

Report of the
Board of Governors
and Audited Accounts
2014 – 15

BIRMINGHAM CITY UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS FOR 2014/15

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OPERATING AND FINANCIAL REVIEW

Executive Summary and strategic overview

The purpose of this document is to provide an overview of the 2014/15 financial year, and context to the presentation of the University's audited financial accounts for the year ended 31 July 2015.

The report summarises the Board of Governors' assessment of how the University has delivered on its charitable purposes for the public benefit, and on the University's overall performance for the 2014/15 academic year. 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.

Throughout the year, the University has continued to pursue the aims set out in its 2020 Strategic Plan, which focuses on four core themes:

- Transforming students
- Transforming Birmingham and the Region
- Transforming practice
- Transforming the University

These themes encapsulate the clearly differentiated mission of this University. We are strongly committed to our role as the University for the City of Birmingham and for the wider Birmingham region. Two thirds of our undergraduates come from the West Midlands, and over 70% remain in the West Midlands after graduation. As a culturally inclusive institution we contribute significantly to the economic, social, cultural prosperity and well-being of the city and region.

The University has demonstrated strong performance across all its strategic themes. It has achieved strong and stable financial performance, while continuing to invest in its staff and its facilities. While the environment in which the University operates continues to bring new challenges and new competitive pressures, we are confident that our financial strategy places us in a good position to anticipate and respond to these challenges.

The University's financial objectives which underpin our strategy are as follows:

- Achieving income growth while managing costs to generate surpluses for investment in our academic activities, people, facilities and services
- Increasing our financial resilience by diversifying income sources across teaching, research and services to business and the community
- Anticipating and robustly managing future strategic and operational risks
- Ensuring good return on investment on special projects and new developments
- Continually reviewing our systems, process and structures to maximise value, reduce unnecessary costs and incentivise behaviour

Performance against these objectives is considered further in the sections below.

In 2014/15, as in previous years, 100% of the University's financial surplus has been used to improve the provision of education, through enhanced facilities, services and infrastructure, and increased support to our staff in the delivery of our educational mission.

Looking forward to 2015/16, we have budgeted for a lower level of surplus, reflecting a combination of our continuing need for investment to enhance the student experience, combined with the continued reduction in HEFCE funding, inflationary pressures and uncertainties remaining around the impact of the new financial structure for higher education provision.

Corporate Status

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 2011. The Board of Governors of the University are the charitable Trustees of the University.

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, 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 2011 Charities Act:

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

The University's Board of Governors reviewed its Public Benefit statement following the publication of the revised public benefit guidance issued by the Charity Commission, and continues to keep this statement under review. The Board considers that in the nature of its public benefit statement; the ways in which the University operates as a Charity; and the ways in which it reports on the charitable activities it undertakes, it is fully compliant with the Charity Commission's general public benefit guidance.

All new Governors are provided with a briefing programme to ensure that they are aware of the University's obligations as an exempt charity, and of the requirements for serious incident reporting and their obligations as charitable trustees. A serious incident reporting procedure has been established. During 2014/15 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 [<http://www.bcu.ac.uk/about-us/corporate-information>].

During 2014/15 the University has had a particular regard to the requirements of the Prevent duty, which became a statutory duty in September 2015. Briefing sessions have been held for management and staff, Governors have been kept updated, and revised policies and

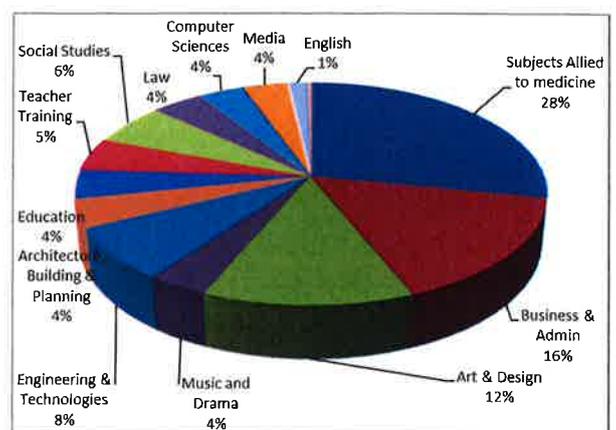
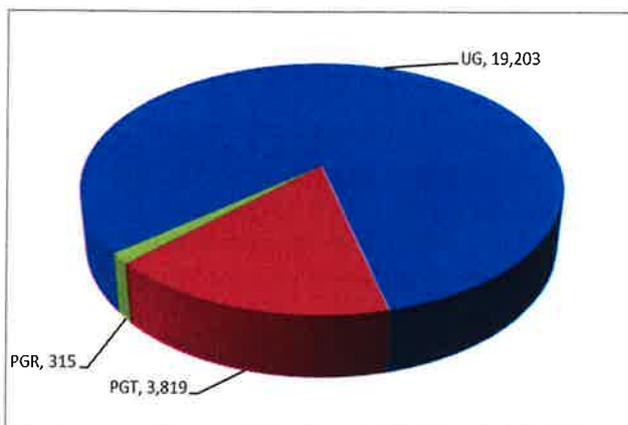
procedures are in development. Further work will take place during 2015/16 in compliance with the HEFCE monitoring framework, to ensure that the University responds to this duty in a responsible and proportionate way.

The University's charitable objects and our activities for the public benefit are fully reflected in the University's Strategic Plan, in our Faculty and departmental plans, and in the ways in which the University is led and managed.

The following sections of this report summarise the Board's assessment of how the University has delivered its charitable purposes for the public benefit and the University's overall performance in 2014/15.

The Advancement of Education

The University delivers its main charitable purpose through the provision of undergraduate and postgraduate education as shown in the following charts.

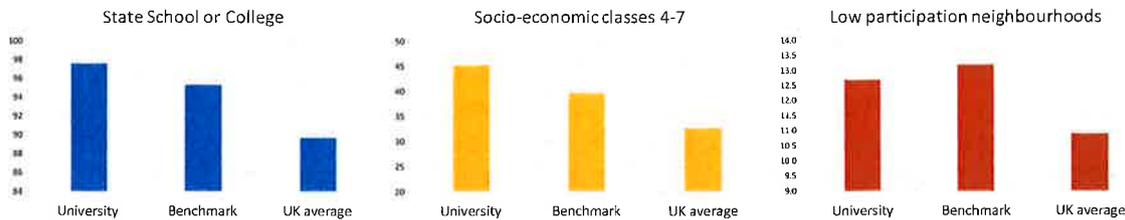


The University's primary beneficiaries are the students who study and learn at the University. Its activities also benefit society at large, through the education and training of students who upon graduation make a particular contribution to the creative industries and to professional practice, across our broad and varied subjects areas.

In 2014/15, 6563 students graduated from undergraduate programmes plus 2494 postgraduates.

In delivering on its charitable purpose of the advancement of education, the University is committed to delivering an inclusive education, providing opportunity for those with the abilities and motivations to benefit and to transform their lives, particularly taking a pro-active approach to raising aspirations among socially and economically deprived communities, and ensuring there is a diverse University community of students and staff. The practice-based nature of the University's provision and its location in one of the youngest and most ethnically diverse cities in the UK mean that it is well placed to deliver on this purpose.

Through this work, the University makes a significant and positive contribution to improving their life opportunities, which is a major public benefit. Its success in this regard is illustrated by the national indicators of widening participation shown below, in which the University generally performs well in comparison to our sector benchmark and particularly so in absolute terms compared to the UK average.



Source: HESA Performance Indicators T1a: UK domiciled young full-time first degree entrants 2013/14

The University is also proud of the encouragement that is provided to students who have left care and those with disabilities, and puts appropriate targeted support and positive interventions in place to ensure that their University experience is rewarding and fruitful.

The University committed to spend over £3m of Home/EU undergraduate tuition fee income for 2014/15 on financial support for those from less wealthy family backgrounds and on access and retention measures. This includes the University's match funding to the Government National Scholarship Programme, regional collaborative activity that continues to take forward the successful activity previously funded through AimHigher, University outreach and activities to support student retention, progression and achievement. The University has also committed resource on achieving its sector benchmark for the participation of students in receipt of disabled students' allowance.

In 2014/15, the University received and administered over £4.5m 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 them achieve success; and to help under-represented groups develop the skills and attitudes necessary to fulfil their ambitions.

The University's international partnership with Navitas Group for the Birmingham City University International College (BCUIC) at the Bournville campus is now well established. The College is designed to provide a pathway onto University programmes and Navitas is the world's largest provider of university pathway education with over 30 partnerships globally. . During 2014/15, the College enrolled 250 students from 33 countries, and 118 students who had previously enrolled with the College progressed onto their main University programmes.



The University and Wuhan Textile University (WTU), a state controlled public university in China signed a Cooperation Agreement in May 2014, which envisaged the creation of an Institute under the jurisdiction of WTU, serviced by the University, to be known as the Birmingham Institute of Fashion and Creative Art (BIFCA). This was conditional upon the approval of the Chinese Ministry of Education which was granted in May 2015. The target start date of BIFCA is September 2016.

The City Road Primary has been a sponsored academy within the Birmingham City University Academies Trust since 2013/14. The school currently caters for around 400 pupils aged three to 11 (including its nursery). As the corporate member of the Trust, the University plays a pivotal role in developing and improving the learning experience of all its pupils by bringing a wide range of expertise and strategic leadership to the Academy. The University has provided training for both staff of the academy and for members of its Local Advisory Board, for example the University's School of Education is supporting the academy's improvement agenda delivering a practice-based Masters programme (Masters in Teaching and Learning) for its staff. There have been opportunities for University students to get involved, working with pupils for whom English is not their primary language and providing one-to-one mathematics support. Further opportunities to extend the work of the Academies Trust are being explored.



The University's School of Education has strong partnerships with more than 900 primary schools and over 200 secondary schools from across the Midlands, as well as colleges and training organisations in the region such as Teach First, for which it is the West Midlands regional provider. Teach First is an education charity which seeks to ensure that all children, regardless of their family income, receive a first class education. The charity recruits, trains and supports graduates as teachers to work in schools in low income communities.

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 £5.3m of trust and endowment funds. 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 2014/15, the University disbursed £146k in bursaries, scholarships and prizes from these funds.

In addition to these trust funds, the University distributed over £630k 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 benefit 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.

The Faculty of Health includes research in the fields of community mental health, and the regional pain centre, located at Russells Hall Hospital in the West Midlands, is one of a limited number of centres that specialise in chronic pain conditions. Current projects include those focussed around evidence to enhance care for people with common and long-term conditions; developing and evaluating practical and accessible approaches to improve health and education among diverse groups; and creating and pioneering the application of new technologies. Examples include an individualised cancer patient care project; educational intervention for nurses caring for people with dementia; and vibrotactile technology to improve posture and avoid injury for health professionals and athletes.

Recent highlights include:

For the third time in four years a student from the School of Nursing, Midwifery and Social Work has been named Cavell Nurses' Trust's Outstanding Student Nurse of the Year

Renowned fertility expert and broadcaster Professor Robert Winston was among the recipients of honorary degrees at the graduation ceremonies in September 2014

A joint training exercise with medical students from the University of Birmingham and West Midlands Fire and Police Services, supported by The Higher Education Academy, involved a simulated scene of a car crash with student nurses, midwives, paramedics, radiographers and operating department practitioners

A research fellow in the Centre for Research in Education, was awarded a 2015 Winston Churchill Memorial Trust (WCMT) Fellowship to collate new knowledge about early intervention services for young children with complex needs.

A £20million investment is being made in new facilities that promise a major contribution to the health and wellbeing of the West Midlands, and will feature specialist laboratories for a

newly created School of Life Sciences, offering a range of courses in health, nutrition and biomedicine. This will reinforce the University's status as the region's largest provider of qualified health and social care professionals to the NHS.

The Advancement of the Arts, Culture, Heritage or Science

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

Birmingham City University offers a distinctive creative and cultural portfolio and is a significant contributor within the creative and cultural industries:

- Around 5,000 students (over 20 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.

Recent highlights include:

Staff and students won a trio of awards at the 2015 New York Radio Festival's International Radio Program Awards, the most prestigious in the radio industry.

At the first of the City Talks public lecture series in 2015, over 200 people came to see TV fashion expert Gok Wan discuss some of his early personal life experiences

Professor of Landscape Architecture Kathryn Moore has been appointed world president of the International Federation of Landscape Architects

A joint project between the School of Jewellery and Birmingham Museums Trust created replicas to be used as handling exhibits within the new gallery dedicated to the Staffordshire Hoard, the largest collection of Anglo-Saxon gold and silver metalwork ever found

Birmingham Conservatoire typically organises around 200 concerts and recitals per annum, many of them free, 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.

The University organises the Birmingham Made Me Design Expo, a unique business-education collaboration to promote Birmingham's achievements in design and innovation. A Schools Design Programme and Competition was developed to deepen the University's links with schools with a focus on attracting the best talent into design-focussed and creative industries learning. All the University's various graduate design shows, performances, exhibitions and concerts were run as part of a single Inspired Festival.

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 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 staff acting as school governors in more deprived inner city schools which require enhanced governance support.

Recent highlights include:

A group of Mechanical Engineering students won the national Engineering Without Borders (EWB) Challenge for their work on finding potential ways to combat drought in Nepal.

University Alumnus Paul Harris won the Head Teacher of the Year award at the 2015 Times Education Supplement Schools Awards, for turning round Curwen Primary and Nursery School in London.

Imran Awan, Deputy Director of the Centre for Applied Criminology, was appointed as an independent member of a government Cross-Party Working Group on Anti-Muslim Hatred, to consider marginalisation and the role of the media in preventing anti-Muslim hatred.

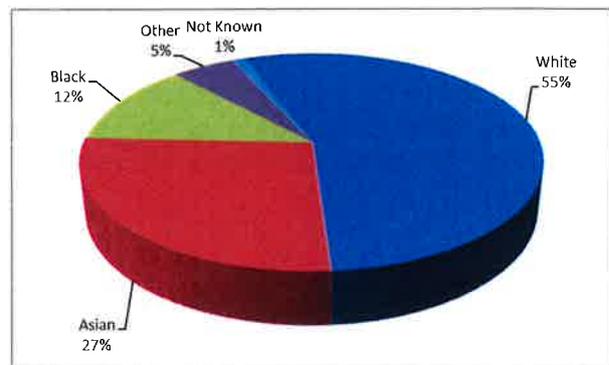
The University co-hosted the 'First International Conference on the Transformation of the Urban Character of Arab Cities since the Late Last Century' in Jordan with the German Jordanian University (GJU).

University research is being used to help facilitate the establishment of specialised housing and support services to divert women from the threat of violence and abuse; to investigate the relationship between lethal violence and organised crime; and has provided insights into understanding of the death penalty and as a result has influenced policy and practice worldwide.

Another of the City Talks involved head teacher and star of Channel 4 documentaries Stephen Drew offering opinion on the education reform agenda and advice to the next generation of aspiring teachers.

The promotion of ... Equality and Diversity

Birmingham City University is strongly committed to equality and diversity and has a highly diverse student population. For example, over 45 percent of the student population is Black and other Minority Ethnic, 63 percent female and, 9 percent of students have a declared disability. Monitoring of the 2014/15 full-time undergraduate population demonstrates higher participation levels of students with Muslim and Sikh beliefs compared to the sector average, and is reflective of the diverse population of the University. A range of activities are in progress to improve the attainment of BME students such as a Student Mentoring Scheme, promotion of self-help groups, raising awareness of the attainment gap in the training delivered to Course Directors, and the identification and sharing between subject areas of good practice that has been shown to deliver positive outcomes.



Monitoring of the 2014/15 full-time undergraduate population demonstrates higher participation levels of students with Muslim and Sikh beliefs compared to the sector average, and is reflective of the diverse population of the University. A range of activities are in progress to improve the attainment of BME students such as a Student Mentoring Scheme, promotion of self-help groups, raising awareness of the attainment gap in the training delivered to Course Directors, and the identification and sharing between subject areas of good practice that has been shown to deliver positive outcomes.

The University also has favourable staff diversity profiles where data is collected for age, disability, sex/gender and ethnicity. For example, 17% of staff are from a BME background compared to 12% in the UK HE sector. The University has set up a new Women Researchers' Network to bring together female researchers, including PhD students and professors, to discuss the issues faced by women in academia.

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 was one of the first universities to achieve both the Platinum EcoCampus award and has retained ISO 14001 certification for Environmental Management Systems. The University had already achieved a 25% reduction in carbon emissions from energy use in buildings and a 37% reduction in water use when compared to 2005/06; and these changes have been consolidated or improved further during 2014/15.

The University has committed to BREEAM excellent as a minimum for all new buildings, including the new Curzon Building, which has now opened for the 2015/16 academic year.

Recent highlights include:

Mark Reed, Professor of Interdisciplinary Environmental Research at the University, co-presented the first comprehensive report into global climate change and issues such as deforestation and soil erosion at the United Nations Convention to Combat Desertification.

University research investigated how companies can operate as an environmental business, providing products and services that have soci-environmental value in a way that addresses existing environmental problems, while avoiding the creation of new ones.

After standing derelict for almost 10 years, the Grade II listed Victorian Eagle and Ball public house has been renovated by the University and incorporated into the new Curzon teaching building. It now accommodates office space in addition to the social space operated by the Students Union.

The University is collaborating with Rolls-Royce on the £90 million Technology Strategy Board-funded project, SILOET (Strategic Investment in Low Carbon Engine Technologies).

In a recent travel survey, the number of staff travelling to the University as a lone car driver has reduced from 57% to 49.5%, whilst the number travelling by train has increased from 18% to 21.1%. The Business in the Community 'Big Tick' award for 'sustainable products and services' has been renewed.

Non-Financial Performance Measures

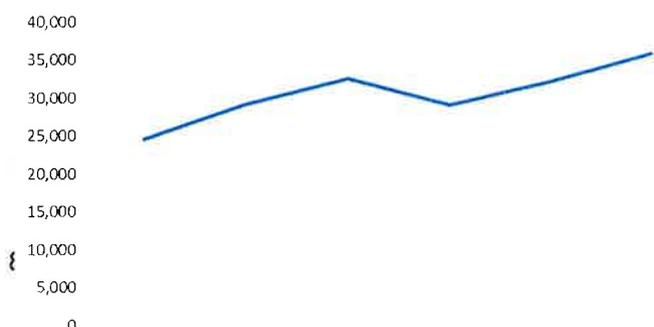
In carrying out its charitable purposes, and particularly the advancement of education, the University monitors progress against a range of non-financial measures which relate to the reputation of the University, the success of its beneficiaries (particularly its students) and the value of its staff.

The Research Excellence Framework results were released in December 2014. The University's outcome demonstrates the significant and wide reaching impact of research and a marked improvement in overall quality. The overall quality rating (Grade Point Average) increased to 2.64 from 2.31 in 2008. The University's REF submission was more ambitious than ever before, with more staff submitted in more subjects. There are now 11 subjects where the quality of research has been assessed as 'world leading' (4*), 'internationally excellent' (3*) or 'recognised internationally' (2*), with an increase in 4* and 3* research from 40% in 2008 to 60% in 2014. Almost 90% of research was assessed as having either 'outstanding' or 'very considerable' impact.



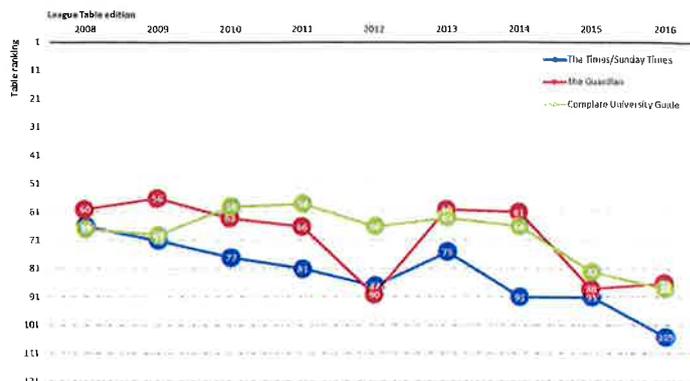
The University continued to enjoy a strong level of demand for undergraduate places for 2014/15 entry. The dip experienced in 2012/13 was sector-wide, relating to the

All applications through UCAS main scheme



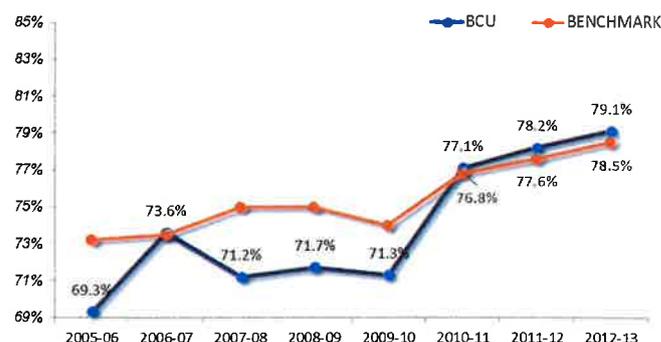
introduction of the higher fees. Applications have since grown to exceed the previously-highest level that the University had experienced in 2011/12. During 2014/15, the University continued to enjoy buoyant recruitment for September 2015 entry. This was the first cycle for which the Government had completely removed the Student Number Control that restricted the volume of students universities were permitted to recruit, and the University was able to take account of this freedom to increase its overall intake.

Despite several very positive improvements in the National Students' Survey Student (NSS) the previous year, this year's results were disappointing. This is one of the most significant factors used within League Tables rankings and so the University's position in the most recent survey has fallen. Student Satisfaction is a high priority action and a Task Group has been established to plan, manage and oversee the implementation of a set of University principles and policies in relation to NSS and programme health overall. Beyond the initial actions taken, this will continue to remain a medium-term priority for the institution.



The HESA Performance Indicators for non-continuation have continued to maintain the improvement shown over recent years. For example, the latest published indicator for the projected proportion of full-time first degree students expected to complete their degree (a calculation based on the transition of students starting their study in 2012/13 into 2013/14 and then reported in March 2015) has improved to 79.1%, which is better than the sector benchmark for the institution and the highest level achieved so far by the University.

Projected Completion rate of entrants on FT First Degree programmes



Partnership working with the Students' Union

The University is committed to partnership working with its students and the Students' Union. For example, the Students' Union President is a member of the Board of Governors, the University Executive Group and Academic Board. Students' Union officers work closely with the University's Centre for Enhancement of Learning and Teaching to optimise the student role in academic development, including encouraging students to participate in curriculum development teams working alongside academic staff.

As part of an HEA "Students as Partners" Change Initiative, BCUSU is running a Student Voice Project aimed at delivery of a range of outcomes to improve the capture of student views and the participation of students in University processes. This includes a new approach to student representation; a new system of Feedback Forums has been established to replace and enhance the work of Boards of Studies; and a new Student Academic Leader role has replaced the former Course Representatives.

An award of £254k from Sport England has been received toward a £400k project (co-funded by the University, the Students' Union and Serco Leisure) to increase student participation in sporting activity. The project will be delivered by the Students' Union and the aim is to offer a wide range of enrichment and added value activities. "BCU Active" intends to take



sport to the students, with participation through induction activity; signposting community based opportunities together with semi-structured programmes.

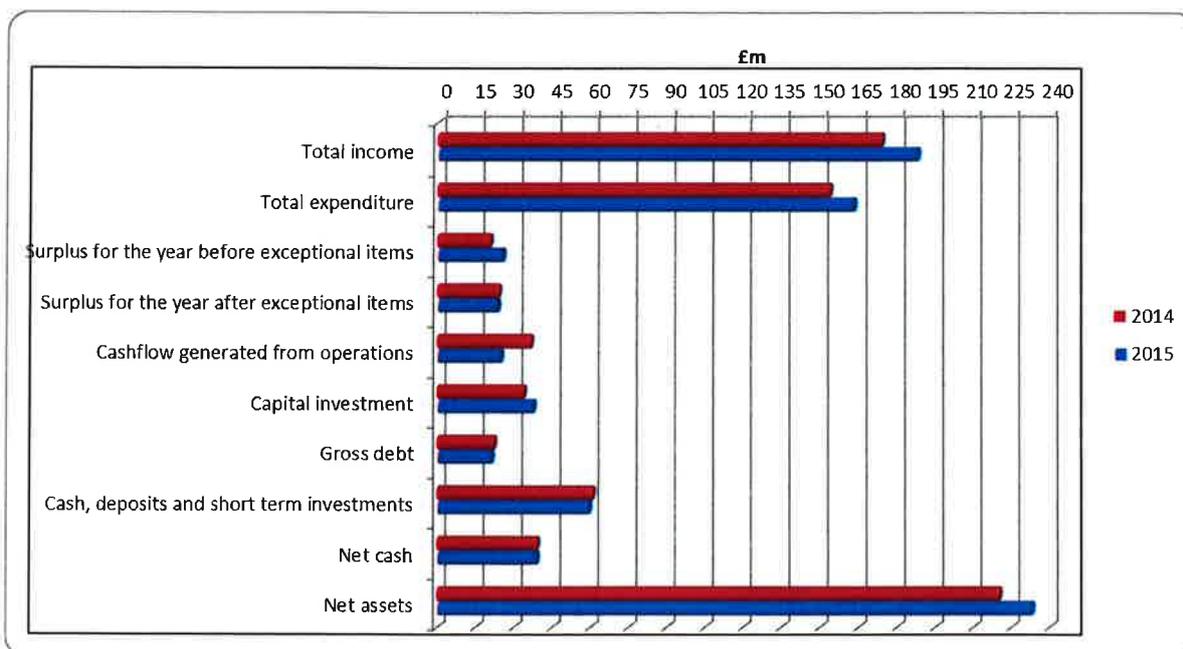
Key Financial Highlights

The consolidated accounts for 2014/15 consolidate the results of the University and its subsidiary undertakings. The accounts have been prepared in accordance with the Statement of Recommended Practice on Accounting for Higher and Further Education (2007).

The operating surplus for the year was £23.0m (2014: £23.1m) after allowing for FRS17 pension adjustments of £6.0m (2014: £6.5m) and taking into account exceptional charges of £1.9m (2014: gain of £3.3m).

The University considers it important to deliver a surplus on its activities each year in order to generate resources for investment in our academic activities, people, facilities and services and to enable us to anticipate and robustly manage future strategic and operational risks.

Key performance indicators taken from the consolidated results for the year ended 31 July 2015 are summarised below:

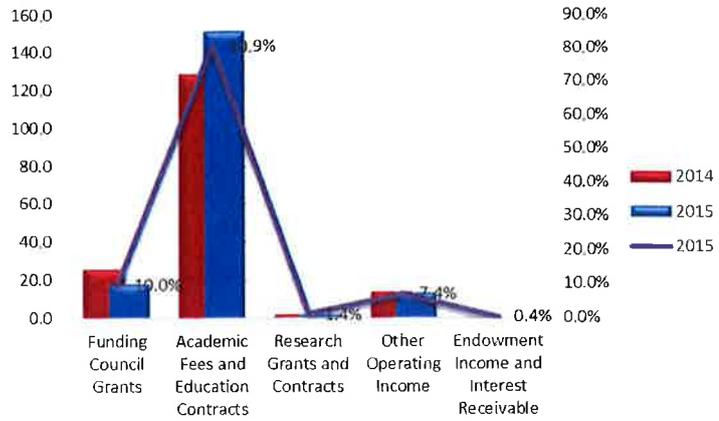


Financial Performance 2014/15

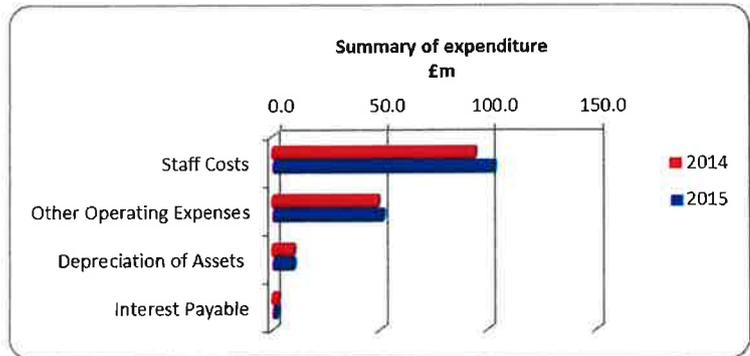
The external economic and market operating environment continued to present significant challenges. Against this backdrop, the results for the year reflect a strong financial performance. Before exceptional items and taxation the Group achieved a surplus of £24.9m (2014: £20.2m).

Total income for the year was £187.5m (2014: £173.8m) an increase of £13.7m. This included a decrease in Funding Council Grants, mainly reflecting reductions in funding from HEFCE, offset by an increase in tuition fees in line with an increase in the number of students paying higher tuition fees.

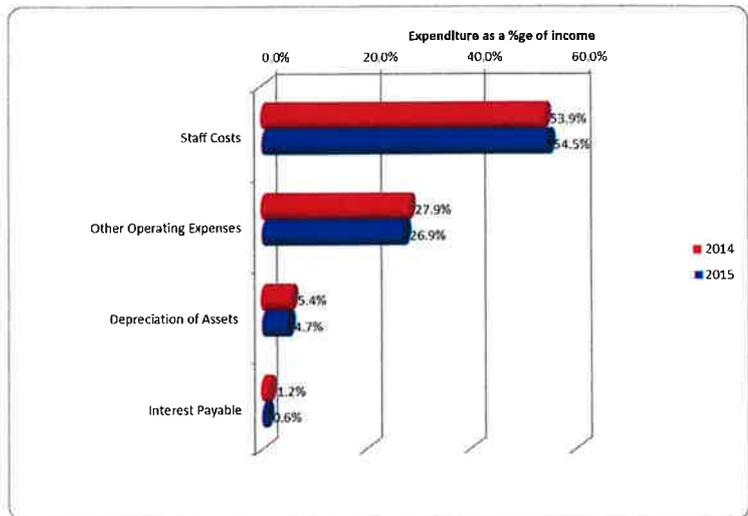
Funding Council Grant income in the year fell by £7.9m whilst income from academic fees and education contracts increased by £22.4m. Income from academic fees and education contracts as a proportion of income from all sources rose to 80.9% in 2015 from 74.3% in the previous financial year.



Total expenditure for the year was £162.5m (2014: £153.6m) an increase of £8.9m which included an increase in Staff Costs of £8.5m and an increase in Other Operating Expenses of £2.0m.



Staff costs remain a significant cost for the University and the increase in the year reflects a part year pay award along with an increase in underlying staff numbers. The University manages staff numbers and costs carefully and a major focus for the University's procurement team is the delivery of value for money in relation to other operating expenditure. The current year's costs reflect a consistent increase when compared to income.



Future pension liabilities remain a concern, with the increasing costs of providing occupational pensions to staff, across all categories of staff. In financial terms, the University has allowed for anticipated future lump sum and recurrent commitments into pension schemes, as well as other inflationary factors. However the impact on staff recruitment and retention of changes in pension schemes are more difficult to quantify at this stage, but remain of concern.

Capital Investment

Cash invested in capital investment for the year amounted to £36.9m (2014: £33.3m) as the Group continued its Estates Development. This includes expenditure on new facilities in The Curzon Building (part of the City Centre Campus development) for the Faculty of Business, Law and Social Sciences as well as a new library and student support hub and other student-facing facilities. The building opened to students in September 2015.

Cashflow and Treasury Management

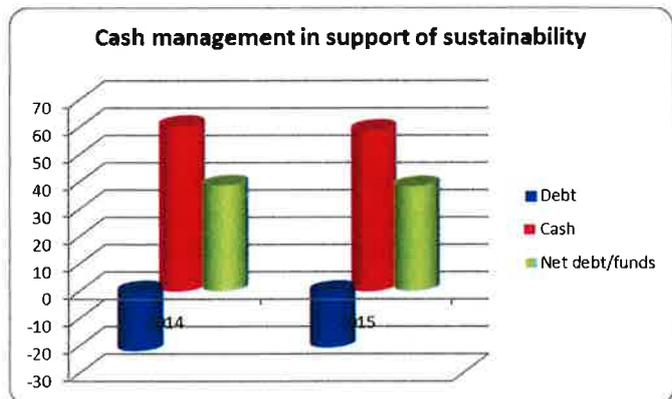
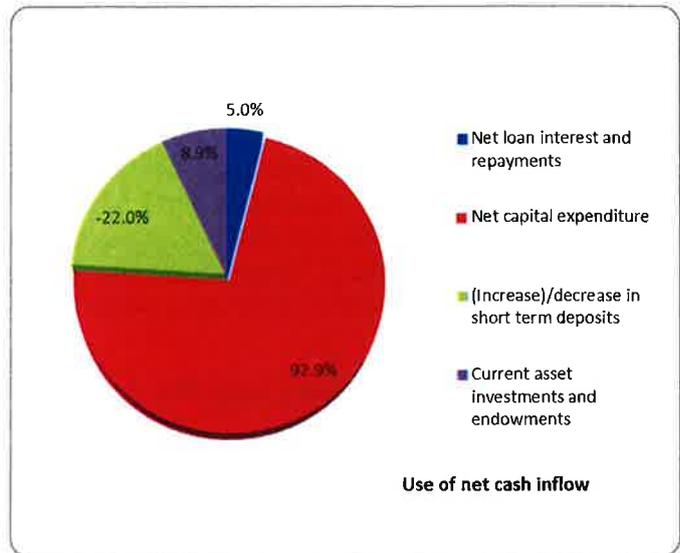
Cashflow from operations for the year was £24.1m (2014: £36.3m). After taking into account capital expenditure and financial investment, the cash outflow before deposits and borrowing amounted to £0.4m (2014: inflow of £14.3m).

The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £18.9m (2014: £20.7m). 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 £20.5m (2014: £21.8m). The Group has cash and money market deposits amounting to £58.9m at 31 July (2014: £60.6m) giving net cash balances of £38.4m (2014: £38.7m) 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

Introduction

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). In spring 2015 the University reviewed its governance, management practices and internal controls against the guidance in the new Higher Education Code of Governance, December 2014. Its evaluation confirmed that the University fully applies the guidance within the Code. The Board resolved to use the Code to inform future enhancements to its own effectiveness.

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 2011. 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 Privy Council in September 1995 and by the Board of Governors in November 1995.

The Board of Governors and the Academic Board

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

The Board, as governing body, is unambiguously and collectively responsible for institutional activities, taking all final decisions on matters of fundamental concern within its remit. It is responsible for all decisions which might have significant reputational or financial implications, as well as all legal and regulatory compliance. The Board 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 student body. By custom and practice the President of the Students' Union is a member of the Board.

Subject to the overall responsibility of the Board of Governors, the Academic Board has responsibility for academic governance, guiding and overseeing the teaching, research and scholarship of the institution. It draws its membership entirely from the staff and the students 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 and guidance 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, BEng (Marine) (Independent Member and Chairman to 23 April 2015)

Mr Mark Hopton, FCA (Independent Member and Chairman from 23 April 2015)

Deputy Chairman: Mr Mark Hopton, FCA (Independent Member and Deputy Chairman to 23 April 2015)
Mr Joe Kelly, FCA, MBA (Independent Member and Deputy Chairman from 23 April 2015)

Ex-officio Member: Professor Cliff Allan, FRSA (Vice-Chancellor)

Independent Members: Mr Jim Beeston, OBE, Dip.T.P
Mr Ian Burke (from 1 April 2015)
Mr Vic Cocker, CBE, BA (Econ)
Honorary Alderman John Charlton, CBE (to 31 March 2015)
The Rt Hon Lord Grocott PC
Mr Andrew Jowett, OBE
Ms Jenny Ladbrooke, BA (Hons), MCIPD
Ms Jenny Loynton, LLB
Dame Julie Moore, DBE (from 16 July 2015)
Mr Shaun Smith

Co-opted Members: Dr Waqar Azmi, OBE (to 2 October 2014)
Ms Andrea Chalk (general staff representative) (from 23 April 2015)
Professor Graham Henderson, CBE, DL
Ms Ann Jones, BA (Hons), PGCE
Professor David Roberts, BA (Hons), DPhil, FHEA, FEA (teaching staff representative) (to 31 March 2015)
Mr Raaj Shamji, BA (Hons), ACMA, MBA, MEGTT (general staff representative) (to 1 December 2014)
Professor Philip Thickett (teaching staff representative) (from 23 April 2015)

Member of teaching staff nominated by the Academic Board Professor Stuart Brand, BSc (Hons), PhD

Student Governor (President of the Students' Union):
Mr Niall Magennis (to 30 June 2015)
Ms Jenny Watkins (from 1 July 2015)

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £590 for 2014/15.

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 commercially sensitive or 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 leadership of the academic affairs and executive management of the HEI. The Vice-Chancellor is the Accountable Officer under the terms of the Memorandum of Assurance and Accountability between HEFCE and HEIs, which came into force on 1 August 2014. He is personally responsible to the governing body for ensuring compliance with the terms of this memorandum of assurance and accountability and for providing HEFCE with clear assurances to this effect. He is also responsible for ensuring that the governing body undertakes its legal, compliance and other responsibilities, as articulated in paragraph 29 of the Memorandum. If required 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 2014/15 were the Pro-Vice-Chancellors, the University Secretary and Director of Operations, the Director of Finance and Resource Allocation and the Director of Human Resources who, together with the Vice-Chancellor, comprise the Vice-Chancellor's Office. 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.

In the executive leadership of the University the Vice-Chancellor is supported by the University Executive Group, which in 2014/15, comprised all members of the Vice-Chancellor's Office; the four Executive Deans of Faculty, the President of the Students' Union and the Director of Planning and Performance (Secretary).

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. The decisions of these Committees are all formally reported to the Board.

Independent and co-opted lay members make up the majority of the membership on all committees. Student and staff members are not eligible to serve on these committees, except for the Trustee Committee. The Chair is 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.

In 2013/14 the University undertook a review of (then) Senate and its committees. This resulted in the renaming of Senate as the Academic Board, and a streamlining of its committee structure and student representation. In 2014/15 the Academic Board undertook a light-touch review of these changes, requiring each committee to reflect on its changed terms of reference and membership and report on the effectiveness of its operation to Academic Board. This confirmed that all the committees were operating effectively and meeting their objectives. Further changes were also initiated to the structure and terms of reference of the academic committees with oversight of research activities – these changes will be reviewed at the end of a year of operation.

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 respective responsibilities of the Board, the Audit Committee, Vice Chancellor's Office and the University Executive Group have been reviewed and clarified;
- the University's Strategic Risk Register, which is approved by the Board, identifies the key risks that could prevent the University Group from achieving its strategic objectives, and assesses the measures being taken to manage and mitigate these risks. The risks and mitigations report is reviewed regularly by the University Executive Group, and any red or amber risks are reported in an exception report to the Audit Committee at each scheduled meeting;
- over the year considerable work has been done with the assistance of the Internal Auditors to refine the University's approach to risk management. This includes the development of a revised Risk Management Policy and, for the first time, a Risk Appetite statement, closely aligned to the University's Strategic Plan;
- the Risk Register, Risk Management and Internal Control Policy and Risk Appetite Statement were reviewed by the Audit Committee for Board approval during the early part of 2015/16, in order to ensure that they reflect changing external factors and the University's strategic aims;
- 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 Audit Code of Practice. 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 both with senior members of the internal audit team and the external audit team at which no members of the University Executive are present.

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, the Vice-Chancellor's Office and the University Executive Group, 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 1 August 2014 to enable a full statement on internal control to be made for the whole of the financial year ended 31 July 2015 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 and the National College for Teaching and Leadership (NCTL), grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received and in accordance with the University's statutes and, where appropriate, with the HEFCE Memorandum of Assurance and Accountability and the Financial Memorandum with the NCTL.
- 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.

Independent Auditor's Report to the Board of Governors of Birmingham City University

We have audited the group and University financial statements (the "financial statements") of Birmingham City University for the year ended 31 July 2015 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 Board of Governors and auditor

As explained more fully in the Statement of Responsibilities of the Board of Governors set out on page 17 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 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 with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*.

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 managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.



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

24 November 2015

FINANCIAL STATEMENTS

Consolidated income and expenditure account

For the year ended 31st July 2015

	<u>Note</u>	<u>2014/15</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
INCOME			
Funding Council Grants	2	18,684	26,608
Academic Fees and Education Contracts	3	151,600	129,172
Research Grants and Contracts	4	2,608	2,829
Other Operating Income	5	13,847	14,402
Endowment Income and Interest Receivable	6	722	764
Total Income		<u>187,461</u>	<u>173,775</u>
EXPENDITURE			
Staff Costs	7	102,130	93,595
Other Operating Expenses	9	50,493	48,488
Depreciation of Assets at Cost and Valuation	11	8,861	9,309
Interest Payable	10	1,098	2,171
Total Expenditure		<u>162,582</u>	<u>153,563</u>
Surplus before Exceptional Items and Taxation		24,879	20,212
EXCEPTIONAL ITEMS	11	(1,943)	3,323
Surplus after Exceptional Items and before Taxation		<u>22,936</u>	<u>23,535</u>
Taxation	36	82	(387)
SURPLUS FOR THE YEAR AFTER TAXATION		<u>23,018</u>	<u>23,148</u>
Surplus transferred (to)/from endowment funds	20	(2)	29
SURPLUS FOR THE YEAR RETAINED IN GENERAL RESERVES		<u>23,016</u>	<u>23,177</u>

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

The notes on pages 25 to 49 form part of these accounts.

Consolidated statement of historical cost surpluses

For the Year Ended 31st July 2015

	Note	2014/15 £'000	2013/14 £'000
Surplus for the year		23,018	23,148
Difference between an historical cost depreciation charge and the actual depreciation charge for the year		709	819
HISTORICAL COST SURPLUS FOR THE YEAR		<u>23,727</u>	<u>23,967</u>

Consolidated statement of total recognised gains and losses

For the Year Ended 31st July 2015

	Note	2014/15 £'000	2013/14 £'000
Surplus for the year		23,018	23,148
New endowment assets received	20	16	287
Revaluation of endowment investments	20	368	111
Pension Scheme actuarial gain/(loss)	26	(11,277)	5,798
TOTAL RECOGNISED GAINS		<u>12,125</u>	<u>29,344</u>
Reconciliation:			
Opening endowments and reserves at 1st August		195,460	166,116
Total recognised gains for the year		12,125	29,344
Closing endowments and reserves at 31st July		<u>207,585</u>	<u>195,460</u>

The notes on pages 25 to 49 form part of these accounts.

Balance sheets as at 31st July 2015

		Consolidated		University	
	Note	2015 £'000	2014 £'000	2015 £'000	2014 £'000
FIXED ASSETS					
Tangible Assets	11	249,983	258,755	241,868	252,764
Investments	12	171	205	4,471	4,505
		<u>250,154</u>	<u>258,960</u>	<u>246,339</u>	<u>257,269</u>
ENDOWMENT ASSETS	13	<u>5,310</u>	<u>4,924</u>	<u>5,310</u>	<u>4,924</u>
CURRENT ASSETS					
Stocks	14	268	95	268	95
Debtors	15	28,000	6,136	28,989	9,075
Current asset investments		15,000	10,000	15,000	10,000
Investments: Short Term Deposits		14,500	19,800	14,500	19,800
Cash at Bank and in Hand		44,246	40,571	44,014	40,454
		<u>102,014</u>	<u>76,602</u>	<u>102,771</u>	<u>79,424</u>
CREDITORS DUE WITHIN ONE YEAR	16	<u>(34,099)</u>	<u>(40,804)</u>	<u>(34,291)</u>	<u>(40,195)</u>
NET CURRENT ASSETS		<u>67,915</u>	<u>35,798</u>	<u>68,480</u>	<u>39,229</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>323,379</u>	<u>299,682</u>	<u>320,129</u>	<u>301,422</u>
CREDITORS DUE AFTER MORE THAN ONE YEAR	17	<u>(19,279)</u>	<u>(21,250)</u>	<u>(19,279)</u>	<u>(21,250)</u>
PROVISIONS	18	<u>(2,082)</u>	<u>(1,863)</u>	<u>(1,389)</u>	<u>(1,101)</u>
		<u>(21,361)</u>	<u>(23,113)</u>	<u>(20,668)</u>	<u>(22,351)</u>
NET ASSETS excluding pension liability		<u>302,018</u>	<u>276,569</u>	<u>299,461</u>	<u>279,071</u>
PENSION LIABILITY	26	<u>(69,360)</u>	<u>(56,675)</u>	<u>(69,360)</u>	<u>(56,675)</u>
NET ASSETS including pension liability		<u>232,658</u>	<u>219,894</u>	<u>230,101</u>	<u>222,396</u>
Represented by:					
DEFERRED CAPITAL GRANTS	19	<u>24,583</u>	<u>24,433</u>	<u>23,589</u>	<u>23,455</u>
ENDOWMENTS					
Permanent	20	<u>5,310</u>	<u>4,924</u>	<u>5,310</u>	<u>4,924</u>
REVALUATION RESERVE	21	<u>21,526</u>	<u>41,195</u>	<u>21,526</u>	<u>41,195</u>
GENERAL RESERVE					
General Reserve excluding pension liability		250,599	206,017	249,036	209,497
Pension Reserve	26	<u>(69,360)</u>	<u>(56,675)</u>	<u>(69,360)</u>	<u>(56,675)</u>
General Reserve including pension liability	22	<u>181,239</u>	<u>149,342</u>	<u>179,676</u>	<u>152,822</u>
TOTAL FUNDS		<u>232,658</u>	<u>219,894</u>	<u>230,101</u>	<u>222,396</u>

Balance sheets as at 31st July 2015 (continued)

The accounts on pages 20 to 49 were approved by the Board of Governors on 24 November 2015 and signed on its behalf by:

M Hopton, Chairman of the Board of Governors

C Allan, Vice-Chancellor

R C Spilsbury, Director of Finance and Resource Allocation



The image shows three handwritten signatures in blue ink. The top signature is for M Hopton, the middle for C Allan, and the bottom for R C Spilsbury. The signatures are written in a cursive style.

The notes on pages 25 to 49 form part of these accounts.

Consolidated cash flow statement

For the year ended 31st July 2015

	<u>Note</u>	<u>2014/15</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Net Cash Inflow from Operating Activities	29	24,116	36,256
Returns on Investments and Servicing of Borrowings	30	43	(169)
Capital Expenditure and Financial Investment	31	(24,530)	(21,760)
Cash inflow/(outflow) before Deposits and Borrowing		<u>(371)</u>	<u>14,327</u>
(Increase)/decrease in Short Term Deposits	32	5,300	(10,800)
Cash outflow associated with Borrowings	32	(1,238)	(827)
INCREASE IN CASH AT BANK	32	<u>3,691</u>	<u>2,700</u>
Cash at Bank at 1st August	32	40,756	38,056
Cash at Bank at 31st July	32	<u>44,447</u>	<u>40,756</u>

As at 31st July 2015 short term deposits of £14,500,000 (2014: £19,800,000) were available to the University, with a further £15,000,000 (2014: £10,000,000) held on longer-term deposit as current asset investments.

Movements in consolidated net borrowings

For the year ended 31st July 2015

	<u>Note</u>	<u>2014/15</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
Increase in cash at bank (as above)		3,691	2,700
Increase/(decrease) in Short Term Deposits		(5,300)	10,800
Additional loans		-	-
Capital repayments		<u>1,238</u>	<u>827</u>
Increase in net borrowings during the year		<u>(371)</u>	<u>14,327</u>
Net cash at 1st August		<u>38,743</u>	<u>24,416</u>
Net cash at 31st July	32	<u>38,372</u>	<u>38,743</u>

The notes on pages 25 to 49 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 2014/15, 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.

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 Agency for Schools and of access funds and bursaries from HEFCE. Payments received from the Training Agency for Schools 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 three principal, defined benefit pension schemes: the West Midlands Pension Fund (WMPF), the Universities Superannuation Scheme (USS) and the Teacher's Pension Scheme England and Wales (TPS). 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 USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

Notes to the accounts (continued)

1. Principal Accounting Policies (continued)

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 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.

Notes to the accounts (continued)

1. Principal Accounting Policies (continued)

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

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

Notes to the accounts (continued)

1. Principal Accounting Policies (continued)

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.
- 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.

Notes to the accounts (continued)

2. Funding Council Grants

	2014/15 <u>£'000</u>	2013/14 <u>£'000</u>
HEFCE:		
Teaching funds	13,713	18,532
Research funds	1,742	1,710
Other specific grants	1,410	1,457
Deferred capital grants released	931	1,505
National Scholarship Programme	730	1,119
	<u>18,526</u>	<u>24,323</u>
Skills Funding Agency/Education Funding Agency	13	1,217
Training Agency for Schools	145	1,068
	<u>18,684</u>	<u>26,608</u>

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

3. Academic Fees and Education Contracts

	2014/15 <u>£'000</u>	2013/14 <u>£'000</u>
Full-time home/EU fees	95,904	76,559
Full-time international fees	20,026	16,221
Part-time fees	6,590	6,792
Further education fees	115	134
Full cost course fees	3,106	2,596
	<u>125,741</u>	<u>102,302</u>
Health professions education contracts	25,859	26,870
	<u>151,600</u>	<u>129,172</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

	2014/15 <u>£'000</u>	2013/14 <u>£'000</u>
Research grants	2,475	2,581
Research contracts	133	248
	<u>2,608</u>	<u>2,829</u>

5. Other Operating Income

	2014/15 <u>£'000</u>	2013/14 <u>£'000</u>
Student residences	5,149	5,322
Catering	2,162	1,971
Other services rendered	6,536	7,109
	<u>13,847</u>	<u>14,402</u>

Notes to the accounts (continued)

6. Endowment Income and Interest Receivable

	2014/15 <u>£'000</u>	2013/14 <u>£'000</u>
Investment income:		
- Endowment assets	196	152
- Other	16	-
Interest receivable	<u>510</u>	<u>612</u>
	<u><u>722</u></u>	<u><u>764</u></u>

7. Staff Numbers and Costs

The full time equivalent number of persons employed on 31st July 2015 was 2,038 (2014: 1,906).

Aggregate payroll costs during the year were as follows:

	2014/15 <u>£'000</u>	2013/14 <u>£'000</u>
Wages and salaries	85,697	77,167
Social security costs	5,786	5,475
Other pension costs	<u>10,647</u>	<u>10,953</u>
	<u><u>102,130</u></u>	<u><u>93,595</u></u>

Included within payroll costs above are restructuring costs amounting to £1.45 million (2014: £0.57 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

	2014/15 <u>£</u>	2013/14 <u>£</u>
Remuneration of the Vice-Chancellor:		
Salary	233,632	214,692
Benefits in kind	459	440
Relocation costs	-	40,000
	<u>234,091</u>	<u>255,132</u>
Pension contributions to the USS	<u>24,000</u>	<u>30,140</u>
	<u><u>258,091</u></u>	<u><u>285,272</u></u>

Notes to the accounts (continued)

8. Senior Staff Remuneration (continued)

Emoluments received in the year (including taxable benefits in kind, but excluding compensation for loss of office) of other higher paid staff, excluding employer's pension contributions:

	Number of staff	
	<u>2014/15</u>	<u>2013/14</u>
£100,000 - £109,999	-	1
£110,000 - £119,999	2	1
£120,000 - £129,999	-	1
£130,000 - £139,999	2	3

There were no members of staff whose annualised remuneration was in excess of £100,000 in receipt of a payment for compensation for loss of office during the year (2013/14: 0).

9. Other Operating Expenses

Other Operating Expenses include:-

	<u>2014/15</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
External auditor's remuneration for audit work	56	57
External auditor's remuneration for non-audit work	44	83
Hire of equipment under operating leases	292	305
Hire of other assets under operating leases	2,417	3,116

10. Interest Payable

	<u>2014/15</u> <u>£'000</u>	<u>2013/14</u> <u>£'000</u>
On loans not wholly repayable within five years:		
Bank Loans	<u>650</u>	<u>1,151</u>
Net interest on pension scheme:		
Expected return on scheme assets	(7,548)	(7,337)
Interest on pension liabilities	<u>7,996</u>	<u>8,357</u>
	<u>448</u>	<u>1,020</u>
	<u>1,098</u>	<u>2,171</u>

Notes to the accounts (continued)

11. **Tangible Fixed Assets**

	Consolidated					Total
	Freehold land & buildings	Assets in course of construction	Long leasehold land & buildings	Equipment, minor works and vehicles	Heritage assets	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1.8.14	108,356	46,170	161,882	44,732	425	361,565
Additions at cost	-	30,883	3,779	1,294	489	36,445
Transfers	-	(68,878)	68,704	174	-	-
Disposals	(13,724)	-	-	(5,670)	-	(19,394)
At 31.7.15	<u>94,632</u>	<u>8,175</u>	<u>234,365</u>	<u>40,530</u>	<u>914</u>	<u>378,616</u>
Depreciation						
At 1.8.14	41,468	-	27,842	33,500	-	102,810
Charge for year	1,947	-	3,806	3,107	-	8,860
Impairment	27,023	-	-	-	-	27,023
Disposals	(5,526)	-	-	(4,534)	-	(10,060)
At 31.7.15	<u>64,912</u>	<u>-</u>	<u>31,648</u>	<u>32,073</u>	<u>-</u>	<u>128,633</u>
Net book value						
At 31.7.15	<u>29,720</u>	<u>8,175</u>	<u>202,717</u>	<u>8,457</u>	<u>914</u>	<u>249,983</u>
At 31.7.14	<u>66,888</u>	<u>46,170</u>	<u>134,040</u>	<u>11,232</u>	<u>425</u>	<u>258,755</u>

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 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:

	2014/15 £'000	2013/14 £'000
Impairment charges	(27,023)	(300)
Deferred capital grant on impaired asset	908	-
Surplus arising on property disposal	24,172	1,376
Surplus arising on lease surrender	-	2,247
	<u>(1,943)</u>	<u>3,323</u>

Notes to the accounts (continued)

11. Tangible Fixed Assets (continued)

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. The University impaired the carrying value of the New Canal Street site to £8m in the financial statements for the year ended 31 July 2013. The University has considered the need for further impairment of this site in the current year's financial statements and is satisfied that no further impairment is required. This is on the basis that 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.

The University has impaired land and buildings at the City North Campus by £27,023,000 in order to recognise a reduction in the market value of the land below its carrying value at 31 July 2015.

	University					Total
	Freehold land & buildings	Assets in course of construction	Long leasehold land & buildings	Equipment, minor works and vehicles	Heritage assets	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1.8.14	106,717	46,170	156,203	41,536	425	351,051
Additions at cost	-	30,676	1,592	1,293	489	34,050
Transfers	-	(68,878)	68,704	174	-	-
Disposals	(13,724)	-	-	(5,643)	-	(19,367)
At 31.7.15	<u>92,993</u>	<u>7,968</u>	<u>226,499</u>	<u>37,360</u>	<u>914</u>	<u>365,734</u>
Depreciation						
At 1.8.14	41,468	-	26,430	30,389	-	98,287
Charge for year	1,947	-	3,610	3,031	-	8,588
Impairment	27,023	-	-	-	-	27,023
Disposals	(5,526)	-	-	(4,507)	-	(10,033)
At 31.7.15	<u>64,912</u>	<u>-</u>	<u>30,040</u>	<u>28,913</u>	<u>-</u>	<u>123,865</u>
Net book value						
At 31.7.15	<u>28,081</u>	<u>7,967</u>	<u>196,459</u>	<u>8,447</u>	<u>914</u>	<u>241,868</u>
At 31.7.14	<u>65,249</u>	<u>46,170</u>	<u>129,773</u>	<u>11,147</u>	<u>425</u>	<u>252,764</u>

Notes to the accounts (continued)

12. Investments

Unlisted investments at cost:-	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
CVCP Properties plc.	35	35	35	35
BCU Property Ltd	-	-	4,300	4,300
Other	136	170	136	170
	<u>171</u>	<u>205</u>	<u>4,471</u>	<u>4,505</u>

CVCP Properties plc. is owned by Universities UK and its member institutions. BCU Property Limited is a wholly owned subsidiary of the University.

13. Endowment Assets

At 31st July:-	Consolidated and University	
	2015 £'000	2014 £'000
COIF Charities Fixed Interest Fund	414	397
COIF Charities Property Fund	477	432
COIF Charities Investment Fund	4,134	3,819
Total endowment investments at valuation	5,025	4,648
Bank balances	201	185
Other	84	91
	<u>5,310</u>	<u>4,924</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, Property and Investment Funds on the basis of professional investment advice.

Consolidated and University

Movements in endowment investments:-	COIF Fixed Interest Fund £'000	COIF Charities Property Fund £'000	COIF Investment Fund £'000	Total £'000
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1.8.14	397	432	3,819	4,648
Additional investment	1	1	7	9
Sale of investments	-	-	-	-
Revaluations	16	44	308	368
At 31.7.15	<u>414</u>	<u>477</u>	<u>4,134</u>	<u>5,025</u>

Notes to the accounts (continued)

14. Stock

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Raw materials and consumables	217	46	217	46
Finished goods and goods for resale	51	49	51	49
	<u>268</u>	<u>95</u>	<u>268</u>	<u>95</u>

15. Debtors

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	4,001	1,946	4,778	2,559
Other debtors	3	-	-	-
Prepaid expenditure	2,327	2,271	2,278	2,256
Accrued income	21,669	1,919	21,005	1,695
Amounts due from subsidiaries	-	-	928	2,565
	<u>28,000</u>	<u>6,136</u>	<u>28,989</u>	<u>9,075</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. Included in consolidated and University accrued income is an amount of £8,727,257 falling due after more than one year.

16. Creditors Due Within One Year

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Mortgages (Note 17)	1,509	890	1,509	890
Trade creditors	4,400	9,341	4,382	9,292
Value Added Tax	123	32	117	21
Social security	950	877	950	877
Accrued expenditure	12,947	12,340	13,888	13,082
Deferred income	6,277	8,734	5,548	7,581
Other creditors	7,893	8,590	7,897	8,452
	<u>34,099</u>	<u>40,804</u>	<u>34,291</u>	<u>40,195</u>

Deferred income includes amounts received which relate to goods or services to be provided after 31st July 2015.

Notes to the accounts (continued)

17. Creditors Due After More Than One Year

	<u>Consolidated and University</u>	
	<u>2015</u>	<u>2014</u>
	<u>£'000</u>	<u>£'000</u>
Accrued expenditure	213	327
Mortgages secured on student residential accommodation	18,893	20,704
Salix Revolving Green Fund	173	219
	<u>19,279</u>	<u>21,250</u>

	<u>Consolidated and University</u>	
	<u>2015</u>	<u>2014</u>
	<u>£'000</u>	<u>£'000</u>
Maturity of mortgages secured on student residential accommodation and due: -		
Within 1 and 2 years	1,517	942
Within 2 and 5 years	4,596	3,170
After 5 years	12,780	16,592
	<u>18,893</u>	<u>20,704</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

	<u>Consolidated</u>		<u>University</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Potential exam costs relating to registered candidates	16	3	-	-
Clawback provision for externally funded projects	1,154	372	782	-
Grant clawback provision	562	1,079	562	1,079
Legal costs provision	45	22	45	22
Corporation Tax	305	305	-	-
Deferred Tax	-	82	-	-
	<u>2,082</u>	<u>1,863</u>	<u>1,389</u>	<u>1,101</u>

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. The provision for externally funded projects has been made in relation to a potential clawback of funds pending an audit of renegotiated output-related targets.

The ICAEW issued advice on 31 October 2014 which now requires the University's subsidiary companies to have distributable profits to make Gift Aid payments to the University. After examining previous years' Gift Aid payments and distributable profit

Notes to the accounts (continued)

18. Provisions (continued)

levels in the companies, the University recognised an additional intercompany creditor of £1,126,933 in 2014 due to certain of its subsidiaries. Following from the above, there may be a question over the eligibility of some of the previous years' Gift Aid payments for tax purposes. This is a sector wide issue and whilst the Board do not expect HMRC to levy any additional tax on the University's subsidiaries, there can be no certainty of this while HMRC's considerations continue. Therefore the Board considered it appropriate to make a provision of £305,459 in 2014 for the potential tax which may be repayable to HMRC. HMRC have still to clarify the position regarding tax on prior year Gift Aid payments and these provisions have this been retained at 31 July 2015.

19. Deferred Capital Grants

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
At 1st August	24,433	25,230	23,455	24,179
Receivable during the year	2,815	905	2,729	905
	<u>27,248</u>	<u>26,135</u>	<u>26,184</u>	<u>25,084</u>
Released to I & E account	(2,665)	(1,702)	(2,595)	(1,629)
At 31st July	<u>24,583</u>	<u>24,433</u>	<u>23,589</u>	<u>23,455</u>

The balances at 31st July are analysed as follows:

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Buildings	24,080	22,884	23,086	21,959
Equipment	503	1,549	503	1,496
	<u>24,583</u>	<u>24,433</u>	<u>23,589</u>	<u>23,455</u>

20. Endowments

Permanent, restricted funds:-	Consolidated and University
	£'000
At 1.8.14:	
Capital	4,734
Accumulated income	190
	<u>4,924</u>
New endowment assets received	16
Revaluation of investments	368
Investment income	196
Expenditure	(194)
Surplus income for the year	2
At 31.7.15	<u>5,310</u>
Capital	5,118
Accumulated income	192
	<u>5,310</u>

Notes to the accounts (continued)

20. Endowments (continued)

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

21. Revaluation Reserve

	Consolidated and University £'000
At 1.8.14	41,195
Heritage Asset	489
Transfer to General Reserve re: depreciation on inherited assets	(825)
Transfer to General Reserve re: impaired and disposed assets	(19,333)
At 31.7.15	<u>21,526</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 1.8.14	149,342	152,822
Surplus for the year	23,018	17,975
Pension Scheme actuarial loss	(11,277)	(11,277)
Transfers from Revaluation Reserve	20,158	20,158
Transfer to Endowments	(2)	(2)
At 31.7.15	<u>181,239</u>	<u>179,676</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 currently 30 years until 26 November 2029 and the current annual rental is £915,607 (2014: £893,275). On the expiration date of the current lease, a lease extension will be entered into between Millennium Point Property Ltd, TIC and the University which extends the period of the guarantee to 18 March 2149.

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.

A contingent liability exists in relation to the Universities Superannuation Scheme pension valuation recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognized as a provision

Notes to the accounts (continued)

23. Contingent Liabilities (continued)

on the balance sheet. The associated receivable from the scheme in respect of the University's expenditure is similarly not recognized.

24. Lease Obligations

Annual commitments under operating leases were as follows.

	<u>Consolidated and</u> <u>University</u>	
	2015	2014
Leases expiring:	<u>£'000</u>	<u>£'000</u>
Within one year	43	180
In the second to fifth years inclusive	929	859
After five years	1,517	1,672
	<u>2,489</u>	<u>2,711</u>

25. Capital commitments

Capital commitments were as follows:

	<u>Consolidated and</u> <u>University</u>	
	2015	2014
	<u>£'000</u>	<u>£'000</u>
Authorised and contracted at 31st July	53,623	21,824
Authorised but not contracted at 31st July	92,636	92,260
	<u>146,259</u>	<u>114,084</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 the City Centre Campus. Authorised but not contracted costs at 31 July 2015 reflect the approved costs in the University's major projects plan for the further development of the City Centre Campus in the period through to 31 July 2018 and the development of the City South 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.

Notes to the accounts (continued)

26. Pension Schemes

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme (TPS), The Universities Superannuation Scheme (USS) and the West Midlands Pension Fund, a Local Government Pension Scheme (LGPS). The total pension cost for the year was:

	<u>2015</u>			<u>2014</u>		
	<u>Emp'r cont's</u>	<u>FRS17</u>	<u>Total</u>	<u>Emp'r cont's</u>	<u>FRS17</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
USS	502	-	502	454	-	454
WMPF	4,756	960	5,716	3,950	1,492	5,442
TPS	5,389	-	5,389	5,057	-	5,057
Total pension cost (note 7)	<u>10,647</u>	<u>960</u>	<u>11,607</u>	<u>9,461</u>	<u>1,492</u>	<u>10,953</u>

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

	<u>USS</u>	<u>WMPF</u>	<u>TPS</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>
Investment returns per annum	5.2%	5.46%	5.06%
Salary scale increase per annum	3.5%	3.95%	4.75%
Pension increase per annum	2.6%	2.2%	2.0%
Market value of assets at date of last valuation	£41,604.6 million	£143.718 million	£176,600 million
MFR proportion of members' accrued benefits covered by the actuarial value of the assets (for USS and TPS as at the date of the last actuarial valuation)	89%	67.4%	92.2%

Basic employer contribution rates used during the year to 31 July 2015:

	<u>USS</u>	<u>WMPF</u>	<u>TPS</u>
1 August 2014 to 31 March 2015	16%	12.7%	14.1%
1 April 2015 to 31 July 2015	16%	12.7%	14.1% (See note below)

An actuarial valuation of the TPS was carried out as at 31 March 2012. The valuation specified the contribution rate for the 4-year period commencing 1 April 2015 as 16.4% of pensionable pay. Following agreement between the Department for Education and HM Treasury, the increase in employer contribution rate will not be implemented until 1 September 2015. The employer contribution rate is expected to be reassessed at the actuarial valuation to be carried out as at 31 March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1 April 2019.

Notes to the accounts (continued)

26. Pension Schemes (continued)

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 four years in accordance with the advice of the Government Actuary.

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.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17, accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the income and expenditure account is £502,000 (2014: £454,000). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

The latest triennial actuarial valuation of the scheme was at 31 March 2014 which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

This was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the assets of the scheme amounted to £41.6 billion and the value of the scheme's technical provisions amounted to £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS17 liability numbers have been produced for the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

Notes to the accounts (continued)

26. Pension Schemes (continued)

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

Male members' mortality	S1NA ["light"] YoB tables – no age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

Use of these tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% per annum long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females.

The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 years	24.2	23.7
Females currently aged 65 years	26.3	25.6
Males currently aged 45 years	26.2	25.5
Females currently aged 45 years	28.6	27.6

	2015	2014
Existing benefits		
Scheme assets	£49.0bn	£41.6bn
FRS17 liabilities	£67.6bn	£55.5bn
FRS17 deficit	£18.6bn	£13.9bn
FRS17 funding level	72%	75%

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 to 31 March 2015 was 12.7% plus a past service lump sum of £900,000 for the year; from 1 April 2015 to 31 July 2015, the rate was 12.7% plus a past service lump sum of £1,300,000 for the year. 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 are 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 2013 updated to 31 July 2015 and 2014 by a qualified independent actuary.

	31 July 2015	31 July 2014
Inflation – CPI	2.2%	2.3%
Rate of increase in salaries	3.95%	4.05%
Rate of increase in pensions	2.2%	2.3%
Discount rate for liabilities	3.8%	4.3%
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 2015 Years	31 July 2014 Years
<i>Retiring today</i>		
Males	23.0	22.9
Females	25.6	25.5
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	28.0	27.8

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

	Consolidated & University			
	2015	2014	2015	2014
	Long term rate of return expected at 31 July 2015	Value at 31 July 2015 £'000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	6.5%	84,937	7.0%	56,774
Property	6.1%	12,072	6.2%	10,161
Government Bonds	2.5%	10,923	3.2%	13,082
Other Bonds	3.6%	14,947	4.1%	10,923
Cash	0.5%	6,898	0.5%	5,716
Other	6.5%	13,941	7.0%	30,356
Total market value of assets		<u>143,718</u>		<u>127,012</u>
Present value of scheme liabilities		<u>(213,078)</u>		<u>(183,687)</u>
Deficit in the scheme		<u>(69,360)</u>		<u>(56,675)</u>

Notes to the accounts (continued)

26. Pension Schemes (continued)

The expected return on other assets varies dependent on the type of asset. For the purposes of this calculation, a yield of 6.5% (2014: 7.0%) has been applied.

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

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	(5,582)	(5,484)
Past service cost	-	-
Total operating charge	<u>(5,582)</u>	<u>(5,484)</u>

Analysis of pension finance costs:

	2015 £'000	2014 £'000
Expected return on pension scheme assets	7,548	7,337
Interest on pension scheme liabilities	(7,996)	(8,357)
Pension finance costs	<u>(448)</u>	<u>(1,020)</u>

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

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	5,564	(6,659)
Changes in assumptions	(16,841)	12,457
Actuarial (loss)/gain recognised in STRGL	<u>(11,277)</u>	<u>5,798</u>

Asset and Liability Reconciliation:

	Consolidated & University £'000
Liabilities at start of period	183,687
Service cost	5,582
Interest cost	7,996
Employee contributions	2,017
Curtailments	-
Actuarial gains	16,841
Benefits paid	(3,045)
Liabilities at end of period	<u>213,078</u>
Assets at start of period	127,012
Expected return on assets	7,548
Actuarial losses	5,564
Employer contributions	4,622
Employee contributions	2,017
Benefits paid	(3,045)
Assets at end of period	<u>143,718</u>

Notes to the accounts (continued)

26. Pension Schemes (continued)

History of consolidated experience gains or losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Difference between the expected and actual return on assets:					
Amount	5,564	(6,659)	9,121	(3,658)	4,860
% of scheme assets	3.9%	(5.2%)	7.4%	(3.4%)	4.8%
Experience gains and losses on scheme liabilities:					
Amount	(16,841)	12,390	(3,524)	(5,172)	(1,410)
% of scheme liabilities	(7.9%)	6.7%	1.9%	(3.1%)	0.9%
Total amounts recognised in statement of total recognised gains and losses:					
Amount	(11,277)	5,798	5,597	8,830	2,276
% of scheme liabilities	(5.3%)	3.2%	3.0%	(5.2%)	(1.5%)

27. Post Balance Sheet Events

There were no unadjusted post balance sheet events, favourable or unfavourable, between the balance sheet date and 24 November 2015, 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 2015 £	31st July 2014 £
ABBE Limited	(130,058)	(76,688)
Birmingham School of Acting	(822,887)	(822,887)
Technology Innovation Centre	3,098,910	(2,064,512)
TIC Commercial Limited	(203,109)	(201,501)
BCU Enterprise Limited	(727,875)	(720,426)
BCU Property Limited	4,178,230	4,238,654
BCU Trustees Limited	2	2

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:-

	2014/15 £'000	2013/14 £'000
Surplus for the year	<u>23,018</u>	<u>23,148</u>
Adjustments for items not relating to operating activities		
- release of capital grant (Note 19)	(2,665)	(1,702)
- donated asset	-	-
- endowment income, investment income and interest receivable (Note 6)	(722)	(764)
- depreciation (Note 11)	8,860	9,309
- Impairment charge (note 11)	27,023	300
- interest payable (Note 10)	1,098	2,171
- (Surplus)/loss on disposal of fixed assets	<u>(25,078)</u>	<u>(3,323)</u>
	<u>8,516</u>	<u>5,991</u>
Surplus from operating activities	31,534	29,137
FRS17 operating charges (Note 26)	5,582	5,507
FRS17 contributions paid (Note 26)	(4,622)	(4,015)
Decrease/(Increase) in stock	(173)	40
(Increase)/Decrease in debtors excluding interest receivable	(1,971)	(2,079)
Increase/(Decrease) in creditors	(6,452)	6,616
Increase in provisions	218	1,050
Net cash inflow from operating activities for the year	<u><u>24,116</u></u>	<u><u>36,256</u></u>

30. Returns on Investments and Servicing of Borrowings

	2014/15 £'000	2013/14 £'000
Cash flows for the year associated with returns on investments and servicing of borrowings:-		
Income from endowments	196	152
Interest received	489	831
Interest paid	(657)	(1,152)
Investment income	15	-
Net cash inflow/(outflow) for the year	<u>43</u>	<u>(169)</u>

31. Capital Expenditure and Financial Investment

	2014/15 £'000	2013/14 £'000
Cash flows for the year associated with capital expenditure and financial investment:-		
Payments to acquire Tangible Assets	(36,936)	(33,314)
Receipts from sale of Current Asset Investments	(4,966)	7,000
Receipts from sale of Endowment Asset Investments	-	15
Payments to acquire Endowment Asset Investments	(1)	(287)
Deferred Capital Grants received	2,815	905
Receipts from sales of Tangible Assets	14,542	3,634
Endowments received	16	287
Net cash outflow for the year	<u><u>(24,530)</u></u>	<u><u>(21,760)</u></u>

Notes to the accounts (continued)

32. Consolidated Net Borrowings

Changes during the year were as follows:-	At 1.8.14	2013/14 Cash inflow/ (outflow)	At 31.7.15
	£'000	£'000	£'000
Salix Revolving Green Fund	219	(46)	173
Mortgages	21,594	(1,192)	20,402
<u>Total consolidated borrowings</u>	<u>21,813</u>	<u>(1,238)</u>	<u>20,575</u>
less:			
Cash at bank: endowment assets	185	16	201
Cash at bank: other	40,571	3,675	44,246
	40,756	3,691	44,447
Short term deposits	19,800	(5,300)	14,500
<u>Total cash, bank and deposits</u>	<u>60,556</u>	<u>(1,609)</u>	<u>58,947</u>
<u>Consolidated Net Cash</u>	<u>(38,743)</u>	<u>371</u>	<u>(38,372)</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 2015 of £20,403,000 (2014: £21,594,000) was secured on University student residential accommodation.

Net cash flows associated with consolidated borrowings were as follows:

	2014/15 £'000	2013/14 £'000
Salix Revolving Green Fund	(46)	14
Mortgages repaid	(1,192)	(841)
Net cash outflow associated with consolidated borrowings	<u>(1,238)</u>	<u>(827)</u>

33. Student Access Funds and Training Bursaries

	2014/15			
	HEFCE Access Funds £'000	NCTL Training Bursaries £'000	NHS Placement Bursaries £'000	TDA Training Bursaries £'000
Funding Council grants	1	43	264	1,854
Disbursed to students	(1)	(43)	(264)	(1,854)
Balance unspent at 31 July	<u>-</u>	<u>-</u>	<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 (2013/14: £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 2014/15
Travel and subsistence	590	1

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 and 2015 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.

36. Taxation

	2014/15 £'000	2013/14 £'000
UK Corporation Tax at 20.67% (2014: 22.33%)	-	-
Adjustment in respect of prior years	-	305
Deferred tax	(82)	82
Total	(82)	387

Five year summary (Not part of the audited accounts)

GROUP INCOME AND EXPENDITURE ACCOUNTS	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000
Income					
Funding Council Grants	18,684	26,608	35,852	49,555	55,669
Other Income	168,055	146,403	124,603	112,084	113,080
Endowment Income/Investment Income/Interest Receivable	722	764	998	1,132	821
	<u>187,461</u>	<u>173,775</u>	<u>161,453</u>	<u>162,771</u>	<u>169,570</u>
Increase/(Decrease) in income	7.9%	7.6%	(0.8%)	(4.0%)	4.8%
Expenditure					
Staff Costs	102,130	93,595	86,732	89,440	89,006
Other Operating Expenses	50,493	48,488	46,397	45,263	52,271
Depreciation	8,861	9,309	7,407	7,476	7,827
Interest Payable	1,098	2,171	2,233	2,729	2,981
	<u>162,582</u>	<u>153,563</u>	<u>142,769</u>	<u>144,908</u>	<u>152,085</u>
Surplus before exceptionals and tax	24,879	20,212	18,684	17,863	17,485
Exceptional items	(1,943)	3,323	(2,045)	(3,000)	(3,991)
Taxation	82	(387)	-	-	-
	<u>23,018</u>	<u>23,148</u>	<u>16,639</u>	<u>14,863</u>	<u>13,494</u>
Surplus for the Year					
Surplus : Income before exceptionals and tax	13.3%	11.6%	11.6%	10.9%	10.3%
Staff costs: Total income	54.5%	53.8%	53.7%	54.9%	52.5%

Five year summary (Not part of the audited accounts)

GROUP BALANCE SHEETS					
As at 31st July					
	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fixed Assets	<u>250,154</u>	<u>258,960</u>	<u>234,279</u>	<u>207,439</u>	<u>189,236</u>
Endowment Assets	<u>5,310</u>	<u>4,924</u>	<u>4,555</u>	<u>3,378</u>	<u>3,196</u>
Current Assets					
Stock	268	90	135	115	189
Debtors	28,000	6,136	4,276	8,532	7,046
Current Asset Investments	15,000	10,000	17,000	18,000	15,000
Short term deposits	14,500	19,800	9,000	41,800	53,700
Cash at bank and in hand	<u>44,246</u>	<u>40,571</u>	<u>37,859</u>	<u>10,970</u>	<u>5,668</u>
	102,014	76,602	68,270	79,417	81,603
Creditors within one year	<u>(34,099)</u>	<u>(40,804)</u>	<u>(32,743)</u>	<u>(48,293)</u>	<u>(47,428)</u>
Net Current Assets	<u>67,915</u>	<u>35,798</u>	<u>35,527</u>	<u>31,124</u>	<u>34,175</u>
Total assets less current liabilities	323,379	299,682	274,361	241,941	226,607
Creditors after one year	(19,279)	(21,250)	(22,240)	(22,527)	(23,328)
Provisions	(2,082)	(1,863)	(813)	(821)	(504)
Pension Liability	(69,360)	(56,675)	(59,961)	(62,964)	(51,372)
TOTAL NET ASSETS	<u>232,658</u>	<u>219,894</u>	<u>191,347</u>	<u>155,629</u>	<u>151,403</u>
Represented by:					
Deferred capital grants	24,583	24,433	25,230	12,905	14,880
Endowments	5,310	4,924	4,555	3,378	3,196
Revaluation reserve	21,526	41,195	42,386	43,561	44,756
General reserve	<u>181,239</u>	<u>149,342</u>	<u>119,176</u>	<u>95,785</u>	<u>88,571</u>
TOTAL FUNDS	<u>232,658</u>	<u>219,894</u>	<u>191,347</u>	<u>155,629</u>	<u>151,403</u>

Five year summary (Not part of the audited accounts)

GROUP LIQUIDITY	2015	2014	2013	2012	2011
As at 31st July	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand:					
Endowment assets	201	185	197	174	161
Other cash at bank	44,246	40,571	37,859	10,970	5,668
	<u>44,447</u>	<u>40,756</u>	<u>38,056</u>	<u>11,144</u>	<u>5,829</u>
Short term deposits	14,500	19,800	9,000	41,800	53,700
Liquid resources per balance sheet	58,947	60,556	47,056	52,944	59,529
Longer term deposits in current asset investments	15,000	10,000	17,000	18,000	15,000
Total cash and deposits	<u>73,947</u>	<u>70,556</u>	<u>64,056</u>	<u>70,944</u>	<u>74,529</u>

GROUP NET BORROWINGS	2015	2014	2013	2012	2011
As at 31st July	£'000	£'000	£'000	£'000	£'000
Salix Revolving Green Fund	173	219	205	92	98
Nat West Bank (secured)	20,402	21,594	22,435	23,230	23,979
Total borrowings	20,575	21,813	22,640	23,322	24,077
less: cash at bank and short term deposits	(58,947)	(60,556)	(47,056)	(52,944)	(59,529)
NET (CASH)/BORROWINGS	<u>(38,372)</u>	<u>(38,743)</u>	<u>(24,416)</u>	<u>(29,622)</u>	<u>(35,452)</u>

GROUP CASHFLOWS	2014/15	2013/14	2012/13	2011/12	2010/11
For the year ended 31st July	£'000	£'000	£'000	£'000	£'000
Operating cash inflow	5,399	36,256	19,524	23,911	30,943
Investment returns/servicing of borrowings	43	(169)	(196)	(62)	(683)
Net Capital (expenditure)/receipts and Financial Investment	(5,813)	(21,760)	(24,534)	(29,679)	8,505
Decrease/(increase) in short term deposits	5,300	(10,800)	32,800	11,900	(37,500)
Outflow from borrowings	(1,238)	(827)	(682)	(755)	(697)
Cash increase for year	3,691	2,700	26,912	5,315	568
Cash at bank: opening	40,756	38,056	11,144	5,829	5,261
Cash at bank: closing	<u>44,447</u>	<u>40,756</u>	<u>38,056</u>	<u>11,144</u>	<u>5,829</u>



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