

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

The members present their report and the audited financial statements for the year ended 31 July 2017.

CORPORATION

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

PUBLIC BENEFIT STATEMENT

Mission

Our mission statement is:

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

UCB values and promotes:

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

High Quality Education

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

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

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

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

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

We support social mobility through a range of activities:

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

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

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

Public Detriment

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

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

IMPLEMENTATION OF CORPORATE STRATEGY

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

FINANCIAL OBJECTIVES AND REVIEW OF OUT-TURN FOR THE YEAR

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

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

UNIVERSITY COLLEGE BIRMINGHAM

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PERFORMANCE INDICATORS

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

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

STUDENT NUMBERS

The University is funded according to the units of activity it generates each year. In 2016/17, the University achieved the following estimated full-time equivalent student recruitment:

	<u>Recruitment</u>
National College for Teaching and Leadership (Full-Time Equivalents)	52
Higher Education: Home and EU (Full-Time Equivalents)	4,460
Further Education: Home and EU (Learner Numbers)	1,394
Further Education Apprenticeships:	
Rollover from previous year (Learner Numbers)	326
New starts (Learner Numbers)	289
Overseas (Learner Numbers)	796

CURRICULUM DEVELOPMENTS

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

FINANCES

The University generated a surplus before other gains and losses in the year of £6,424,000 (2015-2016: £7,555,000), with total comprehensive income of £12,210,000 (2015-16: £2,554,000). The net cash inflow from operating activities was strong at £9,660,000 (2015-2016: £10,300,000). Net assets and the balance of cash at bank and in hand at 31 July 2017 were £126,763,000 and £22,035,000 respectively (31 July 2016: £114,553,000 and £27,477,000).

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

FINANCES *(continued)*

During the year, the University purchased tangible fixed assets of £4,103,000 of which £3,139,000 relates to land and buildings.

The key financial performance indicators for the year to 31 July 2017 are as follows:

Current Ratio	4.5
Operating Surplus as a Percentage of Income	13.4%
Net Liquidity Days	189
External Borrowing as a Percentage of Income	0%

POST BALANCE SHEET EVENTS

There are no post balance sheet events.

RESOURCES

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

In addition to the strong financial resources, the University's human resources comprise 553 employees (expressed as full-time equivalents), 344 of whom are teaching staff. The University has an excellent reputation locally, nationally and internationally and considers that maintaining a quality brand is essential for its success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

a) Student recruitment

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

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

b) Significant stock market fall

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

c) UK exit from Europe (Brexit)

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

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

CHARITABLE AND TAXATION STATUS

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

STAKEHOLDER RELATIONSHIPS

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

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

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

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

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

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

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

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

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

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

DISABILITY STATEMENT

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

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

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DISABILITY STATEMENT *(continued)*

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

To maintain our commitment to equality, independent consultants carry out a detailed annual review of facilities and services offered by the University across all teaching and non-teaching sites. The University remains committed to implementing and maintaining the recommendations of their reports.

STAFF AND STUDENT INVOLVEMENT

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

PROFESSIONAL ADVISERS

Internal Auditors:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

External Auditors:

Moore Stephens LLP
35 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

Principal Bankers:

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

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

PROFESSIONAL ADVISERS *(continued)*

Principal Solicitors:

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Shakespeare Martineau LLP
1 Colmore Square
Birmingham
B4 6AA

Browne Jacobson LLP
Victoria Square House
Victoria Square
Birmingham
B2 4BU

Investment Advisors:

UBS AG
10 Colmore Row
Birmingham
B3 2QD

Investec
Colmore Plaza
20 Colmore Circus Queensway
Birmingham
B4 6AT



Nigel Moss – Chairman

UNIVERSITY COLLEGE BIRMINGHAM

REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

MEMBERS

Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Mr N Moss	1 August 2017	3 years		Independent Member	Chair of Corporation	Remuneration and Nominations (Chair)
Dr A Antona	1 August 2017	3 years		Independent Member		Finance and General Purposes (Chair) Remuneration and Nominations
Mr G DiVito	1 December 2016	2 years		Teaching Staff Member		Student Services and Standards
Ms S Grant	1 August 2015	3 years		Independent Member		Audit
Ms C Gates	1 August 2017	1 year		Student Member		Student Services and Standards
Mr P Griffiths MBE	1 August 2017	3 years		Independent Member		Finance and General Purposes
Prof T Jones	1 August 2016	2 years		Co-opted Member		Ad Hoc
Ms V Lee	16 November 2015	3 years		Independent Member		Student Services and Standards
Prof R Linforth	1 August 2008			Vice-Chancellor & Principal		Finance and General Purposes
Ms C Owen OBE	1 August 2017	3 years		Independent Member		Student Services and Standards (Chair)
Mr J Retallack	15 November 2016	3 years		Independent Member		Audit
Ms K Sroka	1 August 2016	1 year	31 July 2017	Student Member		Student Services and Standards
Ms L Teague	1 August 2017	3 years		Independent Member	Deputy Chair of Corporation	Finance and General Purposes

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

MEMBERS (continued)

Name	Date of Current Appointment	Term of Office	Date of Resignation	Status of Appointment	Notes	Committees Served
Ms Y Towe	1 August 2017	3 years		Independent Member		Remuneration and Nominations
Mr S Winter	1 August 2017	3 years		Independent Member		Audit
Mr M Wiseman	1 August 2017	3 years		Independent Member		Audit (Chair) Remuneration and Nominations

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REPORT OF THE MEMBERS OF THE CORPORATION FOR THE YEAR TO 31 JULY 2017

MEETINGS OF THE MEMBERS OF THE CORPORATION

The members of the corporation each serve one or more committees. The committee meetings held during 2016-17 and the main agenda items discussed are listed below.

Committee	Date Convened	Principal Items Discussed
Corporation	16 November 2016	<ul style="list-style-type: none">• HEFCE Annual Accountability Returns, including the Report and Financial Statements, financial results and updated forecast tables• Review of the 2016-17 Operating Statement and Risk Register• Financial Report for the two months to 30 September 2016• Student numbers 2016-17• National College for Teaching and Leadership Budget 2016-17
	22 March 2017	<ul style="list-style-type: none">• Performance Measures and Targets 2016-17• Financial Report for the seven months to 28 February 2017• Review of Operating Statement and Risk Register• Access Agreement 2018-19• UCB collaboration with Birmingham University• Potential merger with Stratford Upon Avon College
	5 July 2017	<ul style="list-style-type: none">• Financial Report for the ten months to 31 May 2017• Annual Accountability Returns 2016• 2016-17 and 2017-18 Operating Statements
Finance and General Purposes	28 September 2016	<ul style="list-style-type: none">• Update on student enrolment• Draft Report and Financial Statements for year to 31 July 2016• Financial Report for the one month to 31 August 2016• Health and Safety Review 2015-16• Estates development update• Investment review update
	1 February 2017	<ul style="list-style-type: none">• Proposed tuition fees• Financial Report for the five months to 31 December 2016• Transparency review• Estates development update
	10 May 2017	<ul style="list-style-type: none">• Equal Pay Audit and Review 2016• Personnel policy update• Financial Report for the eight months to 31 March 2017• University Financial Regulations• Ethical investment policy• Estates development update• Investments Update

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

Committee	Date Convened	Principal Items Discussed
Audit	12 October 2016	<ul style="list-style-type: none">• Funding Assurance Audit 2015-16• Review of Risk Management for 2016-17• Review of Draft Report and Financial Statements for 2015-16, including Management Report and Letter• Internal Audit Service Annual Report 2015-16• Draft Audit Committee Annual Report to the Corporation
	15 February 2017	<ul style="list-style-type: none">• Internal Audit Reports• Key suppliers and tenders awarded in 2015-16
	7 June 2017	<ul style="list-style-type: none">• Purchasing and Value for Money Annual Report 2016-17• HEFCE annual provider review 2016-17• Internal Audit Reports and Draft Audit Plan• US Department of Education compliance audit 2015-16• External Audit Planning Letter
Student Services and Standards	26 October 2016	<ul style="list-style-type: none">• Guild of Students Draft Financial Statements for 2015-16• External examiner and verifier reports• National Student Survey and PTES 2016• Enrolment update• Further Education Self-Assessment Report• Teaching excellence and framework update• Estates developments
	1 March 2017	<ul style="list-style-type: none">• Performance Measures and Targets 2016-17 and FE Assessment Reports for 2015-16• Teaching excellence framework year 2 submission• Access agreement monitoring report• UCB FE bursary schemes update• HEFCE Prevent return
	24 May 2017	<ul style="list-style-type: none">• Guild of Students draft budget for 2017-18• Proposed amendments to Student Regulations and Charter• OFFA Access Agreement 2018-19
Remuneration and Nominations	16 November 2016	<ul style="list-style-type: none">• Nominations and appointments of Governors
	5 July 2016	<ul style="list-style-type: none">• Nominations and appointments of Governors• Staff remuneration

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2017

		<i>Year ended 31 July 2017 £000</i>	<i>Year ended 31 July 2016 £000</i>
	Notes		
Income			
Funding council grants	2	11025	12375
Academic fees and support grants	3	33957	32802
Other operating income	4	6356	5918
Investment income	5	695	617
Total income		<u>52033</u>	<u>51712</u>
Expenditure			
Staff costs	6	(26419)	(24939)
Other operating expenses	7	(15602)	(15669)
Depreciation	10	(3077)	(3078)
Interest payable	9	(511)	(471)
Total expenditure		<u>(45609)</u>	<u>(44157)</u>
Surplus before other gains and losses		6424	7555
Gain/(loss) on investment disposals		555	(310)
Surplus/(deficit) on property disposals		6	0
Surplus before tax		<u>6985</u>	<u>7245</u>
Taxation	8	0	0
Surplus for the year		6985	7245
Unrealised gain on revaluation of investments	17	4042	2308
Actuarial gain / (loss) in respect of pension scheme	18	1183	(6999)
Total Comprehensive Income for the year		<u>12210</u>	<u>2554</u>
Represented by:			
Unrestricted comprehensive income		<u>12210</u>	<u>2554</u>

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

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR TO 31 JULY 2017

	<i>Income and Expenditure Account £000</i>	<i>Revaluation Reserve £000</i>	<i>Total £000</i>
Balance at 31 July 2016	105999	8554	114553
Surplus from the income and expenditure account	6985	0	6985
Other comprehensive income	1183	4042	5225
Transfers between revaluation and income and expenditure reserves	1452	(1452)	0
Total comprehensive income for the year	<u>9620</u>	<u>2590</u>	<u>12210</u>
Balance at 31 July 2017	<u>115619</u>	<u>11144</u>	<u>126763</u>

UNIVERSITY COLLEGE BIRMINGHAM

BALANCE SHEET AS AT 31 JULY 2017

	Notes	31 July 2017 £000	31 July 2016 £000
FIXED ASSETS			
Tangible assets	10	74151	73131
Investments	11	53652	37012
		<u>127803</u>	<u>110143</u>
CURRENT ASSETS			
Stock		26	26
Debtors	12	2370	2022
Cash at bank and in hand		22035	27477
		<u>24431</u>	<u>29525</u>
CREDITORS: amounts falling due within one year	13	(5474)	(4515)
NET CURRENT ASSETS		<u>18957</u>	<u>25010</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		146760	135153
PENSION LIABILITY	14	(19997)	(20600)
NET ASSETS		<u>126763</u>	<u>114553</u>
RESERVES			
Income and expenditure account excluding pension reserve	16	135616	126599
Pension reserve	18	(19997)	(20600)
Income and expenditure account including pension reserve		<u>115619</u>	<u>105999</u>
Revaluation reserves	17	11144	8554
		<u>126763</u>	<u>114553</u>

The financial statements on pages 1 to 43 were approved by the Corporation on 15 November 2017 and were signed on its behalf by:


 Nigel Moss
 Chancellor
 15 November 2017


 Ray Linforth
 Vice-Chancellor & Principal

UNIVERSITY COLLEGE BIRMINGHAM

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2017

		<i>Year ended 31 July 2017 £000</i>	<i>Year ended 31 July 2016 £000</i>
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	9660	10300
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets not under finance leases	10	(4103)	(2827)
Income from sale of tangible fixed assets		14	0
Deferred capital grants received	15	335	274
Purchase of investments		(21517)	(15651)
Income from sale of investments		9474	16451
Income from investments		490	430
		<hr/>	<hr/>
		(15307)	(1323)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Other interest received		205	167
		<hr/>	<hr/>
INCREASE / (DECREASE) IN CASH IN THE YEAR	20	(5442)	9144
		<hr/>	<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>£000</i>
Increase in cash in the year	(5442)
Net funds at 1 August 2016	27477
	<hr/>
Net funds at 31 July 2017	22035
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UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

1. ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

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

Basis of accounting

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

Recognition of income

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

Pension schemes

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

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

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

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

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

1. ACCOUNTING POLICIES *(continued)*

Employment Benefits

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

Tangible fixed assets

a) Land and buildings

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

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

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

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

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

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

b) Refurbishments

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

c) Other tangible fixed assets

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

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

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

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

1. ACCOUNTING POLICIES *(continued)*

d) Investment Properties

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

In accordance with FRS 102, properties which the University considers are Investment properties were professionally valued in July 2016. No further professional valuation has taken place since then but values are not considered to be materially different. Fluctuations in the value of investment properties have been recognised in the Statement of Comprehensive Income.

Leased assets

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

Investments

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

Stocks

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

Maintenance of premises

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

Taxation

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

European Social Fund ("ESF") Monies

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

Liquid resources

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

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

1. ACCOUNTING POLICIES *(continued)*

Provisions

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

Deferred Capital Grants

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

Agency arrangements

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

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

2. FUNDING COUNCIL GRANTS

	<i>Higher Education Funding Council £000</i>	<i>Further Education Funding Bodies £000</i>	<i>Total 2017 £000</i>	<i>Total 2016 £000</i>
Recurrent Grants				
– Higher Education	3001	0	3001	3358
– Higher Education 13/14 Reconciliation	0	0	0	(79)
– Higher Education 14/15 Reconciliation	0	0	0	(25)
– Higher Education 15/16 Reconciliation	(15)	0	(15)	0
– Education Funding Agency	0	5333	5333	6867
– Skills Funding Agency	0	1501	1501	1184
– Skills Funding Agency 14/15 Reconciliation	0	216	216	(53)
Release of Capital Grants	335	0	335	416
Discretionary Bursaries	0	134	134	200
16-18 Apprenticeships	0	338	338	286
16-18 Apprenticeships 14/15 Reconciliation	0	41	41	22
Employers Apprenticeship Grant	0	45	45	65
Free School Meals	0	61	61	76
SFA Surplus Costs 14/15	0	10	10	5
Collaborative Outreach	0	0	0	30
Vulnerable Students Bursaries	0	18	18	18
Residential Bursaries	0	7	7	5
	<u>3321</u>	<u>7704</u>	<u>11025</u>	<u>12375</u>

During the year, the University also received £66,020 (2016: £190,380) from the ESFA earmarked as access funds. These funds were administered in accordance with the terms and conditions specified by the ESFA. The funds have been excluded from both income and expenditure.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

3. ACADEMIC FEES AND SUPPORT GRANTS

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Tuition Fees:		
Higher Education – Home	22685	23240
Higher Education – EU	6158	4059
Higher Education – Non EU	4285	4381
Further Education - Home	369	444
Further Education - EU	17	19
Further Education - Non EU	120	123
	<u>33634</u>	<u>32266</u>
Overseas Trips	3	8
Contracts	328	560
European Funds	(8)	(32)
	<u>33957</u>	<u>32802</u>

4. OTHER OPERATING INCOME

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Catering operations	945	952
Residence income	4504	4200
Other income generating activities	813	715
Other services rendered	94	51
	<u>6356</u>	<u>5918</u>

5. INVESTMENT INCOME

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Fixed asset investment properties revaluation	0	20
Income from investments	490	430
Other interest receivable	205	167
	<u>695</u>	<u>617</u>

Income from investments represents dividends received. Fluctuations in market value on investments which have been held by the University throughout the year are taken directly to reserves.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

6. STAFF COSTS

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

	2017	2016
Teaching departments	344	327
Teaching support services	74	72
Other support services	53	47
Administration and central services	35	30
General education expenditure	15	16
Premises	27	27
Research	3	3
Catering and residences	2	2
	<u>553</u>	<u>524</u>
	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Wages and salaries	19445	19141
Social security costs	2007	1686
Pension costs (including FRS 102 adjustments of £57,000 - 2016: £43,000)	4117	2984
Payroll sub-total	<u>25569</u>	<u>23811</u>
Contracted-out staffing services	850	1128
	<u>26419</u>	<u>24939</u>
	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Employment costs for staff on permanent contracts	24953	23403
Employment costs for staff on short-term and temporary contracts	559	365
Contracted-out lecturing services	850	1128
FRS 102 retirement benefit charge	57	43
	<u>26419</u>	<u>24939</u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

6. STAFF COSTS *(continued)*

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

	2017	2016
£100,001 to £110,000	1	1
£120,001 to £130,000	0	0
£130,001 to £140,000	2	2
£140,001 to £150,000	2	2
£150,001 to £160,000	2	2
	<u> </u>	<u> </u>

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

	2017 £000	2016 £000
Salary	245	243
Bonus	0	0
Benefits in kind	0	0
	<u> </u>	<u> </u>
	245	243
	<u> </u>	<u> </u>
Pension contributions	0	0
	<u> </u>	<u> </u>

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

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

Key management personnel

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

	2017 £000	2016 £000
Key management personnel compensation	1296	1298
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

7. OTHER OPERATING EXPENSES

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Teaching departments	2847	2501
Teaching support services	1540	2007
Other support services	816	668
Administration and central services	2020	1996
General education expenditure	3187	3166
Premises costs	2744	2263
Capital expenditure written off	0	873
Catering costs	1175	1116
Residences expenditure	1259	1061
Bursary payments to HE students	2	4
Local government pension administration costs	12	14
	<hr/> 15602 <hr/>	<hr/> 15669 <hr/>

Other operating expenses include:

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Auditors' remuneration		
- external audit	23	23
- internal audit	33	33
- other services provided by external auditors	0	0
- other services provided by internal auditors	0	0
	<hr/> 0 <hr/>	<hr/> 0 <hr/>

8. TAXATION

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

9. INTEREST PAYABLE

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Local government pension deficit interest (note 18)	511	471
	<hr/> 511 <hr/>	<hr/> 471 <hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

10. TANGIBLE FIXED ASSETS

	Assets in the course of construction £000	Freehold land and buildings £000	Refurbishment £000	Motor vehicles £000	Computer equipment £000	General equipment £000	Investment properties £000	Total £000
Cost or valuation:								
At 1 August 2016	465	76446	9809	210	462	1264	5360	94016
Additions	792	2347	794	36	53	81	0	4103
Disposals	0	0	0	(34)	0	0	0	(34)
At 31 July 2017	1257	78793	10603	212	515	1345	5360	98085
Depreciation:								
At 1 August 2016	0	12913	6717	162	321	771	0	20884
Charge for the year	0	1230	1485	41	66	255	0	3077
Disposals	0	0	0	(27)	0	0	0	(27)
At 31 July 2017	0	14143	8202	176	387	1026	0	23934
Net book value								
At 31 July 2017	1257	64650	2401	36	128	319	5360	74151
Net book value:								
At 1 August 2016	465	63533	3091	48	141	493	5360	73131

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

10. TANGIBLE FIXED ASSETS *(Continued)*

Inherited land and buildings have been valued at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the University on a depreciated replacement cost basis with the assistance of independent professional advice. There are no tangible fixed assets held under finance leases. Land and buildings with a net book value of £2,351,000 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the University may be liable, under the terms of the Financial Memorandum with HEFCE, to surrender the proceeds.

11. INVESTMENTS

	2017 £000	2016 £000
Managed Funds and Covered Warrants		
Market value at 1 August	36776	35578
Cost of additions	21141	15639
Sale of investments	(8919)	(16749)
Surplus on revaluation for year	4042	2308
	<hr/>	<hr/>
Market value at 31 July	53040	36776
	<hr/>	<hr/>
Investment in joint venture (see note 24)		
Cost at 1 August	24	24
Additions	376	0
	<hr/>	<hr/>
Cost at 31 July	400	24
	<hr/>	<hr/>
Works of Art		
Cost at 1 August	212	212
Additions	0	0
	<hr/>	<hr/>
Cost at 31 July	212	212
	<hr/>	<hr/>
Total Investments	53652	37012
	<hr/>	<hr/>

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

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

12. DEBTORS

	2017 £000	2016 £000
Amounts falling due within one year:		
Trade debtors	1213	953
Prepayments and accrued income	692	640
Loans to joint ventures (see note 24)	429	429
Other debtors	36	0
	<u>2370</u>	<u>2022</u>

13. CREDITORS: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	405	643
Other taxation and social security	259	12
Accruals and deferred income	4810	3860
	<u>5474</u>	<u>4515</u>

14. PENSION LIABILITY

	2017 £000	2016 £000
Local government pension liability	19997	20600
	<u>19997</u>	<u>20600</u>

15. DEFERRED CAPITAL GRANTS

	ESFA £000	HEFCE £000	Total £000
At 1 August 2016	0	0	0
Cash received		335	335
Released to income and expenditure account		(335)	(335)
	<u>0</u>	<u>0</u>	<u>0</u>
At 31 July 2017	0	0	0

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

16. INCOME AND EXPENDITURE ACCOUNT

	2017 £000	2016 £000
At 1 August	105999	99241
Transfers from revaluation reserve to income and expenditure account		
Inherited Assets	140	140
Investments	1312	6372
Surplus on continuing operations after depreciation of assets at valuation and tax	6985	7245
Actuarial gain / (loss) in respect of pension scheme	1183	(6999)
	<hr/>	<hr/>
At 31 July	115619	105999
	<hr/>	<hr/>
Balance represented by:		
Income and expenditure account excluding pension reserve	135616	126599
Pension reserve	(19997)	(20600)
	<hr/>	<hr/>
At 31 July	115619	105999
	<hr/>	<hr/>

17. REVALUATION RESERVES

	2017 £000	2016 £000
<i>Inherited Assets</i>		
Beginning of year	4333	4473
Transfer from revaluation reserve to income and expenditure account	(140)	(140)
	<hr/>	<hr/>
End of year	4193	4333
	<hr/>	<hr/>
	2017 £000	2016 £000
<i>Investments</i>		
At 1 August	4221	8285
Release of revaluation reserve in respect of investments sold during the year	(1312)	(6372)
Increase in valuation of investments during the year	4042	2308
	<hr/>	<hr/>
At 31 July	6951	4221
	<hr/>	<hr/>
Total Revaluation Reserves	11144	8554
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

18. PENSION AND SIMILAR OBLIGATIONS

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

The total pension cost for the University was:

	2017 £000	2016 £000
Contribution to TPS	1827	1707
Contribution to LGPS	2233	1234
FRS 102 charge	57	43
Total pension cost (Note 6)	<u>4117</u>	<u>2984</u>

Teachers Pension Scheme (TPS)

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

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

For the period from 1 August 2016 to 31 July 2017 the employer contribution was 16.48% and the employee rate was between 7.4% and 11.7%.

Financial Reporting Standard 102

Under the definitions set out in Financial Reporting Standard 102, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Local Government Pension Scheme (LGPS)

The University participates in the LGPS, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University. The total contribution made for the year ended 31 July 2017 was £2,378,000 of which employer's contributions totalled £1,905,000 and employees' contributions totalled £473,000. The agreed employer contribution rate for the 2016/17 Fiscal Year was 14.4% and the rate for the 2017/18 Fiscal Year is 17.8%. The employee contribution rate depends upon the salary of the individual member and varies between 5.50% and 12.50%.

Financial Reporting Standard 102

The following information is based upon a full actuarial valuation of the Fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

Weighted average assumptions used to determine benefit obligations at: 31 July 2017 31 July 2016

Rate of increase in salaries		4.20%	3.75%
Rate of increase for pensions		2.70%	2.00%
CPI Inflation assumption		2.70%	2.00%
Discount rate for scheme liabilities		2.70%	2.60%
Further life expectancies from age 65:			
Retiring today	Males	21.8 years	23.0 years
	Females	24.3 years	25.7 years
Retiring in 20 years	Males	23.9 years	25.3 years
	Females	26.6 years	28.1 years

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

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

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

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

The University's share of the assets in the scheme at the balance sheet date was:

	<i>Fair Value</i> At 31 July 2017 £000	<i>Fair Value</i> At 31 July 2016 £000
Equities	22880	16425
Government Bonds	2646	1920
Other Bonds	1393	2369
Property	2644	2203
Cash/liquidity	1799	1777
Other	4803	2986
	<hr/>	<hr/>
Total fair value of assets	36165	27680
Present value of plan liabilities	(56154)	(48260)
	<hr/>	<hr/>
Deficit	(19989)	(20580)
Present value of unfunded obligation	(8)	(20)
	<hr/>	<hr/>
Net pensions liability	(19997)	(20600)
	<hr/>	<hr/>

The return on the fund (on a bid value to bid value basis) for the year to 31 July 2017 is estimated to be 18%. The actual return on fund assets over the year may be different.

Analysis of the amounts recognised in the Statement of Comprehensive Income in respect of the scheme

	2017 £000	2016 £000
Amounts included in staff costs:		
Service cost	1962	1446
	<hr/>	<hr/>
	2017 £000	2016 £000
Amounts included in other operating expenses:		
Administration costs	12	14
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

	2017	2016
	£000	£000
Amounts included in interest payable:		
Net interest cost	511	471
	<hr/>	<hr/>
<i>Amount recognised in Other Comprehensive Income</i>		
	2017	2016
	£000	£000
Return on pension scheme assets	4367	1873
Other actuarial gains / (losses) on assets	1610	0
Changes in assumptions underlying the present value of scheme liabilities	(5602)	(8872)
Change in demographic assumptions	1021	0
Experience gain / (loss) on defined benefit obligation	(213)	0
	<hr/>	<hr/>
Actuarial loss recognised in other comprehensive income	1183	(6999)
	<hr/>	<hr/>
<i>Movement in net defined benefit liability during the year</i>		
	2017	2016
	£000	£000
Deficit in scheme at 1 August	(20600)	(13073)
Movement in year:		
Current service charge	(1962)	(1446)
Employer contributions including unfunded	1905	1403
Past service charges	0	0
Administration costs	(12)	(14)
Net interest cost	(511)	(471)
Actuarial gain / (loss)	1183	(6999)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(19997)	(20600)
	<hr/>	<hr/>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

18. PENSION AND SIMILAR OBLIGATIONS *(continued)*

Reconciliation of Defined Benefit Obligations

	2017 £000	2016 £000
Defined benefit obligation at start of year	48280	36973
Current service cost	1962	1446
Interest cost	1254	1398
Member contributions	473	432
Change in financial assumptions	5602	8872
Change in demographic assumptions	(1021)	0
Experience loss / (gain) on defined benefit obligation	213	0
Estimated benefits paid net of transfers in	(600)	(841)
Unfunded pension payments	(1)	0
	<hr/>	<hr/>
Defined benefit obligation at end of year	56162	48280
	<hr/>	<hr/>

Reconciliation of Assets

	2017 £000	2016 £000
Fair value of assets at start of year	27680	23900
Interest on assets	743	927
Return on assets less interest	4367	1873
Employer contributions including unfunded	1905	1403
Member contributions	473	432
Estimated benefits paid plus unfunded net of transfers in	(601)	(841)
Administration expenses	(12)	(14)
Other actuarial gains / (losses)	1610	0
	<hr/>	<hr/>
Fair value of assets at end of year	36165	27680
	<hr/>	<hr/>

The total return on the fund assets for the year to 31 July 2017 is £5,110,000

Contributions

The employer expects to make contributions in the year to 31 July 2018 of £1,255,000

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

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

	2017 £000	2016 £000
Surplus on continuing operations after depreciation of assets at valuation and tax	6985	7245
Adjustment for non-cash items:		
Depreciation (note 10)	3077	3078
Amounts written off fixed assets (note 10)	0	841
Fixed asset investments revaluation (note 5)	0	(20)
Decrease in stocks	0	0
(Increase) in trade debtors	(260)	(75)
(Increase) in prepayments, accrued income and other debtors	(88)	(20)
Increase/(Decrease) in trade creditors	(238)	255
Increase/(Decrease) in other taxation and social security	247	12
(Decrease)/Increase in accruals	948	(841)
Pension cost less contributions payable (notes 6 and 18)	57	43
Pension administration costs (notes 7 and 18)	12	14
Adjustment for investing or financing activities:		
Profit on disposal of tangible fixed assets	(6)	0
Deferred capital grants released to income (note 15)	(335)	(416)
Other interest (note 5)	(205)	(167)
Income from investments (note 5)	(1045)	(120)
Interest payable (note 9)	511	471
Net cash inflow from operating activities	<u>9660</u>	<u>10300</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	<i>At 1 August 2016</i>	<i>Cash Flows</i>	<i>At 31 July 2017</i>
	£000	£000	£000
Cash at bank and in hand	27477	(5442)	22035
	<u> </u>	<u> </u>	<u> </u>

21. CAPITAL COMMITMENTS

	2017 £000	2016 £000
Contracted for at year end	176	555
Authorised but not contracted for at year end	61450	4005
	<u> </u>	<u> </u>

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

22. FINANCIAL COMMITMENTS

At 31 July 2017, the University had annual commitments under non-cancellable operating leases as follows:

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

23. RELATED PARTY TRANSACTIONS

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

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

24. JOINT VENTURES

On 5 July 2012, a private limited company called SUCB Holdings Limited was set up. The University owns 50% (500 ordinary shares of £0.01 each) of the issued share capital of this company with the other 50% being owned by a company called NRH Media Limited. On 6 July 2012 Smartphone Hospitality Limited, a wholly owned subsidiary of SUCB Holdings Limited, was incorporated. The purpose of this joint venture is to seek to maximise business opportunities arising out of the utilisation of augmented reality in the hospitality industry. At 31 July 2017 the University had loaned the sum of £125,000 to SUCB Holdings Limited. The recoverability of this debt is now thought to be uncertain and it has therefore been provided against in full. The University has not accounted for SUCB Holdings Limited as a joint venture as at 31 July 2017 due to the immateriality of the figures involved.

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

On 22 April 2015, a Limited Liability Partnership called Legge Lane Birmingham LLP was incorporated. The Capital of this business is owned equally by University College Birmingham and Romiga Washington Ltd. The purpose of this joint venture is to build apartments on land currently owned by the University at Legge Lane, Birmingham and planning permission has been gained for the building of 100 mixed one and two bedroom flats. At the end of the year the University had contributed capital to this joint venture of £400,000.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

25. MAJOR NON-CASH TRANSACTIONS

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

26. LEARNER SUPPORT FUNDS AND TRAINING BURSARIES

	<i>NCTL Training Bursaries</i>		<i>Learner Support Funds</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Funding Council grants	74	121	66	190
Interest earned	0	0	0	0
	<u>74</u>	<u>121</u>	<u>66</u>	<u>190</u>
Disbursed to students	(74)	(121)	(63)	(178)
Administration costs	0	0	(3)	(12)
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 University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

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

During the year expense payments amounting to a total of £6,654 were paid to 7 Corporation Members for expenses they incurred in attending University meetings. Examples of the types of expenses incurred include travel and hotel costs.

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

28. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

UNIVERSITY COLLEGE BIRMINGHAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 JULY 2017

29. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	54972	56162	57380
Projected service cost	2583	2646	2711
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	56389	56162	55937
Projected service cost	2646	2646	2646
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	57151	56162	55196
Projected service cost	2711	2646	2582
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	58111	56162	54280
Projected service cost	2730	2646	2564

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Corporation of the University, the Corporation, through its Vice-Chancellor & Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction issued by the Higher Education Funding Council for England, which give a true and fair view of the state of affairs of the University and the surplus for that year.

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

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

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

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

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

Approved by order of the members of the Corporation on 15 November 2017 and signed on its behalf by:



Nigel Moss
Chancellor
15 November 2017

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

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

In the opinion of the governors, the University complies with all the provisions of both the CUC Governance Code of Practice and the Combined Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2017.

Statement of Primary Responsibilities

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

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

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

Statement of Primary Responsibilities *(continued)*

13. To make such provision as it thinks fit for the general welfare of students, in consultation with the academic board.

14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

The Corporation

The composition of the Corporation during the year is set out on pages 9 and 10. It is the Corporation's responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

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

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

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

University College Birmingham
Summer Row
Birmingham
B3 1JB

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

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

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

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

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

UNIVERSITY COLLEGE BIRMINGHAM

STATEMENT OF CORPORATE GOVERNANCE

Remuneration and Nominations Committee

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

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

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

Details of remuneration for the year ended 31 July 2017 are set out in note 6 to the financial statements.

Audit Committee

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

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

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

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

Internal control

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

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

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

The Corporation has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2017 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 2017 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2017.

Public benefit

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

The University has delivered its charitable purposes for the Public Benefit in 2016/17 by providing both Higher and Further education and training to in excess of 7,000 students and providing research and consultancy services for business within its specialist industry areas, namely

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

Going concern

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



Nigel Moss
Chancellor

15 November 2017



Ray Linforth
Vice-Chancellor & Principal

UNIVERSITY COLLEGE BIRMINGHAM

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

Opinion

We have audited the financial statements of University College Birmingham (the 'University') for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income and expenditure, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2017 and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education.

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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Corporations' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

UNIVERSITY COLLEGE BIRMINGHAM

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

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to these purposes and managed in accordance with relevant legislation
- funds provided by the Higher Education Funding Council for England have been applied in accordance with the Financial Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the requirements of the Higher Education Funding Council for England Accounts Direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the members of the Corporation

As explained more fully in the members of the Corporation responsibilities statement, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Corporation are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Corporation either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

UNIVERSITY COLLEGE BIRMINGHAM

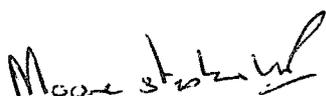
**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF UNIVERSITY COLLEGE
BIRMINGHAM**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Corporation.
- Conclude on the appropriateness of the Corporation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**Nicholas Simkins FCA
Senior Statutory Auditor**

for and on behalf of Moore Stephens LLP, Statutory Auditor

35 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

15 November 2017