

**Birkbeck,  
University of London**

# **Financial Statements**

**for the year ended 31 July 2011**

**PRESIDENT**

Professor Eric Hobsbawm

**VICE-PRESIDENT**

The Right Honourable the Lord Mayor of London

**CHAIRMAN OF GOVERNORS**

Mr Harvey McGrath

**SENIOR MANAGEMENT OF THE COLLEGE**

**MASTER**

Professor David Latchman

**VICE-MASTER**

Professor Philip Dewe

**PRO-VICE MASTERS**

PVM International Links: Professor Costas Douzinas

PVM Learning and Teaching: Professor Sue Jackson

PVM Links with Business and Commercial Exploitation: Professor Philip Dewe

PVM Research: Professor Li Wei

PVM for Strategy and Special Projects: Professor Matthew Innes

PVM for the Student Experience and Director of External Relations: Tricia King

**EXECUTIVE DEANS**

School of Arts: Professor Hilary Fraser

School of Business, Economics and Informatics: Professor Philip Powell

School of Law: Professor Patricia Tuitt

School of Science: Professor Nicholas Keep

School of Social Sciences, History and Philosophy: Professor Miriam Zukas

**SECRETARY AND CLERK TO THE GOVERNORS**

Keith Harrison

**ACADEMIC REGISTRAR**

Dean Pateman

**DIRECTOR OF FINANCE**

Peter Westley

**DIRECTOR OF HUMAN RESOURCES**

Naina Patel

**DIRECTOR OF PLANNING AND ESTATES**

David McGhie

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## MEMBERSHIP OF COMMITTEES 2010/11

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### THE GOVERNING BODY

Ex-Officio Governors who are also Officers of the College	Professor David Latchman Professor Philip Dewe
Chair	Mr Harvey McGrath
Academic Board Governors	Professor Michael Oaksford Professor Julian Swann
Academic Staff Governors	Dr Rebecca Gumbrell-McCormick Mr Richard Clarke
Non-teaching Staff Governor	Mr John Poggioli
Student Governors	Mr Sean Rillo Raczka Ms Natalie Heppenstall (to March 2011) Ms Annabel Jones (from July 2011)
Alumnus Governor	Mr Eamonn Moyles
Independent Governors	Mr Garth Pollard (deputy chair) Mr John Biggs Mr Tom Hoffman Mr Drummond Leslie Mrs Joy Manners Mr Paul Shelton Dr Ruth Thompson Mr Robert Allison
Advisor to the Governors	
In Attendance	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Peter Westley
The Director of Planning and Estates	Mr David McGhie
The Head of Governance and Corporate Support	Mrs Katharine Bock

### FINANCE AND GENERAL PURPOSES COMMITTEE

The Master	Professor David Latchman
The Vice-Master	Professor Philip Dewe
The Chair of Governors:	Mr Harvey McGrath
Academic Governors:	Professor Mike Oaksford Professor Julian Swann
Non-teaching Staff Governor:	Mr John Poggioli
Student Governor:	Mr Sean Rillo-Raczka
Independent Governors:	Mr Paul Shelton (Chair) Mr Tom Hoffmann Mr Drummond Leslie Dr Ruth Thompson
Co-opted External members:	Mr David Butler Mr Hugh Ferrand Mr Robert Allison
By Invitation	
In Attendance	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Peter Westley
The Director of Planning and Estates	Mr David McGhie
The Director of Human Resources	Ms Naina Patel
The Academic Registrar	Mr Dean Pateman
The Deputy Secretary	Ms Megan Reeves
The Head of Governance and Corporate Support	Mrs Katharine Bock

## **MEMBERSHIP OF COMMITTEES 2010/11 (Continued)**

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### **NOMINATIONS COMMITTEE**

The Chair of Governors	Mr Harvey McGrath (Chair)
The Deputy Chair of Governors	Mr Garth Pollard
The Master	Professor David Latchman
Academic Governors	Professor Michael Oaksford
	Mr Richard Clarke
Student Governor	Mr Sean Rillo Raczka
Independent Governors	Mr Tom Hoffman
	Mr Drummond Leslie
	Mrs Joy Manners
In Attendance	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Head of Governance and Corporate Support	Mrs Katharine Bock

### **REMUNERATION COMMITTEE**

#### **Panel A – remuneration of the Master**

The Chairman of Governors	Mr Harvey McGrath (Chair)
The Deputy Chairman of Governors	Mr Garth Pollard
The Chairman of F&GPC	Mr Paul Shelton
Independent Governors	Mr Drummond Leslie
	Mr Tom Hoffman
	Dr Ruth Thompson
In Attendance	
The College Secretary and Clerk to the Governors	Mr Keith Harrison

#### **Panel B – Professorial/AR6 and Postholders' Remuneration**

The Chairman of Governors	Mr Harvey McGrath (Chair)
The Deputy Chairman of Governors	Mr Garth Pollard
The Chairman of F&GPC	Mr Paul Shelton
Independent Governors	Mr Drummond Leslie
	Mr Tom Hoffman
	Dr Ruth Thompson
The Master	Professor David Latchman
In Attendance	
The Director of Human Resources	Ms Naina Patel

## MEMBERSHIP OF COMMITTEES 2010/11 (Continued)

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### EQUALITIES COMMITTEE

The College Diversity Champion	Professor Les Moran (Chair)
The College Dean	Dr Kate MacKenzie Davey
One member of staff from each School	Mr Anthony Bale – Arts
	Dr Rebecca Gumbrell-McCormick – Business, Economics and Informatics
	Ms Karen Scott - Law
	Ms Diane Calliste – Science
	Dr Matthew Cook – Social Sciences, History and Philosophy
	Mr Dean Pateman
	Mr Mark Pimm
The Academic Registrar	Mr Steve Hirons
The Disability Services Manager	Ms Naina Patel
The Director of the Centre for Learning & Professional Development	Ms Patricia Crampton
The Director of Human Resources	Mr Dean Pateman
The HR Manager (Equalities)	Ms Patricia Costall – UCU
The Chair of the Disability sub-committee	Ms Geraldine Parkes - Unison
College Trade Union representatives	Ms Caroline McDonald
	Mr Bisi Alimi
	Ms Jo Fried
A representative from External Relations	
Student Union Representatives	
In attendance	
Personal Assistant to the Director of HR	Ms Jackie Williams

### AUDIT COMMITTEE

Independent Governors	Mr Garth Pollard (Chair)
	Mrs Joy Manners
	Ms Julia Collins
Co-opted External Member By Invitation	
The Master	Professor David Latchman
In Attendance	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Head of Governance and Corporate Support	Mrs Katharine Bock
The Director of Finance	Mr Peter Westley
The Deputy Secretary	Ms Megan Reeves
The Internal Auditor (Knox Cropper)	Mr Kevin Lally
The External Auditor (KPMG)	Mr David Bowen

## **MISSION STATEMENT**

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### **BIRKBECK IS COMMITTED TO FULFILLING THE VISION OF OUR FOUNDER, GEORGE BIRKBECK, OF UNIVERSAL ACCESS TO THE BENEFITS OF KNOWLEDGE.**

Remaining true to the vision of our founder, the principal **aims** of Birkbeck College are:

- to provide part-time courses of study to meet the changing educational, cultural and training needs of adults who are engaged in earning their livelihood, and others who are able to benefit;
- to enable adult students from diverse social and educational backgrounds to participate in our courses;
- to maintain and develop excellence in research and research training in all our subject areas; and
- to make available the results of research, and the expertise acquired, through teaching, publication, partnerships with other organisations and the promotion of civic and public debate.

These broad aims embrace principles by which the College co-ordinates its planning and policies in respect of research and teaching, its special responsibilities to meet the needs of mature part-time students, and its goals with respect to quality and good management.

### **KEY SUPPORTING OBJECTIVES**

1. To offer our students an integrated range of flexible, research-led courses across all levels of provision.
2. To achieve and maintain strong research cultures in support of interdisciplinary work in each school and faculty.
3. To ensure the College provides a favourable working and learning environment for its students and staff so that all may develop to their full potential.
4. To develop the College's capacity to respond rapidly to new and changing opportunities in higher and further education.
5. To strengthen the College's financial position by accumulating reserves to ensure its long-term viability.
6. To enhance the learning experience of our particular student community through the use of new technology and other means.
7. To develop sustainable partnerships within the London region and beyond.

### Master's Strategy Report

As proposed in last year's Strategy Paper, I believe that in 2010-11 we have successfully used the new structures introduced in 2009-10 to implement and develop our strategy for sustaining and enhancing Birkbeck, leading to the cost-effective growth of the College.

Moreover, I believe that the changes we have introduced provide us with the basis for sustaining the College through future years in which Government funding will decrease significantly and need to be replaced with enhanced fee income. As outlined in this paper, this involves both ensuring that the College benefits maximally from the last year of the old system in 2011-12 as well as positioning it to meet successfully the challenges of 2012-13 and subsequent years.



### Successes

Success of the College has been recognised in the past year by the award of the THE Outstanding Leadership & Management Team of the Year, the most prestigious prize awarded at the THE Leadership & Management Awards. The citation stated "*Birkbeck reinvented itself as a very modern institution through strong leadership and management*". Our success in winning this award paralleled our earlier short-listing for the THE University of the Year Award in 2010 and our earlier successes in winning THE Awards for Outstanding Contributions to the local Community, Widening Participation Initiative of the Year and Marketing and Communication Team of the Year.

Moreover, once again, Birkbeck scored highly in the National Student Survey (NSS) in which students are invited to give their opinions of the Universities at which they are studying. We were placed jointly first in London for overall student satisfaction and first in London for quality of teaching. This parallels our successes in previous years since the survey was first launched. However, we did not appear in the survey in 2010 due to our not reaching the minimum percentage of students responding. In turn, this was due to the inclusion in the survey of Certificate students for whom the survey was not obviously relevant. This year we have worked closely with NSS in order to make the survey more relevant to such students as well as strongly encouraging all students to respond. This work has clearly been justified by our qualifying to be included in this survey and by our high position within it.

Also in the teaching area, Dr Carol Watts, Reader in Literature and Poetics was awarded a prestigious National Teaching Fellowship in the annual competition run by the Higher Education Academy. This is only the second time a Birkbeck staff member has been recognised in this manner.

### Research

As before our fundamental strategy is based on the unique mission of the College, which is the only research-intensive institution with a commitment to flexible patterns of teaching. This provides our non-traditional part-time/mature students with an educational environment comparable to that available in the highest quality research Universities. Clearly, continuing to emphasize this unique feature of the College will be of considerable importance as we move into the new funding system where student choice will be ever more important.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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This year, as before, College staff have received numerous awards for research excellence. These include the election as Fellows of the British Academy (FBA) of Professor Mark Johnson, Director of the Centre for Brain and Cognitive Development and Professor William Rowe, Professor of Poetics. Similarly, four members of Birkbeck were elected as Academicians of the Academy of Social Sciences. It is a very pleasing reflection on the commitment of staff to Birkbeck that in addition to their research scholarship, all four play key roles in the management of the College. Thus, Professor Philip Dewe is the Vice-Master, Professor Andrew Jones is Head of the Department of Geography, Environment & Development Studies, Professor Philip Powell is Executive Dean of the School of Business, Economics and Informatics and Professor Li Wei is Director of the Birkbeck Graduate Research School.

Additionally, during the year, a Consortium involving the College together with its partners, The Institute of Education, The London School of Hygiene & Tropical Medicine and SOAS, was successful in a bid to the Economic and Social Sciences Research Council (ESRC) for a Doctoral Training Centre. This will provide the partners with 26 PhD Studentships annually, representing the second highest award in London and more than doubling the number of PhD Studentships in this area compared to those currently available. Within the Consortium, Birkbeck will lead in the areas of Economics, Politics and Psychology. Most importantly, in future ESRC will only award PhD Studentships through the 21 Doctoral Training Centres it has now established.

The success of the ESRC bid was clearly aided by our demonstration of the ongoing research collaboration within the Bloomsbury Colleges Group. In particular, each year the group provides internal funding for 12 PhD studentships each of which has to be jointly supervised by academics in at least two of the Colleges. Hence, this successful collaboration with our partners in Bloomsbury has both allowed us to continue to receive ESRC-funded students and to expand their numbers. Such intercollegiate links are likely to be of increasing importance as other Research Councils follow the ESRC Doctoral Training Centre model rather than awarding individual PhD studentships.

Similarly, more and more emphasis is being placed by our funders on the quality of training offered to research students in a range of generic skills as well as in subject-specific skills. This year we have implemented the restructuring of the College Research School into the Birkbeck Graduate Research School. Under the leadership of Professor Li Wei, it now has a clearer focus and management structure and has taken the lead in making arrangements for the distribution of funding for generic skills courses in the post-Roberts era where such funds are no longer specifically provided by the Research Councils.

In parallel with the changes in research studentship funding, pressure on research grant funding is also increasing due to financial constraints. Although the College has so far maintained its level of grant applications and success, this will become increasingly difficult in future. Moreover, Research Councils are beginning to implement limits on the number of unsuccessful applications which can be made by an individual researcher whilst small grant schemes for new researchers are being particularly severely cut, making it more difficult for such individuals to get started. Birkbeck will respond to this by introducing improved internal mentoring procedures and also scrutiny procedures to ensure that applications are of high quality. The means of achieving this whilst still allowing newer researchers to gain experience of, and hopefully be successful in, the application process, will be discussed at the College Research Committee this term.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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The most important current strategic activity in the research area involves our preparations for the Research Excellence Framework (REF) which will replace the Research Assessment Exercise (RAE) in 2014. The REF Working Party, led by Professor Stephen Frosh, Pro-Vice Master for Research met on a monthly basis throughout the academic year, with the REF Support Group (dealing with administrative backup for the College's REF preparations) also meeting regularly.

The main activity in the year was the "dry run" of publication outputs with each academic staff member being required to submit their four current best outputs as well as their future plans. These were assessed both by specific panels (each consisting of three or more senior staff in each Unit) and by the REF Working Party. The key concerns were to identify strengths and weaknesses in the submissions and to aid in giving individual feedback to staff members enabling them to strengthen their own REF profiles. This is of particular importance since the College has always maximised the number of staff submitted by including all individuals with four research publications. This approach may not be viable in the future if, as has been suggested, the Funding Council decides to construct League Tables of Institutions and then to fund only say, the top twenty institutions. In these circumstances, having a tail of low-rated research could penalise the College and lose it the funding otherwise justified by its higher scoring research.

In the coming year, the Working Party will return to the "dry-run" data in order to follow up particularly on staff in a position of being at risk for non-inclusion in the REF, but also to ensure that all units are strengthening their submissions as far as possible. The Working Party will also attend closely to the submissions relating to impact of research for each Unit, with this now counting for 20% of the total REF score. In particular, the group will examine closely the impact case studies to make these as strong as possible since 80% of the impact score will be decided on the basis of the case studies. The Working Party is organising a training session on impact issues for the Autumn Term 2011 to ensure that all those leading on individual submissions are fully aware of the issues involved.

### **Planning & Resources**

The process for reviewing School annual plans which was put in place in 2009-10 has continued in terms of planning for 2011-12 with the aim of ensuring a reasonable surplus for the College in the last year of the current system. All School plans were subject to ongoing discussions between Executive Deans and Professor Matthew Innes (Pro-Vice Master for Strategy and Special Projects). A parallel process of scrutiny and review, also chaired by Professor Innes was used in agreeing budgets for all of the College's central professional service departments. Moreover, all plans were presented to two successive meetings of the Strategic Planning Committee (SPC) allowing final approval to be given at the second meeting following revision of the plans. During these discussions, significant changes were made to the budgets and in particular, those Schools showing negative balances were requested to provide additional savings prior to their plans being approved. These savings were achieved in part by utilisation of the Voluntary Severance and Early Retirement (VSER) Scheme which was funded by HEFCE as part of our Strategic Development Fund award.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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The same methodology that was used in agreeing school and service plans was also adopted to conduct a mid-year budget review which identified in year savings in excess of £2M, spread proportionately between schools and central services. This ensured that we were able to optimise our financial position and return a surplus for 2010-11. It is intended that this exercise will be repeated in 2011-12. Similarly, these processes will be of particular importance in 2012-13 onwards allowing us to monitor the financial position/student recruitment on an ongoing basis as the new fee/loan system is introduced and to take appropriate action.

During the budget review process, we have tried to work with all Schools to maximise the success of their activities. With Schools that are generating significant surpluses, this has involved supporting them to ensure that they can continue to deliver both academically and financially. For example, requests to replace retiring senior staff in these Schools with more junior staff are routinely approved by me on behalf of SPC. This would also apply to the extension of short-term contracts in these Schools for staff recruited to deliver new courses which are now achieving significant student numbers. Conversely, we are working with those Schools which are not in surplus in order to develop their plans for minimising their deficits and ultimately moving into surplus. Within this framework ongoing work on value for money and service improvement led by Keith Harrison (College Secretary) is taking place to deliver real terms savings in service and infrastructure costs, and provide the scope for targeted re-investment in key service areas to support the College's current growth and address the service imperatives linked to the post 2012 environment. An important strand of this work is to further optimise the efficiency and quality of delivery of our core administrative processes both at college and school level. To this end we have set up a cross college Business Process and Systems Improvement Project. The Project Board for this includes the Chair of the Finance & General Purposes Committee (Mr Paul Shelton) and the Executive Dean of the School of Business, Economics and Informatics (Professor Philip Powell).

I believe that the system of budget review together with ongoing portfolio review of all courses provides us with the means to meet the challenges ahead as we move into the new funding system in 2012-13. Additionally, in the run up to 2012 transition we will be extending our contingency and scenario planning, with the Strategic Planning Committee and Executive Deans focussing on this over the autumn period.

### **Estates**

In an era of reduced capital as well as recurrent funding, steps need to be taken to consolidate our Estate and to focus our Estates resources onto areas which can enhance income generation. Fortunately, we have now completed a number of Estates projects providing each School with a focus for its activities and, for example, moving our Department of Computer Science and Information Systems out of Senate House into our main building. Similarly, the Wiener Library has now moved to our premises in 29 Russell Square and is working closely with the Pears Institute for the Study of Anti-Semitism. The concentration of research in this area has already resulted in the College signing an agreement with the Dreyfus Society for their library to be located at Birkbeck and ultimately to be donated to the College.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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As part of the consolidation of our Estate mentioned above, the College sold its share in a building in Emerald Street to its partner, the Institute of Education and is relocating this part of the Department of Computer Science and Information Systems to the main building. Similarly, we have agreed to lease 7 Bedford Square to an overseas Business School whilst moving staff from the Institute for the Study of Children & Families into the main building. This parallels the progressive winding down of their major grant (£16 million) for the National Evaluation of the previous Government's Sure Start Programme thereby reducing considerably the numbers of staff in this Institute.

In parallel with this consolidation, we continue to enhance our facilities in our core buildings, particularly in areas which have already expanded student numbers and have the potential to continue to do so. Over the summer therefore, new facilities have been provided both for the School of Business, Economics & Informatics and for the Department of Psychological Sciences within the School of Science. These include an expanded lecture theatre in the Clore building and larger IT teaching facilities in the main building which will assist those Schools in dealing with the larger classes provided by their ongoing expansion.

As part of our long term strategic planning we are in the process of commissioning a Masterplan for our site and its adjacent areas. This will include the potential for development of a 500 seat lecture theatre linked to our main building as well as the potential to use Senate House North Block and/or a new building on the vacant plot of land adjacent to Senate House. Clearly, such ambitious projects will require considerable funding and are not currently feasible. However, it is important to know what our options are particularly since we have had expressions of interest both from SOAS and from an overseas University which would involve a partnership relationship in which they would use the facilities for day-time teaching, paralleling our evening teaching use.

Currently, our major Estates project is the co-development with the University of East London of a new building in Stratford which has been named University Square Stratford. Considerable progress has been made in the last year with this under the leadership of the Vice-Master, Professor Philip Dewe. The lease for the site has now been signed with Newham Council and a contractor appointed following a competitive tendering process. The contractor has just started work on the site with a view to completing the project on schedule for opening by the start of the 2013-14 academic year. We are currently applying to the Wolfson Foundation for approximately £1 million of support for the Performing Arts area in the new building. This would parallel the £1 million awarded by the Garfield Weston Foundation for student-related facilities. The Wolfson Foundation has approved our preliminary application and we have now submitted a full application for consideration in December.

### **Student Recruitment**

In 2010-11, the Stratford Project continued to make an increasing contribution to student recruitment with student numbers studying in Stratford passing the 1,000 mark for the first time.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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Overall, HEFCE-funded student numbers increased from 4,223 in 2009-10 to 4,899 in 2010-11, an increase of 16%. This means that the College has now successfully achieved all but 209 of the 1,245 additional student numbers (ASNs) awarded to us by HEFCE in the aftermath of the ELQ funding withdrawal. This is a highly significant achievement and based on applications for 2011-12, we are confident of achieving the full total of ASNs during that year. Although the HEFCE funding for students in most subjects will be progressively withdrawn from 2012-13, the number of students currently allocated to each institution will continue to play a key role in determining the number of students each institution can recruit.

In parallel with these increases in Home and EU student numbers, we have also significantly increased the numbers of international high fee paying students. Overall, numbers of international students have doubled in the last four years increasing from 275 in 2006-7 to 552 in 2010-11. We anticipate that in excess of 700 international students will enrol for 2011-12. Moreover, fee income from such students increased to £5.4 million in 2010-11 compared to £4.3 million in 2009-10 and £3.4 million for 2008-9. This marks a new and significant contribution to the College and its financial position.

Clearly, it is of vital importance that we maximise both Home/EU and Overseas student recruitment in 2011-12 so as to finally fill all ASNs awarded by HEFCE with Home/EU students and maximise our fee income from all students. This is of particular importance since many students will be on multi-year courses and will therefore provide us with further financial security by continuing to provide fee income in 2012-13 and beyond. In the current year recruitment cycle, we have therefore emphasized the relatively low fees available to undergraduates for 2011-12 and that such fees will not increase substantially beyond inflation for the period of their study since they will not be subject to the new funding rules.

The 2011-12 recruitment cycle is being overseen by the Recruitment Monitoring Group which meets regularly and involves the Assistant Deans and Assistant School Managers with responsibility for recruitment and retention together with the relevant professional teams led by Tricia King in her capacity as Director of External Relations. This has led to a record number of applications exceeding the corresponding levels in the 2010-11 recruitment cycle which was another record breaking year. Home/EU applications have increased by 24% and offers are up by 14% compared to the corresponding period last year. Similarly, overseas applications are up by 54% with a 62% increase in offers compared to the same point last year. Returning students are also enrolling faster this year.

We are also taking steps to raise our profile overseas both as a research-intensive institution and to aid recruitment. Professor Costas Douzinas, the Pro-Vice Master for International Links has successfully negotiated several agreements with high quality universities overseas in order to promote both research and teaching collaboration. Similarly, the School of Business, Economics and Informatics has signed an agreement with the South-West University of Finance and Economics (SWUFE) in China. This provides for SWUFE Masters students to come and study part of their course at Birkbeck and for selected SWUFE graduates to progress to Masters degrees at Birkbeck.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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In 2010, we offered for the first time accelerated part-time degrees in Law, Philosophy and Psychology which could be completed in three years, i.e. the same time as a full-time degree. As full-time-equivalent courses, these courses have to be offered via the centralised UCAS system in which students apply to multiple institutions. In 2010-11, we received 492 applications and enrolled 130 students. This year so far there have been 764 applications and 276 firm acceptances. Even excluding the two new three-year courses which are being offered for the first time (Geology and History) this represents a 33% increase in applications to the three original programmes (654 versus 492). Interestingly, of the students enrolled so far 60% are over 21 and almost all come from postcodes in the Greater London area. Entry into UCAS has thus increased our visibility to Birkbeck-type students in the Greater London area who are aged 21-30 and who did not enter higher education as school leavers. For this reason we will greatly expand our full-time-equivalent offering in 2012-13, offering 20 courses in this mode.

### **Political Developments**

At the time of last year's Governors' Strategy Meeting we were awaiting the report of Lord Browne's Review of Higher Education. When the report was published one of its six key principles was "*part-time students should be treated the same as full-time students for the costs of learning.*" It proposed that part-time students should no longer have to pay upfront tuition fees but should benefit from student loans.

The same day the Coalition Government accepted this recommendation with the Secretary of State for Business Innovation & Skills, Vince Cable, saying "*we share Lord Browne's conclusion that we should extend exemption from upfront tuition fees to part-time students - currently 40% of the student population – who have been unfairly discriminated against hitherto*".

This is a considerably victory in our campaign for a level playing field for part-time students. Unfortunately however, it comes as the Government is cutting support for University teaching via HEFCE. As discussed below, this will require us in common with all other Higher Education institutions, to significantly increase our fees.

This renders it all the more important to continue our campaign to ensure that the details of the loan system fully benefit part-time students. In this regard, we have succeeded in persuading the Government to extend eligibility for loans to all students who study at 25% or more of full-time compared to the original proposal in Lord Browne's report that the minimum threshold should be 33% of full-time study. Similarly, when the Government announced the details of the National Scholarship Programme, designed to provide grants to the poorest students, eligibility was based on having been in receipt of free-school meals, thereby specifically targeting 18 year olds. Following our pointing this out, the guidelines have now been changed to indicate that an important priority will be part-time and mature students.

A more recent success was the change to the regulations for Certificate students who utilise the Certificate to proceed to the second year of a Degree Programme. The original proposal was that such students would have to repay their loans following their initial one-year period of study, whereas they now only need to do so at the same point as degree students.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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\*Unfortunately, we still have an unresolved issue concerning the repayment of loans by part-time students. Whereas full-time students will repay their loans in the April following completion of their studies, part-time students under the current proposals will have to repay their loans three-and-a-half years after they begin studying. This will mean, for example, that a full-time student on a four-year course repays 4.5 years after beginning study whereas a part-time student on a four-year course will repay after three-and-a-half years while they are still studying.

We are currently lobbying extensively on this issue and the Liberal Democrat Peer, Baroness Brinton, has put down an amendment to the Education Bill in the House of Lords, which calls for part-time students to repay 4.5 years after they begin studying. A similar motion was put to the Liberal Democrat Conference this autumn and was overwhelmingly supported making it official Liberal Democrat Policy.

The long awaited Higher Education White Paper (***"Students at the Heart of the System"***) continues this clear commitment to the importance of part-time higher education. The ambition to *"improve student choice by supporting a more diverse sector with more opportunities for part-time"* is very welcome. The paper clearly acknowledges that part time undergraduate courses allow under-represented groups to access higher education who would otherwise be unable to do so, demonstrating an understanding by government that the alternative to part-time is not full-time but not studying at all.

As we move toward 2012 we continue to work closely with all key HE agencies to ensure a smooth passage for our students as the new funding regime brings part-time students into the mainstream. The Department for Business, Innovation and Skills, UCAS, the Student Loans Company and Universities UK amongst others need rapidly to change policy and process to accommodate students like ours. High level political commitment to part-time HE is very strong but, at a time of significant change, we need to pay close attention to the detail to ensure that the commitment translates into practice.

A new Independent Task Force on Student Finance led by the public finance champion Martin Lewis and the former President of the NUS is currently working to explain the complex new loan proposal. Martin Lewis, founder of MoneySavingExpert.com, is taking a particular interest in communicating the new loans system to part-time students and recently visited Birkbeck to launch his taskforce and record a video for prospective part-time students.

### **Fees and Scholarships**

Despite the availability of loans, the fees charged will be a major factor in determining whether students wish to study with us. Unfortunately, with the withdrawal of HEFCE T Funding for most students we have no choice other than to follow every other institution in the country and significantly increase our fees.

*\*Since this Report was written, the Government has agreed an amendment to the legislation so that part-time students will be required to repay their loans 4.5 years after beginning study.*

## **OPERATING AND FINANCIAL REVIEW (continued)**

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However, rather than simply opting for a blanket approach of charging the maximum £9,000 fee (as has been done by the vast majority of Russell Group and 1994 Group institutions) we have opted for a tiered fee structure with three different fee levels. Thus, to encourage participation by non-traditional students, our lowest fees would be targeted at entry level programmes which offer a wide range of pathways onto Degree programmes that allow students to start at an appropriate level for them. For many of these important pathway programmes Birkbeck will set its fees at or well below pro rata to a full-time fee of £6,000.

Our standard fee for our Degree programmes will be set at pro rata to £8,000 p.a., i.e. the actual fee will be £6,000 p.a. for students studying at 75% full-time and completing Degrees in four years. The highest tier will have a fee pro rata to £9,000 p.a., representing an actual fee of £6,750 p.a. for those studying over four years at an intensity of 75% of full-time. This will be charged for programmes with strong professional outcomes, for example, professional accreditation or direct access onto professional training.

Most interestingly, after the College had agreed these fee tiers, we invited the Schools to assign their programmes to the various tiers subject to revision by the Centre if they did not generate sufficient resource. Interestingly, such upward moderation was not necessary and discussions centred rather on whether some courses should be placed in lower tiers than those proposed by the Schools. I believe this process vindicates the new School structure in which Schools have a sense of financial reality which would not have been possible when the College was divided into 20 Departments.

To support these increased fees, the College has developed a financial support package which will minimise the level of loan which needs to be taken out by students on lower incomes. We will use the £240,000 allocated to us by the Government National Scholarship Programme (NSP) to provide 80 Scholarships worth half the tuition fee (i.e. £3,000 p.a. for those on a four years middle tier degree programme). These awards will be made to those most in need, widening participation students with an income below £16,000 per year, as well as students coming from our own access courses or from Further Education Colleges with whom we are developing partnerships and progression routes. Moreover, as required by the scheme, Birkbeck will match the NSP funds with £240,000 of its own funds to provide 80 further half fee Scholarships for students at this level. In addition, £760,000 of Birkbeck funds will provide an additional 760 x £1,000 Scholarships for in need students with a household income of less than £25,000 per year.

We are actively fundraising from major donors and alumni to enhance this level of support, for example, by introducing a £2000 Scholarship for those earning under a £20,000 income threshold thereby providing one-third of their fee if they are on a middle tier course.

Our student Scholarships will be complemented by support grants for study costs such as books and IT, as well as for associated costs such as travel and child care. We will also continue and if possible expand our hardship funds. These forms of funding are of particular importance since part-time students, unlike full-time students, will not be eligible for maintenance grants or loans.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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The Office for Fair Access (OFFA) is currently unable to assess our fees and bursary policy for part-time students since the extension of loans to part-time students is still passing through Parliament in the Education Bill and has not yet become law. However, they have examined the proposals for our full-time equivalent courses with our submission strongly emphasizing that the same conditions would be applied pro rata to the part-time courses. It is therefore very gratifying that OFFA not only approved our Fees and Scholarship Strategy but pronounced it “incredibly strong”.

Our package of fees and Scholarships will also allow us to benefit from one of the two proposals contained in the Government’s Higher Education White Paper (Students at the Heart of the System). Although, the proposals regarding Universities competing for students with AAB or better at A level, is of little relevance to us, we should be able to benefit from the proposals to create a pool of 20,000 places for lower cost providers whose average fee (including Scholarships) falls below £7,500 p.a.

In terms of fees for Masters courses, we will need to be mindful of the need to maximise recruitment in 2012-13 at a time of potential instability in undergraduate recruitment. We will therefore need to consider whether to implement only minimal fee rises for these courses in 2012-13 and/or offer discounts to students who progress from our Bachelors degrees.

### **Teaching and Learning Strategy**

Although we have put together what I believe is a very sensible Fees and Scholarships Strategy, we will need to do everything we can to convince prospective students to come and study at Birkbeck. We will need, for example, to allow students much greater flexibility in terms of their period of study for a degree and in particular, allow them to accelerate or decelerate their study as the needs of their lives and finances dictate. As noted above, we will have twenty accelerated part-time/full-time equivalent courses available from 2012 onwards. We also need to establish clear routes in which students can complete their degrees in six years, nine years or even 12 years (representing the minimum 25% of full-time which qualifies for a loan). We are expecting that around ten degree programmes will be available in a specific six year mode in 2012-13. Not only will this allow students to adjust their intensity of study according to their personal and working lives but may also make courses affordable for students who do not wish to take out a loan but can afford to pay a lower fee over a longer period.

Similarly, we will need to respond to the requirements set out in the recent Higher Education White Paper such as providing students with Key Information Sets (KIS) and develop minimal thresholds for KIS in the Birkbeck context including contact hours, tutorials and feedback. We will also need to develop a range of explanatory statements relevant to the Birkbeck context for KIS, for example, in terms of employability and implement as relevant. We also expect to take part in a pilot to develop Higher Education achievement records for our students so as to ensure that these are developed and implemented in ways relevant to Birkbeck. Similarly, we will need to consider the development and implementation of a student charter.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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There is clearly a major agenda in developing our teaching strategy and I have therefore asked Professor Sue Jackson, Pro-Vice Master for Learning and Teaching to undertake her role 100% of the time rather than as a 50% secondment from her School and she has agreed to do this. Professor Jackson is also currently responsible for leading our Degree Awarding Powers Application together with the Academic Registrar, Dean Pateman. As Governors will know, there is an ongoing programme of observation of Committees, etc., which will end in November 2011 allowing the visiting assessors to fulfil the original commitment that a proposal would be put to the QAA Advisory Committee on Degree Awarding powers in March 2012.

Professor Jackson will also play a key role in the critical area of student retention working closely with Tricia King, Pro-Vice Master for Student Experience. Clearly, both retention and progression are of even greater importance in the new system with students taking out loans and having higher fees likely to consider very carefully whether to continue their courses and/or to progress to further courses. To encourage progression, we have made it clear that students proceeding from one-year Certificates taken in 2011-12 to the second year of a Degree programme beginning in 2012-13 will be charged the same fee as students who began the Degree programme itself under the old fee regime in 2011-12. This, together with the change in the loan repayment conditions for students proceeding from Certificates to Degrees (see above) will encourage students from widening participation backgrounds to take an initial introductory programme and then move to the second year of a degree programme if they are successful, rather than simply beginning a degree programme.

As well as encouraging progression of students within Birkbeck, we also need to develop more innovative partnerships with Further Education Colleges to encourage their students to progress to Birkbeck. Our strategy in this area involves working with a small group of FE Colleges to develop provision and to provide discounts for their students progressing to us in a similar manner to that negotiated last year with Union Learn. Following the departure of Professor John Annette to be President of Richmond International University, I am proposing that Professor Matthew Weait of the Law School be appointed Pro-Vice Master for Academic Partnerships and that he lead in this critical area.

In developing our Learning and Teaching Strategy, we need to think as radically as possible in terms of the new era which Higher Education is entering. For example, we need to explore ways in which different patterns of teaching can enhance student learning and offer greater flexibility. Thus, for example, we will develop blended learning routes across many of our programmes so that individuals can combine attendance at College with on-line learning when it is convenient for them. We have recently set up a technology enhanced learning working group to develop and implement minimal thresholds for the integration of technology enhanced learning across all programmes.

Additionally, colleagues across the College have recently been consulted on spreading teaching opportunities across three terms. This would offer considerable pedagogic advantages as well as maximising the use of the College estate. This would allow us to minimise the use of external facilities which as well as being costly also means that students do not feel they are getting a Birkbeck experience. As a result of the consultation, a proposal will be taken to College Committees this term regarding a pilot implementation in a few Departments in 2012-13 followed by more extensive implementation in 2013-14 if the pilot is successful. We have also been developing our range of multi-and inter-disciplinary degree programmes to enhance student choice and we are currently developing a more extensive range of option modules that will give greater flexibility to our undergraduate curriculum.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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Similarly, we need to consider the future nature of our Certificate Programmes in the new fee/loan regime. We need to work to standardise and consolidate the framework of progression and credit transfer between Certificate and Degree programmes so that Certificates act as effective feeders to Degree programmes. Similarly, we need to ensure that provision is fully integrated with the research and teaching strategies of individual Schools and to identify a marketing and fee strategy in response to the new fee and funding environment.

In the current funding regime, it is necessary for students to complete a course and be assessed in order for funding from HEFCE to be obtained. A significant number of potential students do not wish to do this and either do so reluctantly or not at all. In previous years such non-completions resulted in funding claw backs from HEFCE who refuse to fund these students. In the new fee regime, the funding of a course will not depend on HEFCE but rather on what students are prepared to pay. It is intended therefore to develop a Birkbeck Associate Student Scheme by which individuals can join Birkbeck as an Associate Student for a relatively small annual fee allowing them to be involved in learning at Birkbeck in a variety of ways. This would, for example, involve Associates being allowed to sit in on a limited number of courses in a non-examined way or to attend special associate lectures confined to such subscribers and, for an additional fee, to attend Partnership learning events conducted in collaboration with other institutions such as the British Museum.

I have asked Professor Miriam Zukas, the Executive Dean of Social Sciences, History and Philosophy to lead our review of Certificate Programmes and to develop the Birkbeck Associate Student Scheme, in view of her previous expertise leading Lifelong Learning at the University of Leeds.

In terms of the Associate Student Scheme, Professor Zukas has had discussions with potential partner institutions and held focus groups with long standing Birkbeck students. The response of both has been enthusiastic and a proposal for the scheme will be put to SPC this term with a detailed paper coming to Governors later in the year. An initial scheme will be launched in September 2012 with the full version of the scheme being available in September 2013.

### **The Future**

In January 2011 I circulated a Strategy Paper to all staff regarding the future of Birkbeck in the new funding system. Subsequently I attended meetings with all five Schools, the Central Services and the students. In one such meeting, my Paper was described as “full of bad news but extremely upbeat in tone.” I continue to maintain this optimistic position. What we are witnessing currently is the mainstreaming of part-time study to become a central part of Higher Education rather than a peripheral “add-on”. The extension of loans to part-time students is a critical step in this. Moreover, the fact that in future part-time students will need to apply through UCAS is of equal importance to us. We have already witnessed the raising in profile of the College’s courses via our having a UCAS entry for accelerated part-time studies. Currently, the most significant growth in UCAS applications across the sector comes from mature students who are opting to study full-time. I believe that once such students are clearly presented with a range of part-time opportunities, many will opt to study part-time and thereby earn money while they are learning.

## **OPERATING AND FINANCIAL REVIEW (continued)**

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Similarly, a number of employers are beginning to realize that there will be many talented 18-years olds who would wish to be recruited by a firm offering a part-time Degree as part of the package rather than simply opting for a loan and full-time study. We are currently in discussions, for example, with the Institute of Chartered Accountants regarding offering a part-time Degree programme to accountancy trainees. This will be designed in such a way as to fit with the cycle of the accountancy year and not to, for example, demand considerable study during work-intensive periods such as the filing of Tax Returns or Audit visits.

Nonetheless, we are projecting considerable deficits for 2012-13 and 2013-14 caused by falling student enrolment as prospective part-time students face the new enhanced fee and loan system. In future years however, I believe that this trend will be reversed as students come to terms with the increased fees and take advantage of the availability of loans. Indeed, as described above, part-time study will become an increasingly attractive option for those who wish to minimise their debt and earn while they learn. Similarly, full-time degree students who graduate with £27,000 of undergraduate student debt in 2015 will be increasingly reluctant to make the financial commitment of a full-time Masters course and may well instead opt for part-time study at Masters level combined with employment.

Overall therefore, although difficult times may lie ahead (as always at Birkbeck!), I believe that our new structure together with our innovative fees and bursaries offer will allow us to take advantage of the progressive mainstreaming of part-time study and that Birkbeck will therefore continue to develop and flourish.

**Professor David Latchman**  
Master

**Student Statistics (Headcount)**

The statistical information outlined in this section originates from HESA Student Return.

**Degree Programmes: Student numbers in 2010/11: 9,758**

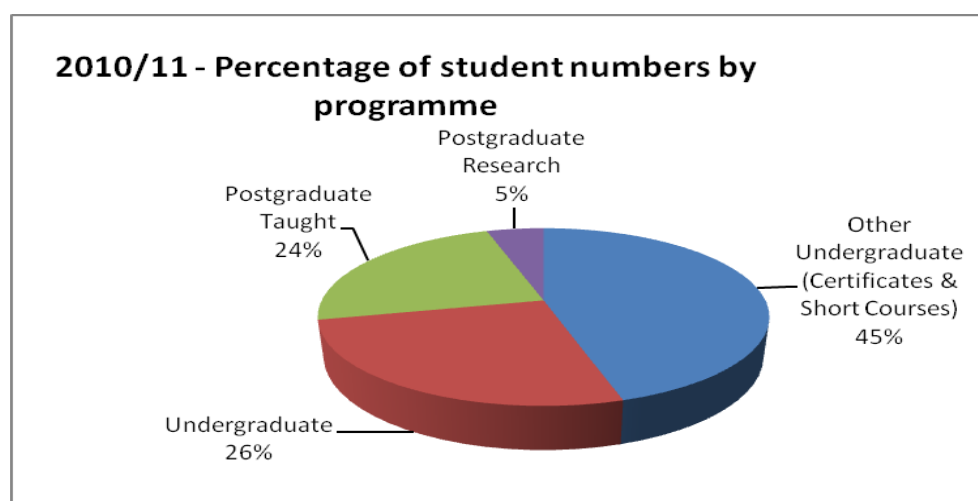
- Eighty seven per cent of Birkbeck degree students study part-time
- Fifty two per cent are studying at postgraduate level.
- Eight per cent increase in Birkbeck students studying at degree level between 2009/10 and 2010/11 from 9,025 to 9,758.

**Certificates & Short Courses**

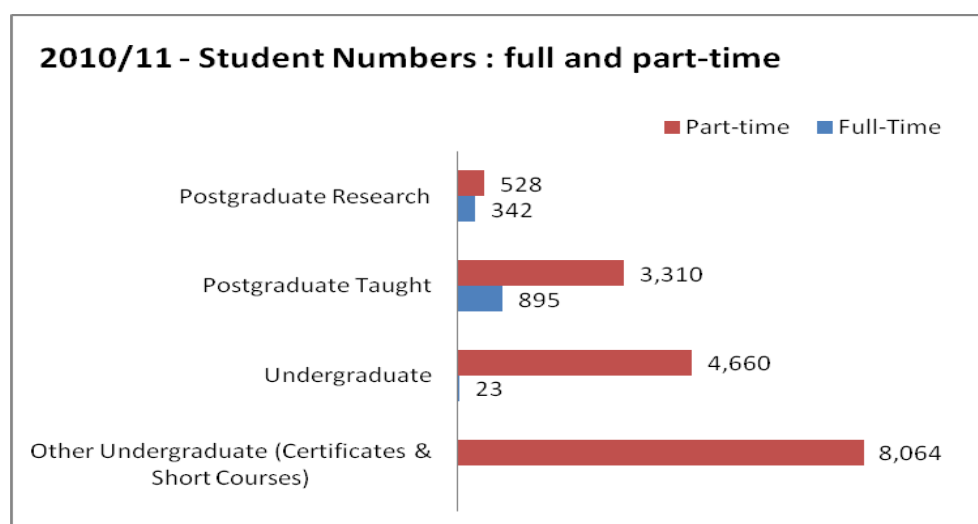
**Student numbers in 2010/11: 8,064**

The College offers a wide range of courses leading to Certificates of Higher Education and of Continuing Education, a programme of professional development and a number of weekend events and summer schools.

- 100 per cent of Certificate and short course students study part-time



2010/11 - No of students – Mode of Attendance		
	Full-Time	Part-time
Other Undergraduate (Certificates & Short Courses)	-	8,064
Undergraduate	23	4,660
Postgraduate Taught	895	3,310
Postgraduate Research	342	528
	<b>1,260</b>	<b>16,562</b>

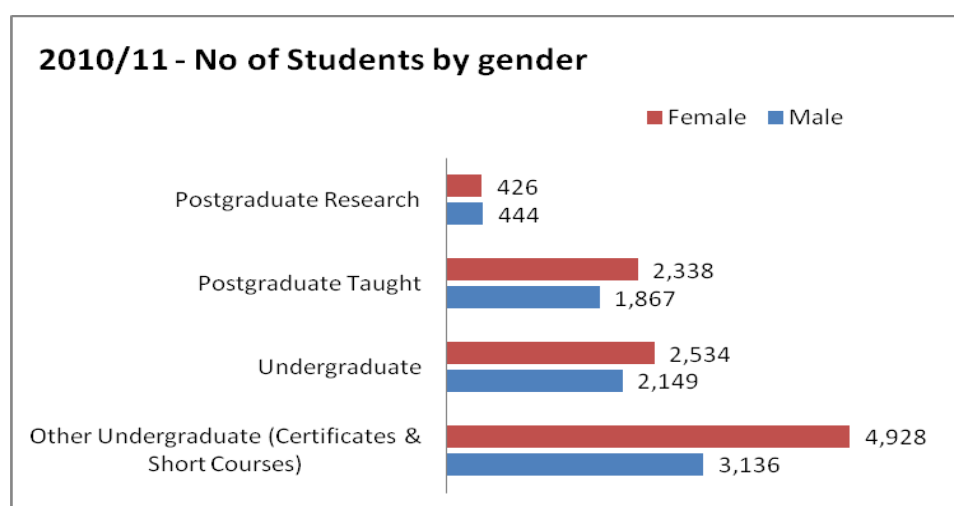


## OPERATING AND FINANCIAL REVIEW (Continued)

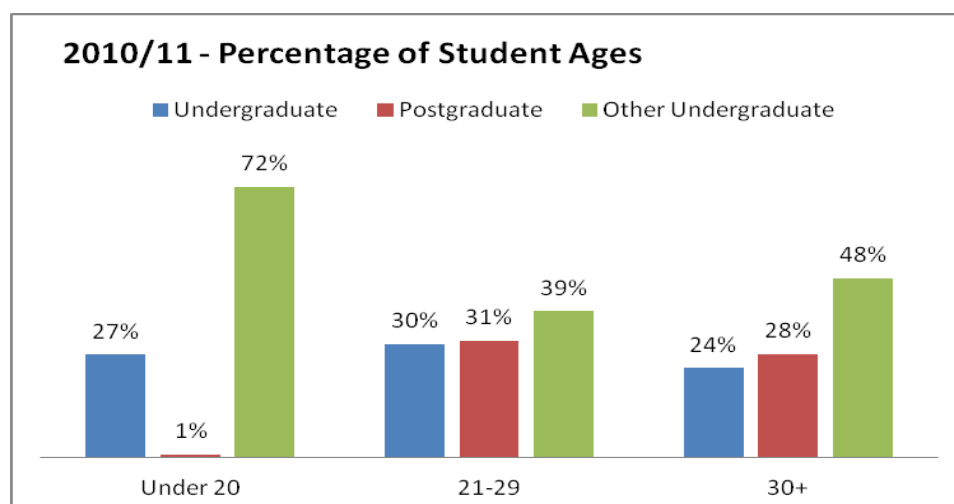
### Student Profile

- Students join Birkbeck at different points in their lives, and come from a wide variety of backgrounds
- The majority are aged 30+
- The gender balance of Birkbeck's degree students is 54% female/46% male
- The gender balance of Birkbeck's short courses/certificate programmes are 61% female/39% male

2010/11 Student numbers by gender		
	Male	Female
Other Undergraduate (Certificates & Short Courses)	3,136	4,928
Undergraduate	2,149	2,534
Postgraduate Taught	1,867	2,338
Postgraduate Research	444	426
	<b>7,596</b>	<b>10,226</b>



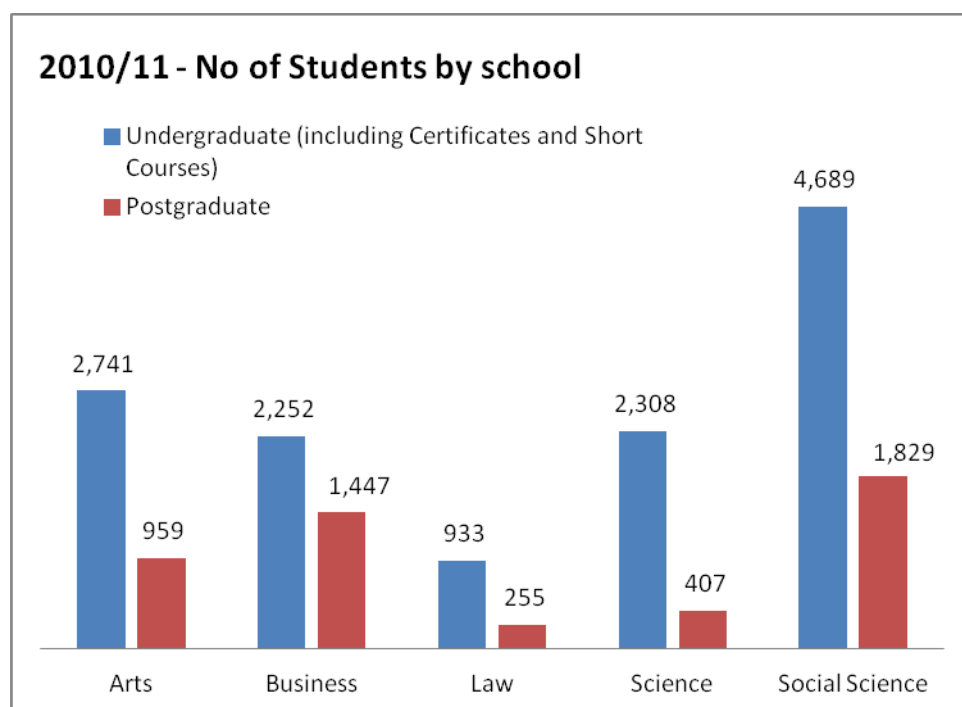
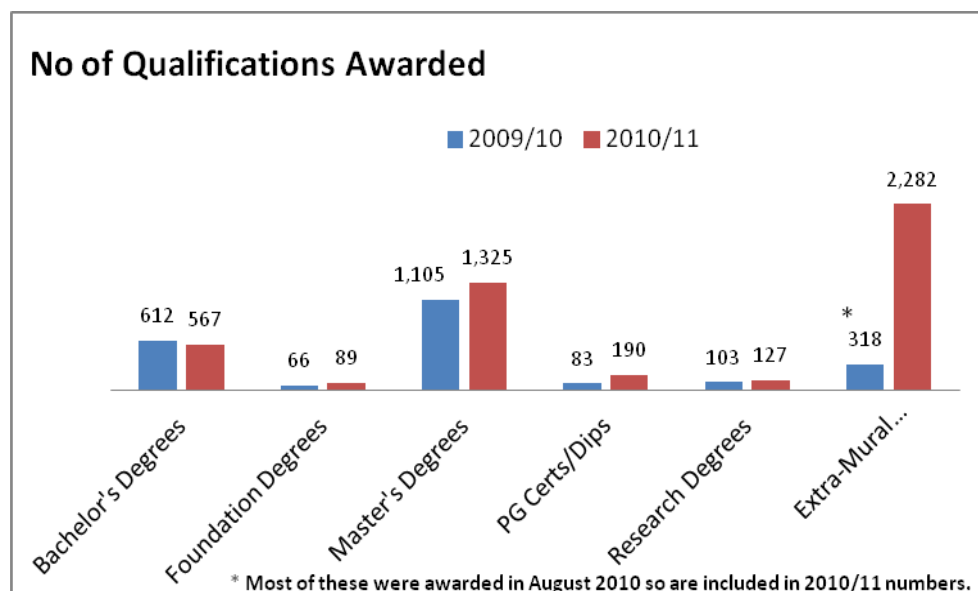
2010/11 – Age range of students			
	Under 20	21-29	30+
Undergraduate	169	2,002	2,512
Postgraduate	5	2,060	3,010
Other Undergraduate	444	2,583	5,035
	<b>618</b>	<b>6,645</b>	<b>10,557</b>



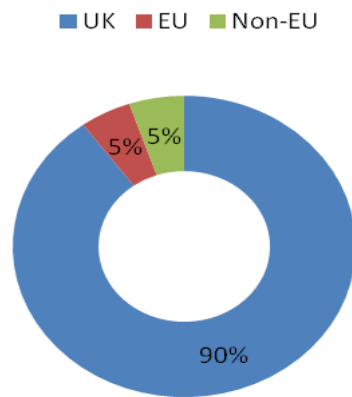
## OPERATING AND FINANCIAL REVIEW (Continued)

Qualifications Awarded		
	2009/10	2010/11
Bachelor's Degrees	612	567
Foundation Degrees	66	89
Master's Degrees	1,105	1,325
PG Certs/Dips	83	190
Research Degrees	103	127
Extra-Mural Diplomas/Certificates	*318	2,282
	<b>2,287</b>	<b>4,580</b>

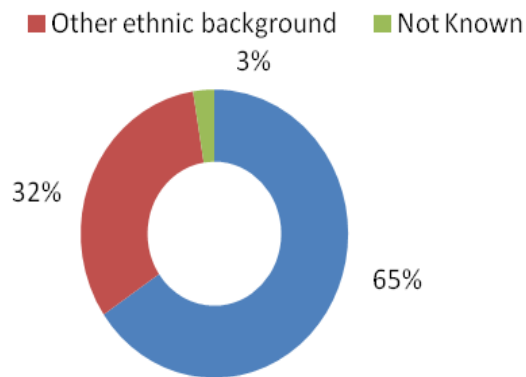
\* Most of these were awarded in August 2010 so are included in 2010/11 numbers.



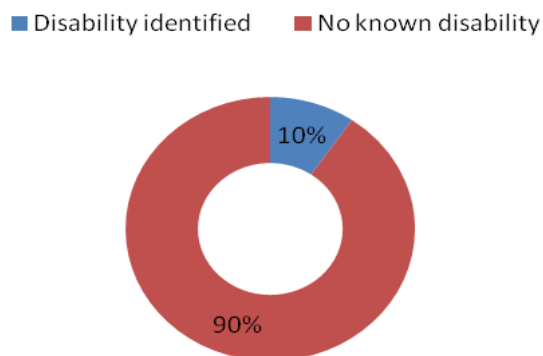
### 2010/11 - Percentage of Students domicile



### 2010/11 - Percentage of Students by Ethnicity

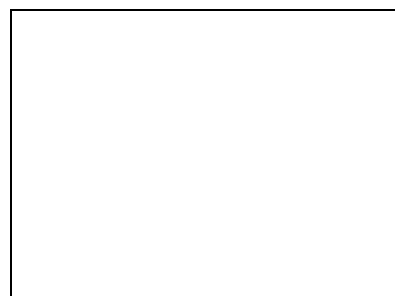


### 2010/11 - Percentage of Students by Disability



**Financial Report of the Chairman of Governors****Scope of the Financial Statements**

The Financial Statements presented to Governors comprise the results of the College undertaking its principal activities of teaching and research, together with such other activities as are thought necessary to facilitate the above. These other activities include rendering academic services to a variety of educational, commercial and other organisations.

**Results for the Year**

The College's Income and Expenditure for the year ended 31 July 2011, with the previous year's figures for comparison, are summarised as follows:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Income	88,614	81,378
Expenditure	(81,884)	(82,025)
<b>Surplus/(Deficit) on continuing operations after Depreciation</b>	<b>6,730</b>	<b>(647)</b>
Transfer from/(to) accumulated income within specific endowments	18	22
<b>Surplus/(Deficit) for the year retained within General Reserves</b>	<b>6,748</b>	<b>(625)</b>

The College's total income increased by £7,236k (8.9%) compared with the previous year.

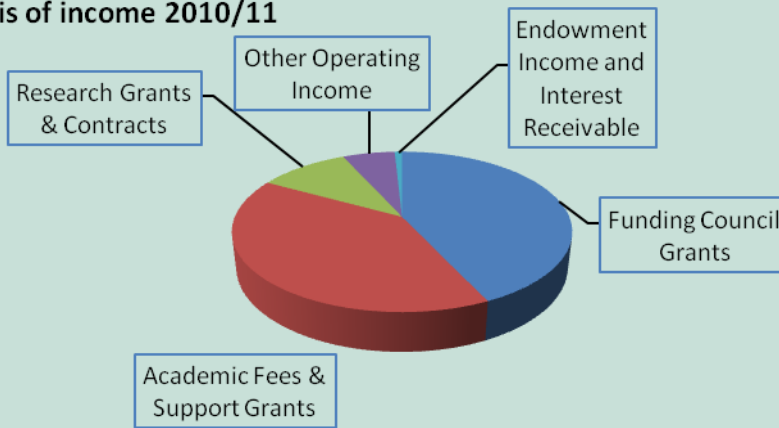
Recurrent grants (Teaching £20,759k, Research £9,922k and Widening Participation £2,172k) from the Higher Education Funding Council for England (HEFCE) decreased by £1,323k (3.8%) resulting from efficiency savings imposed on the HE sector. Specific grants increased by £450k to £4,251k; an increase of 11.8% and comprised: Strategic Development funding (£1,943k), Linking London Lifelong Learning Network funding (£823k), Higher Education Innovation funding (£1,460k) and Leadership, Governance and Management (£25k).

Deferred Capital grants released from HEFCE funds for Buildings and Equipment were £999k; an increase of £31k on the previous year.

Income from Academic Fees and Support Grants increased to £35,429k, an increase of £8,604k or 32%. The increase comprises both price and volume growth in full-time, part-time and overseas student numbers.

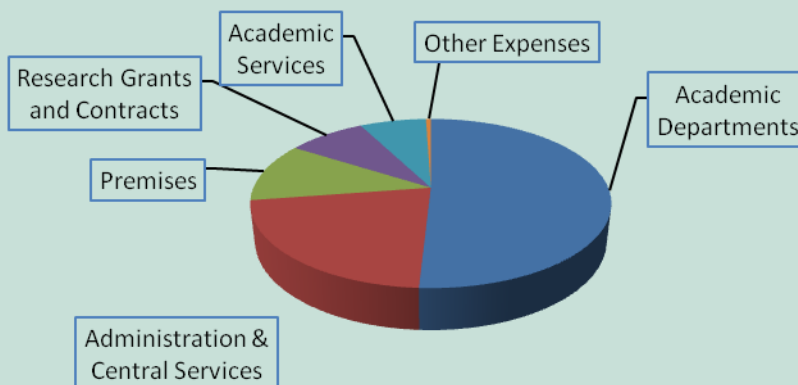
Income from Research Grants and Contracts amounted to £9,101k, a decrease of £1,069k (10.5%). The decrease is mainly due to a reduction in the National Evaluation of Sure Start programme budget and efficiency savings imposed by the Research Councils. The overhead contribution towards indirect costs was £2,259k and represents an average overhead recovery rate equivalent to 33% on direct research expenditure.

### Analysis of income 2010/11



	<b>£000</b>	<b>%</b>
Funding Council Grants	38,103	43
Academic Fees & Support Grants	35,429	40
Research Grants & Contracts	9,101	10
Other Operating Income	5,241	6
Endowment Income and Interest Receivable	740	1
	<b>88,614</b>	<b>100</b>

### Analysis of expenditure 2010/11



	<b>£000</b>	<b>%</b>
Academic Departments	41,656	51
Administration & Central Services	17,805	22
Premises	9,327	11
Research Grants and Contracts	6,842	8
Academic Services	5,821	7
Other Expenses	433	1
	<b>81,884</b>	<b>100</b>

## **OPERATING AND FINANCIAL REVIEW (continued)**

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Overall, Other Operating Income was £5,241k; a decrease of £79k (1.5%). Whilst there were increases in room lettings, donations income and other services, there was a decrease in other income including catering.

Net Endowment Income and Interest Receivable at £740k was £622k more than the previous year. The increase was due to higher returns from dividends and fixed-interest investments.

Total Expenditure decreased by £141k (0.2%) compared with the previous year reflecting a decrease in teaching, research and support activities. Staff costs at £55,559k, representing 67.8% of total expenditure, decreased by £40k (0.07%) on the previous year. £1,589k of the costs relates to voluntary severance and early retirement payments which will reduce staff costs in future years. As part of the College's Strategic Review Initiative, staff costs as a percentage of total income is decreasing.

Equipment, costing less than £10,000 per individual item, is written-off in the year of acquisition. Total spend on equipment and furniture during the year was £2,807k of which £2,448k was written-off to the Income and Expenditure account and the remaining £359k was capitalised.

The surplus for the year on continuing operations, after depreciation, is £6,730k equivalent to 7.6% of Turnover. The Statement of Total Recognised Gains and Losses shows a net total gain of £7,703k for the year comprising of an increase in the revaluation reserve (£705k), an increase in endowments (£268k) and the above surplus (£6,730k).

### **Investment Performance and Treasury Management**

The market value, at 31 July 2011, of the College's long-term investments increased from £12,042k to £14,334k. This is made up of General Fund Investments of £10,960k and Endowment Fund Investments of £3,374k. During the year £1m was transferred out of short-term cash deposits into long-term investments. Excluding this transfer, the market value of long-term investments increased by £1,292k. The unrealised gain on revaluation amounting to £705k, attributable to the General Fund, was credited to the Revaluation Reserve, and an unrealised gain of £248k was credited to the Endowment Fund. Long-term investment income for the year, after charges, amounted to £340k. Fixed Asset and Endowment Asset Investments are managed by Newton Investment Management Ltd and held in active managed funds.

The investment of short-term surplus cash deposits is managed by the Director of Finance under the broad supervision of the Investment Committee. Surplus cash is invested in instant access and fixed-term deposit accounts with various authorised deposit takers. During the year interest received on short-term cash deposits amounted to £400k. Further analysis of investment income and long-term investments is set out in notes 5, 10 and 11 of the Financial Statements.

### **Cash Flow**

The Cash Flow Statement shows net cash inflows before management of liquid resources of £6,091k resulting from operating activities. Short-term deposits, less debts due, increased by £6,248k leaving a net decrease in cash of £157k. At year-end the balance on short-term cash deposits was £24,523k.

### **Fixed Assets and Capital Projects**

Additions to tangible fixed assets amounted to £4,459k mainly on refurbishment projects on Schools relocation. Net disposals on fixed assets amounted to £1,951k which was mainly due to the sale of our share of the Emerald street property to the Institute of Education. The depreciation charge for the year was £2,887k thus resulting in a net decrease in tangible fixed assets of £379k. The overall objective of the College's Estates Strategy is to ensure that it has adequate estates facilities to deliver its teaching and research mission.

### **Risk Management**

An effective approach to risk management is seen by the College as an essential element of corporate governance. The College has adopted a financially prudent and conservative approach but is nevertheless committed to pursuing strategic opportunities linked to its core mission, provided that the potential benefits and risks are understood and that reasonable means to mitigate risks are put in place. Good progress has been made towards embedding risk management throughout the College. The College provided a full compliance statement on internal control last year and will continue to do so.

The College Risk Register is compiled by the risk management group consisting of senior academic and administrative staff. The group considers institutional risks as well as individual risk registers prepared by schools and the administration sections. Significant risks are identified and evaluated together with the controls in place to mitigate them.

The College continues to monitor adherence to risk management procedures and processes to ensure that the Audit Committee and the Governors can be satisfied that risks are systematically recognised, assessed and managed. An annual review of effectiveness of internal control and the on-going identification and evaluation of significant risks is considered by the Audit Committee.

### **Future Capital Developments**

The College's Estates Strategy for the coming year is to continue the on-going strategic re-organisation of the estates infrastructure in the new Schools and support services. Projects include replacing the Malet Street goods lift, refurbishment of 25-28 Russell Square and, as referred to in the Master's Report, a £33m building in Stratford, in partnership with the University of East London, the London Thames Gateway Development Corporation and the London Borough of Newham.

### **Conclusion**

The Master's Report on the strategic direction of Birkbeck clearly sets out the challenges and opportunities facing the College during the next few years. From 2012-13 onwards tuition fees will have to increase to compensate for the loss of HEFCE Teaching funding. Most importantly, part-time students who study at 25% or more of full-time will be eligible for student loans for the first time. Whilst this is good news for Birkbeck and its student body, the full effect of this change on student recruitment is unclear at this stage. The HE sector faces unprecedented and challenging times in the short to medium term coping with these funding changes. However, the organisational restructuring arising from our successful strategic review is now fully embedded within Birkbeck and this places us in a strong position to meet the challenges which lie ahead.

On behalf of the Governing Body, I would like to thank all staff for their dedication and support in ensuring the success of the College and its unique mission of being a research-intensive institution with a strong commitment to flexible patterns of teaching.

**Mr Harvey McGrath**  
Chair of Governors

### **Public Benefit Statement**

Birkbeck is an exempt charity within the meaning of the Charities Act 2006 and as such is required to demonstrate how its activities are of public benefit. The Governing Body has regard to the Charity Commission's guidance on public benefit and meets these requirements in the following manner.

The College makes a significant contribution via its research, teaching and other activities not just to the advancement of education but also to many of the other specific categories of charitable purposes set out in the Charities Act. The overall aims and key supporting objectives of the College are set out in the Mission Statement on page 4 of the Financial Statements.

The College aims to be a leading employer engagement university, playing a key role in taking forward the skills agenda whilst delivering a flexible, demand-led portfolio of education programmes. Reaching out to students of all ages, abilities and backgrounds the institutional vision is to be a College of choice and opportunity whilst contributing to the public with the transfer of useful knowledge.

Contributing to a more employable graduate workforce, the College continues to develop many courses hand-in-hand with employers to ensure the needs of the public are met, providing useful and relevant education to its students. The College enables businesses and organisations gain access to the range of academic services Birkbeck has to offer. The Outreach and Widening Participation team continues to develop the College's widening participation activities, building on our success in Stratford.

As part of our widening participation strategy, the College has made a clear commitment to ensuring that, as fees increase, students with genuine financial need are in receipt of good advice and appropriate financial assistance from our Student Finance Support office. The College has developed a complementary bursaries and scholarships strategy to provide continued support for its widening participation and access mission, leveraging, linking and using to best effect College funds, government support and donation income.

The College has an active disability office that leads the provision of support for disabled students to ensure that they can benefit from study at Birkbeck.

Building on our widening participation success in Stratford, the College has entered into partnerships with the College of Haringey, Enfield and the College of North East London, Tottenham which will result in our offering Introduction to Higher Education courses on their premises. Clear progression routes are available for students on these introductory courses, allowing them to continue their studies at Birkbeck. The College recognises the importance of finding appropriate ways of reaching out to those groups with low levels of participation in higher education through engaging with organisations such as Aimhigher and Lifelong Learning Networks. The Linking London Lifelong Learning Network, hosted by Birkbeck, identifies specific vocational progression routes from further education or the workplace to higher education thereby widening access and increasing the number of learners from under-represented groups.

Birkbeck makes an important contribution to the cultural life of the local community by running a Diversity Week. This annual event is organised by the College, the Institute of Education and the School of Oriental and African Studies and raises awareness, promotes equality and celebrates diversity by showcasing good practice across the three Colleges. A wide range of different activities include music concerts, musical theatre, cross cultural dance and film screenings many of which are open to the general public and often free of charge. Also with the other Bloomsbury Colleges, Birkbeck participates in "The Green Fayre" which is open to staff, students and the general public and consists of workshops and seminars covering ecological and environmental issues.

## **STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES**

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In accordance with the College's Charter and Statutes, the Governors are responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control and are required to present audited financial statements for each financial year.

The Governors act as the trustees of the College and are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the College and to enable them to ensure that the financial statements are prepared in accordance with the College's Charter and Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and United Kingdom Generally Accepted Accounting Practice. In addition, within the terms and conditions of a Financial Memorandum agreed between the Governors of the College and the Higher Education Funding Council for England, the Governors, through the Master as designated office holder, are required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governors have ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation.
- they are satisfied that the College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governors have taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, Executive Deans, School Managers, Assistant Deans and Directors of Professional Services;

## **STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES (continued)**

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- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and forecasts;
- regular reviews of key performance indicators and business risks and quarterly review and financial results involving variance reporting updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee; and
- a professional Internal Audit Service whose annual programme is approved by the Audit Committee. The Audit Committee receives reports on internal audit activity within the College. The Chairman of Audit Committee provides the Governors with reports on internal audit activity and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

## **CORPORATE GOVERNANCE STATEMENT**

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### **Corporate Governance and Accountability Arrangements**

Birkbeck College is a body incorporated by Royal Charter. Although the College does not have shareholders, and is not a listed company, the Governing Body is committed to achieving high standards of corporate governance, in line with accepted best practice. This summary describes the manner in which the College has applied the principles set out in Section 1 of the UK Corporate Governance Code (May 2010) insofar as they relate to universities. Its purpose is to help the reader of the accounts understand how the principles have been applied.

### **The Governing Body**

The Governing Body comprises lay members, students, alumni and employees appointed under the Statutes of the College, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Governing Body are separated from the role of the College's Chief Executive, the Master.

The matters specially reserved to the Governing Body for decision are set out in the Charter and Statutes of the College, and under the Financial Memorandum with the Higher Education Funding Council for England. The Governing Body is responsible for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from Senior Management on the day to day operations of its business.

The Governing Body is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body met four times during the year and has several committees, including Finance and General Purposes Committee, Audit Committee, Nominations Committee and the Remuneration Committee. All of these committees are formally constituted with terms of reference. All lay members of the Governing Body are appointed to committees by the Governors on the recommendation of the Nominations Committee.

The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, that it has been in place for the year ended 31 July 2011 and up to the date of approval of the annual accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors in the UK Corporate Governance Code (June 2010).

### **Academic Board**

On all academic matters the Governors must consider, but not necessarily follow, the advice of the Academic Board, which is responsible to the Governing Body for the academic work of the College. The Academic Board has a membership of around 150 drawn almost entirely from academic staff and the students of the College and chaired by the Master. It delegates some of its powers to its Executive Committee.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

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### **Finance and General Purposes Committee**

The Finance and General Purposes Committee (F&GPC) reviews and then recommends to the Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and then recommends to Governors the financial regulations and financial policies that are applied to management. It reviews the annual financial statements, including significant matters of judgement made by management, and meets with the external auditors to discuss the outcome of their audit; it then recommends the financial statements to Governors for approval. In addition the Investment Committee of F&GPC is responsible to and reports to F&GPC on the College's investments.

The Finance and General Purposes Committee met three times during the year.

### **Nominations Committee**

The Nominations Committee considers nominations for co-opted vacancies in the Governing Body membership under the relevant Statute and for Governing Body appointed vacancies on College Committees. Its recommendations to the Governors take into account the balance of skills, knowledge and experience of Governors members and are based on assessment against objective criteria. It also considers issues of succession planning within the Governing Body.

The Nominations Committee met once during the year.

### **Remuneration Committee**

The Remuneration Committee determines the annual remuneration of the Master and of professorial and senior administrative staff. Lay members of Governing Body receive no remuneration for their services although expenses incurred in attending meetings are met by the College. Members of the Governing Body who are employees of the College receive no additional remuneration for their services to the Governing Body. The cost of living salary increases for all staff are determined by national pay negotiations for all universities. The employee members have no involvement in determining their own salaries.

The Remuneration Committee met once during the year.

### **Equalities Committee**

The Equalities Committee promote equality and diversity among staff and students across the College by:

- Monitoring College policy on equal opportunities and diversity, to recommend the introduction of new policy as appropriate and to issue guidelines on new initiatives.
- Monitoring developments in legislation and make recommendations for any necessary changes required to policy and practice.
- Developing and ensuring implementation of the College's Single Equality Strategy and other related policies.

The Committee makes an annual report on equal opportunities monitoring and developments in equality and diversity to the Governors.

The Committee met twice during the year.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

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### **Audit Committee**

The Audit Committee comprises wholly lay members, drawn from the Governing Body and so has no executive responsibility. Members have recent, relevant financial and other appropriate experience. The Audit Committee met three times during the year.

The Audit Committee relies substantially on the work of the internal and external auditors, on the information provided by management and the response of management to the questions it raises. The remit of the Audit Committee includes:

- reviewing the effectiveness of the College's systems of internal control and risk management;
- satisfying itself and assuring the Governors, with advice from the Director of Finance, that satisfactory arrangements are in place to promote economy, efficiency and effectiveness;
- reviewing and approving the remit of the internal audit function;
- advising the Governors, as necessary, on the appointment and remuneration of the internal and external auditors, and their quality, reliability and effectiveness;
- reviewing with the external auditors the scope and nature of the audit, including the report to Audit Committee written by the external auditors; and
- assessing compliance with the regulatory framework relating to audit issues.

The external auditors have a standing arrangement to meet the Audit Committee members regularly without senior officers present. The auditors also attend meetings with senior officers to consider the items listed above, and to review plans for the audit process.

The College's internal audit function provides, by undertaking review, independent objective assurance to the Governing Body, through the Audit Committee, on the effectiveness of the risk management framework, and the design and effectiveness of the operation of internal controls that are intended to control application risks. Internal audit also helps the College accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes and, by working with management, adding value through advice and guidance. All reviews undertaken by internal audit are considered with the management in the relevant operational unit. The reviews are also considered by the Master, College Secretary and Director of Finance and appropriate action confirmed to the Audit Committee. The head of the internal audit has unfettered access to the Audit Committee.

The internal audit work programme is drawn down from a risk-focused audit plan, which remains dynamic and is updated regularly to reflect changes in the College's risk profile. Internal audit monitors the progress made by operational units in implementing recommendations to ensure that they are addressed in a timely and effective manner, and reports regularly thereon to the Audit Committee.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

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The senior 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 operational units and reinforced by risk awareness training. The senior 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 financial control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2011 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2011.

The membership of all of the above committees is shown on pages 1-3.

## **INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK COLLEGE**

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We have audited the College's financial statements (the "financial statements") of Birkbeck College for the year ended 31 July 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the statement of total recognised gains and losses and the related notes. 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 Governors of Birkbeck College as a body, in accordance with the Charters and Statutes of the College. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Governing Body and Auditor**

As explained more fully in the Statement of the College Governors' Responsibilities set out on pages 27 and 28 the Governors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the College as at 31 July 2011 and of the College's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

**INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK COLLEGE  
(Continued)**

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

In our opinion, in all material respects:

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control is inconsistent with our knowledge of the College.

D A Bowen  
For and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex, RH11 9PT

Date:

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

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### **Basis of preparation**

The Financial Statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards.

### **Basis of Accounting**

The Financial Statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

### **Basis of Consolidation**

In accordance with FRS2, the activities of the student union have not been consolidated into the Financial Statements because the College does not exercise significant influence or control over those activities.

### **Recognition of Income**

Income from research grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned when it is measurable and when there is certainty of receipt. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments is included when it is earned. Income from donations is recognised when it is received.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

Non-recurrent grants from the Funding Council or other bodies 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.

Income from academic fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

### **Pension Schemes**

Retirements benefits for most employees of the school are provided by the Universities Superannuation Scheme (USS) and the superannuation arrangements of the University of London (SAUL). These are defined benefit schemes which are externally funded and contracted out of the State Second Pension Scheme. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are determined by qualified actuaries on the basis of triennial valuations using the Projected Unit Method. Review of the Scheme position are carried out in the period between valuations.

It is not possible to identify the College's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounted for as if the schemes were defined contribution schemes and pension costs are based on the contributions payable in the year. Differences between contributions payable and contributions paid are shown as either accruals or prepayments on the balance sheet.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

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### **Leased Assets**

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases. The College does not hold any finance leases.

### **Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### **Tangible Fixed Assets**

#### **a. Land and Buildings**

The freehold to all but one of the College's premises is owned by the University of London and therefore their values are not included in the Financial Statements. Freehold buildings are depreciated over 50 years. Long leasehold buildings are depreciated over the period of the lease.

Assets under the course of construction are capitalised to the extent the work is complete as at 31 July. On completion the assets are transferred to the appropriate categories and are depreciated according to the depreciation policy for that category.

Where buildings are acquired with the aid of specific grants or donations they are capitalised and depreciated over the expected useful life of the buildings. The related grants or donations are treated as deferred capital grants and released to income over the same period.

Further details of the College's Estate are shown on page 56.

#### **b. Refurbishments**

Expenditure on refurbishment projects is capitalised and depreciated as follows:

Refurbishments less than £500,000 depreciated over 5 years

Refurbishments greater than £500,000 depreciated over 50 years

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### c. Equipment

Equipment costing less than £10,000 per individual item is written-off to the Income and Expenditure Account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Computer equipment	-	3 years
Other general equipment	-	5 years
Equipment acquired for research or other projects	-	project life

Where equipment is acquired with the aid of specific grants it is 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 equipment.

### Investments

Investments that form part of Fixed Assets and Endowment Assets are listed on a recognised stock exchange and included in the Balance Sheet at market value.

Current Asset Investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

### Accounting for charitable donations

#### a. Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

#### b. Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

#### c. Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

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### **Stocks**

Stocks for re-sale are valued at the lower of cost and net realisable value.

### **Maintenance of Premises**

The College has a five-year rolling long-term maintenance plan which forms part of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

### **Liquid Resources**

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

### **Taxation Status**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature

### **Financial Reporting Standards**

In these Financial Statements the following new financial reporting standards have been adopted for the first time:

FRS30: "Heritage Assets" and  
Amendments to FRS25: Presentation (Classification of rights issues).

The implementation of FRS25 AND FRS30 have had no material effect on these financial statements.

## INCOME AND EXPENDITURE ACCOUNT for the Year Ended 31 July 2011

	NOTE	2011 £000	2010 £000
<b>INCOME</b>			
Funding Council Grants	1	38,103	38,945
Academic Fees and Support Grants	2	35,429	26,825
Research Grants and Contracts	3	9,101	10,170
Other Operating Income	4	5,241	5,320
Endowment Income and Interest Receivable	5	740	118
TOTAL INCOME		<u>88,614</u>	<u>81,378</u>
<b>EXPENDITURE</b>			
Staff Costs	6	55,559	55,599
Other Operating Expenses	7	23,438	23,924
Depreciation	8	2,887	2,502
TOTAL EXPENDITURE		<u>81,884</u>	<u>82,025</u>
<b>Surplus/(Deficit) on continuing operations after Depreciation</b>		<b>6,730</b>	<b>(647)</b>
Transfer from accumulated income in endowment funds		18	22
<b>Surplus/(Deficit) for the year retained within General Reserves</b>		<b><u>6,748</u></b>	<b><u>(625)</u></b>

Income and expenditure relates wholly to continuing operations. The historical cost surplus is the same as the surplus shown above.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the Year Ended 31 July 2011**

	NOTE	2011 £000	2010 £000
Surplus/(Deficit) for Year after Depreciation		6,730	(647)
Appreciation of Endowment Assets	16	248	276
New Endowments	16	20	89
Revaluation of Investments	17	705	1,001
<b>TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR</b>		<u>7,703</u>	<u>719</u>
<b>RECONCILIATION</b>			
Opening Reserves and Endowments		33,324	32,605
Total Recognised Gains and Losses for the Year		7,703	719
Closing Reserves and Endowments		<u>41,027</u>	<u>33,324</u>

## BALANCE SHEET as at 31 July 2011

	NOTE	2011 £000	2010 £000
<b>FIXED ASSETS</b>			
Tangible Assets	9	57,831	58,210
Investments	10	10,960	8,918
		<u>68,791</u>	<u>67,128</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	11	3,374	3,124
<b>CURRENT ASSETS</b>			
Stock in Hand		9	11
Debtors	12	10,197	8,785
Investments	25	24,523	17,203
Cash at Bank and in Hand	25	2,257	2,313
		<u>36,986</u>	<u>28,312</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	<u>(19,047)</u>	<u>(17,605)</u>
<b>NET CURRENT ASSETS</b>		17,939	10,707
<b>CREDITORS: Amounts falling due after more than one year</b>	14	(766)	-
<b>NET ASSETS</b>		<u>89,338</u>	<u>80,959</u>
<b>DEFERRED CAPITAL GRANTS</b>	15	48,311	47,635
<b>ENDOWMENTS</b>			
Permanent	16	3,133	2,859
Expendable	16	241	265
		<u>3,374</u>	<u>3,124</u>
<b>RESERVES</b>			
Revaluation Reserve	17	1,706	1,001
Income and Expenditure Account Reserve	18	35,947	29,199
<b>TOTAL FUNDS</b>		<u>89,338</u>	<u>80,959</u>

Approved by Governors at their meeting on 13 December 2011, and signed on their behalf by:

Mr Harvey McGrath  
Chairman of Governors

Professor David Latchman  
Master

Peter Westley  
Director of Finance

## CASH FLOW STATEMENT for the Year Ended 31 July 2011

	NOTE	2011 £000	2010 £000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>21</b>	<u>7,399</u>	<u>(58)</u>
<b>RETURNS ON INVESTMENTS</b>			
Income from Endowments	5	103	9
Income from Investments	5	615	107
<b>Net Cash Inflow from Returns on Investments</b>		<u>718</u>	<u>116</u>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Tangible Assets Acquired	9	(4,459)	(6,677)
Other Investments Acquired	10	(1,337)	(7,803)
Endowment Asset Investments Acquired	11	(208)	(2,600)
Sales of Endowment Assets	11	105	2,600
Proceeds from Sale of Fixed Assets	24	1,632	-
Sale of Other Investments	10	-	9,791
Deferred Capital Grants Received	15	2,221	11,537
Endowments Received	16	20	89
<b>Net Capital Expenditure and Financial Investment</b>		<u>(2,026)</u>	<u>6,937</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES</b>		6,091	6,995
<b>MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>			
(Increase) in Short Term Investments	25	(7,320)	(6,164)
Loans Advanced in the Year		1,072	-
		<u>(6,248)</u>	<u>(6,164)</u>
<b>(DECREASE)/INCREASE IN CASH</b>	<b>25</b>	<u>(157)</u>	<u>831</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
		<b>2011 £000</b>	<b>2010 £000</b>
<b>(DECREASE)/INCREASE IN CASH</b>	<b>25</b>	(157)	831
Increase in Short Term Deposits	25	7,320	6,164
Increase in Debt	25	(1,072)	-
<b>CHANGE IN NET FUNDS</b>		<u>6,091</u>	<u>6,995</u>
Net Funds at Beginning of Year	25	<u>19,705</u>	<u>12,710</u>
<b>NET FUNDS AT THE END OF THE YEAR</b>	<b>25</b>	<u>25,796</u>	<u>19,705</u>

## NOTES TO THE ACCOUNTS

<b>1. FUNDING COUNCIL GRANTS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Recurrent Grant:-		
HEFCE (Teaching, Research & Widening Participation)	32,853	34,176
Specific Grants:-		
Strategic Development Fund	1,943	2,500
LLLN	823	730
HEIF	1,460	571
LGM Fund	25	-
Deferred Capital Grants released in the Year:-		
Buildings	864	833
Equipment	135	135
	<u>38,103</u>	<u>38,945</u>
	<u>38,103</u>	<u>38,945</u>
<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Full-time Home/EC Students	4,299	2,995
Full-time Students charged Overseas Fees	3,395	2,712
Part-time Students charged Overseas Fees	1,828	1,359
Part-time Fees	23,832	18,905
Short Course Fees	136	231
Research Training Support Grants	1,773	325
Other Teaching Activities	166	298
	<u>35,429</u>	<u>26,825</u>
	<u>35,429</u>	<u>26,825</u>
<b>3. RESEARCH GRANTS AND CONTRACTS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Research Councils	4,143	4,322
UK Charities	2,385	2,693
Government	1,641	1,980
UK Industry	196	260
EU Government	357	549
Other	379	366
	<u>9,101</u>	<u>10,170</u>
	<u>9,101</u>	<u>10,170</u>

## NOTES TO THE ACCOUNTS (Continued)

<b>4. OTHER OPERATING INCOME</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Room Lettings & Catering Income	2,300	2,412
Other Services Rendered	1,109	795
Donations	968	570
Released from Deferred Capital Grants	226	192
Other income	638	1,351
	<u>5,241</u>	<u>5,320</u>

<b>5. ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Income from Expendable Endowments	7	1
Income from Permanent Endowments	96	8
Income from Investments	<u>615</u>	<u>107</u>
	718	116
Income from Other Investments	1	-
Other Interest	21	2
	<u>740</u>	<u>118</u>

<b>6. STAFF COSTS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Wages and Salaries	44,472	45,321
Social Security Costs	3,582	3,525
Other Pension Costs (Note 26)	5,916	5,720
Restructuring Costs	1,589	1,033
	<u>55,559</u>	<u>55,599</u>

The restructuring costs above relate to a voluntary severance and early retirement scheme introduced by the College in 2010-11.

	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Emoluments of the Master	301	299
	<u>301</u>	<u>299</u>

The emoluments of the Master are shown on the same basis as for higher paid staff. The College's pension contributions to USS in relation to the Master are paid at the same rate as for other academic and related staff and amounted to £44,882 (2010-11 43,770 ).

## NOTES TO THE ACCOUNTS (Continued)

### 6. STAFF COSTS (continued)

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

	Year ended 31 July 2011 Number	Year ended 31 July 2010 Number
£100,001 - £110,000	2	2
£110,001 - £120,000	4	3
£120,001 - £130,000	1	1
£150,001 - £160,000	-	1

	Year ended 31 July 2011 FTE	Year ended 31 July 2010 FTE
Average Full Time Equivalent (FTE) Staff Numbers by Major Category:-		
Academic	532	568
Technical	28	34
Other (Clerical, Manual and Administrative)	439	433
	<u>999</u>	<u>1,035</u>

### 7. OTHER OPERATING EXPENSES

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Fellowships, Scholarships & Prizes	3,695	2,347
General Educational Expenditure	2,771	2,751
Equipment	2,448	2,331
Rent	1,819	1,833
Travel/Subsistence/Events	1,421	1,607
General Estates & Facilities	1,348	1,607
Repairs & General Maintenance	1,331	1,541
Advertising/Publicity/Media	1,091	1,471
Books & Periodicals	985	882
Heat, Light, Water & Power	969	1,304
Legal, Professional & Consultancy Fees	885	842
Consumables & Laboratory Expenditure	866	1,195
Other Academic Support Costs	773	959
Other Expenses	603	441
Staff Related Expenses	580	480
Catering, Conferences & Hospitality	472	708
Printing/Stationery	399	567
Postage/Telephones	366	485
Insurance/Banking Costs	356	283
Grants to Student Union	260	290
	<u>23,438</u>	<u>23,924</u>
Other Operating Expenses include:		
External Auditors Remuneration in respect of Audit Services	<u>43</u>	<u>41</u>

## NOTES TO THE ACCOUNTS (Continued)

### 8. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depn. £000	Operating Expenses £000	Total £000
Academic Departments	36,146	66	5,444	41,656
Academic Services	2,977	156	2,688	5,821
Research Grants and Contracts	4,828	320	1,694	6,842
Premises	1,861	2,110	5,356	9,327
Administration & Central Services	9,747	235	7,823	17,805
Other Expenses	-	-	433	433
	<u>55,559</u>	<u>2,887</u>	<u>23,438</u>	<u>81,884</u>
Comparative 2010	<u>55,599</u>	<u>2,502</u>	<u>23,924</u>	<u>82,025</u>
The Depreciation Charge has been funded by:	<b>£000</b>			
Deferred Capital Grants Released (Note 15)	1,545			
General Income	1,342			
	<u>2,887</u>			

### 9. TANGIBLE ASSETS

	Assets in Course of Construction £000	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
<u>Cost</u>					
At 1 August 2010	6,754	6,165	58,734	9,353	81,006
Additions	4,100	-	-	359	4,459
Transfers	(9,737)	-	9,737	-	-
Disposals	-	-	(4,177)	(101)	(4,278)
At 31 July 2011	<u>1,117</u>	<u>6,165</u>	<u>64,294</u>	<u>9,611</u>	<u>81,187</u>
<u>Depreciation</u>					
At 1 August 2010	-	(246)	(14,066)	(8,484)	(22,796)
Charge for Year	-	(123)	(2,030)	(734)	(2,887)
Eliminated on Disposal	-	-	2,226	101	2,327
At 31 July 2011	<u>-</u>	<u>(369)</u>	<u>(13,870)</u>	<u>(9,117)</u>	<u>(23,356)</u>
<u>Net Book Value</u>					
At 31 July 2011	<u>1,117</u>	<u>5,796</u>	<u>50,424</u>	<u>494</u>	<u>57,831</u>
At 1 August 2010	<u>6,754</u>	<u>5,919</u>	<u>44,668</u>	<u>869</u>	<u>58,210</u>
Financed by capital grant	1,052	5,553	41,532	174	48,311
Other	65	243	8,892	320	9,520
Net Book Value at 31 July 2011	<u>1,117</u>	<u>5,796</u>	<u>50,424</u>	<u>494</u>	<u>57,831</u>

The College holds long leaseholds for Malet Street and the buildings on Russell Square of 99 years and Bedford Square of 125 years. The College holds the freehold for Egmont House. Further details of the College's estate are shown on Page 56.

## NOTES TO THE ACCOUNTS (Continued)

### 10. INVESTMENTS – LONG TERM

	<b>31 July 2011</b>	<b>31 July 2010</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 August	8,918	9,905
Additions	1,337	7,803
Disposals	-	(9,791)
Revaluation	705	1,001
At 31 July	<u>10,960</u>	<u>8,918</u>

The above investments are listed on recognised stock exchanges and are analysed as follows:

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2011</b>	<b>31 July 2010</b>
	<b>Market</b>	<b>Market</b>
	<b>Value</b>	<b>Value</b>
	<b>£000</b>	<b>£000</b>
UK Fixed Interest	669	486
International Bonds	1,525	1,560
UK Equities	1,963	1,944
North American Equities	1,097	945
European Equities	1,904	1,542
Japanese Equities	233	66
Pacific Basin Equities	279	244
Emerging Markets Equities	997	584
Other International Equities	216	173
Commodities	317	519
Derivatives	9	35
Cash Funds - Underlying	836	512
Cash - Underlying	787	193
Other Investments	128	115
	<u>10,960</u>	<u>8,918</u>

## NOTES TO THE ACCOUNTS (Continued)

<b>11. ENDOWMENT ASSET INVESTMENTS</b>	<b>2011 Market Value £000</b>	<b>2010 Market Value £000</b>
Investments		
Balance at 1 August	3,124	2,781
Purchases	208	2,600
Disposals	(105)	(2,600)
Appreciation on Disposal/Revaluation	248	276
Increase/(Decrease) in Cash Balances	(101)	67
Balance at 31 July	<u>3,374</u>	<u>3,124</u>
	<b>Year ended 31 July 2011 Market Value £000</b>	<b>Year ended 31 July 2010 Market Value £000</b>
Represented by:		
CAF Fund	65	60
UK Fixed Interest	199	159
International Bonds	454	510
UK Equities	583	635
North American Equities	326	308
European Equities	566	503
Japanese Equities	69	22
Pacific Basin Equities	83	80
Emerging Markets Equities	296	191
Other International Equities	64	56
Commodities	94	169
Derivatives	3	11
Cash Funds - Underlying	248	167
Cash - Underlying	234	63
Other investments	2	1
	<u>3,286</u>	<u>2,935</u>
Cash held at Bank	88	189
Total Endowment Asset Investments	<u>3,374</u>	<u>3,124</u>
	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
<b>12. DEBTORS</b>		
Debtors	8,504	7,207
Research Expenditure Recoverable	1,561	1,540
Prepayments and Accrued Income	132	38
	<u>10,197</u>	<u>8,785</u>

A debtor of £616,000 is included above which is due in more than one year.

## NOTES TO THE ACCOUNTS (Continued)

### 13. CREDITORS: Amounts falling due within one year

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Trade Creditors	3,924	4,886
Research Grants received in advance	2,520	1,756
Other Taxation and Social Security	1,239	1,256
Accruals and Deferred Income	11,057	9,707
Unsecured Loan	307	-
	<u>19,047</u>	<u>17,605</u>

### 14. CREDITORS: Amount falling due after more than one year

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Unsecured Loan repayable 2-5 years	766	-
	<u>766</u>	<u>-</u>

A new loan facility of £1,072,000 was draw down in November 2010 from Salix Finance Ltd as part of their Energy Efficiency Programme. The loan is interest free, repayable over 4 Years.

### 15. DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2010			
Buildings	37,414	9,646	47,060
Equipment	269	306	575
Total	<u>37,683</u>	<u>9,952</u>	<u>47,635</u>
Cash Received			
Buildings	462	1,749	2,211
Equipment	-	10	10
Total	<u>462</u>	<u>1,759</u>	<u>2,221</u>
Released to Income and Expenditure			
Buildings	(864)	(269)	(1,133)
Equipment	(135)	(277)	(412)
Total	<u>(999)</u>	<u>(546)</u>	<u>(1,545)</u>
At 31 July 2011			
Buildings	37,012	11,126	48,138
Equipment	134	39	173
Total	<u>37,146</u>	<u>11,165</u>	<u>48,311</u>

## NOTES TO THE ACCOUNTS (Continued)

16. ENDOWMENTS	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2011 Total £000	2010 Total £000
At 1 August 2010						
Capital	1,152	1,316	2,468	-	2,468	2,207
Accumulated Income	-	391	391	265	656	574
	<u>1,152</u>	<u>1,707</u>	<u>2,859</u>	<u>265</u>	<u>3,124</u>	<u>2,781</u>
New Endowments	-	-	-	20	20	89
Investment Income	52	44	96	7	103	9
Expenditure	(17)	(32)	(49)	(72)	(121)	(31)
Increase in market value	92	135	227	21	248	276
	<u>1,279</u>	<u>1,854</u>	<u>3,133</u>	<u>241</u>	<u>3,374</u>	<u>3,124</u>
Represented By:						
Capital	1,244	1,451	2,695	-	2,695	2,468
Accumulated Income	35	403	438	241	679	656
At 31 July 2011	<u>1,279</u>	<u>1,854</u>	<u>3,133</u>	<u>241</u>	<u>3,374</u>	<u>3,124</u>

17. REVALUATION RESERVE	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
At 1 August	1,001	-
Revaluation in year	705	1,001
At 31 July	<u>1,706</u>	<u>1,001</u>

18. INCOME AND EXPENDITURE ACCOUNT RESERVE	General Balances £000	Departmental Balances £000	Total £000
Balance at 1 August 2010	22,503	6,696	29,199
Surplus for the year	6,188	560	6,748
Balance at 31 July 2011	<u>28,691</u>	<u>7,256</u>	<u>35,947</u>

19. CAPITAL COMMITMENTS	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Commitments contracted at 31 July	<u>7,433</u>	<u>2,192</u>

## 20. CONTINGENT LIABILITIES

The College had no Contingent Liabilities at 31 July 2011 or at 31 July 2010.

## NOTES TO THE ACCOUNTS (Continued)

<b>21. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Surplus/(Deficit) after Depreciation	6,730	(647)
Depreciation (Note 9)	2,887	2,502
Deferred Capital Grants Released to Income (Note 15)	(1,545)	(1,494)
Endowments Released to Income (Note 5)	(103)	(9)
Investment Income (Note 23)	(615)	(107)
Revaluation of investments (Note 10)	-	-
Disposal of Fixed assets	319	343
Decrease/(Increase) in Stock	2	(2)
Increase in Debtors	(1,412)	(2,484)
Increase in Creditors	1,136	1,840
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>7,399</b>	<b>(58)</b>

<b>22. ACCESS FUNDS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
At 1 August	-	-
Funding Council Grants	556	578
Disbursed to Students	(556)	(750)
Transfer from I & E	-	172
<b>Balance at 31 July</b>	<b>-</b>	<b>-</b>

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.

<b>23. RETURN ON INVESTMENTS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Income from Endowments	103	9
Income from Investments	615	107
	<b>718</b>	<b>116</b>

<b>24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>	<b>Year ended 31 July 2011 £000</b>	<b>Year ended 31 July 2010 £000</b>
Tangible Assets Acquired	(4,459)	(6,677)
Endowment Asset Investments Acquired	(208)	(2,600)
Investments Acquired	(1,337)	(7,803)
<b>Total Fixed and Endowment Asset investments Acquired</b>	<b>(6,004)</b>	<b>(17,080)</b>
Receipts from Sales of Endowment Assets	105	2,600
Proceeds from sale of Fixed Assets	1,632	-
Sale of Investments	-	9,791
Deferred Capital Grants Received	2,221	11,537
Endowments Received	20	89
	<b>(2,026)</b>	<b>6,937</b>

## NOTES TO THE ACCOUNTS (Continued)

### 25. ANALYSIS OF CHANGES IN NET FUNDS

	Year ended 31 July 2011 £000	Cashflows £000	Year ended 31 July 2010 £000
Cash at Bank and in Hand	2,257	(56)	2,313
Cash included in Endowment Assets	88	(101)	189
	<u>2,345</u>	<u>(157)</u>	<u>2,502</u>
Short Term Deposits	24,523	7,320	17,203
Debts Due Within One Year	(306)	(306)	-
Debts Due After One Year	(766)	(766)	-
	<u>23,451</u>	<u>6,248</u>	<u>17,203</u>
	<u>25,796</u>	<u>6,091</u>	<u>19,705</u>

### 26. PENSION SCHEMES

#### Universities Superannuation Scheme (USS)

Birkbeck, University of London participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

## NOTES TO THE ACCOUNTS (Continued)

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### PENSION SCHEMES (continued)

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 22.8 (24.8) years

Males (females) currently aged 45 24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out on the next page:

## NOTES TO THE ACCOUNTS (Continued)

### PENSION SCHEMES (continued)

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund’s liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme’s cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently. The triennial actuarial valuation is expected to be published early in 2012.

#### Scheme funding at 31 March 2011

Assets	£32.4 billion
Amount needed to pay benefits	£33.1 billion
Deficit	£0.7 billion
Funding Level	98%

The above table shows the scheme-specific (technical provisions) funding level at 31 March 2011 based on the assumptions and data used in 2008, but updated by the scheme actuary for investment returns and changes in market conditions. The actuarial assumptions are likely to be changed when the USS trustee board considers them as part of the valuation process.

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

## NOTES TO THE ACCOUNTS (Continued)

### PENSION SCHEMES (continued)

#### SAUL

Birkbeck, University of London participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The College has adopted FRS17 for accounting for pension costs. It is not possible to identify the College share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method:	Projected unit	
	Past Service	Future Service
Investment return on liabilities:		
- before retirement	6.9% p.a.	7.0% p.a.
- after retirement	4.8% p.a.	5.0% p.a.
Salary growth*	4.85% p.a.	4.85% p.a.
Pension increases	3.35% p.a.	3.35% p.a.
*excluding an allowance for promotional increases		

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed.

The total pension cost for the College was:

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Contributions to USS	5,107	4,885
Contributions to SAUL	809	835
Total Pension Cost (Note 6)	5,916	5,720
Active Scheme membership		
	USS	739
	SAUL	253
	992	972
	Total Membership	972

## 27. DISCLOSURE OF RELATED PARTY TRANSACTIONS

The Trustees did not receive any remuneration in their role as trustee in the current or prior year.

**SUMMARY OF THE COLLEGE'S ESTATE AS AT 31 JULY 2011 (not audited)**

<b>Location</b>	<b>Site</b>	<b>Net Internal Area (m2)</b>
Malet Street	Main/Extension Buildings	19,755
Malet Street	North Block, Senate House	2,290
Gordon Square	39 – 47	4,424
University College	South Wing (Geology)	1,660
Tavistock Square	32	522
Torrington Square	Clore Management Centre	2,024
Torrington Square	28-29b, 32	411
Russell Square	25 – 26	1,350
Russell Square	27 - 28	1,410
Russell Square	30	1,648
Gower Street	4	320
Gower Street	10 - 16	1,282
Gower Street	18 - 20 (2nd Floor)	74
Bedford Square	7	562
Henry Wellcome Building		709
Egmont House	25 - 31 Tavistock Place	1,314
		<u><u>39,755</u></u>