

University College Birmingham

**Report and Financial Statements for the year
to 31 July 2011**

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

The members present their report and the audited financial statements for the year ended 31 July 2011.

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 College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

MISSION

The mission of University College Birmingham is to maintain an environment in which all students can develop appropriate skills, knowledge and quality standards to enable them to compete, with advantage, at all levels within the sectors we serve.

The College believes this can best be achieved by building upon the present mix of Higher and Further Education programmes offered. The College believes that students, irrespective of previous educational attainment and experience, should be able to access and benefit from these programmes.

To enable students to make the most of these opportunities, the College is committed to:-

- extending access to higher education and lifelong learning;
- promoting equality of opportunity, freedom of expression and social responsibility;
- offering students high quality delivery and support and a marketable outcome;
- creating world class specialist facilities;
- developing a curriculum-led research and consultancy capability;
- working collaboratively where there is potential benefit;
- providing a strong international outlook;
- maintaining a sound financial base to underpin achievement of aims and objectives;
- operating sound and effective corporate governance.

IMPLEMENTATION OF CORPORATE PLAN

In 2007, the College prepared a Corporate Plan for the period 2007 to 2012. This plan includes an accommodation strategy and financial forecasts. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

FINANCIAL OBJECTIVES AND REVIEW OF OUT-TURN FOR THE YEAR

Since incorporation the College 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 College 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.

UNIVERSITY COLLEGE BIRMINGHAM

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

PERFORMANCE INDICATORS

The College 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 College's "Performance Indicators and Targets" document which is produced for Governor review and approval each year. The main areas in which the College sets targets are as follows:

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

STUDENT NUMBERS

The College is funded according to the units of activity it generates each year. In 2010/11, the College achieved the following estimated full-time equivalent student recruitment:

Training and Development Agency	<u>TDA Target</u> 35	<u>Actual Recruitment</u> 35
Higher Education: Home and EU Overseas	<u>HEFCE Target</u> 2396 N/A	<u>Actual Recruitment</u> 2626 688
Further Education: Home and EU (Learner Numbers)	<u>SFA/YPLA Target</u> 2096	<u>Actual Recruitment</u> 2432

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 College serves.

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

FINANCES

The College generated operating and historical cost surpluses in the year of £8,100,000 and £8,332,000 respectively (2009-2010: £8,144,000 and £8,622,000). The net cash inflow from operating activities was strong at £8,742,000 (2009-2010: £6,746,000). Net assets and the balance of cash at bank and in hand at 31 July 2011 were £80,718,000 and £19,750,000 respectively (31 July 2010: £71,173,000 and £20,099,000).

During the year, the College purchased tangible fixed assets of £6,414,000, of which £5,231,000 relates to land and buildings.

The key financial performance indicators for the year to 31 July 2011 are as follows:

Current Ratio	4.4
Operating Surplus as a Percentage of Income	18.3%
Net Liquidity Days	208
External Borrowing as a Percentage of Income	0%

The College has significant reliance on the HEFCE for its principal source of funding.

POST BALANCE SHEET EVENTS

There have been no post balance sheet events which have an impact on the financial information included within these financial statements.

RESOURCES

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

In addition to the strong financial resources, the College's human resources comprise 466 employees (expressed as full-time equivalents), 307 of whom are teaching staff. The College 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 College 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 College's Executive Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. 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 College.

A risk register is maintained at the College 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 College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

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

a) **Student recruitment**

The College is reliant upon government funding through the HEFCE, the LSC successor organisations the Young Peoples Learning 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 College offers a generous bursary scheme to students and continues to market itself strongly with overseas marketing being increased to offset any potential impact.

b) **Significant stock market fall**

The College'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.

CHARITABLE AND TAXATION STATUS

The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006 and is not liable to Corporation Tax.

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

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
- Government Offices / Regional Development Agencies
- The local community
- Other HE and FE institutions
- Trade Unions
- Professional bodies

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

EQUAL OPPORTUNITES AND EMPLOYMENT OF DISABLED PERSONS

The College 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 College facilities receive fair and equal treatment. The College 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, cultural background, disability, ethnicity, gender, marital status, race, religion or belief and sexual orientation.

The College is committed to a Policy of Race Equality. The aim of the Policy is to ensure that all applicants, students, employees, all those involved in its work and other users of College facilities receive fair and equal treatment. The College aims to provide a service that, in its teaching, employment, administration and support actively strives to:

- Eliminate unlawful racial discrimination
- Promote equality of opportunity
- Promote good race relations between people of different racial backgrounds

The College is committed to a Policy of Gender Equality. The aim of the Policy is to ensure that men, women, transgender and transsexual persons receive fair and equal treatment. The College aims to provide a service that, in its teaching, employment, administration and support actively strives to:

- Eliminate unlawful gender discrimination
- Promote equality of opportunity between men, women, transgender and transsexual persons

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College'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.

These policies are published in more detail on the College's website.

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

DISABILITY STATEMENT

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 ("DDA") as amended by the Special Education Needs and Disability Acts 2001 and 2005 and in particular makes the following commitments:

- a) as part of the redevelopment of the buildings it is installing lifts and ramps, etc, so that eventually most of the facilities will allow access to people with a disability;
- b) there is a list of specialist equipment, lighting for audio facilities, etc, which the College can make available for use by students;
- c) the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d) the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and 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;
- e) specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
- f) counselling and welfare services are described in the College charter.

The College commissioned independent consultants to undertake a detailed review of its facilities in view of the requirements of the DDA. The College is committed to implementing the recommendations of their report within the timescale set out in the DDA.

STAFF AND STUDENT INVOLVEMENT

The College 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 College 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 College'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 College's auditors are aware of that information.

PROFESSIONAL ADVISERS

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

External Auditors: Chantrey Vellacott DFK LLP
35 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

Principal Bankers:	National Westminster Bank plc 1 St Philips Place Birmingham B3 2PP	Bank of Scotland plc 33 Old Broad Street London BX2 1LB
Principal Solicitors:	Eversheds 115 Colmore Row Birmingham B3 3AL	Martineau Johnson 1 Colmore Square Birmingham B4 6AA
	Shakespeare Putsman Somerset House Temple Street Birmingham B2 5DJ	Browne Jacobson LLP Victoria Square House Victoria Square Birmingham B2 4BU
Investment Advisors:	UBS AG 10 Colmore Row Birmingham B3 2QD	Williams de Broe Ltd Colmore Plaza Colmore Circus Birmingham B4 6AT

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

MEMBERS

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

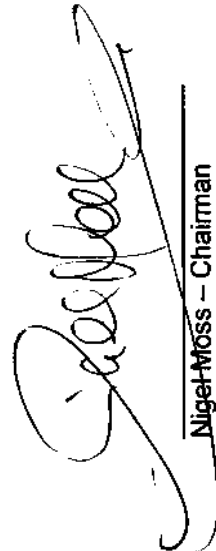
Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Mr N Moss	1 August 2011	3 years		Independent Member	Chair of Corporation	Remuneration and Nominations (Chair)
Mr A Antona	1 August 2011	3 years		Independent Member		Finance and General Purposes (Chair) Remuneration and Nominations
Mr G Divito	1 December 2010	2 years		Teaching Staff Member		Student Services and Standards
Mr P Griffiths MBE	1 August 2011	3 years		Independent Member		Finance and General Purposes
Mr D Hall	1 August 2011	3 years		Independent Member		Finance and General Purposes
Mr G Johnson	1 August 2010	1 year	31 July 2011	Student Member		Student Services and Standards
Ms V Lee	16 November 2009	3 years		Independent Member		Student Services and Standards
Prof R Linforth	1 August 2008			Principal		Finance and General Purposes
Mrs I Philip-Sørensen	1 August 2011	3 years		Independent Member	Deputy Chair of Corporation	Audit
Mrs R Pitchford	1 August 2011	3 years		Independent Member		Remuneration and Nominations
Mr D Playdon	1 August 2011	3 years		Independent Member		Remuneration and Nominations Audit

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2011

MEMBERS (continued)

Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Prof M Sheppard	23 March 2010	2 years		Co-opted Member		Ad Hoc
Mrs Y Towe	1 August 2011	3 years		Independent Member		Student Services and Standards (Chair)
Mr G Trehame	1 August 2011	3 years		Independent Member		Audit
Mr M Wiseman	1 August 2011	3 years		Independent Member		Audit (Chair)



Nigel Moss – Chairman
16 November 2011

UNIVERSITY COLLEGE BIRMINGHAM

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY 2011

		<i>Year ended 31 July 2011 £000</i>	<i>Year ended 31 July 2010 £000</i>
	Notes		
Income			
Funding council grants	2	23031	24568
Academic fees and support grants	3	15004	12883
Other operating income	4	5547	6118
Investment income	5	638	1399
Total income		<u>44220</u>	<u>44968</u>
Expenditure			
Staff costs	6	(21337)	(20862)
Other operating expenses	7	(12994)	(13803)
Depreciation	10	(1492)	(1752)
Interest payable	9	(297)	(407)
Total expenditure		<u>(36120)</u>	<u>(36824)</u>
Surplus on continuing operations after depreciation of assets at valuation and before tax		8100	8144
Taxation	8	-	-
Surplus on continuing operations after depreciation of assets at valuation and tax		<u>8100</u>	<u>8144</u>

The income and expenditure account is in respect of continuing activities.

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF TOTAL RECOGNISED GAINS FOR THE YEAR TO 31 JULY 2011

		<i>Year ended 31 July 2011 £000</i>	<i>Year ended 31 July 2010 £000</i>
	Notes		
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		8100	8144
Actuarial loss in respect of pension scheme	18	(434)	(418)
Unrealised gain on revaluation of investments	17	1570	1368
Total gains recognised since last annual report		<u>9236</u>	<u>9094</u>
Reconciliation			
Opening reserves		68378	59284
Total recognised gains for the year		9236	9094
Closing reserves		<u>77614</u>	<u>68378</u>

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STATEMENT OF HISTORICAL COST SURPLUSES FOR THE YEAR TO 31 JULY 2011

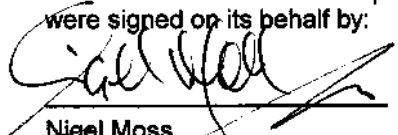
		<i>Year ended 31 July 2011 £000</i>	<i>Year ended 31 July 2010 £000</i>
	Notes		
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		8100	8144
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	140	140
Difference between historical cost and market value brought forward on investment disposals	17	92	338
Historical cost surplus for the year		<u>8332</u>	<u>8622</u>

UNIVERSITY COLLEGE BIRMINGHAM

BALANCE SHEET AS AT 31 JULY 2011

	Notes	31 July 2011 £000	31 July 2010 £000
FIXED ASSETS			
Tangible assets	10	49369	44447
Investments	11	23970	18605
		<u>73339</u>	<u>63052</u>
CURRENT ASSETS			
Stock		28	29
Debtors	12	1491	1342
Cash at bank and in hand		19750	20099
		<u>21269</u>	<u>21470</u>
CREDITORS: amounts falling due within one year	13	(4866)	(5343)
NET CURRENT ASSETS		<u>16403</u>	<u>16127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		89742	79179
PENSION LIABILITY	14	(9024)	(8006)
NET ASSETS		<u>80718</u>	<u>71173</u>
DEFERRED CAPITAL GRANTS	15	3104	2795
RESERVES			
Income and expenditure account excluding pension reserve	16	78364	69448
Pension reserve	18	(9024)	(8006)
Income and expenditure account including pension reserve		<u>69340</u>	<u>61442</u>
Revaluation reserves	17	8274	6936
		<u>80718</u>	<u>71173</u>

The financial statements on pages 1 to 36 were approved by the Corporation on 16 November 2011 and were signed on its behalf by:


 Nigel Moss
 Chairman
 16 November 2011


 Ray Linforth
 Principal

UNIVERSITY COLLEGE BIRMINGHAM

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2011

		<i>Year ended 31 July 2011 £000</i>	<i>Year ended 31 July 2010 £000</i>
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	8742	6746
		<hr/>	<hr/>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from investments and examination receipts		147	207
Other interest received		217	239
		<hr/>	<hr/>
		364	446
		<hr/>	<hr/>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets not under finance leases	10	(6414)	(4794)
Income from sale of tangible fixed assets		0	14
Deferred capital grants received	15	480	1061
Purchase of investments		(8181)	(5546)
Return of investment capital		0	423
Income from sale of investments		4660	4963
		<hr/>	<hr/>
		(9455)	(3879)
		<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH IN THE YEAR	20	(349)	3313
		<hr/>	<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>£000</i>
Decrease in cash in the year	(349)
Net funds at 1 August 2010	20099
	<hr/>
Net funds at 31 July 2011	19750
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UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

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 2007* and in accordance with applicable Accounting Standards.

Basis of accounting

The accounts 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 Young People's Learning Agency, Skills Funding Agency, Training and Development Agency and Birmingham Local Education Authority 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 College in December and June of each academic year. Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Pension schemes

Retirement benefits to employees of the College 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 College 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 College 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 market 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 total recognised gains and losses.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

1. ACCOUNTING POLICIES *(continued)*

Tangible fixed assets

a. Land and buildings

The College'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 College of 50 years.

Where land and 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.

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.

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 as follows:

Refurbishments	25% per year
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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	25% per year
Computer equipment	25% per year
General equipment	25% per year

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

1. ACCOUNTING POLICIES *(continued)*

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.

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 College 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 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 College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents. The College is exempted from levying VAT on most of the services it provides to students. For this reason the College 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 College 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.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

1. ACCOUNTING POLICIES (continued)

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds and Training and Development Agency for Schools training bursaries. Related payments received from the HEFCE, YPLA/SFA and TDA and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 26, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

2. FUNDING COUNCIL GRANTS

	<i>Training & Development Agency</i>	<i>Higher Education Funding Council</i>	<i>Further Education Funding Bodies</i>	<i>Total 2011</i>	<i>Total 2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Recurrent Grants					
– Higher Education	204	11734	0	11938	11572
– Learning and Skills Council	0	0	0	0	6022
– Local Authority	0	0	0	0	3282
– Skills Funding Agency	0	0	1574	1574	659
– Young People's Learning Agency	0	0	7827	7827	0
Release of Capital Grants	0	66	40	106	316
HE Initiative Fund 4	0	296	0	296	254
LLN Recurrent Funding	0	760	0	760	1016
LLN Targeted Allocation	0	0	0	0	92
LLN Student Funding	0	138	0	138	1265
UMF Efficiency Funding	0	383	0	383	0
Other Funding	0	0	0	0	80
Bursary Administration Fee	5	0	0	5	5
Ethnic Minority Funding	0	0	0	0	4
Special Needs	2	0	0	2	0
Leading Literacy Schools	2	0	0	2	1
	213	13377	9441	23031	24568

From April 2010, funding for the College's Further Education delivery transferred from the Learning and Skills Council (which ceased to exist) to Birmingham Local Education Authority and the Skills Funding Agency (SFA). Subsequently, Birmingham Local Education Authority handed over responsibility for payment to the Young People's Learning Agency (YPLA) in August 2010.

During the year the College also received £261,000 (2010 - £285,000) from the HEFCE and the various FE funding bodies earmarked as access funds. In addition, £135,000 was also received from the TDA (2010 - £120,000) in respect of student bursaries. These funds were administered in accordance with the terms and conditions specified by the relevant Councils. The funds have been excluded from both income and expenditure.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

2. FUNDING COUNCIL GRANTS *(continued)*

The College is the lead partner in a consortium to deliver education via the Lifelong Learning Network in the West Midlands region. The income shown above represents that earned by the College in its capacity both as a provider and as the consortium lead. Total income recorded in the year under this scheme was as follows:

	2011 £000	2010 £000
Recurrent Funding	760	1016
Student Funding	138	1265
Targeted Allocation	0	92
	<u>898</u>	<u>2373</u>

3. ACADEMIC FEES AND SUPPORT GRANTS

	2011 £000	2010 £000
Tuition Fees:		
Higher Education – Home	7102	6301
Higher Education – EU	1174	990
Higher Education – Non EU	5349	4074
Further Education - Home	133	187
Further Education - EU	4	4
Further Education - Non EU	158	122
	<u>13920</u>	<u>11678</u>
Overseas Trips	40	82
Contracts	933	1073
European funds	46	(15)
Release of other deferred capital grants	65	65
	<u>15004</u>	<u>12883</u>

UNIVERSITY COLLEGE BIRMINGHAM**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011****4. OTHER OPERATING INCOME**

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Catering operations	768	716
Residence income	3878	3784
Other income generating activities	901	1618
	<u>5547</u>	<u>6118</u>

5. INVESTMENT INCOME

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Income from investments	421	1160
Other interest receivable	217	239
	<u>638</u>	<u>1399</u>

Income from investments represents dividends received and gains crystallised on investment disposals during the year. Fluctuations in market value are taken directly to reserves.

6. STAFF COSTS

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

	<i>2011</i>	<i>2010</i>
Teaching departments	307	309
Teaching support services	39	38
Other support services	39	38
Administration and central services	44	44
General education expenditure	9	9
Premises	22	23
Research	4	4
Catering and residences	2	2
	<u>466</u>	<u>467</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

6. STAFF COSTS *(continued)*

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Wages and salaries	16364	16101
Social security costs	1284	1281
Pension costs (including FRS 17 adjustments of £287,000 - 2010 £235,000)	2511	2512
Payroll sub-total	<u>20159</u>	<u>19894</u>
Contracted-out staffing services	1178	968
	<u>21337</u>	<u>20862</u>
	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Employment costs for staff on permanent contracts	19594	19575
Employment costs for staff on short-term and temporary contracts	278	84
Contracted-out lecturing services	1178	968
FRS 17 retirement benefit charge	287	235
	<u>21337</u>	<u>20862</u>

The number of staff, including the Principal, who received remuneration in the following ranges was:

	2011	2010
£110,001 to £120,000	3	5
£120,001 to £130,000	2	-
£140,001 to £150,000	-	1
£150,001 to £160,000	2	1
£190,001 to £200,000	1	1
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

6. STAFF COSTS (continued)

The above emoluments include amounts paid to the Principal of:

	2011 £000	2010 £000
Salary	194	193
Benefits in kind	0	0
	<u>194</u>	<u>193</u>
	<u> </u>	<u> </u>
Pension contributions	27	27
	<u> </u>	<u> </u>

The pension contributions in respect of the Principal are in respect of employer's contributions to the Teachers Pension Scheme and are paid at the same rate as for other employees.

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

7. OTHER OPERATING EXPENSES

	2011 £000	2010 £000
Teaching departments	2637	2441
Teaching support services	331	350
Other support services	617	645
Administration and central services	1883	1814
General education expenditure	2349	3161
Premises costs	1347	1821
Catering costs	853	741
Residences expenditure	1315	1547
Bursary payments to HE students	1662	1283
	<u>12994</u>	<u>13803</u>
	<u> </u>	<u> </u>

Other operating expenses include:

	2011 £000	2010 £000
Auditors' remuneration		
- external audit	19	18
- internal audit	24	23
- other services provided by external auditors	0	0
- other services provided by internal auditors	14	0
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

8. TAXATION

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

9. INTEREST PAYABLE

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Local government pension deficit interest (note 18)	297	407
	<u> </u>	<u> </u>

10. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £000	Refurbishments £000	Motor Vehicles £000	Computer Equipment £000	General Equipment £000	Total £000
Cost or valuation:						
At 1 August 2010	50577	8257	135	1219	459	60647
Additions	5231	1057	32	0	94	6414
Disposals	0	0	0	0	0	0
At 31 July 2011	55808	9314	167	1219	553	67061
Depreciation/Amortisation:						
At 1 August 2010	7561	6987	79	1120	453	16200
Charge for the year	800	607	22	46	17	1492
Disposals	0	0	0	0	0	0
At 31 July 2011	8361	7594	101	1166	470	17692
Net book value:						
At 31 July 2011	47447	1720	66	53	83	49369
Net book value:						
At 1 August 2010	43016	1270	56	99	6	44447
Inherited	5033	0	0	0	0	5033
Financed by capital grant	3099	5	0	0	0	3104
Other	39315	1715	66	53	83	41232
At 31 July 2011	47447	1720	66	53	83	49369

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

10. TANGIBLE FIXED ASSETS *(Continued)*

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

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 College 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 £3,099,000 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the college may be liable, under the terms of the Financial Memorandum with HEFCE, to surrender the proceeds.

11. INVESTMENTS

	2011 £000	2010 £000
Market value at 1 August	18605	16124
Cost of additions	8181	5548
Sale of investments	(4386)	(4010)
Return of investment capital	0	(423)
Surplus on revaluation for year	1570	1368
	<hr/>	<hr/>
Market value at 31 July	23970	18605
	<hr/>	<hr/>

Investments comprise holdings in managed funds and covered warrants and have been included at market value. Unrealised gains and losses arising from fluctuations in value are included within revaluation reserves.

12. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year:		
Trade debtors	281	429
Prepayments and accrued income	930	855
HEFCE funding debtor	276	0
HEFCE matched funding debtor	4	13
Leonardo debtor	0	45
	<hr/>	<hr/>
	1491	1342
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

13. CREDITORS: amounts falling due within one year

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Trade creditors	595	385
Other taxation and social security	508	486
Accruals and deferred income	3763	4472
	<u>4866</u>	<u>5343</u>

14. PENSION LIABILITY

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Local government pension liability	9024	8006
	<u>9024</u>	<u>8006</u>

15. DEFERRED CAPITAL GRANTS

	<i>LSC</i> <i>£000</i>	<i>HEFCE</i> <i>£000</i>	<i>Other</i> <i>Grants</i> <i>£000</i>	<i>Total</i> <i>£000</i>
At 1 August 2010	1649	1076	70	2795
Cash received	0	480	0	480
Released to income and expenditure account	(40)	(66)	(65)	(171)
Allocated against fixed asset additions				
At 31 July 2011	<u>1609</u>	<u>1490</u>	<u>5</u>	<u>3104</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

16. INCOME AND EXPENDITURE ACCOUNT

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
At 1 August	61442	53238
Transfers from revaluation reserve to income and expenditure account		
Inherited Assets	140	140
Investments	92	338
Surplus on continuing operations after depreciation of assets at valuation and tax	8100	8144
Actuarial loss in respect of pension scheme	(434)	(418)
At 31 July	<u>69340</u>	<u>61442</u>
Balance represented by :		
Income and expenditure account excluding pension reserve	78364	69448
Pension reserve	(9024)	(8006)
At 31 July	<u>69340</u>	<u>61442</u>

17. REVALUATION RESERVES

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<i>Inherited Assets</i>		
Beginning of year	5173	5313
Transfer from revaluation reserve to income and expenditure account	(140)	(140)
End of year	<u>5033</u>	<u>5173</u>
	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<i>Investments</i>		
At 1 August	1763	733
Release of revaluation reserve in respect of investments sold during the year	(92)	(338)
Increase in valuation of investments during the year	1570	1368
At 31 July	<u>3241</u>	<u>1763</u>
Total Revaluation Reserves	<u>8274</u>	<u>6936</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

18. PENSION AND SIMILAR OBLIGATIONS

The two principal pension schemes for the College'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 College was:

	2011 £000	2010 £000
Contribution to TPS	1529	1580
Contribution to LGPS	695	697
FRS 17 Adjustments	287	235
Total pension cost (Note 6)	<u>2511</u>	<u>2512</u>

Teachers Pension Scheme (TPS)

The College 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%

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2009 to 31 July 2011 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

Financial Reporting Standard 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 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 2011

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Local Government Pension Scheme (LGPS)

The College participates in the LGPS, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the College. The total contribution made for the year ended 31 July 2011 was £1,128,000 of which employer's contributions totalled £695,000 and employees' contributions totalled £433,000. The agreed employer contribution rate for the 2010/11 Fiscal Year was 13.70% and the rate for the 2011/12 Fiscal Year is 14.3%. The employee contribution rate depends upon the salary of the individual member and varies between 5.50% and 7.50%.

Financial Reporting Standard 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2011 by a qualified independent actuary.

Weighted average assumptions used to determine benefit obligations at:	At 31 July 2011	At 31 July 2010
Rate of increase in salaries	4.75%	5.25%
Rate of increase for pensions	3.00%	3.00%
CPI Inflation assumption	3.00%	3.00%
Discount rate	5.30%	5.50%
Further life expectancies from age 65:		
Retiring today		
Males	21.3	21.7
Females	24.2	24.9
Retiring in 20 years		
Males	22.8	23.5
Females	25.8	26.8
Weighted average assumptions used to determine net pension cost for year ended:	31 July 2011	31 July 2010
Rate of increase in salaries	5.25%	5.55%
Rate of increase for pensions	3.00%	3.80%
CPI Inflation assumption (2010 – RPI)	3.00%	3.80%
Discount rate	5.50%	6.30%
Expected long-term return on plan assets	6.77%	6.71%
Further life expectancies from age 65:		
Retiring today		
Males	21.7	21.2
Females	24.9	24.0
Retiring in 20 years		
Males	23.5	22.2
Females	26.8	25.0

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.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

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 College's retirement benefit liability.

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

The College's share of the assets in the scheme and the expected long-term rates of return were:

	At 31 July 2011		At 31 July 2010	
	Rate %	Value £000	Rate %	Value £000
Equities	7.50	10442	7.50	8039
Government Bonds	3.90	1641	4.20	1016
Other Bonds	5.20	1165	5.10	926
Property	6.50	1763	6.50	1084
Other	0.50	322	0.50	226
Total market value of assets	6.68	15333	6.77	11291
Actuarial value of liability		(24357)		(19297)
Deficit in the scheme		(9024)		(8006)

To develop the expected long-term rate of return on assets assumption, the employer considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the above assumptions.

Analysis of the amount charged to Income and Expenditure Account

	2011 £000	2010 £000
Service cost	1015	982
Past service cost	119	0
Total operating charge	1134	982

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Analysis of net return on pension scheme

	2011 £000	2010 £000
Expected return on pension scheme assets	789	625
Interest on pension liabilities	(1086)	(1032)
Net return	<u>(297)</u>	<u>(407)</u>

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

	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	2522	997
Changes in assumptions	(2956)	(1415)
Actuarial gain/(loss) recognised in STRGL	<u>(434)</u>	<u>(418)</u>

Movement in deficit during the year

	2011 £000	2010 £000
Deficit in scheme at 1 August	(8006)	(6946)
Movement in year:		
Current service charge	(1015)	(982)
Contributions	847	747
Past service charges	(119)	0
Net interest cost	(297)	(407)
Actuarial gain/(loss)	(434)	(418)
Deficit in scheme at 31 July	<u>(9024)</u>	<u>(8006)</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Reconciliation of Liabilities

	2011 £000	2010 £000
Liabilities at start of period	19297	15898
Current service cost	1015	982
Interest cost	1086	1032
Member contributions	357	377
Past service cost	119	0
Actuarial (gains)/losses	2956	1415
Benefits paid	(473)	(407)
	<hr/>	<hr/>
Liabilities at end of period	24357	19297
	<hr/>	<hr/>

Reconciliation of Assets

	2011 £000	2010 £000
Assets at start of period	11291	8952
Expected return on assets	789	625
Actuarial (losses)/gains	2522	997
Employer contributions	847	747
Member contributions	357	377
Benefits paid	(473)	(407)
	<hr/>	<hr/>
Assets at end of period	15333	11291
	<hr/>	<hr/>

Contributions

The employer expects to make contributions in the year to 31 July 2012 of £806,000. The employer contribution rate payable from 1 April 2011 has been revised as part of the 31 March 2010 actuarial valuation of the fund.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

History of experience gains and losses

	2011	2010	2009	2008	2007
Benefit obligation at end of year	(24357)	(19297)	(15898)	(16540)	(14679)
Fair value of plan assets at end of year	15333	11291	8952	9433	10513
Deficit	(9024)	(8006)	(6946)	(7107)	(4166)
Difference between the expected and actual return on assets:					
Amount £000	2522	997	(1479)	(2618)	462
Percentage of scheme assets %	16.4	8.8	(16.5)	(27.8)	4.4
Experience gains and losses on scheme liabilities:					
Amount £000	(3304)	0	0	3248	0
Percentage of scheme liabilities %	(13.6)	0.0	0.0	19.6	0.0
Total amount recognised in STRGL:					
Amount £000	(434)	(418)	808	(2485)	1285
Percentage of scheme liabilities %	(1.8)	(2.2)	5.1	(15.0)	8.8

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

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

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Surplus on continuing operations after depreciation of assets at valuation and tax	8100	8144
Depreciation (note 10)	1492	1752
Profit on disposal of tangible fixed assets	0	(6)
Deferred capital grants released to income (note 15)	(171)	(381)
Decrease in stocks	1	1
(Increase)/Decrease in debtors	(74)	527
(Increase)/Decrease in prepayments and accrued income	(75)	48
Increase/(Decrease) in creditors	210	(1970)
Increase in other taxation and social security	22	23
Decrease in accruals	(709)	(635)
Other interest (note 5)	(217)	(239)
Income from investments (note 5)	(421)	(1160)
Interest payable (note 9)	297	407
Pension cost less contributions payable (notes 6 and 18)	287	235
	<u>8742</u>	<u>6746</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	<i>At 1 August 2010</i> <i>£000</i>	<i>Cash Flows</i> <i>£000</i>	<i>At 31 July 2011</i> <i>£000</i>
Cash at bank and in hand	20099	(349)	19750
	<u>20099</u>	<u>(349)</u>	<u>19750</u>

21. CAPITAL COMMITMENTS

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Contracted for at year end	566	126
Authorised but not contracted for at year end	28024	1770
	<u>28590</u>	<u>1900</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

22. FINANCIAL COMMITMENTS

At 31 July 2011 the College 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	-	249
	<hr/>	<hr/>

23. RELATED PARTY TRANSACTIONS

Due to the nature of the College'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 College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

Transactions with the HEFCE, TDA, YPLA, SFA and Birmingham Local Education Authority are detailed in notes 2, 12 and 15.

24. MAJOR NON-CASH TRANSACTIONS

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

25. BIRMINGHAM COMMUNITY COLLEGE

The College is a founder member of the Birmingham Community College, an alliance of six of Birmingham's colleges. The Community College is currently the vehicle for bidding for European, Skills Development and other funds and part of the UFI Birmingham and Solihull Learndirect hub. It also acts as a central point for information and marketing the member colleges.

26. LEARNER SUPPORT FUNDS AND TRAINING BURSARIES

	<i>TDA Training Bursaries</i>		<i>Learner Support Funds</i>	
	<i>2011 £000</i>	<i>2010 £000</i>	<i>2011 £000</i>	<i>2010 £000</i>
Funding Council grants	135	120	261	285
Interest earned	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
	135	120	261	285
Disbursed to students	(135)	(120)	(261)	(271)
Administration costs	0	0	0	(13)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance unspent at 31 July	0	0	0	1
	<hr/>	<hr/>	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2011

26. LEARNER SUPPORT FUNDS AND TRAINING BURSARIES *(continued)*

Funding Council grants are available solely for students; the College 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 £6,193 were paid to 11 Corporation Members for expenses they incurred in attending College 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.

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation of the College 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 College, the Corporation, through its 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 College 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 College 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 College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College 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 College 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 College'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 2011 and signed on its behalf by:



Nigel Moss
Chairman

16 November 2011

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

The College 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 November 2004 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 College 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 College 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 2011.

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 College, 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 Principal, as chief executive, for the academic, corporate, financial, estate and personnel management of the College. 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 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 College.
8. To appoint the 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 College and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the College, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the College's assets, property and estate.
12. To be the College's legal authority and, as such, to ensure that systems are in place for meeting all the College's legal obligations, including those arising from contracts and other legal commitments made in the College'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 College.
15. To ensure that the College'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 College, 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 Clerk to the Corporation 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 College'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 Chairman and 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 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 4 years.

Details of remuneration for the year ended 31 July 2011 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Principal) and one other person co-opted for their expertise in audit matters. 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 College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Funding Council as they affect the College's business.

The College'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 Principal, as Accounting Officer, is responsible for ensuring that an effective system of internal control is maintained and operated by the College.

The Corporation is ultimately responsible for the College'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 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 College 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 2011 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 2011 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2011.

Public benefit

University College Birmingham is an exempt charity and has regard to the Charity Commission's guidance on public benefit. 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 College has delivered its charitable purposes for the Public Benefit in 2010/11 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 and salon management
- Service sector marketing

Going concern

After making appropriate enquiries, the Corporation considers that the College 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
Chairman



Ray Linforth
Principal

16 November 2011

UNIVERSITY COLLEGE BIRMINGHAM

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF UNIVERSITY COLLEGE BIRMINGHAM

We have audited the financial statements (the "financial statements") of University College Birmingham for the year ended 31 July 2011, which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of the Corporation and the Auditors

The Corporation's responsibilities for preparing the Members Report and the financial statements in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 37.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education and the Accounts Direction issued by the Higher Education funding Council for England. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Training and Development Agency for Schools, the Young People's Learning Agency, the Skills Funding Agency and Local Authority. We also report to you whether in our opinion the Members Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

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

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

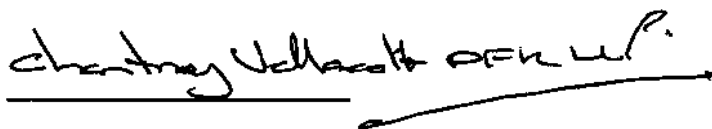
UNIVERSITY COLLEGE BIRMINGHAM

**INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF UNIVERSITY COLLEGE
BIRMINGHAM**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2011 and of the surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education and the 2009/10 Accounts Direction issued by the Higher Education Funding Council for England;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2011 has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council, Skills Funding Agency and Local Authority.



Nicholas Simkins FCA
Senior Statutory Auditor
For and on behalf of
Chantrey Vellacott DFK LLP
Chartered Accountants
Statutory Auditor
35 Calthorpe Road
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B15 1TS

16 November 2011