

**Birkbeck,  
University of London**

# **Financial Statements**

**for the year ended 31 July 2014**

**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**

Keith Willett

**INTERIM ACADEMIC REGISTRAR**

Bob Westaway

**DIRECTOR OF HUMAN RESOURCES**

Naina Patel

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## MEMBERSHIP OF COMMITTEES 2013/14

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### THE GOVERNING BODY

Chair	Mr Harvey McGrath
Deputy Chair	Mr Paul Shelton
Academic Board governors:	Professor John Kelly
	Professor Julian Swann
Academic staff governors:	Dr Rebecca Gumbrell-McCormick
	Dr Alex Colas
Non-teaching staff governor	Mr Richard Abbott
Student governors:	Mr Charles-Michael Berry
	Mr John Lindner
Alumnus governor	Ms Caroline Luker
Independent governors:	Mr John Biggs
	Mrs 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	
Ex-Officio governors who are also officers of the College:	
The Master	Professor David Latchman
The Vice-Master	Professor Philip Dewe
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Head of Governance and Corporate Support	Mrs Katharine Bock

### FINANCE AND GENERAL PURPOSES COMMITTEE

Chair	Mr Paul Shelton (until May 2014)
	Mr Hugh Ferrand (from June 2014)
The Master	Professor David Latchman
The Vice-Master	Professor Philip Dewe
The Chair of Governors	Mr Harvey McGrath
Academic governors:	Professor John Kelly
	Professor Julian Swann
Non-teaching staff governor	Mr Richard Abbott
Student governor	Mr Charles-Michael Berry
Independent governors:	Mr Hugh Ferrand
	Dr Ruth Thompson
	Mr Peter Zinkin
	Mr Robert Allison
Co-opted external member	

## MEMBERSHIP OF COMMITTEES 2013/14 (Continued)

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### FINANCE AND GENERAL PURPOSES COMMITTEE (Continued)

In attendance:

The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Pro Vice Master Strategy and Special Projects	Professor Matthew Innes
The Director of Finance	Mr Keith Willett
The Director of Human Resources	Ms Naina Patel
The Interim Academic Registrar	Mr Bob Westaway
The Head of Governance and Corporate Support	Mrs Katharine Bock
The Deputy Secretary	Ms Megan Reeves

### NOMINATIONS COMMITTEE

Chair	Mr Harvey McGrath
The Deputy Chair of Governors	Mr Paul Shelton
The Master	Professor David Latchman
Academic governors:	Professor Julian Swann
	Dr Rebecca Gumbrell-McCormick
Student governor	Mr Charles-Michael Berry
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

Chair	Mr Harvey McGrath
The Deputy Chair of Governors	Mr Paul Shelton
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
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#### Panel B – remuneration of professorial and other senior postholders

Chair	Mr Harvey McGrath
The Deputy Chair of Governors	Mr Paul Shelton
Independent governor	Dr Ruth Thompson
Co-opted member	Mr Drummond Leslie
The Master	Professor David Latchman

In attendance:

The Director of Human Resources	Ms Naina Patel
Personal Assistant to Director of Human Resources	Ms Jackie Williams

## MEMBERSHIP OF COMMITTEES 2013/14 (Continued)

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### EQUALITIES COMMITTEE

Chair and College Diversity Champion	Professor Les Moran
The College Dean	Dr Kate MacKenzie Davey
Independent governor	(vacancy)
School representatives:	
School of Arts	Mr Anthony Shepherd
School of Business, Economics & Informatics	Dr Rebecca Gumbrell-McCormick
School of Law	Ms Patricia Costall
School of Science	Ms Bryony Stewart-Seume
School of Social Sciences, History and Philosophy	Dr Matthew Cook
The Interim Academic Registrar	Mr Bob Westaway
The Disability Services Manager	Mr Mark Pimm
The Director of the Centre for Learning & Professional Development	
The Director of Human Resources	Mr Steve Hirons
The Human Resources Manager (Equalities)	Ms Naina Patel
The Chair of the Disability sub-committee	Ms Patricia Crampton
College Trade Union representative	Mr Daniel Monk
Representative from External Relations	Ms Patricia Costall (UCU)
Student Union representative	Ms Caroline McDonald
	Mr Joshi Sidhu
In attendance:	
Personal Assistant to the Director of HR	Ms Jackie Williams

### AUDIT COMMITTEE

Chair	Mrs Joy Manners
Independent governors:	Mrs Julia Collins
	Mr Stuart Popham
Co-opted member	Mr Clive Birch (from November 2013)
By invitation:	
The Master	Professor David Latchman
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Head of Governance and Corporate Support	Mrs Katharine Bock
The Deputy Secretary	Ms Megan Reeves
The Internal Auditor (Knox Cropper)	Mr Kevin Lally
The External Auditor (KPMG)	Ms Nicola May

**MEMBERSHIP OF COMMITTEES 2013/14 (Continued)**

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**STRATEGIC PLANNING COMMITTEE**

Chair	Professor David Latchman
The Vice-Master	Professor Philip Dewe
The Pro-Vice-Masters:	
Learning & Teaching	Professor Sue Jackson
Research	Professor Stephen Frosh
Strategy & Special Projects	Professor Matthew Innes
International Links	Professor Costas Douzinas
Student Experience	Mrs Tricia King
Academic Partnerships	Professor Matthew Weait
Postgraduate Study	Professor Li Wei
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Director of Human Resources	Mrs Naina Patel
The Interim Academic Registrar	Mr Bob Westaway
The Head of Planning and Business Systems	Mr Nick Head
By invitation:	
The Executive Deans:	
School of Arts	Professor Hilary Fraser
School of Business, Economics & 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
In attendance:	
Head of Governance and Corporate Support	Mrs Katharine Bock
Corporate Support Officer	Ms Roisin Lynch

## MISSION STATEMENT

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The principal aims of Birkbeck are to:

- Provide flexible part-time higher education courses which meet the changing educational, cultural, personal and career needs of adults; in particular those who live or work in the London region;
- Enable adult students from diverse social and educational backgrounds to participate in our courses;
- Maintain and develop excellence in research and provide the highest quality research training in all our subject areas;
- 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.

The key supporting objectives are to:

- Offer our students an integrated range of flexible, research-led courses across all levels of provision;
- Achieve and maintain strong research cultures in support of interdisciplinary work in each school and faculty;
- Ensure the College provides an inclusive working and learning environment for its students and staff so that all may develop to their full potential;
- Develop the College's capacity to respond rapidly to new and changing opportunities in higher and further education;
- Develop sustainable partnerships within the London region and beyond.



## OPERATING AND FINANCIAL REVIEW

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### Master's Report

#### The Strategic Direction of Birkbeck

Birkbeck's recent history has been characterised by successful responses to funding threats. The 2008 Equivalent or Lower Qualification (ELQ) funding crisis prompted restructuring and the five new Schools that were created successfully recruited and retained new students to replace the numbers lost through ELQ. In 2012 the new challenge was a 40% decrease in new part time students after the introduction of much higher tuition fees and student loans for part time students. The College has risen to this challenge responding rapidly to the changing needs, preferences and support requirements of our prospective students. This has involved a major expansion in recruitment to our intensive three year evening programmes recruited through the Universities and Colleges Admissions Service (UCAS) process.



The Higher Education landscape continues to change. The Student Number Control (SNC) will be removed in 2015/16 providing opportunities, to increase numbers on our three year intensive evening undergraduate degrees albeit coupled with a risk of increased competition for students. 2015/16 will also be the first year in which post-2012 graduates emerge with much higher tuition fee debts. A Birkbeck Masters degree, which will allow students to work and study in the evening, is likely to be an increasingly attractive option.

Birkbeck has retained its characteristic mission during this time. Combining widening access for older students who have had fewer opportunities with maintaining a strong research reputation is paradoxical, but is what makes the College distinctive. The new challenge is to maintain that mission with a different mix of younger school leavers and mature students studying alongside each other in the College.

Having focused on the short term objective of reacting to changes in external policy and providing a sound financial base within the new student funding environment, we are now considering how best to build on this base to support our medium term objectives. In March 2014 Governors attended an away day where they were asked to consider a range of questions about their vision for the institution including aspects such as mission, size and distinctiveness in the context of a strategy document from the Master. They were also asked to reflect on development areas which may need to be prioritised in the medium term to support their vision. Deliberations were supported by presentations on key strategic areas previously discussed in detail by the Strategic Planning Committee (SPC). SPC subsequently developed an operational plan and associated budget for 2014/15 and forecasts for the following two financial years to 31 July 2017.

#### Times Higher Education University of the Year and other awards

In recognition of our considerable efforts to react to the consequences of the biggest changes to funding of higher education in England in 2012/13 we were delighted to be shortlisted for the University of the Year award in the prestigious Times Higher Education Awards for 2014 (winners to be announced late November 2014). Direct government funding for English universities was replaced by higher tuition fees in 2012 and part-time student numbers declined dramatically across the sector by up to 45%. Historically, part-time students made up more than 90% of our undergraduate cohort so it was essential that we adapted quickly or face an uncertain and unstable future. Just as importantly, we needed to respond in a way that was consistent with our mission and best serving the interests of our current and prospective students.

## OPERATING AND FINANCIAL REVIEW (Continued)

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We embarked on an expansion of the number of three year, evening taught degrees we offered and students responded positively with a 335% increase in acceptances by 2013. As the only UK institution to offer all of its undergraduate degree programmes in the evening, we believe that we are pioneering a new model of UK higher education, as students look to wrap high quality evening study around daytime work.

Birkbeck provides its unique learning and teaching environment in the context of a research intensive, outward facing and publically engaged institution. It is pleasing to be able to report that Birkbeck staff, students and alumni continue to be acknowledged for their contribution in various fields and this year has been no exception. The following are examples of awards received during the year:

Professor Joanna Bourke became the tenth Birkbeck academic to be elected as a Fellow of the British Academy – the prestigious national academy representing the humanities and social sciences. The honour was conferred in recognition of her outstanding historical research. Professor Bourke has taught at Birkbeck since 1992 and is the College's orator.

Professor Joni Lovenduski, Department of Politics, has been awarded the Sir Isaiah Berlin Prize for Lifetime Contribution to Political Studies by the Political Studies Association. Professor Lovenduski's work has spanned more than thirty years and her influence has been profound both in academia and in British politics. As the figurehead of feminist political studies in this country, her work has influenced parties' recruitment strategies and helped to put women voters and women politicians at the forefront of the political agenda.

Dr Gillian Woods, Lecturer in Renaissance Theatre and Drama in Birkbeck's Department of English and Humanities won this year's Shakespeare's Globe Book Award for her book *Shakespeare's Unreformed Fictions*. Her book looks at why Catholicism continued to have an imaginative hold over Shakespearean drama, even though the on-going Reformation outlawed its practice. The Shakespeare's Globe Book Award is given to a first monograph published in the last two years which has made an important contribution to the understanding of Shakespeare, his theatre, or his contemporaries.

Tricia King, Pro-Vice-Master Strategic Engagement and Recruitment, received the annual Distinguished Service Award from the Council for the Advancement and Support of Education (CASE). The Award honours individuals whose professional accomplishments have made a significant and lasting impact in higher education. Birkbeck also won a silver CASE Circle of Excellence Award in the annual magazine category. "BBK" issue 31, which was dedicated to the memory of the renowned Marxist historian, Birkbeck academic and President, Professor Eric Hobsbawm, beat 40 entries from institutions across the world.

Cleo Blackman, who graduated from Birkbeck's MSc Development Studies in 2011, was awarded an MBE in the Queen's Birthday Honours list for services to Development in Helmand Province, Afghanistan. Cleo, who was Deputy Head of Socio-Economic Development and then Strategy Advisor for the Department for International Development, spent nearly two years representing the UK in Helmand's Provincial Reconstruction Team where she managed projects including road building, rehabilitating clinics and schools, providing vocational training to Afghan men and women, ensuring the work was sustainable and good value for money.

## OPERATING AND FINANCIAL REVIEW (Continued)

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### Research

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. Over 80% of staff eligible for submission were submitted to the 2014 Research Excellence Framework (REF) the outcome of which is crucial to our research funding and to the research profile of the College, a clear indication of the research intensive ethos which is one of the driving forces of the College. We have more than 30 active research centres engaged in national and international research collaboration and are developing a new Research Strategy to 2019 which will include objectives to maintain and enhance research quality and impact. In terms of the financial support for research, it is pleasing to report that despite an increasingly competitive environment for project-based research funding, the College's research income has increased to £11.1 million in 2013/14 (2012/13: £9.2 million), an increase of 21%.

The following paragraphs indicate some examples of new research projects which were awarded funding during the year across a broad range of our academic disciplines:

Professor Bonnie Wallace, Professor of Molecular Biophysics in the Department of Biological Sciences has been awarded £530,000 by the Biotechnology and Biological Science Research Council (BBSRC) to undertake a four year study which could lead to the design of better drugs for treating chronic pain, neurological diseases such as epilepsy and heart disease. The BBSRC grant will support the work of two post docs, Dr Claire Bagn ris and Dr Claire Naylor whose research with Professor Wallace previously led to breakthrough publications in this area.

Professor Daniel Pick from the Department of History, Classics and Archaeology has been awarded £900,000 by the Wellcome Trust for a new study into the role of the clinical professions in "brainwashing" during the Cold War. The project will fund three PhD studentships, two three-year postdoctoral research posts, two visiting scholars, two major conferences, a series of roundtables, a short film and website, and various publications. New ideas in psychology were employed during the Cold War period to try and influence the behaviour of large groups as well as individual prisoners. The project will look at the role that psychoanalysts and psychiatrists played in supporting western governments to influence public opinion, and retain the loyalty of populations in colonial contexts.

A pioneering study is underway at Birkbeck to examine the links between Down's syndrome in babies and Alzheimer's disease in adults. The research may lead to a better understanding of the protective and risk factors associated with Alzheimer's – a disease associated with old age. The tests are being carried out as part of the £2.5 million London Down's Syndrome Consortium funded by the Wellcome Trust. Up to 150 babies and infants with Down's syndrome, aged from six months to five years, are now being recruited for the study to undergo a series of non-invasive behavioural tests. The research group in Psychological Sciences is led by Professor Annette Karmiloff-Smith and the tests will be undertaken in the College's Babylab research facility.

Staff from across the College are championing the role of female academics in scientific subjects as part of a five-country European project. The new initiative involves testing a blueprint designed to raise the status of women in scientific and technological organisations. There is a particular focus on encouraging women during the early stages of their scientific careers. The total project is worth €3.3 million and also involves institutions in Italy, France, Spain and the Czech Republic. Birkbeck will receive €400,000 for its participation in the Transforming Institutions by Gendering Cultures and Gaining Equality in Research (TRIGGER) grant. The project is partly funded by the European Union's Seventh Framework Programme (€2.2 million) and the Italian Government (€700,000).

## OPERATING AND FINANCIAL REVIEW (Continued)

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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 226<sup>th</sup> to 250<sup>th</sup> band in the latest THE World University Rankings (2012/13: 201<sup>st</sup> to 225<sup>th</sup> band). 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. This table has become even more competitive as a greater number of universities, particularly from Asia, compete for recognition. Moreover, our Arts and Humanities area was ranked 49<sup>th</sup> in the world, up from 54<sup>th</sup> in 2012/13.

### Estates

It is of vital importance that we continue to provide the best teaching and research facilities for our staff and students, even as this becomes more difficult in a period of greatly reduced Government/HEFCE funding for capital projects.

At the beginning of the autumn term, University Square Stratford opened to students from both Birkbeck and the University of East London (UEL). The £32 million jointly funded building is situated in the heart of Stratford's cultural quarter and is a unique collaboration between the two partners. The two distinct universities both aim to widen access and encourage progression into higher education for non-traditional students. The campus offers an alternative model of higher education, with flexible part- and full-time, day and evening study opportunities to meet the growing aspirations of the people of east London. Designed by Make architects and built by contractor VolkerFitzpatrick in association with AWW architects, the five-floor campus comprises 8,600 square metres of flexible teaching and performance space, as well as academic and administrative offices, orientated around a large, light-filled atrium. The building was formally opened in November 2013 by Her Royal Highness The Princess Royal, Chancellor of the University of London. The building is a prime example of the latest technology and sustainable building design. Its features include more than 700 square metres of solar panels, rooftop habitats to increase biodiversity, three rooftop bat boxes, rainwater harvesting and a garden at ground level.

Estates Committee continues to oversee the development of our estate on behalf of the Board and projects with a combined budget of £2.8 million were commenced or completed during 2013/14. These included a £0.5 million redevelopment of the reception to the Clore Management Centre, improvements to the external facades of listed properties used by two of our Schools in Russell Square and Gordon Square and the creation of a Wellbeing Centre for students in our main building in Torrington Square.

The strategy to improve teaching space will also continue, including improving externally hired space. At peak times half of our teaching is in hired space, so this has a major impact on our students. The partnerships with the School of Oriental and African Studies for the refurbished Senate House North Block and with Friends House both involve long term sharing arrangements for space close to the College. The structure of these important agreements provides us with the opportunity to take part in decisions on the planning of the space. In tandem with these initiatives, we continue to look for alternatives which will allow us to become more space self-sufficient.

As the College looks towards its 200<sup>th</sup> anniversary in 2023, discussions to develop a new Estates Strategy to support our third century are under way. Our financial strategy has been developed to ensure that our operating activities produce a cash surplus each year which we can contribute to our future estate plans.

**OPERATING AND FINANCIAL REVIEW (Continued)**

**Student numbers**

Our teaching activity is absolutely critical to the College both in terms of its mission and its financial stability. As noted earlier, the funding changes introduced by the government had a profound effect on part time students and consequently on Birkbeck. Part time programmes remain strategically important to us and we continue to lobby the government with a view to them developing initiatives to support part time students who were disadvantaged by the changes to the funding rules. However, it was essential that we adapted our offer to the new environment and our three year full time evening undergraduate and one year evening postgraduate programmes proved to be popular.

The following tables highlight some key trends:

	2011/12	2012/13	2013/14
Undergraduate certificate	11,027	8,475	6,493
Foundation degree	876	863	758
Undergraduate degree	5,611	5,770	6,049
Postgraduate taught	5,124	4,695	4,251
Postgraduate research	904	908	881
<b>Total</b>	<b>23,542</b>	<b>20,711</b>	<b>18,432</b>

*Total student recruitment (headcount) by programme level*

	2011/12	2012/13	2013/14
Undergraduate degree full time	339	829	1,588
Undergraduate degree part time	5,272	4,941	4,461
Postgraduate taught full time	991	858	811
Postgraduate taught part time	4,133	3,837	3,440

*Sub-set of student recruitment (headcount) by programme level and mode of attendance*

	2011/12	2012/13	2013/14
	£'000	£'000	£'000
Full time home/EU students	6,104	9,417	15,622
Part time home/EU students	28,895	33,351	32,708
International students	6,643	6,771	7,232
<b>Total</b>	<b>41,642</b>	<b>49,539</b>	<b>55,562</b>

*Primary sources of tuition income*

The first table clearly highlights the significant impact that raising undergraduate tuition fee levels in 2012 had on our undergraduate certificate numbers which are mostly studied on a part time basis. Although undergraduate recruitment numbers overall have improved since 2011/12 the second table confirms that this is primarily due to the introduction of our innovative full-time evening study programmes. The postgraduate market across the sector has seen challenges as students struggle to find funding during a sustained period of economic austerity. Despite the external challenges that the College has needed to react to, our strategy has allowed us to retain appropriate levels of tuition income to maintain our budget surpluses.

## OPERATING AND FINANCIAL REVIEW (Continued)

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Looking forward, recruitment has been strong in 2014/15 and targets have broadly been met. Our student number predictions assume that international recruitment, postgraduate research and postgraduate taught recruitments will be largely flat during the next three years with no growth assumed. Innovative ways to enhance postgraduate taught enrolments are being considered to offset the possible downturn in this sector once the first cohort of graduates with three years of debt at the higher fee graduate in 2014/15. Although part time study is still a core strategic objective, we have made no assumptions that recruitment will revert to pre-2012 levels. We are continually looking at ways to offer flexible study options to our students but new modes are likely to replace the traditional study patterns of a part time student.

As in recent years, we expect the main source of growth to be our full-time undergraduate degree programmes through UCAS. We expect to recruit 1,100 new home/EU students in 2014/15 (up 16% on 2013/14), increasing to 1,250 in 2015/16 (+13%) and 1,400 in 2016/17 (+12%). This is significant growth, although at more modest rates than the spectacular growth seen since Birkbeck introduced these programmes in 2010/11. Growth in 2015/16 and 2016/17 is expected to be from the introduction of attractive new courses (e.g. BA Creative Writing, BA Marketing and BSc Economics in 2015/16) and continued development of the existing portfolio. The forecasts include similar growth rates for international full-time undergraduates, which we are confident of achieving from a low baseline (76 headcount in 2013/14).

We have agreed with HEFCE a jointly funded initiative under the Catalyst programme to enhance our three year degrees and associated support, responding to evidence of demand for these courses. Our Catalyst project commenced in January 2014 and is developing innovative academic provision blending face to face with online elements, strategies to reach out to and recruit new groups of students, learning support that complements intensive evening courses and opportunities for students to meaningfully link work and study. Our aim is for these enhancements to allow us to increase and maintain uptake onto intensive evening courses, both three year undergraduate degrees and one and two year Masters degrees, enabling us to earn enough income to support our academic and infrastructure goals.

We were delighted to have been voted number one in London by our students in the National Student Survey published earlier this year. The College came first in this year's national poll for overall satisfaction among multi-faculty higher education institutions in London. Measured out of five, our overall satisfaction score was 4.3, up from 4.2 last year. This rating places us above LSE, UCL and King's College London, and joint first alongside Imperial, Queen Mary, Royal Holloway and Brunel for overall satisfaction. Students also ranked us number one in London for finding their course intellectually stimulating.

Having successfully addressed recent challenges we are now well placed to plan for future success and development. We are continuing with the academic and student support developments that are essential to creating the best possible environment for our students; in particular, responding to the needs of the increasing numbers of students studying intensively in the evenings. Given the improving and more certain operating environment, we are currently developing a strategy for investment in the College estate, something which is essential for the long term sustainability and development of our teaching and research. We will pursue our strategy for excellent and distinctive research, in the light of the announcement of the REF outcome in December 2014. Looking further ahead, we will be defining our ambitions and vision for Birkbeck in 2023, when the College will celebrate its 200<sup>th</sup> anniversary.

**Professor David S. Latchman, CBE**  
Master

## OPERATING AND FINANCIAL REVIEW (continued)

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### 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.



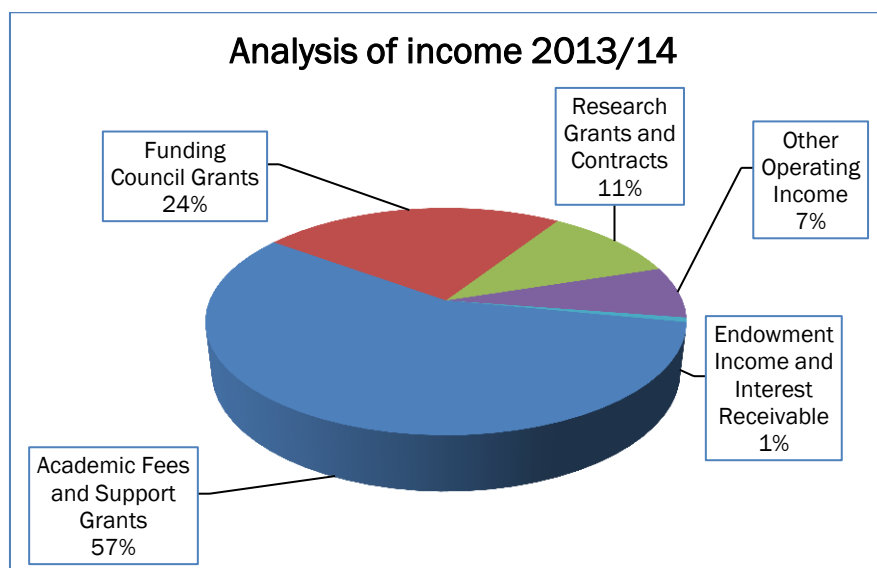
#### Results for the Year

The College's income and expenditure for the year ended 31 July 2014, with the previous year's figures for comparison, are summarised as follows:

	2013/14 £000	2012/13 £000
Income	101,463	96,262
Expenditure	(94,967)	(89,550)
<b>Surplus on continuing operations after Depreciation</b>	<b>6,496</b>	<b>6,712</b>
Transfer from accumulated income within specific endowments	126	24
<b>Surplus for the year retained within General Reserves</b>	<b>6,622</b>	<b>6,736</b>

The Charts on the following two pages highlight the breakdown of the College income and expenditure for 2013/14.

**OPERATING AND FINANCIAL REVIEW (continued)**



	£000	%
Academic Fees and Support Grants	57,796	57
Funding Council Grants	24,522	24
Research Grants and Contracts	11,050	11
Other Operating Income	7,441	7
Endowment Income and Interest Receivable	654	1
	<b>101,463</b>	<b>100</b>

The College's total income increased by £5.2million (5.4%) compared with the previous year.

Recurrent grants amounting to £21.4m (teaching £11.3 million, research £10.1 million) were received from the Higher Education Funding Council for England (HEFCE). The trend of reducing teaching grants has continued.

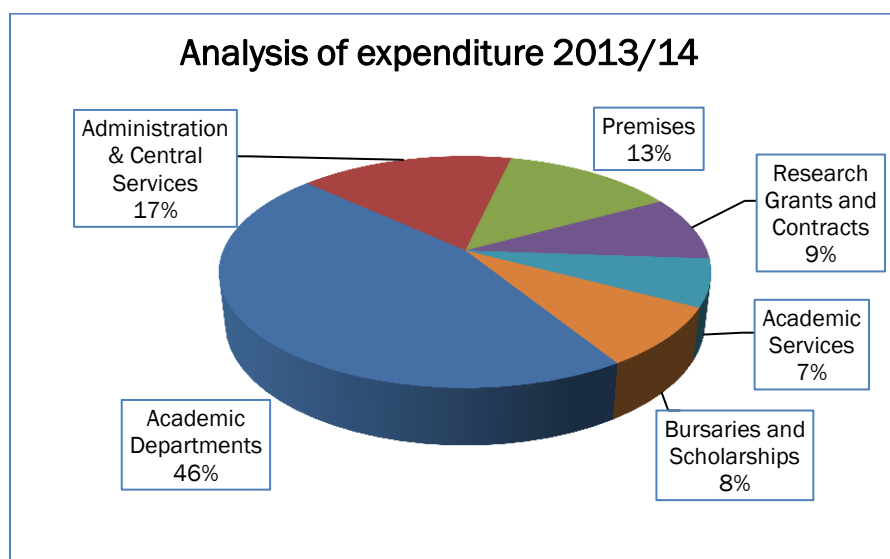
Deferred capital grants released from HEFCE funds for Buildings and Equipment were £2.6 million; an increase of £0.6 million on the previous year. This reflects the release of grants in relation to the University Square Stratford building which was opened during the year.

Income from academic fees and support grants of £57.8 million represented an increase of £6.1 million (11.7%). The increase was a result of higher tuition fees and volume growth in full-time and overseas student numbers.

Income from research grants and contracts totalled £11.1million, an increase of £1.9million (20.7%) due to an increase in the value of awards. The overhead contribution towards indirect costs was £2.4 million and represents an average overhead recovery rate equivalent to 28.4% on direct research expenditure.



**OPERATING AND FINANCIAL REVIEW (continued)**



	£000	%
Academic Departments	43,417	46
Administration & Central Services	15,936	17
Premises	12,817	13
Research Grants and Contracts	8,569	9
Bursaries and Scholarships	7,943	8
Academic Services	6,285	7
	<b>94,967</b>	<b>100</b>

Total expenditure increased by £5.4 million (6%) compared with the previous year. Staff costs representing 62.7% of total expenditure increased by £3.6 million (6.4%) on the previous year.

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 £5.1 million (2012/13: £2.6 million) of which £3.4 million (2012/13: £2.3 million) was written-off to the Income and Expenditure Account and the remaining £1.7 million was capitalised.

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

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

The market value of the College's long-term investments at 31 July 2014 increased from £15.8 million to £16.6 million. This is made up of General Fund Investments of £12.3m and Endowment Fund Investments of £4.3m. The market value of long-term investments increased by £0.8 million. An unrealised gain on revaluation, attributable to the General Fund was credited to the revaluation reserve and an unrealised gain on revaluation was credited to the endowment fund. Long-term investment income for the year, after charges, amounted to £0.3 million. 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 £0.5 million. The College will be reviewing its Investment Strategy during 2014/15. Further analysis of investment income and long-term investments is set out in notes 5, 9 and 10 of the Financial Statements.

### **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 professional services staff. Significant current and potential future 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.

## OPERATING AND FINANCIAL REVIEW (continued)

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The top three risks identified for the College for 2014/15 and a summary of the mitigating actions are as follows:

- **Financial sustainability:** the significant challenges associated with managing the removal of funding for ELQ students and more recently the drop in numbers of part time undergraduates has created significant financial planning uncertainty for the College. The success of the introduction of three year full time undergraduate evening programmes has reduced the funding gap in the last two years and the current financial forecasts assume a degree of growth. However, the removal of the Student Number Control in 2015/16 introduces a new uncertainty in the near future (although it is also seen as an opportunity for the College) and student funding for postgraduate programmes is widely expected to become more challenging for the sector once the first cohort of higher fee paying undergraduates graduate at the end of 2014/15.

In the short term we will ensure that expenditure is robustly controlled such that forecast surpluses are maintained. Prudent budgets will continue to include appropriate contingencies to help manage any income deficiencies and adjustments to spend plans will be made in year where required. Areas with structural deficits are being addressed (the Schools of Arts and Science are both projecting surpluses for 2014/15 in comparison with historical deficits). In the medium term, provision will be expanded where there is demand and the academic portfolio will be flexibly developed to remain distinctive and attractive to our students. Regular reports on financial management and performance will be presented to budget managers, the Strategic Planning Committee and the Finance & General Purposes Committee.

- **Student recruitment:** tuition fee income remains the core element of our business and as such ensuring that we meet our targets will always be a risk requiring significant effort. Although part time undergraduate applications continue to fall, postgraduate enrolments for 2014/15 remained steady and full time undergraduate enrolments exceeded last year. The College has scoped projects to improve and extend flexible evening study and student and learning support, enabling students to better combine work and study, in response to current demand trends.

Controls to improve the efficiency and effectiveness of recruitment monitoring and the processes for converting student applications to offers and enrolments continue to be enhanced. Distinct plans are being deployed for UCAS recruitment, measures to keep - and as much as possible bring back - mature part time students, and strategies to maintain and develop our postgraduate offer. A fourth strand is international student recruitment (although this is covered by a separate risk in the risk register). Performance against recruitment targets are regularly reviewed by Schools and the Strategic Planning Committee and reported to the Finance & General Purposes Committee and the Board.

- **Student retention, progression and success:** expectations and demands from students are rising, partly as a consequence of higher tuition fees. Reputational and consequent financial risks could be adversely impacted.

## OPERATING AND FINANCIAL REVIEW (continued)

A refreshed student retention and success strategy is under development and our Catalyst programme includes a student success project. The College will define how to measure student success, develop and promote measures to promote it and measure their efficacy. Learning Support officers are already in place in all the Schools and the central support function is being reviewed and redefined. The Catalyst project to develop and enhance intensive flexible provision and aligned support has started and will run during 2014/15 and 2015/16.

### Financial sustainability

The following table brings together some key pieces of financial data from the last five years:

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Total income	81,378	88,614	93,606	96,262	101,463
(Deficit)/surplus for the year	(625)	6,748	6,529	6,736	6,622
Tangible assets plus long term investments	67,128	68,791	69,622	73,838	72,711
Cash plus current investments	19,516	26,780	34,488	32,583	41,696
Net cash (outflow)/inflow from operating activities	(58)	7,399	8,857	3,813	10,448

The key message that can be deduced from this table is that the College has a sound financial basis on which it can plan and build for the future. Surpluses for the last four years have exceeded 6.5% of total income which in turn has resulted in an increase in cash and current asset investments of £22.2 million over the same period. £5.6 million (net after depreciation) has also been reinvested in fixed assets since 2009/10 and the College has limited exposure to long term loans (£0.2 million at 31 July 2014).

A focus on strong financial management has kept costs in line with budget with staff costs as a percentage of total income falling from 68.3% in 2009/10 to a more sustainable 58.7% in 2013/14. The College contributed just over £5.5 million (5.5% of total income) to pension schemes by way of employer contributions in 2013/14, a figure which is expected to rise in the years to come. Triennial valuations from the two main pension schemes, SAUL and USS, have recently indicated that both funds have a deficit of assets compared to an estimate of future liabilities. Although negotiations are still ongoing with the scheme trustees it is certain that employers' contributions will need to rise.

Despite the persistent challenge of recruiting students in an extremely competitive market and the additional contributions we will need to make in respect of National Insurance and pensions, our financial strategy for the future is based on annual surpluses of at least 5% of total income. We believe that this is achievable, will allow us to invest in teaching and research and also provide cash to invest in capital assets including our estate.

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

## OPERATING AND FINANCIAL REVIEW (continued)

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### Public Benefit Statement

The College Charter dated 17 March 1926 states:

“The objects of the College shall be to promote for the public benefit and to provide for persons who are engaged in earning their livelihood during the daytime and other persons, education, instruction and means for research and such facilities as may be deemed appropriate, in all or any of the subjects comprised in the faculties of the University into which the College has been or may be admitted and any other subjects as the Governors may from time to time determine.”

As an exempt charity within the meaning of the Charities Act 2006 (updated 2011), we are required to demonstrate how our activities are of benefit to the public. 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 benefit 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 to gain access to the range of academic services Birkbeck has to offer. The Outreach and Widening Participation team continue to develop the College’s widening participation activities.

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 following table highlights our commitment to providing targeted financial support to our students:

	2011/12	2012/13	2013/14
Fellowships, scholarships and bursaries (£'000)	5,456	7,962	7,943
Spend as a percentage of total income	5.8%	8.3%	7.8%

**OPERATING AND FINANCIAL REVIEW (continued)**

The Widening Access and Retention team at Birkbeck provides pre-entry information, advice and guidance designed to raise the aspirations, confidence and achievements of students from hard-to-reach and non-traditional groups. The College also has an active disability office that leads the provision of support for disabled students to ensure that they can benefit from study at Birkbeck. During the summer of 2014 we created a Wellbeing Centre for students to receive counselling and support during their studies

The following table summarises our research income over the last three years

	2011/12	2012/13	2013/14
Research income (£'000)	8,410	9,157	11,050
Income as a percentage of total income	9.0%	9.5%	10.9%

Our success in driving forward research directly contributes to a number of the public benefit criteria outlined in the Charities Act. Some of the grants which were awarded this year were outlined in the Master's Report earlier and are included again here against the charitable purpose that they make a significant contribution to:

Advancement of health or saving of lives: £530,000 Biotechnology and Biological Science Research Council (BBSRC) grant to undertake a four year study which could lead to the design of better drugs for treating chronic pain, neurological diseases such as epilepsy and heart disease;

Advancement of citizenship or community development: £900,000 grant from the Wellcome Trust for a study into the role of the clinical professions in "brainwashing" during the Cold War. New ideas in psychology were employed during the Cold War period to try and influence the behaviour of large groups as well as individual prisoners. The project will look at the role that psychoanalysts and psychiatrists played in supporting western governments to influence public opinion, and retain the loyalty of populations in colonial contexts;

Relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage: £2.5 million London Down's Syndrome Consortium funded by the Wellcome Trust examining the links between Down's syndrome in babies and Alzheimer's disease in adults. The research may lead to a better understanding of the protective and risk factors associated with Alzheimer's;

Advancement of the arts, culture, heritage or science: €400,000 for participating in the Transforming Institutions by Gendering Cultures and Gaining Equality in Research (TRIGGER) project which involves testing a blueprint designed to raise the status of women in scientific and technological organisations.

It is also clear that many of our students go on to make profound contributions to the twelve charitable purposes outlined in the Charities Act. As an example, the MBE awarded to Cleo Blackman (who graduated from our MSc Development Studies in 2011) for her recent work in Afghanistan recognised her contribution to a number of charitable purposes including: advancement of human rights, conflict resolution or reconciliation, or the promotion of religious or racial harmony or equality and diversity.

## STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

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

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

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

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

The Governors have taken reasonable steps to:

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

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

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

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

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- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and forecasts;
- regular reviews of key performance indicators and business risks and reports of variance from the annual income and expenditure budget;
- 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**

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### **Corporate governance and accountability arrangements**

Birkbeck College is a body incorporated by Royal Charter. Although the College does not have shareholders, and is not a listed company, the Governing Body is committed to achieving high standards of corporate governance, in line with accepted best practice. This summary describes the manner in which the College has applied the principles set out in Section 1 of the UK Corporate Governance Code (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 (“Governors”) 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 separate from the role of the College’s Chief Executive, the Master.

The matters specially reserved to the Governors 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 2013/14, 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 recommendations from 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 2014 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 (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)**

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

The Finance and General Purposes Committee (F&GPC) reviews and then recommends to the Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and then recommends to Governors the financial regulations and financial policies that are applied to management. It reviews the annual financial statements and considers financial strategy. In addition, the Investment Committee is responsible for the College investments on behalf of F&GPC.

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. Recommendations to the Governors take into account the balance of skills, knowledge and experience of 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, recommending the introduction of new policy as appropriate and issuing guidelines on new initiatives;
- monitoring developments in legislation and making recommendations for any necessary changes required to policy and practice;
- developing and ensuring implementation of the College's Single Equality Strategy and other related policies.

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

The Committee met twice during the year.

## CORPORATE GOVERNANCE STATEMENT (continued)

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### Audit Committee

The Audit Committee comprises wholly lay members drawn from the Governing Body plus a co-opted member and so has no executive responsibility. Members have recent, relevant financial and other appropriate experience. The Audit Committee met four 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 thereby securing 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.

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

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### **Audit Committee (continued)**

The senior management team and the Audit Committee receive regular reports, including value for money 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 Audit Committee and the Strategic Planning Committee review risk and control during the annual compilation of the risk register and report to the Governing Body. The Audit Committee also reports on the effectiveness of the College's management of risks to the Governing Body each term. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2014 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

### **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 professional services on developing plans and co-ordinates 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 levels and scholarship policy 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 during the year is shown on pages 1-4.

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

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We have audited the College's financial statements (the "financial statements") of Birkbeck College for the year ended 31 July 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of the College. Our audit work has been undertaken so that we might state to the Board of Governors 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's Governors' Responsibilities set out on pages 20 and 21 the Governing Body is 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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**

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

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes; and
- 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 included as part of the Corporate Governance Statement 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

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### **Basis of preparation**

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

### **Basis of accounting**

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

Retirements benefits for most employees of the College 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 schemes are held in a separate trustee administered funds. Contributions to the schemes are determined by qualified actuaries on the basis of triennial valuations using the Projected Unit Method. Reviews of the scheme positions are carried out in the period between valuations.

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### Leased assets

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

### Foreign currency translation

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

### Tangible fixed assets

#### a. Land and buildings

The freehold to all but one of the College's premises is owned by the University of London and therefore their values are not included in the Financial Statements. Freehold buildings are 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.

#### b. Refurbishments

Expenditure on major 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)

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### 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 it is incurred.

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

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**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 of the 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 of the 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 2014**

	NOTE	2014 £000	2013 £000
<b>INCOME</b>			
Funding Council Grants	1	24,522	27,681
Academic Fees and Support Grants	2	57,796	51,741
Research Grants and Contracts	3	11,050	9,157
Other Operating Income	4	7,441	6,780
Endowment Income and Interest Receivable	5	654	903
<b>TOTAL INCOME</b>		<u>101,463</u>	<u>96,262</u>
<b>EXPENDITURE</b>			
Staff Costs	6	59,597	55,987
Other Operating Expenses	7	30,501	29,448
Depreciation	8	4,869	4,115
<b>TOTAL EXPENDITURE</b>		<u>94,967</u>	<u>89,550</u>
<b>Surplus on continuing operations after Depreciation</b>		<b>6,496</b>	<b>6,712</b>
Transfer from accumulated income in endowment funds		126	24
<b>Surplus for the year retained within General Reserves</b>		<u><b>6,622</b></u>	<u><b>6,736</b></u>

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the Year Ended 31 July 2014**

	NOTE	2014 £000	2013 £000
Surplus on continuing operations after Depreciation		6,496	6,712
Appreciation of Endowment Assets	15	59	98
New Endowments	15	445	275
Revaluation of Investments	16	24	417
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<u>7,024</u>	<u>7,502</u>
<b>RECONCILIATION</b>			
Opening Reserves and Endowments		55,236	47,734
Total Recognised Gains and Losses for the Year		7,024	7,502
Closing Reserves and Endowments		<u>62,260</u>	<u>55,236</u>

The notes from page 36 to 49 form part of these financial statements.

**BALANCE SHEET as at 31 July 2014**

	NOTE	2014 £000	2013 £000
<b>FIXED ASSETS</b>			
Tangible Assets	8	60,396	61,884
Investments	9	12,315	11,954
		<u>72,711</u>	<u>73,838</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	10	4,261	3,883
<b>CURRENT ASSETS</b>			
Stock		31	11
Debtors	11	14,590	17,247
Investments	23	15,500	23,000
Cash at Bank and in Hand	23	26,196	9,583
		<u>56,317</u>	<u>49,841</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>(23,987)</u>	<u>(23,576)</u>
<b>NET CURRENT ASSETS</b>		32,330	26,265
<b>CREDITORS: Amounts falling due after more than one year</b>	13	(48)	(233)
<b>NET ASSETS</b>		<u>109,254</u>	<u>103,753</u>
<b>DEFERRED CAPITAL GRANTS</b>	14	46,994	48,517
<b>ENDOWMENTS</b>			
Permanent	15	3,457	3,326
Expendable	15	804	557
		<u>4,261</u>	<u>3,883</u>
<b>RESERVES</b>			
Revaluation Reserve	16	2,165	2,141
Income and Expenditure Account Reserve	17	55,834	49,212
<b>TOTAL FUNDS</b>		<u>109,254</u>	<u>103,753</u>

The notes from page 36 to 49 form part of these financial statements.

Approved by Governors at their meeting on 25 November 2014, and signed on their behalf by:

Mr Harvey McGrath  
 Chairman of Governors

Professor David Latchman  
 Master

Mr Keith Willett  
 Director of Finance

**CASH FLOW STATEMENT for the Year Ended 31 July 2014**

	NOTE	2014 £000	2013 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>21</b>	<u>10,448</u>	<u>3,813</u>
<b>RETURNS ON INVESTMENTS</b>			
Income from Endowments	5	96	97
Income from Investments	5	550	804
<b>Net Cash Inflow from Returns on Investments</b>		<u>646</u>	<u>901</u>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Tangible Assets Acquired	8	(3,381)	(7,597)
Other Investments Acquired	9	(337)	(317)
Endowment Asset Investments Acquired	10	(101)	(95)
Deferred Capital Grants Received	14	1,796	1,467
Endowments Received	15	445	275
<b>Net Cashflow from Capital Expenditure and Financial Investment</b>		<u>(1,578)</u>	<u>(6,267)</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES</b>		9,516	(1,553)
<b>MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>			
Decrease in Short Term Investments	23	7,500	8,025
Loans Repaid in the Year	23	(185)	(196)
<b>Net Cash Inflow from Management of Liquid Resources and Financing</b>		<u>7,315</u>	<u>7,829</u>
<b>INCREASE IN CASH</b>	<b>23</b>	<u>16,831</u>	<u>6,276</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
		<b>2014 £000</b>	<b>2013 £000</b>
<b>INCREASE IN CASH</b>	<b>23</b>	16,831	6,276
Increase in Short Term Deposits	23	(7,500)	(8,025)
Decrease in Debt	23	672	196
<b>INCREASE/(DECREASE) IN NET FUNDS</b>		<u>10,003</u>	<u>(1,553)</u>
Net Funds at Beginning of Year	23	<u>32,005</u>	<u>33,559</u>
<b>NET FUNDS AT THE END OF THE YEAR</b>	<b>23</b>	<u>42,008</u>	<u>32,005</u>

## NOTES TO THE ACCOUNTS

<b>1. FUNDING COUNCIL GRANTS</b>	<b>Year ended 31 July 2014 £000</b>	<b>Year ended 31 July 2013 £000</b>
Recurrent Grant:-		
Teaching	11,271	14,095
Research	10,114	10,162
Specific Grants:-		
Strategic Development Fund	(624)	276
Higher Education Innovation Funding	731	807
Leadership, Governance and Management Fund	-	25
National Scholarship Programme	393	240
Deferred Capital Grants released in the Year:-		
Buildings	2,637	2,076
	<u>24,522</u>	<u>27,681</u>
<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>	<b>Year ended 31 July 2014 £000</b>	<b>Year ended 31 July 2013 £000</b>
Full-time Home/EU Students Fees	15,622	9,417
Part-time Home/EU Students Fees	32,708	33,351
Short Course Fees	15	1
Students charged Overseas Fees	7,232	6,771
Research Training Support Grants	1,929	1,900
Other Teaching Activities	290	301
	<u>57,796</u>	<u>51,741</u>
<b>3. RESEARCH GRANTS AND CONTRACTS</b>	<b>Year ended 31 July 2014 £000</b>	<b>Year ended 31 July 2013 £000</b>
Research Councils	5,029	3,936
UK Charities	2,396	2,106
UK Government	605	538
UK Industry	253	215
EU Government	2,532	1,917
Other	235	445
	<u>11,050</u>	<u>9,157</u>

NOTES TO THE ACCOUNTS (Continued)

4. OTHER OPERATING INCOME	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Room Lettings & Catering Income	3,275	2,684
Other Services Rendered	1,661	1,553
Donations	542	434
Released from Deferred Capital Grants	456	380
Other income	1,507	1,729
	<u>7,441</u>	<u>6,780</u>

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Income from Expendable Endowments	19	13
Income from Permanent Endowments	77	84
Income from Investments	550	804
	<u>646</u>	<u>901</u>
Other Interest	8	2
	<u>654</u>	<u>903</u>

6. STAFF COSTS	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Wages and Salaries	49,429	46,637
Social Security Costs	3,756	3,740
Other Pension Costs (Note 24)	5,543	5,591
Restructuring Costs	869	19
	<u>59,597</u>	<u>55,987</u>

Staff Costs by activity:	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Academic Departments	38,776	36,962
Academic Services	3,404	3,124
Research Grants & Contracts	5,078	4,617
Premises	2,407	1,996
Administration & Central Services	9,932	9,288
	<u>59,597</u>	<u>55,987</u>



NOTES TO THE ACCOUNTS (Continued)

6. STAFF COSTS (continued)	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Emoluments of the Master	337	314
Pension Contributions to USS	51	50

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

	Year ended 31 July 2014 Number	Year ended 31 July 2013 Number
£100,001 - £110,000	1	-
£110,001 - £120,000	1	4
£120,001 - £130,000	3	2
£130,001 - £140,000	1	-

	Year ended 31 July 2014 FTE	Year ended 31 July 2013 FTE
Average Full Time Equivalent (FTE) Staff Numbers by Major Category:-		
Academic	556	529
Technical	20	24
Other (Clerical, Manual and Administrative)	469	465
	<u>1,045</u>	<u>1,018</u>

Compensation for loss of office payable to a senior postholder

Compensation Payable	<u>30</u>	<u>-</u>
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The severance pay was approved by the College Remuneration Committee

NOTES TO THE ACCOUNTS (Continued)

7. OTHER OPERATING EXPENSES	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Academic Departments	4,543	3,994
Academic Services	2,941	2,666
Research Grants & Contracts	3,256	2,268
Premises	5,892	6,087
Bursaries and Scholarships	7,943	7,962
Administration	5,926	6,471
	30,501	29,448
Other Operating Expenses include:		
External Auditors Remuneration in respect of Audit Services	46	46
Internal Auditors Remuneration in respect of Audit Services	39	34
Internal Auditors Remuneration in respect of Other Services	4	5
Operating Lease Rentals:		
Buildings	111	127
Hire of Equipment	39	26
Grants to the Students Union	210	215
	210	215

8. TANGIBLE ASSETS	Assets in				
	Course of Construction £000	Freehold £000	Long Leasehold £000	Equipment £000	Total £000
<u>Cost</u>					
At 1 August 2013	9,758	6,415	66,187	8,929	91,289
Additions	984	-	646	1,751	3,381
Transfers	(10,577)	8,700	1,909	(32)	-
Disposals	-	-	(842)	(2,812)	(3,654)
At 31 July 2014	165	15,115	67,900	7,836	91,016
<u>Depreciation</u>					
At 1 August 2013	-	(615)	(20,197)	(8,593)	(29,405)
Charge for Year	-	(302)	(4,013)	(554)	(4,869)
Eliminated on Disposal	-	-	842	2,812	3,654
At 31 July 2014	-	(917)	(23,368)	(6,335)	(30,620)
<u>Net Book Value</u>					
At 31 July 2014	165	14,198	44,532	1,501	60,396
At 1 August 2013	9,758	5,800	45,990	336	61,884
Financed by capital grant	-	11,094	35,464	436	46,994
Other	165	3,104	9,068	1,065	13,402
Net Book Value at 31 July 2014	165	14,198	44,532	1,501	60,396

NOTES TO THE ACCOUNTS (Continued)

9. FIXED ASSET INVESTMENTS	31 July 2014 £000	31 July 2013 £000
Balance at 1 August	11,954	11,220
Additions	337	317
Revaluation	24	417
At 31 July	<u>12,315</u>	<u>11,954</u>

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

	Year ended 31 July 2014 Market Value £000	Year ended 31 July 2013 Market Value £000
Newton Real Return Fund:		
Bonds	3,040	3,336
Equities	7,244	7,000
Commodities	341	363
Derivatives	(16)	(129)
Cash Funds	638	555
Cash	687	630
Other	141	-
Other Investments:		
Equities	240	199
	<u>12,315</u>	<u>11,954</u>

10. ENDOWMENT ASSET INVESTMENTS	2014 Market Value £000	2013 Market Value £000
Investments		
Balance at 1 August	3,883	3,534
Purchases	101	95
Appreciation on Disposal/Revaluation	59	98
Increase in Cash Balances	218	156
Balance at 31 July	<u>4,261</u>	<u>3,883</u>
CAF Trust Fund	66	65
Newton Real Return Fund	3,650	3,491
Bank Balances	545	327
Total Endowment Asset Investments	<u>4,261</u>	<u>3,883</u>

NOTES TO THE ACCOUNTS (Continued)

11. DEBTORS	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Trade Debtors	11,522	13,671
Research Expenditure Recoverable	1,858	1,523
Other Debtors	402	960
Prepayments & Accrued Income	808	1,093
	<u>14,590</u>	<u>17,247</u>

12. CREDITORS: Amounts falling due within one year	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Trade Creditors	2,825	2,708
Research Grants received in advance	2,883	3,663
Other Taxation and Social Security	1,292	1,296
Accruals and Deferred Income	16,802	15,237
Unsecured Loan	185	672
	<u>23,987</u>	<u>23,576</u>

13. CREDITORS: Amount falling due after more than one year	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Unsecured Loan repayable in 1-2 years	16	185
Unsecured Loan repayable in 2-5 years	32	48
	<u>48</u>	<u>233</u>

NOTES TO THE ACCOUNTS (Continued)

14. DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2013			
Buildings	37,097	11,382	48,479
Equipment	-	38	38
Total	<u>37,097</u>	<u>11,420</u>	<u>48,517</u>
Cash Received			
Buildings	821	393	1,214
Equipment	-	582	582
Total	<u>821</u>	<u>975</u>	<u>1,796</u>
Released to Income and Expenditure			
Buildings	(2,637)	(498)	(3,135)
Equipment	-	(184)	(184)
Total	<u>(2,637)</u>	<u>(682)</u>	<u>(3,319)</u>
At 31 July 2014			
Buildings	35,281	11,277	46,558
Equipment	-	436	436
Total	<u>35,281</u>	<u>11,713</u>	<u>46,994</u>

15. ENDOWMENTS

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
At 1 August 2013						
Capital	1,306	1,479	2,785	-	2,785	2,700
Accumulated Income	25	516	541	557	1,098	834
	<u>1,331</u>	<u>1,995</u>	<u>3,326</u>	<u>557</u>	<u>3,883</u>	<u>3,534</u>
New Endowments	19	1	20	425	445	275
Investment Income	(10)	87	77	19	96	97
Expenditure	-	(14)	(14)	(208)	(222)	(121)
Increase in market value	23	25	48	11	59	98
	<u>1,363</u>	<u>2,094</u>	<u>3,457</u>	<u>804</u>	<u>4,261</u>	<u>3,883</u>
Represented By:						
Capital	1,362	1,400	2,762	-	2,762	2,785
Accumulated Income	1	694	695	804	1,499	1,098
At 31 July 2014	<u>1,363</u>	<u>2,094</u>	<u>3,457</u>	<u>804</u>	<u>4,261</u>	<u>3,883</u>

NOTES TO THE ACCOUNTS (Continued)

16. REVALUATION RESERVE	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
At 1 August 2013	2,141	1,724
Revaluation in year	24	417
At 31 July 2014	<u>2,165</u>	<u>2,141</u>

17. INCOME AND EXPENDITURE ACCOUNT RESERVE	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Balance at 1 August 2013	49,212	42,476
Surplus for the year	6,622	6,736
Balance at 31 July 2014	<u>55,834</u>	<u>49,212</u>

18. CAPITAL COMMITMENTS	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Commitments contracted at 31 July	<u>959</u>	<u>730</u>

19. CONTINGENT LIABILITIES

The College had no Contingent Liabilities at 31 July 2014 or at 31 July 2013.

20. LEASE OBLIGATIONS	Year ended 31 July 2014		Year ended 31 July 2013	
Annual rentals under operating lease commitments are as follows	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating Leases which expire:				
Within 1 year	22	9	62	6
In 2 to 5 years	43	25	43	18
	<u>65</u>	<u>34</u>	<u>105</u>	<u>24</u>

NOTES TO THE ACCOUNTS (Continued)

<b>21. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES</b>	<b>Year ended 31 July 2014 £000</b>	<b>Year ended 31 July 2013 £000</b>
Surplus after Depreciation	6,496	6,712
Depreciation (Note 8)	4,869	4,115
Deferred Capital Grants Released to Income (Note 14)	(3,319)	(2,536)
Endowments Released to Income (Note 5)	(96)	(97)
Investment Income (Note 5)	(550)	(804)
(Increase)/Decrease in Stock	(20)	7
Decrease/(Increase) in Debtors	2,657	(3,186)
Increase/(Decrease) in Creditors	410	(399)
<b>Net Cash Inflow from Operating Activities</b>	<b>10,448</b>	<b>3,813</b>

<b>22. ACCESS FUNDS</b>	<b>Year ended 31 July 2014 £000</b>	<b>Year ended 31 July 2013 £000</b>
At 1 August	-	-
Funding Council Grants	483	456
Disbursed to Students	(483)	(456)
<b>Balance at 31 July</b>	<b>-</b>	<b>-</b>

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

<b>23. ANALYSIS OF CHANGES IN NET FUNDS</b>	<b>Year ended 31 July 2014 £000</b>	<b>Cashflows £000</b>	<b>Year ended 31 July 2013 £000</b>
Cash at Bank and in Hand	26,196	16,613	9,583
Cash included in Endowment Assets	545	218	327
	<b>26,741</b>	<b>16,831</b>	<b>9,910</b>
Short Term Deposits	15,500	(7,500)	23,000
Debts Due Within One Year	(185)	487	(672)
Debts Due After One Year	(48)	185	(233)
	<b>15,267</b>	<b>(6,828)</b>	<b>22,095</b>
	<b>42,008</b>	<b>10,003</b>	<b>32,005</b>

## NOTES TO THE ACCOUNTS (Continued)

### 24. 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 trustee 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 three and a maximum of five are independent 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.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the 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 the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 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 at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality S1NA ("light") YoB tables – No age rating

Female members' mortality S1NA ("light") YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted.

The assumed life expectations at age 65 are:		
	Males	Females
Currently aged 65	23.7	25.6
Currently aged 45	25.5	27.6

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.



## NOTES TO THE ACCOUNTS (Continued)

### PENSION SCHEMES (continued)

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on shortfall</b>
Investment return (Valuation rate of interest)	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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historical, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

## NOTES TO THE ACCOUNTS (Continued)

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### **PENSION SCHEMES (continued)**

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases have been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

#### **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%.

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

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

NOTES TO THE ACCOUNTS (Continued)

PENSION SCHEMES (continued)

SAUL

Birkbeck, University of London participates in the Superannuation Arrangements of the University of London ("SAUL"), which is 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 FSR17 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 professional 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:

	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

## NOTES TO THE ACCOUNTS (Continued)

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### PENSION SCHEMES (continued)

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 2014 £000	Year ended 31 July 2013 £000
Contributions to USS	4,833	4,831
Contributions to SAUL	710	760
Total Pension Cost (Note 6)	<u>5,543</u>	<u>5,591</u>

### 25. 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