

University College Birmingham

Report and Financial Statements for the year
to 31 July 2012

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2012

The members present their report and the audited financial statements for the year ended 31 July 2012.

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 2011.

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 STRATEGY

In 2012, the College prepared a Corporate Strategy for the period 2012 to 2017. The Corporation monitors the performance of the College against this strategy. The strategy is 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.

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2012

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 2011/12, the College achieved the following estimated full-time equivalent student recruitment:

Training and Development Agency (Full-Time Equivalents)	<u>TDA Target</u> 45	<u>Actual Recruitment</u> 45
Higher Education: Home and EU Overseas (Full-Time Equivalents)	<u>HEFCE Target</u> 2808 N/A	<u>Actual Recruitment</u> 2800 570
Further Education: Home and EU (Learner Numbers)	<u>SFA/EFA Target</u> N/A	<u>Actual Recruitment</u> 2320

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.

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2012

FINANCES

The College generated operating and historical cost surpluses in the year of £4,142,000 and £4,719,000 respectively (2010-2011: £8,100,000 and £8,332,000). The net cash inflow from operating activities was strong at £6,331,000 (2010-2011: £8,742,000). Net assets and the balance of cash at bank and in hand at 31 July 2012 were £84,151,000 and £20,082,000 respectively (31 July 2011: £80,718,000 and £19,750,000).

During the year, the College purchased tangible fixed assets of £4,370,000 of which £2,907,000 relates to land and buildings.

The key financial performance indicators for the year to 31 July 2012 are as follows:

Current Ratio	4.1
Operating Surplus as a Percentage of Income	9.9%
Net Liquidity Days	204
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 479 employees (expressed as full-time equivalents), 313 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.

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2012

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 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 2011 and is not liable to Corporation Tax.

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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 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 2012

DISABILITY STATEMENT

The College seeks to achieve the objectives set down in the Equality Act 2010 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

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2012

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 2012

MEMBERS

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

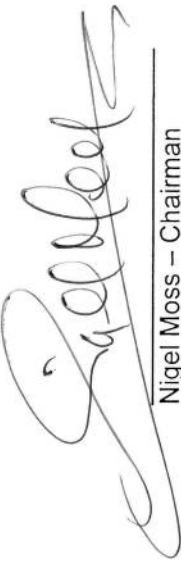
Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Mr N Moss	1 August 2011	3 years		Independent Member	Chair of Corporation	Remuneration and Nominations (Chair)
Mr A Antona	1 August 2011	3 years		Independent Member		Finance and General Purposes (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 J Haines	1 August 2011	1 year		Student Member		Student Services and Standards
Mr D Hall	1 August 2011	3 years		Independent Member		Finance and General Purposes
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 2012

MEMBERS *(continued)*

Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Prof M Sheppard	4 July 2012	2 years		Co-opted Member		Ad Hoc
Mrs Y Towe	1 August 2011	3 years		Independent Member		Student Services and Standards (Chair)
Mr G Treharne	1 August 2011	3 years		Independent Member		Audit
Mr M Wiseman	1 August 2011	3 years		Independent Member		Audit (Chair)



Nigel Moss – Chairman
14 November 2012

UNIVERSITY COLLEGE BIRMINGHAM

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY 2012

		<i>Year ended 31 July 2012 £000</i>	<i>Year ended 31 July 2011 £000</i>
	Notes		
Income			
Funding council grants	2	20720	23031
Academic fees and support grants	3	15332	15004
Other operating income	4	5464	5547
Investment income	5	299	638
Total income		<u>41815</u>	<u>44220</u>
Expenditure			
Staff costs	6	(22312)	(21337)
Other operating expenses	7	(13334)	(12994)
Depreciation	10	(1728)	(1492)
Interest payable	9	(299)	(297)
Total expenditure		<u>(37673)</u>	<u>(36120)</u>
Surplus on continuing operations after depreciation of assets at valuation and before tax		4142	8100
Taxation	8	-	-
Surplus on continuing operations after depreciation of assets at valuation and tax		<u>4142</u>	<u>8100</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 2012

		<i>Year ended 31 July 2012 £000</i>	<i>Year ended 31 July 2011 £000</i>
	Notes		
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		4142	8100
Actuarial loss in respect of pension scheme	18	(881)	(434)
Unrealised gain on revaluation of investments	17	240	1570
Total gains recognised since last annual report		<u>3501</u>	<u>9236</u>
 Reconciliation			
Opening reserves		77614	68378
Total recognised gains for the year		3501	9236
Closing reserves		<u>81115</u>	<u>77614</u>

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STATEMENT OF HISTORICAL COST SURPLUSES FOR THE YEAR TO 31 JULY 2012

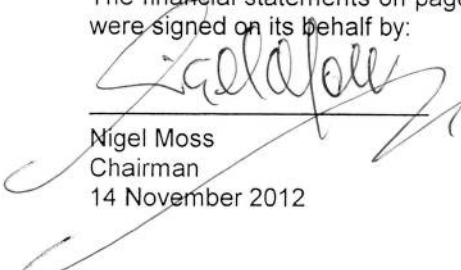
		<i>Year ended 31 July 2012 £000</i>	<i>Year ended 31 July 2011 £000</i>
	Notes		
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		4142	8100
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	140	140
Difference between historical cost and market value brought forward on investment disposals	17	437	92
Historical cost surplus for the year		<u>4719</u>	<u>8332</u>

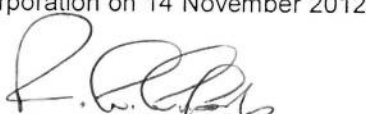
UNIVERSITY COLLEGE BIRMINGHAM

BALANCE SHEET AS AT 31 JULY 2012

	Notes	31 July 2012 £000	31 July 2011 £000
FIXED ASSETS			
Tangible assets	10	52005	49369
Investments	11	26194	23970
		<u>78199</u>	<u>73339</u>
CURRENT ASSETS			
Stock		30	28
Debtors	12	1532	1491
Cash at bank and in hand		20082	19750
		<u>21644</u>	<u>21269</u>
CREDITORS: amounts falling due within one year	13	(5263)	(4866)
NET CURRENT ASSETS		<u>16381</u>	<u>16403</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		94580	89742
PENSION LIABILITY	14	(10429)	(9024)
NET ASSETS		<u>84151</u>	<u>80718</u>
DEFERRED CAPITAL GRANTS	15	3036	3104
RESERVES			
Income and expenditure account excluding pension reserve	16	83607	78364
Pension reserve	18	(10429)	(9024)
Income and expenditure account including pension reserve		<u>73178</u>	<u>69340</u>
Revaluation reserves	17	7937	8274
		<u>84151</u>	<u>80718</u>

The financial statements on pages 1 to 36 were approved by the Corporation on 14 November 2012 and were signed on its behalf by:


 Nigel Moss
 Chairman
 14 November 2012


 Ray Linforth
 Principal

UNIVERSITY COLLEGE BIRMINGHAM

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	6331	8742
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from investments		116	147
Other interest received		392	217
		<u>508</u>	<u>364</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets not under finance leases	10	(4370)	(6414)
Income from sale of tangible fixed assets		10	0
Deferred capital grants received	15	46	480
Purchase of investments		(4458)	(8181)
Return of investment capital		96	0
Income from sale of investments		2169	4660
		<u>(6507)</u>	<u>(9455)</u>
INCREASE/(DECREASE) IN CASH IN THE YEAR	20	<u>332</u>	<u>(349)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£000
Increase in cash in the year	332
Net funds at 1 August 2011	19750
Net funds at 31 July 2012	<u>20082</u>

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, Education Funding Agency, Skills Funding Agency, and the Teaching Agency 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

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 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 2012

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 2012

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/EFA/SFA and TA 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 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>Teaching Agency</i>	<i>Higher Education Funding Council</i>	<i>Further Education Funding Bodies</i>	<i>Total 2012</i>	<i>Total 2011</i>
	£000	£000	£000	£000	£000
Recurrent Grants					
– Higher Education	270	10849	0	11119	11938
– Education Funding Agency	0	0	2981	2981	0
– Skills Funding Agency	0	0	1759	1759	1574
– Young People’s Learning Agency	0	0	4753	4753	7827
Release of Capital Grants	0	68	40	108	106
HE Initiative Fund 4	0	0	0	0	296
LLN Recurrent Funding	0	0	0	0	760
LLN Student Funding	0	0	0	0	138
UMF Efficiency Funding	0	0	0	0	383
Bursary Administration Fee	0	0	0	0	5
Special Needs	0	0	0	0	2
Leading Literacy Schools	0	0	0	0	2
	<u>270</u>	<u>10917</u>	<u>9533</u>	<u>20720</u>	<u>23031</u>

From April 2012, the responsibilities of the Young People’s Learning Agency transferred to the Education Funding Agency (EFA).

During the year the College also received £383,000 (2011 - £261,000) from the HEFCE and the various FE funding bodies earmarked as access funds. 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 2012

2. FUNDING COUNCIL GRANTS *(continued)*

The College was 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:

	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Recurrent Funding	0	760
Student Funding	0	138
	<u>0</u>	<u>898</u>
	<u>0</u>	<u>898</u>

3. ACADEMIC FEES AND SUPPORT GRANTS

	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Tuition Fees:		
Higher Education – Home	7825	7102
Higher Education – EU	1421	1174
Higher Education – Non EU	5053	5349
Further Education - Home	158	133
Further Education - EU	3	4
Further Education - Non EU	166	158
	<u>14626</u>	<u>13920</u>
Overseas Trips	40	40
Contracts	661	933
European funds	0	46
Release of other deferred capital grants	5	65
	<u>15332</u>	<u>15004</u>
	<u>15332</u>	<u>15004</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

4. OTHER OPERATING INCOME

	2012 £000	2011 £000
Catering operations	763	768
Residence income	4025	3878
Other income generating activities	676	901
	<u>5464</u>	<u>5547</u>

5. INVESTMENT INCOME

	2012 £000	2011 £000
Income from investments	(93)	421
Other interest receivable	392	217
	<u>299</u>	<u>638</u>

Income from investments represents dividends received and net (losses)/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:

	2012	2011
Teaching departments	313	307
Teaching support services	41	39
Other support services	40	39
Administration and central services	46	44
General education expenditure	9	9
Premises	24	22
Research	4	4
Catering and residences	2	2
	<u>479</u>	<u>466</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

6. STAFF COSTS *(continued)*

	2012 £000	2011 £000
Wages and salaries	16951	16364
Social security costs	1433	1284
Pension costs (including FRS 17 adjustments of £225,000 - 2011 £287,000)	2513	2511
Payroll sub-total	<u>20897</u>	<u>20159</u>
Contracted-out staffing services	1415	1178
	<u>22312</u>	<u>21337</u>
	2012 £000	2011 £000
Employment costs for staff on permanent contracts	20396	19594
Employment costs for staff on short-term and temporary contracts	276	278
Contracted-out lecturing services	1415	1178
FRS 17 retirement benefit charge	225	287
	<u>22312</u>	<u>21337</u>

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

	2012	2011
£110,001 to £120,000	0	3
£120,001 to £130,000	5	2
£150,001 to £160,000	1	2
£190,001 to £200,000	0	1
£200,001 to £210,000	1	0
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

6. STAFF COSTS *(continued)*

The above emoluments include amounts paid to the Principal of:

	2012 £000	2011 £000
Salary	202	194
Benefits in kind	0	0
	<u>202</u>	<u>194</u>
	—	—
Pension contributions	18	27
	<u>18</u>	<u>27</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

	2012 £000	2011 £000
Teaching departments	2888	2637
Teaching support services	381	331
Other support services	590	617
Administration and central services	1972	1883
General education expenditure	2124	2349
Premises costs	1843	1347
Catering costs	892	853
Residences expenditure	1232	1315
Bursary payments to HE students	1412	1662
	<u>13334</u>	<u>12994</u>
	—	—
Other operating expenses include:		
	2012 £000	2011 £000
Auditors' remuneration		
- external audit	19	19
- internal audit	24	24
- other services provided by external auditors	0	0
- other services provided by internal auditors	0	14
	<u>43</u>	<u>57</u>
	—	—

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

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>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Local government pension deficit interest (note 18)	299	297
	<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	Total £000
Cost or valuation:							
At 1 August 2011	821	54987	9314	167	1219	553	67061
Additions	2907	0	1294	0	82	87	4370
Disposals	0	0	0	(25)	0	0	(25)
Write-off of fully depreciated assets	0	0	(6315)	0	(1079)	(443)	(7837)
At 31 July 2012	3728	54987	4293	142	222	197	63569
Depreciation:							
At 1 August 2011	0	8361	7594	101	1166	470	17692
Charge for the year	0	821	810	22	32	43	1728
Disposals	0	0	0	(19)	0	0	(19)
Write-off of fully depreciated assets	0	0	(6315)	0	(1079)	(443)	(7837)
At 31 July 2012	0	9182	2089	104	119	70	11564
Net book value:							
At 31 July 2012	3728	45805	2204	38	103	127	52005
Net book value:							
At 1 August 2011	821	46626	1720	66	53	83	49369
Inherited	0	4893	0	0	0	0	4893
Financed by capital grant	0	3036	0	0	0	0	3036
Other	3728	37876	2204	38	103	127	44076
At 31 July 2012	3728	45805	2204	38	103	127	52005

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

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.

During the year fully depreciated assets with an original cost totalling £7,837,000 have been written off from both the cost and depreciation values of fixed assets.

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 £3,036,000 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

	2012 £000	2011 £000
Market value at 1 August	23970	18605
Cost of additions	4458	8181
Sale of investments	(2378)	(4386)
Return of investment capital	(96)	0
Surplus on revaluation for year	240	1570
	<hr/>	<hr/>
Market value at 31 July	26194	23970
	<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

	2012 £000	2011 £000
Amounts falling due within one year:		
Trade debtors	407	281
Prepayments and accrued income	1002	930
HEFCE funding debtor	0	276
HEFCE matched funding debtor	0	4
Leonardo debtor	24	0
Other debtors	99	0
	<hr/>	<hr/>
	1532	1491
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

13. CREDITORS: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	874	595
Other taxation and social security	720	508
Accruals and deferred income	3669	3763
	<u>5263</u>	<u>4866</u>

14. PENSION LIABILITY

	2012 £000	2011 £000
Local government pension liability	10429	9024
	<u>10429</u>	<u>9024</u>

15. DEFERRED CAPITAL GRANTS

	<i>LSC</i> £000	<i>HEFCE</i> £000	<i>Other</i> <i>Grants</i> £000	<i>Total</i> £000
At 1 August 2011	1609	1490	5	3104
Cash received	0	46	0	46
Released to income and expenditure account	(40)	(69)	(5)	(114)
	<u>1569</u>	<u>1467</u>	<u>0</u>	<u>3036</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

16. INCOME AND EXPENDITURE ACCOUNT

	2012 £000	2011 £000
At 1 August	69340	61442
Transfers from revaluation reserve to income and expenditure account		
Inherited Assets	140	140
Investments	437	92
Surplus on continuing operations after depreciation of assets at valuation and tax	4142	8100
Actuarial loss in respect of pension scheme	(881)	(434)
At 31 July	<u>73178</u>	<u>69340</u>
Balance represented by :		
Income and expenditure account excluding pension reserve	83607	78364
Pension reserve	(10429)	(9024)
At 31 July	<u>73178</u>	<u>69340</u>

17. REVALUATION RESERVES

	2012 £000	2011 £000
<i>Inherited Assets</i>		
Beginning of year	5033	5173
Transfer from revaluation reserve to income and expenditure account	(140)	(140)
End of year	<u>4893</u>	<u>5033</u>
<i>Investments</i>	2012 £000	2011 £000
At 1 August	3241	1763
Release of revaluation reserve in respect of investments sold during the year	(437)	(92)
Increase in valuation of investments during the year	240	1570
At 31 July	<u>3044</u>	<u>3241</u>
Total Revaluation Reserves	<u>7937</u>	<u>8274</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

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:

	2012	2011
	£000	£000
Contribution to TPS	1490	1529
Contribution to LGPS	798	695
FRS 17 Adjustments	220	287
Total pension cost (Note 6)	<u>2508</u>	<u>2511</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%

For the period from 1 August 2011 to 31 July 2012 the employer contribution was 14.1%. The employee rate was 6.4% for the period from 1 August 2011 to 31 March 2012 and then with effect from 1 April the rate was between 6.4% and 8.8%.

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 2012

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 2012 was £1,146,000 of which employer's contributions totalled £798,000 and employees' contributions totalled £348,000. The agreed employer contribution rate for the 2011/12 Fiscal Year was 14.30% and the rate for the 2012/13 Fiscal Year is 14.4%. 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 2012 by a qualified independent actuary.

Weighted average assumptions used to determine benefit obligations at:

	At 31 July 2012	At 31 July 2011
Rate of increase in salaries	3.95%	4.75%
Rate of increase for pensions	2.20%	3.00%
CPI Inflation assumption	2.20%	3.00%
Discount rate	4.50%	5.30%
Further life expectancies from age 65:		
Retiring today		
Males	22.0	21.3
Females	24.7	24.2
Retiring in 20 years		
Males	23.8	22.8
Females	26.6	25.8

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 College'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 2012

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

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

	At 31 July 2012		At 31 July 2011	
	Rate %	Value £000	Rate %	Value £000
Equities	7.00	8964	7.50	10442
Government Bonds	2.50	1516	3.90	1641
Other Bonds	3.40	1631	5.20	1165
Property	6.00	1664	6.50	1763
Cash/liquidity	0.50	264	0.50	322
Other	7.00	2439	7.50	0
Total market value of assets		16478		15333
Actuarial value of liability		(26907)		(24357)
Deficit in the scheme		(10429)		(9024)

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

	2012 £000	2011 £000
Service cost	990	1015
Past service cost	0	119
Total operating charge	990	1134

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Analysis of net return on pension scheme

	2012	2011
	£000	£000
Expected return on pension scheme assets	1025	789
Interest on pension liabilities	(1314)	(1086)
Effect of settlements or curtailments	(10)	0
Net return	<u>(299)</u>	<u>(297)</u>

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

	2012	2011
	£000	£000
Actual return less expected return on pension scheme assets	(561)	2522
Changes in assumptions	(320)	(2956)
Actuarial gain/(loss) recognised in STRGL	<u>(881)</u>	<u>(434)</u>

Movement in deficit during the year

	2012	2011
	£000	£000
Deficit in scheme at 1 August	(9024)	(8006)
Movement in year:		
Current service charge	(990)	(1015)
Contributions	765	847
Past service charges	0	(119)
Net interest cost	(299)	(297)
Actuarial gain/(loss)	(881)	(434)
Deficit in scheme at 31 July	<u>(10429)</u>	<u>(9024)</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Reconciliation of Liabilities

	2012	2011
	£000	£000
Liabilities at start of period	24357	19297
Current service cost	990	1015
Interest cost	1314	1086
Member contributions	359	357
Past service cost	0	119
Actuarial (gains)/losses	320	2956
Curtailments	10	0
Benefits paid	(443)	(473)
	<u>26907</u>	<u>24357</u>

Reconciliation of Assets

	2012	2011
	£000	£000
Assets at start of period	15333	11291
Expected return on assets	1025	789
Actuarial (losses)/gains	(561)	2522
Employer contributions	765	847
Member contributions	359	357
Benefits paid	(443)	(473)
	<u>16478</u>	<u>15333</u>

Contributions

The employer expects to make contributions in the year to 31 July 2013 of £778,000. 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 2012

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

History of experience gains and losses

	2012	2011	2010	2009	2008
Benefit obligation at end of year	(26907)	(24357)	(19297)	(15898)	(16540)
Fair value of plan assets at end of year	16478	15333	11291	8952	9433
Deficit	<u>(10429)</u>	<u>(9024)</u>	<u>(8006)</u>	<u>(6946)</u>	<u>(7107)</u>
Difference between the expected and actual return on assets:					
Amount £000	(561)	2522	997	(1479)	(2618)
Percentage of scheme assets %	(3.4)	16.4	8.8	(16.5)	(27.8)
Experience gains and losses on scheme liabilities:					
Amount £000	0	(3304)	0	0	3248
Percentage of scheme liabilities %	0.0	(13.6)	0.0	0.0	19.6
Total amount recognised in STRGL:					
Amount £000	(881)	(434)	(418)	808	(2485)
Percentage of scheme liabilities %	(3.3)	(1.8)	(2.2)	5.1	(15.0)

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

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

	2012 £000	2011 £000
Surplus on continuing operations after depreciation of assets at valuation and tax	4142	8100
Depreciation (note 10)	1728	1492
Profit on disposal of tangible fixed assets	(4)	0
Deferred capital grants released to income (note 15)	(114)	(171)
(Increase)/Decrease in stocks	(2)	1
Increase in trade debtors	(126)	(74)
Decrease/(Increase) in prepayments, accrued income and other debtors	85	(75)
Increase in trade creditors	279	210
Increase in other taxation and social security	212	22
Decrease in accruals	(94)	(709)
Other interest (note 5)	(392)	(217)
Loss/(Income) from investments (note 5)	93	(421)
Interest payable (note 9)	299	297
Pension cost less contributions payable (notes 6 and 18)	225	287
Net cash inflow from operating activities	<u>6331</u>	<u>8742</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	<i>At 1 August 2011</i> £000	<i>Cash Flows</i> £000	<i>At 31 July 2012</i> £000
Cash at bank and in hand	19750	332	20082
	<u> </u>	<u> </u>	<u> </u>

21. CAPITAL COMMITMENTS

	2012 £000	2011 £000
Contracted for at year end	23487	566
Authorised but not contracted for at year end	3454	28024
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

22. FINANCIAL COMMITMENTS

At 31 July 2012 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	-	314
	<u> </u>	<u> </u>

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, TA, YPLA, EFA, and SFA are detailed in notes 2, 12 and 15.

24. JOINT VENTURE

On 5 July 2012 a private limited company called SUCB Holdings Limited was set up. The College 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 year end the College had loaned the sum of £8,332 to SUCB Holdings Limited and this amount is included in the debtors figure in the balance sheet. The College has not accounted for SUCB Holdings Limited as a joint venture as at 31 July 2012 due to the immateriality of the figures involved.

25. MAJOR NON-CASH TRANSACTIONS

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

26. BIRMINGHAM COMMUNITY COLLEGE

The College is a founder member of the Birmingham Community College, an alliance of five 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.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2012

27. LEARNER SUPPORT FUNDS AND TRAINING BURSARIES

	<i>TA Training Bursaries</i>		<i>Learner Support Funds</i>	
	<i>2012 £000</i>	<i>2011 £000</i>	<i>2012 £000</i>	<i>2011 £000</i>
Funding Council grants	0	135	383	261
Interest earned	0	0	0	0
	<u>0</u>	<u>135</u>	<u>383</u>	<u>261</u>
Disbursed to students	0	(135)	(383)	(261)
Administration costs	0	0	0	0
Balance unspent at 31 July	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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.

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

During the year expense payments amounting to a total of £6,522 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:-

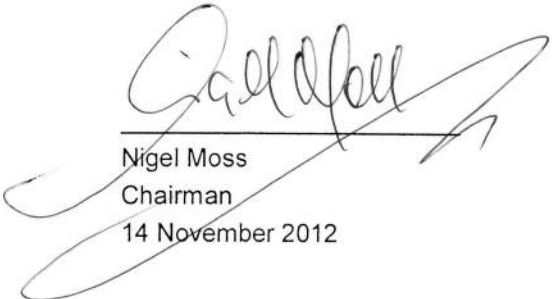
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial 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 14 November 2012 and signed on its behalf by:



Nigel Moss
Chairman

14 November 2012

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 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 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 2012.

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 College 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 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 3 years.

Details of remuneration for the year ended 31 July 2012 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the 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 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 2012 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 2012 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2012.

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 2011/12 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

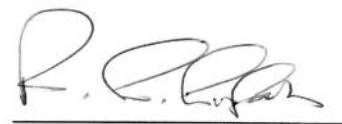
Going concern

After making appropriate enquiries, the Corporation considers that the 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

14 November 2012



Ray Linforth
Principal

UNIVERSITY COLLEGE BIRMINGHAM

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF UNIVERSITY COLLEGE BIRMINGHAM

We have audited the financial statements of University College Birmingham (the "College") for the year ended 31 July 2012 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 directors and auditors

As explained more fully in the Statement of Responsibilities, 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 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 Corporation'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 annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

UNIVERSITY COLLEGE BIRMINGHAM

**INDEPENDENT AUDITORS' 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 College during the year ended 31 July 2012 have been applied for the purposes for which they were received;
- income has been applied in accordance with the College's statutes; and
- funds provided by the Higher Education Funding Council for England have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the College



Nicholas Simkins (Senior Statutory Auditor)

for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor

Calthorpe Road
Edgbaston
Birmingham
B15 1TS

14 November 2012