



THE UNIVERSITY  
OF BIRMINGHAM

# Annual Accounts

*The Accounts for the year ended  
31 July 2001*

# Annual Accounts

*The Accounts for the year ended  
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## Report of the Treasurer

*The Accounts for the year ended  
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In summary, the overall results of the University are:

	2000/01	1999/00	1998/99
	£m	£m	£m
Income	255.4	244.9	226.0
Expenditure	254.9	244.0	215.5
Surplus	0.5	0.9	10.5

These figures include the activities of the subsidiary companies highlighted in note 33.

I reported last year on the trend of the decline in the level of surplus and the challenges the University was facing in managing the position. In reviewing the University's financial performance over the last twelve months, I shall focus on the recurrent position, the use of reserves, the level of capital investment and the management of cash.

Beginning with the recurrent position, the University's total income has increased by 4.3% over the 1999/00 level. This masks the impressive growth in research grants and contract income of 11.3% to £62.9m, arising mainly from increased activity funded by the Office of Science and Technology Research Councils, UK-based charities and UK industry and commerce. This accords with the improvement in research infrastructure and facilities with support from the Joint Infrastructure Fund.

Conversely, investment income from short-term deposits has declined as the University has applied its cash balances to support capital investment within the estate.

Although overall average staff numbers remain unaltered from 1999/00, staff costs have increased by 5.5%, of which pay awards, increments and additional pension contributions account broadly for 4.0%. Staff costs in Academic Schools have increased by 4.9% of which 3.3% relates to the provision of core teaching and research activities, with the remainder in support of the expansion of externally funded research grants and contracts. There has been a considerable rationalisation of activities and this is referred to later in my report. This has impacted on staffing costs, evidenced by the fact that the growth in core staff costs of 3.3% is below the level of inflation and incremental growth.

There will, however, need to be continuing reductions in staff costs unless income can be earned rapidly to cover the costs.

During 2000/01, two new Financial Reporting Standards (FRS) were introduced and have impacted upon the disclosures within the accounts. Firstly, FRS 17 will replace SSAP 24 and relates to the treatment of pension costs. Its introduction is phased and, for 2000/01, disclosures by way of note only are required. For subsequent years, there will be recognition of the Schemes' liabilities within the prime financial statements. Note 28, Pension Schemes, meets the reporting requirements for this year. It also highlights the deficit in the University of Birmingham Pension and Assurance Scheme as £14.796m. As

## Report of the Treasurer

*The Accounts for the year ended  
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required by the Pensions Act 1995 and by the Scheme Actuary, the University is currently making additional contributions to the Scheme to remedy the funding position by April 2007. This, together with the agreed institution rate, produces an overall employer contribution rate of c 23%, compared with 14% for the Universities Superannuation Scheme.

Secondly, FRS 18 deals primarily with the selection, application and disclosure of accounting policies and requires that the University formally reviews its accounting policies to ensure that they are relevant for the purpose of giving a true and fair view. The University has undertaken a formal review of its accounting policies to meet this requirement.

Moving on to the University's available reserves, these have decreased by some £16m during the year. There has been a deliberate, steady shift from the University's traditional position of holding substantial available funds and cash towards a situation of investment in the infrastructure and equipment necessary for the 21st Century. Notes 10, 19 and 21 illustrate the extent of that shift in 2000/01.

Focusing on capital, there is much to say about the development of the estate. I have referred in earlier years to the level of planned investment, but in 2000/01 many of those facilities have been completed and are now in use: the Learning Centre Computer Science Building, the European Research Institute, the Geography and Environmental Science Building are prime examples and are supporting teaching and research across a wide range of academic disciplines.

Back in 1999, the Council approved a Student Residences Strategy since the year end which over time, would converge the locations of University-owned student accommodation and ensure that that which was retained was adequately refurbished and maintained. As a result of this, Jarratt Hall, consisting of 620 self-catering places in Selly Oak, has been completed. The £14.9m development combines a quality facility for students in a location very close to the Edgbaston campus at a price which is competitive with other similar sites.

In rationalising the level and location of student residences, the University has disposed of one of its outlying sites – Griffin Close. Those residences required major investment which could not be provided in a timely or cost effective manner. The sale proceeds from the site to a developer will accrue over three years and will be applied to develop further the University's estate.

In the late 1990's, following the establishment of relationships with the Westhill Endowment Trust, the Selly Oak Colleges Trust (SOCET) and the Selly Oak Colleges Council Limited (SOCCL), the University formed a joint venture with the Westhill Endowment Trustees and became sole Trustee of the fixed assets formerly held by SOCET. During 2000/01, discussions with the Westhill Trustees resulted in an agreement which enabled the University to purchase the majority of property assets of the Trust. The arrangements were completed post 31 July 2001, but the University now has a significant Selly Oak campus, which greatly enhances its ability to deliver its mission.

## Report of the Treasurer

*The Accounts for the year ended  
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Turning to the management of the University's long and short-term investments, this is clearly key to supporting its revenue and capital plans. In line with its investment plans and my previous reports, the University has converted most of its cash balances into fixed assets. In addition, a term loan facility has been arranged for a period of up to 25 years with Barclays plc. As yet, none of the funds have been drawn down, but it is expected that the whole sum of £22m will be reflected on the balance sheet by 31 July 2002. The financial investment policy continues to be to obtain the maximum investment return at minimum risk. The performance of both long-term (endowment) and short-term (cash) investments is carefully monitored and reviewed against appropriate benchmarks.

The long-term investment returns, though a negative 6.73% for 2000/01, compared favourably against the WM Index, reflecting the general downturn in the performance of the stock market. For cash balances, the return of 6.1% was pleasing, in the light of the continuing reduction in base rate throughout the year.

The position for 2000/01 re-emphasises that the well-rehearsed issues remain and continue to manifest themselves in a declining recurrent position. Although the results for the last two financial years accord entirely with the University's financial plans and expectations, it is quite clear that annual surpluses of £1m or less will not sustain the University in the future. The plans for future years illustrate how the University must invest in and restructure its activities, with a consequent improvement in the recurrent position and growth in its reserves.

Like all businesses, the University is constantly considering its markets and opportunities for development. The consequence is a continual programme of investment and rationalisation. The 2000/01 financial year has been no exception, with a significant capital investment of £41m in the estate and £2.75m committed to restructuring parts of the academic business. I believe this will be a recurring feature of the University's accounts. Note 29 emphasises this even further.

The ability of the University to continue to play its very significant part within the Higher Education sector is highly dependent upon the quality and commitment of all of its staff and students and their access to first-rate facilities. I have great confidence in the University's ability to address both these areas and thereby to continue its long-standing traditional success.

# Corporate Governance

*The Accounts for the year ended  
31 July 2001*

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

The University endeavours to conduct business:

- i) in accordance with the seven principles identified by the Nolan Committee on standards in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership),

and

- ii) in the light of the guidance to the University which has been provided by the Committee of University Chairmen in its "Guide for Members of Governing Bodies of Universities in England and Wales".

The Council welcomes the Combined Code on Corporate Governance issued by the London Stock Exchange, particularly as the University is a significant investor in a wide range of listed companies. The University is committed to exhibiting best practice in all aspects of corporate governance and this summary describes the manner in which the University is moving to apply the principles set out in section 1 of the Combined Code.

Partly prompted by the National Committee of Inquiry into Higher Education (the Dearing Report), but also by Council's own desire, the size, composition and related committee structure has been reviewed. The necessary changes to statutes and ordinances were completed and a newly constituted, and much smaller, Council was created in October 2000.

## **Summary of the University's Structure of Corporate Governance**

The University's Council comprises 30 lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Council are separate from the role of the University's Chief Executive, the Vice-Chancellor and Principal. The matters specifically referred to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies.

The Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss. The Council is of the view that

## Corporate Governance

*The Accounts for the year ended  
31 July 2001 – continued*

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there are a number of processes for identifying, evaluating and managing the University's significant risks that have been in place throughout the year. The University management is in the process of bringing together these risk management processes into a formal structure in accordance with the internal control guidance in the Combined Code.

The Council meets at least four times a year and has several Committees including a Strategy, Planning and Resources Committee, an Audit Committee, a Council Membership Committee and a Remuneration Committee. These Committees are formally constituted with terms of reference and with the exception of the Strategy, Planning and Resources Committee they comprise mainly lay members of Council, one of whom is the Chair. The Strategy, Planning and Resources Committee comprises both academic and lay members of Council, and is chaired by the Vice-Chancellor and Principal.

The Strategy, Planning and Resources Committee recommends to Council a corporate plan for the University, embracing all matters of a long-term, medium-term and short-term nature. It brings together academic, financial and physical planning and monitors the effectiveness of all such plans.

The Audit Committee meets at least twice annually. The Committee reviews the effectiveness of the University's financial and other control systems, satisfies itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and advises the Council on risk management and the effectiveness of the accounting procedures. It reviews the external auditor's report and the scope and effectiveness of the internal auditor's work and advises Council on the appointment of both the Internal and External Auditor. It receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence with the regulatory requirements and reviews the University's annual financial statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee does meet with the Internal and External Auditors on their own for independent discussions.

The Remuneration Committee meets annually and comprises the Pro-Chancellor, the Treasurer, one other lay member of Council and the Vice-Chancellor and Principal. It determines the annual remuneration of professorial and senior administrative staff, having sought comparative information within the University sector and elsewhere.

The Council Membership Committee considers nominations for co-opted vacancies in the Council membership under the relevant ordinance.

In addition, the Senate, under the Statutes, is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research for the award of all Degrees, Diplomas, Certificates and other academic distinctions of the University and for the discipline (whether intra-mural or extra-mural) of the students of the University and for the enforcement of such discipline.

## Responsibilities of the Council

*The Accounts for the year ended  
31 July 2001*

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the 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 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; and
- it is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

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

## Responsibilities of the Council

*The Accounts for the year ended  
31 July 2001 – continued*

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The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative budget centres;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and frequent reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Council; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee on behalf of Council continues with the process of the review of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material mis-statement or loss.

## Report of the Auditors

### *Auditors' Report to the Council of the University of Birmingham*

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We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the statement of accounting policies.

#### **Respective responsibilities of the Council and Auditors**

As described in the statement of the responsibilities of the Council, the Council is responsible for the preparation of the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions, applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied for the purpose for which they were received, and whether, in all material respects, income has been applied in accordance with the University's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Accounts and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

#### **Basis of our Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

## Report of the Auditors

### *Auditors' Report to the Council of the University of Birmingham – continued*

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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University at 31 July 2001, and of the surplus of income over expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the institution have been applied for the purposes for which they were received;
- in all material respects, income has been applied in accordance with the institution's statutes and, where appropriate, with the Financial Memorandum dated July 1993 and revised in part in March 1996 with the Higher Education Funding Council for England.

### **Electronic Dissemination of Reports**

(a) The maintenance and integrity of the University of Birmingham website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors  
Birmingham

11 December 2001

# Statement of Accounting Policies and Estimation Techniques

*The Accounts for the year ended  
31 July 2001*

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## 1. General

The Financial Statements have been prepared on the historical cost accounting basis, modified for the revaluation of certain fixed assets and investments, and in accordance with the Statement of Recommended Practice (SORP) applicable to Higher and Further Education Institutions and applicable Accounting Standards. Income and expenditure is accounted for on a full accruals basis.

The classification of income and expenditure is based on the requirements of the SORP and the financial return made annually to the Higher Education Statistics Agency.

## 2. Land and Buildings

The University depreciates its buildings on the basis of:

Academic and administrative buildings	– 50 years
Residential and commercial buildings	– 30 years
Major repairs and refurbishments	– 10 years

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

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

Where buildings are acquired with the aid of specific grants they are capitalised and the related grants are credited to deferred grants. The deferred capital grants are released to the Income and Expenditure Account over the useful economic life of the asset.

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

## 3. Investments

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

Endowment Asset Investments are valued at market value. Investments held at the previous year end, and carried at market value at that date, may be sold during the year. This crystallises the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently, the Financial Statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as they are together treated as changes in the values of the investment portfolio.

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

#### **4. Stocks**

Stocks for building maintenance and resale are included at the lower of cost and net realisable value.

#### **5. Cash Flows and Liquid Resources**

Cash flows comprise increases or decreases in cash. 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.

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

#### **6. Equipment and Furniture**

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

#### **7. Deferred Funding of Capital**

The University has incurred capital expenditure, mainly on student residences and conference accommodation, which will be funded from future income but is currently financed by internal loans. The principal repaid on internal loans is shown as a movement between funds within the Income and Expenditure Account Reserves.

#### **8. Repairs and Maintenance**

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

#### **9. Pensions**

The pension arrangements for academic and academically-related staff are principally administered through the Universities Superannuation Scheme (USS) and those for other staff through The University of Birmingham Pension and Assurance Scheme. The cost in respect of these Schemes is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of employees in the Schemes. Variations from regular costs are spread over the expected remaining service lives of current employees in the Schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

#### **10. Taxation**

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 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. Except for its trading activities and certain research and consultancy activities, the University cannot recover the Value Added Tax suffered on its expenditure and this cost is included under the various related expenditure heads.

## **11. University Companies**

The financial statements of companies wholly owned by the University or in which it has a controlling interest have been consolidated in the financial statements and details of interests in the companies are provided in note 33 to the Accounts.

## **12. Finance Leases**

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the purchase price of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of the obligations.

## **13. Merit Awards**

Amounts paid in respect of Merit Awards on behalf of Health and Hospital Authorities and recharged to those Authorities, are included within the Income and Expenditure Account.

## **14. Guild of Students**

The financial statements for The University of Birmingham Guild of Students have not been consolidated, as the University has no control or dominant influence over policy decisions. The contribution made by the University to the Guild is shown in note 8 and the aggregate capital and reserves and surplus for the year to 31 July are shown in note 34.

## **15. Recognition of Income**

Income from specific endowments and donations, research grants, contracts and other services rendered is included to the extent of expenditure incurred during the year, together with any related contributions towards indirect costs. Expenditure on research grants and contracts and other services rendered includes a charge for depreciation instead of the cost of equipment purchased during the year. All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

## **16. Foreign Currencies**

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

# Consolidated Income and Expenditure Account

For the year ended 31 July 2001

	Note	2000/01 £000	1999/00 £000
<b>Income</b>			
Funding Council Grants	1	84,018	80,378
Academic Fees and Support Grants	2	47,302	45,783
Research Grants and Contracts	3	62,916	56,512
Other Operating Income	4	57,150	56,457
Endowment Income and Interest Receivable	5	<u>4,054</u>	<u>5,807</u>
<b>Total Income</b>		<u>255,440</u>	<u>244,937</u>
<b>Expenditure</b>			
Staff Costs	6	150,075	142,318
Depreciation	10	20,585	19,001
Other Operating Expenses	8	82,254	80,708
Interest Payable	7	<u>1,951</u>	<u>2,011</u>
<b>Total Expenditure</b>	8	<u>254,865</u>	<u>244,038</u>
<b>Surplus for the year before taxation</b>		575	899
Tax on Profit on Ordinary Activities	9	<u>(13)</u>	<u>—</u>
<b>Surplus for the Year after Taxation</b>		588	899
Minority Interest		<u>(81)</u>	<u>—</u>
<b>Retained Surplus for the Year</b>		<u>507</u>	<u>899</u>

There were no discontinued operations during 1999/00 or 2000/01.

## Note of Historical Cost Surpluses and Deficits

<b>Surplus for the year</b>		507	899
Difference Between an Historical Cost Profit on Realised Investment Profits and Property Disposals and the actual realised Profit for the Year Calculated on the revalued amount.		—	5,581
Difference Between Historical Cost Depreciation and the actual charge based on the revalued amount		<u>784</u>	<u>784</u>
<b>Historical Cost Surplus</b>		<u>1,291</u>	<u>7,264</u>

## Balance Sheets

As at 31 July 2001

	Note	University		Consolidated	
		2001	2000	2001	2000
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible Assets	10	324,011	287,455	351,368	306,224
Investments	11	<u>10,747</u>	<u>11,844</u>	<u>10,412</u>	<u>11,844</u>
		<u>334,758</u>	<u>299,299</u>	<u>361,780</u>	<u>318,068</u>
<b>Endowment Asset Investments</b>	12	<u>64,500</u>	<u>70,744</u>	<u>64,500</u>	<u>70,744</u>
<b>Current Assets</b>					
Stocks and Stores in Hand		642	506	836	636
Debtors and Prepayments	13	49,522	48,589	35,632	34,601
Investments		9,708	35,383	9,708	35,383
Cash at Bank and in Hand		<u>2,256</u>	<u>2,084</u>	<u>2,315</u>	<u>3,958</u>
		62,128	86,562	48,491	74,578
<b>Creditors:</b>					
Amounts falling due within One Year	14	<u>(54,791)</u>	<u>(53,004)</u>	<u>(46,100)</u>	<u>(42,398)</u>
<b>Net Current Assets</b>		<u>7,337</u>	<u>33,558</u>	<u>2,391</u>	<u>32,180</u>
Total Assets Less Current Liabilities		406,595	403,601	428,671	420,992
<b>Creditors:</b>					
Amounts Falling Due After More Than One Year	15	<u>(13,130)</u>	<u>(14,193)</u>	<u>(14,165)</u>	<u>(14,793)</u>
<b>Total Net Assets</b>		<u>393,465</u>	<u>389,408</u>	<u>414,506</u>	<u>406,199</u>

## Balance Sheets

As at 31 July 2001 – continued

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	Note	University		Consolidated	
		2001	2000	2001	2000
Represented by:		£000	£000	£000	£000
<b>Deferred Capital Grants</b>	16	<u>26,701</u>	<u>15,555</u>	<u>27,697</u>	<u>15,555</u>
<b>Endowments</b>					
Specific	17	56,114	61,342	56,114	61,342
General	17	<u>8,386</u>	<u>9,402</u>	<u>8,386</u>	<u>9,402</u>
		<u>64,500</u>	<u>70,744</u>	<u>64,500</u>	<u>70,744</u>
<b>Reserves</b>					
Revaluation Reserve	18	60,224	62,105	60,698	62,105
Income and Expenditure Account	19	242,040	241,004	259,956	257,795
Minority Interest		<u>–</u>	<u>–</u>	<u>1,655</u>	<u>–</u>
		<u>302,264</u>	<u>303,109</u>	<u>322,309</u>	<u>319,900</u>
<b>Total Funds</b>		<u>393,465</u>	<u>389,408</u>	<u>414,506</u>	<u>406,199</u>

The financial statements on pages 14 to 37 were approved by the Council on 11 December 2001 and signed on its behalf by:

Professor Michael Sterling, Vice-Chancellor and Principal

Dr Keith Foster, Treasurer

## Consolidated Cash Flow Statement

For the year ended 31 July 2001

	Note	2000/01 £000	1999/00 £000
Net Cash Inflow from Operating Activities	23	14,062	6,795
Returns on Investments and Servicing of Finance	24	2,381	3,967
Taxation		–	–
Capital Expenditure and Financial Investment	25	<u>(41,738)</u>	<u>(22,298)</u>
Net Cash Outflow before use of Liquid Resources and Financing		(25,295)	(11,536)
Management of Liquid Resources	27	10,000	–
Financing	26	<u>(1,698)</u>	<u>(1,442)</u>
<b>Decrease in Cash in the year</b>	27	<u>(16,993)</u>	<u>(12,978)</u>
<b>Reconciliation of Net Cash Flow to Movement in Net Funds</b>			
Decrease in Cash in the year		(16,993)	(12,978)
(Decrease) in Liquid Resources		(10,000)	–
Arising on Consolidation of Subsidiary Undertakings		(1,339)	(1,800)
Repayment of Debt		<u>1,698</u>	<u>1,442</u>
Change in Net Funds		(26,634)	(13,336)
<b>Net Funds at 1 August 2000</b>		<u>25,069</u>	<u>38,405</u>
<b>Net Funds at 31 July 2001</b>		<u>(1,565)</u>	<u>25,069</u>

## Consolidated Statement of Recognised Gains and Losses

For the year ended 31 July 2001

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	Note	2000/01 £000	1999/00 £000
Retained Surplus for the Year		507	899
Revaluation of Endowment Asset Investments	17	(6,776)	3,262
Revaluation of Fixed Asset Investments	18	(1,097)	406
Endowment Income Transfer to Accumulated Reserve		325	171
New Endowments	17	210	4,195
Other Movements on Income and Expenditure Account	19	(57)	850
Increase in Net Assets arising on Consolidation		<u>3,053</u>	<u>16,232</u>
Total Recognised Gains/(Losses) Relating to the Year		<u>(3,835)</u>	<u>26,015</u>

### Reconciliation

Opening Reserves and Endowments		390,644	364,629
Total recognised gains/(losses) for the year		<u>(3,835)</u>	<u>26,015</u>
Closing Reserves and Endowments		<u>386,809</u>	<u>390,644</u>

# Notes to the Accounts

For the year ended 31 July 2001

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	2000/01 £000	1999/00 £000
<b>1. Funding Council Grants</b>		
Recurrent Grant from HEFCE	78,887	75,448
Specific Grants from HEFCE		
Teaching and Learning Technology Programme	11	32
Other	2,387	1,854
Recurrent Grant from Teacher Training Agency	2,485	2,561
Deferred Capital Grants Released in Year	248	483
Equipment and Buildings (Note 16)		
	<u>84,018</u>	<u>80,378</u>
<b>2. Academic Fees and Support Grants</b>		
Full-time students	19,659	19,170
Full-time students charged overseas and other fees	13,000	12,132
Part-time Courses – credit bearing	10,430	10,349
– non credit bearing	2,873	2,693
Research, Training and Support Grants	<u>1,340</u>	<u>1,439</u>
	<u>47,302</u>	<u>45,783</u>
<b>3. Research Grants and Contracts</b>		
Office of Science and Technology Research Councils	23,143	20,504
UK-Based Charities	14,718	12,893
UK Central/Local Government, Health and Hospital Authorities	13,203	12,346
UK Industry, Commerce and Public Corporations	7,288	6,010
EU Government Bodies	1,773	2,053
EU Other	569	564
Other Overseas	1,494	1,643
Other Sources	<u>728</u>	<u>499</u>
	<u>62,916</u>	<u>56,512</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

	2000/01 £000	1999/00 £000
<b>4. Other Operating Income</b>		
Residences, Catering and Conferences	19,735	19,535
Other Services Rendered	12,165	9,767
Externally Funded Posts – Health Authorities	8,371	8,249
– Other Sources	973	970
Self-Financing Teaching Activities	5,131	6,262
Rented Properties and University Centre Lettings	1,127	1,332
Day Nursery	529	518
Net VAT Refund	–	657
Capital Grants	78	129
Release of Deferred Capital Grants (Note 16)	380	443
Barber Trust	659	633
German Institute	190	192
Other Income	<u>7,812</u>	<u>7,770</u>
	<u>57,150</u>	<u>56,457</u>
<b>5. Endowment Income and Interest Receivable</b>		
Transferred from Specific Endowments (Note 17)	1,530	1,474
Income from General Endowment Asset Investments (Note 17)	290	282
Income from Short Term Investments	1,499	2,680
Other Investment Income	<u>735</u>	<u>1,371</u>
	<u>4,054</u>	<u>5,807</u>
<b>6. Staff</b>		
Staff Costs:		
Wages and Salaries	126,105	119,700
Social Security Costs	9,822	9,567
Other Pension Costs (Note 28)	<u>14,148</u>	<u>13,051</u>
	<u>150,075</u>	<u>142,318</u>
Emoluments of the Vice-Chancellor		
Salary and benefits	163	149
Pension contributions to USS	<u>22</u>	<u>20</u>
	<u>185</u>	<u>169</u>
<p>The emoluments have been independently determined by the lay officers of the Council and reviewed according to performance. The emoluments shown are in respect of Professor Maxwell Irvine.</p> <p>Compensation for loss of office paid to staff earning in excess of £50,000 per annum: The 2000/01 figure relates to compensation paid to ten members of staff.</p>		
Payments to USS for enhanced pension benefits	596	244

## Notes to the Accounts

For the year ended 31 July 2001 – continued

	2000/01 £000	1999/00 £000
<b>6. Staff – continued</b>		
Average Staff Numbers by Major Category:		
Academic and Related/Clinical	2,693	2,727
Technical	515	500
Other, including Clerical and Manual	2,538	2,513
	<u>5,746</u>	<u>5,740</u>

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

£50,001 – £60,000	81	82
£60,001 – £70,000	91	86
£70,001 – £80,000	22	18
£80,001 – £90,000	6	11
£90,001 – £100,000	13	8
£100,001 – £110,000	10	18
£110,001 – £120,000	11	2
£120,001 – £130,000	3	7
£130,001 – £140,000	4	–
£150,001 – £160,000	1	1

### 7. Interest Payable

	Consolidated	
	2000/01 £000	1999/00 £000
Finance Leases	1,800	1,904
Bank Loan Interest Repayable over more than 5 years	151	107
	<u>1,951</u>	<u>2,011</u>

### 8. Analysis of 2000/01 Expenditure by Activity

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total 2000/01 £000	Total 1999/00 £000
Academic Schools						
Basic Teaching and Research	79,451	3,789	18,274	–	101,514	99,375
Research Grants and Contracts	31,025	6,876	15,271	–	53,172	47,388
Other Trading	2,915	123	5,481	–	8,519	8,632
Budget Centre Funds	376	1,219	2,889	–	4,484	4,318
	<u>113,767</u>	<u>12,007</u>	<u>41,915</u>	<u>–</u>	<u>167,689</u>	<u>159,713</u>
Academic Services						
Library	3,739	65	4,595	–	8,399	7,332
Academic Computing Service	3,787	624	684	–	5,095	5,648
Other Academic Services	1,992	183	254	–	2,429	2,381
	<u>9,518</u>	<u>872</u>	<u>5,533</u>	<u>–</u>	<u>15,923</u>	<u>15,361</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

### 8. Analysis of 2000/01 Expenditure by Activity *continued*

	Staff Costs	Depreciation	Other Operating Expenses	Interest Payable	Total 2000/01	Total 1999/00
	£000	£000	£000	£000	£000	£000
General Educational Expenditure						
Scholarships and Prizes from Restricted Endowments	–	–	754	–	754	764
Student Recruitment and Liaison	542	27	500	–	1,069	1,055
Other	67	5	562	–	634	372
	<u>609</u>	<u>32</u>	<u>1,816</u>	<u>–</u>	<u>2,457</u>	<u>2,191</u>
Premises						
Rates	–	–	522	–	522	306
Insurance and Rents	–	–	451	–	451	550
Cleaning, Portering and Custodial Services	2,703	39	332	–	3,074	2,930
Heat, Light, Water and Power	–	–	2,985	–	2,985	2,312
Repairs and General Maintenance	2,505	488	3,143	65	6,201	8,095
Depreciation of Buildings	–	4,830	–	–	4,830	3,249
Other	1,392	184	645	86	2,307	3,378
	<u>6,600</u>	<u>5,541</u>	<u>8,078</u>	<u>151</u>	<u>20,370</u>	<u>20,820</u>
Administration and Central Services						
Administrative Services	7,944	373	3,708	–	12,025	13,127
Audit Fees	–	–	47	–	47	54
Fees to Auditor for Non-Audit Work	–	–	–	–	–	76
Other Professional Fees	–	–	282	–	282	159
	<u>7,944</u>	<u>373</u>	<u>4,037</u>	<u>–</u>	<u>12,354</u>	<u>13,416</u>
Staff and Student Facilities						
Careers Service	387	12	145	–	544	492
Student Counselling and Support	338	7	51	–	396	414
Sports Facilities	948	131	1,134	–	2,213	2,269
Grant to Guild of Students	–	–	1,081	–	1,081	1,053
Day Nursery and Health Service	362	9	256	–	627	564
Other	97	2	32	–	131	75
	<u>2,132</u>	<u>161</u>	<u>2,699</u>	<u>–</u>	<u>4,992</u>	<u>4,867</u>
Residences Catering and Conferences						
Residences	3,860	241	6,187	1,800	12,088	12,486
Catering	943	67	1,230	–	2,240	2,319
Conferences	878	42	897	–	1,817	2,033
Depreciation of Buildings	–	950	–	–	950	918
	<u>5,681</u>	<u>1,300</u>	<u>8,314</u>	<u>1,800</u>	<u>17,095</u>	<u>17,756</u>
Other						
Other Services Rendered	3,824	299	5,522	–	9,645	7,555
Other	–	–	4,340	–	4,340	2,359
	<u>3,824</u>	<u>299</u>	<u>9,862</u>	<u>–</u>	<u>13,985</u>	<u>9,914</u>
<b>TOTAL</b>	<u><u>150,075</u></u>	<u><u>20,585</u></u>	<u><u>82,254</u></u>	<u><u>1,951</u></u>	<u><u>254,865</u></u>	<u><u>244,038</u></u>
The depreciation charge has been funded by:						
Deferred Capital Grants Released (Note 16)		7,505				
General Income		13,080				
		<u>20,585</u>				

## Notes to the Accounts

For the year ended 31 July 2001 – continued

### 9. Tax on Profit on Ordinary Activities

	2000/01	Consolidated 1999/00
	£000	£000
United Kingdom corporation tax at 20%		
Current Year	8	–
Prior Year	(21)	–
Total Payable (Repayable)	(13)	–

### 10. Tangible Fixed Assets

	Assets in the course of Construction	Land and Buildings	Equipment	University Total	Consolidated Total
	£000	£000	£000	£000	£000
Cost or Valuation					
Valuation	–	59,234	–	59,234	59,234
Cost	15,099	206,900	43,634	265,633	284,791
As at 1 August 2000	<u>15,099</u>	<u>266,134</u>	<u>43,634</u>	<u>324,867</u>	<u>344,025</u>
Transfers at Cost	(13,186)	13,186	–	–	–
Arising on Consolidation of Subsidiaries	–	–	–	–	7,956
Additions/Disposals					
Additions at Cost	12,267	27,831	16,452	56,550	60,553
Disposals at Cost	–	–	(15,918)	(15,918)	(15,946)
Valuation as at 31 July 2001					
Valuation	–	59,234	–	59,234	59,708
Cost	14,180	247,917	44,168	306,265	336,880
	<u>14,180</u>	<u>307,151</u>	<u>44,168</u>	<u>365,499</u>	<u>396,588</u>
Accumulated Depreciation					
As at 1 August 2000 – Valuation	–	1,578	–	1,578	1,578
As at 1 August 2000 – Cost	–	5,769	30,065	35,834	36,223
Arising on Consolidation of Subsidiaries	–	–	–	–	2,777
Charge for the Year – Valuation	–	784	–	784	784
Charge for the Year – Cost	–	4,819	14,391	19,210	19,801
Depreciation on Disposals – Cost	–	–	(15,918)	(15,918)	(15,943)
As at 31 July 2001	<u>–</u>	<u>12,950</u>	<u>28,538</u>	<u>41,488</u>	<u>45,220</u>
Net Book Value					
Valuation	–	56,872	–	56,872	57,346
Cost	14,180	237,329	15,630	267,139	294,022
Net Book Value as at 31 July 2001	<u>14,180</u>	<u>294,201</u>	<u>15,630</u>	<u>324,011</u>	<u>351,368</u>
Net Book Value as at 31 July 2000	<u>15,099</u>	<u>258,787</u>	<u>13,569</u>	<u>287,455</u>	<u>306,224</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

### 10. Tangible Fixed Assets continued

The accumulated cost of Assets in the Course of Construction comprises:

	£000
Institute of Biomedical Research	4,000
New Student Residences – The Vale	241
New Student Residences – Jarratt Hall	9,939
	<u>14,180</u>

The reinstatement cost of buildings for insurances purposes is £666m (99/00 £625m).

The net book value of the land and buildings as at 31 July 2001 represents freehold interests except for £38.2m (99/00 £38.7m) of interest in long leasehold land and buildings.

The net book value of land and buildings includes an amount of £21.7m (99/00 £22.0m) in respect of assets held under finance leases.

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

### 11. Fixed Asset Investments

Non-endowment investments

	University		Consolidated	
	2000/01 £000	1999/00 £000	2000/01 £000	1999/00 £000
Balance at 1 August	11,844	24,632	11,844	24,632
Arising on Consolidation	–	–	(335)	–
Additions	–	310	–	310
Disposals	–	(13,504)	–	(13,504)
(Depreciation)/Appreciation on Disposals/Revaluation	(1,097)	406	(1,097)	406
Balance at 31 July	<u>10,747</u>	<u>11,844</u>	<u>10,412</u>	<u>11,844</u>

### 12. Endowment Asset Investments

University and Consolidated

	2000/01 £000	1999/00 £000
Balance at 1 August	70,744	63,116
Additions	532	4,366
(Depreciation)/Appreciation on Disposals/Revaluation	(6,776)	3,262
Balance at 31 July	<u>64,500</u>	<u>70,744</u>
Represented by:		
Investments	62,108	68,677
Cash	2,392	2,067
	<u>64,500</u>	<u>70,744</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

### 13. Debtors

	University		Consolidated	
	2000/01 £000	1999/00 £000	2000/01 £000	1999/00 £000
Amounts falling due within one year:				
Research Grants and Contracts	16,653	15,563	16,653	15,563
Other Debtors and Prepayments	19,400	15,910	13,714	16,470
Birmingham Pension and Assurance Scheme				
SSAP 24 Prepayment	5,199	2,456	5,199	2,456
Alta Construction Services Ltd	6,138	9,549	–	–
Loans to the Guild of Students and Junior Common Rooms	35	46	35	46
	<u>47,425</u>	<u>43,524</u>	<u>35,601</u>	<u>34,535</u>
Amounts falling due after one year:				
Alta Construction Services Ltd	2,066	4,999	–	–
Loans to the Guild of Students and Junior Common Rooms	31	66	31	66
	<u>2,097</u>	<u>5,065</u>	<u>31</u>	<u>66</u>
	<u>49,522</u>	<u>48,589</u>	<u>35,632</u>	<u>34,601</u>

### 14. Creditors: Amounts Falling due within one year

	University		Consolidated	
	2000/01 £000	1999/00 £000	2000/01 £000	1999/00 £000
Obligations Under Finance Leases (Note 20)	1,063	946	1,063	946
Bank Loans and Overdrafts	9,297	11,134	752	600
Research Grants and Contracts in Advance	15,572	13,956	15,572	13,956
Social Security and Other Taxation Payable	3,672	3,587	3,760	3,587
Other Creditors	<u>25,187</u>	<u>23,381</u>	<u>24,953</u>	<u>23,309</u>
	<u>54,791</u>	<u>53,004</u>	<u>46,100</u>	<u>42,398</u>

The other creditors category includes an amount of £1.4m (1999/00 £650k) which represents cash held by the University on behalf of the Mercia Fund in respect of University Challenge projects.

### 15. Creditors: Amounts Falling due after more than one year

	University		Consolidated	
	2000/01 £000	1999/00 £000	2000/01 £000	1999/00 £000
Obligations Under Finance Leases (Note 20)	13,130	14,193	13,130	14,193
Bank Loans repayable by instalments over more than 5 years	–	–	1,035	600
	<u>13,130</u>	<u>14,193</u>	<u>14,165</u>	<u>14,793</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

16. Deferred Capital Grants	University		Consolidated	
	Other Grants and Benefactions	Funding Council	Total	Total
	£000	£000	£000	£000
At 1 August 2000				
Buildings	9,189	885	10,074	10,074
Equipment	5,481	–	5,481	5,481
	<u>14,670</u>	<u>885</u>	<u>15,555</u>	<u>15,555</u>
Arising on Consolidation – Buildings	–	–	–	996
Cash Received				
Buildings	332	8,700	9,032	9,032
Equipment	9,709	–	9,709	9,709
Cash adjustment relating to 99/00 – Buildings	(90)	–	(90)	(90)
Released to Income and Expenditure				
Buildings – Depreciation	(380)	(248)	(628)	(628)
Equipment – Depreciation	(6,877)	–	(6,877)	(6,877)
At 31 July 2001				
Buildings	9,051	9,337	18,388	19,384
Equipment	8,313	–	8,313	8,313
	<u>17,364</u>	<u>9,337</u>	<u>26,701</u>	<u>27,697</u>

17. Endowments	University and Consolidated		
	Specific	General	Total
	£000	£000	£000
At 1 August 2000	61,342	9,402	70,744
Additions	210	–	210
Depreciation of Endowment Asset Investments	(5,760)	(1,016)	(6,776)
Income for Year	1,807	290	2,097
Transfer from Budget Centre Funds	45	–	45
Transferred to Income and Expenditure Account (Note 5)	(1,530)	(290)	(1,820)
At 31 July 2001	<u>56,114</u>	<u>8,386</u>	<u>64,500</u>

18. Revaluation Reserve	University		Consolidated	
	Land and Buildings	Investments	Total	Total
	£000	£000	£000	£000
At 1 August 2000	57,656	4,449	62,105	62,105
Arising on Consolidation	–	–	–	474
Revaluation in the year	–	(1,097)	(1,097)	(1,097)
Released to Income and Expenditure Account	(784)	–	(784)	(784)
As at 31 July 2001	<u>56,872</u>	<u>3,352</u>	<u>60,224</u>	<u>60,698</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

19. Income and Expenditure Account	University Consolidated					
	Balance	Additions/	Revaluation	Other	Balance	Balance
	1 August	(Reductions)	Reserve	Movements	31 July	31 July
2000	for the year	Release		2001	2001	
	£000	£000	£000	£000	£000	£000
<b>Available</b>						
Academic Budget Centres	17,292	(6,505)	–	(49)	10,738	10,738
Non-Academic Budget Centres	3,572	1,766	–	(516)	4,822	4,822
Equipment Fund	1,133	(399)	–	–	734	734
Buildings Fund	8,349	(8,505)	–	–	(156)	(156)
Rationalisation Fund	3,776	177	–	–	3,953	3,953
Residences, Catering and Conference Funds	3,476	3,779	–	(4,817)	2,438	2,438
General Reserve	13,797	(5,830)	–	1,810	9,777	9,777
Subsidiary Undertakings	–	–	–	–	–	6,293
Other Funds	8,334	1,121	–	(50)	9,405	9,405
Sub-total – Available	<u>59,729</u>	<u>(14,396)</u>	<u>–</u>	<u>(3,622)</u>	<u>41,711</u>	<u>48,004</u>
<b>Committed</b>						
Unfunded Equipment	8,088	(771)	–	–	7,317	7,317
Capital Fund	<u>173,187</u>	<u>15,476</u>	<u>784</u>	<u>3,565</u>	<u>193,012</u>	<u>204,635</u>
Sub-total – Committed	<u>181,275</u>	<u>14,705</u>	<u>784</u>	<u>3,565</u>	<u>200,329</u>	<u>211,952</u>
TOTAL	<u>241,004</u>	<u>309</u>	<u>784</u>	<u>(57)</u>	<u>242,040</u>	<u>259,956</u>

20. Lease Obligations	University and Consolidated	
	2001	2000
	£000	£000
Obligations under finance leases fall due as follows:		
Between two and five years	5,740	5,107
Over five years	<u>7,390</u>	<u>9,086</u>
Total over one year (Note 15)	13,130	14,193
Within one year (Note 14)	<u>1,063</u>	<u>946</u>
	<u>14,193</u>	<u>15,139</u>

21. Capital Commitments	University and Consolidated	
	2001	2000
	£000	£000
University commitments contracted as at 31 July	49,749	72,799
Alta Estates Services Ltd commitments contracted as at 31 July	2,400	4,562
Committed expenditure includes: Institute of Biomedical Research (£23.2m), Two West Campus Buildings (£3.3m), European Research Institute (£1.7m), Physics Building (£4.2m), Westhill College (£4.5m) and Jarratt Hall Student Residences (£3.7m).		

## Notes to the Accounts

For the year ended 31 July 2001 – continued

22. Contingent Liability	University and Consolidated	
	2001 £000	2000 £000
Bank loans guaranteed by the University held by the following subsidiary companies:		
– Birmingham Research Park Ltd	1,187	1,339
– Alta Estate Services Ltd	<u>600</u>	<u>1,200</u>
	<u>1,787</u>	<u>2,539</u>

The University is a member of UMALT, a company limited by guarantee formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association suffers a shortfall in any underwriting year, the members are liable for their pro rata share. The scheme's ability to pay claims is derived from one of the following sources:

- (a) accumulated reserves of £10 million;
- (b) a £15 million internal loan facility from member institutions, of which the University has provided a facility of £5 million;
- (c) a £300 million aggregate layer of excess cover obtained through the Lloyds insurance market.

Multiple losses exceeding £150 million may result in a supplementary call for funding from the 78 members of the association.

### 23. Reconciliation of Operating Surplus to Net Cash from Operating Activities

	Consolidated	
	2000/01 £000	1999/00 £000
Surplus for the Year after Taxation	588	899
Depreciation (Note 9)	20,585	19,001
Deferred Capital Grants Released to Income (Note 16)	(7,505)	(6,830)
Investment Income	(2,103)	(3,796)
(Increase) in Stocks	(200)	(141)
(Increase) in Debtors	(1,023)	(5,302)
Increase/ in Creditors	3,776	2,570
Other	<u>(56)</u>	<u>394</u>
Net Cash Inflow from Operating Activities	<u>14,062</u>	<u>6,795</u>

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

Income from Fixed Asset Investments	735	1,314
Income from Endowments	2,098	1,927
Income from Short Term Investments	1,499	2,737
Interest Paid	<u>(1,951)</u>	<u>(2,011)</u>
	<u>2,381</u>	<u>3,967</u>

## Notes to the Accounts

For the year ended 31 July 2001 – continued

### 25. Capital Expenditure and Financial Investment

	Consolidated	
	2001 £000	2000 £000
Tangible Assets Acquired (Note 10)	(60,553)	(45,698)
Fixed Asset Investments Acquired	–	(310)
Endowment Asset Investments Acquired	(207)	(4,432)
Total Fixed and Endowment Assets Acquired	(60,760)	(50,440)
Receipts from Sales of Fixed Asset Investments	–	13,504
Receipts from Sales of Tangible Assets	28	253
Deferred Capital Grants Received (Note 16)	18,740	10,190
Endowments Received	254	4,195
	(41,738)	(22,298)

### 26. Analysis of Changes in External Financing During the Year

	Consolidated	
	2001 £000	2000 £000
Balance at 1 August	16,339	15,981
Arising on Consolidation of Subsidiary Undertakings	1,339	1,800
	17,678	17,781
Capital repayments	(1,698)	(1,442)
Net Amount Acquired in Year	(1,698)	(1,442)
Balance at 31 July	15,980	16,339

### 27. Analysis of Changes in Net Funds

	Consolidated				
	At 1 August 2000 £000	Arising on Consolidation £000	Cash Flows £000	Other Changes £000	At 31 July 2001 £000
Short-Term Deposits Repayable on Demand	25,383	–	(15,675)	–	9,708
Endowment Asset Investments	2,067	–	325	–	2,392
Cash in hand, and at bank	3,958	–	(1,643)	–	2,315
	31,408	–	(16,993)	–	14,415
Liquid Resources	10,000	–	(10,000)	–	–
Debt due within one year	(1,546)	(304)	1,698	(1,663)	(1,815)
Debt due after one year	(14,793)	(1,035)	–	1,663	(14,165)
	25,069	(1,339)	(25,295)	–	(1,565)

## Notes to the Accounts

*For the year ended 31 July 2001 – continued*

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### **28. 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 are covered by the University of Birmingham Pension and Assurance Scheme, (BPAS), administered in-house by University nominated Trustees. Both USS and BPAS provide benefits based on final pensionable salary.

#### **Universities Superannuation Scheme (USS)**

USS is contracted out of the State Earnings-Related Pension Scheme and the assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March, 1999. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments, (ie the valuation rate of interest), and the rates of increase in salary and pensions. In relation to the past service liability the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6% per annum. In relation to future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due), and the valuation of the past service liabilities was £17,427 million, leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The institution contribution rate for future service benefits alone at the date of the valuation was 16.3% of salaries, but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due at 31st March, 2002, when the above rates will be reviewed. The total pension costs for the institution for USS membership is shown below, and the rate payable by the institution during the year was 14% of pensionable salaries.

# Notes to the Accounts

For the year ended 31 July 2001 – continued

## 28. Pension Schemes *continued*

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

BPAS is contracted out of the State Earnings-Related Pension Scheme and management of the Scheme's investments is undertaken by Schroder Investment Management Ltd. (two thirds) and Phillips and Drew Fund Management Ltd. (one third). The latest full actuarial valuation of the scheme was at 31st March, 1999, and the valuation identified that additional contributions were required as determined by the Pensions Act (1995) Minimum Funding Requirement Regulations.

The institution contribution rate for future service benefits alone at the date of the last full valuation was 10.3% of salaries but it was agreed that the institution contribution rate would be set at 14% of salaries from 1st August, 2000, to address the issue of past service liabilities. Additionally a further £1.96 million was required in the period ended 31st July, 2001, as determined by the Schedule of Contributions agreed with the Scheme Actuary.

The assumptions employed by the Scheme Actuary for the valuation of liabilities as at 31st July, 2001, were as follows:-

Discount Rate	5.8%
Salary Growth	4.0%
Inflation	2.5%
Pension Increases	2.5%

The invested assets of the Scheme amounted to £129.522 million (after investment of the additional contribution). The assets and the expected long term rate of return were:-

	£million	Rate of Return
Equities	95.042	5.2%
Property	0.971	–
Fixed Interest	22.599	2.4%
Cash	10.910	2.0%
Total	<u>129.522</u>	

On the basis of the detailed assumptions, and specifically the discount rate determined by the yield on AA-rated corporate bonds, the liabilities of the Scheme amounted to £144.318 million as at 31st July, 2001. The resultant deficit in the Scheme was therefore £14.796 million

If the above amounts had been recognised in the financial statements, the University's net assets and profit and loss reserve at 31 July would be as follows:-

	£000
Net assets excluding pension deficit	414,506
Pension deficit	<u>(14,796)</u>
Net assets including pension deficit	<u>399,710</u>
Profit and loss reserve excluding pension deficit	259,956
Pension deficit	<u>(14,796)</u>
Profit and loss reserve including pension deficit	<u>245,160</u>

The total pension cost for each Scheme for the University was as follows:-

	2000/01 £000	1999/00 £000
Contributions to USS	9,820	9,220
Contributions to UBPAS	3,553	3,254
Contributions to Other Pension Schemes	<u>775</u>	<u>577</u>
Total Pension Costs (Note 6)	<u>14,148</u>	<u>13,051</u>

# Notes to the Accounts

*For the year ended 31 July 2001 – continued*

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## 29. Rationalisation Costs

A key component of the University's strategy is an ongoing programme of rationalisation of its academic business. This involves growing and diversifying its income streams and in some areas implementing cost reductions. Where the reductions are staff related, they have been achieved on a voluntary basis, usually through a targeted early retirement process. The effective dates of those retirements vary, but many cluster around 30th September each year, ie the end of the academic year.

The recognition of the cost of those staffing changes is linked to the timing of the obligating event, ie the point at which the commitment becomes irrevocable by both the University and the employee. In order to satisfy this, the employee must have made the formal commitment to retire in writing, the University must have accepted it and the employee must still be employed by the University on the date at which the early retirement becomes effective.

Since August 2000, around 120 early retirement packages have been discussed in principle and/or agreed. Of these, 47 staff retired in the year to 31 July 2001 at a total cost of £2.75m. Since the year end, a further 68 staff have met the criteria for early retirement and are expected to retire in 2001/02 at a cost of £4.7m with the remainder in 2002/03. However, since the University is constantly evolving and assessing its future developments, the process of rationalisation and the consequent costs will continue to emerge in the coming year and beyond.

## 30. Access Funds

	2000/01 £000	1999/00 £000
Balances Unspent as at 1 August	97	21
Funding Council Grants	1,076	987
Disbursed to Students	<u>(1,016)</u>	<u>(911)</u>
Balances Unspent at 31 July	<u>157</u>	<u>97</u>

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## 31. Benefits in Kind

No material benefits in kind are included within the University's Accounts.

## 32. Related Party Transactions

To capture information on related party transactions the University has circularised members and officers who attend:- Council, Strategy, Planning and Resources Committee, Investment Committee, Estates Committee and the Trustees of the University of Birmingham Pension and Assurance Scheme. Due to the nature of the University's operations and the composition of the University's governing body, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of the governing body has an interest. All such transactions are conducted at arms length and in accordance with the University's Manual of Financial Rules and Procedures with respect to procurement.

No declarations of disclosable interests have been made.

The relationship to the University of subsidiary companies and the Guild of Students are detailed in Notes 33 and 34, together with a summary of related party transactions.

## Notes to the Accounts

For the year ended 31 July 2001 – continued

### 33. Subsidiary Undertakings

Subsidiary undertakings have been consolidated into the accounts for the first time and this has led to a restatement of balance sheet prior year figures.

Name	University Holding	Business Activity
Alta Construction Services Limited	100%	Construction of Student Residences
Alta Estate Services Limited	100%	Operates a Combined Heat and Power plant
Birmingham Research and Development Limited	100%	Technology Transfer
Birmingham Research Park Limited	51%	Provision of Accommodation to High Technology Companies
Alta Library Services Limited	100%	Provision of Library Services
University of Birmingham Selly Oak Educational Trust	100%	Management of Land and Buildings on the Selly Oak Campus

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

The summarised balance sheets and results for the year ended 31 July 2001 are as follows:-

	Alta Construction Services Limited	Alta Estate Services Limited	Birmingham Research and Development Limited	Birmingham Research Park Limited	Alta Library Services Limited	University of Birmingham Selly Oak Educational Trust
	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets	–	10,419	48	5,267	–	11,623
Investments	–	–	193	–	–	–
Current Assets	<u>10,012</u>	<u>1,594</u>	<u>841</u>	<u>517</u>	<u>156</u>	<u>19</u>
	<u>10,012</u>	<u>12,013</u>	<u>1,082</u>	<u>5,784</u>	<u>156</u>	<u>11,642</u>
Capital and Reserves	–	5,188	384	3,378	–	11,623
Creditors	10,012	6,225	698	1,218	156	19
Bank Loan	–	600	–	1,188	–	–
Deferred Income	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>10,012</u>	<u>12,013</u>	<u>1,082</u>	<u>5,784</u>	<u>156</u>	<u>11,642</u>
Profit/(Loss) for the Year	<u>865</u>	<u>267</u>	<u>10</u>	<u>165</u>	<u>52</u>	<u>(177)</u>

## Notes to the Accounts

*For the year ended 31 July 2001 – continued*

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### 34. Guild of Students

The University has not consolidated the financial statements of the Guild of Students because the University has no control or dominant influence over policy decisions. The summarised balance sheet and results for the year ended 31 July 2001 are as follows:

	£000
Tangible Fixed Assets	563
Investments	6
Current Assets	<u>758</u>
	<u>1,327</u>
Reserves	785
Creditors	522
Loan from The University of Birmingham	<u>20</u>
	<u>1,327</u>
Surplus for the Year	<u>86</u>

The University's Income and Expenditure Account reflects payment to the Guild of Students of a Block Grant of £1,081k (Note 8) and the Balance Sheet reflects loans to the Guild of Students as shown above.

## Five Year Summary Accounts

### INCOME AND EXPENDITURE ACCOUNT

	1996/97	1997/98	1998/99	1999/00	2000/01
	£000	£000	£000	£000	£000
<b>Income</b>					
Funding Council Grants	68,220	73,485	75,858	80,378	84,018
Academic Fees and Support Grants	44,827	47,209	40,896	45,783	47,302
Research Grants and Contracts	44,705	48,589	52,232	56,512	62,916
Other Operating Income	44,830	46,414	50,874	56,457	57,150
Endowment Income and Interest	<u>7,011</u>	<u>8,698</u>	<u>6,178</u>	<u>5,807</u>	<u>4,054</u>
Total Income	209,593	224,395	226,038	244,937	255,440
<b>Expenditure</b>					
Staff Costs	112,378	114,025	123,717	142,318	150,075
Depreciation	16,255	15,633	17,301	19,001	20,585
Other Operating Expenses	71,718	77,482	73,316	80,708	82,254
Interest Payable	1,332	1,266	1,193	2,011	1,951
Total Expenditure	<u>201,683</u>	<u>208,406</u>	<u>215,527</u>	<u>244,038</u>	<u>254,865</u>
Surplus for the Year before Tax	<u>7,910</u>	<u>15,989</u>	<u>10,511</u>	<u>899</u>	<u>575</u>

### BALANCE SHEET

Fixed Assets	258,968	276,214	286,121	318,068	361,780
Endowment Asset Investments	52,571	59,625	63,116	70,744	64,500
Net Current Assets	29,523	41,151	42,091	32,180	2,391
Creditors: Amounts Due After One Year	(17,006)	(15,981)	(14,878)	(14,793)	(14,165)
Provisions for Liabilities and Charges	(289)	0	0	0	0
Total Net Assets	<u>323,767</u>	<u>361,009</u>	<u>376,450</u>	<u>406,199</u>	<u>414,506</u>
Represented By					
Deferred Capital Grants	12,052	11,676	11,821	15,555	27,697
Endowments	52,571	59,625	63,116	70,744	64,500
Revaluation Reserve	55,819	67,717	68,064	62,105	60,698
Income and Expenditure Reserves:					
Available Funds	63,233	75,674	74,488	64,650	48,004
Committed Funds	<u>140,092</u>	<u>146,317</u>	<u>158,961</u>	<u>193,145</u>	<u>213,607</u>
	203,325	221,991	233,449	257,795	261,611
Total Funds	<u>323,767</u>	<u>361,009</u>	<u>376,450</u>	<u>406,199</u>	<u>414,506</u>

## Financial Statistics

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### Sources of Income

% of Total Income	1996/97	1997/98	1998/99	1999/00	2000/01
Grants from Funding Councils (HEFCE and TTA)	32.6%	32.7%	33.5%	32.8%	32.9%
Tuition Fees – Home and EC	16.5%	15.9%	12.9%	13.7%	13.4%
Tuition Fees – Overseas	4.9%	5.1%	5.2%	5.0%	5.1%
Income from Research Grants and Contracts	21.3%	21.7%	23.1%	23.1%	24.6%
Income from Residences, Catering and Conferences	8.0%	7.4%	8.2%	8.0%	7.6%
Other Income	16.7%	17.2%	17.1%	17.4%	16.4%
Total Income	100.0%	100.0%	100.0%	100.0%	100.0%

### Analysis of Expenditure

% of Total Expenditure					
Staff Costs	55.6%	54.7%	57.4%	58.3%	58.8%
Depreciation	8.1%	7.5%	8.0%	7.8%	8.1%
Other Operating Expenses	35.6%	37.2%	34.0%	33.1%	32.3%
Interest Payable	0.7%	0.6%	0.6%	0.8%	0.8%
Total Expenditure	100.0%	100.0%	100.0%	100.0%	100.0%
Surplus for The Year as a % of Total Income	3.8%	7.1%	4.7%	0.4%	0.2%

### Indicators of Financial Strength

Ratio of Available General Funds to Total Expenditure (Days) <i>The number of days expenditure that could be sustained from available funds</i>	128	148	142	111	81
Ratio of Long-Term Liabilities to Total Available Funds <i>Measures the extent to which an institution is funded by long term debt</i>	25.3%	20.2%	19.1%	22.1%	28.1%

### Indicators of Liquidity and Solvency

Ratio of Liquid Assets to Current Liabilities <i>Extent to which current liabilities could be met from cash and liquid investments</i>	1.3	1.5	1.3	0.9	0.3
Ratio of Current Assets to Current Liabilities <i>Extent to which current liabilities could be met from current assets</i>	1.9	2.3	2.1	1.8	1.1
Debtor Days <i>Days of total income (excluding Funding Council grants) represented by debtors (excluding SSAP24 provision)</i>	52	62	70	71	65



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