

University College Birmingham

Report and Financial Statements for the year
to 31 July 2016

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

The members present their report and the audited financial statements for the year ended 31 July 2016.

CORPORATION

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of managing University College Birmingham and was re-established in August 2002 when the institution transferred to the Higher Education Sector. At that point, members of the Corporation were appointed by the Secretary of State. The University is an exempt charity for the purposes of the Charities Act 2011.

PUBLIC BENEFIT STATEMENT

Mission

Our mission statement is:

"To promote and provide the opportunity for participation in the learning process by those with the ambition and commitment to succeed and to maintain a learning community that meets the diverse needs of our students, the economy and society at large."

UCB values and promotes:

- Putting our students first.
- Outstanding teaching and learning.
- Encouragement for as many people as possible to access further and higher education, and lifelong learning.
- Equality of opportunity, freedom of expression and social responsibility.
- Economically valuable skills development which meets the needs of individuals, employers and society.
- Strong and productive links with employers and representatives of the industries to which our programmes relate.
- A highly professional, well qualified staff.
- Continuous improvement in the quality of the estate and specialist facilities.
- A strong international outlook in our recruitment and teaching.
- Sound and effective institutional management and corporate governance.

High Quality Education

The University's teaching has a wide range of public benefits:

- Enabling students to maximise their potential.
- Widening access to education.
- Enabling students to pursue their chosen career path.

Students are attracted by our excellent academic reputation, our outstanding graduate employment record and the wide array of other opportunities we offer. We offer placement options across our discipline base and our graduates have excellent employment prospects, not only because of their discipline-specific knowledge and skills but also because of the emphasis we place on developing enterprising individuals with high aspirations. As a result, our graduates are well-equipped to obtain jobs in their chosen area, enjoy strong career progression and make a positive social contribution.

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

We use a detailed set of Performance Indicators to measure the University's success at recruitment, retention and student satisfaction. We recruit internationally and are committed to promoting a diverse student population.

We support social mobility through a range of activities:

- Enhancing student services and support networks to minimise barriers to retention.
- Diversifying our curriculum, delivery methods and modes of learning to attract a wider range of students.
- Promoting access and minimising barriers to progression by working to understand and to mitigate the difficulties some applicants experience in joining the University.
- Raising aspiration and outreach activities for young people from under-represented groups.

We recognise that tuition fees may be a barrier to accessing our teaching and we publicise the comprehensive financial support that we can provide to students through our website and Open Days.

We encourage gifted and talented young people from socio-economic groups under-represented in Higher Education, to raise their educational aspirations. We provide a supportive learning environment, with central student services and academic departments working in partnership. We have an excellent record for supporting students with disabilities to the successful completion of their studies.

Public Detriment

Whilst we do not believe that there is any direct harm or detriment to the public arising from our corporate goals, we recognise that our activities have environmental consequences and we have made a number of commitments to promote effective environmental management:

- Make the most efficient and effective use of all resources, encouraging members of our community to develop a sustainable approach.
- Develop and implement effective energy and water conservation measures.
- Act in an environmentally and biodiversity-sensitive manner.
- Reduce overall waste production.
- Continually improve our environmental performance as far as the constraints of our physical infrastructure and estate will permit

IMPLEMENTATION OF CORPORATE STRATEGY

In 2012, the University prepared a Corporate Strategy for the period 2012 to 2017. The Corporation monitors the performance of the University against this strategy. The strategy is reviewed and updated each year.

FINANCIAL OBJECTIVES AND REVIEW OF OUT-TURN FOR THE YEAR

Since incorporation the University has sought to exercise tight cost control whilst seeking to maximise its income from a variety of sources. This has resulted in very satisfactory surpluses in all accounting periods. The University will continue to accumulate reserves in order to create a contingency fund to improve its stock of both teaching and residential accommodation and to enhance the condition of its buildings in order to strengthen its appeal to students in an increasingly competitive national and international market.

Every November the University reports progress against the Corporate Plan via the Corporate Planning and Annual Monitoring Statement.

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

PERFORMANCE INDICATORS

The University sets a wide range of targets for its performance each year and these targets are monitored throughout the year. Reporting of the out-turn against targets and, where possible, benchmarking against appropriate external data is summarised in the University's "Performance Indicators and Targets" document which is produced for Governor review and approval each year. The main areas in which the University sets targets are as follows:

- Governance
- Student Recruitment
- Student Retention
- Achievement Rates
- Destinations
- Equal Opportunities
- Student Satisfaction
- Accommodation
- Finance

STUDENT NUMBERS

The University is funded according to the units of activity it generates each year. In 2015/16, the University achieved the following estimated full-time equivalent student recruitment:

	<u>Recruitment</u>
National College for Teaching and Leadership (Full-Time Equivalents)	63
Higher Education: Home and EU (Full-Time Equivalents)	4354
Further Education: Home and EU (Learner Numbers)	1760
Further Education Apprenticeships: Rollover from previous year (Learner Numbers)	139
New starts (Learner Numbers)	466
Overseas (Learner Numbers)	999

CURRICULUM DEVELOPMENTS

Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population and the Employment Sectors the University serves.

FINANCES

The University generated a surplus before other gains and losses in the year of £7,555,000 (2014-2015: £6,266,000), with total comprehensive income of £2,554,000 (2014-15: £6,241,000). The net cash inflow from operating activities was strong at £10,300,000 (2014-2015: £8,014,000). Net assets and the balance of cash at bank and in hand at 31 July 2016 were £114,551,000 and £27,477,000 respectively (31 July 2015: £112,139,000 and £18,333,000).

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

FINANCES *(continued)*

During the year, the University purchased tangible fixed assets of £2,827,000 of which £1,369,000 relates to land and buildings.

The key financial performance indicators for the year to 31 July 2016 are as follows:

Current Ratio	6.5
Operating Surplus as a Percentage of Income	14.0%
Net Liquidity Days	244
External Borrowing as a Percentage of Income	0%

POST BALANCE SHEET EVENTS

There are no post balance sheet events.

RESOURCES

The University has various resources that it can deploy in pursuit of its strategic objectives.

In addition to the strong financial resources, the University's human resources comprise 524 employees (expressed as full-time equivalents), 327 of whom are teaching staff. The University has an excellent reputation locally, nationally and internationally and considers that maintaining a quality brand is essential for its success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The University has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect its assets and reputation.

Based on the Corporate Plan, the University's Executive Management Team undertakes a comprehensive review of the risks to which the University is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the University. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Executive Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the University.

A risk register is maintained at the University level which is reviewed at least annually by the Audit Committee and at each meeting of the full Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the University and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the University. Not all of the factors are within the University's control. Other factors besides those listed below may also adversely affect the University.

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

a) Student recruitment

The University is reliant upon government funding through the HEFCE, the Education Funding Agency and the Skills Funding Agency and upon tuition fees receivable from students. Both sources of income are dependent upon meeting student number targets for Higher and Further Education. Failure to meet these targets would therefore have an adverse effect on resources.

This risk is mitigated in several ways. The University offers a generous fee waiver scheme to students and continues to market itself strongly.

b) Significant stock market fall

The University's fixed asset investments comprise holdings in managed funds and covered warrants and are carried at market value. There is therefore a risk of significant reductions in value as a result of fluctuations in market conditions.

c) UK exit from Europe (Brexit)

If EU students become classified as "International" upon the UK's exit from Europe and require similar Tier 4 immigration status there will be a potential impact upon student recruitment numbers and associated tuition fee and accommodation income.

The University is assessing this impact and continually monitors political developments.

CHARITABLE AND TAXATION STATUS

The University is an exempt charity for the purposes of the Charities Act 2011 and is not liable to Corporation Tax.

STAKEHOLDER RELATIONSHIPS

In line with other universities and colleges, University College Birmingham has many stakeholders. These include:

- Students
- Funding Councils
- Staff
- Local employers (with specific links)
- Local Authorities
- The local community
- Other HE and FE institutions
- Trade Unions
- Professional bodies
- Local Enterprise Partnerships

The University recognises the importance of these relationships and engages in regular communication with them.

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The University is committed to a Policy of Equal Opportunities. The aim of the Policy is to ensure that all applicants, students, employees, all those involved in its work and other users of University facilities receive fair and equal treatment. The University aims to provide a service that, in its teaching, administration and support, actively promotes equality of opportunity and freedom from discrimination on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex, and sexual orientation (The Equality Act 2010, Section 4).

The University continues to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act (The Equality Act 2010)
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not

The University fosters an environment where discrimination is seriously challenged. It is committed to fairness, justice, equality, respect and dignity by attempting to eradicate discrimination in all spheres of its influence (i.e. admissions and access; student assessment and achievement; student guidance and support; teaching and learning; curriculum; staff recruitment; professional development and support; partnerships and community links; procurement and outsourcing; and quality assurance). To this end the University will:

- Develop an awareness of the dangers of discrimination and prejudice in all spheres and the need to counter discrimination, harassment, victimisation, bullying and prejudicial practices
- Provide for the particular educational needs of students, having regard to their Protected Characteristics
- Prepare students for life in a modern day society, building on strengths of cultural diversity, mutual tolerance, dignity and respect
- Enable all staff to deliver a quality service by building upon strengths of cultural diversity, mutual tolerance, dignity and respect.

The University considers all applications for employment from disabled persons, whilst considering the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the University continues. The University's policy is to provide training, career development and opportunities for promotion to disabled persons which are, as far as possible, identical to those for other employees.

DISABILITY STATEMENT

The University seeks to meet the requirements of the Equality Act 2010 at all times and in particular makes the following commitments to the provision of facilities, equipment and reasonable adjustment:

- As part of the design of new buildings and refurbishment of existing buildings it is installing lifts, ramps, toilets and specific adjustments, so that facilities will allow access to people with a disability;
- There is a range of specialist equipment, lighting and audio facilities which the University makes available for use by students and staff with a disability;

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

DISABILITY STATEMENT *(continued)*

- The University has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- Counselling, occupational health and welfare services support student and staff needs.

The University commissioned independent consultants to undertake a detailed review of its facilities and services in view of the requirements of the Equality Act 2010, and is committed to implementing and maintaining the recommendations of the report.

STAFF AND STUDENT INVOLVEMENT

The University considers good communications with its staff to be very important and to this end holds regular staff meetings and publishes a newsletter which is available to all staff. The University encourages staff and student involvement through membership of formal committees.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

PROFESSIONAL ADVISERS

Internal Auditors: PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

External Auditors: Moore Stephens LLP
35 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

Principal Bankers: National Westminster Bank plc Yorkshire Bank
1 St Philips Place Temple Point
Birmingham 1 Temple Row
B3 2PP Birmingham
B2 5YB

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

PROFESSIONAL ADVISERS *(continued)*

Principal Solicitors:	Eversheds LLP 115 Colmore Row Birmingham B3 3AL	Shakespeare Martineau LLP 1 Colmore Square Birmingham B4 6AA
	Browne Jacobson LLP Victoria Square House Victoria Square Birmingham B2 4BU	
Investment Advisors:	UBS AG 10 Colmore Row Birmingham B3 2QD	Investec Colmore Plaza 20 Colmore Circus Queensway Birmingham B4 6AT

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

MEMBERS

The members of the Corporation who served during the year were as follows:-

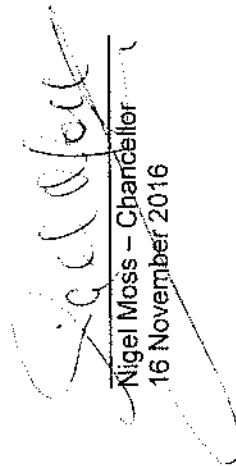
Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Mr N Moss	1 August 2014	3 years		Independent Member	Chair of Corporation	Remuneration and Nominations (Chair)
Dr A Antona	1 August 2014	3 years		Independent Member		Finance and General Purposes (Chair) Remuneration and Nominations
Mr G DiVito	1 December 2014	2 years		Teaching Staff Member		Student Services and Standards
Ms S Grant	1 August 2015	3 years		Independent Member		Audit
Mr P Griffiths MBE	1 August 2014	3 years		Independent Member		Finance and General Purposes
Ms Z Harris	1 August 2015	1 year	31 July 2016	Student Member		Student Services and Standards
Prof T Jones	1 August 2016	2 years		Co-opted Member		Ad Hoc
Ms V Lee	16 November 2015	3 years		Independent Member		Student Services and Standards
Prof R Linforth	1 August 2008			Vice-Chancellor & Principal		Finance and General Purposes
Ms C Owen OBE	1 August 2014	3 years		Independent Member		Student Services and Standards
Mr J Retailack	23 November 2013	3 years		Independent Member		Audit
Ms K Stoka	1 August 2016	1 year		Student Member		Student Services and Standards
Ms L Teague	1 August 2014	3 years		Independent Member		Finance and General Purposes

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

MEMBERS *(continued)*

Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Prof A Tickell	1 August 2015	2 years	31 July 2016	Co-opted Member		Ad Hoc
Ms Y Towe	1 August 2014	3 years		Independent Member	Deputy Chair of Corporation	Student Services and Standards (Chair) Remuneration and Nominations
Mr S Winter	1 August 2014	3 years		Independent Member		Audit
Mr M Wiseman	1 August 2014	3 years		Independent Member		Audit (Chair) Remuneration and Nominations


 Nigel Moss – Chancellor
 16 November 2016

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

MEETINGS OF THE MEMBERS OF THE CORPORATION

The members of the corporation each serve one or more committee. The committee meetings held during 2015-16 and the main agenda items discussed are listed below.

Committee	Date Convened	Principal Items Discussed
Corporation	11 November 2015	<ul style="list-style-type: none">• HEFCE Annual Accountability Returns, including the Report and Financial Statements, financial results and updated forecast tables• Review of the 2015-16 Operating Statement and Risk Register• Financial Report for the period from 1 August 2015 to 30 September 2016• Post-16 Area Review
	16 March 2016	<ul style="list-style-type: none">• Performance Measures and Targets 2015-16• Financial Report for seven months to 29 February• Review of Operating Statement and Risk Register• Access Agreement 2017-18• Hollywood Golf Club
	6 July 2016	<ul style="list-style-type: none">• Financial Report for the period from 1 August 2015 to 31 May 2016• Annual Accountability Returns 2015• 2015-16 and 2016-17 Operating Statements
Finance and General Purposes	30 September 2015	<ul style="list-style-type: none">• Draft Report and Financial Statements for year to 31 July 2015• Financial Reporting Standard 102 ("FRS 102")• Health and Safety Review 2014-15
	3 February 2016	<ul style="list-style-type: none">• Update on student enrolment• Proposed tuition fees• Transparency review• Investment Review Update
	4 May 2016	<ul style="list-style-type: none">• Equal Pay Audit and Review 2015• University Financial Regulations• Investments Update

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2016

MEETINGS OF THE MEMBERS OF THE CORPORATION *(continued)*

Committee	Date Convened	Principal Items Discussed
Audit	14 October 2015	<ul style="list-style-type: none">• Funding Assurance Audit 2014-15• Review of Draft Report and Financial Statements for 2014-15, including Management Report and Letter• Internal Audit Service Annual Report 2014-15• Draft Audit Committee Report to the Corporation
	17 February 2016	<ul style="list-style-type: none">• Retendering for External Audit Service• Internal Audit Reports• External Audit tender outcome• Key suppliers and tenders awarded in 2014-15
	8 June 2016	<ul style="list-style-type: none">• Purchasing and Value for Money Annual Report 2015-16• Internal Audit Reports and Draft Audit Plan• Engagement Letter for data assurance work• External Audit Planning Letter
Student Services and Standards	20 October 2015	<ul style="list-style-type: none">• Guild of Students Draft Financial Statements for 2014-15• National Student Survey and PTES 2015• Enrolment update• Further Education Self-Assessment Report
	24 February 2016	<ul style="list-style-type: none">• Performance Measures and Targets 2015-16 and HE and FE Assessment Reports for 2014-15• Access Agreement and Student Opportunity allocation• Access to Learning and other support Funds• PGCE Ofsted Report
	18 May 2016	<ul style="list-style-type: none">• Guild of Students draft budget for 2016-17• Proposed amendments to Student Regulations and Charter• OFFA Access Agreement 2017-18
Remuneration and Nominations	11 November 2015	<ul style="list-style-type: none">• Nominations and appointments of Governors
	6 July 2016	<ul style="list-style-type: none">• Nominations and appointments of Governors• Staff remuneration

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2016

		<i>Year ended 31 July 2016</i>	<i>Year ended 31 July 2015 As restated</i>
		<i>£000</i>	<i>£000</i>
	Notes		
Income			
Funding council grants	2	12375	13379
Academic fees and support grants	3	32802	28306
Other operating income	4	5918	6119
Investment income	5	617	713
Total income		<u>51712</u>	<u>48517</u>
Expenditure			
Staff costs	6	(24939)	(24209)
Other operating expenses	7	(15669)	(14693)
Depreciation	10	(3078)	(2915)
Interest payable	9	(471)	(434)
Total expenditure		<u>(44157)</u>	<u>(42251)</u>
Surplus before other gains and losses		7555	6266
(Loss)/gain on investment disposals		(310)	25
Surplus before tax		7245	6291
Taxation	8	0	0
Surplus for the year		7245	6291
Unrealised gain on revaluation of investments	17	2308	1660
Actuarial loss in respect of pension scheme	18	(6999)	(1710)
Total Comprehensive Income for the year		<u>2554</u>	<u>6241</u>
Represented by:			
Unrestricted comprehensive income		<u>2554</u>	<u>6241</u>

The statement of comprehensive income is in respect of continuing activities.

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR TO 31 JULY 2016

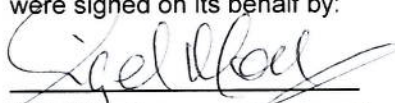
	<i>Income and Expenditure Account £000</i>	<i>Revaluation Reserve £000</i>	<i>Total £000</i>
Restated Balance at 1 August 2014	94320	11436	105756
Surplus from the income and expenditure account	6291	0	6291
Other comprehensive income	(1710)	1660	(50)
Transfers between revaluation and income and expenditure reserves	338	(338)	0
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	4919	1322	6241
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2015	99239	12758	111997
Surplus from the income and expenditure account	7245	0	7245
Other comprehensive income	(6999)	2308	(4691)
Transfers between revaluation and income and expenditure reserves	6512	(6512)	0
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	6758	(4204)	2554
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2016	105997	8554	114551
	<hr/>	<hr/>	<hr/>

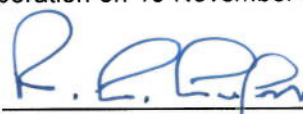
UNIVERSITY COLLEGE BIRMINGHAM

BALANCE SHEET AS AT 31 JULY 2016

		31 July 2016	31 July 2015
		£000	As restated £000
	Notes		
FIXED ASSETS			
Tangible assets	10	73131	74203
Investments	11	37012	35814
		<u>110143</u>	<u>110017</u>
CURRENT ASSETS			
Stock		26	26
Debtors	12	2022	1927
Cash at bank and in hand		27477	18333
		<u>29525</u>	<u>20286</u>
CREDITORS: amounts falling due within one year	13	(4517)	(5091)
NET CURRENT ASSETS		<u>25008</u>	<u>15195</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		135151	125212
PENSION LIABILITY	14	(20600)	(13073)
NET ASSETS		<u>114551</u>	<u>112139</u>
DEFERRED CAPITAL GRANTS	15	0	142
RESERVES			
Income and expenditure account excluding pension reserve	16	126597	112312
Pension reserve	18	(20600)	(13073)
Income and expenditure account including pension reserve		<u>105997</u>	<u>99239</u>
Revaluation reserves	17	8554	12758
		<u>114551</u>	<u>112139</u>

The financial statements on pages 1 to 42 were approved by the Corporation on 16 November 2016 and were signed on its behalf by:


 Nigel Moss
 Chancellor
 16 November 2016


 Ray Linforth
 Vice-Chancellor & Principal

UNIVERSITY COLLEGE BIRMINGHAM

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2016

		<i>Year ended 31 July 2016 £000</i>	<i>Year ended 31 July 2015 £000</i>
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	10300	8014
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets not under finance leases	10	(2827)	(7261)
Income from sale of tangible fixed assets		0	1
Deferred capital grants received	15	274	392
Purchase of investments		(15651)	(1029)
Income from sale of investments		16451	846
Income from investments		430	380
		<hr/>	<hr/>
		(1323)	(6671)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Other interest received		167	133
		<hr/>	<hr/>
INCREASE IN CASH IN THE YEAR	20	9144	1476
		<hr/>	<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>£000</i>
Increase in cash in the year	9144
Net funds at 1 August 2015	18333
	<hr/>
Net funds at 31 July 2016	27477
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UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

1. ACCOUNTING POLICIES

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education 2015* and in accordance with Financial Reporting Standard ("FRS") 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Recurrent grants receivable from the Education Funding Agency, Skills Funding Agency and the National College for Teaching and Leadership represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account. Recurrent grants receivable from the Higher Education Funding Council for England are based upon the HESES returns provided by the University in December and June of each academic year. Non-recurrent grants received in respect of the acquisition or construction of fixed assets are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Pension schemes

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 18, the TPS is a multi employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the 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 increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

Employment Benefits

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

Prior year adjustments and the transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has adopted the first time adoption requirements. Due to the implementation of FRS 102 during the year to 31 July 2016 it has been necessary to restate the 2014/15 prior year comparatives for the following:

- i) The setting up of a holiday pay accrual.
- ii) The revaluation to market value of certain fixed asset properties considered by the University to be Investment properties.
- iii) The adoption of the Performance model of accounting for deferred capital grants.

An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the University is provided in note 29.

Application of first time adoption grants certain exemptions from the full requirements of 2015 SORP in the transition period. The exemption for fair value or revaluation as deemed cost has been taken into these financial statements i.e. fair value has been used for deemed cost for properties measured at fair value.

Tangible fixed assets

a) Land and buildings

The University's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are capitalised at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University of 50 years. Leasehold buildings are amortised over the length of the lease.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Assets in the Course of Construction are carried at cost and are not depreciated until Practical Completion is achieved.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

Where significant subsequent expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- i. Market value of the fixed asset has subsequently improved
- ii. Asset capacity increases
- iii. Substantial improvement in the quality of output or reduction in operating costs
- iv. Significant extension of the asset's life beyond that conferred by repairs and maintenance

b) Refurbishments

Refurbishments costing less than £15,000 are written off to the income and expenditure account in the period of refurbishment. All other refurbishments are capitalised at cost and are depreciated over their useful economic life to the University of 4 years.

Where refurbishments are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

c) Other tangible fixed assets

Other tangible fixed assets costing less than £15,000 per individual item are written off to the income and expenditure account in the period of acquisition. All other tangible fixed assets are capitalised at cost.

Other tangible fixed assets are depreciated over their useful economic lives as follows:

Motor vehicles	4 years
Computer equipment	4 years
General equipment	4 years

Where other tangible fixed assets are acquired with the aid of specific grants they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related tangible fixed assets on a basis consistent with the depreciation policy.

d) Investment Properties

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

In accordance with FRS 102 properties which the University considers are Investment properties have been professionally revalued during the year. Fluctuations in the value of Investment properties have been recognised in the Statement of Comprehensive Income.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

1. ACCOUNTING POLICIES *(continued)*

depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

Investments are held for the long term and are therefore treated as fixed assets and included at market valuation. Fluctuations in value are taken directly to the investment revaluation reserve included within reserves in the balance sheet, so avoiding significant fluctuations in operating surpluses resulting from short term fluctuations in the value of investments.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Taxation

As an exempt charity the University benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents. The University is exempted from levying VAT on most of the services it provides to students. For this reason the University is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any recovery netted off against these figures.

European Social Fund ("ESF") Monies

The University only recognises ESF monies upon official confirmation that a particular bid for funds has been approved.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Deferred Capital Grants

In accordance with FRS 102 the University accounts for deferred capital grants using the Performance model whereby grants that do not impose specific future performance-related conditions are recognised in the Statement of Comprehensive Income on receipt and grants that impose specific future performance-related conditions are only recognised in the Statement of Comprehensive Income once the performance-related conditions are met.

Agency arrangements

The University acts as an agent in the collection and payment of Learner Support Funds and National College for Teaching and Leadership training bursaries. Related payments received from the HEFCE, EFA/SFA and NCTL and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 27, except for the 5% of the grant received which is available to the University to cover administration costs relating to the grant. The University employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

2. FUNDING COUNCIL GRANTS

	<i>Higher Education Funding Council £000</i>	<i>Further Education Funding Bodies £000</i>	<i>Total 2016 £000</i>	<i>Total 2015 As Restated £000</i>
Recurrent Grants				
– Higher Education	3358	0	3358	3704
– Higher Education 13/14 Reconciliation	(79)	0	(79)	276
– Higher Education 14/15 Reconciliation	(25)	0	(25)	0
– Education Funding Agency	0	6867	6867	6770
– Skills Funding Agency	0	1184	1184	1535
– Skills Funding Agency 14/15 Reconciliation	0	(53)	(53)	29
Release of Capital Grants	416	0	416	250
Discretionary Bursaries	0	200	200	187
16-18 Apprenticeships	0	286	286	177
16-18 Apprenticeships 14/15 Reconciliation	0	22	22	0
Employers Apprenticeship Grant	0	65	65	66
National Scholarship Programme	0	0	0	198
Free School Meals	0	76	76	120
SFA Surplus Costs 14/15	0	5	5	14
Collaborative Outreach	30	0	30	30
Vulnerable Students Bursaries	0	18	18	23
Residential Bursaries	0	5	5	0
	<u>3700</u>	<u>8675</u>	<u>12375</u>	<u>13379</u>

During the year the University also received £190,380 (2015 - £242,577) from SFA earmarked as access funds. These funds were administered in accordance with the terms and conditions specified by the SFA. The funds have been excluded from both income and expenditure.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

3. ACADEMIC FEES AND SUPPORT GRANTS

	2016 £000	2015 £000
Tuition Fees:		
Higher Education – Home	23240	19812
Higher Education – EU	4059	2596
Higher Education – Non EU	4381	5008
Further Education - Home	444	444
Further Education - EU	19	23
Further Education - Non EU	123	167
	<u>32266</u>	<u>28050</u>
Overseas Trips	8	13
Contracts	560	232
European Funds	(32)	11
	<u>32802</u>	<u>28306</u>

4. OTHER OPERATING INCOME

	2016 £000	2015 £000
Catering operations	952	882
Residence income	4200	4106
Other income generating activities	715	1102
Other services rendered	51	29
	<u>5918</u>	<u>6119</u>

5. INVESTMENT INCOME

	2016 £000	2015 <i>As Restated</i> £000
Fixed asset investment properties revaluation	20	200
Income from investments	430	380
Other interest receivable	167	133
	<u>617</u>	<u>713</u>

Income from investments represents dividends received and net gains/(losses) crystallised on investment disposals during the year. Fluctuations in market value on investments which have been held by the University throughout the year are taken directly to reserves.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

6. STAFF COSTS

The average number of persons employed by the University during the year, expressed as full-time equivalents, was:

	2016	2015
Teaching departments	327	335
Teaching support services	72	64
Other support services	47	45
Administration and central services	30	29
General education expenditure	16	13
Premises	27	25
Research	3	3
Catering and residences	2	2
	<u>524</u>	<u>516</u>

	2016	2015 <i>As restated</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	19141	18342
Social security costs	1686	1475
Pension costs (including FRS 102 adjustments of £43,000 - 2015 £444,000)	2984	3165
	<u>23811</u>	<u>22982</u>
Payroll sub-total	1128	1227
Contracted-out staffing services	<u>24939</u>	<u>24209</u>

	2016	2015 <i>As restated</i>
	<i>£000</i>	<i>£000</i>
Employment costs for staff on permanent contracts	23403	22231
Employment costs for staff on short-term and temporary contracts	365	307
Contracted-out lecturing services	1128	1227
FRS 102 retirement benefit charge	43	444
	<u>24939</u>	<u>24209</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

6. STAFF COSTS *(continued)*

The number of staff, excluding the Vice-Chancellor & Principal, who received remuneration excluding employer's pension contributions in the following ranges was:

	2016	2015
£100,001 to £110,000	1	0
£120,001 to £130,000	0	1
£130,001 to £140,000	2	1
£140,001 to £150,000	2	2
£150,001 to £160,000	2	2
	—	—

The remuneration paid to the Vice-Chancellor & Principal was:

	2016 £000	2015 £000
Salary	243	236
Bonus	0	0
Benefits in kind	0	0
	243	236
	—	—
Pension contributions	0	0
	—	—

The figure given for the salary of the Vice-Chancellor & Principal includes payments in lieu of pension contribution.

The members of the Corporation other than the Vice-Chancellor & Principal and the member nominated by the staff (who is a University employee) did not receive any payment from the University other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Key management personnel

The members of the Executive Management Team are considered to be the key management personnel of the University, having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

	2016 £000	2015 £000
Key management personnel compensation	1298	1257
	—	—

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

7. OTHER OPERATING EXPENSES

	2016	2015
	£000	<i>As restated</i> £000
Teaching departments	2501	2528
Teaching support services	2007	1655
Other support services	668	709
Administration and central services	1996	1794
General education expenditure	3166	2777
Premises costs	2263	2997
Capital expenditure written off	873	0
Catering costs	1116	1039
Residences expenditure	1061	1121
Bursary payments to HE students	4	54
Local government pension administration costs	14	19
	<u>15669</u>	<u>14693</u>

Other operating expenses include:

	2016	2015
	£000	£000
Auditors' remuneration		
- external audit	23	15
- internal audit	33	31
- other services provided by external auditors	0	0
- other services provided by internal auditors	0	0
	<u> </u>	<u> </u>

8. TAXATION

The members do not believe the University was liable for any Corporation Tax arising out of its activities during the year.

9. INTEREST PAYABLE

	2016	2015
	£000	<i>As restated</i> £000
Local government pension deficit interest (note 18)	471	434
	<u> </u>	<u> </u>

10. TANGIBLE FIXED ASSETS

	Assets in the Course of Construction £000	Freehold Land & Buildings £000	Refurbishments £000	Motor Vehicles £000	Computer Equipment £000	General Equipment £000	Investment Properties £000	Total £000
Cost or valuation:								
At 1 August 2015 as restated	298	76085	8558	210	423	1096	5340	92010
Additions	1008	361	1251	0	39	168	0	2827
Amounts written off	(841)	0	0	0	0	0	0	(841)
Disposals	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	20	20
At 31 July 2016	465	76446	9809	210	462	1264	5360	94016
Depreciation:								
At 1 August 2015 as restated	0	11672	5263	114	245	513	0	17807
Charge for the year	0	1241	1455	48	76	258	0	3078
Disposals	0	0	0	0	0	0	0	0
At 31 July 2016	0	12913	6718	162	321	771	0	20885
Net book value:								
At 31 July 2016	465	63533	3091	48	141	493	5360	73131
Net book value:								
At 1 August 2015	298	64413	3295	96	178	583	5340	74203
Inherited	0	4333	0	0	0	0	0	4333
Financed by capital grant	0	2767	0	0	0	0	0	2767
Other	465	56433	3091	48	141	493	5360	66031
At 31 July 2016	465	63533	3091	48	141	493	5360	73131

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

10. TANGIBLE FIXED ASSETS *(Continued)*

Inherited land and buildings have been valued at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the University on a depreciated replacement cost basis with the assistance of independent professional advice. There are no tangible fixed assets held under finance leases. Land and buildings with a net book value of £2,767,000 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the University may be liable, under the terms of the Financial Memorandum with HEFCE, to surrender the proceeds.

During the year the University decided not to go ahead with a major capital build in its originally proposed design. After careful review of the level of professional fees associated with the capital build that had already been capitalised it was decided that these fees should be written down by £841,000.

11. INVESTMENTS

	2016 £000	2015 £000
Managed Funds and Covered Warrants		
Market value at 1 August	35578	33734
Cost of additions	15639	1005
Sale of investments	(16749)	(821)
Surplus on revaluation for year	2308	1660
	<u>36776</u>	<u>35578</u>
Investment in joint venture (see note 24)		
Cost at 1 August	24	0
Additions	0	24
	<u>24</u>	<u>24</u>
Works of Art		
Cost at 1 August	212	212
Additions	0	0
	<u>212</u>	<u>212</u>
Total Investments	<u>37012</u>	<u>35814</u>

Managed funds and covered warrants have been included at market value. Unrealised gains and losses arising from fluctuations in value are included within revaluation reserves. Investments in joint ventures and works of art have been included at cost.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

12. DEBTORS

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade debtors	953	878
Prepayments and accrued income	640	614
Loans to joint ventures (see note 24)	429	429
Other debtors	0	6
	<u>2022</u>	<u>1927</u>

13. CREDITORS: amounts falling due within one year

	2016 £000	2015 <i>As restated</i> £000
Trade creditors	643	388
Other taxation and social security	12	0
Accruals and deferred income	3862	4703
	<u>4517</u>	<u>5091</u>

14. PENSION LIABILITY

	2016 £000	2015 £000
Local government pension liability	20600	13073
	<u>20600</u>	<u>13073</u>

15. DEFERRED CAPITAL GRANTS

	<i>LSC</i> £000	<i>HEFCE</i> £000	<i>Total</i> £000
At 1 August 2015 as restated	0	142	142
Cash received	0	274	274
Released to income and expenditure account	0	(416)	(416)
	<u>0</u>	<u>0</u>	<u>0</u>
At 31 July 2016	0	0	0

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

16. INCOME AND EXPENDITURE ACCOUNT

	2016 £000	2015 <i>As restated</i> £000
At 1 August	99239	94320
Transfers from revaluation reserve to income and expenditure account		
Inherited Assets	140	140
Investments	6372	198
Surplus on continuing operations after depreciation of assets at valuation and tax	7245	6291
Actuarial loss in respect of pension scheme	(6999)	(1710)
	<hr/>	<hr/>
At 31 July	105997	99239
	<hr/>	<hr/>
Balance represented by :		
Income and expenditure account excluding pension reserve	126597	112312
Pension reserve	(20600)	(13073)
	<hr/>	<hr/>
At 31 July	105997	99239
	<hr/>	<hr/>

17. REVALUATION RESERVES

	2016 £000	2015 £000
<i>Inherited Assets</i>		
Beginning of year	4473	4613
Transfer from revaluation reserve to income and expenditure account	(140)	(140)
	<hr/>	<hr/>
End of year	4333	4473
	<hr/>	<hr/>
	2016 £000	2015 £000
<i>Investments</i>		
At 1 August	8285	6823
Release of revaluation reserve in respect of investments sold during the year	(6372)	(198)
Increase in valuation of investments during the year	2308	1660
	<hr/>	<hr/>
At 31 July	4221	8285
	<hr/>	<hr/>
Total Revaluation Reserves	8554	12758
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

18. PENSION AND SIMILAR OBLIGATIONS

The two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Both are defined benefit schemes.

The total pension cost for the University was:

	2016	2015
	£000	£000
Contribution to TPS	1707	1432
Contribution to LGPS	1234	1289
FRS 102 charge	43	444
Total pension cost (Note 6)	<u>2984</u>	<u>3165</u>

Teachers Pension Scheme (TPS)

The University participates in the TPS, which is an unfunded defined benefit pension scheme where contributions payable are credited to the Exchequer and a notional set of investments maintained. The pension cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The main results and assumptions of the most recent valuation of the TPS are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5%
Salary scale increases per annum	5.0%
Notional value of assets at date of last valuation	£162,650m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

For the period from 1 August 2015 to 31 August 2015 the employer contribution was 14.1% and from 1 September 2015 to 31 July 2016 the employer contribution was 16.48% and the employee rate was between 7.4% and 11.7%.

Financial Reporting Standard 102

Under the definitions set out in Financial Reporting Standard 102, 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 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Local Government Pension Scheme (LGPS)

The University participates in the LGPS, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University. The total contribution made for the year ended 31 July 2016 was £1,703,372 of which employer's contributions totalled £1,233,549 and employees' contributions totalled £469,823. The agreed employer contribution rate for the 2015/16 Fiscal Year was 14.4% and the rate for the 2016/17 Fiscal Year is 14.4%. The employee contribution rate depends upon the salary of the individual member and varies between 5.50% and 12.50%.

Financial Reporting Standard 102

The following information is based upon a full actuarial valuation of the Fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

Weighted average assumptions used to determine benefit obligations at:	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.75%	3.95%
Rate of increase for pensions	2.00%	2.20%
CPI Inflation assumption	2.00%	2.20%
Discount rate for scheme liabilities	2.60%	3.80%
Further life expectancies from age 65:		
Retiring today		
Males	23.0 years	23.0 years
Females	25.7 years	25.6 years
Retiring in 20 years		
Males	25.3 years	25.2 years
Females	28.1 years	28.0 years

Changes to the LGPS under regulation 3 of the LGPS (Amendment) Regulations 2006 (Statutory Instrument 2006/966) permit employees retiring on or after 6 April 2006 to take an extra increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

The actuaries have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. The actuaries have advised that this will reduce the value of the University's retirement benefit liability.

The current mortality assumptions include allowance for future improvements in mortality rates.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

	2016	2015
		<i>As restated</i>
	£000	£000
Amounts included in interest payable:		
Net interest cost	471	434
	<hr/>	<hr/>
<i>Amount recognised in Other Comprehensive Income</i>		
	2016	2015
		<i>As restated</i>
	£000	£000
Return on pension scheme assets	1873	1271
Changes in assumptions underlying the present value of scheme liabilities	(8872)	(2981)
	<hr/>	<hr/>
Actuarial loss recognised in other comprehensive income	(6999)	(1710)
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Movement in net defined benefit liability during the year

	2016	2015
		<i>As restated</i>
	£000	£000
Deficit in scheme at 1 August	(13073)	(10466)
Movement in year:		
Current service charge	(1446)	(1247)
Employer contributions including unfunded	1403	803
Past service charges	0	0
Administration costs	(14)	(19)
Net interest cost	(471)	(434)
Actuarial loss	(6999)	(1710)
	<u> </u>	<u> </u>
Deficit in scheme at 31 July	(20600)	(13073)
	<u> </u>	<u> </u>

Reconciliation of Defined Benefit Obligations

	2016	2015
		<i>As restated</i>
	£000	£000
Defined benefit obligation at start of year	36973	31456
Current service cost	1446	1247
Interest cost	1398	1352
Member contributions	432	421
Change in financial assumptions	8872	2981
Estimated benefits paid net of transfers in	(841)	(484)
	<u> </u>	<u> </u>
Defined benefit obligation at end of year	48280	36973
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Reconciliation of Assets

	2016	2015
		<i>As restated</i>
	£000	£000
Fair value of assets at start of year	23900	20990
Interest on assets	927	918
Return on assets less interest	1873	1271
Employer contributions including unfunded	1403	803
Member contributions	432	421
Estimated benefits paid plus unfunded net of transfers in	(841)	(484)
Administration expenses	(14)	(19)
	<hr/>	<hr/>
Fair value of assets at end of year	27680	23900
	<hr/>	<hr/>

The total return on the fund assets for the year to 31 July 2016 is £2,800,000.

Contributions

The employer expects to make contributions in the year to 31 July 2017 of £1,200,000.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

19. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2016 £000	2015 <i>As restated</i> £000
Surplus on continuing operations after depreciation of assets at valuation and tax	7245	6291
Adjustment for non-cash items:		
Depreciation (note 10)	3078	2915
Amounts written off fixed assets (note 10)	841	0
Fixed asset investments revaluation (note 5)	(20)	(200)
Decrease in stocks	0	5
(Increase) in trade debtors	(75)	(298)
(Increase) in prepayments, accrued income and other debtors	(20)	(16)
Increase/(Decrease) in trade creditors	255	(664)
Increase/(Decrease) in other taxation and social security	12	(724)
(Decrease)/Increase in accruals	(841)	597
Pension cost less contributions payable (notes 6 and 18)	43	444
Pension administration costs (notes 7 and 18)	14	19
Adjustment for investing or financing activities:		
Profit on disposal of tangible fixed assets	0	(1)
Deferred capital grants released to income (note 15)	(416)	(250)
Other interest (note 5)	(167)	(133)
Income from investments (note 5)	(120)	(405)
Interest payable (note 9)	471	434
	<hr/>	<hr/>
Net cash inflow from operating activities	10300	8014
	<hr/>	<hr/>

20. ANALYSIS OF CHANGES IN NET FUNDS

	<i>At 1 August 2015</i> £000	<i>Cash Flows</i> £000	<i>At 31 July 2016</i> £000
Cash at bank and in hand	18333	9144	27477
	<hr/>	<hr/>	<hr/>

21. CAPITAL COMMITMENTS

	2016 £000	2015 £000
Contracted for at year end	666	1355
Authorised but not contracted for at year end	4005	63076
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

22. FINANCIAL COMMITMENTS

At 31 July 2016 the University had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings £000</i>	<i>Other £000</i>
Expiring within one year	-	-
Expiring within two and five years	-	-
	<u> </u>	<u> </u>

23. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Corporation (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The only transaction identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures was the payment of £110,300 grant to the University College Birmingham Guild of Students of which Ms Z Harris was the president at the time.

Transactions with the HEFCE, NCTL, EFA, and SFA are detailed in notes 2, 12 and 15.

24. JOINT VENTURES

On 5 July 2012 a private limited company called SUCB Holdings Limited was set up. The University owns 50% (500 ordinary shares of £0.01 each) of the issued share capital of this company with the other 50% being owned by a company called NRH Media Limited. On 6 July 2012 Smartphone Hospitality Limited, a wholly owned subsidiary of SUCB Holdings Limited, was incorporated. The purpose of this joint venture is to seek to maximise business opportunities arising out of the utilisation of augmented reality in the hospitality industry. At 31 July 2016 the University had loaned the sum of £125,000 to SUCB Holdings Limited and this amount was included in the debtors figure in the balance sheet. The recoverability of this debt is now thought to be uncertain and it has therefore been provided against in full. The University has not accounted for SUCB Holdings Limited as a joint venture as at 31 July 2016 due to the immateriality of the figures involved.

On 25 October 2013 a Limited Liability Partnership called UCB Leisure LLP was incorporated. The Capital of this business is owned equally by University College Birmingham and David Playdon (who up until the incorporation of the business was a Governor of the University). On 22 November 2013 UCB Leisure LLP purchased the freehold of the land and buildings of Gayhill Golf Club (now renamed Hollywood Golf Club) for a total consideration of £858,000.

On 22 April 2015 a Limited Liability Partnership called Legge Lane Birmingham LLP was incorporated. The Capital of this business is owned equally by University College Birmingham and Romiga Washington Ltd. The purpose of this joint venture is to build apartments on land currently owned by the University at Legge Lane, Birmingham. During the year planning permission was gained for the building of 100 mixed one and two bedroom flats. At the end of the year the University had contributed capital to this joint venture of £24,021.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

25. MAJOR NON-CASH TRANSACTIONS

There have been no major non-cash transactions in the year.

26. LEARNER SUPPORT FUNDS AND TRAINING BURSARIES

	<i>NCTL Training Bursaries</i>		<i>Learner Support Funds</i>	
	<i>2016 £000</i>	<i>2015 £000</i>	<i>2016 £000</i>	<i>2015 £000</i>
Funding Council grants	121	170	190	243
Interest earned	0	0	0	0
	<u>121</u>	<u>170</u>	<u>190</u>	<u>243</u>
Disbursed to students	(121)	(170)	(178)	(224)
Administration costs	0	0	(12)	(12)
Balance unspent at 31 July	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>

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

27. EXPENSES PAID TO OR ON BEHALF OF THE MEMBERS OF THE CORPORATION

During the year expense payments amounting to a total of £7,504 were paid to 6 Corporation Members for expenses they incurred in attending University meetings. Examples of the types of expenses incurred include travel and hotel costs.

No payments for services were made to any of the Members or connected parties, other than under contracts of employment.

28. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

29. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the University has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the University's financial position, financial performance and cash flows, is set out below.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

29. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP *(continued)*

	<i>Note</i>	<i>At 1 August 2014</i> £000	<i>At 31 July 2015</i> £000
<i>Financial Position</i>			
Total reserves under previous SORP		101734	107828
Employee leave accrual	i)	(561)	(595)
Release of capital grants	ii)	2910	2839
Reclassification of fixed asset investment properties	iii)	1673	1925
Changes to measurement of actuarial loss	iv)	0	348
Changes to measurement of net finance cost on defined benefit scheme	iv)	0	(348)
Total effect of transition to FRS102 and 2015 FE HE SORP		<u>4022</u>	<u>4169</u>
Total reserves under 2015 FE HE SORP		<u>105756</u>	<u>111997</u>

Year ended
31 July 2015
£000

Financial Performance

Surplus for the year after tax under previous SORP		6492
Employee leave accrual	i)	(34)
Release of grants received	ii)	250
Reversal of capital grants amortisation	ii)	(321)
Reversal of depreciation charge on investment properties	iii)	52
Revaluation of investment properties	iii)	200
Changes to measurement of net finance cost on defined benefit scheme	iv)	(348)
Pensions provision – actuarial loss	v)	(1710)
Unrealised gain on revaluation of investments	v)	1660
Total effect of transition to FRS102 and 2015 FE HE SORP		<u>(251)</u>
Total comprehensive income for the year under 2015 FE HE SORP		<u>6241</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2016

29. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP *(continued)*

i) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31 August each year for both teaching and non-teaching staff and the cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £561,000 was recognised at 1 August 2014 and £595,000 at 31 August 2015. Following a re-measurement exercise in 2015-16 the movement on this provision of £39,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

ii) Capital grants accounted for under performance model

The University has previously been in receipt of certain capital grants which, under the previous UK GAAP and 2007 SORP, were capitalised and amortised over the remaining useful economic life of the relevant fixed assets. In accordance with FRS 102 the University now accounts for deferred capital grants using the Performance model whereby grants that do not impose specific future performance-related conditions are recognised in the Statement of Comprehensive Income on receipt and grants that impose specific future performance-related conditions are only recognised in the Statement of Comprehensive Income once the performance-related conditions are met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

iii) Reclassification of fixed asset investment properties

With the implementation of FRS 102, properties included within fixed assets which the University considers to be investment properties have been professionally revalued during the year and the revaluation surplus or loss recognised in the Statement of Comprehensive Income. A corresponding adjustment has been made to the income recognised in the 2015 results to remove the previous depreciation charge and to include the relevant revaluation surplus or loss for the year.

iv) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit scheme obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

v) Presentation of actuarial gains and losses and unrealised gains and losses on revaluation of investments within Total Comprehensive Income

Actuarial gains and losses on the University's defined benefit scheme, together with unrealised gains and losses on revaluation of investments, were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure Account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income as movements in Other Comprehensive Income.

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

The main source of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year is the uncertainty surrounding the valuation of the net pension liability.

In order to value the pension liability it is necessary to make assumptions about future discount rates, salary increases, pension increases and life expectancies.

The value of the pension liability is sensitive to changes in these assumptions as follows:

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	47303	48280	49279
Projected service cost	1782	1819	1857
Adjustment to salary increases		no change	1% for next 4 years
Present value of total obligation		48280	45419
Projected service cost		1819	1795
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	49094	48280	47485
Projected service cost	1856	1819	1783
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	49619	48280	46979
Projected service cost	1865	1819	1774

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation of the University are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Corporation of the University, the Corporation, through its Vice-Chancellor & Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction issued by the Higher Education Funding Council for England, which give a true and fair view of the state of affairs of the University and the surplus for that year.

In preparing the financial statements the Corporation is required to:-

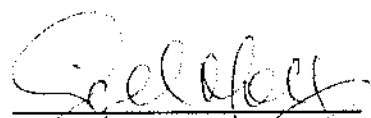
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the University will continue in operation.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the University.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It has general responsibility for taking such steps that are reasonably open to it to safeguard assets of the University and to prevent and detect fraud and other irregularities.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Council are used only in accordance with the Financial Memorandum with the Council and any other conditions which the Council may from time to time prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place sufficient to safeguard public and other funds and ensure that they are used only in accordance with the conditions under which they have been made available. In addition, members of the Corporation are responsible for securing the economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

Approved by order of the members of the Corporation on 16 November 2016 and signed on its behalf by:



Nigel Moss

Chancellor

16 November 2016

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. It complies with the provisions of the voluntary *Governance Code of Practice* adopted by the Committee of University Chairmen (CUC) in February 2009 and also the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in July 2003. This summary describes the manner in which the University has applied the principles set out in the Combined Code. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the University complies with all the provisions of both the CUC Governance Code of Practice and the Combined Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2016.

Statement of Primary Responsibilities

Having regard to the Code, the Corporation has adopted the following statement of primary responsibilities:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the Vice-Chancellor & Principal, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor & Principal.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the University.
8. To appoint the Vice-Chancellor & Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

Statement of Primary Responsibilities *(continued)*

13. To make such provision as it thinks fit for the general welfare of students, in consultation with the academic board.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

The Corporation

The composition of the Corporation during the year is set out on pages 8 and 9. It is the Corporation's responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the University, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are: Finance and General Purposes; Remuneration and Nominations; Audit; Student Services and Standards and Ad Hoc.

The Finance and General Purposes Committee, the Audit Committee, the Student Services and Standards Committee and the full Corporation meet at least termly. The Remuneration and Nominations and Ad Hoc Committees are convened as necessary. Full minutes of all meetings are available from the University Secretary at:

University College Birmingham
Summer Row
Birmingham
B3 1JB

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to obtain independent professional advice in furtherance of their duties at the University's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment.

There is a clear division of responsibility in that the roles of the Chancellor and Vice-Chancellor & Principal are separate.

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

Remuneration and Nominations Committee

It is the responsibility of the Remuneration and Nominations Committee to determine the remuneration and benefits of the Vice-Chancellor & Principal and other senior staff.

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Remuneration and Nominations Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 3 years.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Vice-Chancellor & Principal). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the University's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of University management. The Committee also receives and considers reports from the Funding Council as they affect the University's business.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, reporting their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and that internal auditors undertake periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statement auditors and their remuneration for both audit and non-audit work.

Internal control

The Vice-Chancellor & Principal, as Accounting Officer, is responsible for ensuring that an effective system of internal control is maintained and operated by the University.

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

The Corporation has delegated to the Vice-Chancellor & Principal, as Accounting Officer, the day-to-day responsibility for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He/she is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

The Corporation has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

Internal control *(continued)*

The Executive Management Team receives reports setting out key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein from the Executive Management Team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2016.

Public benefit

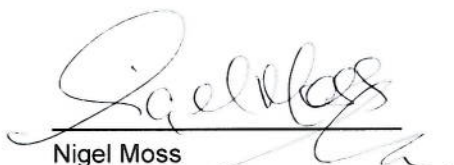
University College Birmingham is an exempt charity and has regard to the Charity Commission's guidance on public benefit in the exercise of its duties. Its charitable object is, for the public benefit, to advance education, knowledge and learning by teaching and research. It carries out this object in accordance with the powers granted to the Corporation by Section 124 of the Education Reform Act 1988.

The University has delivered its charitable purposes for the Public Benefit in 2015/16 by providing both Higher and Further education and training to in excess of 7000 students and providing research and consultancy services for business within its specialist industry areas, namely

- Restaurants, hotels and licensed trade
- Bakery
- Food and consumer management
- Tourism
- Early years education and childcare
- Events and entertainment
- Sports therapy
- Sports management
- Beauty therapy, hairdressing, salon management and theatrical special effects & media make-up
- Service sector marketing
- Health and social care

Going concern

After making appropriate enquiries, the Corporation considers that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.



Nigel Moss
Chancellor



Ray Linforth
Vice-Chancellor & Principal

16 November 2016

UNIVERSITY COLLEGE BIRMINGHAM

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF UNIVERSITY COLLEGE BIRMINGHAM

We have audited the financial statements of University College Birmingham (the "University") for the year ended 31 July 2016 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of 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 Corporation, in accordance with Charters and Statutes of the Institution. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditors' 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 Corporation for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they 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 (APB'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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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 University's affairs as at 31 July 2016 and of its income and expenditure, recognised gains and losses, and statement of cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice -- Accounting for Further and Higher Education.

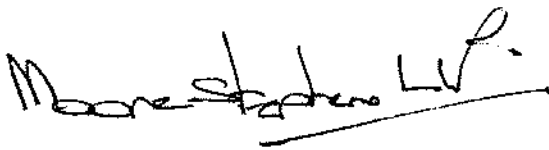
UNIVERSITY COLLEGE BIRMINGHAM

**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF UNIVERSITY COLLEGE
BIRMINGHAM**

**Opinion on other matters prescribed by the Higher Education Funding Council for England Audit
Code of Practice**

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Higher Education Funding Council for England have been applied in accordance with the Financial Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of the Higher Education Funding Council for England's accounts direction have been met.

A handwritten signature in black ink, appearing to read 'Nicholas Simkins', with a horizontal line underneath it.

**Nicholas Simkins FCA
Senior Statutory Auditor**

for and on behalf of Moore Stephens LLP, Statutory Auditor

35 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

16 November 2016