

**Birkbeck,
University of London**

Financial Statements

for the year ended 31 July 2013

PRESIDENT

Baroness Joan Bakewell DBE

VICE-PRESIDENT

The Right Honourable the Lord Mayor of London

CHAIR OF GOVERNORS

Mr Harvey McGrath

SENIOR MANAGEMENT OF THE COLLEGE

MASTER

Professor David Latchman

VICE-MASTER

Professor Philip Dewe

PRO-VICE MASTERS

PVM Academic Partnership: Professor Matthew Weait
PVM Enterprise and Innovation: Professor Philip Powell
PVM International Links: Professor Costas Douzinas
PVM Learning and Teaching: Professor Sue Jackson
PVM Links with Business and Commercial Exploitation: Professor Philip Dewe
PVM Postgraduate Study: Professor Li Wei
PVM Research: Professor Stephen Frosh
PVM Strategy and Special Projects: Professor Matthew Innes
PVM Student Experience: 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

DIRECTOR OF FINANCE

Peter Westley

DIRECTOR OF PLANNING AND ESTATES

David McGhie

ACADEMIC REGISTRAR

Dean Pateman

DIRECTOR OF HUMAN RESOURCES

Naina Patel

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THE GOVERNING BODY

Ex-Officio Governors who are also
Officers of the College
Chair

Academic Board Governors

Academic Staff Governors

Non-teaching Staff Governor

Student Governors

Alumnus Governor

Independent Governors

Professor David Latchman
Professor Philip Dewe
Mr Harvey McGrath
Professor John Kelly
Professor Julian Swann
Dr Rebecca Gumbrell-McCormick
Dr Alex Colas
Mr Richard Abbott
Mr Pierre Smith Khanna
Ms Annabel Jones
Mr Eamonn Moyles
Mr Paul Shelton (deputy chair)
Mr John Biggs
Ms Julia Collins
Mr Hugh Ferrand
Mrs Joy Manners
Ms Liz Meek
Mr Stuart Popham
Dr Ruth Thompson
Mr Peter Zinkin
Mr Robert Allison

Advisor to the Governors

In Attendance

The College Secretary and Clerk to the Governors

The Director of Finance

The Director of Planning and Estates

The Head of Governance and Corporate Support

Mr Keith Harrison
Mr Peter Westley
Mr David McGhie
Mrs Katharine Bock

FINANCE AND GENERAL PURPOSES COMMITTEE

The Master

The Vice-Master

The Chair of Governors:

Academic Governors:

Non-teaching Staff Governor:

Student Governor:

Independent Governors:

Co-opted External member:

In Attendance

The College Secretary and Clerk to the Governors

The Director of Finance

The Director of Planning and Estates

The Director of Human Resources

The Academic Registrar

The Deputy Secretary

The Head of Governance and Corporate Support

The Pro Vice Master Strategy and Special Projects

Professor David Latchman
Professor Philip Dewe
Mr Harvey McGrath
Professor John Kelly
Professor Julian Swann
Mr Richard Abbott
Mr Pierre Smith Khanna
Mr Paul Shelton (Chair)
Mr John Biggs
Mr Hugh Ferrand
Dr Ruth Thompson
Mr Peter Zinkin
Mr Robert Allison

Mr Keith Harrison
Mr Peter Westley
Mr David McGhie
Ms Naina Patel
Mr Dean Pateman
Ms Megan Reeves
Mrs Katharine Bock
Professor Matthew Innes

MEMBERSHIP OF COMMITTEES 2012/13 (Continued)

NOMINATIONS COMMITTEE

The Chair of Governors	Mr Harvey McGrath (Chair)
The Deputy Chair of Governors	Mr Paul Shelton
The Master	Professor David Latchman
Academic Governors	Professor Julian Swann
	Dr Rebecca Gumbrell-McCormick
Student Governor	Ms Annabel Jones
Independent Governors	Mrs Joy Manners
	Ms Liz Meek
	Mr Stuart Popham
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 Paul Shelton (also Chair of F&GPC)
Independent Governors	Dr Ruth Thompson
	Mr Stuart Popham
Co-opted member	Mr Drummond Leslie
In Attendance	
The College Secretary and Clerk to the Governors	Mr Keith Harrison

Panel B – Professorial/Senior Professional Services Staff and Postholders' Remuneration

The Chairman of Governors	Mr Harvey McGrath (Chair)
The Deputy Chairman of Governors	Mr Paul Shelton (also Chair of F&GPC)
Independent Governors	Dr Ruth Thompson
Co-opted member	Mr Drummond Leslie
The Master	Professor David Latchman
In Attendance	
The Director of Human Resources	Ms Naina Patel
PA to Director of Human Resources	Ms Jackie Williams

MEMBERSHIP OF COMMITTEES 2012/13 (Continued)

EQUALITIES COMMITTEE

The College Diversity Champion
The College Dean
An independent Governor
One member of staff from each School

Professor Les Moran (Chair)
Dr Kate MacKenzie Davey
Mr Eamonn Moyles
Mr Anthony Shepherd – Arts
Dr Rebecca Gumbrell-McCormick – Business,
Economics and Informatics
Ms Patricia Costall - Law
Ms Bryony Stewart-Seume – Science
Dr Matthew Cook – Social Sciences, History
and Philosophy

The Academic Registrar
The Disability Services Manager
The Director of the Centre for Learning
& Professional Development
The Director of Human Resources
The HR Manager (Equalities)
The Chair of the Disability sub-committee
College Trade Union representatives
A representative from External Relations
Student Union Representative
In attendance
Personal Assistant to the Director of HR

Mr Dean Pateman
Mr Mark Pimm

Mr Steve Hiron
Ms Naina Patel
Ms Patricia Crampton
Mr Daniel Monk
Ms Patricia Costall – UCU
Ms Caroline McDonald
Mr Joshi Sidhu

Ms Jackie Williams

AUDIT COMMITTEE

Independent Governors

Mrs Joy Manners (Chair)
Ms Julia Collins
Mr Stuart Popham

By Invitation
The Master
In Attendance
The College Secretary and Clerk to the Governors
The Head of Governance and Corporate Support
The Director of Finance
The Deputy Secretary
The Internal Auditor (Knox Cropper)
The External Auditor (KPMG)

Professor David Latchman

Mr Keith Harrison
Mrs Katharine Bock
Mr Peter Westley
Ms Megan Reeves
Mr Kevin Lally
Ms Nicola May

MEMBERSHIP OF COMMITTEES 2012/13 (Continued)

STRATEGIC PLANNING COMMITTEE

The Master (Chair)

The Vice-Master

The Pro-Vice-Masters

Professor David Latchman (Chair)

Professor Philip Dewe

Professor Sue Jackson (Learning & Teaching)

Professor Stephen Frosh (Research)

Professor Matthew Innes (Strategy & Special
Projects)

Professor Costas Douzinas (International
Links)

Mrs Tricia King (Student Experience)

Professor Matthew Weait (Academic
Partnerships)

Professor Li Wei (Postgraduate Study)

Mr Keith Harrison

Mr Peter Westley

Mr David McGhie

Mrs Naina Patel

Mr Dean Pateman

Mr Nick Head

The College Secretary

The Director of Finance

The Director of Estates

The Director of Human Resources

The Academic Registrar

The Head of Planning and Business Systems

By invitation

The Executive Deans

Professor Hilary Fraser (School of Arts)

Professor Nicholas Keep (School of Sciences)

Professor Philip Powell (School of Business
Economics & Informatics)

Professor Patricia Tuitt (School of Law)

Professor Miriam Zukas (School of Social
Sciences, History & Philosophy)

In attendance

Head of Governance and Corporate Support

Corporate Support Officer

Mrs Katharine Bock

Ms Roisin Lynch

MISSION STATEMENT

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 enhance the learning experience of our particular student community through the use of new technology and other means.
6. To develop sustainable partnerships within the London region and beyond.

Master's Report

The Strategic Direction of Birkbeck

The Master's Paper on the strategic direction of the College was considered and discussed at the annual strategic meeting of the Governors in October 2013. The Master's paper sets out the recent achievements and the key issues facing the College. The following summary highlights the main points:

1. Due to careful financial management and our success in teaching areas such as the three-year undergraduate programmes, the College has continued to flourish during 2012/13 both intellectually and financially with a significant surplus in the 2012/13 financial year
2. Whilst we celebrate our remarkable capacity to overcome a seriously challenging year, we must recognise and address the significant challenges which still lie ahead. We need to identify the best short and medium term opportunities to reposition Birkbeck for a successful future and to identify the means of funding the investment necessary to do this.
3. There are a number of potential opportunities for the College in the new system notably, the expansion of our three-year undergraduate degree programmes; making our one-year and two-year Masters programmes more attractive to those graduating with significant undergraduate debt; and the development of novel e-learning and blended learning packages.

Research

4. Maintaining and developing the research excellence of the College is, of course, central to our overall strategy ensuring that our unique population of students is taught by those at the cutting edge of their subject who apply research insights to their teaching. The outcome of the 2014 Research Excellence Framework (REF) to which we will make our submission at the end of 2013 is crucial to our research funding and to the research profile of the College. Over 80% of staff eligible for submission will be submitted. I am most grateful to Professor Stephen Frosh, Pro Vice Master for Research and the members of the REF working party for their extensive efforts in making the inclusion/exclusion recommendations as well as assessing the various statements on research impact which, for the first time, will form an important part of the assessment.
5. The outcome of our REF submission should be greatly aided by the many distinctions and grant successes achieved by our staff in the last year. For example, both Professor Martin Eimer (Psychological Sciences) and Professor Gabriel Waksman (Biological Sciences) were appointed as Fellows of the Leopoldina which is the German National Academy (equivalent to the Royal Society in the U.K.) and the oldest Academy of Science in the world. Professor Waksman was also awarded research grants in excess of £2 million each from the European Research Council and the Medical Research Council to parallel his Wellcome Trust Senior Investigator Award which I reported last year. Professor Martin Eimer was also awarded the Experimental Psychology Society Mid-Career Award.

6. Also in Psychological Sciences, Dr Matt Longo received a 1.5m Euro grant from the European Research Council, delivered the EPS Prize Lecture and was awarded the American Psychological Association Distinguished Scientific Award. In addition, Dr Richard Cooper (also of Psychological Sciences) was awarded the Inaugural British Academy Medal for his book *"The Organisation of Mind"* (Oxford University Press), whilst Professor Annette Karmiloff-Smith (Psychological Sciences) was part of the London Downs' Syndrome Consortium which received a £2.5 million grant from the Wellcome Trust to investigate the links between Downs' syndrome and diseases involving dementia, such as Alzheimer's disease. These research grants, awards and prizes indicate the high standing of the School of Science under the leadership of its Executive Dean, Professor Nicholas Keep.
7. In the School of Arts, Professor Lynda Nead was awarded a Leverhulme Fellowship and was appointed as Visiting Professor of History of Art at Gresham College, Dr Anna Hartnell received an AHRC Early Career Award and Dr Dominic Janes was awarded a British Academic Mid-Career Fellowship. In other areas of the College, Dr Julia Lovell (History) was awarded the Jan Michalski Prize for Literature for her book *"The Opium Wars, Drugs, Dreams and the making of China"*, Professor Li Wei (Applied Linguistics) was awarded an AHRC Large grant of approximately £2m (with colleagues in Birmingham, Cardiff and Leeds) entitled *Translation and Translanguaging: Investigating Linguistic and Cultural Transformations in Superdiverse Wards in Four UK Cities* and Dr Qian Guo (Management) was awarded the Abacus Manuscript Award.
8. The excellence of our staff and their research successes were responsible for our continuing good position in University League Tables. We were positioned in the 201st to 225th band in the THE World University Rankings (compared to 200th last year). This places us in the top 1% of Universities in the world, level with or above a number of Russell Group and other 1994 Group Universities. Moreover, our Arts and Humanities area was ranked 54th in the world. We also appeared in the QS Rankings and the Times/Sunday Times Good University Guide for the first time being ranked 374th in the world overall, with Arts and Humanities ranked 78th in the world.

Estates

9. It is of vital importance that we continue to provide the best research facilities for our staff, even as this becomes more difficult in a period of greatly reduced Government/HEFCE funding for capital projects.
10. This year our Fundraising Team has focussed its attention on raising funds for a Toddler Laboratory for the Department of Psychological Sciences, building on the success of the Baby Laboratory (which is itself located in purpose-built facilities funded by the Wellcome Trust and the Wolfson Foundation). This will build on the success of scientists in the Baby Laboratory who have identified that infants at risk of autism show reduced brain responses to social cues before they are six-months old. This is the earliest marker of autism risk yet identified and ultimately should allow the development of earlier interventions in children at risk of autism.

11. In the Master Planning Exercise, identifying opportunities for new developments on our site, we identified a suitable site for the Toddler Laboratory adjacent to a building in Torrington Square, which is currently occupied by members of the Baby Laboratory. A scheme has been developed to build a new building in the gap between this house and the Warburg Institute with the new and existing buildings being linked together into one facility. Following an application prepared by our Fundraising Team and a site visit, the Wolfson Foundation has agreed to contribute £800,000 towards the building following on from their support for the previous Baby Laboratory building. Moreover, the Wohl Foundation awarded us £1.3 million towards the project.
12. These successes are a tribute to the excellence of our research and of our Fundraising Team at a time when there is enormous pressure on private Foundations because of the reduction in Government funding for capital projects. This success has been repeated at other giving levels with 25 donors giving over £25,000 this year compared with 6 last year and 82 giving £1,000 or more compared to 29 last year.
13. During the course of the Master Planning Exercise, a number of other building opportunities on or adjacent to our sites were identified. One of these, involves building a new building at the north end of Torrington Square on the site of the North Heating Chamber, effectively making Torrington Square into a square which has buildings on each side as envisaged in the original Holden plans for the Senate House and its surrounding area.
14. Professor Gabriel Waksman has discussed these plans with senior staff in UCL where he holds a joint appointment as Head of their Department of Structural and Molecular Biology as well as being Head of our Department of Biological Sciences. In addition, I have informally discussed the possibility of a joint Birkbeck/UCL building with Professor Michael Arthur, the incoming President and Provost of UCL. At all levels of UCL there is considerable enthusiasm for this project which would develop new facilities for the joint Institute of Structural and Molecular Biology, as well as providing additional facilities such as a 500-seat lecture theatre.
15. Although we are still at an early planning stage, it is possible that this project could proceed as a joint one with contributions from both Colleges and significant fundraising potential. Informal discussions with the University of London have indicated that they would particularly favour a joint approach by two or more Colleges for this site which they own.
16. This joint project would build on the model of joint working developed in our partnership with the University of East London in Stratford. Under the leadership of the Vice Master, Professor Phillip Dewe, the College has worked closely and amicably with UEL to deliver a magnificent new building in reasonable time and under budget. I am pleased to report that the University Square Stratford building was opened on 5 November 2013 by Her Royal Highness The Princess Royal, Chancellor of the University of London. The building will further cement our position in East London and the development there of our undergraduate and postgraduate teaching programmes.
17. As well as these major Estates projects, it is also of importance to conduct smaller and medium size projects to enhance both research and teaching facilities. These are normally carried out over the summer period in order to minimise disruption to research and especially teaching. This year's projects have involved four of the five Schools since the School of Arts based in Gordon Square underwent major development work last summer facilitated by funds raised by its Executive Dean, Professor Hilary Fraser.

18. Thus, for example, in the School of Social Sciences, History and Philosophy there have been considerable improvements to the Russell Square premises, notably in the public facing areas with the addition of a new Cafe, as well as considerable office refurbishment allowing staff in the Department of Philosophy to move from Gower Street to Russell Square. Similarly, the offices vacated by Philosophy in Gower Street have been refurbished for the use of the School of Law with the other houses occupied by the School of Law in Gower Street also undergoing general refurbishment and the development of a new entrance area.
19. Other projects include remodelling and refurbishment of the basement and reception areas in the Clore Building, occupied by the School of Business, Economics and Informatics, the provision of additional testing booths and a wet laboratory space for the School of Science, as well as improvements in the facilities available to the information technology group of central services and the provision of a multi-faith Prayer Room as agreed by Governors.

Resources 2012/13

20. The 2012/13 Academic Year was the first under the new system in which both full-time and part-time students were required to pay considerably increased fees, although loans were available for the first time to part-time students. As expected, this resulted in a considerable decrease in enrolment on our standard four-year undergraduate degrees which saw a 37% decrease in enrolment from 1457 students in 2011/12 to 918 in 2012/13.
21. Despite this, the College Annual Accounts show a healthy surplus of £6.7million for 2012/13. The financial success of the College against a background of declining numbers on our core four-year undergraduate degrees was due to a variety of factors. Firstly, we were successful in terms of recruitment in other areas. Most importantly, the number of students recruited via UCAS to our three-year (evening) degree programmes more than doubled from 212 to 512, partially compensating for a decline in four-year programmes. Interestingly, as discussed below, international student numbers also increased in 2012/13 compared to 2011/12, partially due to considerably increased recruitment on our three-year UCAS programmes, which as, “full-time” programmes can enrol international students, unlike our four-year programmes.
22. As well as successful recruitment in specific areas, the financial stability of the College has been dependent upon detailed budget negotiations with each School which have been conducted by Professor Matthew Innes, Pro Vice Master for Strategy and Special Projects and Vice Master Designate. The actions preceding and following those discussions have significantly curtailed expenditure both by eliminating particular costs and by deferring costs such as new or replacement appointments until recruitment figures in particular areas are available.
23. It is important in a delegated financial model that such budgetary discussions have a different tone in Schools which are in significant surplus and in those which are in deficit so that, for example, Schools in surplus see some benefit from such a surplus even though the College is not in a position to distribute to them a significant part of it. Thus, for example, decisions regarding replacement of departing senior staff by more junior academics and extension of hours for part-time staff have been delegated to Executive Deans in Schools which are in surplus whilst central control is maintained for such appointments in Schools which are in deficit.

24. Although these measures have ensured a significant surplus in 2012/13, we are currently predicting smaller surpluses for the ensuing financial years. This is because large cohorts of undergraduates who were recruited under the old financial system will graduate and be replaced by potentially smaller cohorts. Although there are a number of initiatives both in terms of four-year undergraduates and other teaching areas which we can utilise to enhance the financial position (see below) it will be continually necessary to maintain a tight financial control over the budget.
25. The mechanisms for doing this are largely already in place in terms of the budgetary discussions referred to above and the ongoing portfolio review in all Schools to identify courses which are not recruiting sufficiently to be financially viable. In addition however, it will be important to ensure in the future that every member of staff makes a significant contribution to the College in terms of at least one of the three key areas of research, teaching and administration. Moreover, in Schools which are significantly in deficit we will need to initiate reviews of particular areas which are performing worse than the rest of the College in order to understand how these areas can contribute to the College intellectually and financially in the future.
26. At times of financial stringency, it is critical that the College operates in the most efficient manner possible, providing an excellent service to its staff and students without excessive expenditure. Because of this, we have launched and are now running an Operational Excellence Service Initiative. The Programme Board is chaired by the Vice Chairman of Governors, Paul Shelton, and includes the Executive Dean of the School of Business, Economics and Informatics, Professor Philip Powell as well as Keith Harrison as Head of the Administration and staff of student facing services. This is a critical project in terms of sustained long-term transformation and modernisation of the College both internally and externally. It is intended to improve services for students and staff whilst saving resources, for example, by automating routine work and eliminating the tracking and chasing which is associated with loosely defined process activity.
27. These cost saving initiatives need to be paralleled by initiatives designed both to reverse the decline in numbers on our core four-year programmes and by new and ongoing initiatives to enhance student recruitment in other areas. These are discussed in the next section.

Teaching

28. Our teaching activity is absolutely critical to the College both in terms of its mission and its financial stability. I am delighted to congratulate Professor Sue Jackson, Pro Vice Master for Learning and Teaching on the award of a prestigious National Teaching Fellowship by the Higher Education Academy for her outstanding impact on the student learning experience. Professor Jackson has also been successful in obtaining funding from the HEA for a project on transforming assessment so as to continue to improve our students' learning experience.

29. As well as this significant external validation, our students continue to rate us highly in the annual National Student Survey (NSS) whose results were published a couple of months ago. Birkbeck was ranked second in London for overall student satisfaction and teaching in the 2013 NSS, equal with Imperial College and ranked higher than UCL or LSE. Our scores were similar to previous years. However, other institutions increased their scores, reflecting the increasing attention being given to the NSS by all types of university. It is absolutely vital that we continue to maintain and enhance our scores so as to preserve our good position in the NSS which is increasingly publicised to and noted by prospective applicants. The Strategic Planning Committee will look specifically at this issue in the autumn based on discussions at the Teaching and Quality Enhancement Committee and the Student Experience and Widening Participation Committee.
30. We are committed not only to teaching excellence but to the organisation and delivery of our teaching in ways that genuinely respond to the needs and circumstances of our students, creating opportunities for study that would not otherwise exist. Various teaching activities of the College are discussed below in this context.

Four-year Undergraduate degrees

31. As noted above, recruitment to our standard four-year degree programmes declined significantly in 2012/13. Interestingly however, recruitment amongst lower income students was maintained with over 40% of the 2012/13 intake being eligible for financial support. Although this places a further strain on our limited financial resources, it does indicate that we are maintaining our mission of reaching out to the students who need us most.
32. However, it is clear that we are losing those on middle incomes who do not necessarily believe that taking on student loan debt to finance their course, will result in a significant financial return in terms of future income. For this reason, we have changed our marketing campaign to indicate the benefits of a Birkbeck degree particularly at a time of economic downturn. The campaign will emphasize the value of a Birkbeck qualification and the employability potential of becoming part of Birkbeck's unique community of alumni living and working in London. It is hoped that this message will have increasing impact as it is developed further in future years.
33. Although applications for 2013/14 fell by a further 20% compared to 2012/13, the number of offers made thus far in 2013/14 is similar to the figure in 2012/13 and the number of enrolments is currently 8% greater. This is likely to reflect the measures we have taken to improve the student journey from initial application to enrolment such as one-to-one meetings with alumni who are matched with applicants on the basis of their interests and a telephone campaign urging those with offers to move forward to enrolment.
34. We need to continue our efforts to market our courses as effectively as possible, to facilitate the student journey from application to enrolment and to ensure that our courses are as flexible and relevant to the student's needs as possible so as to enhance retention.
35. In parallel with this however, we will continue our advocacy on behalf of part-time students with Government, HEFCE, Universities UK and other relevant organisations. We have emphasised throughout that this is a sector-wide issue with part-time study being the area most affected by the new HEFCE loans system and with other Universities experiencing similar declines in applications to ourselves.

36. Our new President, Baroness Joan Bakewell, has initiated several debates in the House of Lords on this issue in which speaker after speaker has spoken in support of the need to do something for part-time students. All peers who speak on this issue receive an invitation to Birkbeck for a meeting with me and a number have taken this up providing valuable new political contacts in all parties.
37. The usual Government ministerial response to debates of this type is to indicate that the issues are being considered by Universities UK's (UUK) extensive review of part-time study under the chairmanship of its immediate past President, Sir Eric Thomas. The Pro Vice Master for Student Experience, Tricia King, is a member of the review group, which has now reported. It is clear that its report contains an excellent analysis of the part-time sector and the value of part-time study. In terms of recommendations however, we need to be mindful of the fact that UUK needed to satisfy a range of universities across the sector and also to obtain the endorsement of BIS for its report. Having recently been elected to the Board of UUK by my fellow Heads of Institution, I hope to influence its policy in this and other areas.
38. Ideally, we would wish Government to provide loans/grants for study expenses to part-time students paralleling the maintenance grants/loans for full-time students (including those on our three-year courses which are classified as full-time). Alternatively, we would like the Government to adopt the Welsh system in which loans have been introduced for part-time students but HEFCW continues to provide support for the institutions which teach them thereby keeping fees relatively low.
39. We will continue to press these proposals in the medium term. However, in the present financial situation, it is unlikely that Government will take on increased spending commitments. In our current campaign, we have tried to focus on proposals which will assist the part-time sector without providing permanent increases in costs for the Government. Thus, in terms of HEFCE teaching funding we have argued that HEFCE should temporarily restore the part-time premium by which we were awarded additional funds to cover the extra costs of part-time students. This has been abolished by HEFCE on the grounds that the part-time sector has been dealt with by the introduction of loans and therefore does not need any further support. Clearly, this is not the case in an environment where numbers are declining and it may well take considerable time to stabilise them let alone restore previous levels of recruitment.
40. Similarly, we have argued that HEFCE should change the basis on which it distributes funding for widening participation and retention. Thus, there is no rational basis for the split in the total amount of funding given to the sector for full-time students and that given for part-time students. A change in this split could clearly be used to benefit the part-time sector at a time of difficulty without increasing overall funding. Moreover, there is no logic in the manner in which the part-time versus full-time funding is distributed to individual institutions. For example, retention funding is allocated for full-time students on a model reflecting drop out risk based on age, qualification sought and prior qualification whereas funding for part-time students is simply distributed on a full-time equivalent number basis without any calculation of risk. A change in the part-time distribution method would benefit those with the greatest need for retention funding such as ourselves.

41. In parallel with these proposals regarding HEFCE funding, we are also lobbying for changes in BIS funding. These include the possibility of tax breaks for employers who finance their students' studies or an HE salary sacrifice scheme, since our contacts in the Treasury inform us that policies which affect the amount of tax paid are more likely to be supported than those which increase direct expenditure.
42. Similarly, we have argued with BIS that it is appropriate to extend loan eligibility to ELQ students particularly those who are studying vocational subjects in order to change careers. Thus, students who already hold a degree and wish to study in order to improve their employment prospects are likely to represent a very low risk for loan repayment. This would allow the Government to indicate how it had done something for ELQ students (which it supported strongly when in opposition) and to do so in the situation where the change in the fee regime has made it even more difficult for ELQ students to afford the much higher fees being charged. The first success in this ELQ campaign occurred recently when David Willetts announced the provision of loans for ELQ students who wish to study 'engineering, technology and computer science'. Although the details of eligible courses have not yet been announced, this will benefit our Department of Computer Science especially as only ELQ students studying part-time will be eligible.

Three-year undergraduate degrees

43. As noted above, in 2012/13, the decline in enrolments for our four-year programmes was partially compensated by considerable increases in enrolments on our three-year programmes. As these programmes are designated as "*full-time*" by HEFCE, they have the advantage that students on these courses can obtain grants and loans for maintenance costs which are not available to part-time students. However, classification of these courses as "*full-time*" also means that we are subject to student number control (SNC), for these courses. As reported last year, in the summer of 2012 HEFCE indicated to us that they would raise our SNC limit to 428.
44. Equally importantly, HEFCE raised our SNC for 2013/14 to 700 allowing us to continue to expand this area of provision both in terms of recruiting more students to existing courses and offering further courses in the three-year mode. Although we increased the number of courses on offer from 18 to 36 this year, this was still a highly challenging target. Fortunately, applications for these courses again increased this year and on September 20th we were able to close UCAS clearing applications for these courses having sufficient enrolments to meet the 700 SNC target. Three-year undergraduate courses are increasingly becoming an important element of our core teaching provision at undergraduate level and, therefore, we are discussing with HEFCE a further increase in our SNC numbers for 2014/15.
45. In considering how to reach these targets and develop our courses further in the future, we need to consider the nature of the students who apply for these intensive courses. It is clear that one group of students are typical Birkbeck students who have opted to apply for the three-year programme rather than a four-year programme because they wish to complete their degree more quickly and/or are attracted by the availability of maintenance grants and loans on the three-year course. To continue to recruit such students, we need to demonstrate the value to them of a Birkbeck degree as well as developing new curricula that explicitly help to combine intensive evening study with daytime work and allow students to better manage the demanding nature of this combination.

46. However, it is clear that our intensive programmes are also attracting a considerable number of younger students who are coming to Birkbeck directly from Further Education Colleges or from school. As well as recruiting such students individually in the same manner as mature students, there is also scope for targeted recruitment via FE Colleges or specific schools. Professor Matthew Weait, Pro Vice Master for Academic Partnerships has developed close links and progression agreements with a number of FE Colleges which have resulted in considerable increases in the number of FE College students progressing to courses at Birkbeck. There has been a five-fold increase in the number of applications to our undergraduate programmes from our nine existing partner FE colleges since 2010/11 and the conversion rate of applications to enrolments is 33%, significantly greater than for other applicants. Similarly, our outreach team led by Caroline McDonald has developed links with a number of schools, targeting particularly schools which are raising the aspirations of their pupils but where family background may be resistant to traditional daytime away from home University study.

Masters Courses

47. In terms of the number (FTE) of UK post-graduate taught students, Birkbeck is the 5th largest provider in the UK behind UCL, King's, Manchester and Birmingham and it is therefore a critical part of our teaching activity. However, the numbers of students taking Masters Courses across the UK is declining and this trend is likely to accelerate from 2015/16 onwards as the first students with enhanced debt graduate from their undergraduate courses. Birkbeck has not been immune from this decline. Thus, in 2012/13 enrolment on our one-year "*full-time*" evening courses declined by 17% whilst the enrolment on our two-year "*part-time*" courses declined by 9%.
48. In terms of applications this trend has continued in 2013/14 with a 4% decline in applications for the "*full-time*" course and a 12% decline in applications for the "*part-time*" courses. However, as with undergraduate courses, the figures show increased offers and enrolments compared to the period last year with overall increases of 13% in offers and 10% in enrolments.
49. In a situation where Masters enrolments across the sector are declining, it is of vital importance that we differentiate our offering from that of other institutions and particularly other Colleges of the University. This is particularly true as we move towards 2015/16 when graduates with significant student debt may be reluctant to take on further debt in order to do a Masters Course. I have asked Professor Li Wei, Pro Vice Master for Postgraduate Studies to lead a group developing our strategy in this area. In particular, we need to emphasize the ability to study in the evening whilst working during the day as well as the ability of those studying full-time to interact in the classroom with working Londoners and gain benefit from their experience.
50. In terms of our "*full-time*" one-year Masters Courses, many of the students will be studying full-time and have come to Birkbeck on the basis of its reputation rather than the ability to study in the evening. However, we have noted that over 30% of the students on such one-year courses indicated that they are working during the day even though we have never specifically marketed this intensive study combined with work option at the Masters level.

51. The proposition of an intensive one-year Masters Course for those working during the day evidently parallels the intensive three-year undergraduate programmes in that students will finish their studies at the same time as full-time students. We will further develop intensive evening study at both undergraduate and postgraduate level. This will focus on development of the curriculum to ensure that students receive maximum benefit from the interaction between their studies and their workplace activities as well as the development of employability programmes for those who wish to change career upon graduation.
52. It is also possible to combine the intensive undergraduate and postgraduate approaches by introducing a combined four-year undergraduate/Masters degree. This could be delivered as a three plus one model but with some Masters level content being introduced into year three to spread the study load.
53. At the opposite end of the scale from the intensive programmes, we will also be developing a flexible modular framework with credit based pricing via a major trial at Masters level in 2014/15. This would allow students who only wish to make a small financial investment to begin study and then to package together existing modules into an ongoing programme of study. This might include some modules funded by the employer with others funded by the student themselves. This framework would also enable a more comprehensive offer of standalone modules for students seeking to extend or update their academic or professional knowledge. If this approach is successful at Masters level, it can then be rolled out to undergraduate level into 2015/16.

On-line learning

54. In the last year or so there has been considerable publicity for MOOCs (Massive Open On-line Courses) which are being offered without charge by a number of institutions and have attracted considerable numbers of students. Initially, such courses were not assessed or they required payment of a fee if the student wished to obtain a qualification on the basis of their on-line learning. Interestingly, in a recent development, Georgia Institute of Technology is now offering a MOOC-based on-line Masters degree in Computer Science for US \$6,600 compared to the US \$45,000 charged for their on-campus degree (New York Times, 18th August 2013). This raises the possibility that quality academic institutions will begin to market such MOOC-based on-line degree courses as an alternative to their campus-based courses.
55. Clearly, Birkbeck needs to consider how it responds to these developments, without moving away from our primary strength in face-to-face learning and entering a highly competitive world where we would have no specific advantage over many other institutions.
56. One solution to this is the increasing development of blended learning in which we use technology to reduce the amount of time which students have to spend at Birkbeck and allow them to conduct some of their studies at their own convenience.
57. In its simplest terms, this can involve students having to attend fewer evenings per week on our standard undergraduate or postgraduate courses. However, it can also be used more creatively. For example, the School of Law under the leadership of its Executive Dean, Professor Patricia Tuitt, has introduced an intensive LLM Course in which students attend and are taught for two weeks in April and two weeks in June/July. All teaching materials and reading are sent electronically to the students several months before so that they can benefit fully from the short period of time which they physically spend at Birkbeck.

58. As well as such blended learning approaches, we also need to develop some of our courses as distance learning programmes delivered entirely on-line where this is appropriate. We already do this with the University of London International Academy in a number of areas such as Law and Organizational Psychology and we are developing a joint programme for Psychology itself to be delivered via the International Programme with Goldsmiths College and Royal Holloway College.
59. Discussions are also taking place with other potential partners to develop jointly specific existing programmes for on-line delivery so reaching new markets. One example of this, is the programme introduced by the School of Business, Economics and Informatics in partnership with the Institute of Chartered Accountants in England and Wales which allows students to enrol in a programme which will provide them with an Applied Accounting and Business degree whilst studying for a Chartered Accountant's qualification and working during the day in an Accounting firm. As discussed in last year's Strategy Paper this programme has initially been introduced as a conventional face-to-face evening programme allowing students to combine work and study. However, it is now being developed into an on-line programme also, with Grant Thornton, for example, having indicated that they would utilise such a programme for staff in all their offices worldwide.
60. We need therefore to steer a middle course between ignoring on-line opportunities or, on the other hand, becoming a mini Open University. Our strategy needs to emphasise the value of face to face study whilst developing blended learning across our portfolio and working with partners to exploit specific opportunities to offer fully on-line versions of our individual courses. Proposals regarding the development of technology enhanced learning and on-line provision will be presented to Strategic Planning Committee this term. As part of this development, it is likely that we will need to create a new Pro-Vice Master role to lead in this area.

Non-credit bearing teaching

61. As indicated in last year's Strategy Paper, we have introduced a new initiative for individuals who wish to further their knowledge but do not wish to obtain additional qualifications. In the previous funding system, such activity was problematic since HEFCE would not fund any teaching activity which did not result in a qualification for the student. Paradoxically therefore, the withdrawal of HEFCE funding has made such activity easier since like other teaching activity it is simply dependent on student fees.
62. Professor Miriam Zukas, the Executive Dean of the School of Social Sciences, History and Philosophy has led the work which has resulted in the creation of this new activity named Be Birkbeck and I was privileged to launch it with a lecture on Ethical Issues in Genetics in the Spring of 2013.
63. Since then Be Birkbeck has attracted 213 members with marketing so far restricted to those associated with Birkbeck whilst the offering is developed and refined further. Currently, members receive a regular Newsletter inviting them to College lectures and seminars, with five special events (one from each School) occurring in each year. An experimental series of film events with the Birkbeck Institute of the Moving Image is planned with the first event in September and the 2014 programme is currently being developed.

64. In a related project, Professor Zukas has been developing a scheme with *The Guardian* which will interface with Be Birkbeck so that members will be able to attend events for a reduced fee without being *Guardian* members, so extending the Be Birkbeck offer considerably. In parallel with this, we are having further discussions with *The Guardian* with a view to developing a joint programme as part of a new initiative on their part. Interestingly, whilst the numbers taking the print version of *The Guardian* are declining and the numbers reading on-line are dramatically increasing, on-line readers indicate that they would like to attend face-to-face events in London to further their knowledge of particular areas, thereby providing an excellent basis for a *Guardian*-Birkbeck partnership.

Employability and Links with Business

65. Evidently, given the nature of our students and our courses we are in a unique position to work with business in order to, for example, facilitate study by their employees and to enhance the employability of our students.

66. With the impending retirement as Vice-Master of Professor Philip Dewe, who has taken responsibility for this area, I have asked Professor Philip Powell to take on the role of Pro Vice Master for Enterprise and Innovation in addition to his role as Executive Dean of the School of Business, Economics and Informatics. Professor Powell has developed the B4E (Birkbeck Employability, Enterprise and Employment Ecosystem) initiative. This will take advantage of the extensive networks in London and adjacent areas of Birkbeck students, alumni, teachers, donors and others in which individuals may have multiple roles so that, for example, an alumnus may also be a senior member of a business which could send students to Birkbeck.

67. As well as programmes designed to increase the number of students sponsored by business, the B4E activities will have a particular focus on employability of our students. This will include the development of two “*employability and social enterprise*” modules, one at postgraduate and one at undergraduate level, to be offered from 2014/15. Similarly, an extensive student mentoring programme is being developed based on the success of a pilot programme with twenty students, in which Birkbeck partnered with the East London Business Alliance and used alumni at Credit Suisse as mentors for the students. Clearly, a more extensive mentoring scheme could take advantage of the unique network of Birkbeck alumni in London who are employed in all major employment areas in the public, private and third sectors.

68. Similarly, with the extensive development of intensive evening programmes both at undergraduate and postgraduate levels it is vital that we integrate into the curriculum methods of learning and teaching that support and enhance key “*wrap around*” skills for employability, resilience and entrepreneurship in ways that are clearly accessible for our students who are facing competing pressures on the overall time they have for study. In addition, the accreditation of prior learning (APL) and of experiential learning (APEL) is of importance to allow students to make the best use of what they have learned in both formal and informal settings as well as enabling them to gain recognition of their substantial work experience and relate it to their intensive study.

International Activity

69. Due to visa rules, international non-EU students are eligible only for courses which are designated as full-time. For a number of years, we have recruited such students to our one-year full-time Masters courses and following the post-ELQ review of Birkbeck, increasing emphasis has been placed on this area.
70. In 2012/13 the number of international students on our Masters courses increased by a further 7%. This is a considerable achievement at a time when other universities were experiencing significant declines in international student enrolment due to changes in post-qualification work permit arrangements for international students and to the widely publicised issues regarding London Metropolitan University.
71. Interestingly, since our three-year undergraduate programmes are classified as full-time, we can now also recruit international students at undergraduate level and this area showed a 250% increase between 2011/12 and 2012/13, although the numbers are relatively small with an increase from 10 to 35 students. In 2013/14 a further increase has occurred with 61 overseas undergraduate students enrolled so far.
72. To further develop our international student recruitment, I have agreed with Jonah Duffin who heads our recruitment activity, to expand the number of staff in the International Office, as well as offering £2,000-Scholarships for students from India, Thailand and Vietnam which are areas where he believes that our international numbers can be significantly expanded in this way. Moreover, we have been selected, for the first time, to participate in the Santander University programme. They will provide us with a grant of £25,000 p.a. to provide scholarships with a particular focus on international students.
73. Last year I reported that Birkbeck was accepted as one of 30 top UK Universities eligible to participate in Brazil's "*Science without Borders*" Scholarship Scheme under which 10,000 students will be sponsored by the Brazilian Government to study overseas. This scheme is led by Professor Glaucius Oliva as President of the International Council for Scientific and Technological Development in Brazil. Professor Oliva is a PhD graduate of Birkbeck and this year we invited him to deliver the Bernal Lecture.
74. As part of his visit, Professor Costas Douzinas (Pro Vice Master for International Links) and I hosted a meeting at which Professor Oliva spoke about the "*Science without Borders*" initiative and indicated his strong support for Birkbeck participating in it as fully as possible stating (unprompted!) that "*Birkbeck changed my life*". This was followed by a question and answer session which indicated how different subject areas could benefit from the scheme either directly or indirectly. We have now appointed Professor Oliva as a Fellow of Birkbeck and he will be attending a graduation ceremony in the near future to receive the Fellowship.

The Future

75. The year 2012/13 has presented the College with very significant challenges. Indeed, as the only specialist part-time institution based entirely in England, we are the HEI most affected by the funding changes. Nonetheless, we have weathered the storm very well maintaining our focus on our mission with increasing numbers of low income students whilst having a stable financial position.

76. Although future years are likely to present increasing challenges, there are numerous opportunities for the College, for example, in the further development of intensive evening programmes at undergraduate and postgraduate levels, as well as the use of blended learning and distance learning in specific circumstances.
77. Indeed, one of the problems of the College is the range of opportunities available to us and the need to prioritise particular areas and focus on how they will be taken forward. For this reason, I asked the College Secretary to convene a series of meetings of Pro Vice Masters and Deans over the summer and early autumn to discuss specific areas and how to take them forward. This will parallel the work of individual working groups which have been set up by the Strategic Planning Committee to develop our strategy for particular areas.
78. In the autumn of 2013 SPC will consider reports from all these working groups, as well as the results of the summer/autumn discussions. On this basis, it will be decided which areas need to be taken forward by the working groups, which require a new structure to be taken forward and which should be given lower priority.
79. I am also concerned that our structure results in the same people talking about a wide range of issues, both at senior management level and in terms of those who are nominated by Schools to serve on particular working groups. I therefore invited each of the five Deans and the College Secretary to nominate two colleagues for a "*Next generation*" group to come up with new ideas for the medium to long-term future strategy of the College. I chaired the first meeting of this group the day after the Governors Strategy Meeting in October 2013. Having been set its task, the group is having further meetings, with a view to a report being delivered to SPC at its Awayday meeting in February. In this way we can begin to take advantage of the developing talent in the College and get their input into our strategy.
80. Overall therefore, although the College is always subject to many and unique pressures because of its unusual position in the Higher Education system, I believe that this position also offers us numerous opportunities to flourish in the future in a manner which is in accordance with our 190 year old mission.

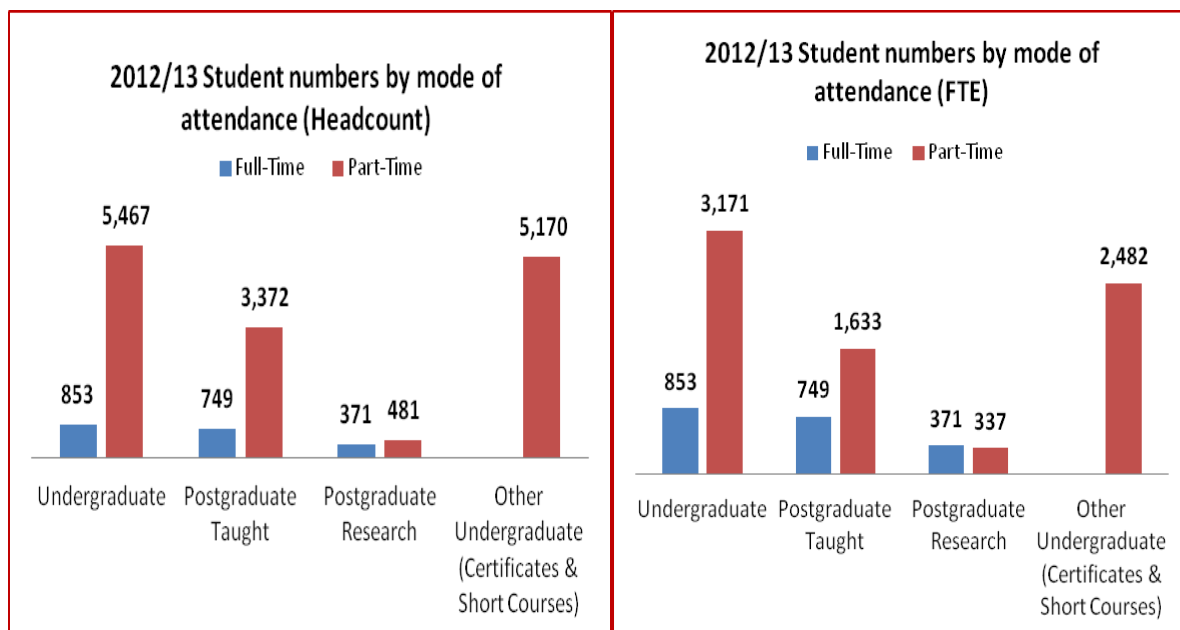
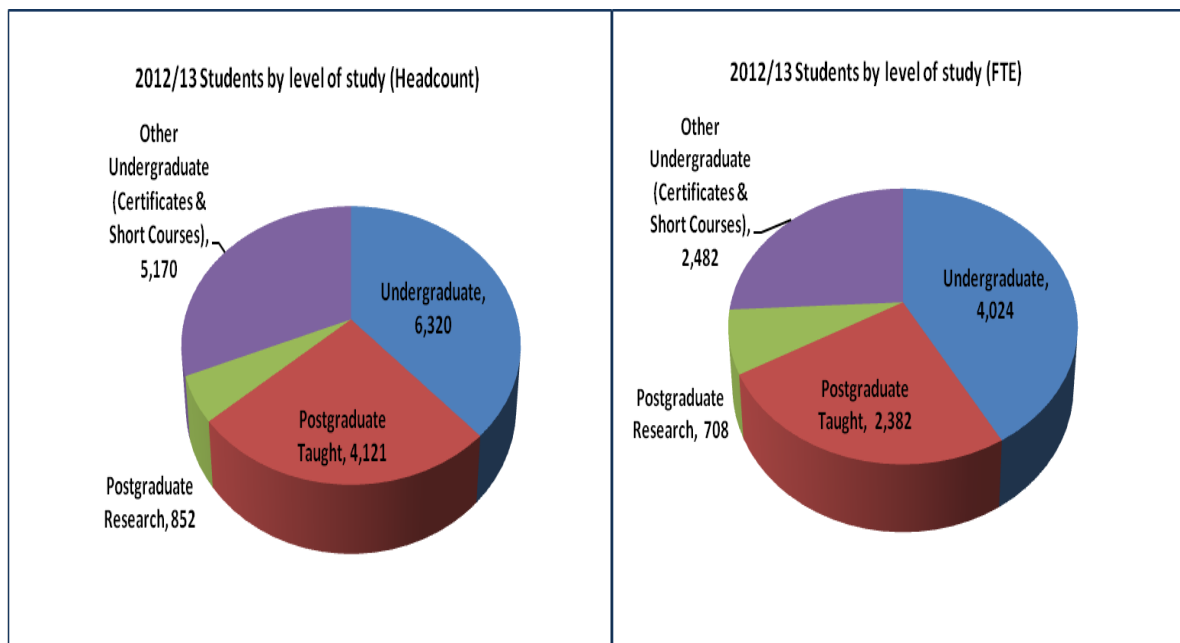
Professor David S. Latchman, CBE
Master

Birkbeck Students

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

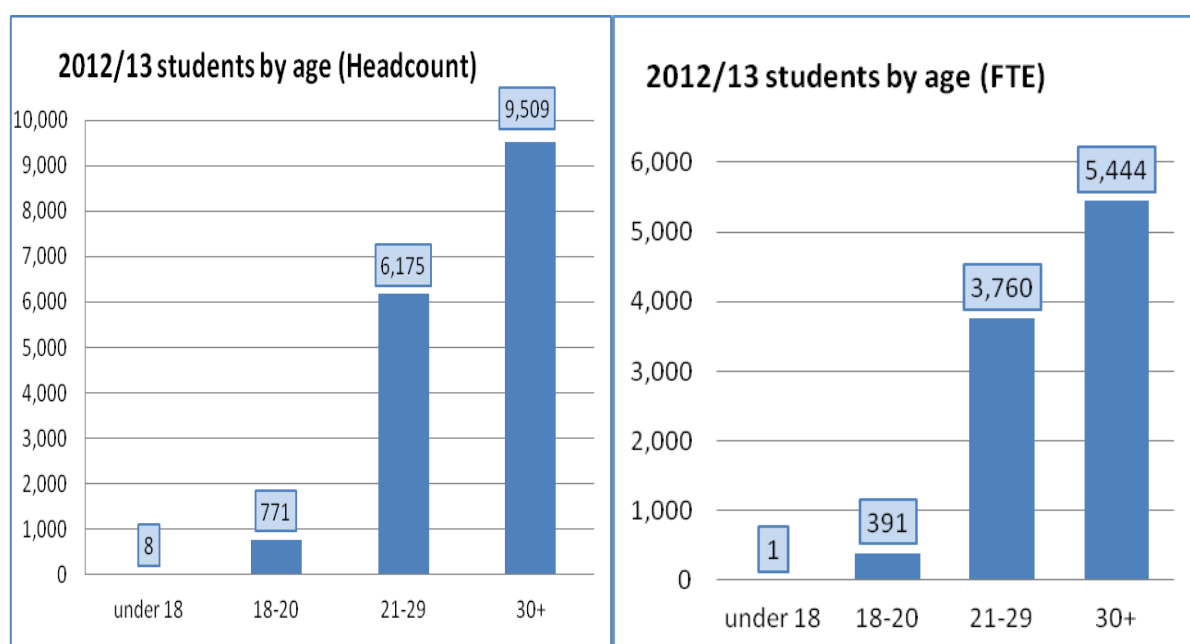
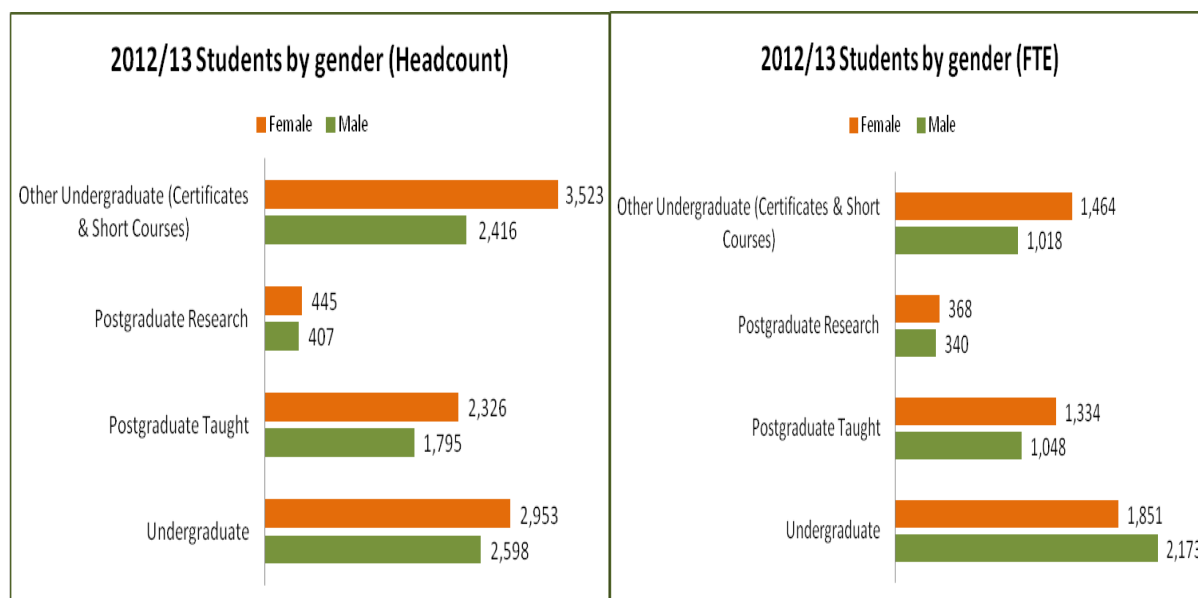
In 2012/13 there were 16,463 students (headcount), attending Birkbeck, a full time equivalent of 9,596. They were overwhelmingly studying part time, with 88% (83% FTE) of degree students enrolled on part time courses.

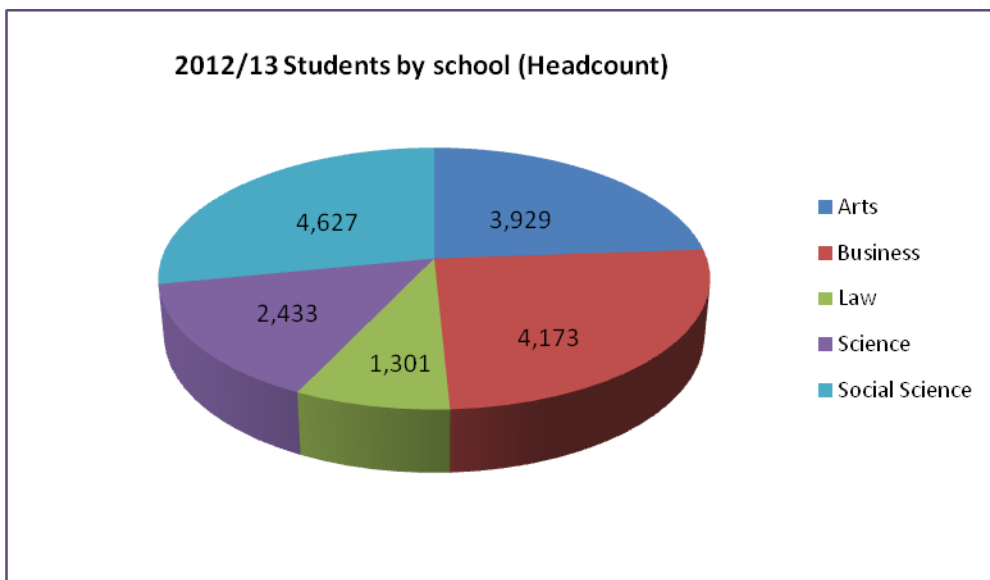
The highest proportion of students were studying for Undergraduate Degrees 38% (42% FTE).



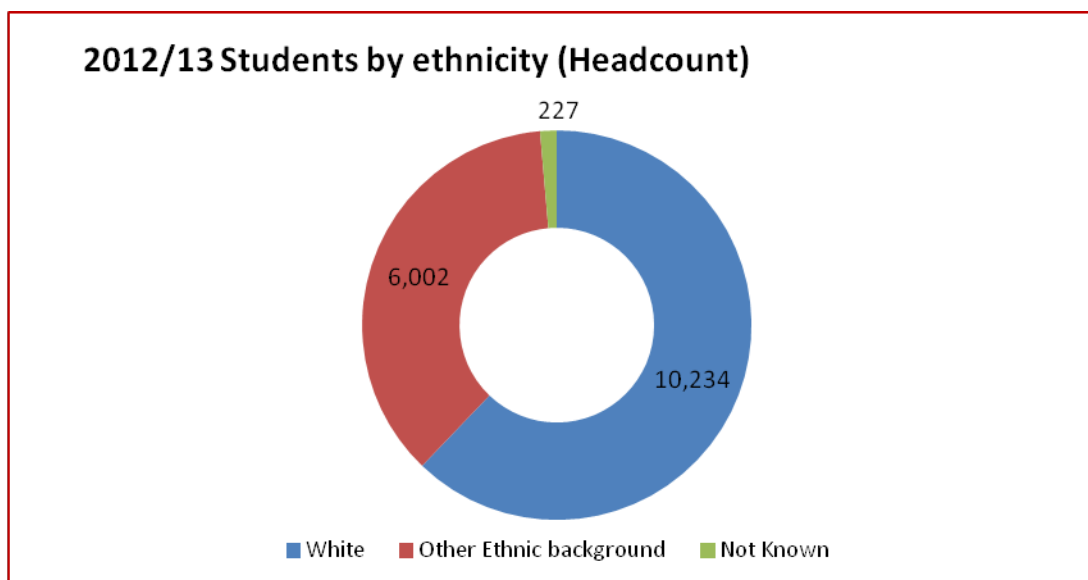
Profile of Birkbeck Students?

Birkbeck students come from all walks of life and have a variety of different qualifications before they enrol. As an evening university offering large numbers of part time courses, Birkbeck has always had a student population that was on average older than those at ‘traditional’ universities. In 2012/13 58% (57% FTE) students were over the age of thirty. 5% (4% FTE) were aged between eighteen and twenty. This figure is likely to continue to rise in the future as increasing numbers of students are recruited through UCAS. In 2012/13, as in previous years, there was a small majority 56% (52% FTE) of female students enrolled at Birkbeck.



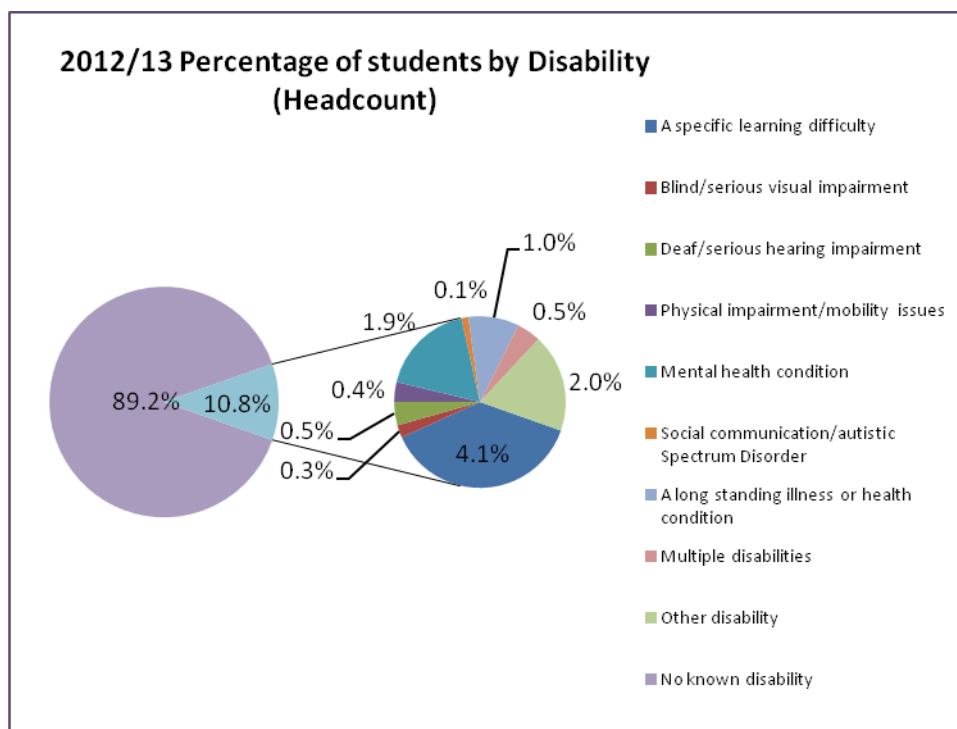


In 2012/13, 62% of Birkbeck students identified themselves as white. 36% identified themselves as other ethnic background, and the ethnic identity of 2% was unknown.

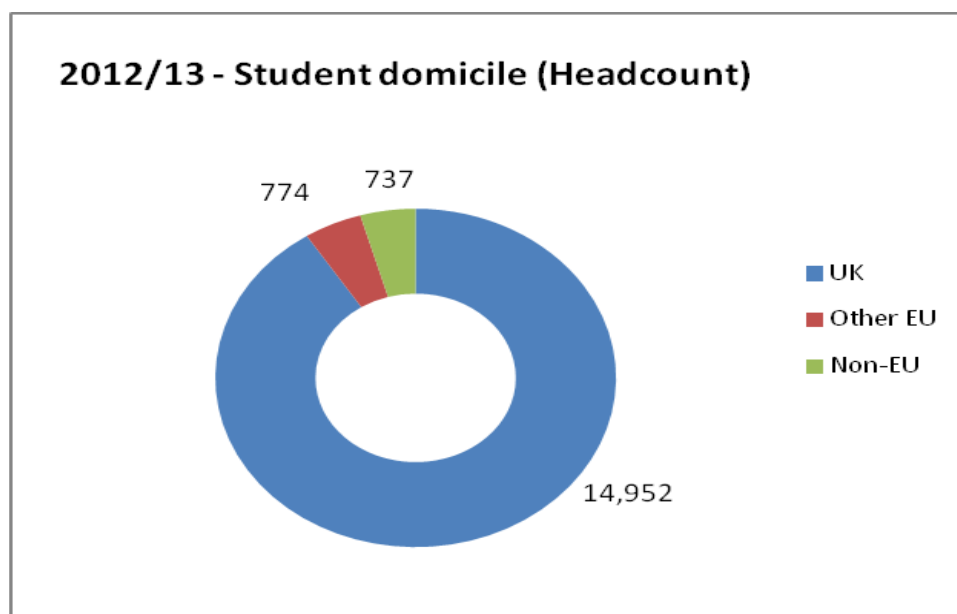


OPERATING AND FINANCIAL REVIEW (Continued)

As in previous years, the majority of students did not identify themselves as disabled. The highest category of reported disabilities was Specific Learning Difficulties.

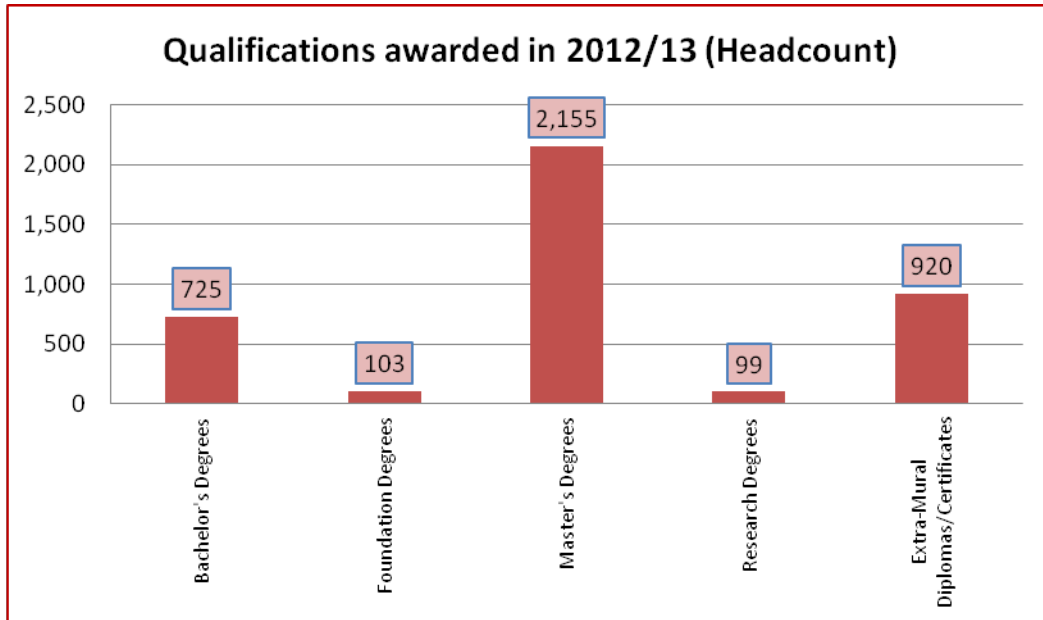


The chart shows student numbers by domicile. 91% were from UK domicile students, 5% were from other EU member countries and 4% were from non-EU countries.



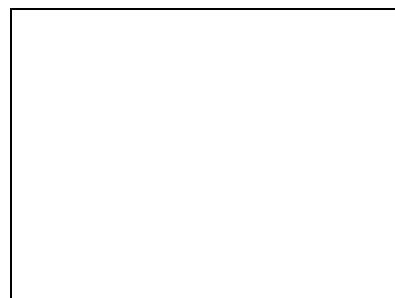
What do Birkbeck students achieve?

The following chart shows the qualifications awarded to Birkbeck students in 2012/13. The largest number of awards was for 'Other higher degrees', i.e. taught Masters programmes, and then 'Other UG qualifications', i.e. Certificates of Higher Education and Diplomas.



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

The Financial Statements presented to the 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 2013, with the previous year's figures for comparison, are summarised as follows:

	2012/13	2011/12
	£000	£000
Income	96,262	93,606
Expenditure	(89,550)	(87,015)
Surplus on continuing operations after Depreciation	6,712	6,591
Transfer from/(to) accumulated income within specific endowments	24	(62)
Surplus for the year retained within General Reserves	6,736	6,529

The College's total income increased by £2,656k (2.8%) compared with the previous year.

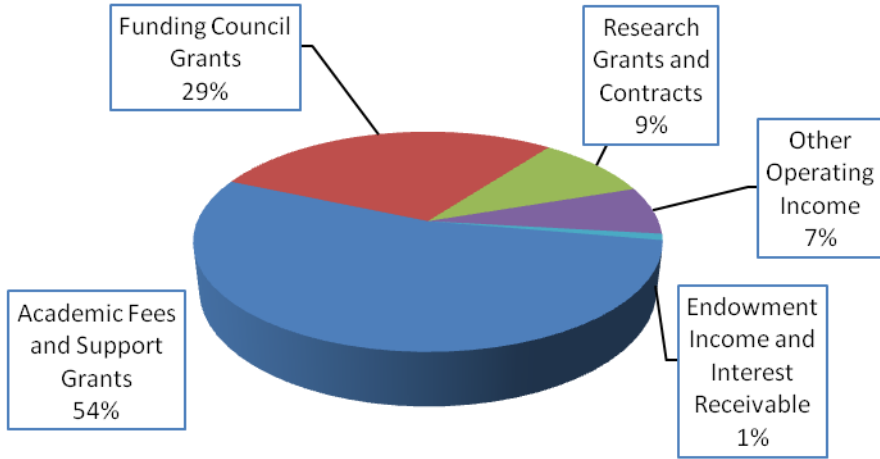
Recurrent grants amounting to £24,256k, (Teaching £14,094k, Research £10,162k), were received from the Higher Education Funding Council for England (HEFCE). The Teaching grant is decreasing and being replaced by higher tuition fees. Specific grants increased by £220k to £1,349k; an increase of 19.5% and comprised: Strategic Development funding (£227k), Higher Education Innovation funding (£807k), Leadership, Governance and Management (£25k) and the National Scholarship programme (£240k).

Deferred Capital grants released from HEFCE funds for Buildings and Equipment were £2,076k; a decrease of £38k on the previous year.

Income from Academic Fees and Support Grants at £51,741k represented an increase of £7,672k (17.4%). The increase comprises of both higher tuition fees and volume growth in full-time and overseas student numbers.

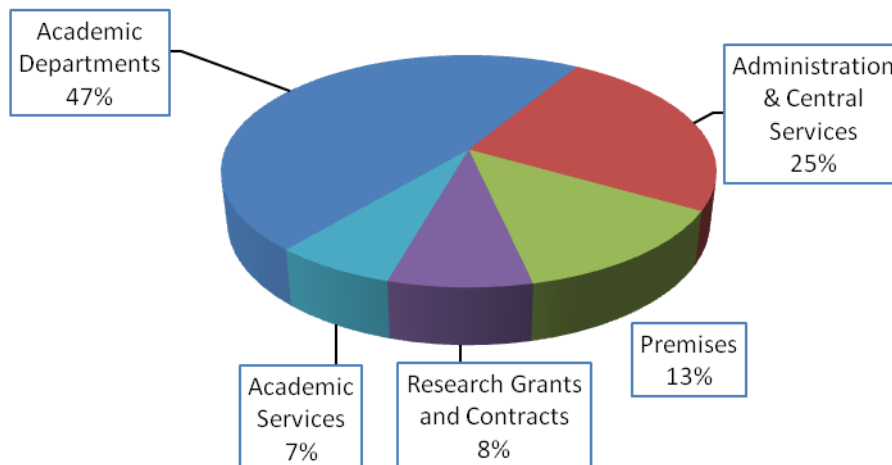
Income from Research Grants and Contracts amounted to £9,157k, an increase of £747k (8.9%) due to an increase in the volume of research grants. The overhead contribution towards indirect costs was £2,093k and represents an average overhead recovery rate equivalent to 29.6% on direct research expenditure.

Analysis of income 2012/13



	£000	%
Academic Fees and Support Grants	51,741	54
Funding Council Grants	27,681	29
Research Grants and Contracts	9,157	9
Other Operating Income	6,780	7
Endowment Income and Interest Receivable	903	1
	96,262	100

Analysis of expenditure 2012/13



	£000	%
Academic Departments	42,559	47
Administration & Central Services	22,086	25
Premises	11,843	13
Research Grants and Contracts	7,064	8
Academic Services	5,998	7
	89,550	100

OPERATING AND FINANCIAL REVIEW (continued)

Overall, Other Operating Income was £6,780k; an increase of £1,255k (22.7%).

Net Endowment Income and Interest Receivable at £903k was £76k (9.2%) more than the previous year. The increase was due to increased returns from dividends and fixed-interest investments.

Total Expenditure increased by £2,535k (2.9%) compared with the previous year. Staff costs at £55,987k, representing 62.5% of total expenditure, increased by £1,213k (2.2%) on the previous year. As part of the College's cost control targets, staff costs as a percentage of total income continues to decrease.

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 £2,590k of which £2,346k was written-off to the Income and Expenditure account and the remaining £244k was capitalised.

The surplus for the year on continuing operations, after depreciation, is £6,712k equivalent to 7% of Total Income. The Statement of Total Recognised Gains and Losses shows a net total gain of £7,502k for the year comprising of an increase in the revaluation reserve (£417k), an increase in endowments (£373k) and the above surplus (£6,712k).

Investment Performance and Treasury Management

The market value, at 31 July 2013, of the College's long-term investments increased from £14,754k to £15,837k. This is made up of General Fund Investments of £11,954k and Endowment Fund Investments of £3,883k. The market value of long-term investments increased by £734k (see note 10). The unrealised gain on revaluation amounting to £417k, attributable to the General Fund, was credited to the Revaluation Reserve and an unrealised gain of £98k on revaluation was credited to the Endowment Fund (see note 11). Long-term investment income for the year, after charges, amounted to £317k. 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 £675k. 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 outflows from operating activities before management of liquid resources of £1,553k. Short-term deposits, less debts due, decreased by £3,593k leaving a net increase in cash of £2,040k. At year-end the balance on short-term cash deposits was £27,236k.

Fixed Assets and Capital Projects

Additions to tangible fixed assets amounted to £7,597k and included assets in the course of construction at University Square Stratford and refurbishment projects in Bloomsbury. The depreciation charge for the year was £4,115k thus resulting in a net increase in tangible fixed assets of £3,482k. 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 Risk Register is considered by the Strategic Planning Committee and Audit Committee and approved by the Governors.

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 Strategic Planning Committee and Audit Committee.

Future Capital Developments

The College's Estates Strategy for the coming year is to continue to improve the estates infrastructure in Bloomsbury. The Master Planning Exercise to evaluate long-term potential for major developments on the Bloomsbury site was carried out last year and identified a suitable site for building a Toddler Laboratory in Torrington Square. A further building opportunity at the north end of Torrington Square, in partnership with UCL, is currently at an early planning stage.

The £33m University Square Stratford building, I referred to in last year's Report, was delivered on time and within budget in partnership with the University of East London.

Conclusion

The Master's Report on the strategic direction of Birkbeck clearly sets out the successes, opportunities and future challenges facing the College. The healthy surpluses generated in the past three years place us in a strong financial position to deal with any turbulence that lies ahead. Birkbeck is a leader in the UK part-time evening higher education market and consistently does exceptionally well in the National Student Survey league table.

On behalf of the Governing Body, I would like to thank all staff for their dedication and support in ensuring the success of Birkbeck and its unique mission as a research-led teaching 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 5 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 develops 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 Widening Access and Retention team at Birkbeck provides pre-entry information, advice, guidance designed to raise the aspirations, confidence and achievements of students from hard-to-reach and non-traditional groups.

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 partnership agreements with several London FE Colleges to encourage, support and facilitate the progression into higher education of learners at partner institutions who have relevant and appropriate level qualifications and who wish to study at degree level. Our new Masterclass taster events for FE and Sixth-form students cover a broad range of subjects and are designed to give prospective students a real taste of what it's like to study 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 hosted its sixth annual Arts Week in May 2013 which is open to anyone with an interest in arts and culture and all events are free to attend. The College also makes an important contribution to the cultural life of the local community by participating in the annual Bloomsbury Festival. This autumn weekend event includes talks, dance, drama, poetry and film screenings open to the general public and often free of charge. In conjunction with the other Bloomsbury Colleges, Birkbeck participates in Green Week which is open to staff, students and the general public and consists of workshops, seminars, ecological and environmental issues.

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

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)

- 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 Chair 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

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 Chair and Deputy Chair 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 the Governors' Statement of Primary Responsibilities 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 reviewed its effectiveness in 2013, in line with the expectations of HEFCE and the Committee for University Chairs for regular effectiveness reviews. The review concluded that the Governing Body, individually and collectively, is effective. The recommendation of the review are intended to improve new Governor selection and induction; and to give Governors more opportunities for engagement with the College outside formal Governors' meetings.

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 2013 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 and Academic Board Executive Committee

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)

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; 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 promotes 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.

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 that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and secure Value for Money;
- 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 and internal auditors have a standing arrangement to meet with the Audit Committee 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 critical business 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.

Audit Committee (continued)

The senior management team and the Audit Committee receive regular reports, including VFM reports, from internal audit which include recommendations for improvement. The Audit Committee's role in this area is to carry out 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 Strategic Planning Committee and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2013 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2013.

Strategic Planning Committee

The Strategic Planning Committee consists of College officers with strategic management responsibility. Its remit is to consider College-wide strategic issues and priorities and to advise Finance and General Purposes Committee and Governors accordingly. It is responsible for internal planning and resource allocation policy and procedures. It oversees the annual planning and budgeting process, giving feedback to Schools and central services on developing plans and to co-ordinate and integrates plans for presentation to Finance and General Purposes Committee. The Committee has established and regularly monitors Key Performance Indicators that measure performance against the objectives set. It is also responsible for fee and scholarship policy and levels and advises Finance and General Purposes Committee and Governors accordingly.

The Strategic Planning Committee met six times during the year.

The membership of all of the above committees is shown on pages 1-4.

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

We have audited the College's financial statements (the "financial statements") of Birkbeck College for the year ended 31 July 2013 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 30 and 31 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 2013 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)**

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.

Nicola May

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

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. Governors having regard to the College's overall financial position including cash flows and reserves, consider it appropriate that the financial statements be prepared on a going concern basis.

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

Retirement 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)

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 stated at cost and depreciated over 50 years. Long leasehold buildings are stated at cost and 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 61.

b. Refurbishments

Expenditure on refurbishment projects is capitalised and depreciated over 5 to 20 years based on their useful economic life.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

INCOME AND EXPENDITURE ACCOUNT for the Year Ended 31 July 2013

	NOTE	2013 £000	2012 £000
INCOME			
Funding Council Grants	1	27,681	34,775
Academic Fees and Support Grants	2	51,741	44,069
Research Grants and Contracts	3	9,157	8,410
Other Operating Income	4	6,780	5,525
Endowment Income and Interest Receivable	5	903	827
TOTAL INCOME		<u>96,262</u>	<u>93,606</u>
EXPENDITURE			
Staff Costs	6	55,987	54,774
Other Operating Expenses	7	29,448	28,143
Depreciation	9	4,115	4,098
TOTAL EXPENDITURE		<u>89,550</u>	<u>87,015</u>
Surplus on continuing operations after Depreciation		6,712	6,591
Transfer from/(to) accumulated income in endowment funds		24	(62)
Surplus for the year retained within General Reserves		<u>6,736</u>	<u>6,529</u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 31 July 2013

	NOTE	2013 £000	2012 £000
Surplus for Year after Depreciation		6,712	6,591
Appreciation/(Depreciation) of Endowment Assets	16	98	(17)
New Endowments	16	275	115
Revaluation of Investments	17	417	18
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>7,502</u>	<u>6,707</u>
RECONCILIATION			
Opening Reserves and Endowments		47,734	41,027
Total Recognised Gains and Losses for the Year		7,502	6,707
Closing Reserves and Endowments		<u>55,236</u>	<u>47,734</u>

The notes from page 46 to 61 form part of these financial statements.

BALANCE SHEET as at 31 July 2013

	NOTE	2013 £000	2012 £000
FIXED ASSETS			
Tangible Assets	9	61,884	58,402
Investments	10	11,954	11,220
		<u>73,838</u>	<u>69,622</u>
ENDOWMENT ASSET INVESTMENTS	11	3,883	3,534
CURRENT ASSETS			
Stock in Hand		11	18
Debtors	12	17,247	14,061
Investments	26	27,236	31,025
Cash at Bank and in Hand	26	5,347	3,463
		<u>49,841</u>	<u>48,567</u>
CREDITORS: Amounts falling due within one year	13	<u>(23,576)</u>	<u>(23,610)</u>
NET CURRENT ASSETS		26,265	24,957
CREDITORS: Amounts falling due after more than one year	14	(233)	(793)
NET ASSETS		<u>103,753</u>	<u>97,320</u>
DEFERRED CAPITAL GRANTS	15	48,517	49,586
ENDOWMENTS			
Permanent	16	3,326	3,196
Expendable	16	557	338
		<u>3,883</u>	<u>3,534</u>
RESERVES			
Revaluation Reserve	17	2,141	1,724
Income and Expenditure Account Reserve	18	49,212	42,476
		<u>51,353</u>	<u>44,200</u>
TOTAL FUNDS		<u>103,753</u>	<u>97,320</u>

The notes from page 46 to 61 form part of these financial statements.

Approved by Governors at their meeting on 4 December 2013, 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 2013

	NOTE	2013 £000	2012 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	<u>3,813</u>	<u>8,857</u>
RETURNS ON INVESTMENTS			
Income from Endowments	5	97	100
Income from Investments	5	<u>804</u>	<u>723</u>
Net Cash Inflow from Returns on Investments		<u>901</u>	<u>823</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Tangible Assets Acquired	9	(7,597)	(5,528)
Other Investments Acquired	10	(317)	(242)
Endowment Asset Investments Acquired	11	(95)	(94)
Deferred Capital Grants Received	15	1,467	3,833
Endowments Received	16	275	115
Net Capital Expenditure and Financial Investment		<u>(6,267)</u>	<u>(1,916)</u>
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES		(1,553)	7,763
MANAGEMENT OF LIQUID RESOURCES AND FINANCING			
(Decrease)/Increase in Short Term Investments	26	3,789	(6,502)
Loans (Repaid)/Advanced in the Year	26	<u>(196)</u>	<u>28</u>
		<u>3,593</u>	<u>(6,474)</u>
INCREASE IN CASH	26	<u>2,040</u>	<u>1,289</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		2013	2012
		£000	£000
INCREASE IN CASH	26	2,040	1,289
(Decrease)/Increase in Short Term Deposits	26	(3,789)	6,502
Decrease/(Increase) in Debt	26	196	(28)
CHANGE IN NET FUNDS		<u>(1,553)</u>	<u>7,763</u>
Net Funds at Beginning of Year	26	<u>33,559</u>	<u>25,796</u>
NET FUNDS AT THE END OF THE YEAR	26	<u>32,006</u>	<u>33,559</u>

NOTES TO THE ACCOUNTS

1. FUNDING COUNCIL GRANTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Recurrent Grant:-		
HEFCE (Teaching, Research & Widening Participation)	24,256	31,532
Specific Grants:-		
Strategic Development Fund	277	280
LLLN	-	92
HEIF	807	732
LGM Fund	25	25
NSP	240	-
Deferred Capital Grants released in the Year:-		
Buildings	2,076	1,980
Equipment	-	134
	<u>27,681</u>	<u>34,775</u>
2. ACADEMIC FEES AND SUPPORT GRANTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Full-time Home/EC Students	9,417	6,104
Full-time Students charged Overseas Fees	5,025	4,468
Part-time Students charged Overseas Fees	1,746	1,995
Part-time Fees	33,351	28,895
Short Course Fees	1	197
Research Training Support Grants	1,900	1,703
Other Teaching Activities	301	707
	<u>51,741</u>	<u>44,069</u>
3. RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Research Councils	3,936	4,064
UK Charities	2,106	2,196
Government	538	525
UK Industry	215	154
EU Government	1,917	1,164
Other	445	307
	<u>9,157</u>	<u>8,410</u>

NOTES TO THE ACCOUNTS (Continued)

4. OTHER OPERATING INCOME	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Room Lettings & Catering Income	2,684	2,252
Other Services Rendered	1,553	1,124
Donations	434	662
Released from Deferred Capital Grants	380	366
Other income	1,729	1,121
	<u>6,780</u>	<u>5,525</u>

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Income from Expendable Endowments	13	12
Income from Permanent Endowments	84	88
Income from Investments	804	723
	<u>901</u>	<u>823</u>
Other Interest	2	4
	<u>903</u>	<u>827</u>

6. STAFF COSTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Wages and Salaries	46,656	45,479
Social Security Costs	3,740	3,597
Other Pension Costs (Note 27)	5,591	5,698
	<u>55,987</u>	<u>54,774</u>

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Emoluments of the Master	314	291
	<u>314</u>	<u>291</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 £50,202 (2011-12 £46,505).

NOTES TO THE ACCOUNTS (Continued)

6. STAFF COSTS (continued)

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

	Year ended 31 July 2013 Number	Year ended 31 July 2012 Number
£100,001 - £110,000	-	3
£110,001 - £120,000	4	4
£120,001 - £130,000	2	-

	Year ended 31 July 2013 FTE	Year ended 31 July 2012 FTE
Average Full Time Equivalent (FTE) Staff Numbers by Major Category:-		
Academic	529	502
Technical	24	25
Other (Clerical, Manual and Administrative)	465	449
	<u>1,018</u>	<u>976</u>

7. OTHER OPERATING EXPENSES

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Fellowships, Scholarships & Prizes	7,962	5,456
Equipment	2,346	2,365
General Educational Expenditure	2,263	2,803
Advertising/Publicity/Media	1,729	1,532
Rent	1,674	1,664
Bad Debts Provision	1,639	1,622
Travel/Subsistence/Events	1,490	1,437
Consumables & Laboratory Expenditure	1,462	1,150
Repairs & General Maintenance	1,371	2,195
Heat, Light, Water & Power	1,241	1,203
General Estates & Facilities	1,234	1,393
Legal, Professional & Consultancy Fees	1,086	862
Books & Periodicals	1,081	1,071
Staff Related Expenses	799	760
Catering, Conferences & Hospitality	649	575
Printing/Stationery	383	422
Postage/Telephones	356	411
Other Academic Support Costs	282	370
Grants to Student Union	219	223
Insurance/Banking Costs	182	552
Other Expenses	-	77
	<u>29,448</u>	<u>28,143</u>
Other Operating Expenses include:		
External Auditors Remuneration in respect of Audit Services	50	44
Operating Lease Rentals	<u>26</u>	<u>23</u>

NOTES TO THE ACCOUNTS (Continued)

8. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depn. £000	Operating Expenses £000	Total £000
Academic Departments	36,962	63	5,534	42,559
Academic Services	3,124	208	2,666	5,998
Research Grants and Contracts	4,617	80	2,367	7,064
Premises	1,996	3,760	6,087	11,843
Administration & Central Services	9,288	4	12,794	22,086
	<u>55,987</u>	<u>4,115</u>	<u>29,448</u>	<u>89,550</u>
Comparative 2012	<u>54,774</u>	<u>4,098</u>	<u>28,143</u>	<u>87,015</u>
The Depreciation Charge has been funded by:	£000			
Deferred Capital Grants Released (Note 15)	2,536			
General Income	1,579			
	<u>4,115</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 2012	3,440	6,415	65,902	9,613	85,370
Additions	7,295	-	58	244	7,597
Transfers	(977)	-	977	-	-
Disposals	-	-	(750)	(928)	(1,678)
At 31 July 2013	<u>9,758</u>	<u>6,415</u>	<u>66,187</u>	<u>8,929</u>	<u>91,289</u>
<u>Depreciation</u>					
At 1 August 2012	-	(492)	(17,267)	(9,209)	(26,968)
Charge for Year	-	(123)	(3,680)	(312)	(4,115)
Eliminated on Disposal	-	-	750	928	1,678
At 31 July 2013	<u>-</u>	<u>(615)</u>	<u>(20,197)</u>	<u>(8,593)</u>	<u>(29,405)</u>
<u>Net Book Value</u>					
At 31 July 2013	<u>9,758</u>	<u>5,800</u>	<u>45,990</u>	<u>336</u>	<u>61,884</u>
At 1 August 2012	<u>3,440</u>	<u>5,923</u>	<u>48,635</u>	<u>404</u>	<u>58,402</u>
Financed by capital grant	7,907	5,317	35,255	38	48,517
Other	1,850	483	10,736	298	13,367
Net Book Value at 31 July 2013	<u>9,757</u>	<u>5,800</u>	<u>45,991</u>	<u>336</u>	<u>61,884</u>

The College holds long leaseholds for Malet Street and the buildings in 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 61.

NOTES TO THE ACCOUNTS (Continued)

10. INVESTMENTS – LONG TERM	31 July 2013	31 July 2012
	£000	£000
Balance at 1 August	11,220	10,960
Additions	317	242
Revaluation	417	18
At 31 July	<u>11,954</u>	<u>11,220</u>

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

	Year ended	Year ended
	31 July 2013	31 July 2012
	Market	Market
	Value	Value
	£000	£000
UK Fixed Interest	330	594
International Bonds	3,006	3,369
UK Equities	1,973	1,407
North American Equities	1,828	1,278
European Equities	2,496	1,845
Japanese Equities	343	223
Pacific Basin Equities	107	94
Emerging Markets Equities	117	132
Other International Equities	136	599
Commodities	363	424
Derivatives	(129)	(30)
Cash Funds - Underlying	555	367
Cash - Underlying	630	771
Other Investments	199	147
	<u>11,954</u>	<u>11,220</u>

NOTES TO THE ACCOUNTS (Continued)

11. ENDOWMENT ASSET INVESTMENTS	2013	2012
	Market	Market
	Value	Value
	£000	£000
Investments		
Balance at 1 August	3,534	3,374
Purchases	95	94
Appreciation /(Depreciation) on Disposal/Revaluation	98	(17)
Increase in Cash Balances	156	83
	<u>3,883</u>	<u>3,534</u>
	<u>3,883</u>	<u>3,534</u>
	Year ended	Year ended
	31 July 2013	31 July 2012
	Market	Market
	Value	Value
	£000	£000
Represented by:		
CAF Fund	65	65
UK Fixed Interest	98	177
International Bonds	893	1,003
UK Equities	586	419
North American Equities	543	381
European Equities	741	550
Japanese Equities	102	66
Pacific Basin Equities	31	28
Emerging Markets Equities	35	40
Other International Equities	40	178
Commodities	108	126
Derivatives	(38)	(9)
Cash Funds - Underlying	165	109
Cash - Underlying	187	230
	<u>3,556</u>	<u>3,363</u>
	<u>3,556</u>	<u>3,363</u>
Cash held at Bank	327	171
	<u>3,883</u>	<u>3,534</u>
Total Endowment Asset Investments	<u>3,883</u>	<u>3,534</u>
	<u>3,883</u>	<u>3,534</u>
	Year ended	Year ended
	31 July 2013	31 July 2012
	£000	£000
Debtors	15,319	12,557
Research Expenditure Recoverable	1,523	1,317
Prepayments and Accrued Income	405	187
	<u>17,247</u>	<u>14,061</u>
	<u>17,247</u>	<u>14,061</u>

A debtor of £303,350 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 2013 £000	Year ended 31 July 2012 £000
Trade Creditors	2,708	3,710
Research Grants received in advance	3,663	3,962
Other Taxation and Social Security	1,296	1,217
Accruals and Deferred Income	15,237	14,414
Unsecured Loan	672	307
	<u>23,576</u>	<u>23,610</u>

14. CREDITORS: Amount falling due after more than one year	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Unsecured Loan repayable in 2-5 years	233	793
	<u>233</u>	<u>793</u>

A loan facility of £1,072,000 was drawn down during 2011/12 from Salix Finance Ltd as part of their Energy Efficiency Programme. A further loan of £280,528 was drawn down during 2012/13 from Salix Ltd. The loans are interest free and repayable over 4 years.

15. DEFERRED CAPITAL GRANTS	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2012			
Buildings	38,249	11,261	49,510
Equipment	-	76	76
Total	<u>38,249</u>	<u>11,337</u>	<u>49,586</u>
Cash Received			
Buildings	924	543	1,467
Equipment	-	-	-
Total	<u>924</u>	<u>543</u>	<u>1,467</u>
Released to Income and Expenditure			
Buildings	(2,076)	(422)	(2,498)
Equipment	-	(38)	(38)
Total	<u>(2,076)</u>	<u>(460)</u>	<u>(2,536)</u>
At 31 July 2013			
Buildings	37,097	11,382	48,479
Equipment	-	38	38
Total	<u>37,097</u>	<u>11,420</u>	<u>48,517</u>

NOTES TO THE ACCOUNTS (Continued)

16. ENDOWMENTS	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2013 Total £000	2012 Total £000
At 1 August 2012						
Capital	1,264	1,436	2,700	-	2,700	2,695
Accumulated Income	36	460	496	338	834	679
	<u>1,300</u>	<u>1,896</u>	<u>3,196</u>	<u>338</u>	<u>3,534</u>	<u>3,374</u>
New Endowments	-	-	-	275	275	115
Investment Income	-	84	84	13	97	100
Expenditure	(11)	(28)	(39)	(82)	(121)	(38)
Increase in market value	42	43	85	13	98	(17)
	<u>1,331</u>	<u>1,995</u>	<u>3,326</u>	<u>557</u>	<u>3,883</u>	<u>3,534</u>
Represented By:						
Capital	1,306	1,479	2,785	-	2,785	2,700
Accumulated Income	25	516	541	557	1,098	834
At 31 July 2013	<u>1,331</u>	<u>1,995</u>	<u>3,326</u>	<u>557</u>	<u>3,883</u>	<u>3,534</u>

17. REVALUATION RESERVE	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
At 1 August	1,724	1,706
Revaluation in year	417	18
At 31 July	<u>2,141</u>	<u>1,724</u>

18. INCOME AND EXPENDITURE ACCOUNT RESERVE	General Balances £000	Departmental Balances £000	Total £000
Balance at 1 August 2012	34,562	7,914	42,476
Surplus for the year	6,429	307	6,736
Balance at 31 July 2013	<u>40,991</u>	<u>8,221</u>	<u>49,212</u>

19. CAPITAL COMMITMENTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Commitments contracted at 31 July	<u>730</u>	<u>7,635</u>

20. CONTINGENT LIABILITIES

The College had no Contingent Liabilities at 31 July 2013 or at 31 July 2012.

NOTES TO THE ACCOUNTS (Continued)

21. LEASE OBLIGATIONS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Annual rentals under operating lease commitments are as follows		
Leases expiring within 5 years:		
Land & buildings	<u>61</u>	<u>61</u>

22. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Surplus after Depreciation	6,712	6,591
Depreciation (Note 9)	4,115	4,098
Deferred Capital Grants Released to Income (Note 15)	(2,536)	(2,558)
Endowments Released to Income (Note 24)	(97)	(100)
Investment Income (Note 24)	(804)	(723)
Disposal of Fixed assets	-	859
Decrease/(Increase) in Stock	7	(9)
Increase in Debtors	(3,186)	(3,864)
(Decrease)/Increase in Creditors	(399)	4,563
Net Cash Inflow from Operating Activities	<u>3,813</u>	<u>8,857</u>

23. ACCESS FUNDS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
At 1 August	-	-
Funding Council Grants	456	564
Disbursed to Students	(456)	(564)
Balance at 31 July	<u>-</u>	<u>-</u>

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

24. RETURN ON INVESTMENTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Income from Endowments	97	100
Income from Investments	804	723
	<u>901</u>	<u>823</u>

NOTES TO THE ACCOUNTS (Continued)

25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Tangible Assets Acquired	(7,597)	(5,528)
Endowment Asset Investments Acquired	(95)	(94)
Investments Acquired	(317)	(242)
Total Fixed and Endowment Asset investments Acquired	(8,009)	(5,864)
Deferred Capital Grants Received	1,467	3,833
Endowments Received	275	115
	<u>(6,267)</u>	<u>(1,916)</u>

26. ANALYSIS OF CHANGES IN NET FUNDS	Year ended 31 July 2013 £000	Cashflows £000	Year ended 31 July 2012 £000
Cash at Bank and in Hand	5,347	1,884	3,463
Cash included in Endowment Assets	327	156	171
	<u>5,674</u>	<u>2,040</u>	<u>3,634</u>
Short Term Deposits	27,236	(3,789)	31,025
Debts Due Within One Year	(672)	(364)	(307)
Debts Due After One Year	(233)	560	(793)
	<u>26,331</u>	<u>(3,593)</u>	<u>29,925</u>
	<u>32,006</u>	<u>(1,553)</u>	<u>33,559</u>

NOTES TO THE ACCOUNTS (Continued)

27. 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 148,000 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; 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 2011. This was the second 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 actuary also carries out regular reviews of funding levels. In particular, he carries out review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

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 6.1% per annum, salary increases would be 4.4% per annum (with short term general pay growth are 3.65% per annum and an addition 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

NOTES TO THE ACCOUNTS (Continued)

PENSION SCHEMES (continued)

New entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal Pension age

The Normal pension age was increased for future services and new entrants, to age 65.

Flexible Retirement

Flexible Retirement options were introduced.

Members contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost Sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pension increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution'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 actuarial valuation are set out below:

Assumption	Changes in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

NOTES TO THE ACCOUNTS (Continued)

PENSION SCHEMES (continued)

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 trustees believe 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 by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically 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 is considered the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on degree of investment risk relative to the liabilities. This take 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 what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together - in an integrated form - the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

SAUL

Birkbeck, University of London participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, 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. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

The College participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The College has now adopted FRS17 for accounting for pension costs. It is not possible to identify the College's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs 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 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

NOTES TO THE ACCOUNTS (Continued)

PENSION SCHEMES (continued)

	31 March 2011
Discount rate	
- pre-retirement	6.80% p.a.
- post-retirement	4.70% p.a.
General* Salary Increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index Inflation ("RPI")	3.50% p.a.
Consumer Price Index Inflation ("CPI")	2.80% p.a.
Pension Increases in payment (excess over GMP)	2.80% p.a.
Mortality - base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females.
Mortality - future improvements	Future improvements in line with CMI 2010 projections with a long term trend of 1.25% p.a.

*an additional allowance is made for promotional Salary 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 £1,056 million representing 95% 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. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The total pension cost for the College was:

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Contributions to USS	4,831	4,885
Contributions to SAUL	760	813
Total Pension Cost (Note 6)	<u>5,591</u>	<u>5,698</u>

NOTES TO THE ACCOUNTS (Continued)

28. DISCLOSURE OF RELATED PARTY TRANSACTIONS

College Governors did not receive any remuneration in their role as trustees in the current or prior year. Travel and subsistence expenses claimed by Governors amount to less than £1,000 in each year, payable to 20 trustees

SUMMARY OF THE COLLEGE'S ESTATE AS AT 31 JULY 2013 (not audited)

Location	Site	Net Internal Area (m2)
Malet Street	Main/Extension Buildings	19,755
Gordon Square	39 - 47	4,424
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 & 3rd Floor)	114
Bedford Square	7	562
Henry Wellcome Building	32 Torrington Square	709
Egmont House	25 - 31 Tavistock Place	1,314
		<hr/> <hr/> 35,845 <hr/> <hr/>