in the pension scheme	(16.2)	(15.4)
Net interest credit to other finance income	(2.3)	(0.7)
Total charge before tax	0.0	2.2
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:		
Gain on assets	11.7	8.1
Experience gain on scheme liabilities	3.5	2.6
(Loss) on change of assumptions	(35.2)	(1.8)
Total (loss)/gain before tax	(20.0)	8.9

The experience gains and losses for the year were as follows:	2014/15 £million	2013/14 £million	2012/13 £million	2011/12 £million	2010/11 £million
Gain on assets	11.7	8.1	15.8	0.0	11.3
Experience gain/(loss) on scheme liabilities	3.5	2.6	1.1	(4.3)	1.6

	2014/15	2013/14	2012/13	2011/12	2010/11
Liability assumptions					
Loss over period	35.2	1.8	44.2	(5.6)	4.4
(Gain)/loss expressed as percentage of Scheme liabilities	7.0%	0.6%	13.1%	(1.9%)	1.6%

Surplus/(deficit) in the Scheme					
Actuarial value of Scheme liabilities	(376.4)	(340.7)	(336.2)	(288.3)	(281.6)
Fair value of assets (FVA)	329.7	307.4	289.4	264.1	250.9
(Deficit) in the Scheme	(46.7)	(33.3)	(46.8)	(24.2)	(30.7)

Notes to the Accounts (continued)

For the year ended 31 July 2015

27. Pension schemes (continued)

Changes in Disclosed Assets and Liabilities

	2015	2014
Change in Scheme Liabilities	£million	£million
Scheme liabilities at prior year	340.7	336.2
Employer service cost	2.3	2.9
Interest cost	13.9	14.7
Actuarial loss/(gain)	31.7	(0.8)
Benefits paid from scheme assets	(11.5)	(11.3)
Administrative expenses paid	(0.7)	(1.0)
Scheme liabilities at year end	376.4	340.7

	2015	2014
Change in Scheme Assets	£million	£million
Fair value of assets at prior year end	307.4	289.4
Expected return on assets	16.2	15.4
Actuarial gain on assets	11.7	8.1
Employer contributions	6.6	6.8
Benefits paid	(11.5)	(11.3)
Administrative expenses paid	(0.7)	(1.0)
Fair value of assets at year end	329.7	307.4

Group Personal Pension Scheme (GPPS)

The University introduced from 1 April 2008 a new 'defined contribution' pension scheme for its support staff who are not members of BPAS. The scheme will enable staff to build a fund that can be used to provide a pension on retirement in addition to the normal state pension. The University contributes 10% in addition to an agreed percentage paid by the individual. The scheme operates as a Group Personal Pension Scheme and is run on the University's behalf by Friends Life. The value of employer contributions for the year ending 31 July 2015 was £2m (2013/14: £2m).

Notes to the Accounts (continued)

For the year ended 31 July 2015

28. Agency Arrangements	Consolidated and University			
	Access to Learning		National College for Teaching and Leadership	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Balances unspent as at 1 August	111	30	127	-
Funding Council grants received	-	331	2,997	2,753
Disbursed to students	(74)	(240)	(3,131)	(2,626)
Administration costs	-	(10)	-	-
Balances unspent at 31 July	37	111	(7)	127

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 2015

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, Audit Committee, University Executive Board 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 Council (with members drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have 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. All members of Council are required to declare any such relationships in the Register of interest return on an annual basis.

The organisations in which members of Council have an interest in and with which the University has had transactions during the financial year ended 31 July 2015 are set out below:

Council Member	Company	Nature of transaction/ relationship	Receipts £000	Payments £000
Professor Sir David Eastwood	Russell Group Universities	Chair wef 01/09/12	1	59
	Universities Superannuation Scheme	Chair wef 01/04/15	-	26,378
	Marketing Birmingham	Directorship ended Nov 2014	-	15
	Arts and Humanities Research Council	Board member	66	-
	Barber Institute of Fine Arts	Trustee	1,144	-
	Advisory Board of the Higher Education Policy Institute	Member	-	-
	Universities UK	Board member since Sept 2009	-	14
	Universitas 21	Chair	-	-
Dame Christine Braddock DBE	Birmingham Children's Hospital	Chairman wef May 2014	1,401	147
Mrs Caragh Merrick	UCAS, Finance Committee	Trustee/Director and Chairman	-	-
Mr Ed Smith CBE	Department of Transport	Board member	25	-
	NHS England	Deputy Chairman	7	-
	NHS Trust Development Authority	Joint Chair of Monitor and Chair-Designate	-	-
Dr Ranjit Sondhi	Sandwell/West Birmingham Clinical Commissioning Group	Lay member	8	2

It should be noted that when compiling the income and expenditure for NHS England, Primary Care trusts have been excluded on the basis that Mr Ed Smith CBE does not engage with the Trusts that the University contracts with.

Professor Sir David Eastwood is the Chair of the Russell Group Universities for whom the University provides the payroll service for which the University is paid an administrative fee and this fee is included in the table above.

The University has strong links with the Henry Barber Trust, which is a separate registered charity incorporated under the Charitable Trustees Incorporation Act of 1872. The Barber Institute of Fine Arts, which is owned by the Henry Barber Trust is hosted in the University of Birmingham's site and holds one of the finest small collections of European art in the United Kingdom.

Notes to the Accounts (continued)

For the year ended 31 July 2015

30. Subsidiary Undertakings

Name	University Holding	Business Activity
Alta Birmingham China Limited	100%	Management of activities in China
Alta Cyclotron Services Limited	100%	Preparation and sale of chemicals for clinical use
Birmingham Research Park Limited	51%	Provision of accommodation to high technology companies
Alta Innovations Limited	100%	Technology transfer
University of Birmingham Selly Oak Educational Trust	100%	Management of land and buildings on the Selly Oak campus
The University of Birmingham School (Company Limited by guarantee)	Member	Preparation for the opening in September 2015 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 (is incorporated in the UK but) operates in the UK and China. The minority interest relates to the Birmingham Research Park Limited. The financial information as at 31 July 2015 (and 31 August 2014 for the University of Birmingham School) according to their financial statements is as follows:

	Alta Birmingham China Limited	Alta Cyclotron Services Limited	Birmingham Research Park Limited	Alta Innovations Limited	University of Birmingham Selly Oak Educational Trust	The University of Birmingham School
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	5,492	1	9,145	5,337
Investments	100	-	-	-	4	-
Current assets	457	300	891	2,640	-	4,309
	557	300	6,383	2,641	9,149	9,646
Capital and reserves	214	3	5,549	733	9,145	5,403
Creditors	343	297	834	1,908	4	4,243
Provisions	-	-	-	-	-	-
	557	300	6,383	2,641	9,149	9,646
Profit/(loss) for the year	39	(1)	38	(4)	(177)	5,368

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

	2014/15	2013/14
	£000	£000
Mercia Technology Fund 2	354	400
Universities UK Limited	64	64
Waterloo House	2,263	2,238

Notes to the Accounts (continued)

For the year ended 31 July 2015

30. Subsidiary Undertakings (continued)

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

	% Holding		% Holding
Abingdon Health	12	The Native Antigen Company	5
Ad Surf Eng Limited	6	Neuregenix Limited	41
Applied Functional Materials Limited	31	Oral Health Innovations Ltd	5
Bioscience Ventures Limited	50	Ortus Medical Limited	20
Cambridge Mechatronics	<1	Personal Screening Ltd	<1
Celentyx Limited	31	Plasgene Limited	40
Circassia Holdings Limited	<1	PsiOxus Therapeutics	17
Cloudtomo Limited	5	Revitope Limited	1
Cytox Limited	4	Smart Antenna Technologies Limited	22
Inanovate Inc	<1	Speech Ark Limited	10
Irresistible Materials Limited	21	U21 Equity Limited	5
Metal Nanopowders Limited	37		

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 Rowbotham 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 being 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. The summarised Balance Sheet and results for the year ended 31 July 2015 are as follows:

	2014/15	2013/14
	£000	£000
Tangible Fixed Assets	636	847
Investments	-	-
Current Assets	2,407	2,138
	3,043	2,985
Reserves	2,520	2,509
Creditors	523	476
	3,043	2,985
Surplus/(deficit) for the year	10	(147)

The University's Income and Expenditure Account reflects payment to the Guild of Students of a block grant of £2,174k (Note 7) (2013/14 £1,889k).

Five-Year Summary Accounts

Not part of the audited financial statements

	Consolidated and University				
	2014/15	2013/14	2012/13	2011/12	2010/11
	£000	£000	£000	£000	£000
Income and Expenditure Account					
Income					
Funding Council grants	89,416	104,717	120,504	138,256	142,209
Academic fees and support grants	248,442	206,104	166,696	136,288	125,825
Research grants and contracts	126,395	111,769	104,588	103,266	101,540
Other operating income	106,532	100,125	95,565	88,297	95,003
Endowment income and interest receivable	6,303	5,436	5,272	5,890	6,171
Total income	577,088	528,151	492,625	471,997	470,748
Expenditure					
Staff costs	289,213	272,984	265,531	254,048	248,794
Depreciation	48,218	43,584	45,917	48,960	48,702
Other operating expenses	190,973	179,079	171,469	161,845	145,627
Interest payable	3,362	3,357	3,355	1,320	616
Total expenditure	531,766	499,004	486,272	466,173	443,739
Operating surplus, after tax and before exceptional items	37,668	30,057	6,550	6,167	27,162
Operating surplus	45,322	29,147	6,353	5,824	27,009
Capital expenditure					
Land and buildings	133,615	59,512	31,303	46,640	46,117
Equipment	19,147	10,970	8,490	8,761	16,516
Total capital expenditure	152,762	70,482	39,793	55,401	62,633
Balance Sheet					
Fixed assets	723,982	616,424	588,849	594,459	588,209
Endowment asset investments	97,037	92,126	88,257	83,476	82,979
Net current assets	120,958	152,218	147,477	147,852	69,636
Creditors: amounts due after one year	(70,313)	(74,063)	(75,000)	(75,000)	–
Provisions for liabilities and charges	(876)	(337)	(1,458)	(1,260)	(2,488)
Total net assets, excluding pension liability	870,788	786,368	748,125	749,527	738,336
Represented by:					
Deferred capital grants	202,732	164,891	157,627	167,815	159,442
Endowments	97,037	92,126	88,257	83,476	82,979
Revaluation reserve	45,478	42,695	43,090	43,046	43,664
Income and expenditure reserve	525,541	486,656	459,151	455,190	452,251
Total funds, excluding pension liability	870,788	786,368	748,125	749,527	738,336

Financial Statistics

	Consolidated and University				
	2014/15	2013/14	2012/13	2011/12	2010/11
	%	%	%	%	%
Sources of income					
% of total income					
Grants from Funding Councils (HEFCE and TA)	15.5	19.8	24.5	29.2	30.1
Tuition fees – home and EU	29.9	26.5	22.2	17.6	16.7
Tuition fees – overseas	13.1	12.5	11.6	11.3	10.1
Income from research grants and contracts	22.0	21.2	21.2	21.9	21.6
Income from residences, catering and conferences	6.3	6.4	6.5	7.0	6.5
Other income	13.2	13.6	14.0	13.0	15.0
Total income	100.0	100.0	100.0	100.0	100.0
Analysis of Expenditure					
% of total expenditure					
Staff costs	54.4	54.7	54.6	54.5	56.1
Depreciation	9.1	8.7	9.4	10.5	11.0
Other operating expenses	35.9	35.9	35.3	34.7	32.8
Interest payable	0.6	0.7	0.7	0.3	0.1
Total expenditure	100.0	100.0	100.0	100.0	100.0
Operating surplus for the year as % of total income	7.9%	5.5%	1.3%	1.2%	5.7%
Indicators of financial strength					
Ratio of short-term cash to total expenditure (days)	145	173	163	178	125
<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	7.5%	8.6%	9.1%	9.3%	0.0%
<i>Measures the extent to which an institution is funded by long-term debt</i>					
Indicators of liquidity and solvency					
Ratio of liquid assets to current liabilities	1.3	1.6	1.7	1.8	1.1
<i>Extent to which current liabilities could be met from cash and liquid investments</i>					
Ratio of current assets to current liabilities	1.7	2.0	2.2	2.2	1.5
<i>Extent to which current liabilities could be met from current assets</i>					
Debtor days	31	56	52	51	54
<i>Days of total income (excluding Funding Council grants) represented by debtors</i>					



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