

Report of the
Board of Governors
and Audited Accounts
2013–14

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS FOR 2013/14

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Operating and Financial Review

The Board of Governors of Birmingham City University presents its annual report and the University's audited financial statements for the year ended 31st July 2014.

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.

The University's Board of Governors reviewed the University's Public Benefit statement in 2013 in light of the revised public benefit guidance issued by the Charity Commission. 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.

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

The following report summarises the Board's assessment of how the University has delivered its charitable purposes for the public benefit and the University's overall performance in 2013/14. In discussing and approving this report, the Board, as Trustees, has had regard to the Charity Commission's guidance on Charitable Purposes and Public Benefit.

Public Benefit Statement

The University's main charitable purpose is the advancement of education. This purpose derives from Section 124 of the Education Reform Act 1988 which established what is now, Birmingham City University, as a Higher Education Corporation. Its purpose is expressed in the University's mission, 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 has undertaken an awareness raising programme to ensure that all Governors, managers and key individuals within the University are aware of the University's obligations as an exempt charity, and of the requirements for serious incident reporting and all new Governors have been briefed as to their obligations as charitable trustees. A serious incident reporting procedure has been established. During 2013/14 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>].

Strategic Overview

Throughout the last year 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. It is recognised that the environment in which the University operates brings new challenges and new competitive pressures.

The Birmingham City University Strategic Plan 2020 has been developed around four core aims:

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

The University is clearly differentiated 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.

Key to ensuring the transformation of the University into an effective and sustainable organisation are the following financial objectives:

- 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

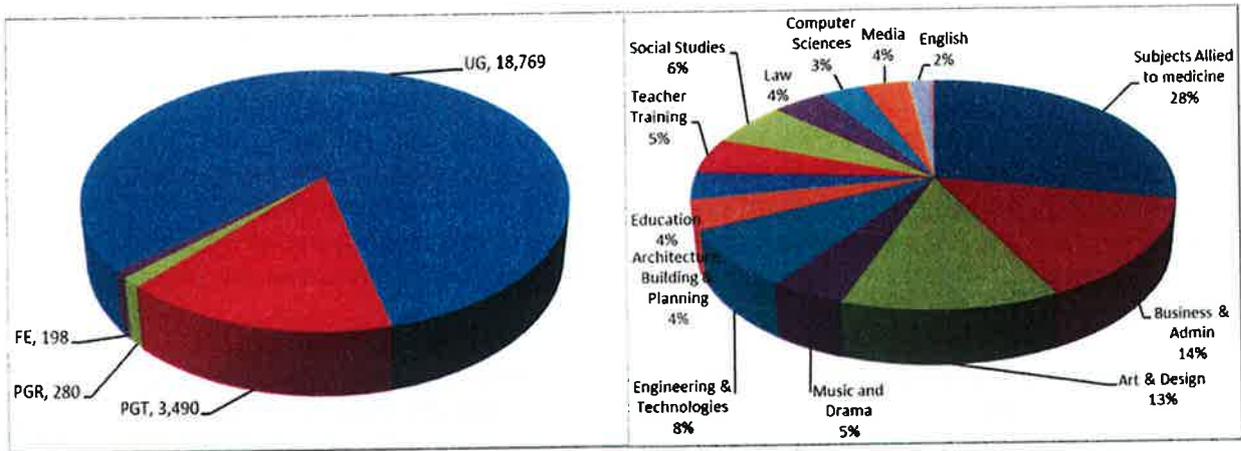
Performance against these objectives is considered further in the sections below.

In 2013/14, as in previous years, 100% of the University's financial surplus will be used to improve the provision of education.

Looking forward to 2014/15, 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.

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.

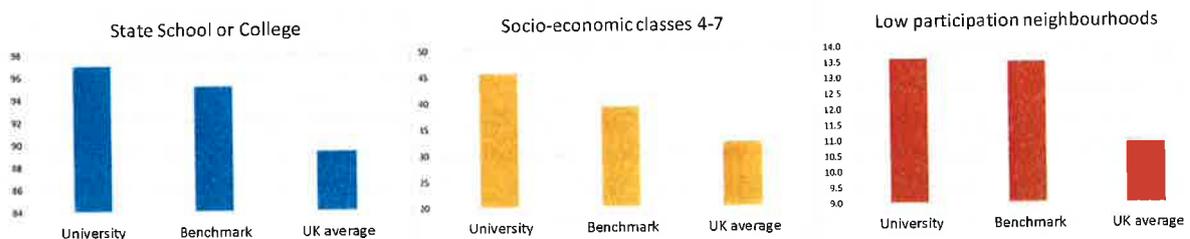


The University's primary beneficiaries are the students who study and learn at the University. The University's activities also benefit society at large, through the education and training of students who upon graduation make a particular contribution to the creative industries and to professional practice,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

In 2013/14, 6753 students graduated from undergraduate programmes plus 2137 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 student 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 performs exceptionally well both in absolute terms and by comparison to our sector benchmark.



Source: HESA Performance Indicators T1a: UK domiciled young full-time first degree entrants 2012/13

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 2013/14 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 2013/14, the University received and administered over £4m 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 has established an international partnership with Navitas Group to form the Birmingham City University International College (BCUIC) at its Bournville campus. Navitas is the world's largest provider of university pathway education with over 30 partnerships globally. The first enrolments to the College began in September 2013 and during 2013/14, the College has accepted over 320 students from 32 countries. The College is designed to provide a pathway onto University programmes and so these students will progress onto their main University programmes during 2014/15.



The University established the Birmingham City University Academies Trust during 2012/13 and the first school, City Road Primary, has become a sponsored academy within the Trust from the 2013/14 school year. 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. 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.



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 £4.9m of trust and endowment funds, through its Trustee Committee. These funds exist to provide a range of bursaries, prizes, scholarships and awards to assist the students, our key beneficiaries, to achieve their potential, and in recognition of academic excellence in specific fields. In 2013/14 the Trustee Committee approved the disbursement of £255k in bursaries, scholarships and prizes from these Trust Funds.

In addition to these trust funds, the University distributed over £620k 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 patient safety, 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. Projects range from modelling brain patterns associated with chronic pain, to the psychological dimensions of living with chronic pain.

Recent highlights include:

The first UK university faculty to be awarded Dyslexia Friendly accreditation by the British Dyslexia Association

University students featured in TV popular documentary series *The Midwives* and *Student Nurses: Bedpans to Bandages*

Research showed how data sonification (converting data to audio signals) can improve techniques in stem cell analysis, opening up new possibilities for GPs to make instant cancer diagnoses

Research with Birmingham Children's Hospital explored how computer games and game based learning can be applied in the healthcare sector to boost young people's understanding of their medical conditions and how to care for themselves

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:

- Over 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:

University tutors nominated for awards at the Oscars and the New York Radio Festival

Plans for a new home for the Birmingham Conservatoire announced including a 500 seat public performance venue

Launch of CityTalks – a new public lecture series including best-selling crime writer R J Ellory, BAFTA award-winning director and University alumnus Ian Emes, British cellist and conductor Julian Lloyd Webber plus several broadcasts in conjunction with the BBC

Hosted the international Race Tech World symposium to debate the future for the Motorsport industry, and the Rethink Media conference to discuss the latest trends in digital media

Unique partnership agreed with Luxury goods brand Louis Vuitton Moët Hennessy (LVMH) Watch & Jewellery UK to provide horology students with practical experience of working with a number of prestigious brands and of developing their technical skills in a commercial environment

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.

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:

Criminology research findings presented to 'Victims of Anti-Muslim Hate' hearing of the All Party Parliamentary Group on Islamophobia, and first-ever study of British hit men published which discussed 27 contract killings, committed by 36 hit men who were active on the British mainland from 1974 to 2013

Partnerships agreed with security firm G4S and HM Prison Birmingham to develop research links and undertake projects involving offenders, prison officers and the wider criminal justice system

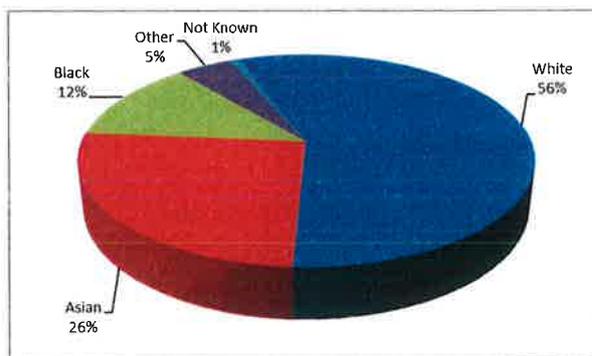
Book launched in Parliament highlighting the importance of rediscovering the urban-rural fringe and how such insights can shape the future direction of England's planning system

Research with the University of Nebraska developed a board game to improve the way in which the public engage with, and understand, complex land and resource management issues facing their communities

High-profile delegation visited Chicago to address the global potential for cities to act as key drivers in learning, investment and economic growth, with an international think-tank to help cities become 'smarter' and more cost-efficient

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 43 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 2013/14 full-time undergraduate population demonstrates further increase in the participation of BME entrants. The University has started to collect further equality data, including that relating to participation of students by their religious beliefs which 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.



The University also has favourable staff diversity profiles where data is collected for age, disability, sex/gender and ethnicity. For example, 6% of Birmingham City University staff declared a disability compared to 3% in the UK HE sector and approximately 18% of staff are from a BME background compared to 13% in the UK HE sector.

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 ISO 14001 for Environmental Management Systems. The University has achieved a 25% reduction in carbon emissions from energy use in buildings and a 37% reduction in water use when compared to 2005/06.

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

The University and the Students' Union have joint Fairtrade Status for our commitment to using Fairtrade products whenever practicable and the University has been awarded a Business in the Community 'Big Tick' award in 2014 for our 'sustainable products and services'.

Recent highlights include:

Joint bid with the SU to NUS for sustainability (ECO) projects engaging staff and students was successful and given the highest award of any university

Parkside Building received the Insider West Midlands Sustainability Award, the Royal Institute of British Architects West Midlands Regional Award, and Highly Commended by the Royal Institution of Chartered Surveyors in the West Midlands Design Through Innovation Award

Leading a Europe-wide project to tackle urban pollution, including developing a web-based system capable of addressing potential climate issues in urban areas by plotting the environmental impact of proposed developments

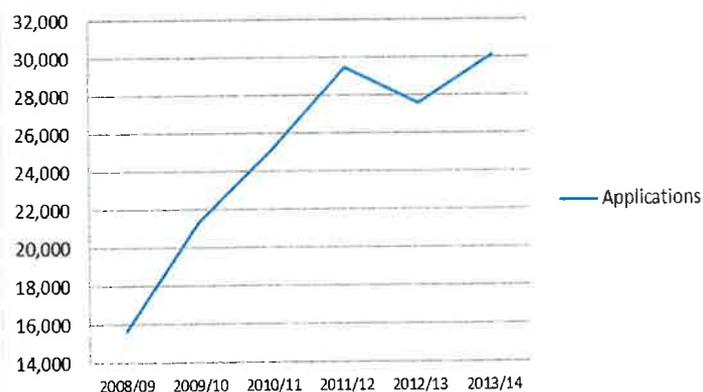
Collaborating with motorsport parts manufacturer Spencer Ashley Ltd in Walsall and the Indian DYP-DC centre for automotive research, to design potentially the world's first affordable hydrogen fuel-cell powered mass transport vehicle which would produce zero exhaust emissions

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.

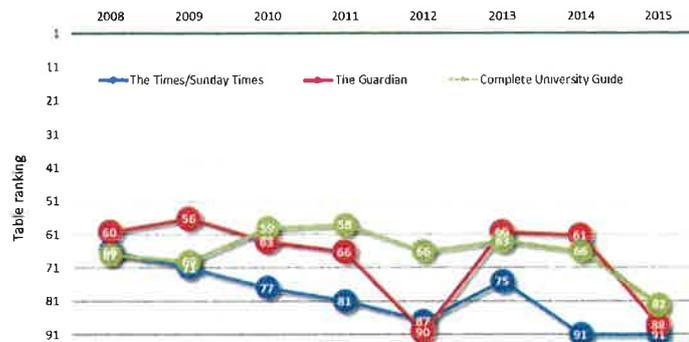
The University enjoyed a strong level of demand for undergraduate places for 2013/14 entry. The dip experienced in 2012/13 was sector-wide, relating to the introduction of the higher fees. However, applications for 2013/14 then grew once again and actually exceeded the previously-highest level that the University had experienced in 2011/12. During 2013/14 applications have continued to grow for 2014/15 and indications (in advance of the final published end of cycle data) are that the University's applications have grown by a further 12% compared to just 4% nationally.

First Degree Applications through UCAS

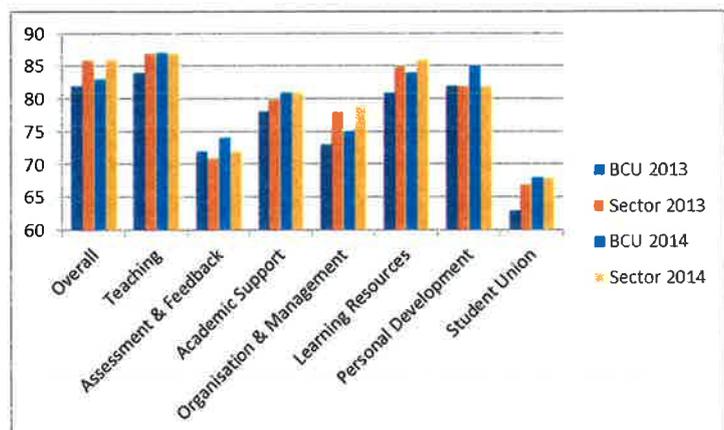


Student satisfaction is an important focus of management attention and a range of actions were put in place in advance of the 2014 National Students' Survey and are continuing.

These actions form part of a broader programme of action that was launched during 2012/13 entitled 'Partners for Success' which covers retention, progression and achievement and employment outcomes, as well as student engagement and participation. Despite these activities, and as anticipated, the University's rank position fell in the League Tables, principally due to the University's slight decrease in the 2013 National Students' Survey compared to an increase in the national average. This is one of the most significant factors used within League Tables rankings.



The University's performance in the 2014 survey has improved and the gap to the sector average has been narrowed across all question categories. The University has now achieved the sector average in three of the areas, and exceeds it in two areas, although this continues to remain a focus of management attention and institutional activity.



The HESA Performance Indicators for non-continuation have continued to maintain the improvement shown over recent years. For example, last year the projected proportion of full-time first degree students expected to complete their degree had improved from 71.3% to 77.1% and this has now reached 78.2%, which is better than the sector benchmark for the institution.

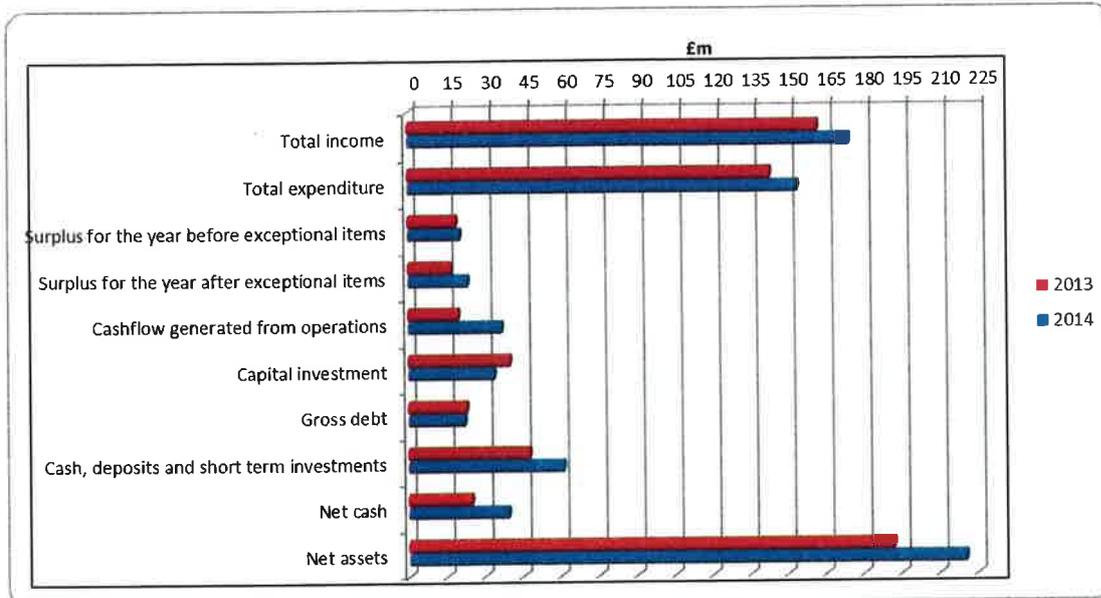
Key Financial Highlights

The consolidated accounts for 2013/14 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 £23.1m (2013: £16.6m) after allowing for FRS17 pension adjustments of £6.5m (2013: £6.0m) and taking into account exceptional items of £3.3m (2013: charge of £2.1m) and provisions for taxation of £0.4m (2013: £nil).

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 2014 are summarised below:

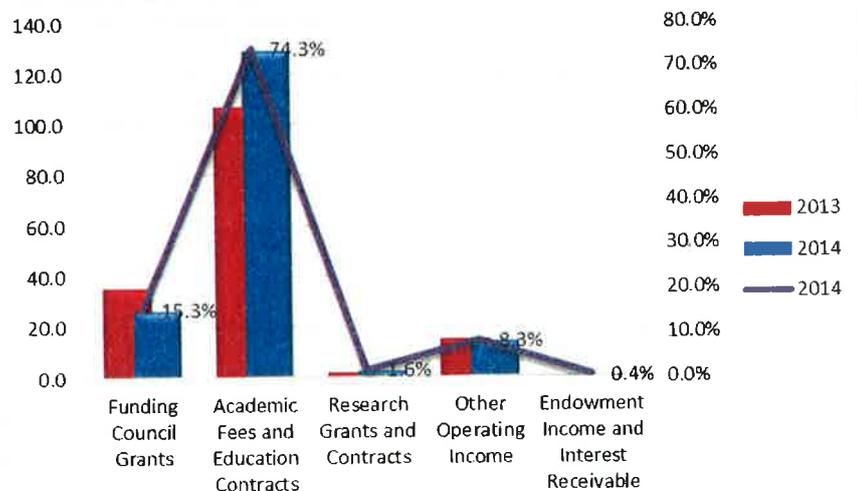


Financial Performance 2013/14

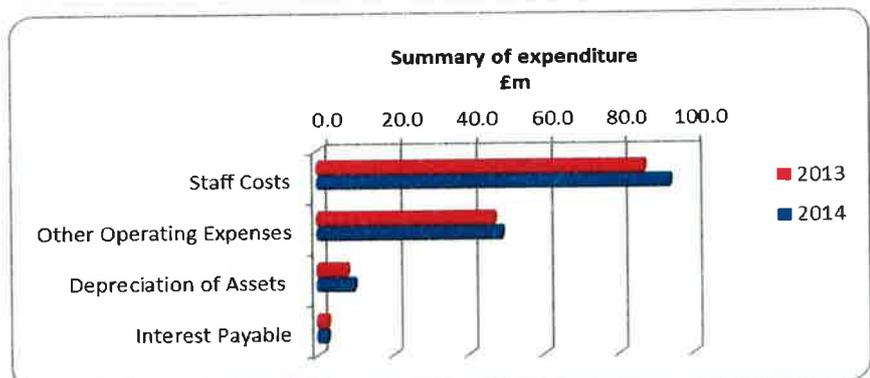
The external economic and market operating environment continued to present significant challenges. Against this backdrop, the results for the year reflect a strong financial performance. Before exceptional items and taxation the Group achieved a surplus of £20.2m (2013: £18.7m).

Total income for the year was £173.8m (2013: £161.5m) an increase of £12.3m. 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.

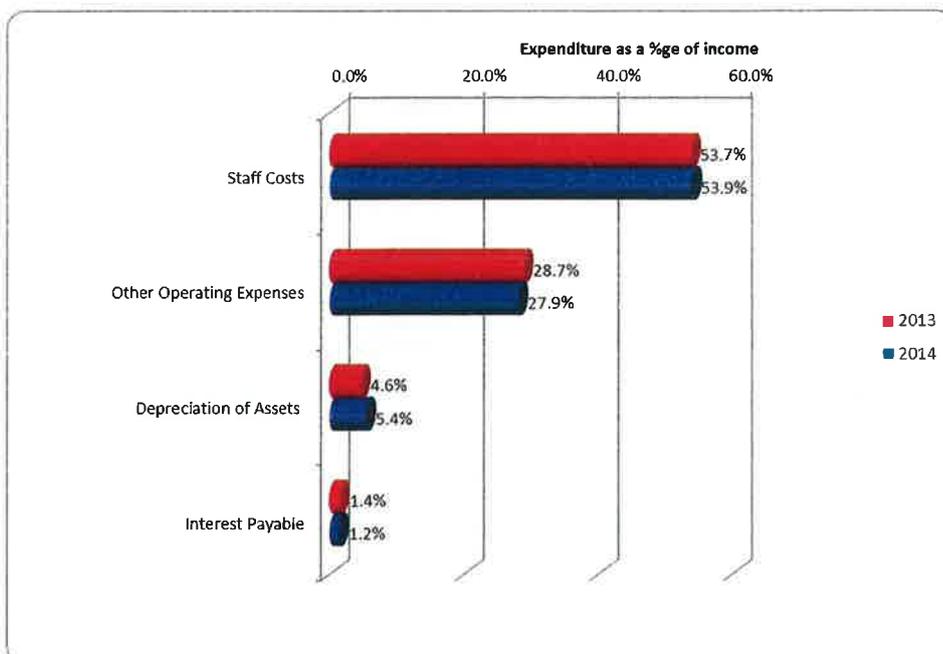
Funding Council Grant income in the year fell by £9.3m whilst income from academic fees and education contracts increased by £22.3m. Income from academic fees and education contracts as a proportion of income from all sources rose to 74.3% in 2014 from 66.2% in the previous financial year.



Total expenditure for the year was £153.6m (2013: £142.8m) an increase of £10.8m which included an increase in Staff Costs of £6.9m and an increase in Other Operating Expenses of £2.1m.



Staff costs remain a significant cost for the University and the increase in the year reflects a 1% pay award. 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

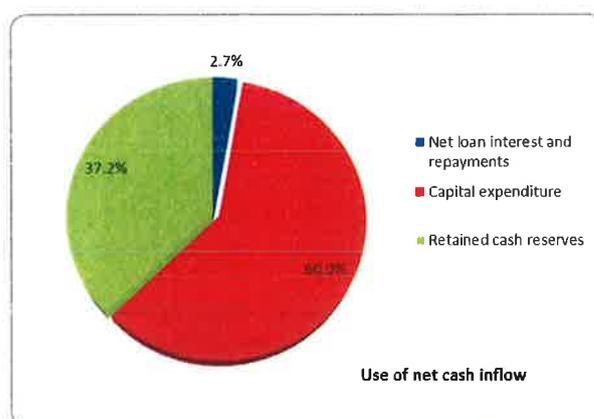
pension schemes, as well as other inflationary factors. However the impact on staff recruitment and retention of changes in pension schemes are more difficult to quantify at this stage, but remain of concern.

Capital Investment

Cash invested in capital investment for the year amounted to £33.3m (2013: £39.5m) 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 is scheduled to open to students in September 2015.

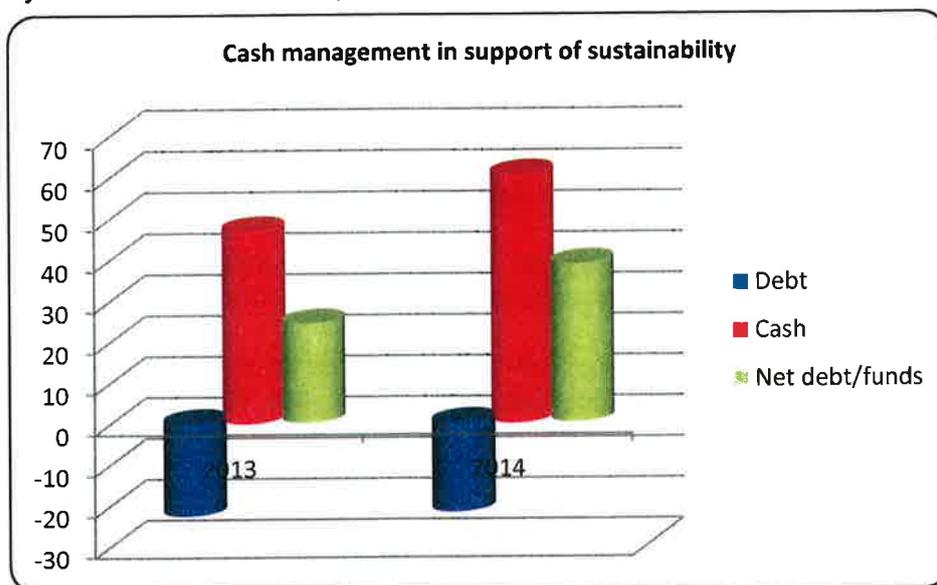
Cashflow and Treasury Management

Cashflow from operations for the year was £36.3m (2013: £19.5m). After taking into account capital expenditure and financial investment, the cash inflow before deposits and borrowing amounted to £14.3m (2013: outflow of £5.2m).



The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £20.7m (2013: £21.6m) of which 91.5% is on a fixed rate basis until 2015. 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 £21.8m (2013: £22.6m). The Group has cash and money market deposits amounting to £60.6m at 31 July (2013: £47.1m) giving net cash balances of £38.7m (2013: £24.4m) 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.

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Corporate Governance and Internal Control

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

The Corporation

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

The Board of Governors and the Senate

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

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

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

Subject to the overall responsibility of the Board of Governors, the Senate oversees academic affairs and draws its membership entirely from the staff and the students of the University. It is particularly concerned with issues relating to the teaching and research work of the University.

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

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

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

Chairman: Mr Alex Stephenson, CBE, BEng (Marine) (Independent Member)

Deputy Chairman to 9 April 2014: Mr Vic Cocker, CBE, BA (Econ) (Independent Member)

Deputy Chairman from 10 April 2014: Mr Mark Hopton, FCA (Independent Member)

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

Independent Members: Mr Jim Beeston, OBE, Dip.T.P, M.R.T.P.I
Honorary Alderman John Charlton, CBE
The Rt Hon Lord Grocott PC
Mr Andrew Jowett, OBE (from 1 April 2014)
Mr Joe Kelly FCA, MBA
Ms Jenny Ladbrooke, BA (Hons), MCIPD
Ms Nicky Lloyd, CPA, FCA, BA (Hons) (to 31 July 2014)
Ms Jenny Loynton, LLB
Mr Andrew Messenger, FCIB (to 31 March 2014)

Co-opted Members: Dr Waqar Azmi, OBE (to 2 October 2014)
Professor Graham Henderson, CBE, DL
Ms Ann Jones, BA (Hons), PGCE
Professor David Roberts, BA (Hons), DPhil, FHEA, FEA (teaching staff representative)
Mr Raaj Shamji, BA (Hons), ACMA, MBA, MEGTT (general staff representative)
Mr Shaun Smith

Member of teaching staff nominated by Senate: Professor Stuart Brand, BSc (Hons), PhD

Student Governor: Mr Joe Boyd (to 30 June 2014)
Mr Niall Magennis (from 1 July 2014)

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £784 for 2013/14.

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

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

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

The Vice-Chancellor

The Vice-Chancellor is the chief executive officer who is responsible to the Board of Governors for the organisation, direction and management of the University. The Vice-Chancellor is the Accountable Officer under the terms of the Financial Memorandum with HEFCE. 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 2013/14 were the Pro-Vice-Chancellors, the University Secretary and Director of Operations the Director of Finance and Resource Allocation 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 2013/14, comprised all members of the Vice-Chancellor's Office, the Executive Deans of faculty; the Director of Human Resources; and the Director of Learning and Teaching.

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. It is customary for the Chair to be selected from among the lay members serving on the committees. The Vice-Chancellor is required to withdraw from meetings of the Personnel and Remuneration Committee when his own salary and terms and conditions of service are under discussion.

CUC Governance Code of Practice

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

The University undertook a further review of Senate and its committees in 2013/14 which resulted in fewer committees and increased student representation. Operational refinements were introduced in line with sector best practice, to improve clarity, consistency and communication across the committee structure. An embedded, but light touch, Annual Effectiveness Review process is being implemented in 2014/15.

Internal Control

The Board of Governors is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it has responsibility.

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

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

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

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

- The Board has approved a Risk Management and Internal Control Policy.
- The respective responsibilities of the Board, the Audit Committee and the University Executive Group have been identified.
- In October 2013 the University Board and Executive, along with the University's Internal Auditors, undertook a high level review of institutional risks which have been mapped to the University's revised Strategic Plan. As an outcome from this workshop the University's Corporate Risk Register has been revised, endorsed by the University Executive Group, and approved by the Board. The risk register 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.
- In addition to providing regular reports on the steps being taken to manage risks in their areas of responsibility, the University Executive Group formally reviews the Risk Register twice a year and reports its findings to the Audit Committee and the Board.
- The Audit Committee provides the Board with regular reports and advice on the implementation and continuing effectiveness of the University's risk management and internal control arrangements.

The University has an internal audit service, which operates to standards defined in the HEFCE Code of Practice for Audit and Accountability and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2007. The internal audit service submits regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Audit Committee holds an annual meeting 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 and the Vice-Chancellor's Office, who have operational responsibility for the development and maintenance of the internal control framework.

On the basis of the foregoing, procedures have been in place as from 1st August 2013 to enable a full statement on internal control to be made for the whole of the financial year ended 31st July 2014 and up to the date of approval of the Financial Statements.

Going Concern

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

RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Education Reform Act 1988, the Board of Governors of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors, through the Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cashflows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- it is appropriate that the financial statements are prepared on the going concern basis.

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

- ensure that income from the Higher Education Funding Council for England, the Teaching Agency, the Skills Funding Agency and the Education Funding Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received and in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated 1 August 2010, the Financial Memorandum with the Teaching Agency and the funding agreement with the Skills Funding Agency;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF GOVERNORS

We have audited the group and University financial statements (the “financial statements”) of Birmingham City University for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Board of Governors and auditor

As explained more fully in the Responsibilities of the Board of Governors of Birmingham City University's Statement set out on page 16 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 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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



Trevor Rees

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

27 November 2014

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31st July 2014

	<u>Note</u>	<u>2013/14</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
INCOME			
Funding Council Grants	2	26,608	35,852
Academic Fees and Education Contracts	3	129,172	106,907
Research Grants and Contracts	4	2,829	2,492
Other Operating Income	5	14,402	15,204
Endowment Income and Interest Receivable	6	764	998
Total Income		<u>173,775</u>	<u>161,453</u>
EXPENDITURE			
Staff Costs	7	93,595	86,732
Other Operating Expenses	9	48,488	46,397
Depreciation of Assets at Cost and Valuation	11	9,309	7,407
Interest Payable	10	2,171	2,233
Total Expenditure		<u>153,563</u>	<u>142,769</u>
Surplus before Exceptional Items and Taxation		20,212	18,684
EXCEPTIONAL ITEMS	11	3,323	(2,045)
Surplus after Exceptional Items and before Taxation		<u>23,535</u>	<u>16,639</u>
Taxation	36	(387)	-
SURPLUS FOR THE YEAR AFTER TAXATION		<u>23,148</u>	<u>16,639</u>
Surplus transferred to/(from) endowment funds	20	29	(20)
SURPLUS FOR THE YEAR RETAINED IN GENERAL RESERVES		<u>23,177</u>	<u>16,619</u>

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

The notes on pages 24 to 50 form part of these accounts.

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES

For the Year Ended 31st July 2014

	Note	2013/14 £'000	2012/13 £'000
Surplus for the year		23,148	16,639
Difference between an historical cost depreciation charge and the actual depreciation charge for the year		819	767
HISTORICAL COST SURPLUS FOR THE YEAR		23,967	17,406

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31st July 2014

	Note	2013/14 £'000	2012/13 £'000
Surplus for the year		23,148	16,639
New endowment assets received	20	287	830
Revaluation of endowment investments	20	111	327
Pension Scheme actuarial gain/(loss)	26	5,798	5,597
TOTAL RECOGNISED GAINS		29,344	23,393
Reconciliation:			
Opening endowments and reserves at 1st August		166,116	142,723
Total recognised gains for the year		29,344	23,393
Closing endowments and reserves at 31st July		195,460	166,116

The notes on pages 24 to 50 form part of these accounts.

BALANCE SHEETS AS AT 31st JULY 2014

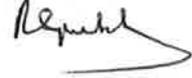
		Consolidated		University	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
FIXED ASSETS					
Tangible Assets	11	258,755	234,074	252,764	227,879
Investments	12	205	205	4,505	4,505
		<u>258,960</u>	<u>234,279</u>	<u>257,269</u>	<u>232,384</u>
ENDOWMENT ASSETS	13	<u>4,924</u>	<u>4,555</u>	<u>4,924</u>	<u>4,555</u>
CURRENT ASSETS					
Stocks	14	95	135	95	135
Debtors	15	6,136	4,276	9,075	9,921
Current asset investments		10,000	17,000	10,000	17,000
Investments: Short Term Deposits		19,800	9,000	19,800	9,000
Cash at Bank and in Hand		40,571	37,859	40,454	37,771
		<u>76,602</u>	<u>68,270</u>	<u>79,424</u>	<u>73,827</u>
CREDITORS DUE WITHIN ONE YEAR	16	<u>(40,804)</u>	<u>(32,743)</u>	<u>(40,195)</u>	<u>(31,734)</u>
NET CURRENT ASSETS		<u>35,798</u>	<u>35,527</u>	<u>39,229</u>	<u>42,093</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		299,682	274,361	301,422	279,032
CREDITORS DUE AFTER MORE THAN ONE YEAR	17	(21,250)	(22,240)	(21,250)	(22,240)
PROVISIONS	18	<u>(1,863)</u>	<u>(813)</u>	<u>(1,101)</u>	<u>(500)</u>
		<u>(23,113)</u>	<u>(23,053)</u>	<u>(22,351)</u>	<u>(22,740)</u>
NET ASSETS excluding pension liability		276,569	251,308	279,071	256,292
PENSION LIABILITY	26	(56,675)	(59,961)	(56,675)	(59,961)
NET ASSETS including pension liability		<u>219,894</u>	<u>191,347</u>	<u>222,396</u>	<u>196,331</u>
Represented by:					
DEFERRED CAPITAL GRANTS	19	<u>24,433</u>	<u>25,230</u>	<u>23,455</u>	<u>24,179</u>
ENDOWMENTS					
Permanent	20	<u>4,924</u>	<u>4,555</u>	<u>4,924</u>	<u>4,555</u>
REVALUATION RESERVE	21	41,195	42,386	41,195	42,386
GENERAL RESERVE					
General Reserve excluding pension liability		206,017	179,137	209,497	185,172
Pension Reserve	26	<u>(56,675)</u>	<u>(59,961)</u>	<u>(56,675)</u>	<u>(59,961)</u>
General Reserve including pension liability	22	<u>149,342</u>	<u>119,176</u>	<u>152,822</u>	<u>125,211</u>
TOTAL FUNDS		<u>219,894</u>	<u>191,347</u>	<u>222,396</u>	<u>196,331</u>

BALANCE SHEETS AS AT 31ST JULY 2014 (continued)

The accounts on pages 19 to 50 were approved by the Board of Governors on 27 November 2014 and signed on its behalf by:

J A Stephenson, Chairman of the Board of Governors 

C Allan, Vice-Chancellor 

R C Spilsbury, Director of Finance and Resource Allocation 

The notes on pages 24 to 50 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31st July 2014

	<u>Note</u>	<u>2013/14</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Net Cash Inflow from Operating Activities	29	36,256	19,524
Returns on Investments and Servicing of Borrowings	30	(169)	(196)
Capital Expenditure and Financial Investment	31	(21,760)	(24,534)
Cash inflow/(outflow) before Deposits and Borrowing		<u>14,327</u>	<u>(5,206)</u>
(Increase)/decrease in Short Term Deposits	32	(10,800)	32,800
Cash outflow associated with Borrowings	32	(827)	(682)
INCREASE IN CASH AT BANK	32	<u>2,700</u>	<u>26,912</u>
Cash at Bank at 1st August	32	38,056	11,144
Cash at Bank at 31st July	32	<u>40,756</u>	<u>38,056</u>

As at 31st July 2014 short term deposits of £19,800,000 (2013: £9,000,000) were available to the University, with a further £10,000,000 (2013: £17,000,000) held on longer-term deposit as current asset investments.

MOVEMENTS IN CONSOLIDATED NET BORROWINGS

For the Year Ended 31st July 2014

	<u>Note</u>	<u>2013/14</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Increase in cash at bank (as above)		2,700	26,912
Increase/(decrease) in Short Term Deposits		10,800	(32,800)
Additional loans		-	(155)
Capital repayments		<u>827</u>	<u>837</u>
Increase in net borrowings during the year		<u>14,327</u>	<u>(5,206)</u>
Net cash at 1st August		24,416	29,622
Net cash at 31st July	32	<u>38,743</u>	<u>24,416</u>

The notes on pages 24 to 50 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 2013/14, 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.

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), both of which provide retirement benefits based on final pensionable pay. The assets of the schemes are held separately from those of the University and are administered independently.

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

The 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

	2013/14 <u>£'000</u>	2012/13 <u>£'000</u>
HEFCE:		
Teaching funds	18,532	27,302
Research funds	1,710	1,597
Other specific grants	1,457	1,507
Deferred capital grants released	1,505	1,473
National Scholarship Programme	1,119	564
	<u>24,323</u>	<u>32,443</u>
Skills Funding Agency/Education Funding Agency	1,217	1,155
Training Agency for Schools	1,068	2,254
	<u>26,608</u>	<u>35,852</u>

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

3. Academic Fees and Education Contracts

	2013/14 <u>£'000</u>	2012/13 <u>£'000</u>
Full-time home/EU fees	76,559	56,852
Full-time international fees	16,221	15,456
Part-time fees	6,792	5,511
Further education fees	134	146
Full cost course fees	2,596	1,316
	<u>102,302</u>	<u>79,281</u>
Health professions education contracts	26,870	27,626
	<u>129,172</u>	<u>106,907</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

	2013/14 <u>£'000</u>	2012/13 <u>£'000</u>
Research grants	2,581	2,249
Research contracts	248	243
	<u>2,829</u>	<u>2,492</u>

5. Other Operating Income

	2013/14 <u>£'000</u>	2012/13 <u>£'000</u>
Student residences	5,322	6,965
Catering	1,971	1,354
Other services rendered	7,109	6,885
	<u>14,402</u>	<u>15,204</u>

NOTES TO THE ACCOUNTS (continued)

6. Endowment Income and Interest Receivable

	2013/14 <u>£'000</u>	2012/13 <u>£'000</u>
Income from endowment assets	152	167
Interest receivable	612	831
	<u>764</u>	<u>998</u>

7. Staff Numbers and Costs

The full time equivalent number of persons employed on 31st July 2014 was 1,906 (2013: 1,917).

Aggregate payroll costs during the year were as follows:

	2013/14 <u>£'000</u>	2012/13 <u>£'000</u>
Wages and salaries	77,167	71,632
Social security costs	5,475	5,212
Other pension costs	10,953	9,888
	<u>93,595</u>	<u>86,732</u>

Included within payroll costs above are restructuring costs amounting to £0.57 million (2013: £0.37 million).

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

8. Senior Staff Remuneration

	<u>2013/14</u>	<u>2012/13</u>
Remuneration of the current Vice-Chancellor	215,131	£138,017
Remuneration of the former Vice-Chancellor	<u>-</u>	<u>£157,040</u>

The remuneration shown above includes the money value of benefits-in-kind but excludes the University's pension contributions to the Universities Superannuation Scheme made on the Vice-Chancellors' behalf. These employer's contributions are paid at the same rate as for other academic staff and amounted to £30,140 relating to the Vice-Chancellor in 2013/14 (2012/13: £22,003).

NOTES TO THE ACCOUNTS (continued)

8. **Senior Staff Remuneration** (continued)

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

	Number of staff	
	<u>2013/14</u>	<u>2012/13</u>
£100,000 - £109,999	1	2
£110,000 - £119,999	1	-
£120,000 - £129,999	1	1
£130,000 - £139,999	3	2

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 (2012/13: 1).

9. **Other Operating Expenses**

Other Operating Expenses include:-

	2013/14	2012/13
	<u>£'000</u>	<u>£'000</u>
External auditor's remuneration for audit work	57	58
External auditor's remuneration for non-audit work	83	96
Hire of equipment under operating leases	305	252
Hire of other assets under operating leases	3,116	4,862

10. **Interest Payable**

	2013/14	2012/13
	<u>£'000</u>	<u>£'000</u>
On loans not wholly repayable within five years:		
Bank Loans	<u>1,151</u>	<u>1,198</u>
Net interest on pension scheme:		
Expected return on scheme assets	(7,337)	(6,322)
Interest on pension liabilities	<u>8,357</u>	<u>7,357</u>
	<u>1,020</u>	<u>1,035</u>
	<u>2,171</u>	<u>2,233</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 1.8.13	110,247	13,282	161,550	45,952	425	331,456
Additions at cost	-	33,049	332	1,221	-	34,602
Impairment	(300)	-	-	-	-	(300)
Transfers	-	(161)	-	161	-	-
Disposals	(1,591)	-	-	(2,602)	-	(4,193)
At 31.7.14	<u>108,356</u>	<u>46,170</u>	<u>161,882</u>	<u>44,732</u>	<u>425</u>	<u>361,565</u>
Depreciation						
At 1.8.13	40,576	-	24,412	32,394	-	97,382
Charge for year	2,222	-	3,430	3,657	-	9,309
Disposals	(1,330)	-	-	(2,551)	-	(3,881)
At 31.7.14	<u>41,468</u>	<u>-</u>	<u>27,842</u>	<u>33,500</u>	<u>-</u>	<u>102,810</u>
Net book value						
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>
At 31.7.13	<u>69,671</u>	<u>13,282</u>	<u>137,138</u>	<u>13,558</u>	<u>425</u>	<u>234,074</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:

	2013/14 £'000	2012/13 £'000
Donated land	-	7,015
Impairment charges	(300)	(7,779)
Accelerated depreciation	-	(1,281)
Surplus arising on property disposal	1,376	-
Surplus arising on lease surrender	2,247	-
	<u>3,323</u>	<u>(2,045)</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 at the City North Campus by £0.3m in order to recognise a reduction in the market value of the land below its carrying value at 31 July 2014.

	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 1.8.13	108,608	13,282	155,871	42,711	425	320,897
Additions at cost	-	33,049	332	1,219	-	34,600
Impairment	(300)	-	-	-	-	(300)
Transfers	-	(161)	-	161	-	-
Disposals	(1,591)	-	-	(2,555)	-	(4,146)
At 31.7.14	<u>106,717</u>	<u>46,170</u>	<u>156,203</u>	<u>41,536</u>	<u>425</u>	<u>351,051</u>
Depreciation						
At 1.8.13	40,576	-	23,123	29,319	-	93,018
Charge for year	2,222	-	3,307	3,574	-	9,103
Disposals	(1,330)	-	-	(2,504)	-	(3,834)
At 31.7.14	<u>41,468</u>	<u>-</u>	<u>26,430</u>	<u>30,389</u>	<u>-</u>	<u>98,287</u>
Net book value						
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>
At 31.7.13	<u>68,032</u>	<u>13,282</u>	<u>132,748</u>	<u>13,392</u>	<u>425</u>	<u>227,879</u>

NOTES TO THE ACCOUNTS (continued)

12. Investments

Unlisted investments at cost:-	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
CVCP Properties plc.	35	35	35	35
BCU Property Ltd	-	-	4,300	4,300
Other	170	170	170	170
	<u>205</u>	<u>205</u>	<u>4,505</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	
	2014 £'000	2013 £'000
COIF Charities Fixed Interest Fund	397	373
COIF Charities Property Fund	432	371
COIF Charities Investment Fund	3,819	3,529
Total endowment investments at valuation	4,648	4,273
Bank balances	185	197
Other	91	85
	<u>4,924</u>	<u>4,555</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
At 1.8.13	373	371	3,529	4,273
Additional investment	28	28	223	279
Sale of investments	(1)	(2)	(12)	(15)
Revaluations	(3)	35	79	111
At 31.7.14	<u>397</u>	<u>432</u>	<u>3,819</u>	<u>4,648</u>

NOTES TO THE ACCOUNTS (continued)

14. **Stock**

	<u>Consolidated</u>		<u>University</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Raw materials and consumables	46	83	46	83
Finished goods and goods for resale	49	52	49	52
	<u>95</u>	<u>135</u>	<u>95</u>	<u>135</u>

15. **Debtors**

	<u>Consolidated</u>		<u>University</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors	1,946	715	2,559	1,310
Prepaid expenditure	2,271	2,236	2,256	2,224
Accrued income	1,919	1,325	1,695	1,000
Amounts due from subsidiaries	-	-	2,565	5,387
	<u>6,136</u>	<u>4,276</u>	<u>9,075</u>	<u>9,921</u>

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

16. **Creditors Due Within One Year**

	<u>Consolidated</u>		<u>University</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Mortgages (Note 17)	890	841	890	841
Trade creditors	9,341	6,727	9,292	6,715
Value Added Tax	32	134	21	124
Social security	877	833	877	833
Accrued expenditure	12,340	8,641	13,082	8,998
Deferred income	8,734	8,947	7,581	7,600
Other creditors	8,590	6,620	8,452	6,623
	<u>40,804</u>	<u>32,743</u>	<u>40,195</u>	<u>31,734</u>

Deferred income includes amounts received which relate to goods or services to be provided after 31st July 2014.

NOTES TO THE ACCOUNTS (continued)

17. Creditors Due After More Than One Year

	<u>Consolidated and University</u>	
	2014 <u>£'000</u>	2013 <u>£'000</u>
Accrued expenditure	327	441
Mortgages secured on student residential accommodation	20,704	21,594
Salix Revolving Green Fund	219	205
	<u>21,250</u>	<u>22,240</u>

	<u>Consolidated and University</u>	
	2014 <u>£'000</u>	2013 <u>£'000</u>
Maturity of mortgages secured on student residential accommodation and due: -		
Within 1 and 2 years	942	890
Within 2 and 5 years	3,170	2,995
After 5 years	16,592	17,709
	<u>20,704</u>	<u>21,594</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>	
	2014 <u>£'000</u>	2013 <u>£'000</u>	2014 <u>£'000</u>	2013 <u>£'000</u>
Dilapidation costs on rented properties	-	500	-	500
Potential exam costs relating to registered candidates	3	5	-	-
Clawback provision for externally funded projects	372	308	-	-
Grant clawback provision	1,079	-	1,079	-
Legal costs provision	22	-	22	-
Corporation Tax	305	-	-	-
Deferred Tax	82	-	-	-
	<u>1,863</u>	<u>813</u>	<u>1,101</u>	<u>500</u>

The provision for dilapidation costs was based on the estimated costs of reinstatement identified by a review of rented properties occupied by the University. After completion of the reinstatement works which were charged against the provision, the balance of the provision was released during the year. 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 grant clawback provision has been made in relation to the potential clawback of grant funding arising due to over-recruitment of students in 2013/14.

NOTES TO THE ACCOUNTS (continued)

18. Provisions (continued)

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 levels in the companies, the University has recognised an additional intercompany creditor of £1,126,933 (2013: £nil) 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 consider it appropriate to make a provision of £305,459 (2013: £nil) for the potential tax which may be repayable to HMRC. A further provision of £81,698 has been made in relation to deferred tax in respect of BCU Property Limited.

19. Deferred Capital Grants

	<u>Consolidated</u>		<u>University</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1st August	25,230	12,905	24,179	12,735
Receivable during the year	905	13,996	905	13,055
	<u>26,135</u>	<u>26,901</u>	<u>25,084</u>	<u>25,790</u>
Released to I & E account	(1,702)	(1,671)	(1,629)	(1,611)
At 31st July	<u>24,433</u>	<u>25,230</u>	<u>23,455</u>	<u>24,179</u>

The balances at 31st July are analysed as follows:

	<u>Consolidated</u>		<u>University</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Buildings	22,884	22,782	21,959	21,841
Equipment	1,549	2,448	1,496	2,338
	<u>24,433</u>	<u>25,230</u>	<u>23,455</u>	<u>24,179</u>

NOTES TO THE ACCOUNTS (continued)

20. Endowments

Permanent, restricted funds:-	Consolidated and University £'000
At 1.8.13:	
Capital	4,336
Accumulated income	219
	<u>4,555</u>
New endowment assets received	287
Revaluation of investments	111
Investment income	152
Expenditure	(181)
(Excess expenditure)/surplus income for the year	<u>(29)</u>
At 31.7.14	<u>4,924</u>
Capital	4,734
Accumulated income	190
	<u>4,924</u>

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

21. Revaluation Reserve

	Consolidated and University £'000
At 1.8.13	42,386
Transfer to General Reserve re: depreciation on inherited assets	(1,191)
At 31.7.14	<u>41,195</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 1.8.13	119,176	125,211
Surplus for the year	23,148	20,593
Pension Scheme actuarial gain	5,798	5,798
Transfers from Revaluation Reserve	1,191	1,191
Transfer from Endowments	29	29
At 31.7.14	<u>149,342</u>	<u>152,822</u>

NOTES TO THE ACCOUNTS (continued)

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 £893,275 (2013: £871,486). 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.

24. **Lease Obligations**

Annual commitments under operating leases were as follows.

Leases expiring:	<u>Consolidated and University</u>	
	2014 <u>£'000</u>	2013 <u>£'000</u>
Within one year	180	647
In the second to fifth years inclusive	859	744
After five years	<u>1,672</u>	<u>1,790</u>
	<u>2,711</u>	<u>3,181</u>

25. **Capital commitments**

Capital commitments were as follows:

	<u>Consolidated and University</u>	
	2014 <u>£'000</u>	2013 <u>£'000</u>
Authorised and contracted at 31st July	21,824	58,233
Authorised but not contracted at 31st July	<u>92,260</u>	-
	<u>114,084</u>	<u>58,233</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 Curzon Building and other elements of the City Centre Campus. Authorised but not contracted costs at 31 July 2014 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, including the Conservatoire, and the development of the City South Campus. The University had no capital commitments authorised but not contracted at 31 July 2013.

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>2014</u>			<u>2013</u>		
	<u>Emp'r</u>		<u>Total</u>	<u>Emp'r</u>		<u>Total</u>
	<u>cont's</u>	<u>FRS17</u>	<u>cost</u>	<u>cont's</u>	<u>FRS17</u>	<u>cost</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
USS	454	-	454	350	-	350
WMPF	3,950	1,492	5,442	3,334	1,559	4,893
TPS	5,057	-	5,057	4,645	-	4,645
Total pension cost (note 7)	<u>9,461</u>	<u>1,492</u>	<u>10,953</u>	<u>8,329</u>	<u>1,559</u>	<u>9,888</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>2014</u>	<u>2014</u>	<u>2014</u>
Investment returns per annum	6.1%	5.86%	6.5%
Salary scale increase per annum	4.4%	4.05%	5.0%
Pension increase per annum	3.4%	2.3%	5.0%
Market value of assets at date of last valuation	£32,433.5 million	£127.012 million	£163,240 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)	91.7%	69.1%	98.04%

Basic employer contribution rates used during the year to 31 July 2014:

	<u>USS</u>	<u>WMPF</u>	<u>TPS</u>
1 August 2013 to 31 March 2014	16%	11.4%	14.1%
1 April 2014 to 31 July 2014	16%	12.7%	14.1%

Teachers' Pension Scheme

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

The pensions cost is assessed every five years in accordance with the advice of the Government Actuary.

26. Pension Schemes (continued)

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 latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

NOTES TO THE ACCOUNTS (continued)

26. Pension Schemes (continued)

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically, these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

NOTES TO THE ACCOUNTS (continued)

26. **Pension Schemes** (continued)

Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

At 31 March 2014, USS had over 162,000 active members and the University had 43 active members participating in the scheme.

The contribution rate payable by the University was 16% of pensionable salaries.

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 2014 was 11.4% plus a past service lump sum equivalent to an additional 2% of pensionable pay; from 1 April 2014 to 31 July 2014, the rate was 12.7% plus a past service lump sum of £900,000 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.

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 2014 and 2013 by a qualified independent actuary.

	31 July 2014	31 July 2013
Inflation – CPI	2.3%	2.4%
Rate of increase in salaries	4.05%	4.15%
Rate of increase in pensions	2.3%	2.4%
Discount rate for liabilities	4.3%	4.5%
Proportion of employees opting to take a commuted lump sum	50%	50%

NOTES TO THE ACCOUNTS (continued)

26. **Pension Schemes** (continued)

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

	31 July 2014	31 July 2013
	Years	Years
<i>Retiring today</i>		
Males	22.9	22.1
Females	25.5	24.8
<i>Retiring in 20 years</i>		
Males	25.1	23.9
Females	27.8	26.7

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

	<u>Consolidated & University</u>			
	2014	2013	2014	2013
	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	7.0%	56,774	7.0%	52,446
Property	6.2%	10,161	5.7%	10,761
Government Bonds	3.2%	13,082	3.3%	10,390
Other Bonds	4.1%	10,923	4.3%	13,854
Cash	0.5%	5,716	0.5%	5,071
Other	7.0%	30,356	7.0%	31,171
Total market value of assets		<u>127,012</u>		<u>123,693</u>
Present value of scheme liabilities		<u>(183,687)</u>		<u>(183,654)</u>
Deficit in the scheme		<u>(56,675)</u>		<u>(59,961)</u>

The expected return on other assets varies dependent on the type of asset. For the purposes of this calculation, a yield of 7.0% (2013: 7.0%) has been applied.

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

	2014	2013
	£'000	£'000
Employer service cost (net of employee contributions)	(5,484)	(4,858)
Past service cost	-	(82)
Total operating charge	<u>(5,484)</u>	<u>(4,940)</u>

NOTES TO THE ACCOUNTS (continued)

26. **Pension Schemes** (continued)

Analysis of pension finance costs:

	2014 £'000	2013 £'000
Expected return on pension scheme assets	7,337	6,322
Interest on pension scheme liabilities	(8,357)	(7,357)
Pension finance costs	<u>(1,020)</u>	<u>(1,035)</u>

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

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	(6,659)	9,121
Changes in assumptions	12,457	(3,524)
Actuarial gain recognised in STRGL	<u>5,798</u>	<u>5,597</u>

Asset and Liability Reconciliation:

	Consolidated & University £'000
Liabilities at start of period	183,654
Service cost	5,484
Interest cost	8,357
Employee contributions	1,849
Curtailments	23
Actuarial gains	(12,457)
Benefits paid	(3,223)
Liabilities at end of period	<u>183,687</u>
Assets at start of period	123,693
Expected return on assets	7,337
Actuarial losses	(6,659)
Employer contributions	4,015
Employee contributions	1,849
Benefits paid	(3,223)
Assets at end of period	<u>127,012</u>

NOTES TO THE ACCOUNTS (continued)

26. Pension Schemes (continued)

History of consolidated experience gains or losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the expected and actual return on assets:					
Amount	(6,659)	9,121	(3,658)	4,860	7,863
% of scheme assets	(5.2%)	7.4%	(3.4%)	4.8%	9.0%
Experience gains and losses on scheme liabilities:					
Amount	12,390	(3,524)	(5,172)	(1,410)	-
% of scheme liabilities	6.7%	1.9%	(3.1%)	0.9%	0.0%
Total amounts recognised in statement of total recognised gains and losses:					
Amount	5,798	5,597	8,830	2,276	2,311
% of scheme liabilities	3.2%	3.0%	(5.2%)	(1.5%)	(1.7%)

27. Post Balance Sheet Events

On 10 December 2013, the University entered into a compromise agreement with Birmingham City Council in respect of land and buildings located at Paradise Circus, Birmingham (the property). Under the terms of the agreement, the University has agreed to withdraw its objections to the compulsory purchase of the property and to the transfer of the property to Birmingham City Council in exchange for a capital payment. The completion date for the transfer is the date on which the last of the pre-conditions set out in the Agreement has been satisfied. As at the date of these financial statements, the pre-conditions had not been satisfied and the potential disposal has therefore been accounted for as an unadjusted post balance sheet event. There were no other unadjusted post balance sheet events, favourable or unfavourable, between the balance sheet date and 27 November 2014, the date on which these accounts were approved by the Board of Governors.

NOTES TO THE ACCOUNTS (continued)

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 2014 £	31st July 2013 £
ABBE Limited	(76,688)	(732,166)
Birmingham School of Acting	(822,887)	(822,887)
Technology Innovation Centre	(2,064,512)	(3,983,426)
TIC Commercial Limited	(201,501)	(204,298)
BCU Enterprise Limited	(720,426)	(691,202)
BCU Property Limited	4,238,654	4,205,915
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.

29. Net Cash Flow From Operating Activities

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

	2013/14 £'000	2012/13 £'000
Surplus for the year	23,148	16,639
Adjustments for items not relating to operating activities		
- release of capital grant (Note 19)	(1,702)	(1,671)
- donated asset	-	(7,015)
- endowment income, investment income and interest receivable (Note 6)	(764)	(998)
- depreciation (Note 11)	9,309	8,686
- Impairment charge (note 11)	300	7,779
- interest payable (Note 10)	2,171	2,233
- (Surplus)/loss on disposal of fixed assets	(3,323)	381
Surplus from operating activities	29,137	26,034
FRS17 operating charges (Note 26)	5,507	4,940
FRS17 contributions paid (Note 26)	(4,015)	(3,381)
Decrease/(Increase) in stock	40	(20)
(Increase)/Decrease in debtors excluding interest receivable	(2,079)	4,255
Increase/(Decrease) in creditors	6,616	(12,296)
Increase/((Decrease) in provisions	1,050	(8)
Net cash inflow from operating activities for the year	36,256	19,524

NOTES TO THE ACCOUNTS (continued)

30. Returns on Investments and Servicing of Borrowings

Cash flows for the year associated with returns on investments and servicing of borrowings:-	2013/14 £'000	2012/13 £'000
Income from endowments	152	167
Interest received	831	832
Interest paid	(1,152)	(1,195)
Net cash outflow for the year	<u>(169)</u>	<u>(196)</u>

31. Capital Expenditure and Financial Investment

Cash flows for the year associated with capital expenditure and financial investment:-	2013/14 £'000	2012/13 £'000
Payments to acquire Tangible Assets	(33,314)	(39,531)
Receipts from sale of Current Asset Investments	7,000	1,000
Receipts from sale of Endowment Asset Investments	15	-
Payments to acquire Endowment Asset Investments	(287)	(827)
Deferred Capital Grants received	905	13,996
Receipts from sales of Tangible Assets	3,634	(2)
Endowments received	287	830
Net cash outflow for the year	<u>(21,760)</u>	<u>(24,534)</u>

32. Consolidated Net Borrowings

Changes during the year were as follows:-	At 1.8.13 £'000	2013/14 Cash inflow/ (outflow) £'000	At 31.7.14 £'000
Salix Revolving Green Fund	205	14	219
Mortgages	22,435	(841)	21,594
<u>Total consolidated borrowings</u>	<u>22,640</u>	<u>(827)</u>	<u>21,813</u>
less:			
Cash at bank: endowment assets	197	(12)	185
Cash at bank: other	37,859	2,712	40,571
	38,056	2,700	40,756
Short term deposits	9,000	10,800	19,800
<u>Total cash, bank and deposits</u>	<u>47,056</u>	<u>13,500</u>	<u>60,556</u>
<u>Consolidated Net Cash</u>	<u>(24,416)</u>	<u>(14,327)</u>	<u>(38,743)</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 2014 of £21,594,000 (2013: £22,435,000) was secured on University student residential accommodation and included £19,193,563 chargeable at a fixed interest rate of 5.76%.

NOTES TO THE ACCOUNTS (continued)

32. Consolidated Net Borrowings (continued)

Net cash flows associated with consolidated borrowings were as follows:

	2013/14 £'000	2012/13 £'000
Salix Revolving Green Fund	14	113
Mortgages repaid	(841)	(795)
Net cash outflow associated with consolidated borrowings	(827)	(682)

33. Student Access Funds and Training Bursaries

	2013/14		
	HEFCE Access Funds £'000	NCTL Training Bursaries £'000	TDA Training Bursaries £'000
Funding Council grants	567	47	1,685
Disbursed to students	(567)	(47)	(1,685)
Balance unspent at 31st July	-	-	-

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 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 (2012/13: £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 2013/14
Travel and subsistence	784	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.

NOTES TO THE ACCOUNTS (continued)

35. **Heritage Assets** (continued)

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

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

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

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

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

36. **Taxation**

	2013/14 £'000	2012/13 £'000
UK Corporation Tax at 22.33% (2013: 23.67%)	-	-
Adjustment in respect of prior years	305	-
Deferred tax	82	-
Total	<u>387</u>	<u>-</u>

FIVE YEAR SUMMARY (Not part of the audited accounts)

GROUP INCOME AND EXPENDITURE ACCOUNTS	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Income					
Funding Council Grants	26,608	35,852	49,555	55,669	54,751
Other Income	146,403	124,603	112,084	113,080	106,608
Endowment Income/Investment Income/Interest Receivable	764	998	1,132	821	454
	<u>173,775</u>	<u>161,453</u>	<u>162,771</u>	<u>169,570</u>	<u>161,813</u>
Increase/(Decrease) in income	7.6%	(0.8%)	(4.0%)	4.8%	3.0%
Expenditure					
Staff Costs	93,595	86,732	89,440	89,006	95,474
Other Operating Expenses	48,488	46,397	45,263	52,271	50,043
Depreciation	9,309	7,407	7,476	7,827	7,913
Interest Payable	2,171	2,233	2,729	2,981	4,152
	<u>153,563</u>	<u>142,769</u>	<u>144,908</u>	<u>152,085</u>	<u>157,582</u>
Surplus before exceptionals and tax	20,212	18,684	17,863	17,485	4,231
Exceptional items	3,323	(2,045)	(3,000)	(3,991)	1,105
Taxation	(387)	-	-	-	-
Surplus for the Year	<u>23,148</u>	<u>16,639</u>	<u>14,863</u>	<u>13,494</u>	<u>5,336</u>
Surplus : Income before exceptionals and tax	11.6%	11.6%	10.9%	10.3%	2.6%
Staff costs: Total income	53.8%	53.7%	54.9%	52.5%	59.0%

FIVE YEAR SUMMARY (Not part of the audited accounts)

GROUP BALANCE SHEETS As at 31st July	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fixed Assets	<u>258,960</u>	<u>234,279</u>	<u>207,439</u>	<u>189,236</u>	<u>191,401</u>
Endowment Assets	<u>4,924</u>	<u>4,555</u>	<u>3,378</u>	<u>3,196</u>	<u>2,275</u>
Current Assets					
Stock	90	135	115	189	198
Debtors	6,136	4,276	8,532	7,046	9,206
Current Asset Investments	10,000	17,000	18,000	15,000	30,000
Short term deposits	19,800	9,000	41,800	53,700	16,200
Cash at bank and in hand	<u>40,571</u>	<u>37,859</u>	<u>10,970</u>	<u>5,668</u>	<u>5,094</u>
	<u>76,602</u>	<u>68,270</u>	<u>79,417</u>	<u>81,603</u>	<u>60,698</u>
Creditors within one year	<u>(40,804)</u>	<u>(32,743)</u>	<u>(48,293)</u>	<u>(47,428)</u>	<u>(43,016)</u>
Net Current Assets	<u>35,798</u>	<u>35,527</u>	<u>31,124</u>	<u>34,175</u>	<u>17,682</u>
Total assets less current liabilities	299,682	274,361	241,941	226,607	211,358
Creditors after one year	(21,250)	(22,240)	(22,527)	(23,328)	(24,065)
Provisions	(1,863)	(813)	(821)	(504)	-
Pension Liability	(56,675)	(59,961)	(62,964)	(51,372)	(51,074)
TOTAL NET ASSETS	<u>219,894</u>	<u>191,347</u>	<u>155,629</u>	<u>151,403</u>	<u>136,219</u>
Represented by:					
Deferred capital grants	24,433	25,230	12,905	14,880	16,795
Endowments	4,924	4,555	3,378	3,196	2,275
Revaluation reserve	41,195	42,386	43,561	44,756	45,539
General reserve	<u>149,342</u>	<u>119,176</u>	<u>95,785</u>	<u>88,571</u>	<u>71,610</u>
TOTAL FUNDS	<u>219,894</u>	<u>191,347</u>	<u>155,629</u>	<u>151,403</u>	<u>136,219</u>

FIVE YEAR SUMMARY (Not part of the audited accounts)

GROUP LIQUIDITY	2014	2013	2012	2011	2010
As at 31st July	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand:					
Endowment assets	185	197	174	161	167
Other cash at bank	40,571	37,859	10,970	5,668	5,094
	<u>40,756</u>	<u>38,056</u>	<u>11,144</u>	<u>5,829</u>	<u>5,261</u>
Short term deposits	19,800	9,000	41,800	53,700	16,200
Liquid resources per balance sheet	60,556	47,056	52,944	59,529	21,461
Longer term deposits in current asset investments	10,000	17,000	18,000	15,000	30,000
Total cash and deposits	<u>70,556</u>	<u>64,056</u>	<u>70,944</u>	<u>74,529</u>	<u>51,461</u>

GROUP NET BORROWINGS	2014	2013	2012	2011	2010
As at 31st July	£'000	£'000	£'000	£'000	£'000
Salix Revolving Green Fund	219	205	92	98	87
Nat West Bank (secured)	21,594	22,435	23,230	23,979	24,687
Total borrowings	21,813	22,640	23,322	24,077	24,774
less: cash at bank and short term deposits	(60,556)	(47,056)	(52,944)	(59,529)	(21,461)
NET (CASH)/BORROWINGS	<u>(38,743)</u>	<u>(24,416)</u>	<u>(29,622)</u>	<u>(35,452)</u>	<u>3,313</u>

GROUP CASHFLOWS	2013/14	2012/13	2011/12	2010/11	2009/10
For the year ended 31st July	£'000	£'000	£'000	£'000	£'000
Operating cash inflow	36,256	19,524	23,911	30,943	14,239
Investment returns/servicing of borrowings	(169)	(196)	(62)	(683)	(952)
Net Capital receipts/(expenditure) and Financial Investment	(21,760)	(24,534)	(29,679)	8,505	(29,483)
(Increase)/decrease in short term deposits	(10,800)	32,800	11,900	(37,500)	18,800
Outflow from borrowings	(827)	(682)	(755)	(697)	(583)
Cash increase/(decrease) for year	2,700	26,912	5,315	568	2,021
Cash at bank: opening	38,056	11,144	5,829	5,261	3,240
Cash at bank: closing	<u>40,756</u>	<u>38,056</u>	<u>11,144</u>	<u>5,829</u>	<u>5,261</u>



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