



UNIVERSITY OF  
BIRMINGHAM

# 2015 16

ANNUAL  
REPORT  
AND  
ACCOUNTS





# Contents

Vice-Chancellor's Report	4
Treasurer's Report	8
Our Community	20
Corporate Governance	24
Responsibilities of the Council	34
Report of the Auditor	35
Statement of Accounting Policies	37
Consolidated Statement of Comprehensive Income and Expenditure	42
Consolidated and University Statements of Changes in Reserves	44
Consolidated and University Balance Sheets	46
Consolidated Cash Flow Statement	48
Notes to the Accounts	50

## Vice-Chancellor's Report



This has been another outstanding year for the University of Birmingham. Not only were we central to some of the biggest national and international events of the last 12 months, from the discovery of gravitational waves and the international congress marking the 400th anniversary of Shakespeare's death to hosting the launch of the Midlands Engine, but three former colleagues were awarded Nobel Prizes for work carried out whilst at Birmingham, and our students and alumni brought home gold, silver, and bronze medals from the Rio Olympics.

As well as producing outstanding research, we celebrated significant campus development milestones, saw our signature global partnerships continue to flourish, and rose in every domestic University League Table. The quality of our teaching and employability support for students was widely recognised. We received the highest possible ranking from the Quality Assurance Agency for Higher Education (QAA) for the quality and enhancement of our student learning opportunities.

Our long-term investment in the employability of Birmingham graduates was recognised by The Times and Sunday Times naming us University of the Year for Graduate Employability in 2016, and our own students praised the quality of teaching on offer at Birmingham, giving the University a satisfaction rating of 90 per cent for 'teaching and learning' in the National Student Survey. All of these successes highlight the strong trajectory we are on and put us on a track for a positive outcome in the new Teaching Excellence Framework (TEF) that will come into force next year.

In autumn 2015 we published our new Strategic Framework 2015-20: Making Important Things Happen. This strategy sets our direction for the next five years, giving us a position of strength from which to face the changing higher education landscape and the stability

and confidence to build on our successes in a political and policy environment that is in a state of flux.

The TEF is just one of a number of new policies and challenges universities are preparing for, but perhaps the most widely debated is the impact of the British people's historic decision to leave the European Union last summer. With change comes uncertainty, but also opportunity.

We are clear that whatever shape Brexit takes, our role as a beacon for the creation and advancement of knowledge, our commitment to educating students from many backgrounds and nations, and our global outlook will not change. These values, along with the quality of our people, our sense of place, and our history, are things that make us one of the world's great universities.

### Outstanding people

At Birmingham we value the quality of our staff and of the students who work, live, and study with us, helping to make us a world-class seat of teaching and learning. This is in no small part due to the huge diversity of role and background that our people encompass. A third of our academic staff are from outside the UK, as are a quarter of our students.

## Vice-Chancellor's Report (continued)

We welcomed new senior colleagues to the University's academic leadership team, including Professor Andy Schofield as Pro-Vice-Chancellor and Head of the College of Engineering and Physical Sciences, Professor Tim Softley as Pro-Vice-Chancellor Research and Knowledge Transfer, Professor Robin Mason as Pro-Vice-Chancellor International, Professor Kathy Armour as Pro-Vice-Chancellor Education and Professor Tim Jones as Provost.

It is testament to the high regard in which this University is held that those members of the Executive Board who have left in the last 12 months have moved on to leadership roles elsewhere, notably as Vice-Chancellors at other UK universities.

We have continued to cultivate intellectual talent at every level, building on the success of our sector-recognised Birmingham Fellows scheme, which has to date brought over 70 of the world's best early career academics to Birmingham. In 2016 we launched the Birmingham Professorial Research Fellowships, focused on attracting highly successful and established mid-career academics with an international research reputation, and the Birmingham-Illinois BRIDGE Fellowship. BRIDGE is a joint fellowship programme with the University of Illinois at Urbana-Champaign, bringing together international research teams in the UK and US to recruit high-potential, early-career researchers to contribute to the research and academic excellence of both institutions; the first of its kind in the world.

We also remain one of the most highly-prized destinations for students. More than 89,000 people applied to study at the University in 2016, across all levels. We are consistently one of the most desirable destinations in the country, receiving the sixth highest number of UCAS applications in every year between 2013 and 2015.

As the University that pioneered the lauded and much-emulated Unconditional Offers scheme, last year we launched another sector first, the Offer Calculator, a revolutionary online tool to help GCSE and A-Level students to predict their likelihood of being offered a place at university, removing uncertainty and enabling them to use their five choices more wisely. We also celebrated the tenth cohort of 100 year-12 gifted and talented widening participation students, of whom 700 have gone on to study at Russell Group universities.

Many of our colleagues, past and present, received public recognition for outstanding academic

achievement. Professors David Thouless and Michael Kosterlitz, who were at Birmingham during the 1970s, were co-receivers of the 2016 Nobel Prize in Physics for breakthroughs made here. Professor Sir Fraser Stoddart, who was in the School of Chemistry from 1990-99, and served as Head of School, was a co-recipient of the 2016 Nobel Prize in Chemistry. Professor Alberto Vecchio and the University's Gravitational Wave Group were co-recipients of the 2016 Special Breakthrough Prize in Fundamental Physics and the 2016 Gruber Prize in Cosmology. Dr Helen Stokes-Lampard was elected the new Chair of the Royal College of General Practitioners, and Professor Myra Nimmo, Pro-Vice-Chancellor and Head of the College of Life and Environmental Sciences, was appointed as the next Chair of England Athletics. Professor Simon Halsey was awarded the Mendelssohn Medal for outstanding contribution to choral life in Berlin and Professor Sir Stanley Wells received a knighthood for his services to the study and appreciation of Shakespeare. Professor Charles Craddock was awarded a CBE in the 2016 New Year Honours list for services to medicine and medical research, our Director of Legal Services, Carolyn Pike, was awarded an OBE. Two of our technical staff, Mr Carl Hingley and Mr Alan Murdoch, received British Empire Medals.

Birmingham students and alumni excelled during the 2016 Rio Olympic and Paralympic Games bringing home four Gold Medals as well as silver and bronze medals. Our gold medal winners included Sport, Exercise and Rehabilitation student Lily Owsley and Psychology graduate Sophie Bray who helped Team GB to make history as part of the first British women's hockey team to win Olympic gold. In the Paralympics Pamela Relph MBE (Physics, 2011) was in the LTA Mixed Coxed Four which successfully defended the gold medal, while Lora Turnham (Physiotherapy, 2010) won gold in the Tandem B 3000m Pursuit with pilot Corrine Hall.

### Sense of place

Great universities shape, and are shaped by, the places in which they are rooted. In Birmingham's case, our large, beautiful campus serves England's most diverse and multicultural city, a city with a long and proud history at the heart of scientific enquiry, industry, and manufacturing, with collaborations which spring from the heart of the UK across the globe.

We marked several milestones in our ambitious campus development programme. Our splendid £60 million Main Library opened its doors at the start of the autumn term

## Vice-Chancellor's Report (continued)

while the finishing touches were being made to our long-awaited sports centre. This £55 million state-of-the-art facility boasts Birmingham's only 50-metre pool and propels us into a new league for performance enhancement, club sport, and local community use. We opened a new Student Hub in the heart of the Aston Webb building and a dedicated facility for Birmingham Business School postgraduate students: the Alan Walters Building, which features a 'Harvard style' lecture theatre; a 'Careers in Business' service with expert support staff, and a lounge for our MBA students.

We continued developments at Grange Road, which will enhance our pitches and create a new pavilion space for sports socials and events as well as adding a further 178 student bedrooms at the edge of campus. This builds on significant new investment in accommodation to include the new Chamberlain residence at the Vale, providing the very best living space to attract and accommodate the most talented students.

In September 2015 our pioneering University of Birmingham School welcomed its first pupils and was officially opened by the Education Secretary. Hugely oversubscribed from the outset, the School was founded to provide excellent education to a diverse range of pupils and to inform the work of our School of Education, training teachers, and serving as a national laboratory for educational research. The University's High Temperature Research Centre, a joint venture with Rolls-Royce, on our Ansty Campus produced and shipped its first components, and the Institute of Translational Medicine (ITM), a pioneering partnership between the University, University Hospitals Birmingham NHS Foundation Trust (UHB), Birmingham Children's Hospital and Birmingham Women's Hospital, is now incorporating research projects at the co-located Centre for Rare Diseases which runs more than 40 clinics for people from all over the UK.

We are also set to play a crucial role in the next step towards the transformation of the UK's energy sector after the Government confirmed £60 million investment for the Energy Research Accelerator (ERA) in 2015. This is backed by a further £120 million from the private sector and Midlands Innovation universities, including our partner university, Nottingham.

Thanks to a visionary benefaction, we completed construction of The Birmingham Institute for Forest Research (BIFoR). The Staffordshire-based Free-Air Carbon Enrichment Facility will be a world-leading centre in the understanding of how forests react to

the combined threats of climate change and invasive pests or diseases. The iconic studio theatre The Other Place in Stratford-upon-Avon reopened in spring last year after undergoing a transformation partly funded by the University in a five-year partnership with the Royal Shakespeare Company.

Many of our campus investments aim to provide enhanced facilities for the community. For example, progress on creating a stunning Green Heart at the centre of our campus continued, opening up the space as Sir Aston Webb originally envisaged when designing the campus.

Designed with our community in mind we continue to work closely with staff, students, and neighbours to ensure this space is a vibrant yet peaceful space for study, research, and socialising. The refurbished Lapworth Museum of Geology, which was reopened by Nobel Prize winner and alumnus Sir Paul Nurse, has also enhanced our cultural offering.

Last summer we also welcomed more than 3,000 visitors to the inaugural Birmingham Proms in Chancellor's Court, a free concert for the community featuring performances by the University Symphony Orchestra and alumni and culminating in a spectacular firework display. As the first free Proms concert to be held in Birmingham for more than 20 years, the event was a huge success, receiving unprecedented positive feedback from visitors.

### Global impact

The last 12 months saw us continue growing our reach beyond campus. In March 2016 we signed an agreement with the University of Melbourne to collaborate formally on shared areas of priority research, including energy storage, biomechanics, artificial intelligence, and robotics.

Our signature partnership with the University of Illinois at Urbana-Champaign also goes from strength to strength with more than 60 successful faculty-to-faculty links now established across a range of academic disciplines.

Another significant partnership saw the University and the State Grid Corporation (SGC) of China's Global Energy Interconnection Research Institute Europe launch a Joint Lab on energy storage research. This project aims to make a global impact in developing more efficient, clean, and low carbon energy systems. Through its Birmingham Centre for Energy Storage, the University possesses world-leading expertise in thermal energy storage, while the SGC is the world's largest electric

## Vice-Chancellor's Report (continued)

power utility company and the global leader in energy interconnection development. Also in China, last September we signed a research co-operation agreement with Beijing Jiaotong University on plans for a joint international high-speed railway research laboratory run jointly by our Birmingham Centre for Railway Research and Education (BCRRE) and the State Key Lab of Rail Traffic Control and Safety at BJTU. We continued the CHIRPY DRAGON public health programme launched in 2015 with the Guangzhou Centre of Disease Prevention and Control. Involving 61,000 children, it aims to develop health knowledge and healthy lifestyles among Chinese children.

We also signed an agreement with Panjab University, based in Chandigarh, India, bringing together researchers in areas including public health, advanced manufacturing, cyber security, and transportation. In Brazil our researchers have been working with local health partners to combat the spread of Zika virus by deploying a pair of mobile DNA sequencing laboratories on a medical 'road trip' through the worst-hit areas of the country.

We have expanded our global teaching, in particular through innovative online learning initiatives. Our pioneering collaboration with US publishing giant Wiley entailed the launch of three new, fully online masters degrees, including the world's first, and only, fully online MBA to have received accreditation from the Association of MBAs. In this first year of operation these courses attracted more than 200 students studying in 40 countries across the world. We also delivered 16 free online courses (MOOCs) through our partnership with FutureLearn, which have collectively attracted over 270,000 registrations and provide a global opportunity to access an educational experience from the University.

### World-class research

Great universities are also founded on knowledge – its creation through research and its communication through teaching. This is our central purpose, and it is sustained and animated by the core values of openness, reason, discussion, inclusivity, and tolerance. Our research once again made headlines around the world after the revelation that we held part of one of the world's oldest Qur'ans, which went on public display at the Bramall Music Building in October 2015. Our physicists designed and built components for the ultra-sensitive instruments that were used to detect cosmic gravitational waves at the twin Laser Interferometer Gravitational-wave Laboratory (LIGO) detectors in Louisiana and Washington, US. The discovery, in autumn 2015,

confirmed Albert Einstein's 1915 general theory of relativity.

Birmingham's academics played a central role in events marking the 400th anniversary of Shakespeare's death. Our renowned Shakespeare Institute was among venues co-hosting the tenth annual World Shakespeare Congress held last summer and attended by Shakespeare scholars from 48 countries, who joined distinguished writers and performers to celebrate the legacy of the world's greatest playwright.

New research from the School of Sport, Exercise and Rehabilitation Sciences showed that flu vaccinations are more effective when administered in the morning.

The highly successful Birmingham Heroes campaign was refreshed in November 2015 with a new visual identity to showcase Birmingham's research impact and credibility. The latest themes included Gravitational Waves, the Energy Crisis, Medical Heroes, Character and Values, Mental Illness, Cancer Immunology and Miscarriage. All of the campaigns support research bids, announcements or policy developments. For example, the Heroes campaign on our miscarriage research supported a successful bid to host the country's first national clinical research centre dedicated to early miscarriage. Founded by Tommy's, the UK baby charity, the National Early Miscarriage Centre aims to halve the number of miscarriages by 2030 by running specialist clinics for 24,000 women a year and funding medical research to understand the cause and effects of miscarriage.

In the run-up to the EU Referendum, we were a convener of informed academic debate, providing commentary, hosting events and raising the standard of discussion and political rally. As BBC Midlands Political Editor Patrick Burns put it: 'The magnificent Great Hall of the University of Birmingham has established itself as one of Britain's great cathedrals dedicated to our political devotions.'

Our accomplishments this year are remarkable, and something in which we take great pride. But we are not complacent: as our local and global influence grows, so our ambition for the University grows. We will continue to build on our success and we already have ambitious plans for the next year to deliver research that changes the world, education that transforms lives, and to take Birmingham and our wider region to the world. I look forward to sharing the achievements of these plans with you next year, as we seek to continue the success of this great global university.

## Treasurer's Report



I am pleased to present this, my third operating and financial review as Treasurer.

In my report last year, I mentioned that we were in the process of developing a new strategic framework to cover the period 2015 to 2020. That framework, entitled "Making important things happen", was released in the autumn of last year and has set our direction for the next five years. I summarise in my report those aspects of the framework which will inform our current and future financial performance.

I have reported previously on the competitive challenges we face to grow income in our core activities and I must report that the scale of competition both at home and overseas has continued to rise in 2015/16. Our strategic framework assumes we will experience in the next five years even greater pressures from competing in a global Higher Education market in our core areas of activity, namely Research and Education. Global competition will bring changing financial risks and opportunities to which we must respond. The nature of the competition we face is also changing. For example, to secure major government and industry funding, research projects increasingly must deliver positive impact for society: economically, environmentally, socially. Such projects are essential to building our international competitiveness and reputation but their scale means our role will not be stand alone. Instead we will work more and more as part of a consortium. Building strategic relationships and partnerships both in the UK and abroad is now critical to securing our future success and accordingly, "Influence" has risen in importance in our new strategic framework and will attract greater financial investment in the coming years.

Technological advances continue apace and challenge us to adapt how we work, to take advantage of the opportunities they present and to be alert to the new risks they create. Technology not only affects systems and processes but also how teaching methods evolve and how we make best use of our teaching and research spaces. It also provides us with volumes of data we have never had before and our ability to harness this data and use it effectively will be a future source of competitive advantage. The "Resources" element of our new strategic framework now commands greater attention and levels of investment.

I have structured my report to align with the four elements of our strategic framework: Research, Education, Influence and Resources. In this way I hope to highlight the level of investment we have made in the year and the financial outcomes we have achieved. While we progress through the period covered by the new strategic framework, my priority as Treasurer will be to support our focus on securing the long term financial sustainability of the University. Surrounded as we are by major uncertainties at home such as the implications of Brexit, and by equally major uncertainties at the global level impacting the strength of the world economy and the nature of the geopolitical landscape, it is more important than ever that we maintain our financial strength and continue to generate cash resources to fund much of our future investment needs. I report this financial year a cash generated from operations of £87m, the result of great success in student recruitment supported by tight control over costs. This cash generation is essential to funding strategic investment priorities in the next one to two years.



# Treasurer’s Report (continued)

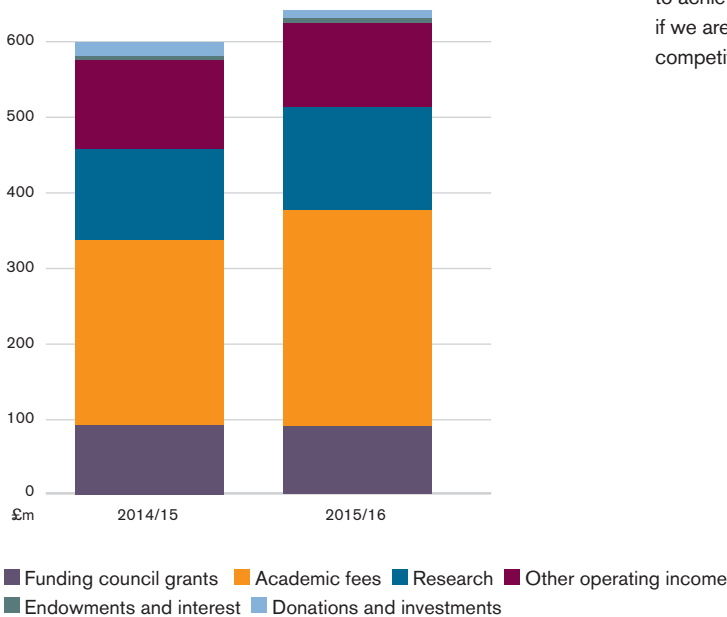
**Review of the year**

- Income of £650m, 9% growth
- Surplus after tax of £83m, 13% of income
- Cash generated from operations of £87m
- Capital investments of £115m

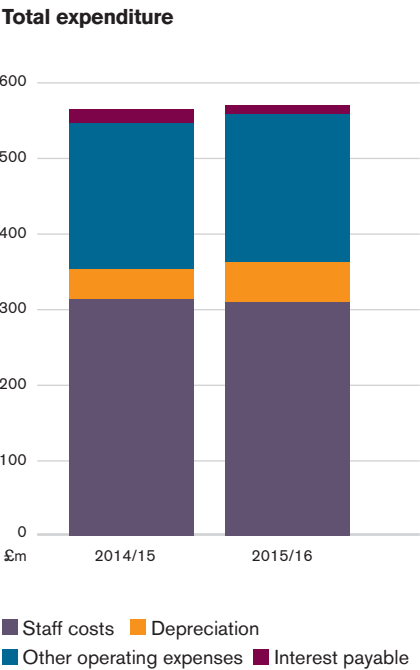
Overall our income has grown by 9% year on year. I discuss in more detail below the income levels we achieved in Research and Education but I would like to make reference here to the very substantial investment

of some £1.3m in staff costs and expenses we have incurred to explore education and research opportunities through new and enhanced partnerships in USA, China, Middle East and South America. Some have already come to fruition and are reported below while others are still at the “seed corn” stage. These developments can provide an important opportunity to achieve revenue diversification which is essential if we are to mitigate the risks to our income from the competitive environment in which we now operate.

**Total income**



# Treasurer’s Report (continued)



We have invested in academic staff to support the growth in student numbers and to build our research capability but we have kept a very tight control over our administrative expenses. Administration and Central Services represented 19% (2014/15: 18%) of total expenditure. The cash we generated from operations this year has increased from £82m in 2014/15 to £87m, which is an outstanding achievement and allows us great scope to make significant investment in both our estate and in our people.



## Treasurer's Report (continued)

### Research: Research that matters

*Academic rigour, original thinking, innovation and delivery made possible by brilliant people, outstanding facilities, and strong collaborations.*

- £135m research income in year
- 72 new patent applications
- 164 new records of inventions
- £6m of net RDEC income

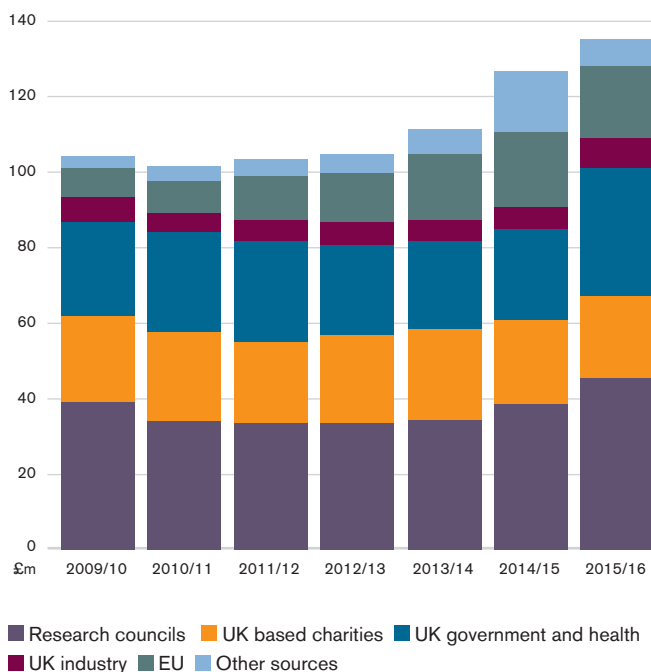
Three years of historic growth in research awards is now flowing into our research income reaching £135m in 2015/16 (2014/15: £126m). However, after a few very successful years we have seen a slight drop off in the value of awards we are winning. In 2015/16 we won awards of some £137m compared with £144m in 2014/15. This reflected in part cuts made to the Research Councils funding by government, but more significantly it reflected the intensely competitive environment in which we operate, not just for winning proposals but for recruiting the right research talent. This fall in award levels could impact unfavourably on

our research income next year but we will be seeking to mitigate this risk through building our research position, relative to our peers. This is an imperative in our strategic framework and I expect to report next year on some substantial investments we will make in recruiting highly talented people to help us develop a core group of strategic research centres that build on our areas of strength.

Notwithstanding the competitive pressures, we have however been successfully growing our European research funding in the last few years. When Brexit is implemented, we expect much of this funding will be closed to British organisations but the time scale is still very uncertain. We are continuing to submit applications to European funders and have not yet seen any evidence of a decline in our success rates. The UK Government has indicated it may give some financial support to mitigate the possible loss of European research funding but what that might be is still very unclear. Our international partnerships however are continuing to deliver research income from around the world to our Birmingham based researchers and our international strategy is focused, inter alia, on securing new sources of international research funding. Another risk to our research income is ensuring we have a successful outcome at the next REF planned for 2020. Preparation for the 2020 REF is well underway and remains a high priority.

As last year, our research income has been increased by some £7m (gross) due to Research and Development Tax credits (RDEC). This is the last of the claims the University can make for these tax credits. Over the last two financial years RDEC has generated additional funds of £12m (net), which has been reported in our income and expenditure account within income from Research Grants and Contracts.

Research income



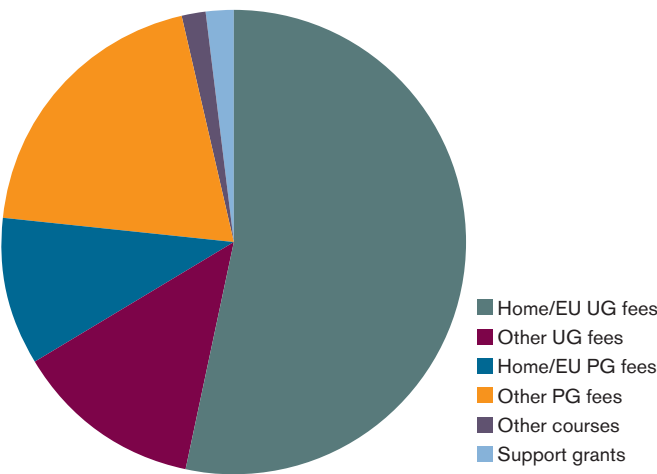
# Treasurer’s Report (continued)

## Education: Learning for the future

*We support our exceptional and ambitious students to become independent problem solvers and natural leaders, enthusiastic about knowledge and learning and able to get things done. Our graduates are in demand across the world.*

- 44% total income from student fees
- 75% of students from the UK
- 34% of students are post graduate students
- 38% of income spent in our academic schools

Fee income



Student fees represent 44% of our income with much of our Funding Council grants (£32m) being attributable to teaching students. Education is a vital part of our activity and we are committed to developing an excellent experience for each and every one of our students. Our total student numbers reached over 34,000 in 2015 and our recent National Student Survey results improved excluding an overall satisfaction mark of 89%.

The University’s student numbers taken from the Higher Education Statistics Agency returns in the autumn of each year expressed as full person equivalents were:

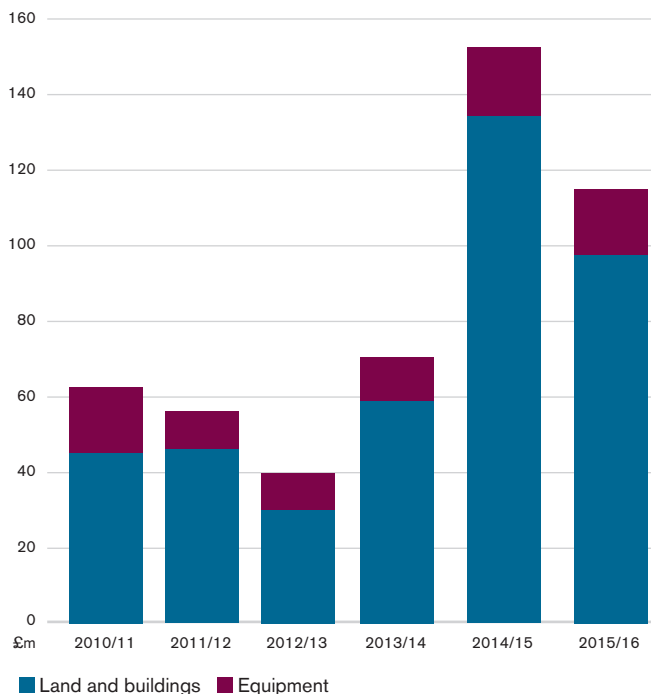
	2015	2014	2013
Full time (Home/EU)	20,755	19,965	19,485
Full time overseas	6,545	6,015	5,410
Part time	6,855	6,355	5,805
Total	34,155	32,335	30,700



## Treasurer's Report (continued)

Recruitment of students overall continues to show growth despite a fiercely competitive market in the UK, Europe and more widely. Maintaining this success and building upon it becomes ever more challenging and failure to keep our student numbers up represents one of our most significant risks – an increasing risk as the impact of Brexit on European student recruitment begins to take effect. The introduction of the Teaching Excellence Framework (TEF) also introduces some new challenges as we seek to understand how it will be implemented but this does not in any way change our ambition to provide the highest quality of teaching to our students. We seek to mitigate the risk of falling student numbers by investing in the student experience, student employability and widening participation.

**Capital expenditure**



### Student experience

We are committed to continuing our investment in pedagogic and curriculum development. In considering the size and shape of the University for the next 5–10 years we are looking at the changing learning needs of students to balance face to face and self-directed learning methods, exploring distance learning options and investigating the feasibility of part time options while still sustaining the University of Birmingham student experience. We continue to experiment – the new student hub, which opened last year, combines a large lecture space with breakout areas within one room reflecting a different approach to teaching. We also seek to improve the student experience through improved student/tutor ratios and enhanced support services. The spending levels in academic schools which reflects this investment rose from £234m in 2014/15 to £244m in 2015/16.

An important element in the overall student experience is the quality of the spaces we provide for learning, study, recreation and accommodation.

As the investment chart demonstrates, we have continued to allocate substantial funds to capital projects. At the time of writing, new buildings which have been completed or are nearing completion include:

- The Library;
- Sports Centre;
- The Alan Walters Building for the Business School

We have also continued with an ambitious programme of refurbishments and reconfigurations of a number of labs and teaching spaces for staff and students across campus. New equipment has also been a significant spend area with £18m being spent in 2015/16.

### Student employability

The Vice Chancellor in his report has talked about our success in achieving high levels of employability for our graduates. This has been achieved through investing in a wide range of programmes to build workplace skills to supplement the academic excellence our graduates acquire through their degree. This investment will continue as we help our students respond to the changing demands of the workplace.

## Treasurer's Report (continued)

### Widening participation

Our Access to Birmingham programme (A2B) supports students from families with no experience of Higher Education. In 2015/16: 1,064 (2014/15 989) students were supported through this programme. It is an initiative supported by donations from many of our alumni and the Class of 2016 contributions were given to this programme.

This year we are investing in a number of new education initiatives such as the National College for High Speed Rail; a collaborative engagement with the Greater Birmingham and Solihull Local Enterprise Partnership

and Birmingham City Council which will open to students in September 2017 and will provide new pathways for those students into Higher Education. I hope to be able to report on this project in my report next year. Our commitment to widening participation in Higher Education is reflected in our spending on student support more generally through scholarships and bursaries of £13m (2014/15 £10m) and £41m (2014/15 £39m) total spent on student support.

Having achieved our student intake targets for 2015 entry despite the highly competitive environment, I am pleased to report that early indications are that we will do so again in 2016.

### Influence: Engagement and impact

*Our goal is to use our research and education strengths in science and engineering, social science, and humanities to increase well-being and prosperity.*

The University is committed to community engagement as set out in the 'Our Community' section of this report. Staff are actively encouraged to become involved with other organisations in support of their University roles. The list of these engagements is long and varied. These roles and the networks they bring ensure the benefits are realised globally from our research, teaching and other activities. They enable our teams to spot opportunities for additional engagement and impact, which in turn inform our future developments.

Our standing in the eyes of the government has led to a number of high profile research investments, such as UKCRIC and ERA, regional collaborations which we worked hard to influence and win. The understanding of the Midlands as a credible alternative to the South East for innovation and investment appears to be gaining support.

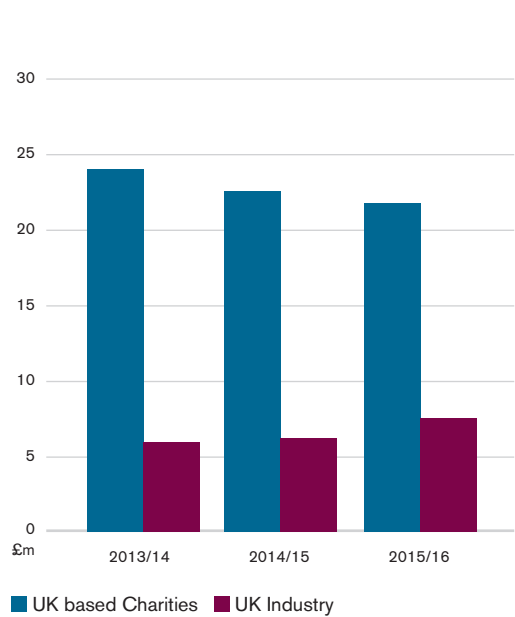
By focusing on engagement and investing in our support activities, the University has achieved significant growth in the value of industrial engagement as evidenced by our income over the last three years for research, sponsorship and industrial partnerships. UK industry research income of £8m (2014/15: £6m) occurred in this financial year. The risk of failing to engage in partnerships locally, nationally and globally influences the University's standing within the sector and its ability to develop academically. Our staff are fully aware of this and the engagement reflected in this report and in the 'Our Community' report provides examples of how this is achieved and how the risks in turn are mitigated.

# Treasurer’s Report (continued)

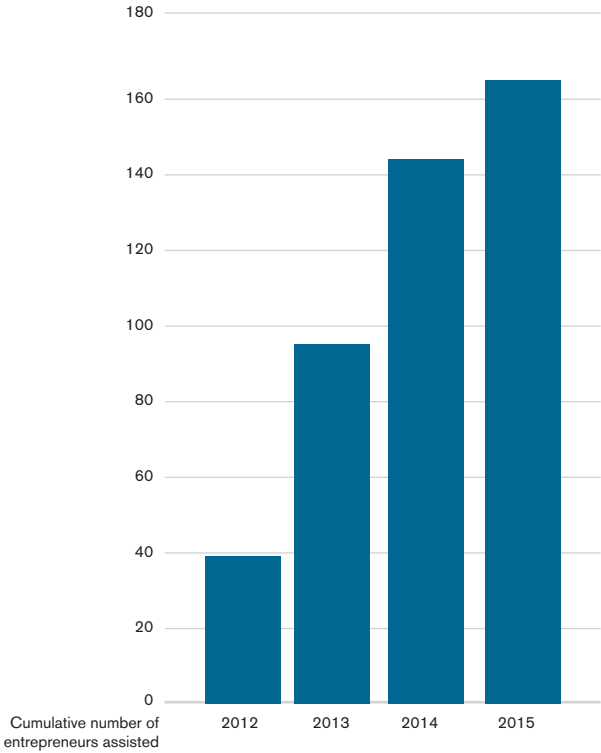
Influence is a key area of focus in our strategic framework but our systems are currently not able to capture the full extent of the investment we are making in our community be it local, national and international. I expect that our new financial and administrative

systems which we will be introducing as part of the “New Core” project I discuss more fully in the Resources section below, will enable us to capture this information and allow us to understand better the extent of our investment and its effectiveness.

Industry and Charity income



Academic Engagement



## Treasurer's Report (continued)

### Resources: A vibrant intellectual environment

*A well-resourced, well managed and ambitious University with people at its heart.*

- £165m cash and cash equivalents
- £104m endowment investments generating £3m of income and interest
- £1.2bn of fixed assets following revaluation exercise.

Staff continue to represent 55% (2014/15: 57%) of our overall costs each year. Recruiting and retaining highly talented staff remains a key priority for the University, and given the very competitive environment to secure talent, it is also a major risk. The University has sought to mitigate this risk by investing in innovative new programmes to attract post graduates (for example the BRIDGE Fellows and the Birmingham Research Fellows) and these initiatives have proven successful. More significantly the University has sought to deliver increasing investment in staff development through, for example provision of personal coaching support for staff in leadership positions and through a comprehensive development programme tailored to the needs of each grade of staff. It has also invested in equality and diversity by establishing a new Deputy Pro Vice Chancellor post with specific responsibility to make improvements in this area.

As I mentioned in my introduction, financial sustainability is very much at the front of my mind. I have discussed the financial impact of risks associated with research and student numbers, but a further significant risk with major financial implications relates to staff costs. With increases in National Insurance and pensions, staff costs are increasing at rates well in excess of inflation. The rising cost of pensions is an area of particular concern with the triennial valuation of the University's own BPAS scheme currently underway and the triennial valuation of the USS scheme due next year. Evaluating pension liabilities is a matter of considerable judgement and with the volatile state of capital markets one that is particularly difficult at this time. Most schemes are expecting triennial valuations to show increasing pension liabilities.



## Treasurer's Report (continued)

Despite these risks we were highly cash generative this year producing cash from operating activities of £87m, reflecting sustained strength in student recruitment coupled with tight control over administrative costs. This compares with £82m in 2014/15, with the increase reflecting strong performance in the year which enables future investments to be delivered.

Given pressing demands to invest in our Research and Education activities it is essential we take steps to improve our systems and processes and ensure our corporate services meet the needs of the organisation and are delivered as cost effectively as possible. The development of lean and efficient processes and systems to support our operations commenced in earnest with the completion of the tender for the new HR and Finance system – the "New Core" project. The IT changes will be supported by refinement of the surrounding processes to simplify them and ensure consistency across all our colleges and support services. The New Core business plan anticipates a total investment of some £21m over 4 years, of which £1.5m has been spent to date and £9m is disclosed as a capital commitment in these accounts. The business plan anticipates a much reduced administrative burden on staff, significantly enhanced management information and much greater cost effectiveness.

We are currently operating in a low interest environment and this is providing very significant challenges in terms of generating acceptable returns on our endowments and on our sizeable cash balances. As I reported last year, we altered our investment strategy on our endowments to increase the level of equity investment. As this is an investment in perpetuity we did not consider the overall increase in risk from this change to be significant. The endowment investment portfolio this year delivered 6.9% (2014/15: 8.3%) total return and income of £2.9m (2014/15: £2.2m). During this financial year we sought to improve our cash flow forecasting so that we could much more accurately predict when cash resources would be required to fund major capital and other projects. This work identified that we could create a medium term fund where cash could be invested in longer term vehicles (say for 3–5 years) to generate an improved return. This change is in the process of being implemented and I shall report on the financial outcome in my report next year.

## Other matters

### Financial Sustainability

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 process includes the derivation of income and expenditure statements; cash flows; capital budgets and summarised balance sheets. These budgets and forecasts are then subjected to sensitivity assessments which flex the main assumptions. This forms the basis of our assessment of the ability of the University to continue as a going concern.

However, as a result of the highly competitive environment in which we operate, the major uncertainties we face 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 continue to supplement our strategic planning with scenario assessments which encompass a variety of potential outcomes for sector uncertainties driven by external and governmental factors. For example we have modelled scenarios for our three most significant financial risks, namely cuts in government teaching grants and/or student funding mechanisms; inability to achieve our targets on student recruitment; and reductions in research funding by governments in both the UK and Europe. In addition given the referendum outcomes in June this year, the impact of an EU exit has been considered; however given the uncertainty as to the outcomes of this a number of sub-scenarios have been required. This 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 analysis for investments, both capital and revenue, also form a part of this scenario assessment.

### FRS 102

This is the first year that we present our accounts under the new reporting standard FRS 102. This has introduced changes to accounting treatment and disclosure for 2015/16 and also required re-statement of 2014/15 comparatives. The impact of applying FRS102 and the new SORP in 2014/15 was to reduce reported consolidated surplus after tax for the year by £3m. This net reduction consists of 3 main features:

- Income increased by £21m due to changes in when we recognise grant income.
- Pension related expenses increased by £29m, mainly due to the revised accounting treatment for the USS pension scheme.
- Depreciation costs reduced by £4m due to revised estimates of remaining useful lives arising from an external revaluation of our property assets.

We took advantage of the option under FRS102 to revalue our property on implementing the new standard. This resulted in an uplift of £379m to our fixed asset net book values, that better reflects the true value of our campus. The other main impact of FRS102 on the 2014/15 balance sheet was the recognition of a £27m provision and movement in the year of £26m in respect of the USS deficit recovery plan. None of these items had a cash impact. Further details on the changes made in respect of the adoption of FRS 102 are given in note 33 to the accounts.

# Treasurer's Report (continued)

## Key financial highlights 2015/16

The following graphic shows some of the financial highlights of 2015/16.

75% of students from the UK		Our 6,000 staff members costing £310m			34% of student are postgraduates		
£286m student fees income	£135m Research income	£4m income from donations and endowments	£42m residences and catering income	64% of income competitively won	£5m of investment income	9% growth in total income	
£244m on academic and related expenditure		£54m on pensions and social security	£201m of other operating expenses		£41m on student support	£2.2m grant to Guild of Students	
						£2.6m loan interest paid	
£84m surplus before tax	£77m surplus before exceptionals			Cash flow from operating activities 14% of income	EBITDA of £134m, 20% of income	£3.8m of loan capital repaid	
£83m cash generated from operating activities	£25m decrease in cash in the year	Surplus before tax 13% of income			£16m capital grants received		
£1.2bn value of University land and buildings	£98m invested in buildings in the year	£98m of Endowment asset investments	£50m of University asset investments	£88m of income received in advance		£1.2bn of net assets	£165m of cash and cash acquisitions
£158m of pension liabilities	£70m of bank loans	Total reserves of £1.2bn, of which £117m restricted	6 subsidiaries companies with £42m net assets	£257m of current assets		Trade creditor days of 6	Debtor days of 6
Gearing of 6% of net assets	21% of income from research		55% costs spent on staff	£31m of capital commitments		Short term cash to total expenditure days of 106	
	29% of income from undergraduates		43% cost spent on academic and related activity				

## Risks

The strategic goals of the University are in part a response to strategic risk. In the sections above I have referenced the key strategic risks reflected in the risk register when I have discussed the context of the strategic goals set out in our 2015–20 Strategic Framework.

to develop activities and extend reach by exploiting a strong and growing international reputation, a proven leadership capability and a significant investment capacity that really can 'make important things happen'.

I thank all of you for your contribution in 2015/16 and I look forward to working with you in the coming years.

## Conclusion

Our University is having to deal with major uncertainties in the Higher Education sector and increasingly ferocious competition for students and staff but I remain confident that the University has an appropriate strategy for delivering long-term financial sustainability. FRS102 will bring greater volatility to the reported financial position and the focus on key indicators, including cash generation, will support our assessment of performance against that strategy. We have a number of opportunities

## Mrs Caragh Merrick

Treasurer

30 November 2016

## 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.

All our activities are defined by these principles, together with delivering benefit to over 34,000 students and more than 7,000 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 over 34,000 students at both undergraduate and postgraduate level across a very wide range of

subjects. They graduate with quality degrees which make them highly employable and contributors to the environment. We encourage all our students to contribute to the academic community and to develop their own independent thought and enquiry.

In 2016 the University was awarded the highest possible rating by the Quality Assurance Agency for Higher Education following a review of teaching. We were praised in nine areas of good practice, including the high value placed on teaching and sustained engagement with employer. We had no recommendations for improvement.

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 2015/16 these have included:

- The Baggs Memorial Happiness Lecture given by Baroness Tanni Grey-Thompson OBE and attended by more than 1,000 people;
- The delivery of EU referendum thought leadership, expert opinion and open debate to support our local and national community before and after the vote with over 1,500 staff and public attending events.
- The Vice Chancellor's Distinguished Lectures included Professor Richard Fortey, renowned palaeontologist, writer and TV presenter who delivered a key note talk.
- College distinguished lectures including Professor Dave Charlton, spokesperson for the ATLAS Collaboration of CERN.

Our introduction of Massive Open Online Courses (MOOCs) in 2014 enabled our teaching to reach a much broader audience and we now have 16 courses available at [www.birmingham.ac.uk/postgraduate/courses/moocs/index.aspx](http://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](http://theconversation.com/uk)) and the Birmingham Heroes ([www.birmingham.ac.uk/research/heroes/index.aspx](http://www.birmingham.ac.uk/research/heroes/index.aspx)).

Our research activities this year have included:

- trialling vaccines to fight cancer
- studying the impact of climate change on woodlands
- developing tools to evaluate and improve major road networks
- shaping the debate around drone technology and proving the existence of gravitational waves

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 multiband interdisciplinary research strengths, we are addressing national and global challenges.

Some of our research projects involve members of the public who have a continuing interest in the outcomes and assist with the dissemination process.

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](http://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 75% 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.

## 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. The Birmingham Proms event held in June 2016 attracted 4,000 people to the free outdoor concert.

## 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 2015/16 financial support amounted to £41m (2014/15 £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 contributions from external funders we run a number of doctoral training centres which provide studentships in a variety 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.

### Fundraising

On the 31st August 2015, we closed our ground-breaking Circles of Influence campaign having raised £194m. Over the course of the campaign, more than 11,500 donors helped to transform campus, funded research with global impact, and gave students life-changing opportunities.

In 2015/16 our fundraising activities included face to face, applications to Trusts and Foundations, legacy stewardship, direct mail, and a telephone calling campaign to our alumni delivered by our students. Over the course of 2015/16, the University received pledges of almost £9m.

We work within HEFCE regulation and keep up-to-date with guidance from other charity governance bodies to ensure we deliver the best service for our supporters, alumni, and donors. We have clear systems, including robust due diligence, in place to protect the University's reputation and the financial and other assets. The University has received no allegations or investigations from regulatory bodies on our fundraising practice.

The primary responsibility for fundraising at the University is held by the Development and Alumni Relations Office

### Examples of the University of Birmingham contributions to the local community in 2015/16

**PROFESSOR MYRA NIMMO  
APPOINTED CHAIR OF  
ENGLAND ATHLETICS**

**CURRENT AND FORMER  
STUDENTS WON MEDALS AT  
THE RIO OLYMPICS AND  
PARALYMPICS IN 2016**

**RE-OPENING OF THE  
LAPWORTH MUSEUM OF  
GEOLOGY AFTER £2.7M  
REFURBISHMENT**

**PROVIDED ACCESS TO RESEARCH  
IN OTHER COUNTRIES VIA MOBILE  
LABS AND CLINICAL TRIALS**

**BIRMINGHAM STUDENTS  
DELIVERED CPR TRAINING TO MEMBERS  
OF THE PUBLIC AS PART OF #VSHOCKS  
PROJECT AT V FESTIVAL**

**RUNNING A BUSINESS CLUB FOR OVER  
671 MEMBERS FROM 520 COMPANIES**

**BIZZ INN INCUBATOR HAS HELPED  
1001 ENTREPRENEURS  
AND STUDENTS CREATE 35  
COMPANIES AND 60 JOBS**

**77 ACTIVE  
CLINICAL TRIALS  
RUN IN YEAR**

**DELIVERED  
ACADEMIC TALKS  
TO THE HAY FESTIVAL**

**HOSTED 6 EVENTS  
ON CAMPUS IN  
SUPPORT OF EU  
REFERENDUM**

(DARO). The Director of DARO is accountable to Council for fundraising performance. Day-to-day supervision of fundraising is conducted within DARO. DARO's strategy; targets; resources; and risk assessment are clearly set out and approved on an annual basis.

Fundraisers are recruited as permanent staff or student workers and all are trained to focus upon our relationship with our supporters as the highest priority. We do not employ commercial fundraisers or external call centres and do not use commission-based incentives for our team. Regular monitoring takes place to ensure local performance reaches our expectations including 1:1 feedback, team meetings, and monthly senior management reviews. We commit to our high standards via our Donor Promise, Ethical Guidelines for Fundraising, and the University Code of Ethics.

All our supporters are treated fairly and without discrimination and we adhere to the recommendations from the Institute of Fundraising, particularly the protection of vulnerable supporters. Four complaints in relation to fundraising were assessed and resolved in year with Senior Management advised of the outcomes. Our transparent

dialogue with all members of our donor and non-donor community represents our commitment to a life-long relationship with all friends of the University. We encourage everyone to engage in the full range of the University life whether donating, volunteering, attending events, or reading the latest academic and alumni news in Old Joe [www.birmingham.ac.uk/alumni/news/old-joe/Magazine.aspx](http://www.birmingham.ac.uk/alumni/news/old-joe/Magazine.aspx)

### Conclusion

The University, contributes directly to the public benefit through the outcomes of our teaching and research. 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 we continue to innovate and engage, responding to the challenges around us to ensure we continue to inspire great minds whatever their background.

**CO-HOSTED 800 SHAKESPEAREANS FROM MORE THAN 48 COUNTRIES**  
FOR THE 10TH WORLD SHAKESPEARE CONGRESS

**149 YEAR 7 AND 184 YEAR 12 STUDENTS**  
IN THE SECOND YEAR OF INTAKE AT THE UNIVERSITY TRAINING SCHOOL

**PROVISION OF 3 DAYS OF FREE LECTURES, WORKSHOPS AND PERFORMANCES IN BOOK TO THE FUTURE; OUR FESTIVAL OF THE WRITTEN AND SPOKEN WORD**

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

**LAUNCHED 'STEP UP TO SOCIAL WORK' AN EMPLOYER LED ROUTE INTO SOCIAL WORK**

**OVER 7,000** PEOPLE ATTENDED PUBLIC LECTURES ON CAMPUS

**HOSTED OVER 120 INTERNATIONAL STUDENTS IN THE 2016 SUMMER SCHOOL PROGRAMME**

**ENGAGED WITH OVER 3,000 SCHOOL PUPILS IN THE STEM SUBJECTS AS PART OF OUTREACH ACTIVITIES**

**340 STUDENTS** ENTERED THE UNIVERSITY THROUGH A2B SCHEME

## 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), including the Higher Education Code of Governance.

### 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:

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.

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 the University of Birmingham School which gave members of Council a valuable insight into the running of the UK's first secondary University Training School and a visit to the Institute of Translational Medicine, a new world class clinical research facility on campus, were highlights of 2015/16.

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 undertakes regular reviews of its effectiveness. An effectiveness review of Council and its Committees reported to Council in November 2015. The Effectiveness Review Panel was chaired by the Deputy Pro-Chancellor, Richard Haywood, and benefitted from the external perspective provided by Kevin Greenleaves, a consultant with significant experience of working with boards in a wide variety of sectors. The overall conclusion of the Effectiveness Review was that Council can continue to be assured of its effectiveness having regard to the Committee of University Chairs (CUC) Higher Education Code of Governance and other good governance practice. Indeed, the Review was regarded as a valuable opportunity to reflect and make further enhancements to what is already a high performing Council and effective governance at the University. These enhancements covered certain aspects of membership and operation of Council, the reporting relationship between Council and Senate, operation of Committees of Council and the arrangements for providing assurance to Council on equalities and diversity throughout the University. An Action Plan has been set to manage the implementation of these enhancements. The next Effectiveness Review of Council will be conducted during 2019 which is in accordance with the four year timescale for effectiveness reviews set out in the CUC Higher Education Code of Governance.



## 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 2016 and to the date of approval of these accounts, except where indicated otherwise are set out in the table. Their attendance at meetings except where indicated otherwise are set out in the table. Their attendance at meetings as members of Council, Strategy, Planning and Resources (SPRC), Audit, Remuneration and Membership Committees are shown below.

		Meeting Attendance 2015/16				
Members	Council membership dates	Council 5 in year	SPRC 7 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	7/7	-	2/2	1/1
Mr Richard Haywood, Deputy Pro-Chancellor		4/5	5/7	-	1/2	1/1
Mrs Caragh Merrick, Treasurer		5/5	7/7	-	2/2	1/1
Mr Derrick Anderson CBE		5/5	6/7	-	-	-
Dame Christine Braddock DBE		3/5	-	3/4	-	-
Mr Alan Davey CBE		3/5	-	3/4	-	-
Mr David Davies OBE		3/5	-	-	-	1/1
Mr Martin Devenish		3/5	-	-	-	-
Mr Robert Halton	Term ended July 2016	5/5	6/7	-	2/2	-
Mr Malcolm Harbour CBE		5/5	-	-	-	-
Dame Lin Homer DCB	Term commenced June 2016	1/1	-	-	-	-
Ms Sukhvinder Kaur-Stubbs	Term ended July 2016	5/5	-	2/4	2/2	-
Mr Richard Keys	Resigned December 2015	1/2	-	2/2	-	-
Dame Una O'Brien DCB	Term commenced June 2016	0/1	-	-	-	-
Dr Ranjit Sondhi CBE		5/5	-	-	-	-
Mr David Stead		5/5	-	4/4	-	-
Sir Terry Morgan	Term commenced August 2016	N/A	N/A	N/A	N/A	N/A

There are two lay member vacancies as at August 2016.

## Corporate Governance (continued)

		Meeting Attendance 2015/16				
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						
Ms Joulie Axelithioti, Postgraduate and Mature Students Officer	Term ended November 2015	0/2	-	-	-	-
Ms Rose Bennett, Postgraduate Students' Officer	Term commenced November 2015	3/3	-	-	-	-
Mr Jack Mably, President of the Guild of Students	Term ended July 2016	3/5	6/7	-	-	-
Ms Ellie Keiller, President of the Guild of Students	Term commenced July 2016	N/A	N/A	N/A	N/A	N/A
Ex Officio Members						
Professor Sir David Eastwood, The Vice-Chancellor and Principal		5/5	7/7	-	2/2	1/1
Professor Adam Tickell, The Provost and Vice-Principal	Office ended August 2016	5/5	6/7	-	-	1/1
Professor Tim Jones, The Provost and Vice-Principal	Office commenced September 2016	N/A	N/A	N/A	N/A	N/A
Academic Members Appointed by Senate						
Professor Kathy Armour		5/5	7/7	-	-	-
Professor Peter Fryer		3/5	-	-	-	-
Dr Helen Laville	Resigned February 2016	2/2	-	-	-	-
Professor Hisham Mehanna		5/5	6/7	-	-	-
Professor Corey Ross	Term commenced August 2016	N/A	N/A	N/A	N/A	N/A
Professor Karen Rowlingson	Term commenced August 2016	N/A	N/A	N/A	N/A	N/A
Secretary to Council						
Mr Lee Sanders, The Registrar and Secretary						

### Advisors

External Auditor	Deloitte LLP
Bankers	Lloyds Bank
Solicitors	Shakespeare Martineau
(from Panel of)	Mills & Reeve LLP
	Pinsent Masons LLP
	Eversheds

## Corporate Governance (continued)

### 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 2015/16 is shown on pages 26 and 27.

### 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 forward look 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 with the Internal and External Auditors for independent discussions.

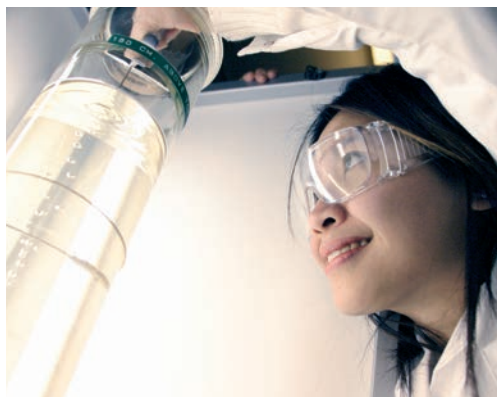
### Membership Committee

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

### Remuneration Committee

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







## Corporate Governance (continued)

remuneration, the University believes it is appropriate that a different senior lay officer chairs the Committee. Human Resources service the Committee and support the remuneration process.

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

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

The Committee ensures that it complies with the HEFCE Accounts Direction on senior staff remuneration, 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. The Vice-Chancellor considers these recommendations, and then formally reviews, where appropriate revises, and then

confirms the proposals at a formal meeting with the Provost and Vice-Principal, thematic Pro-Vice-Chancellors and Heads of College. The Vice-Chancellor then presents the recommendations 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.
4. 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, are 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.

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



## Corporate Governance (continued)

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 Chairs (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 three elements, base salary; a performance-related payment of up to 15% of salary; and a long term incentive plan. The Pro-Chancellor proposes targets for payout of the performance-related and long term incentive plan elements to the Remuneration Committee, who determine the level of award and/or incentive.

### 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 and the Director of Finance. 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 Responsibilities of the Council

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

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 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

- Council meet a minimum of four times a year to consider the plans and strategic direction of the institution.

## Corporate Governance (continued)

- Council receive 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 have 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 Council in 2015. Budget Holders 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 effectiveness of risk management.
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly by UEB, SPRC and Council.
- Regular formal reviews take place to identify and where necessary revise and update the record of risks facing the institution.
- Reports are received from budget holders, department heads and project managers on internal control activities via committees of Council.
- A framework is in place to raise the profile of significant risks throughout the institution in a timely manner outside of the normal risk management cycle.
- Systematic and comprehensive independent peer reviews of Schools and Corporate Services have been introduced for UEB aimed at enhancing performance in line with the strategic framework.

The review of the effectiveness of the system of internal control is informed by external good practice: the Internal Audit Service, which operates to standards defined in the HEFCE Audit Code of Practice; and 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.



## 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

30 November 2016



# Report of the Auditor

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

We have audited the financial statements of University of Birmingham for the year ended 31 July 2016 which comprise the Statement of Accounting Policies, the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets and the Consolidated Cash Flow Statement and the related notes 1 to 33. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015.

This report is made solely to the Council in accordance with the charter and statutes of the university and the memorandum of assurance and accountability effective August 2014. Our audit work has been undertaken so that we might state to the governing body 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the governing body and auditor**

As explained more fully in the Governing Body's Responsibilities Statement, the governing body 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 Group's and 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 University's affairs as at 31 July 2016 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 2015.

### 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 2016 have been applied for the purposes for which they were received; and

- income during the year ended 31 July 2016 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

30 November 2016



# Statement of Accounting Policies

*Year Ended 31 July 2016*

## 1. University information

The University is an independent corporation established by Royal Charter in 1900. Its powers and framework of governance, are set out in the Charter. The University receives significant public funding and, by the educational nature of its objectives, is an exempt charity under Schedule 2 of the Charities Act 1993.

## 2. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: Accounting for Further and Higher Education and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified for the revaluation of certain fixed assets, derivative financial instruments and certain fixed asset investments.

## 3. Going concern

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 was 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, the UK's expected departure from the European Union, government funding changes, and the increased level of competition in the Higher Education sector.

Based on a one-year budget, three-year forecast, and five to ten year scenario planning 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.

## 4. Basis of consolidation

The consolidated financial statements combine the financial statements of the University and its subsidiary undertakings, all of which have 31 July year ends, except the University of Birmingham School with its financial year end being 31 August. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the Guild of Students as the University does not exert control or dominant influence over policy decisions.

## 5. Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries, scholarships and stipends are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

The University has submitted claims under the Research and Development Expenditure Credit Scheme for large companies. Claims submitted have been recognised in the year that 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 the risk based on a judgement.

Materially all of the University's income and surplus relates to its principal activities and originated in the United Kingdom and, as a result, no segmental reporting is presented.

# Statement of Accounting Policies (continued)

*Year Ended 31 July 2016*

## **Grant funding**

Grant funding including HEFCE block grant, research grants from government sources and grants (including research grants) from non-governmental sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

## **Donations and endowments**

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded as income in the year in which it arises and is either restricted or unrestricted according to the terms of instruction applied to the individual endowment.

The University holds the following types of donations:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested and generate an income stream for the general benefit of the University
3. Restricted expendable endowments – the donor has specified a particular objective other than fixed assets and the University has the power to use capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## **Capital grants**

Capital grants are recognised as income when the University is entitled to the funds subject to

any performance related conditions being met.

Where grant funded assets are in the course of construction, the University consider on a case by case basis whether their construction constitutes a performance related condition.

## **6. Accounting for retirement benefits**

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and for support staff the Group Personal Pension Scheme (GPPS). The University also operates the University of Birmingham Pension and Assurance Scheme (BPAS) for some support staff, which was closed to new members in 2002. Both the USS and BPAS schemes are defined benefit schemes. The GPPS is a defined contribution pension scheme.

### **USS**

The USS is a multi-employer scheme, as a result of its mutual nature, the scheme's assets are not allocated to individual institutions and a scheme-wide contribution rate is set. The University 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 basis. As such it is accounted for as if it were a defined contribution scheme. The amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the year excluding deficit recovery payments. The University has entered into an agreement for a recovery plan which determines how each of the employers in the scheme will fund the overall deficit. The University recognises a liability for the present value of the expected contributions payable that arise from that agreement to the extent that they relate to the deficit and the resulting provision is reflected in the balance sheet, with any movement each year being reflected in the Statement of Comprehensive Income and Expenditure.

### **BPAS**

The BPAS defined benefit plan is a post-employment benefit plan, under which the University's obligation is to provide the agreed benefits to current and former employees. Actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University.

# Statement of Accounting Policies (continued)

*Year Ended 31 July 2016*

The University recognises a liability for its obligations under defined benefits plans net of plan assets. The net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## **GPPS**

The GPPS defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the year which services are rendered by employees.

## **7. Employment benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement.

## **8. Leases**

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 Statement of Comprehensive Income and Expenditure on the same basis as owned fixed assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the Statement of Comprehensive Income and Expenditure over the period of the lease.

Operating lease costs are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

## **9. Foreign currency**

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

## **10. Tangible Fixed assets**

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Prior to the date of transition to FRS 102, a revaluation process was carried out by an independent valuer, Gerald Eve LLP, and the University has revalued the land and buildings at fair value at the date of transition, 1 August 2014, with revised economic useful lives allocated to the individual assets.

Land is not depreciated.

Buildings are capitalised at deemed cost and depreciated over their economic useful lives on a straight-line basis. Buildings asset lives range from 5 to 76 years based on independent professional advice.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Major refurbishments are capitalised at cost and depreciated on a straight-line basis over an appropriate life where they substantially add to the total area of the building or prolong its useful life or enhance the economic benefits of the building.

Equipment (including IT) over £25,000 is capitalised at cost and is depreciated over three years on a straight-line basis.

Assets under construction are not depreciated until they are completed and are represented at costs incurred to date.

# Statement of Accounting Policies (continued)

*Year Ended 31 July 2016*

## 11. Heritage Assets

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

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

## 12. Investments

Non current investments are held on the Balance Sheet at amortised cost less impairment. If listed such investments are held at fair value.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

## 13. Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

## 14. Stock

Stock is held at the lower of cost and net realisable value. Consumable items are charged directly to the Statement of Comprehensive Income and Expenditure.

## 15. Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible (within 90 days) to known amounts of cash with insignificant risk of change in value.

## 16. Provisions

Provisions are recognised in the financial statements when:

- a. the University has a present obligation (legal or constructive) as a result of a past event ;
- b. it is probable that an outflow of economic benefits will be required to settle the obligation; and
- c. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the level of risk specific to the liability.

## 17. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para. 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.



# Statement of Accounting Policies (continued)

*Year Ended 31 July 2016*

The University receives no (VAT) exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT related to fixed assets is included in their cost. The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised only if they are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

## 18. Derivatives

The University holds certain instruments to manage its cashflow. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments. The instruments are held on the Balance Sheet at fair value with movements in fair value recorded in the Statement of Comprehensive Income and Expenditure.

Hedge accounting is not applied.

## 19. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## 20. Agency Arrangements

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

## 21. FRS102

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS 102 has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 33.

# Consolidated Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	University	Restated	
				Consolidated	University
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	286,338	286,338	248,442	248,442
Funding body grants	2	90,438	90,438	100,593	100,593
Research grants and contracts	3	128,627	128,627	118,751	118,751
Exceptional Research and Development Expenditure Credit (RDEC)	3	6,838	6,838	7,644	7,644
<b>Total research grants and contracts</b>	3	<b>135,465</b>	<b>135,465</b>	<b>126,395</b>	<b>126,395</b>
Other income	4	129,006	103,982	107,792	105,402
Investment income	5	4,977	5,157	4,033	6,543
<b>Total income before endowments and donations</b>		<b>646,224</b>	<b>621,380</b>	<b>587,255</b>	<b>587,375</b>
Donations and endowments	6	4,202	4,202	10,243	10,243
<b>Total income</b>		<b>650,426</b>	<b>625,582</b>	<b>597,498</b>	<b>597,618</b>
<b>Expenditure</b>					
Staff costs	7	310,381	308,049	314,686	313,623
Other operating expenses		200,713	199,290	190,965	191,916
Depreciation	11	44,761	44,527	43,883	40,963
Interest and other finance costs	8	10,260	10,260	5,686	5,686
<b>Total expenditure</b>	9	<b>566,115</b>	<b>562,126</b>	<b>555,220</b>	<b>552,188</b>
<b>Surplus before tax</b>		<b>84,311</b>	<b>63,456</b>	<b>42,278</b>	<b>45,430</b>
Corporation Tax	10	(94)	-	(10)	-
Tax on Exceptional Research and Development Expenditure Credit (RDEC)	10	(1,238)	(1,238)	(1,734)	(1,744)
<b>Surplus after taxation, before exceptional items</b>		<b>77,379</b>	<b>56,618</b>	<b>34,624</b>	<b>37,786</b>
Exceptional Research and Development Expenditure Credit (RDEC) net		5,600	5,600	5,910	5,900
<b>Surplus after taxation and exceptional items</b>		<b>82,979</b>	<b>62,218</b>	<b>40,534</b>	<b>43,686</b>

# Consolidated Statement of Comprehensive Income and Expenditure (continued)

Year Ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	University	Restated	
				Consolidated	University
		£'000	£'000	£'000	£'000
<b>Surplus after taxation and exceptional items</b>		<b>82,979</b>	<b>62,218</b>	<b>40,534</b>	<b>43,686</b>
Actuarial (loss) in respect of pension schemes	29	(54,200)	(54,200)	(16,500)	(16,500)
Change in fair value of endowments and investments	13	8,440	8,440	4,344	4,344
<b>Other comprehensive income</b>		<b>(45,760)</b>	<b>(45,760)</b>	<b>(12,156)</b>	<b>(12,156)</b>
<b>Total comprehensive income for the year</b>		<b>37,219</b>	<b>16,458</b>	<b>28,378</b>	<b>31,530</b>
Represented by:					
Endowment comprehensive income for the year		6,789	6,789	4,911	4,911
Restricted comprehensive income for the year		952	952	9,766	9,766
Unrestricted comprehensive income for the year		29,478	8,717	13,701	16,853
<b>Total comprehensive income</b>		<b>37,219</b>	<b>16,458</b>	<b>28,378</b>	<b>31,530</b>
Attributable to the University		36,941	16,458	27,942	31,530
Attributable to the non-controlling interest	27	278	-	436	-
		<b>37,219</b>	<b>16,458</b>	<b>28,378</b>	<b>31,530</b>
<b>Surplus after tax and exceptional items for the year attributable to:</b>					
Non controlling interest		278	-	436	-
University		<b>82,701</b>	<b>62,218</b>	<b>40,098</b>	<b>43,686</b>

All items of income and expenditure relate to continuing activities

# Consolidated and University Statements of Changes in Reserves

Year ended 31 July 2016

## Consolidated

	Income and Expenditure account			Total excluding Non Controlling Interest	Non Controlling interest	Total
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014 (Restated)</b>	<b>92,126</b>	<b>2,365</b>	<b>1,010,337</b>	<b>1,104,828</b>	<b>2,283</b>	<b>1,107,111</b>
Surplus from the income and expenditure statement	7,974	10,481	21,643	40,098	436	40,534
Other comprehensive income	-	-	(12,156)	(12,156)	-	(12,156)
Release of restricted funds spent in year	(3,063)	(715)	3,778	-	-	-
<b>Total comprehensive income for the year</b>	<b>4,911</b>	<b>9,766</b>	<b>13,265</b>	<b>27,942</b>	<b>436</b>	<b>28,378</b>
<b>Balance at 1 August 2015 (Restated)</b>	<b>97,037</b>	<b>12,131</b>	<b>1,023,602</b>	<b>1,132,770</b>	<b>2,719</b>	<b>1,135,489</b>
Surplus from the income and expenditure statement	9,600	2,462	70,639	82,701	278	82,979
Other comprehensive income	-	-	(45,760)	(45,760)	-	(45,760)
Release of restricted funds spent in year	(2,811)	(1,510)	4,321	-	-	-
<b>Total comprehensive income for the year</b>	<b>6,789</b>	<b>952</b>	<b>29,200</b>	<b>36,941</b>	<b>278</b>	<b>37,219</b>
<b>Balance at 31 July 2016</b>	<b>103,826</b>	<b>13,083</b>	<b>1,052,802</b>	<b>1,169,711</b>	<b>2,997</b>	<b>1,172,708</b>

# Consolidated and University Statements of Changes in Reserves (continued)

Year ended 31 July 2016

University	Income and Expenditure account			Total excluding	Non	Total
				Non Controlling	Controlling	
	Endowment	Restricted	Unrestricted	Interest	interest	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2014 (Restated)</b>	<b>92,126</b>	<b>2,365</b>	<b>994,476</b>	<b>1,088,967</b>	<b>-</b>	<b>1,088,967</b>
Surplus from the income and expenditure statement	4,911	10,481	28,294	43,686	-	43,686
Other comprehensive income	-	-	(12,156)	(12,156)	-	(12,156)
Release of restricted funds spent in year	-	(715)	715	-	-	-
<b>Total comprehensive income for the year</b>	<b>4,911</b>	<b>9,766</b>	<b>16,853</b>	<b>31,530</b>	<b>-</b>	<b>31,530</b>
<b>Balance at 1 August 2015 (Restated)</b>	<b>97,037</b>	<b>12,131</b>	<b>1,011,329</b>	<b>1,120,497</b>	<b>-</b>	<b>1,120,497</b>
Surplus from the income and expenditure statement	9,600	2,462	50,156	62,218	-	62,218
Other comprehensive income	-	-	(45,760)	(45,760)	-	(45,760)
Release of restricted funds spent in year	(2,811)	(1,510)	4,321	-	-	-
<b>Total comprehensive income for the year</b>	<b>6,789</b>	<b>952</b>	<b>8,717</b>	<b>16,458</b>	<b>-</b>	<b>16,458</b>
<b>Balance at 31 July 2016</b>	<b>103,826</b>	<b>13,083</b>	<b>1,020,046</b>	<b>1,136,955</b>	<b>-</b>	<b>1,136,955</b>



## Consolidated and University Balance Sheets

	<i>Notes</i>	As at 31 July 2016		As at 31 July 2015	
		Consolidated	University	Restated	
				Consolidated	University
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Fixed assets	11	1,158,087	1,127,443	1,089,103	1,060,131
Heritage assets	12	364	364	364	364
Investments	13	147,824	145,572	111,639	109,481
		1,306,275	1,273,379	1,201,106	1,169,976
<b>Current assets</b>					
Stock	15	233	233	177	176
Trade and other receivables	16	71,728	71,635	74,060	74,193
Investments	17	20,000	20,000	30,000	30,000
Cash and cash equivalents	23	165,120	160,283	190,491	185,422
		257,081	252,151	294,728	289,791
Creditors: amounts falling due within one year	18	(165,658)	(163,585)	(189,184)	(168,109)
<b>Net current assets</b>		<b>91,423</b>	<b>88,566</b>	<b>105,544</b>	<b>121,682</b>
<b>Total assets less current liabilities</b>		<b>1,397,698</b>	<b>1,361,945</b>	<b>1,306,650</b>	<b>1,291,658</b>
Creditors: amounts falling due after more than one year	19	(66,563)	(66,563)	(70,313)	(70,313)
<b>Provisions</b>					
Pension provisions	20	(157,718)	(157,718)	(99,972)	(99,972)
Other provisions	20	(709)	(709)	(876)	(876)
<b>Total net assets</b>		<b>1,172,708</b>	<b>1,136,955</b>	<b>1,135,489</b>	<b>1,120,497</b>

# Consolidated and University Balance Sheets

(continued)

	<i>Notes</i>	<b>As at 31 July 2016</b>		As at 31 July 2015	
		<b>Consolidated</b>	<b>University</b>	Restated	
				Consolidated	University
		£'000	£'000	£'000	£'000
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserves	21	103,826	103,826	97,037	97,037
Income and expenditure reserve – restricted reserves	22	13,083	13,083	12,131	12,131
<b>Unrestricted Reserves</b>					
Income and expenditure reserve – unrestricted		1,052,802	1,020,046	1,023,602	1,011,329
		1,169,711	1,136,955	1,132,770	1,120,497
Non-controlling interest		2,997	-	2,719	-
<b>Total Reserves</b>		<b>1,172,708</b>	<b>1,136,955</b>	<b>1,135,489</b>	<b>1,120,497</b>

The financial statements were approved by council on 30 November 2016 and were signed on its behalf on that date by:

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

■ **Mrs Caragh Merrick, Treasurer**

# Consolidated Cash Flow Statement

Year ended 31 July 2016

	Notes	Year Ended 31 July 2016 £'000	Restated Year Ended July 2015 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		82,979	40,534
<b>Adjustment for non-cash items</b>			
Depreciation	11	44,761	43,883
(Increase)/decrease in stock	15	(56)	467
Decrease/(increase) in debtors	16	2,332	(8,891)
(Decrease)/increase in creditors		(5,519)	20,897
Adjustment for pension funding		3,546	22,675
(Decrease)/increase in other provisions	20	(167)	539
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(4,977)	(4,033)
Interest payable	8	3,280	3,362
Endowment income		(986)	(1,432)
Profit on the sale of fixed assets		(2,100)	-
Capital grant income		(35,921)	(35,994)
<b>Net cash inflow from operating activities</b>		<b>87,172</b>	<b>82,007</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		4,700	-
Capital grants receipts		16,407	45,922
Disposal of non-current asset investments	13	1,182	1,312
Withdrawal of deposits	17	10,000	-
Investment income		4,977	4,033
Payments made to acquire fixed assets		(115,138)	(152,762)
New non-current asset investments	13	(28,627)	(2,327)
New deposits		-	(14,546)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(106,499)</b>	<b>(118,368)</b>

# Consolidated Cash Flow Statement (continued)

Year ended 31 July 2016

	Notes	Year Ended 31 July 2016	Restated Year Ended July 2015
		£'000	£'000
<b>Cash flows from financing activities</b>			
Interest paid		(3,280)	(3,362)
Endowment cash received		986	1,432
Repayments of amounts borrowed		(3,750)	(937)
<b>Net cash outflow from financing activities</b>		<b>(6,044)</b>	<b>(2,867)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(25,371)</b>	<b>(39,228)</b>
Cash and cash equivalents at beginning of the year		190,491	229,719
Cash and cash equivalents at end of the year	23	165,120	190,491

# Notes to the Accounts

For the year ended 31 July 2016

	Year ended 31 July 2016		Restated	
	Consolidated	University	Year ended 31 July 2015	University
	£'000	£'000	£'000	£'000
<b>1 Tuition fees and education contracts</b>				
Undergraduate tuition – home and EU students	152,692	152,692	135,941	135,941
Undergraduate tuition – other students	37,147	37,147	29,736	29,736
Postgraduate tuition – home and EU students	30,185	30,185	27,149	27,149
Postgraduate tuition – other students	56,404	56,404	45,965	45,965
Other courses	5,218	5,218	5,564	5,564
Research, training and support grants	4,692	4,692	4,087	4,087
	<b>286,338</b>	<b>286,338</b>	<b>248,442</b>	<b>248,442</b>
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	71,930	71,930	73,170	73,170
Capital grant	13,206	13,206	22,611	22,611
<b>Specific grants</b>				
Higher Education Innovation Fund	3,350	3,350	3,290	3,290
National College for Teaching and Leadership	211	211	302	302
Capital grant	-	-	33	33
HEFCE other	1,741	1,741	1,187	1,187
	<b>90,438</b>	<b>90,438</b>	<b>100,593</b>	<b>100,593</b>
<b>3 Research grants and contracts</b>				
Research Councils	45,796	45,796	39,389	39,389
UK-based charities	21,714	21,714	22,483	22,483
UK Central/Local Government, Health and Hospital Authorities	34,115	34,115	31,273	31,273
UK industry, commerce and public corporations	7,587	7,587	6,184	6,184
EU government bodies	16,984	16,984	17,962	17,962
EU other	2,462	2,462	1,710	1,710
Other overseas	6,109	6,109	6,678	6,678
Other sources	698	698	716	716
	<b>135,465</b>	<b>135,465</b>	<b>126,395</b>	<b>126,395</b>

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. £6.8m (2014/15: £7.6m) is included in UK Central/Local Government, Health and Hospital Authorities above for RDEC, which is shown separately in the Consolidated Statement of Comprehensive Income and Expenditure due to its exceptional and non-recurring nature.



# Notes to the Accounts (continued)

For the year ended 31 July 2016

	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>4 Other income</b>				
Residences, catering and conferences	41,995	41,995	36,635	36,635
Other services rendered	9,526	7,254	8,930	6,788
Health Authority funded external posts	14,726	14,726	15,104	15,104
Self-financing activities	2,995	2,995	3,209	3,209
Other capital grants	21,961	2,447	6,137	6,099
Day nursery and Health centre	2,682	2,682	2,426	2,426
Rental Properties and University Centre lettings	1,188	1,188	1,193	1,193
Barber Trust Grant	1,101	1,101	1,126	1,126
VAT refund	1,388	1,388	1,017	1,017
Other income	31,444	28,206	32,015	31,805
	<b>129,006</b>	<b>103,982</b>	<b>107,792</b>	<b>105,402</b>
<b>5 Investment income</b>				
Investment income on endowments	2,889	2,889	2,198	2,198
Investment income on restricted reserves	-	-	1,440	1,440
Other investment income	2,088	2,268	395	2,905
	<b>4,977</b>	<b>5,157</b>	<b>4,033</b>	<b>6,543</b>
<b>6 Donations and endowments</b>				
Capital grants	754	754	7,213	7,213
New endowments	986	986	1,432	1,432
Donations with restrictions	2,462	2,462	1,598	1,598
	<b>4,202</b>	<b>4,202</b>	<b>10,243</b>	<b>10,243</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>7. Staff costs</b>				
Salaries	249,729	247,840	239,013	238,116
Social security costs	22,077	21,914	20,039	19,918
Movement on USS pension provision	6,730	6,730	29,077	29,077
Other pension costs	31,845	31,565	26,557	26,512
<b>Total</b>	<b>310,381</b>	<b>308,049</b>	<b>314,686</b>	<b>313,623</b>

Included within Staff costs is £125k (2014/15 £nil) compensation for loss of office paid to a senior post-holder.

	2016	2015
Emoluments of the Vice-Chancellor:	£'000	£'000
Salary	378	377
Performance related award	45	35
Taxable benefit	3	4
	<b>426</b>	<b>416</b>

Remuneration of other higher paid staff, including employer's pension contributions and 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 Comprehensive Statement of Income and Expenditure are set out below:

The numbers in brackets indicate the number of members of the University Executive Board.

	No.	No.
£100,001 to £110,000	27	26
£110,001 to £120,000	24	22 (1)
£120,001 to £130,000	19 (3)	16 (2)
£130,001 to £140,000	11	13 (3)
£140,001 to £150,000	6 (2)	6 (2)
£150,001 to £160,000	11 (1)	11
£160,001 to £170,000	4 (1)	6 (1)
£170,001 to £180,000	11	8
£180,001 to £190,000	8 (1)	5 (1)
£190,001 to £200,000	4	6 (1)
£200,001 to £210,000	3 (2)	1
£210,001 to £220,000	1	4 (1)
£220,001 to £230,000	3 (2)	-
	<b>132(12)</b>	<b>124(12)</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
<b>7. Staff costs</b> (continued)				
<b>Staff full time equivalents (FTE) numbers by major category:</b>	No.	No.	No.	No.
Academic, Clinical Academic and Administrative	4,403	4,368	4,230	4,230
Other, including Technical, Clerical and Manual	2,050	2,028	1,979	1,958
	<b>6,453</b>	<b>6,396</b>	<b>6,209</b>	<b>6,188</b>

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented as the University Executive Board (UEB). The figures in brackets in the higher pay staff bandings show the number of UEB members in each banding.

In the year UEB consisted of the Vice-Chancellor and Principal, Provost and Vice-Principal, Pro-Vice-Chancellor (Education), Pro-Vice-Chancellor (Research & Knowledge Transfer), Pro-Vice-Chancellor (International), five College Pro-Vice-Chancellors, Registrar and Secretary, Director of Finance and Director of Human Resources.

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
<b>Key management personnel remuneration</b>	<b>2,373</b>	2,207

## Trustees

The total expenses paid to or on behalf of 6 (2014/15: 6) Council members was £4,385 (2014/15: £6,348). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity as Council members.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

8 Interest and other finance costs	Year ended 31 July 2016		Restated	
	Consolidated	University	Year ended 31 July 2015	University
	£'000	£'000	Consolidated	£'000
Loan interest	2,637	2,637	2,717	2,717
Swap interest	643	643	645	645
BPAS interest charge	1,500	1,500	1,200	1,200
USS interest charge	1,588	1,588	819	819
Change in fair value of financial instruments	3,892	3,892	305	305
	<b>10,260</b>	<b>10,260</b>	<b>5,686</b>	<b>5,686</b>
<b>9 Analysis of total expenditure by activity</b>				
Academic and related expenditure	244,179	244,179	234,293	234,293
Administration and central services	108,689	107,151	99,544	101,466
Premises	56,362	55,734	46,190	45,679
Residences, catering and conferences	30,386	30,386	30,357	30,357
Research grants and contracts	99,906	99,906	94,455	94,455
Other expenses	26,593	24,770	50,381	45,938
	<b>566,115</b>	<b>562,126</b>	<b>555,220</b>	<b>552,188</b>
Other operating expenses include:				
External auditor's remuneration in respect of audit services	138	127	109	74
External auditor's remuneration in respect of non-audit services	52	125	52	125
Operating lease rentals				
Land and buildings	-	-	-	-
Other	682	682	737	737

# Notes to the Accounts (continued)

For the year ended 31 July 2016

10 Taxation	Year ended 31 July 2016 Consolidated £'000	Restated Year ended 31 July 2015 Consolidated £'000
Recognised in the statement of comprehensive income		
Current tax		
UK Corporation Tax at 20.67%		
Current year – Subsidiary companies	71	10
Current year – Research and Development Credit	1,238	1,734
Current tax expense	1,309	1,744
Deferred tax		
Origination and reversal of timing differences	21	-
Reduction in tax rate	1	-
Recognition of previously unrecognised tax losses	1	-
Deferred tax expense	23	-
Total tax expense	1,332	1,744

The amount for RDEC represents the notional charge arising on the income recognised for the Research and Development Expenditure Credit Claims, see Note 3.



# Notes to the Accounts (continued)

For the year ended 31 July 2016

<b>11 Fixed Assets</b>	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	<b>Total</b>
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>						
At 1 August 2015 (Restated)	840,702	128,959	23,453	46,163	106,935	1,146,212
Additions	20,143	321	22,567	17,618	54,489	115,138
Transfers	49,869	-	-	-	(49,869)	-
Disposals	(1,397)	-	-	(8,124)	-	(9,521)
<b>At 31 July 2016</b>	<b>909,317</b>	<b>129,280</b>	<b>46,020</b>	<b>55,657</b>	<b>111,555</b>	<b>1,251,829</b>
<b>Consisting of valuation as at:</b>						
31 July 2016						
Deemed cost	909,317	129,280	46,020	55,657	111,555	1,251,829
	<b>909,317</b>	<b>129,280</b>	<b>46,020</b>	<b>55,657</b>	<b>111,555</b>	<b>1,251,829</b>
<b>Depreciation</b>						
At 1 August 2015 (Restated)	21,027	4,032	2,345	29,705	-	57,109
Charge for the year	20,284	4,040	4,602	15,835	-	44,761
Disposals	(4)	-	-	(8,124)	-	(8,128)
<b>At 31 July 2016</b>	<b>41,307</b>	<b>8,072</b>	<b>6,947</b>	<b>37,416</b>	<b>-</b>	<b>93,742</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>868,010</b>	<b>121,208</b>	<b>39,073</b>	<b>18,241</b>	<b>111,555</b>	<b>1,158,087</b>
At 31 July 2015 (Restated)	819,675	124,927	21,108	16,458	106,935	1,089,103
<b>University</b>						
<b>Cost and valuation</b>						
At 1 August 2015 (Restated)	809,218	128,959	23,453	45,755	106,935	1,114,320
Additions	18,254	321	22,567	17,601	54,489	113,232
Transfers	49,869	-	-	-	(49,869)	-
Disposals	(1,397)	-	-	(8,124)	-	(9,521)
<b>At 31 July 2016</b>	<b>875,944</b>	<b>129,280</b>	<b>46,020</b>	<b>55,232</b>	<b>111,555</b>	<b>1,218,031</b>
<b>Consisting of valuation as at:</b>						
31 July 2016						
Deemed cost	875,944	129,280	46,020	55,232	111,555	1,218,031
	<b>875,944</b>	<b>129,280</b>	<b>46,020</b>	<b>55,232</b>	<b>111,555</b>	<b>1,218,031</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

<b>11 Fixed Assets</b> (continued)	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Depreciation</b>						
At 1 August 2015 (Restated)	18,372	4,032	2,345	29,440	-	54,189
Charge for the year	20,107	4,040	4,602	15,778	-	44,527
Disposals	(4)	-	-	(8,124)	-	(8,128)
<b>As at 31 July 2016</b>	<b>38,475</b>	<b>8,072</b>	<b>6,947</b>	<b>37,094</b>	<b>-</b>	<b>90,588</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>837,469</b>	<b>121,208</b>	<b>39,073</b>	<b>18,138</b>	<b>111,555</b>	<b>1,127,443</b>
At 31 July 2015 (Restated)	790,486	124,927	21,108	16,315	106,935	1,060,131

At 31 July 2016, freehold land and buildings included £191.4m (2015 – £192.6m) in respect of freehold land and is not depreciated.

## Leasehold land and buildings

	Cost at 1 August 2015	Additions	Accumulated Depreciation	<b>Net Book Value</b>
	£'000	£'000	£'000	£'000
Medical School	117,431	-	7,452	109,979
Birmingham Research Park	4,236	321	151	4,406
Selly Oak Campus	6,844	-	440	6,404
The Boat House Worcester	39	-	2	37
Children's Hospital	409	-	27	382
	<b>128,959</b>	<b>321</b>	<b>8,072</b>	<b>121,208</b>

The reinstatement cost of all buildings for insurances purposes is £1.5bn (2014/15: £1.5bn). 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.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 12 Heritage assets

	Consolidated and University £'000
As at 1 August 2015 and 31 July 2016 total	364

The University has a number of heritage assets of which £164k have been purchased since 1 August 1999 and a £200k art collection was donated in 2012/13.

### Heritage Assets

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

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

Key heritage assets held by the University fall into the categories detailed as follows:

### 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.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 13 Non-Current Investments

	Subsidiary companies	Subsidiary investment in spinouts	Other non current asset investments	Endowment asset investments	<b>Total</b>
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 August 2015 (Restated)</b>	-	539	22,702	88,398	<b>111,639</b>
Additions	-	6	24,815	4,106	<b>28,927</b>
Disposals	-	(282)	(900)	-	<b>(1,182)</b>
Revaluation	-	-	2,715	5,725	<b>8,440</b>
<b>At 31 July 2016</b>	<b>-</b>	<b>263</b>	<b>49,332</b>	<b>98,229</b>	<b>147,824</b>

### University

At 1 August 2015 (Restated)	3,192	539	17,352	88,398	<b>109,481</b>
Additions	-	6	24,721	4,106	<b>28,833</b>
Disposals	-	(282)	(900)	-	<b>(1,182)</b>
Revaluation	-	-	2,715	5,725	<b>8,440</b>
<b>At 31 July 2016</b>	<b>3,192</b>	<b>263</b>	<b>43,888</b>	<b>98,229</b>	<b>145,572</b>

Consolidated  
£'000

### Other non-current investments consist of:

Birmingham Research Park investment property	5,350
Edgbaston Park Road investment property	2,202
Abingdon Health	1,915
Bioscience Ventures Limited	123
Mercia Fund	354
Universities UK	64
Hedge Funds	34,123
Cash held by investment managers	5,201
	<b>49,332</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

The University also has interests in the following companies of less than 20%, which are not included in the accounts on the grounds of materiality.

Name of company	Percentage holding	Nature of business
Cambridge Mechatronics Limited	< 1	Precision electronics
PsiOxus Therapeutics Limited	< 1	Cancer therapeutics
Inanovate Limited	< 1	Nanotechnology
Cytox Limited	3	Diagnostics
The Native Antigen Company Limited	4	In-vitro diagnostics
Cloudbot Limited	5	IT security
Oral Health Innovations Limited	5	Dental hygiene
Ad Surf Eng Limited	6	Metal processing
Revitope Oncology Inc	8	Cancer therapeutics
Speech Ark Limited	10	Speech technology company
Chimeric Therapeutics	11	Cancer therapeutics
Smart Antenna Technologies Limited	17	Telecommunications

## 14 Investment in associates

The University holds interests in a number of trading companies, all registered in England, in which the University holds directly or indirectly 20% or more of the nominal value of any class of share capital which are not included in the accounts on the grounds of materiality and lack of control.

Name of company	Percentage holding	Nature of business
Ortus Medical Limited	20	Biomaterials
Irresistible Materials Limited	21	R&D Natural sciences & engineering
Applied Functional Materials Limited	31	Ceramics processing and transducers
Celentix Limited	31	Drug discovery
Metal Nanopowders Limited	37	Nanopowders
Plasgene Limited	40	Plasmid displacement
Neuregenix Limited	41	Drug discovery



# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 15 Stock

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Goods for resale	233	233	177	176
	<b>233</b>	<b>233</b>	<b>177</b>	<b>176</b>

16 Trade and other receivables	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grants receivables	35,010	35,010	32,609	32,609
Other trade receivables	10,067	9,448	9,060	8,612
Other receivables	1,508	1,475	1,613	1,513
Prepayments and accrued income	24,428	24,153	30,063	29,867
Amounts due from subsidiary companies	-	834	-	877
	<b>71,013</b>	<b>70,920</b>	<b>73,345</b>	<b>73,478</b>
Amounts falling due after one year:				
Other debtors and prepayments	715	715	715	715
	<b>71,728</b>	<b>71,635</b>	<b>74,060</b>	<b>74,193</b>

17 Current Investments	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	20,000	20,000	30,000	30,000
	<b>20,000</b>	<b>20,000</b>	<b>30,000</b>	<b>30,000</b>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 0.85% per annum. The fair value of these deposits was not materially different from the book value.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

18 Creditors: amounts falling due within one year	Year ended 31 July 2016		Restated	
	Consolidated	University	Year ended 31 July 2015	University
	£'000	£'000	Consolidated	£'000
Research grants and contracts in advance	66,160	66,160	52,574	52,574
Corporation tax	1,263	1,238	1,734	1,734
Unsecured loans	3,750	3,750	3,750	3,750
Trade creditors	9,375	8,952	15,462	15,209
Social security and other taxation payable	7,889	7,802	6,566	6,471
Accruals	23,164	22,676	26,381	26,086
Deferred income	22,355	21,586	48,751	28,369
Derivatives	7,237	7,237	3,345	3,345
Other creditors	24,465	23,684	30,621	29,890
Amounts due from subsidiary companies	-	500	-	681
	<b>165,658</b>	<b>163,585</b>	<b>189,184</b>	<b>168,109</b>

## Derivative financial instruments

The University has USD currency hedges to reduce the impact of exchange rate movements on investments, which are carried at fair value. The average currency rate was USD 1.5 (2014/15 1.6) to GBP 1.0.

The University holds three interest rate swaps for £5m each carried at fair value and which give a fixed rate of 4.725%, 4.89% and 4.97% respectively compared to the variable 3 months LIBOR rate payable on the loans. The first two swaps expire in 2021 and the third in 2026.

Combined fair value losses and swap interest charges of £4.5m (2014/15 £1.0m) were recognised in the Statement of Comprehensive Income and Expenditure in the year.

## Deferred income

Included within deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Year ended 31 July 2016		Restated	
	Consolidated	University	Year ended 31 July 2015	University
	£'000	£'000	Consolidated	£'000
Grant income	2,009	2,009	22,190	2,509
Other income	20,346	19,577	26,561	25,860
	<b>22,355</b>	<b>21,586</b>	<b>48,751</b>	<b>28,369</b>

## Notes to the Accounts (continued)

For the year ended 31 July 2016

19 Creditors: amounts falling due after more than one year	Year ended 31 July 2016		Restated Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Unsecured loans	66,563	66,563	70,313	70,313

Analysis of unsecured loans:

<b>Due within one year or on demand</b>	3,750	3,750	3,750	3,750
Due between one and two years	3,750	3,750	3,750	3,750
Due between two and five years	11,250	11,250	11,250	11,250
Due in five years or more	51,563	51,563	55,313	55,313
<b>Due after more than one year</b>	66,563	66,563	70,313	70,313
<b>Total secured and unsecured loans</b>	<b>70,313</b>	<b>70,313</b>	<b>74,063</b>	<b>74,063</b>

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
European Investment Bank	56,250	2034/35	4	University
European Investment Bank	14,063	2034/35	LIBOR + 1.40%	University
<b>Total</b>	<b>70,313</b>			

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 20 Provisions for liabilities

Consolidated and University	Obligation to fund deficit on USS Pension	Defined Benefit Obligations on BPAS Pension (Note 29)	Total Pensions Provisions	Other employee related
	£'000	£'000	£'000	£'000
At 1 August 2015 (Restated)	53,272	46,700	99,972	876
Charged to income and expenditure	8,217	4,000	12,317	608
Charged to comprehensive income	-	54,200	54,200	-
Utilised	(2,271)	(6,500)	(8,771)	(775)
<b>At 31 July 2016</b>	<b>59,318</b>	<b>98,400</b>	<b>157,718</b>	<b>709</b>

### USS Pension obligation

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed expected future employee numbers within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision which will be utilised by 2031.

### BPAS Pension

The obligation to fund the past deficit on the University's support staff pension, University of Birmingham Pension and Assurance Scheme (BPAS), arises from the contractual obligation with the pension scheme. The latest actuarial valuation of the scheme was at 31 March 2013 and revealed a funding shortfall. The Trustees have put a recovery plan in place to address the deficit and will continue to make the annual payments into the scheme until 2030.

### Other employee related

The employee related provision relates to committed payments under the University's ongoing voluntary severance programme.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 21 Endowment Reserves

### Consolidated and University

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	<b>2016 Total</b>	2015 Total
	£'000	£'000	£'000	£'000	£'000
<b>Balances at 1 August</b>					
Capital	59,449	28,622	6,748	<b>94,819</b>	90,060
Accumulated income	2,218	-	-	<b>2,218</b>	2,066
	61,667	28,622	6,748	<b>97,037</b>	92,126
New endowments	-	-	986	<b>986</b>	1,432
Investment income	2,214	519	156	<b>2,889</b>	2,198
Expenditure	(1,067)	(519)	(1,225)	<b>(2,811)</b>	(3,063)
Increase in market value of investments	4,242	1,213	270	<b>5,725</b>	4,344
<b>Total endowment comprehensive income for the year</b>	5,389	1,213	187	<b>6,789</b>	4,911
<b>At 31 July</b>	<b>67,056</b>	<b>29,835</b>	<b>6,935</b>	<b>103,826</b>	97,037

### Represented by:

Capital	63,691	29,835	6,935	<b>100,461</b>	94,819
Accumulated income	3,365	-	-	<b>3,365</b>	2,218
	<b>67,056</b>	<b>29,835</b>	<b>6,935</b>	<b>103,826</b>	97,037

### Analysis by type of purpose:

Lectureships	8,779	321	2,263	<b>11,363</b>	9,901
Scholarships and bursaries	20,789	6,991	2,110	<b>29,890</b>	25,477
Research support	5,839	2,526	50	<b>8,415</b>	14,288
Prize Funds	1,384	1,270	36	<b>2,690</b>	6,301
Funded Posts	19,255	376	1,103	<b>20,734</b>	13,923
General	11,010	18,351	1,373	<b>30,734</b>	27,147
	<b>67,056</b>	<b>29,835</b>	<b>6,935</b>	<b>103,826</b>	97,037

### Analysis by asset

Current and non-current asset investments	<b>98,229</b>	88,398
Cash and cash equivalents	<b>5,597</b>	8,639
	<b>103,826</b>	97,037

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 22 Restricted Reserves

### Consolidated and University

Reserves with restrictions relating to donations are as follows:

	2016	2015 Restated
	£'000	£'000
<b>Balances at 1 August 2015 (Restated)</b>	<b>12,131</b>	2,365
Investment income	2,462	10,481
Expenditure	(1,510)	(715)
<b>Total restricted comprehensive income for the year</b>	<b>952</b>	9,766
<b>At 31 July 2016</b>	<b>13,083</b>	12,131

	2016 Total	2015 Restated Total
	£'000	£'000
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Lectureships	213	271
Scholarships and bursaries	186	233
Research support	1,165	767
Prize funds	6	6
Funded Posts	323	369
General	11,190	10,485
	<b>13,083</b>	12,131

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 23 Cash and cash equivalents

Consolidated

	At 1 August 2015	Cash Flows	At 31 July 2016
	£'000	£'000	£'000
Cash and cash equivalents	190,491	(25,371)	165,120

## 24 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

	31 July 2016		31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	31,312	30,958	76,569	76,358

## 25 Lease obligations

Total rentals payable under operating leases:

	31 July 2016 Total Other leases	31 July 2015
	£'000	£'000
Payable during the year	662	737
Future minimum lease payments due:		
Not later than 1 year	590	442
Later than 1 year and not later than 5 years	1,771	742
Later than 5 years	11	27
<b>Total lease payments due</b>	<b>2,372</b>	<b>1,211</b>



# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 26 Amounts disbursed as agent (Consolidated and University)

	Year ended 31 July 2016	Year ended 31 July 2015
	£'000	£'000
<b>Access to Learning Funds</b>		
<b>Income</b>		
Excess of income over expenditure at 1 August	37	111
<b>Expenditure</b>		
Disbursed to students	(37)	(74)
<b>Excess of income over expenditure at 31 July</b>	-	37

Funds are available solely to assist students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Account.

## National College for Teaching and Leadership

<b>Income</b>		
Excess of expenditure over income at 1 August	(7)	127
Funding Council grants	3,323	2,997
<b>Expenditure</b>		
Disbursed to students	(3,636)	(3,131)
<b>Excess of expenditure over income at 31 July</b>	(320)	(7)

The training bursaries from the NCTL are available solely to assist students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure Account.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 27 Subsidiary undertakings

The subsidiaries are all wholly owned or effectively controlled by the University and 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 included in the consolidated financial statements is as at 31 July 2016.

Name of company	Percentage holding	Nature of business
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
University of Birmingham School (Company Limited by Guarantee)	Member	Operating the University School and Sixth Form

The summarised balance sheets and results for the year ended 31 July 2016 (management accounts for University of Birmingham School) are as follows:-

	Alta Birmingham China Limited	Alta Cyclotron Services Limited	Birmingham Research Park Limited	Alta Innovations Limited	University of Birmingham Selly Oak Educational Trust	University of Birmingham School
	£'000	£'000	£'000	£'000	£'000	£'000
Tangible Fixed Assets	-	9	5,444	-	8,968	21,573
Investments	100	-	-	-	-	-
Current Assets	324	235	1,027	2,960	2	1,496
	<b>424</b>	<b>244</b>	<b>6,471</b>	<b>2,960</b>	<b>8,970</b>	<b>23,069</b>
Capital and Reserves	276	10	6,117	687	8,968	22,789
Creditors	148	232	354	2,273	2	280
Bank Loan	-	-	-	-	-	-
Provisions	-	2	-	-	-	-
	<b>424</b>	<b>244</b>	<b>6,471</b>	<b>2,960</b>	<b>8,970</b>	<b>23,069</b>
Profit/(Loss) for the year	45	71	91	160	(177)	1,054

## Notes to the Accounts (continued)

*For the year ended 31 July 2016*

### 28 Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. One of the connected institutions is included as a subsidiary undertaking in these consolidated financial statements; the others are not included in the consolidation since the University does not have control over their activities. The movements in the year on the total funds of all connected institutions, as reported in their own accounts, were as follows:

	Opening balance	Income	Expenditure	Change in market value	Closing balance
	£'000	£'000	£'000	£'000	£'000
<b>Consolidated</b>					
University of Birmingham Selly Oak Endowment Trust	9,145	23	(200)	-	8,968
<b>Not consolidated</b>					
Waterloo House	2,263	794	(308)	(241)	2,508

The University holds an investment of shares of the Samuel Hanson Robowtham Trust (in Waterloo House) of which are included within Endowment Assets in the Balance Sheet. The shareholding is not consolidated on the basis of the University holding a minority shareholding.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 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) which closed to new members in 2002, administered in-house by a Trustee Group comprising four employer nominated and four employee nominated Trustees with an independent Chair. 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 related costs included in the consolidated statement of comprehensive income under FRS102 are analysed as:

	Year Ended 31 July 2016	Year Ended 31 July 2015 Restated
	£m	£m
USS	26,845	22,257
BPAS	2,500	2,300
Other pension schemes	2,500	2,000
	31,845	26,557
Movement on USS Provision	6,730	29,077
<b>Pension costs included in staff costs (note 7)</b>	<b>38,575</b>	<b>55,634</b>
Interest cost - BPAS	1,500	1,200
Interest cost - USS	1,588	819
<b>Pension costs included in interest costs (note 8)</b>	<b>3,088</b>	<b>2,019</b>
BPAS actuarial loss included in comprehensive income	54,200	16,500
<b>Total pension costs included in comprehensive income</b>	<b>95,863</b>	<b>74,173</b>

### (i) The Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary.

The total cost charged to staff costs is £34m (2015: £51m), comprising £27m regular contributions (2015: £22m) and £7m movement in the provision for recovery plan commitments (2015: £29m). Further details on the provision are shown in note 20.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 Pension Schemes (continued)

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the 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.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

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 98% of S1NA ["light"] YoB tables – No age rating

Female members' mortality 99% of 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 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total scheme level	85%	82%

# Notes to the Accounts (continued)

*For the year ended 31 July 2016*

## 29 Pension Schemes (continued)

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

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

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

The University operates the BPAS defined benefit pension scheme which was closed to new members in 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 March 2016 valuation is currently in progress.

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, the discount rate 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 £4.3million per annum on the 1 August each year from 2013 to 2030. The total employer contributions including the £4.3million for the year ending 31 July 2016 is £6.8m (31 July 2015: £6.6m).

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 Pension Schemes (continued)

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).

The total cost charged to staff costs is £2.5m (2015: £2.3m). In addition, an actuarial loss of £54m (2015: £17m) is included in arriving at comprehensive income for the year. This actuarial loss is due to the change in assumptions used to measure the scheme liabilities at 31 July 2016, most notably the discount rate of 2.1% (2015: 3.5%).

As at July 2016, the scheme had 425 (2015, 480) active members. The total cost of normal employer contributions for the institution was £2.5m (2015 £2.3m). This included £172k outstanding contributions at the balance sheet date (2015 £178k).

## Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	At 31 July 2016 %pa	At 31 July 2015 %pa
Price Inflation (RPI)	2.9%	3.35%
Price Inflation (CPI)	1.9%	2.35%
Rate of increase in salaries	1.9% to 31/03/2019 then 2.9%	2.35% to 31/03/2016 then 3.35%
Rate of increase of pensions in payment	1.55% to 2.75%	1.75% to 3.10%
Discount rate	2.1%	3.5%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

		2016	2015
Pensioner	Male	22.0	21.9
Non-pensioner currently aged 45	Male	24.2	24.0
Pensioner	Female	25.3	25.2
Non-pensioner currently aged 45	Female	27.6	27.5



# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 Pension Schemes (continued)

### Scheme assets BPAS

The assets in the scheme were:

	Fair value as at 31 July 2016 £m	Fair value as at 31 July 2015 £m
Equities	153.1	140.8
Bonds	96.0	126.9
Other	102.8	62.0
Total	351.9	329.7

The tables below include, where applicable, disclosures for the BPAS scheme

	Year Ended 31 July 2016 £m	Year Ended 31 July 2015 £m
<b>Analysis of the amount shown in the balance sheet for BPAS</b>		
Scheme assets	351.9	329.7
Scheme liabilities	(450.3)	(376.4)
<b>Deficit in the scheme – net pension liability recorded within Provisions</b>	<b>(98.4)</b>	<b>(46.7)</b>
Current service cost	2.5	2.3
<b>Total operating charge:</b>	<b>2.5</b>	<b>2.3</b>
<b>Analysis of the amount charged to interest</b>		
Interest cost	1.5	1.2
<b>Net cost recognised within total expenditure</b>	<b>4.0</b>	<b>3.5</b>
<b>Analysis of other comprehensive income</b>		
Remeasurement of defined benefit obligation	(72.4)	(31.7)
Gain on assets	18.2	15.2
<b>Net charge recognised in other comprehensive income</b>	<b>(54.2)</b>	<b>(16.5)</b>



# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 Pension Schemes (continued)

### History of experience gains and losses

	31 July 2016	31 July 2015
<b>Difference between actual and expected return on scheme assets:</b>		
Amount (£m)	18.2	15.2
% of assets at end of year	5.1	4.6
<b>Experience (gains)/losses on scheme liabilities:</b>		
Amount (£m)	72.4	31.7
% of liabilities at end of year	17.0	8.4

	At 31 July 2016 £m	At 31 July 2015 £m
<b>Analysis of movement in deficit</b>		
<b>Deficit at beginning of year</b>	<b>(46.7)</b>	<b>(33.3)</b>
Effect of employee service in current period	(2.5)	(2.3)
Contributions or benefits paid by the University	6.5	6.6
Other finance charge (net)	(1.5)	(1.2)
Remeasured effects recognised in other Comprehensive Income	(54.2)	(16.5)
<b>Deficit at end of year</b>	<b>(98.4)</b>	<b>(46.7)</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 Pension Schemes (continued)

	Year to 31 July 2016 £m	Year to 31 July 2015 £m
<b>Analysis of movement in the present value of liabilities</b>		
<b>Present value of liabilities at the start of the year</b>	<b>376.4</b>	<b>340.7</b>
Current service cost (net of member contributions)	2.5	2.3
Interest cost	12.9	13.9
Actuarial loss	72.4	31.7
Benefits paid from Scheme assets	(13.9)	(12.2)
<b>Present value of BPAS liabilities at the end of the year</b>	<b>450.3</b>	<b>376.4</b>

	Year to 31 July 2016 £m	Year to 31 July 2015 £m
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	<b>329.7</b>	<b>307.4</b>
Interest income on Scheme assets	11.4	12.7
Return on Scheme assets greater than discount rate	18.2	15.2
Actual contributions paid by University	6.5	6.6
Benefits paid from Scheme assets	(13.9)	(12.2)
<b>Fair value of scheme assets at the end of the year</b>	<b>351.9</b>	<b>329.7</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 29 Pension Schemes (continued)

### 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 employer contributions for the year ending 31 July 2016 was £2.5m (2014/15: £2m).

### 30 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 2016 are as follows:

	Year to 31 July 2016	Year to 31 July 2015 Restated
	£m	£m
Tangible Fixed Assets	520	636
Current Assets	2,406	2,068
	<b>2,926</b>	2,704
Reserves	2,426	2,181
Creditors	500	523
	<b>2,926</b>	2,704
Surplus/(deficit) for the year	<b>160</b>	82

The University's Statement of Comprehensive Income and Expenditure reflects payment to the Guild of Students of a block grant of £2,178k (2014/15 £2,147k).

### 31 Accounting estimates and judgements

The most significant estimates and judgements affecting the financial statements are;

- (1) The opening valuation on FRS102 conversion of fixed assets and the allocated lives. The basis for these is outlined in note 33.
- (2) Assumptions underlying the calculation of the BPAS pension deficit liability. Details of these are set out in notes 20 and 29.
- (3) Assumptions relating to USS provisions. In calculating the University's USS pension liability of £59.3m we have used for the current year a discount rate of 1.75% in line with HE sector norms, (2014/15 2.98%) and salary inflation growth at 2.5% (2.5%) over the Recovery Plan period, with assumed staff number increases of 1% (1%) until 2021. The salary inflation and staff increases are based on the University's budget and forecasts.

# Notes to the Accounts (continued)

*For the year ended 31 July 2016*

## 32. Related party transactions

To capture information on related party transactions 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 have submitted returns.

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.

Name	University role	Related Party	Nature of transaction/ relationship
Professor Sir David Eastwood	Council member	Russell Group	Universities Chair wef September 2012 to August 2015
		Universities Superannuation Scheme	Chairman and non-executive director
		Arts and Humanities Research Council	Board member
		Barber Institute of Fine Arts	Trustee
		Universities UK	Board member
Dame Christine Braddock DBE	Council member	Universitas 21	Chairman and non-executive director
		Birmingham Children's Hospital	Chairman
		Birmingham Women's Hospital	Chairman
Mrs Caragh Merrick	Council member	UCAS, Finance Committee	Trustee/Director and Chairman
Mr Ed Smith CBE	Council member	NHS Property Services Ltd	Non-executive from June 2016
Professor Michael Whitby	UEB Member	Birmingham REP	Board member
Professor Myra Nimmo	UEB Member	England Athletics	Chair (2016-2020)
Professor Andy Schofield	UEB Member	Manufacturing Technology Centre Ltd	Director, from September 2016
Chris Granger	UEB Member	BRPL	Director
Stuart Richards	Senior Officer	BRPL	Director
Professor Paul Flavell	Head of School	London Mathematical Society	Member
Robert Halton	Council member	Burges Salmon Company Ltd	Chief People Officer
James Hunt	Committee Member	Loughborough University	Co-opted member, Audit Committee
		Gloucestershire University	Co-opted member, Audit Committee
Gemma Woodward	Committee Member	Royal National Institute for the Blind	Independent Investment Advisor

## Notes to the Accounts (continued)

*For the year ended 31 July 2016*

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 2016 are set out in the table below.

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 was 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.

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.

Receipts £000	Payments £000
1,522	69
–	29,116
50	–
1,135	–
54	–
403	–
1,338	7
122	199
145	–
5	–
1	–
2	–
–	770
–	144
–	144
2	2
1	–
39	–
243	–
3	14



# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 33 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in the Statement of Accounting Policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, and financial performance and cash flows is set out in the following tables. The impact on the 2014/15 surplus reported under the 2007 SORP is shown in the first table below. This is discussed in the Treasurers Report on page 18.

	Year ended 31 July 2015	
	Consolidated	University
Financial performance	£'000	£'000
<b>Surplus for the year after tax under 2007 SORP</b>	43,578	44,049
USS pension provision increase	(24,956)	(24,956)
USS pension interest	(819)	(819)
BPAS net I&E impact	(3,500)	(3,500)
Addition of grant (mostly capital) income recognised	41,231	40,152
Removal of capital grant amortisation under 2007 SORP	(19,983)	(18,904)
Employee leave accrual increase	(517)	(517)
Interest rate swap movement	(305)	(305)
US dollar currency difference	30	30
Endowment additions	1,432	1,432
Adjusted depreciation	4,343	7,024
<b>Total FRS102 Impact on Surplus</b>	(3,044)	(363)
<b>Surplus for the year after tax under 2015 SORP (FRS102)</b>	<b>40,534</b>	<b>43,686</b>
<b>Other items (previously reported as STRGL)</b>		
BPAS valuation movement	(16,500)	(16,500)
Endowments and investment revaluation	4,344	4,344
<b>Total FRS102 Impact on other comprehensive income</b>	(12,156)	(12,156)
<b>Total other comprehensive income for the year under 2015 SORP (FRS102)</b>	<b>28,378</b>	<b>31,530</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## Comprehensive Statement of Income and Expenditure 2014/2015

Consolidated	Notes	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
<b>Income</b>					
Tuition fees and education contracts		248,442	-	-	248,442
Funding body grants		89,416	-	11,177	100,593
Research grants and contracts		126,395	-	-	126,395
Other income		106,532	-	1,260	107,792
Investment income		6,303	-	(2,270)	4,033
<b>Total income before donations and endowments</b>		<b>577,088</b>	<b>-</b>	<b>10,167</b>	<b>587,255</b>
Donations and endowments		-	-	10,243	10,243
<b>Total income</b>		<b>577,088</b>	<b>-</b>	<b>20,410</b>	<b>597,498</b>
<b>Expenditure</b>					
Staff costs		289,213	-	25,473	314,686
Other operating expenses		190,965	-	-	190,965
Depreciation		48,226	-	(4,343)	43,883
Interest and other finance costs		3,362	-	2,324	5,686
<b>Total expenditure</b>		<b>531,766</b>	<b>-</b>	<b>23,454</b>	<b>555,220</b>
<b>Surplus before tax</b>		<b>45,322</b>	<b>-</b>	<b>(3,044)</b>	<b>42,278</b>
Taxation		(1,744)	-	-	(1,744)
<b>Surplus after tax</b>		<b>43,578</b>	<b>-</b>	<b>(3,044)</b>	<b>40,534</b>
Actuarial (loss) in respect of pension schemes		-	(16,500)	-	(16,500)
Change in fair value of endowments			4,344	-	4,344
<b>Total comprehensive income for the year</b>		<b>43,578</b>	<b>(12,156)</b>	<b>(3,044)</b>	<b>28,378</b>

\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income and Expenditure (SoCI).

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 33 Transition to FRS102 and the 2015 SORP

Consolidated	1 August 2014 Effect of transition to 2015 SORP			31 July 2015 Effect of transition to 2015 SORP		
	2007 SORP £'000	2007 SORP £'000	2015 SORP £'000	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000
<b>Non-current assets</b>						
Fixed Assets	596,465	382,092	<b>978,557</b>	700,377	388,726	<b>1,089,103</b>
Heritage assets	364	-	<b>364</b>	364	-	<b>364</b>
Investments	19,595	82,862	<b>102,457</b>	23,241	88,398	<b>111,639</b>
	616,424	464,954	<b>1,081,378</b>	723,982	477,124	<b>1,201,106</b>
<b>Endowment Asset Investments</b>	92,126	(92,126)	-	97,037	(97,037)	-
<b>Current assets</b>						
Stock	644	-	<b>644</b>	177	-	<b>177</b>
Trade and other receivables	64,659	510	<b>65,169</b>	70,637	3,423	<b>74,060</b>
Investments	17,604	(2,150)	<b>15,454</b>	32,702	(2,702)	<b>30,000</b>
Cash and cash equivalents	220,455	9,264	<b>229,719</b>	181,852	8,639	<b>190,491</b>
	303,362	7,624	<b>310,986</b>	285,368	9,360	<b>294,728</b>
Less: Creditors: amounts falling due within one year	(151,144)	1,088	<b>(150,056)</b>	(164,410)	(24,774)	<b>(189,184)</b>
<b>Net current assets</b>	152,218	8,712	<b>160,930</b>	120,958	(15,414)	<b>105,544</b>
<b>Total assets less current liabilities</b>	<b>860,768</b>	<b>381,540</b>	<b>1,242,308</b>	<b>941,977</b>	<b>364,673</b>	<b>1,306,650</b>
Creditors: amounts falling due after more than one year	(74,063)	-	<b>(74,063)</b>	(70,313)	-	<b>(70,313)</b>
<b>Provisions</b>						
Provisions for liabilities	(337)		<b>(337)</b>	(876)	-	<b>(876)</b>
Pension provisions	(33,300)	(27,497)	<b>(60,797)</b>	(46,700)	(53,272)	<b>(99,972)</b>
<b>Total net assets</b>	<b>753,068</b>	<b>354,043</b>	<b>1,107,111</b>	<b>824,088</b>	<b>311,401</b>	<b>1,135,489</b>

# Notes to the Accounts (continued)

For the year ended 31 July 2016

## 33 Transition to FRS102 and the 2015 SORP (continued)

	1 August 2014 Effect of transition to 2015 SORP			31 July 2015 Effect of transition to 2015 SORP		
Consolidated (continued)	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000
<b>Deferred capital grants</b>	164,891	(164,891)	-	202,732	(202,732)	-
<b>Restricted Reserves</b>						
Income and expenditure reserve – endowment reserve	92,126	-	<b>92,126</b>	97,037	-	<b>97,037</b>
Income and expenditure reserve – restricted reserve	-	-	-	-	12,131	<b>12,131</b>
<b>Unrestricted Reserves</b>						
Income and expenditure reserve – unrestricted	484,373	528,329	<b>1,012,702</b>	522,822	500,780	<b>1,023,602</b>
Revaluation reserve	42,695	(42,695)	-	45,478	(45,478)	-
Pension reserve	(33,300)	33,300	-	(46,700)	46,700	-
	750,785	354,043	<b>1,104,828</b>	821,369	311,401	<b>1,132,770</b>
Non-controlling interest	2,283	-	<b>2,283</b>	2,719	-	<b>2,719</b>
<b>Total Reserves</b>	<b>753,068</b>	<b>354,043</b>	<b>1,107,111</b>	<b>824,088</b>	<b>311,401</b>	<b>1,135,489</b>

	1 August 2014		31 July 2015	
Financial position	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Total reserves under 2007 SORP</b>	496,051	481,918	524,319	509,815
Endowment reserve	92,126	92,126	97,037	97,037
Employee leave accrual	(2,054)	(2,054)	(2,571)	(2,571)
Elimination of deferred capital grants	162,391	157,054	177,877	177,398
Interest rate swap	(3,040)	(3,040)	(3,345)	(3,345)
US \$ forward contracts	510	510	540	540
Grants	9,626	10,952	8,883	8,874
USS pension provision	(27,497)	(27,497)	(53,272)	(53,272)
Revaluation of tangible fixed assets	378,998	378,998	386,021	386,021
<b>Total effect of transition to FRS 102</b>	<b>611,060</b>	<b>607,049</b>	<b>611,170</b>	<b>610,682</b>
<b>Total reserves under 2015 SORP</b>	<b>1,107,111</b>	<b>1,088,967</b>	<b>1,135,489</b>	<b>1,120,497</b>

## Notes to the Accounts (continued)

*For the year ended 31 July 2016*

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.

There are some presentational changes to the primary statements which can be seen in the tables above, and the material accounting policy changes are noted below. The new accounting policies are described in detail in pages 37 to 41.

### **Fixed Assets**

FRS102 allows universities to revalue their estate on transition as a one off without having to continue to revalue the estate on an ongoing basis. The University engaged an external valuer in 2013/14 to perform a revaluation of the University's estate. The valuation outputs included both restated asset values and new useful economic lives for each of the assets in the estate.

### **Pensions**

Under 2007 SORP the USS pension scheme was accounted for as a defined contribution scheme as permitted by FRS17 as it was not possible to identify the University's share of the underlying assets and liabilities. Under FRS102 the USS scheme is still accounted for as a defined contribution scheme but the estimated present value of the additional contracted contributions under the USS Recovery Plan to fund past deficits are now included as a provision.

### **Revenue Recognition**

The performance method has been adopted in relation to grants and contracts, regardless of their source. This includes capital grants which are now released to income based on the performance conditions of each grant and no longer amortised in line with the matching depreciation charge. On transition any historic unreleased deferred capital grant balances related to assets where the performance conditions have been met have been released to the unrestricted income and expenditure reserve.







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