

2011-2012



BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS FOR 2011/12

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OPERATING AND FINANCIAL REVIEW

The Board of Governors of Birmingham City University presents its annual report and the University's audited financial statements for the year ended 31st July 2012.

Birmingham City University is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988, and of an Instrument of Government approved by the Privy Council in April 1993. The University is an exempt charity within the meaning of the Charities Act 1993. The Board of Governors of the University are the charitable Trustees of the University.

The following report summarises the Board's assessment of how the University has delivered its charitable purposes for the public benefit and the University's overall performance in 2011/12. In discussing and approving this report, the Board, as Trustees, has had regard to the Charity Commission's guidance on Charitable Purposes and Public Benefit.

Public Benefit Statement

The University's main charitable purpose is the advancement of education. This purpose derives from Section 124 of the Education Reform Act 1988 which established what is now, Birmingham City University, as a Higher Education Corporation. Its purpose is expressed in the University's mission, updated in July 2011, which is: to transform the prospects of individuals, employers and society through excellence in practice-based education, research and knowledge exchange.

As well as meeting its main charitable purpose of the advancement of education, the University also makes a significant contribution to the following charitable purposes identified in the 2006 Charities Act:

- The advancement of health and the saving of lives
- The advancement of citizenship or community development
- The advancement of the arts, culture, heritage or science
- The advancement of equality and diversity
- The advancement of environmental protection or improvement

The University has undertaken an awareness raising programme to ensure that all Governors, all managers and key individuals within the University are aware of the University's obligations as an exempt charity, and of the requirements for serious incident reporting. A serious incident reporting procedure has been established. During 2011/12 no serious incidents or incidents of harm to beneficiaries were reported within the University, and the Board of Governors is not aware of any activity which could cause harm to the University's beneficiaries.

The University's activities for the public benefit are summarised below. Further information on the University's charitable activities is provided on the University website (www.bcu.ac.uk) and in our annual review and corporate plan [<http://www.bcu.ac.uk/about-us/corporate-information>].

The Advancement of Education

The University delivers its main charitable purpose through the following activities:

- Through the provision of undergraduate education in the fields of health, science, technology and engineering, the creative arts, in business and management. In 2011/12 the University provided such education to over 19,500 students from across the UK and overseas.

- Through the provision of postgraduate education, including postgraduate research opportunities, to over 3,500 students, from the UK and overseas, across the same academic fields.

The University's primary beneficiaries are the undergraduate and postgraduate students who study and learn at the University. The University's activities also benefit society at large, through the education and training of students who upon graduation make a particular contribution to the creative industries and to professional practice, across subjects as varied as journalism, engineering, nursing and midwifery, law, teacher training, art and design, and musical performance.

In 2011/12 the University delivered 7,417 graduates and 2,415 postgraduates across these disciplines.

In delivering on its charitable purpose of the advancement of education, the University has identified for itself a particular role in raising the aspirations of students from less privileged backgrounds, including those from ethnic minority backgrounds or those with no previous family history of Higher Education. The vocational nature of the University's teaching, and its location in one of the youngest and most ethnically diverse cities in the UK mean that we are well placed to deliver on this purpose.

Through its work the University makes a significant and positive contribution to improving the life opportunities of those from less advantaged backgrounds, which is a major public benefit. This is illustrated by the national indicators of widening participation, in which Birmingham City University performs exceptionally well both in absolute terms and by comparison to our adjusted sector benchmark.

The HESA performance indicators for 2010-11 reveal that for young full-time undergraduate entrants:

- 97.5% were from state schools or colleges
- 41.7% were from socio-economic classes 4, 5, 6 & 7
- 13.8% were from low participation neighbourhoods

As concerns mature full-time undergraduate entrants:

- 13.1% had no previous HE qualification and came from low participation neighbourhoods

In all of the above indicators, the University's performance exceeded our institutional benchmarks.

The University is also proud of the encouragement that we provide to students who have left care and those with disabilities. Through targeted support and positive interventions we seek to ensure that their University experience is rewarding and fruitful.

Currently nearly 70% of our full time undergraduate students come from households with an income of less than £25k, and nearly 1,500 students come from households with an income of less than £16k. This fact has had a strong influence on the University's discussions of its tuition fees for 2012/13 and beyond, and the decisions taken by the Board on its Access Agreement and bursary scheme.

Approximately £3m of current Home/EU undergraduate tuition fee income is used to provide bursaries, through the Student Loans Company, to those from less wealthy family backgrounds. In addition from 2012/13 we intend to commit approximately 15% of additional fee income, £265 per FTE, for expenditure on additional access and retention measures. This will include our National Scholarship Programme match funding, new regional collaborative activity that continues to take forward the successful activity previously funded

through the Aim Higher Scheme, University outreach activity and new activities to increase and support student retention, progression and achievement. We intend to continue expenditure on maintaining sector adjusted benchmark for the participation of students in receipt of disabled students' allowance and we will meet all bursary commitments for continuing students.

In 2011/12 the University received and administered £4.9m of funding for Widening Participation and Improving Retention. These funds were used to promote a range of activities to raise aspirations among under-represented groups; maximise opportunities for access to HE; meet the needs of a diverse student group, including social, pastoral and welfare needs, to help all students achieve success; and help under-represented groups develop the skills and attitudes necessary to fulfil their ambitions.

Prizes and Scholarships, Bursaries and Hardship Funds

Our charitable purpose of the advancement of education is demonstrated also through our Bursaries and Hardship Funds. The University administers in excess of £3m of trust and endowment funds, through its Trustee Committee. These funds exist to provide a range of bursaries, prizes, scholarships and awards to assist the students, our key beneficiaries, to achieve their potential, and in recognition of academic excellence in specific fields. In 2011/12 the Trustee Committee approved the disbursement of £134k in bursaries, scholarships and prizes from these Trust Funds.

In addition to these trust funds, the University distributed nearly £679k of grants and loans to students facing particular and unforeseen financial hardship. Students who are at risk of dropping out, for financial, family or other circumstantial reasons, have access to these hardship funds. Loans and grants are made to students on the basis of evidence, to help them to resolve their problems and return to and complete their education.

The Advancement of Health and Saving Lives

The University delivers benefits to its secondary beneficiaries, the public at large, through the undertaking of research and the publication of research results. The University has a clear focus on research that has a direct practical outcome and impact, particularly in health-related areas.

Recent projects have included: research into improved patient support in HIV clinics nationwide; investigations into the effects of an epilepsy drugs trial for pregnant women; the development of a "vibrating suit" to teach health professionals how to manually handle patients without harm to themselves; and research into the management and alleviation of chronic pain.

Further information on the University's research activities are provided on the University's website, see www.bcu.ac.uk/research.

The Advancement of the Arts, Culture, Heritage or Science

The University's location within the centre of the city, and our concentration of arts and performance-related educational provision, mean that we are a major contributor to the artistic and cultural life of the City and the region.

For example, the University's Birmingham Conservatoire organised around 200 concerts and recitals, many of them free, in 2011/12. With an estimated audience of 40,000 these concerts enable the public to hear music of the highest professional standard, performed by the Conservatoire's professional musicians and student musicians. Through such performances the public in the City and the West Midlands have access to a musical repertoire that is rarely available elsewhere.

Birmingham City University offers the most diverse creative and cultural portfolio within the UK universities sector. We are a significant contributor to the creative and cultural industries:

- Over 6,000 students (nearly 25 per cent of our student population) are enrolled on creative and cultural courses annually.
- We produce more graduate talent in these areas than anywhere outside London.
- We produce world class research in creative and cultural subjects.

Similarly, our Faculty of Technology, Engineering and the Environment is located within the Millennium Point Building within the City's new Eastside development, and is a cornerstone of that area's regeneration as a learning quarter. The University's Birmingham Institute of Art and Design is due to open in new purpose-built premises in Eastside in September 2013, and phase 2 of the City Centre campus development is shortly to commence construction in the same area.

The Advancement of Citizenship and Community Development

Evidence of the University's charitable activities for the public benefit can be found in our strong commitment to Corporate Social Responsibility, and a strong ethos of good community citizenship. We are committed, through our activities, to improving the life chances of individuals, and to enhancing the social, economic, cultural and physical environments of key communities within which we operate and with which we work. Students regularly participate in volunteering activities, with community groups, local schools and charities. University staff serve as trustees and advisers to various local charities, and we have an active programme of providing staff to be school governors to schools in more deprived inner city schools which require enhanced governance support.

The Advancement of Equality and Diversity

Birmingham City University is strongly committed to equality and diversity and has a highly diverse student population. For example, 40 percent of the student population is Black and other Minority Ethnic, 64 percent female and, 9 percent of students have a declared disability. To further support the advancement of Equality and Diversity, the University has published five equality objectives for the period 2012-16; details of which can be found at <http://bcu.ac.uk/media/docs/EQUALITY-OBJECTIVES-2012-16.pdf>. The Equality and Diversity Steering Committee plays a pivotal leadership role in promoting and advancing equality and diversity by providing the expert analysis of student monitoring reports and evidence-based recommendations and actions for other groups, Committees or Faculties to take forward.

The Advancement of Environmental Protection or Improvement

In undertaking its activities the University aims for the highest environmental standards, and promotes environmental awareness and good practice among its staff, its students, and major suppliers. As evidence of its efforts, the University has been ranked 26th out of 145 participating universities in The People & Planet Green League Table. We also received the Gold Eco Campus award, and made excellent progress in reducing carbon emissions and water consumption reduction, with The Environment Agency ranking the University as one of the top ten HE institutions in the country for reductions in carbon emissions in the Carbon Reduction Commitment League table and in the top 10% across all organisations in the UK. We also achieved Fairtrade University Status for our commitment to using Fairtrade products whenever practicable. Our commitment to environmental improvement extends to our research priorities. For example the University has continued to partner in the pioneering Birmingham Zero Carbon House, providing research and support to help the City continue to develop its eco-leadership.

Funding and External Environment

Over the past year the University has invested significant energy and resource into planning for the very significant changes in teaching funding which are affecting the whole Higher Education sector. The replacement of the relative stability of the block funding regime for Home/EU undergraduates with a system of tuition fee loans, to be repaid by students after graduation, has the potential to change the market for Higher Education significantly. Combined with the “core and margin” approach to Student Number Control, and the revised payment arrangements of tuition fees to Universities by Student Finance England, these changes potentially have significant implications for the University’s future income and cash flow, and for its future academic portfolio.

The University’s Student Number Control (SNC) was reduced for 2012 entry to accommodate the Government’s policy changes. However the University made a successful bid to HEFCE for additional numbers, and was awarded 400 places, which broadly allows for a sustained level of recruitment in 2012/13.

The risks arising from the scale and speed of change are not only restricted to this market. In terms of other funding streams:

- The new Teaching Agency was established in April 2012. Despite initial concerns over loss of numbers, the University received additional allocations resulting in a similar position to 2010/11. The University is actively engaging with the Government’s drive towards school-led delivery, and a number of strategic options are currently under consideration. The School of Education is well positioned in the market, having ‘outstanding’ Ofsted status for the bulk of its provision. Assurance has been received from the Teaching Agency that student numbers will be maintained for the following 2 years provided that this ‘outstanding’ status is retained.
- The funding stream for Health is also subject to significant change. The nursing profession has now become an all-graduate profession and so recruitment onto a diploma course has now ceased. The forthcoming changes to the health education commissioning architecture move responsibility for education and training from the former Strategic Health Authority to hospitals and mental health trusts, and the University is actively engaging with key players in the region to gather relevant intelligence, and to forge relations and foster good relations. The University’s NHS Commissions remain at the same level for 2012/13 as 2011/12, although longer term it is anticipated that all health education funding streams will come under increasing pressure.
- International recruitment for 2011 entry was lower than in recent years, in large part due to the impact of UKBA policy changes and the resulting negative publicity about the UK that now pervades international markets. The market is fragile and recruitment is expected to be lower again for 2012 entry as market reaction to these policies becomes more entrenched and other countries promote more attractive alternatives. Relatively modest targets have therefore been set for international student recruitment in coming years, although even so, some risk still remains.
- A contract was signed with Navitas UK to provide routes to University degrees predominantly for international students through a new Birmingham City University International College (BCUIC). Branch Sponsorship approval by UKBA is awaited, and recruitment is expected to commence in 2012/13.

At an operational level, the changes to the new HEFCE funding model mean that the management of student admissions, student records administration and income collection processes are all becoming increasingly complex, and the need for excellent data quality and good data integration is becoming ever greater. Measures have been put in place during the year to achieve this, and an Internal Audit review has confirmed the robustness of these processes.

In light of the potential volatility in the student market, the University has put in place detailed contingency plans should it be needed to curtail costs in response to reduced income, and

has also negotiated additional, as yet undrawn, banking facilities with one of the major banks, to ensure adequate cash flow. This level of flexibility will ensure that the University can remain financially sustainable and that patterns of expenditure match patterns of student demand.

Significant Activities During the Year

- Following the decision of Professor David Tidmarsh to retire from the role of Vice-Chancellor after six years in the post, The Board of Governors established a Selection Committee to identify a successor. Professor Cliff Allan, currently Deputy Vice-Chancellor at Sheffield Hallam University, was appointed as the University's next Vice-Chancellor, and will take up his appointment on 1st December 2012. David will remain in post until this time, with a clear handover strategy agreed.
- The University organised the inaugural Birmingham Made Me Design EXPO, a unique business-education collaboration highlighting the world-beating brands being produced and designed in Birmingham and the Midlands. It featured over 100 exhibitors with participation from leading Midlands businesses including Jaguar, Morgan Motor Company, AGA Rangemaster and JCB, celebrating Birmingham as the original design city.
- In September 2011 the Birmingham Ormiston Academy opened its doors. This independent state-funded 14–19 academy specialising in Creative, Digital and Performing Arts is sponsored by Ormiston Trust and Birmingham City University. It has close working partnerships with industry to offer high levels of support, investment, expertise and opportunities for its students. The Academy is located in a new landmark building, within the city's hub for digital and creative industries and next to the University's developing City Centre Campus.
- The new 'OpportUNITY' initiative was developed in 2011/12, which will provide a range of employment opportunities for students across the University, together with peer support activities. The Partners for Success initiative has been launched to combine developments on retention, progression and achievement with work to enhance graduate employment prospects. This initiative builds on the highly successful Student Academic Partners scheme which has been running since 2009 and has led to the employment of over 500 students as academic partners in over 160 academic development projects.
- The University was shortlisted for two 2011 Times Higher Education Awards in the categories of Outstanding Support for Students and Outstanding ICT initiative. One was for an innovative virtual learning project, comprising a virtual town, made up of legal, health, construction and education scenarios with video-based simulations to allow students to interact with clients, to inform their decision-making. The second was an E-mentoring initiative whose main strands are Peer and Employer online mentoring.
- Birmingham City Students' Union was chosen to pilot a National Union of Students (NUS) and Higher Education Academy (HEA) initiative to develop and run their own student-led teaching awards (SLTA) scheme.
- University staff and students have continued to receive numerous awards and accolades during the past year. Most notable of these was the receipt of a Fulbright Award (one of the most prestigious and selective scholarship programmes operating world-wide) by a member of staff from the School of English. In the same year two members of staff received awards under the HEA's National Teaching Fellowship scheme (the most prestigious UK award for excellence in university teaching and learning).
- Construction work on the new building in the City Centre to house the Birmingham Institute of Art and Design (BIAD) progressed well during the year, and the project is ahead of schedule. The new facility, which replaces that located at Gosta Green, will open its doors to students in September 2013.
- The University also continued to scope its plans for Phase 2 of its City Centre campus development, and announced its intention for all the teaching activity to move from the Perry Barr campus by 2015. An application for planning permission was submitted in May 2012 for a 22,000 sqm build. The new facilities are expected to become operational in 2015.
- The University has continued to work closely with Birmingham City Council and the property developer, Argent, on the planned redevelopment of Paradise Circus, as part of

the City's ambitious Big City development plans. The plans involve the demolition of the whole of the site which currently houses Birmingham Conservatoire and the associated performance facility, the Adrian Boult Hall. A suitable alternative location has been identified for the Conservatoire itself, and the intention is that the Adrian Boult Hall will be reprovided in Paradise Circus, as part of the redevelopment of that site. The project is dependent upon the successful negotiation of appropriate financial and contractual agreements.

Non-Financial Performance Measures

In last year's National Student Survey (NSS), the score for overall satisfaction rose from 73% to 80%. In this year's survey, that improvement has increased further to 83%, which compares to a national average of 85%. This previous NSS result was one of the significant contributing factors to improvements that have been achieved within the League Tables rankings: The Guardian ranking improved to 60th from 90th; The Times to 75th from 87th and the Complete University Guide to 63rd from 66th; and from 88th to 76th in the Sunday Times.

Other performance measures relating to the student body are as follows:

- The 2011 graduate destinations results give an employment/further study PI of 85.4%, which is a significant improvement on the previous year. 74.5% of employed graduates gained graduate level jobs, compared to 71.4% previously.
- All the HESA performance indicators for non-continuation have shown sustained improvement over recent years with the latest rate for full-time First Degree entrants better than the UK average and our lowest since the performance indicators were first calculated in 1996/7. The rate for 'projected learning outcomes of neither award nor transfer' has shown some improvement over the last 3 years.
- The Newly Qualified Teachers survey (NQT) ranked the University second in the country for overall teaching quality of secondary school teachers and eighth for primary school training.

As concerns staff, approximately 80% of all faculties and departments have now achieved the basic standard for Investors in People (IIP). Building on the findings of the recent Staff Engagement Survey, the University undertook an institution-wide exercise to identify its core values. During the coming year, an action plan will be implemented to support the roll out and embedding of these values within the organisation.

Financial Strategy and Future Prospects

Throughout the last four years the University has demonstrated strong and stable financial performance, while continuing to invest in its facilities. It is recognised that the environment in which the University now operates brings new challenges and new competitive pressures.

The University's Board of Governors has taken the opportunity to refresh the Corporate Plan and to re-state the University's commitment to continuing academic innovation, to robust financial management and the generation of surpluses for investment, to reducing its carbon footprint and to increasing its efficiency in the use of resources.

The Board has also taken the opportunity to review our mission and to articulate our vision of becoming the leading university for creative and professional practice, inspired by innovation and enquiry.

The University recognises and appreciates the significant public investment in higher education and the personal financial investment that individual students of the future will be required to make in their educational experience. The University's financial strategy is to operate as cost-effectively as possible, while ensuring that its students and stakeholders receive the services and facilities they require. In the more volatile funding environment we

face we will continue to place a high priority on the financial sustainability of the University, ensuring that we can continue to renew and update our buildings, resources and facilities to provide an outstanding learning environment. It will be more important than ever that our programmes of teaching and research reflect the most up-to-date thinking and practice and are responsive to employer and industry demand where appropriate.

In 2011/12 100% of the University's financial surplus from the previous academic year was used to improve the provision of education. For example, surpluses were used to improve facilities such as the teaching and learning environment in the Business School.

Looking forward to 2012/13, we have budgeted for a lower level of surplus, reflecting a combination of the continued reduction in HEFCE funding, inflationary pressures and uncertainties remaining around the impact of the new financial structure for higher education provision.

Key Financial Highlights

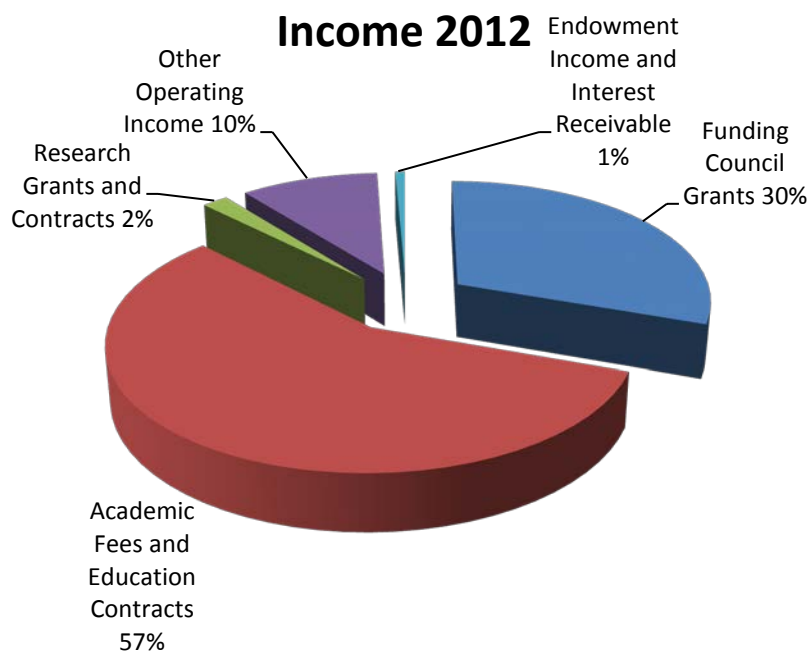
The consolidated accounts for 2011/12 have been prepared in accordance with the requirements of the Higher Education Funding Council for England. The consolidated results for the year ended 31 July 2012 are summarised below:

	2012	2011
	£000	£000
Total Income	162,771	169,570
Total Expenditure	144,908	152,085
Exceptional items	(3,000)	(3,991)
Surplus for the year after exceptional items	14,863	13,494
Cashflow generated from operations	23,911	30,943
Capital investment	26,684	6,457
Borrowings and cash at year end		
Gross debt	23,322	24,077
Cash, deposits and short term investments	52,944	59,529
Net cash	29,622	35,452
Net assets	155,629	151,403

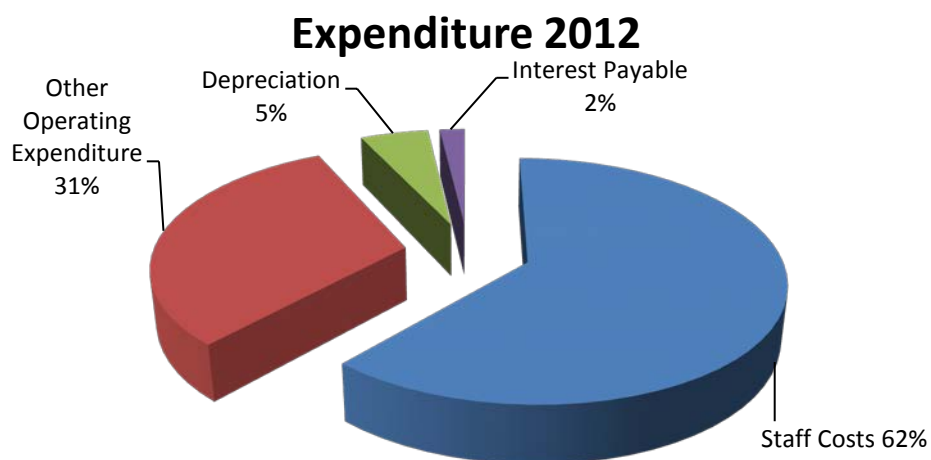
Financial Performance 2011/12

The external operating environment continued to present significant challenges with a continuing deterioration in the global economy and expected reductions in public expenditure emerging from this. Against this backdrop, the results for the year reflect a strong financial performance. Before exceptional items the Group achieved a surplus of £17.8m (2011: £17.5m).

Total income for the year was £162.7m (2011: £169.6m) a reduction of £6.9m. This included a decrease of £6.2m in Funding Council Grants, mainly reflecting funding cuts by HEFCE.



Total expenditure for the year was £144.9m (2011: £152.1m) a reduction of £7.2m which included a reduction in Other Operating Expenses of £6.7m reflecting the impact of cost control and efficiency measures implemented by the University.



Capital Investment

Cash invested in capital investment for the year amounted to £26.7m (2011: £6.5m) as the Group continued its Estates Development. This includes expenditure on new facilities in the City Centre campus for our art, design and media courses, with cutting-edge technology including industry-standard photographic and TV studios, which is due for completion in 2013.

Cashflow and Treasury Management

Cashflow from operations for the year was £23.9m (2011: £30.9m). After taking into account capital expenditure and financial investment, the cash outflow before deposits and borrowing amounted to £5.8m (2011: inflow of £38.8m).

The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £22.4m (2011: £23.2m) of which 91.5% is on a fixed rate basis. In addition, the Group had undrawn borrowing facilities amounting to £30m. The borrowings are subject to a set of financial covenants and the Group has complied with these requirements during the year.

Gross debt at the year end was £23.3m (2011: 24.1m). The Group has cash and money market deposits amounting to £52.9m at 31 July (2011: 59.5m) giving net cash balances of £29.6m (2011: 35.5m) as at the year end.

The cash balances are invested with a variety of counterparties, including UK banks and building societies. The counterparty list has been kept under close review during the year with a view to balancing risk and return, but with short term rates being at historically low levels, the Group is earning lower interest on its cash balances than the rates payable on its mortgages.

Corporate Governance and Internal Control

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). It has adopted the Governance Code of Practice published by the Committee of University Chairs in November 2004 (updated March 2009) with only minor variations.

The Corporation

The University is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and of an Instrument of Government approved by the Privy Council in April 1993. The University is an exempt charity within the meaning of the Charities Act 1993. Its powers are set out in the Act; its framework of governance is set out in the Articles of Government which were approved by the Board of Governors in November 1995. The current version of the Articles was approved by the Privy Council in September 1995.

The Board of Governors and the Senate

The Articles require the University to have a Board of Governors and a Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board is the executive governing body, responsible for the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board, which includes the Vice-Chancellor within its membership, has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chairman of the Board to be elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and for representatives of the Senate and of the student body.

Subject to the overall responsibility of the Board of Governors, the Senate oversees academic affairs and draws its membership entirely from the staff and the students of the University. It is

particularly concerned with general issues relating to the teaching and research work of the University.

In accordance with the Articles of Government of the University, the University Secretary has been appointed as Clerk to the Board and, in that capacity, provides independent advice on matters of governance to all Board members.

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

The members of the Governing Body are its trustees for the purpose of charity law. The trustees and officers serving during the year and until the date the financial statements were formally approved were as follows:

Chairman:	Mr Alex Stephenson, CBE (Independent Member)
Deputy Chairman:	Mr Vic Cocker, CBE, BA (Econ) (Independent Member)
Ex-officio Member:	Professor David Tidmarsh, BSc(Hons), PhD, CEng,FIMECHE,FCMI (Vice-Chancellor)
Independent Members:	Mr Jim Beeston, OBE, Dip.T.P, M.R.T.P.I Honorary Alderman John Charlton, CBE The Rt Hon Lord Grocott Mr Joe Kelly FCA, MBA** Ms Jenny Ladbrooke, BA (Hons), MCIPD Ms Nicky Lloyd, CPA, ACA, BA (Hons)* Ms Jenny Loynton, LLB Mr Andrew Messenger, FCIB**
Co-opted Members:	Dr Waqar Azmi, OBE (from 1 April 2012) Mr Randal Brew, OBE, FCA (until 31 March 2012)* Ms Ann Jones, BA (Hons), PGCE Professor David Roberts, BA (Hons), DPhil, FHEA, FEA (teaching staff representative) Mr Raaj Shamji, BA (Hons), ACMA, MBA, MEGTT (general staff representative) Mr David Slade (until 28 November 2011) Mr Shaun Smith (from 29 November 2011)
Member of teaching staff nominated by Senate:	Professor Stuart Brand, BSc (Hons), PhD
Student Governor:	Mr Robin Eves (until 30 June 2012) Mr Elgan Hughes (from 1 July 2012)

*Mr Randal Brew also retired as Chair of the Audit Committee on 31 March 2012; Ms Nicky Lloyd was appointed Chair of the Audit Committee with effect from 1 April 2012.

**Mr Andrew Messenger stepped down as Chair of the Finance Committee on 30 November 2011; Mr Joe Kelly was appointed Chair of the Finance Committee with effect from the same date.

The Board of Governors met four times during the year and also held two Awaydays. Much of its work is initially handled by committees, with responsibility for scrutiny and monitoring in specific areas, namely the Finance Committee, the Personnel and Remuneration Committee, the Nominations and Governance Committee, the Trustee Committee and the Audit Committee. In 2011/12 a special Committee for the Selection of the Vice-Chancellor was established, to identify, select and recommend a successor to Professor David Tidmarsh as Vice-Chancellor. No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £1,042 for 2011/12.

Ex-officio and elected staff representatives on the Board had their salaries agreed in the normal way as employees (i.e. in accordance with agreed salary scales or, in the case of the Vice-Chancellor, via the approval of the University's Personnel and Remuneration Committee). No staff representatives received additional payment for their role as Trustees.

All members and co-opted members of the Board of Governors and its Committees are required to complete the annual Register of Interests. In addition, declarations of interest are sought and, where appropriate, minuted whenever substantive matters are discussed or decided.

The University's Governance structure is supported by a number of wholly-owned subsidiary companies. All non-charitable work carried out by the University is undertaken through these subsidiary companies.

The Vice-Chancellor

The Vice-Chancellor is the chief executive officer who is responsible to the Board of Governors for the organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the Accountable Officer who reports to HEFCE on behalf of the University. The Vice-Chancellor can be summoned to appear before the Public Accounts Committee of the House of Commons.

The senior officers of the University in 2011/12 were the two Pro-Vice-Chancellors, the Chief Operating Officer, the University Secretary and the Director of Finance and Resource Allocation who, together with the Vice-Chancellor, comprise the Directorate. As chief executive officer, the Vice-Chancellor has overall executive responsibility for the development of strategy, the identification and planning of new developments and the shaping of the University's ethos. Although the other senior officers all contribute in various ways to this aspect of the work, ultimate responsibility for what is done rests with the Vice-Chancellor.

Committees of the Board of Governors

The Board of Governors meets regularly and at least three times each academic year, but much of its detailed work is initially handled by committees, namely the Finance Committee, the Personnel and Remuneration Committee, the Nominations and Governance Committee, the Trustee Committee and the Audit Committee. In 2011/12 a special Committee for the Selection of the Vice-Chancellor was established, to identify, select and recommend a successor to Professor David Tidmarsh as Vice-Chancellor. The Committee's terms of reference and membership were approved by the Board. The decisions of these Committees are all formally reported to the Board.

A significant proportion of the membership of these committees consists of independent and co-opted lay members of the Board. Student and staff members are not eligible to serve on these committees, except for the Trustee Committee. It is customary for the Chair to be selected from among the lay members serving on the committees. The Vice-Chancellor is required to withdraw from meetings of the Personnel and Remuneration Committee when his own salary and terms and conditions of service are under discussion.

CUC Governance Code of Practice

The University has complied with the Governance Code of Practice published by the Committee of University Chairs in November 2004 and with its update, published in March 2009, with only two minor variations. These relate to the effectiveness of the Senate and the locus of responsibility for ensuring that the University is well connected with its stakeholders. The Board has no formal remit to review the effectiveness of Senate. However, at the invitation of the Board, Senate reviewed its own effectiveness and that of its committees in 2007/08. As a further minor variation from the Code the Board concluded that it would be more appropriate for the Vice-Chancellor, rather than the Chairman, to be charged with ensuring that the University is well connected with its stakeholders and that the Chairman should be responsible for ensuring that the responsibility is discharged effectively, as with other responsibilities held by the Vice-Chancellor.

Internal Control

The Board of Governors is responsible 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 has responsibility.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; therefore, it cannot provide an absolute assurance of effectiveness.

The University's system of internal control is based on a continuous process of management and monitoring, designed to:-

- identify the principal risks to the achievement of policies, aims and objectives;
- evaluate the nature and extent of those risks;
- manage the risks efficiently, effectively and economically.

The following specific actions have been taken in relation to risk management.

- The Board has approved a Risk Management and Internal Control Policy.
- The respective responsibilities of the Board, the Audit Committee and the Directorate have been identified.
- The Directorate has compiled, and the Board has approved, a "Risk Register" which identifies and assesses the key risks that could prevent the University Group from achieving its strategic objectives.
- In addition to providing regular reports on the steps being taken to manage risks in their areas of responsibility, the Directorate is committed to reviewing the Risk Register twice a year and reports its findings to the Audit Committee and the Board.
- The Audit Committee provides the Board with regular reports and advice on the implementation and continuing effectiveness of the University's risk management and internal control arrangements.

The University has an internal audit service, which operates to standards defined in the HEFCE Code of Practice for Audit and Accountability and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2007. The internal audit service submits regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Audit Committee holds an annual meeting with senior members of the internal audit team at which no members of the University Executive are present. From 2012/13 onwards, a similar private meeting will be arranged between the external auditors and the Audit Committee.

The Board of Governors' review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit Committee and the Directorate, who

have operational responsibility for the development and maintenance of the internal control framework.

On the basis of the foregoing, procedures have been in place as from 1st August 2011 to enable a full statement on internal control to be made for the whole of the financial year ended 31st July 2012 and up to the date of approval of the Financial Statements.

Going Concern

The Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future and, therefore, has adopted the going concern basis of accounting in these financial statements.

RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Education Reform Act 1988, the Board of Governors of the University 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 Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education 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 Board of Governors of the University, the Board of Governors, through the Vice-Chancellor, 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 and cashflows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured 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 appropriate that the financial statements are prepared on the going concern basis.

Having regard to its charitable purpose, the Board of Governors has taken reasonable steps to:

- ensure that income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, the Skills Funding Agency and the Education Funding Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received and in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated 1 August 2010, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Skills Funding Agency;
- 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;
- secure the economical, efficient and effective management of the University's resources and expenditure.

REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF GOVERNORS

We have audited the group and University financial statements (the “financial statements”) of Birmingham City University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. 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).

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Board of Governors and auditor

As explained more fully in the Responsibilities of the Board of Governors of Birmingham City University's Statement set out on page 15 the Board of Governors is responsible for the preparation of financial statements which 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion, the statement of internal control included as part of the Corporate Governance and Internal Control Statement is inconsistent with our knowledge of the University and group.



MJ Rowley

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

29 November 2012

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31st July 2012

	<u>Note</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
INCOME			
Funding Council Grants	2	49,457	55,669
Academic Fees and Education Contracts	3	92,902	93,693
Research Grants and Contracts	4	3,066	2,648
Other Operating Income	5	16,214	16,739
Endowment Income and Interest Receivable	6	1,132	821
Total Income		<u>162,771</u>	<u>169,570</u>
EXPENDITURE			
Staff Costs	7	89,440	89,006
Other Operating Expenses	9	45,263	52,271
Depreciation of Assets at Cost and Valuation	11	7,476	7,827
Interest Payable	10	2,729	2,981
Total Expenditure		<u>144,908</u>	<u>152,085</u>
Surplus before Exceptional Items		17,863	17,485
EXCEPTIONAL ITEMS			
Capital development costs written off		-	(5,691)
Land donation		-	1,700
Impairment of capital development		(3,000)	-
	11	<u>(3,000)</u>	<u>(3,991)</u>
SURPLUS FOR THE YEAR		14,863	13,494
Surplus transferred to endowment funds	20	(14)	(17)
SURPLUS FOR THE YEAR RETAINED IN GENERAL RESERVES		<u>14,849</u>	<u>13,477</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

The notes on pages 23 to 46 form part of these accounts.

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES

For the Year Ended 31st July 2012

	Note	2011/12 £'000	2010/11 £'000
Surplus for the year		14,863	13,494
Difference between an historical cost depreciation charge and the actual depreciation charge for the year		778	793
HISTORICAL COST SURPLUS FOR THE YEAR		<u>15,641</u>	<u>14,287</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31st July 2012

	Note	2011/12 £'000	2010/11 £'000
Surplus for the year		14,863	13,494
New endowment assets received	20	117	804
Revaluation of endowment investments	20	51	100
Pension Scheme actuarial (loss)/gain	26	(8,830)	2,276
TOTAL RECOGNISED GAINS		<u>6,201</u>	<u>16,674</u>
Prior year adjustment		<u>-</u>	<u>425</u>
		<u>6,201</u>	<u>17,099</u>
Reconciliation:			
Opening endowments and reserves at 1st August as previously stated		136,522	119,423
Prior year adjustment		<u>-</u>	<u>425</u>
Opening endowments and reserves at 1st August as restated		136,522	119,848
Total recognised gains for the year		<u>6,201</u>	<u>16,674</u>
Closing endowments and reserves at 31st July		<u>142,723</u>	<u>136,522</u>

The notes on pages 23 to 46 form part of these accounts.

BALANCE SHEETS AS AT 31ST JULY 2012

		Consolidated		University	
	<u>Note</u>	<u>2012</u> <u>£'000</u>	<u>2011</u> <u>£'000</u>	<u>2012</u> <u>£'000</u>	<u>2011</u> <u>£'000</u>
FIXED ASSETS					
Tangible Assets	11	207,234	189,025	202,223	183,632
Investments	12	205	211	4,505	4,505
		<u>207,439</u>	<u>189,236</u>	<u>206,728</u>	<u>188,137</u>
ENDOWMENT ASSETS	13	<u>3,378</u>	<u>3,196</u>	<u>3,378</u>	<u>3,196</u>
CURRENT ASSETS					
Stocks	14	115	189	115	116
Debtors	15	8,532	7,046	15,978	15,140
Current asset investments		18,000	15,000	18,000	15,000
Investments: Short Term Deposits		41,800	53,700	41,800	53,700
Cash at Bank and in Hand		10,970	5,668	10,737	4,933
		<u>79,417</u>	<u>81,603</u>	<u>86,630</u>	<u>88,889</u>
CREDITORS DUE WITHIN ONE YEAR	16	<u>(48,601)</u>	<u>(47,428)</u>	<u>(46,979)</u>	<u>(44,271)</u>
NET CURRENT ASSETS		<u>30,816</u>	<u>34,175</u>	<u>39,651</u>	<u>44,618</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>241,633</u>	<u>226,607</u>	<u>249,757</u>	<u>235,951</u>
CREDITORS DUE AFTER MORE THAN ONE YEAR	17	<u>(22,527)</u>	<u>(23,328)</u>	<u>(22,527)</u>	<u>(23,328)</u>
PROVISIONS	18	<u>(513)</u>	<u>(504)</u>	<u>(500)</u>	<u>(500)</u>
NET ASSETS excluding pension liability		<u>218,593</u>	<u>202,775</u>	<u>226,730</u>	<u>212,123</u>
PENSION LIABILITY	26	<u>(62,964)</u>	<u>(51,372)</u>	<u>(62,964)</u>	<u>(51,372)</u>
NET ASSETS including pension liability		<u>155,629</u>	<u>151,403</u>	<u>163,766</u>	<u>160,751</u>
Represented by:					
DEFERRED CAPITAL GRANTS	19	<u>12,905</u>	<u>14,880</u>	<u>12,735</u>	<u>14,470</u>
ENDOWMENTS					
Permanent	20	3,378	3,196	3,378	3,196
		<u>3,378</u>	<u>3,196</u>	<u>3,378</u>	<u>3,196</u>
REVALUATION RESERVE	21	<u>43,561</u>	<u>44,756</u>	<u>43,561</u>	<u>44,756</u>
GENERAL RESERVE					
General Reserve excluding pension liability		158,749	139,943	167,056	149,701
Pension Reserve	26	<u>(62,964)</u>	<u>(51,372)</u>	<u>(62,964)</u>	<u>(51,372)</u>
General Reserve including pension liability	22	<u>95,785</u>	<u>88,571</u>	<u>104,092</u>	<u>98,329</u>
TOTAL FUNDS		<u>155,629</u>	<u>151,403</u>	<u>163,766</u>	<u>160,751</u>

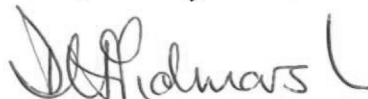
BALANCE SHEETS AS AT 31ST JULY 2012 (continued)

The accounts on pages 18 to 46 were approved by the Board of Governors on 29 November 2012 and signed on its behalf by:


J A Stephenson, Chairman of the Board of Governors



D H Tidmarsh, Vice-Chancellor



R C Spilsbury, Director of Finance and Resource Allocation



The notes on pages 23 to 46 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31st July 2012

	<u>Note</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Net Cash Inflow from Operating Activities	29	23,911	30,943
Returns on Investments and Servicing of Borrowings	30	(62)	(683)
Capital Expenditure and Financial Investment	31	(29,679)	8,505
Cash (outflow)/inflow before Deposits and Borrowing		<u>(5,830)</u>	<u>38,765</u>
Decrease(increase) in Short Term Deposits	32	11,900	(37,500)
Cash outflow associated with Borrowings	32	(755)	(697)
INCREASE IN CASH AT BANK	32	<u>5,315</u>	<u>568</u>
Cash at Bank at 1st August	32	5,829	5,261
Cash at Bank at 31st July	32	<u>11,144</u>	<u>5,829</u>

As at 31st July 2012 short term deposits of £41,800,000 (2011: £53,700,000) were available to the University, with a further £18,000,000 (2011: 15,000,000) held on longer-term deposit as current asset investments.

MOVEMENTS IN CONSOLIDATED NET BORROWINGS

For the Year Ended 31st July 2012

	<u>Note</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Increase in cash at bank (as above)		5,315	568
(Decrease)/Increase in Short Term Deposits		(11,900)	37,500
Capital repayments		<u>755</u>	<u>697</u>
(Increase)/decrease in net borrowings during the year		<u>(5,830)</u>	<u>38,765</u>
Net cash at 1st August		35,452	(3,313)
Net cash at 31st July	32	<u>29,622</u>	<u>35,452</u>

The notes on pages 23 to 46 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the University's accounts.

1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings and Endowment Asset Investments.

1.2 HEFCE Accounts Direction

As instructed by the Higher Education Funding Council for England's Accounts Direction for 2011/12, these financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and with applicable accounting standards.

1.3 Basis of consolidation

The consolidated financial statements incorporate the accounts of the University and its subsidiary companies. The accounts of the Birmingham City Students' Union and its subsidiary undertaking have not been consolidated in the 2011/12 group accounts as the University does not consider that it has the ability to direct the financial and operating policies of the Union and does not exercise or have the right to exercise dominant influence.

1.4 Recognition of Income

Income represents amounts invoiced for goods and services, excluding value added tax, supplied in the period and in the case of research, design and development includes the value of work carried out but not yet invoiced. In the case of grants, the value claimable at the date of the balance sheet is brought into account. All income from cash deposits and endowments including realised profits on disposal of assets, is credited to the income and expenditure account in the period in which it is earned. Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the lives of the assets.

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency and of access funds and bursaries from HEFCE. Payments received from the Training and Development Agency and HEFCE and the subsequent disbursement to students are excluded from the consolidated income and expenditure account and are shown separately in note 33 to the accounts.

1.5 Leasing Costs

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership are considered to be finance leases. All other leases are operating leases.

NOTES TO THE ACCOUNTS (continued)

1. Principal Accounting Policies (continued)

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value 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 is amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure over the periods of the leases.

1.6 Post Retirement Benefits

The University participates in two principal, defined benefit pension schemes, the West Midlands Pension Fund (WMPF) and the Teacher's Pension Scheme England and Wales (TPS), both of which provide retirement benefits based on final pensionable pay. The assets of the schemes are held separately from those of the University and are administered independently.

WMPF assets are measured using market values; scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The University's share of the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and movements are split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

The TPS is accounted for as if it were a defined contribution pension scheme because the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As a result, the amount charged to the income and expenditure account represents the contributions payable in respect of the accounting period.

1.7 Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 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.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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 to the extent they are

NOTES TO THE ACCOUNTS (continued)

1. Principal Accounting Policies (continued)

regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

All subsidiary companies (with the exception of the Technology Innovation Centre, which is a charity) are liable to Corporation tax and Value Added Tax in the same way as any other commercial organisation.

1.8 Tangible Fixed Assets and Depreciation

For land and buildings, the transitional rules set out in FRS15: "Tangible Fixed Assets" were applied in 1999/2000 such that the book values at implementation

were retained. Freehold and leasehold land and buildings were valued in 1996 by DTZ Debenham Thorpe Limited, Chartered Surveyors, on the basis of Depreciated Replacement Cost or Open Market Assessment depending on the nature of each property. The valuations were carried out in accordance with the Valuation and Appraisal Manual published by the Royal Institution of Chartered Surveyors.

Equipment is stated at cost. Equipment costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Depreciation is provided so as to charge the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Existing freehold buildings	- up to 60 years
Leasehold land and buildings	- period of lease or useful economic life, if shorter
Newly completed buildings:	
Externals	- up to 60 years
Services	- 30 years
Finishes	- 20 years
Fixtures and fittings	- 30 years
Equipment	- between 3 and 10 years

No depreciation is provided on freehold land or on assets in the course of construction.

Grants received for the acquisition of tangible fixed assets are treated as deferred capital grants and credited to the income and expenditure account over the estimated useful economic lives of the assets to which they relate.

1.9 Investments

Endowment Asset Investments are included in the balance sheet at market value.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value.

1.11 Reimbursement of Inherited Liabilities

NOTES TO THE ACCOUNTS (continued)

1. Principal Accounting Policies (continued)

On 1st April 1989 tangible fixed assets and associated loan debt were transferred from Birmingham City Council (BCC) to the University under the Education Reform Act 1988. From April 1989 until February 2006 loan debt interest and principal payable by the University to BCC were reimbursed by the HEFCE. Receipts in reimbursement of interest payable were included in the income and expenditure account as income; amounts reimbursed in relation to principal repayments were credited directly to the revaluation reserve. In February 2006 the remaining inherited loan debt was repaid early and in full by the University; this transaction was also fully funded by the HEFCE.

The tangible fixed assets associated with the inherited loan debt continue to be depreciated in accordance with the accounting policy stated above. In addition, a transfer equivalent to the depreciation charge on these inherited fixed assets is made from the revaluation reserve to the general reserve to reflect the fact that, as the HEFCE has reimbursed the full amount of inherited loan debt principal, there will be no overall effect on the general reserve as a result of the depreciation of inherited fixed assets.

1.12 Cash Flows and Liquid Resources

Cash flows consist of increases or decreases in cash. Cash includes cash at bank and in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources consist of readily disposable assets. They include term deposits held as part of the University's treasury management activities, but exclude any such assets held as Endowment Asset Investments.

1.13 Provisions

Provisions are recognised when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made.

1.14 Accounting for Charitable Donations

Charitable Donations are accounted for as follows:

- a) Unrestricted donations. Where the University receives a donation, bequest or gift with no specific terms attached to its use, it is recognised as a charitable donation in the consolidated income and expenditure account once the donation has been received or, if before receipt, there is sufficient evidence to provide certainty of receipt and the value can be measured with reasonable certainty.
- b) Permanent endowments. Donations which the donor intends to be invested permanently to produce an income for the benefit of the University or any specific purpose within the University are treated as permanent endowments.
- c) Expendable endowments. Donations which are intended to be retained for the benefit of the University but where the terms enable the use of capital balances are treated as expendable endowments.

NOTES TO THE ACCOUNTS (continued)

1. **Principal Accounting Policies (continued)**

- d) Deferred capital grants. Donations received towards the cost of tangible fixed assets other than land are treated as deferred capital grants and are released to income and expenditure account over the life of the related asset.
- e) Tangible fixed assets. Land donated for use by the University is valued and the associated credit is taken to the income and expenditure account as a donation in other income in the year of receipt.

1.15 Heritage Assets

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture and the accounting for these assets is governed by FRS30.

Heritage assets valued at over £25,000 are capitalised and recognised in the balance sheet provided appropriate valuations are available. Donated assets that are capitalised will be reported in the income and expenditure account at valuation on receipt.

Valuations are performed by specialist external valuers. Not all donated assets will be subject to valuation because the cost of valuation is not considered to be commensurate with the benefits to users of the accounts. Heritage assets that are irreplaceable originals for which no reliable value can be attributed will not be capitalised in the financial statements.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. They are subject to impairment reviews if damage or deterioration is reported. They are maintained and the cost of maintenance is charged to the income and expenditure account as incurred.

2. **Funding Council Grants**

	2011/12 <u>£'000</u>	2010/11 <u>£'000</u>
HEFCE:		
Teaching funds	38,115	42,790
Research funds	1,635	1,696
Other specific grants	2,295	3,137
Deferred capital grants released	<u>1,515</u>	<u>1,613</u>
	43,560	49,236
Skills Funding Agency/Education Funding Agency	990	1,327
Training Agency for Schools	<u>4,907</u>	<u>5,106</u>
	<u>49,457</u>	<u>55,669</u>

Funding Council student access funds and training bursaries are excluded from income and expenditure (see Note 33).

NOTES TO THE ACCOUNTS (continued)

3. Academic Fees and Education Contracts

	2011/12 £'000	2010/11 £'000
Full-time home/EU fees	38,789	37,839
Full-time international fees	17,926	20,861
Part-time fees	5,301	5,158
Further education fees	192	271
Full cost course fees	2,195	2,184
	<u>64,403</u>	<u>66,313</u>
Health professions education contracts	28,499	27,380
	<u>92,902</u>	<u>93,693</u>

The health professions education contracts include the training of nurses (pre- and post- registration), midwives, radiographers, radiotherapists, speech and language therapists and operating department practitioners for the NHS and the Royal Centre for Defence Medicine.

4. Research Grants and Contracts

	2011/12 £'000	2010/11 £'000
Research grants	2,743	2,367
Research contracts	323	281
	<u>3,066</u>	<u>2,648</u>

5. Other Operating Income

	2011/12 £'000	2010/11 £'000
Student residences	6,781	6,997
Catering	1,231	979
Other services rendered	8,202	8,763
	<u>16,214</u>	<u>16,739</u>

6. Endowment Income and Interest Receivable

	2011/12 £'000	2010/11 £'000
Income from endowment assets	149	123
Interest receivable	983	688
Investment income	-	10
	<u>1,132</u>	<u>821</u>

7. Staff Numbers and Costs

The full time equivalent number of persons employed on 31st July 2012 was 1,876 (2011: 1,867).

NOTES TO THE ACCOUNTS (continued)

7. **Staff Numbers and Costs** (continued)

Aggregate payroll costs during the year were as follows:

	2011/12 <u>£'000</u>	2010/11 <u>£'000</u>
Wages and salaries	75,738	75,319
Social security costs	5,350	5,274
Other pension costs	8,352	8,413
	<u>89,440</u>	<u>89,006</u>

Included within payroll costs above are restructuring costs amounting to £1.875 million (2011: £1.2 million).

Including the Vice-Chancellor, four members of the Board of Governors are employees of the University. No members of the Board receive any remuneration for the work which they do for the Board.

8. **Senior Staff Remuneration**

	<u>2011/12</u>	<u>2010/11</u>
Remuneration of the Vice-Chancellor	<u>258,035</u>	<u>234,142</u>

The remuneration shown above includes the money value of benefits-in-kind but excludes the University's pension contributions to the Teachers' Pension Scheme made on his behalf. These employer's contributions are paid at the same rate as for other academic staff and amounted to £22,004 in 2011/12 (2010/11: £32,896).

Remuneration of other higher paid staff, excluding employer's pension contributions:

	Number of staff	
	<u>2011/12</u>	<u>2010/11</u>
£100,000 - £109,999	-	1
£110,000 - £119,999	2	-
£120,000 - £129,999	1	4
£130,000 - £139,999	1	-

No member of staff whose annual remuneration was in excess of £100,000 received any payment for compensation for loss of office during the year (2010/11: Nil).

9. **Other Operating Expenses**

Other Operating Expenses include:-

	2011/12 <u>£'000</u>	2010/11 <u>£'000</u>
External auditor's remuneration for audit work	75	61
External auditor's remuneration for non-audit work	422	139
Hire of equipment under operating leases	189	386
Hire of other assets under operating leases	5,016	5,496

NOTES TO THE ACCOUNTS (continued)

10. Interest Payable

	2011/12 £'000	2010/11 £'000
On loans not wholly repayable within five years:		
Bank Loans	1,240	1,278
Net interest on pension scheme:		
Expected return on scheme assets	(6,694)	(6,019)
Interest on pension liabilities	8,183	7,722
	1,489	1,703
	2,729	2,981

11. Tangible Fixed Assets

	Freehold land & buildings	Assets in course of construction	Consolidated Long leasehold land & buildings	Equipment, minor works and vehicles	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1.8.11	109,950	27,743	92,162	47,711	425	277,991
Additions at cost	1,335	25,411	1,174	937	-	28,857
Transfers	15,015	(13,910)	69	(1,174)	-	-
Disposals	(108)	-	-	(2,029)	-	(2,137)
At 31.7.12	126,192	39,244	93,405	45,445	425	304,711
Depreciation						
At 1.8.11	36,131	-	19,154	33,681	-	88,966
Charge for year	2,341	-	1,927	3,208	-	7,476
Impairment charge	3,000	-	-	-	-	3,000
Disposals	(88)	-	-	(1,877)	-	(1,965)
At 31.7.12	41,384	-	21,081	35,012	-	97,477
Net book value						
At 31.7.12	84,808	39,244	72,324	10,433	425	207,234
At 31.7.11	73,819	27,743	73,008	14,030	425	189,025

For land and buildings, the transitional rules set out in FRS 15: "Tangible Fixed Assets" were applied in 1999/2000 such that the book values at implementation were retained.

Freehold and leasehold land and buildings were valued in 1996 by DTZ Debenham Thorpe Limited, Chartered Surveyors, on the basis of Depreciated Replacement Cost or Open Market Assessment depending on the nature of each property. The valuations

NOTES TO THE ACCOUNTS (continued)

11. **Tangible Fixed Assets** (continued)

were carried out in accordance with the Valuation and Appraisal Manual published by the Royal Institution of Chartered Surveyors.

Exceptional items reported in the income and expenditure account comprise:

	2011/12 <u>£'000</u>	2010/11 <u>£'000</u>
Write off of capital development costs relating to assets in the course of construction	-	(5,691)
Land donation	-	1,700
Impairment charge relating to capital development costs	(3,000)	-
	<u>(3,000)</u>	<u>(3,991)</u>

The University has considered the carrying value of the New Canal Street site in the context of the uncertainty surrounding its future given the ongoing consultation regarding the proposed HS2 rail link. Whilst at 31 July 2012, the University still had a right to develop the New Canal Street site, during 2011/12 the University concluded its negotiations with Birmingham City Council and Advantage West Midlands to secure an alternative site (City Park Plot) in order to protect the significant investment it had already made in this development.

Under an agreement signed with Birmingham City Council on 5 August 2011, the University is satisfied that in the event of a disposal of the New Canal Street site, it is entitled to the first £8m of any proceeds and should secure at least this amount if the site is subsequently sold or subject to a CPO. However, on the basis of independent land valuations undertaken in September 2012, the University considers that it is both prudent and appropriate to recognise an impairment charge of £3m in the 2011/12 financial statements.

NOTES TO THE ACCOUNTS (continued)

11. Tangible Fixed Assets (continued)

	Freehold land & buildings	Assets in course of construction	University Long leasehold land & buildings	Equipment, minor works and vehicles	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1.8.11	108,311	27,743	87,900	40,504	425	264,883
Additions at cost	1,335	25,411	1,174	937	-	28,857
Transfers	15,015	(13,910)	69	(1,174)	-	-
Disposals	(108)	-	-	(747)	-	(855)
At 31.7.12	<u>124,553</u>	<u>39,244</u>	<u>89,143</u>	<u>39,520</u>	<u>425</u>	<u>292,885</u>
Depreciation						
At 1.8.11	36,130	-	18,080	27,041	-	81,251
Charge for year	2,341	-	1,818	3,039	-	7,198
Impairment charge	3,000	-	-	-	-	3,000
Disposals	(87)	-	-	(700)	-	(787)
At 31.7.12	<u>41,384</u>	<u>-</u>	<u>19,898</u>	<u>29,380</u>	<u>-</u>	<u>90,662</u>
Net book value						
At 31.7.12	<u>83,169</u>	<u>39,244</u>	<u>69,245</u>	<u>10,140</u>	<u>425</u>	<u>202,223</u>
At 31.7.11	<u>72,181</u>	<u>27,743</u>	<u>69,820</u>	<u>13,463</u>	<u>425</u>	<u>183,632</u>

12. Investments

Unlisted investments at cost:-	Consolidated		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
NUS Services Ltd	-	6	-	-
CVCP Properties plc	35	35	35	35
BCU Property Ltd	-	-	4,300	4,300
Other	170	170	170	170
	<u>205</u>	<u>211</u>	<u>4,505</u>	<u>4,505</u>

The investment in NUS Services Limited was held by the Students' Union. As noted below at note 28, the Students' Union has not been consolidated in 2011/12. CVCP Properties plc is owned by Universities UK and its member institutions. BCU Property Limited is a wholly owned subsidiary of the University.

NOTES TO THE ACCOUNTS (continued)

13. Endowment Assets

At 31st July:-

	Consolidated and University	
	2012	2011
	£'000	£'000
COIF Charities Fixed Interest Fund	627	566
COIF Charities Investment Fund	2,517	2,411
Total endowment investments at valuation	3,144	2,977
Bank balances	174	161
Other	60	58
	<u>3,378</u>	<u>3,196</u>

Endowments assets constitute the University's Trust and Prize Funds. The capital element of these assets is invested in Income Shares in the COIF Charities Fixed Interest and Investment Funds on the basis of professional investment advice.

	Consolidated and University		
	COIF Fixed Interest Fund	COIF Investment Fund	Total
	£'000	£'000	£'000
Movements in endowment investments:-			
At 1.8.11	566	2,411	2,977
Additional investment	24	93	117
Revaluations	37	13	50
At 31.7.12	<u>627</u>	<u>2,517</u>	<u>3,144</u>

14. Stock

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Raw materials and consumables	79	87	79	87
Finished goods and goods for resale	36	102	36	29
	<u>115</u>	<u>189</u>	<u>115</u>	<u>116</u>

NOTES TO THE ACCOUNTS (continued)

15. Debtors

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	4,443	4,307	5,115	4,889
Prepaid expenditure	2,129	1,155	2,094	1,094
Accrued income	1,960	1,584	1,606	1,494
Amounts due from subsidiaries	-	-	7,163	7,663
	<u>8,532</u>	<u>7,046</u>	<u>15,978</u>	<u>15,140</u>

All trade debtors are due for payment within one year. The amounts due from subsidiaries are generally not due for payment within one year.

16. Creditors Due Within One Year

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Mortgages (Note 17)	795	749	795	749
Trade creditors	4,772	5,382	4,588	5,273
Value Added Tax	119	2	113	-
Social security	916	944	906	900
Accrued expenditure	13,223	10,349	13,568	10,437
Deferred income	21,811	23,679	20,042	21,194
Other creditors	6,965	6,323	6,967	5,718
	<u>48,601</u>	<u>47,428</u>	<u>46,979</u>	<u>44,271</u>

Deferred income includes amounts received which relate to goods or services to be provided after 31st July 2012.

17. Creditors Due After More Than One Year

	Consolidated and University	
	2012	2011
	£'000	£'000
Mortgages secured on student residential accommodation	22,435	23,230
Salix Revolving Green Fund	92	98
	<u>22,527</u>	<u>23,328</u>

NOTES TO THE ACCOUNTS (continued)

17. Creditors Due After More Than One Year (continued)

Maturity of mortgages secured on student residential accommodation and due: -	Consolidated and University	
	2012 £'000	2011 £'000
Within 1 and 2 years	841	795
Within 2 and 5 years	2,829	2,673
After 5 years	18,765	19,762
	<u>22,435</u>	<u>23,230</u>

The Salix Revolving Green Fund provides repayable grants to HEIs to undertake projects which reduce carbon emissions, with the grant repayable from any financial savings made.

18. Provisions

	Consolidated		University	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Dilapidation costs on rented properties	500	500	500	500
Potential exam costs relating to registered candidates	13	4	-	-
	<u>513</u>	<u>504</u>	<u>500</u>	<u>500</u>

The provision for dilapidation costs is based on the estimated costs of reinstatement identified by a review of rented properties occupied by the University. The provision for exam costs is calculated based on the number of candidates registered with Awarding Body for the Built Environment Limited at 31 July and who are entitled to attempt an exam. Provision has therefore been made for an estimate of the exam costs the company may incur relating to those exams based on historic profiles of resits.

NOTES TO THE ACCOUNTS (continued)

19. Deferred Capital Grants

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 1st August	14,880	16,795	14,470	16,248
Receivable during the year	-	-	-	-
	14,880	16,795	14,470	16,248
Released to I & E account	(1,975)	(1,915)	(1,735)	(1,778)
At 31st July	<u>12,905</u>	<u>14,880</u>	<u>12,735</u>	<u>14,470</u>

The balances at 31st July are analysed as follows:

	Consolidated		University	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Buildings	9,266	9,666	9,266	9,666
Equipment	3,639	5,214	3,469	4,804
	<u>12,905</u>	<u>14,880</u>	<u>12,735</u>	<u>14,470</u>

20. Endowments

Permanent, restricted funds:-	Consolidated and University £'000
At 1.8.11:	
Capital	3,012
Accumulated income	184
	<u>3,196</u>
New endowment assets received	117
Revaluation of investments	51
Investment income	149
Expenditure	(135)
Surplus income for the year	14
At 31.7.12	<u>3,378</u>
Capital	3,179
Accumulated income	199
	<u>3,378</u>

These reserves represent the capital and accumulated income of the University's Trust and Prize Funds.

NOTES TO THE ACCOUNTS (continued)

21. Revaluation Reserve

	Consolidated and University £'000
At 1.8.11	44,756
Transfer to General Reserve re: depreciation on inherited assets	(1,195)
At 31.7.12	<u>43,561</u>

The revaluation reserve arises primarily as a result of the transfer on 1st April 1989 of tangible fixed assets and associated loans from Birmingham City Council under the Education Reform Act 1988. The reserve also takes account of subsequent professional revaluations of the University's tangible fixed assets.

22. General Reserve

	Consolidated £'000	University £'000
At 1.8.11	88,571	98,329
Surplus for the year	14,863	13,412
Pension Scheme actuarial gain	(8,830)	(8,830)
Transfers from Revaluation Reserve	1,195	1,195
Transfer to Endowments	(14)	(14)
At 31.7.12	<u>95,785</u>	<u>104,092</u>

23. Contingent Liabilities

The University has given a guarantee to Millennium Point Property Ltd to pay the property lease rental of its subsidiary, Technology Innovation Centre (TIC). The lease term is 30 years until 30 March 2029 and the current annual rental is £850,232 (2011: £829,508).

On 26th September 2006 the University entered into an agreement to act as guarantor, for the benefit of Birmingham City Council, in relation to the possible future rental income shortfalls of Millennium Point Property Limited. The University's maximum contingent liability in any one year is £275,000 and the guarantee expires on 31st March 2016.

NOTES TO THE ACCOUNTS (continued)

24. **Lease Obligations**

Annual commitments under operating leases were as follows.

	<u>Consolidated and</u> <u>University</u>	
Leases expiring:	2012	2011
	<u>£'000</u>	<u>£'000</u>
Within one year	311	109
In the second to fifth years inclusive	2,795	2,850
After five years	<u>2,067</u>	<u>1,837</u>
	<u>5,173</u>	<u>4,796</u>

25. **Capital commitments**

Capital commitments were as follows:

	<u>Consolidated and</u> <u>University</u>	
	2012	2011
	<u>£'000</u>	<u>£'000</u>
Authorised and contracted at 31st July	28,825	50,340
Authorised but not contracted at 31st July	<u>62,709</u>	<u>59,963</u>
	<u>91,534</u>	<u>110,303</u>

The gross value of capital commitments set out above reflect the costs associated with the implementation of the University's two-campus strategy. Authorised and contracted costs reflect the approved costs set out in the University's major projects plan in relation to the development of Plot 35 and a major IT project. Capital commitments authorised but not contracted incorporate the approved development costs set out in the major projects plan in regard to Park Plot and the City North Campus.

No provision has been made in the accounts for these capital commitments. However, the University has taken steps to ensure that it will have access to sufficient cash and liquid resources to enable it to finance its major projects plan.

26. Pension Schemes

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the West Midlands Pension Fund, a Local Government Pension Scheme (LGPS). The Students' Union participates in the Students' Union Superannuation Scheme (SUSS). The total pension cost for the year was £8,352,000 (2010/11: £8,413,000)

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

The pensions cost is assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5%
Pension increases per annum	5.0%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£163,240 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.04%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution was 14.1%. The employee contribution rate for the same period was 6.4% for the period to 31 March 2012; from April 2012 to July 2012 employees' contributions ranged between 6.4% and 8.8% according to salary bands.

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The employer's contribution rate for 2011/12 was 11.4%; for 2012/13, the rate will be 11.4% plus a past service lump sum of £543,744 for the year, which approximates to an additional 2% of pensionable pay. From April 2008 employees' contributions rates for both existing and new members were set according to bands of previous year's full-time equivalent pay. These bands will be reviewed and updated every April.

NOTES TO THE ACCOUNTS (continued)

26. **Pension Schemes** (continued)

In accordance with FRS 17 the following information is based upon a full actuarial valuation of the fund as at 31 March 2010 updated to 31 July 2012 and 2011 by a qualified independent actuary.

	31 July 2012	31 July 2011
Inflation – CPI	2.1%	3.0%
Rate of increase in salaries	3.85%	4.75%
Rate of increase in pensions	2.1%	3.0%
Discount rate for liabilities	4.3%	5.3%
Proportion of employees opting to take a commuted lump sum	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	31 July 2012 Years	31 July 2011 Years
<i>Retiring today</i>		
Males	22.0	21.3
Females	24.7	24.2
<i>Retiring in 20 years</i>		
Males	23.8	22.8
Females	26.6	25.8

NOTES TO THE ACCOUNTS (continued)

26. Pension Schemes (continued)

The Group's share of the assets in the scheme and the expected rates of return were:

	Consolidated & University			
	2012 Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000	2011 Long term rate of return expected at 31 July 2011	Value at 31 July 2011 £'000
Equities	7.0%	57,969	7.5%	68,956
Property	6.0%	10,762	6.5%	11,644
Government Bonds	2.5%	9,803	3.9%	10,834
Other Bonds	3.4%	10,549	5.2%	7,695
Cash	0.5%	1,705	0.5%	2,126
Other	See below	15,771	7.5%	-
Total market value of assets		106,559		101,255
Present value of scheme liabilities		(169,523)		(152,627)
Deficit in the scheme		(62,964)		(51,372)

The expected return on other assets varies dependent on the type of asset. For the purposes of this calculation, a yield of 7.0% (2011: 7.5%) has been applied.

Analysis of the amount charged to the consolidated income and expenditure account:

	2012 £'000	2011 £'000
Employer service cost (net of employee contributions)	(4,653)	(5,124)
Past service cost	(31)	(38)
Total operating charge	(4,684)	(5,162)

Analysis of pension finance costs:

	2012 £'000	2011 £'000
Expected return on pension scheme assets	6,694	6,019
Interest on pension scheme liabilities	(8,183)	(7,722)
Pension finance costs	(1,489)	(1,703)

Amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(3,658)	4,860
Changes in assumptions	(5,172)	(2,584)
Actuarial gain recognised in STRGL	(8,830)	2,276

NOTES TO THE ACCOUNTS (continued)

26. Pension Schemes (continued)

Asset and Liability Reconciliation:

	Consolidated & University £'000
Liabilities at start of period	152,627
Service cost	4,653
Interest cost	8,183
Employee contributions	1,662
Past Service cost	31
Actuarial losses	5,172
Benefits paid	(2,805)
Liabilities at end of period	<u>169,523</u>
Assets at start of period	101,255
Expected return on assets	6,694
Actuarial losses	(3,658)
Employer contributions	3,411
Employee contributions	1,662
Benefits paid	(2,805)
Assets at end of period	<u>106,559</u>

History of consolidated experience gains or losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual return on assets:					
Amount	(3,658)	4,860	7,863	(11,926)	(7,571)
% of scheme assets	(3.4%)	4.8%	9.0%	(16.5%)	(10.0%)
Experience gains and losses on scheme liabilities:					
Amount	(5,172)	(1,410)	-	-	4,001
% of scheme liabilities	(3.1%)	0.9%	0.0%	0.0%	3.2%
Total amounts recognised in statement of total recognised gains and losses:					
Amount	8,830	2,276	2,311	4,739	(26,669)
% of scheme liabilities	(5.2%)	(1.5%)	(1.7%)	(3.9%)	(21.2%)

NOTES TO THE ACCOUNTS (continued)

27. **Post Balance Sheet Events**

There were no unadjusted post balance sheet events, favourable or unfavourable, between the balance sheet date and 29 November 2012, the date on which these accounts were approved by the Board of Governors.

28. **Subsidiary companies**

These consolidated financial statements incorporate the accounts of the University and its subsidiary undertakings as follows. The net assets or liabilities of each company (as disclosed in their respective audited financial statements) are also shown.

	Net Assets/(Liabilities) at: -	
	31st July 2012	31st July 2011
	£	£
ABBE Limited	(841,761)	(1,066,098)
Birmingham School of Acting	(822,887)	(822,887)
Technology Innovation Centre	(6,383,595)	(7,488,738)
TIC Commercial Limited	(195,896)	(300,434)
BCU Enterprise Limited	(496,151)	(562,697)
BCU Property Limited	4,265,470	4,309,083
BCU Trustees Limited	2	2
Birmingham City Students' Union Group (note 1)	-	512,941

There are no minority interests and all of the subsidiaries engage in activities which, for legal or commercial reasons, are more appropriately undertaken by a limited company.

NOTES TO THE ACCOUNTS (continued)

29. Net Cash Flow From Operating Activities

Reconciliation of consolidated operating surplus to net cashflow from operating activities for the year:-

	2011/12 £'000	2010/11 £'000
Surplus for the year	14,863	13,494
Adjustments for items not relating to operating activities		
- release of capital grant (Note 19)	(1,975)	(1,915)
- donated asset	-	(1,700)
- written off professional costs on fixed assets	-	5,691
- endowment income, investment income and interest receivable (Note 6)	(1,132)	(821)
- depreciation (Note 11)	7,476	7,827
- Impairment charge (note 11)	3,000	-
- interest payable (Note 10)	2,729	2,981
- loss on disposal of fixed assets	172	883
	<u>10,270</u>	<u>12,946</u>
Surplus from operating activities	25,133	26,440
FRS17 operating charges (Note 26)	4,684	5,162
FRS17 contributions paid (Note 26)	(3,411)	(4,291)
Decrease in stock	74	9
(Increase)/Decrease in debtors excluding interest receivable	(1,539)	2,386
(Decrease)/Increase in creditors	(1,039)	733
Increase in provisions	9	504
Net cash inflow from operating activities for the year	<u>23,911</u>	<u>30,943</u>

30. Returns on Investments and Servicing of Borrowings

	2011/12 £'000	2010/11 £'000
Cash flows for the year associated with returns on investments and servicing of borrowings:-		
Income from endowments	149	123
Investment income	-	10
Interest received	1,036	462
Interest paid	(1,247)	(1,278)
Net cash (outflow)for the year	<u>(62)</u>	<u>(683)</u>

31. Capital Expenditure and Financial Investment

	2011/12 £'000	2010/11 £'000
Cash flows for the year associated with capital expenditure and financial investment:-		
Payments to acquire Tangible Assets	(26,685)	(6,457)
Payments to acquire Fixed Asset Investments	-	(15)
(Payments to acquire)/receipts from Current Asset Investments	(2,994)	15,000
Payments to acquire Endowment Asset Investments	(117)	(827)
Deferred Capital Grants received	-	-
Endowments received	117	804
Net cash (outflow)/inflow for the year	<u>(29,679)</u>	<u>8,505</u>

NOTES TO THE ACCOUNTS (continued)

32. Consolidated Net Borrowings

Changes during the year were as follows:-	At 1.8.11 £'000	2011/12 Cash inflow/ (outflow) £'000	At 31.7.12 £'000
Salix Revolving Green Fund	98	(6)	92
Mortgages	23,979	(749)	23,230
<u>Total consolidated borrowings</u>	<u>24,077</u>	<u>(755)</u>	<u>23,322</u>
less:			
Cash at bank: endowment assets	161	13	174
Cash at bank: other	5,668	5,302	10,970
	5,829	5,315	11,144
Short term deposits	53,700	(11,900)	41,800
<u>Total cash, bank and deposits</u>	<u>59,529</u>	<u>(6,585)</u>	<u>52,944</u>
<u>Consolidated Net Borrowings/(Cash)</u>	<u>(35,452)</u>	<u>5,830</u>	<u>(29,622)</u>

Mortgages relate to a borrowing facility of £48,900,000 provided by National Westminster Bank plc to the University. The principal outstanding at 31st July 2012 of £23,230,000 (2010: £23,979,000) was secured on University student residential accommodation and included £21,264,00 chargeable at a fixed interest rate of 5.76%.

Net cash flows associated with consolidated borrowings were as follows:

	2011/12 £'000	2010/11 £'000
Salix Revolving Green Fund	(6)	12
Mortgages repaid	(749)	(708)
Net cash outflow associated with consolidated borrowings	<u>(755)</u>	<u>(696)</u>

33. Student Access Funds and Training Bursaries

	2011/12	
	HEFCE	TDA
	Access	Training
	Funds	Bursaries
	£'000	£'000
Funding Council grants	679	8
Disbursed to students	(679)	(8)
Balance unspent at 31st July	<u>-</u>	<u>-</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 consolidated Income and Expenditure Account.

34. Related Party Transactions

Due to the nature of the University's activities and the composition of the Board of Governors it is possible that transactions will take place from time-to-time with organisations in which a member of the Board of Governors may have an interest. All

NOTES TO THE ACCOUNTS (continued)

34. **Related Party Transactions** (continued)

such transactions are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

There were no material related party transactions during the year (2010/11: £nil).

The University has met individual expenses incurred by members of the Board of Governors for services provided to the University, either by reimbursement of the member or by providing the member with an allowance or by payment direct to a third party. The aggregate amount of those expenses and the number of members involved were as follows:

	Aggregate Value £	Number of members 2011/12
Travel and subsistence	1,042	3

35. **Heritage Assets**

The University's heritage assets support its teaching, research and public engagement. The collection includes objects, such as paintings and sculpture. The strengths of the collection relates to the University's own specialist areas of excellence. The heritage assets held in the University make a significant contribution to scholarly endeavour, teaching and learning and the dissemination of knowledge for the public benefit.

The acquisition, preservation, management and disposal of heritage assets is in accordance with the University's general policies in regard to its heritage assets; relevant assets are curated by the appropriate staff in the Birmingham Institute of Art and Design to ensure that such assets continue to be available to staff and students for teaching, research and other purposes.

The collection was valued in 2011 by an external valuer. Information on the qualifications of the valuer can be found at <http://schoonantiquesandart.com/index.html>.

As detailed in the accounting policy, heritage assets that are valued at over £25,000 will be capitalised and recognised in the balance sheet provided appropriate valuations are available.

Donated assets are not valued unless they are of special interest as the cost of doing so is not commensurate with the benefits of users of the financial statements. Donated assets that are capitalised will be reported in the profit and loss account at valuation.

The University does not normally dispose of its heritage assets and there have been no disposals during this period.

FIVE YEAR SUMMARY (Not part of the audited accounts)

GROUP INCOME AND EXPENDITURE ACCOUNTS	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Income					
Funding Council Grants	49,457	55,669	54,751	58,851	58,412
Other Income	112,182	113,080	106,608	96,967	89,409
Endowment Income/Investment Income/Interest Receivable	1,132	821	454	1,233	2,011
	<u>162,771</u>	<u>169,570</u>	<u>161,813</u>	<u>157,051</u>	<u>149,832</u>
(Decrease)/Increase in income	(4.0%)	4.8%	3.0%	4.8%	5.1%
Expenditure					
Staff Costs	89,440	89,006	95,474	93,861	87,725
Other Operating Expenses	45,263	52,271	50,043	47,258	47,646
Depreciation	7,476	7,827	7,913	8,315	11,157
Interest Payable	2,729	2,981	4,152	3,276	1,783
	<u>144,908</u>	<u>152,085</u>	<u>157,582</u>	<u>152,710</u>	<u>148,311</u>
Surplus before exceptionals	17,863	17,485	4,231	4,341	1,521
Exceptional items	<u>(3,000)</u>	<u>(3,991)</u>	<u>1,105</u>	<u>-</u>	<u>10,727</u>
Surplus for the Year	<u>14,863</u>	<u>13,494</u>	<u>5,336</u>	<u>4,341</u>	<u>12,248</u>
Surplus : Income before exceptionals	10.9%	10.3%	2.6%	2.8%	1.0%
Staff costs: Total income	54.9%	52.5%	59.0%	59.7%	58.5%

FIVE YEAR SUMMARY (Not part of the audited accounts)

GROUP BALANCE SHEETS					
As at 31st July					
	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fixed Assets	<u>207,439</u>	<u>189,236</u>	<u>191,401</u>	<u>193,936</u>	<u>179,675</u>
Endowment Assets	<u>3,378</u>	<u>3,196</u>	<u>2,275</u>	<u>1,808</u>	<u>1,686</u>
Current Assets					
Stock	115	189	198	201	203
Debtors	8,532	7,046	9,206	7,132	8,821
Current Asset Investments	18,000	15,000	30,000	-	-
Short term deposits	41,800	53,700	16,200	35,000	36,900
Cash at bank and in hand	<u>10,970</u>	<u>5,668</u>	<u>5,094</u>	<u>2,983</u>	<u>4,757</u>
	79,417	81,603	60,698	45,316	50,681
Creditors within one year	<u>(48,601)</u>	<u>(47,428)</u>	<u>(43,016)</u>	<u>(37,344)</u>	<u>(33,410)</u>
Net Current Assets	<u>30,816</u>	<u>34,175</u>	<u>17,682</u>	<u>7,972</u>	<u>17,271</u>
Total assets less current liabilities	241,633	226,607	211,358	203,716	198,632
Creditors after one year	(22,527)	(23,328)	(24,065)	(24,687)	(25,357)
Provisions	(513)	(504)	-	-	-
Pension Liability	(62,964)	(51,372)	(51,074)	(49,243)	(49,856)
TOTAL NET ASSETS	<u>155,629</u>	<u>151,403</u>	<u>136,219</u>	<u>129,786</u>	<u>123,419</u>
Represented by:					
Deferred capital grants	12,905	14,880	16,795	18,470	21,265
Endowments	3,378	3,196	2,275	1,808	1,686
Revaluation reserve	43,561	44,756	45,539	46,646	47,771
General reserve	<u>95,785</u>	<u>88,571</u>	<u>71,610</u>	<u>62,862</u>	<u>52,697</u>
TOTAL FUNDS	<u>155,629</u>	<u>151,403</u>	<u>136,219</u>	<u>129,786</u>	<u>123,419</u>

FIVE YEAR SUMMARY (Not part of the audited accounts)

GROUP LIQUIDITY	2012	2011	2010	2009	2008
As at 31st July	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand:					
Endowment assets	174	161	167	257	132
Other cash at bank	10,970	5,668	5,094	2,983	4,757
	<u>11,144</u>	<u>5,829</u>	<u>5,261</u>	<u>3,240</u>	<u>4,889</u>
Short term deposits	<u>41,800</u>	<u>53,700</u>	<u>16,200</u>	<u>35,000</u>	<u>36,900</u>
Liquid resources per balance sheet	52,944	59,529	21,461	38,240	41,789
Longer term deposits in current asset investments	<u>18,000</u>	<u>15,000</u>	<u>30,000</u>	-	-
Total cash and deposits	<u>70,944</u>	<u>74,529</u>	<u>51,461</u>	<u>38,240</u>	<u>41,789</u>

GROUP NET BORROWINGS	2012	2011	2010	2009	2008
As at 31st July	£'000	£'000	£'000	£'000	£'000
Salix Revolving Green Fund	92	98	87	-	-
Nat West Bank (secured)	<u>23,230</u>	<u>23,979</u>	<u>24,687</u>	<u>25,357</u>	<u>25,989</u>
Total borrowings	23,322	24,077	24,774	25,357	25,989
less: cash at bank and short term deposits	<u>(52,944)</u>	<u>(59,529)</u>	<u>(21,461)</u>	<u>(38,240)</u>	<u>(41,789)</u>
NET (CASH)/BORROWINGS	<u>(29,622)</u>	<u>(35,452)</u>	<u>3,313</u>	<u>(12,883)</u>	<u>(15,800)</u>

GROUP CASHFLOWS	2011/12	2010/11	2009/10	2008/09	2007/08
For the year ended 31st July	£'000	£'000	£'000	£'000	£'000
Operating cash inflow	23,911	30,943	14,239	14,200	10,810
Investment returns/servicing of borrowings	(62)	(683)	(952)	75	189
Net Capital receipts/(expenditure) and Financial Investment	<u>(29,678)</u>	<u>8,505</u>	<u>(29,483)</u>	<u>(17,192)</u>	<u>15,798</u>
(Increase)/decrease in short term deposits	11,900	(37,500)	18,800	1,900	(34,000)
Outflow from borrowings	<u>(755)</u>	<u>(697)</u>	<u>(583)</u>	<u>(632)</u>	<u>(598)</u>
Cash increase/(decrease) for year	5,316	568	2,021	(1,649)	(7,801)
Cash at bank: opening	<u>5,829</u>	<u>5,261</u>	<u>3,240</u>	<u>4,889</u>	<u>12,690</u>
Cash at bank: closing	<u>11,145</u>	<u>5,829</u>	<u>5,261</u>	<u>3,240</u>	<u>4,889</u>

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