Birkbeck,
University of London

Financial Statements

for the year ended 31 July 2016

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OFFICERS OF THE COLLEGE AND SENIOR MANAGEMENT 2015/16

PRESIDENT
Baroness Joan Bakewell DBE

VICE-PRESIDENT
The Right Honourable the Lord Mayor of London

CHAIR OF GOVERNORS
Sir Harvey McGrath

SENIOR MANAGEMENT OF THE COLLEGE

MASTER
Professor David Latchman

VICE-MASTER
Professor Matthew Innes

PRO-VICE MASTERS
PVM Learning and Teaching: Professor Sue Jackson
PVM Research: Professor Julian Swann
PVM Enterprise and Innovation: Professor Philip Powell
PVM International Links: Professor Stephen Frosh
PVM Access and Community Engagement: Dr Roz Dixon (from January 2016)
PVM Academic and Community Partnerships: Professor Matthew Weait (to October 2015)
PVM Special Projects: Professor Philip Dewe (to October 2015)
PVM Strategic Engagement and Recruitment: Tricia King (to October 2015)

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
Mr Keith Harrison

DIRECTOR OF FINANCE
Mr Keith Willett

ACADEMIC REGISTRAR
Mr Fraser Keir

DIRECTOR OF HUMAN RESOURCES
Mr John Kempton

MEMBERSHIP OF COMMITTEES 2015/16

THE GOVERNING BODY

Chair	Sir Harvey McGrath
Deputy Chair	Dr Ruth Thompson (to July 2016)
Academic Board governors:	Professor Costas Douzinas (to June 2016)
	Professor Sasha Roseneil
Academic staff governors:	Dr Eddie Bruce-Jones
	Dr Joanne Leal
Non-teaching staff governor	Dr Jennifer Fraser
Student governors:	Mr David Kirkman
	Mr John Lindner
Alumnus governor	Ms Caroline Luker
Independent governors:	Mr John Biggs (to January 2016)
	Mrs Julia Collins
	Mr Hugh Ferrand
	Ms Liz Meek
	Mr Stuart Popham
	Mr Peter Zinkin
	Mr Robert Allison
	Mr Clive Birch
Ex-Officio governors who are also officers of the College:	
The Master	Professor David Latchman
The Vice-Master	Professor Matthew Innes
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Deputy College Secretary (Governance)	Mrs Katharine Bock

FINANCE AND GENERAL PURPOSES COMMITTEE

Chair	Mr Hugh Ferrand
The Master	Professor David Latchman
The Vice-Master	Professor Matthew Innes
The Chair of Governors	Sir Harvey McGrath
Academic governors:	Dr Joanne Leal
	Professor Costas Douzinas (to June 2016)
Non-teaching staff governor	Dr Jennifer Fraser
Student governor	Mr David Kirkman
Independent governors:	Dr Ruth Thompson (to July 2016)
	Mr Peter Zinkin
	Mr Robert Allison
Co-opted external member	Mrs Gillian Broadley
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Director of Human Resources	Mr John Kempton
The Academic Registrar	Mr Fraser Keir
The Deputy College Secretary (Governance)	Mrs Katharine Bock
The Deputy College Secretary (Operations)	Ms Megan Reeves

MEMBERSHIP OF COMMITTEES 2015/16 (Continued)

NOMINATIONS COMMITTEE

Chair	Sir Harvey McGrath
The Deputy Chair of Governors	Dr Ruth Thompson (to July 2016)
The Master	Professor David Latchman
Academic governors:	Professor Costas Douzinas (to June 2016)
	Dr Joanne Leal
Student governor	Mr John Linder
Independent governors:	Mr Robert Allison
	Ms Liz Meek
	Mr Stuart Popham

In attendance:

The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Deputy College Secretary (Governance)	Mrs Katharine Bock

REMUNERATION COMMITTEE

Panel A – remuneration of the Master

Chair	Sir Harvey McGrath
The Deputy Chair of Governors	Dr Ruth Thompson (to July 2016)
Chair of the Finance and General Purposes Committee	Mr Hugh Ferrand
Independent governors:	Mr Stuart Popham
	Mr Clive Birch
	Mr Peter Zinkin
Co-opted member	Mr Drummond Leslie

In attendance:

The College Secretary and Clerk to the Governors	Mr Keith Harrison

Panel B – remuneration of professorial and other senior postholders

Chair	Sir Harvey McGrath
The Deputy Chair of Governors	Dr Ruth Thompson (to July 2016)
Chair of the Finance and General Purposes Committee	Mr Hugh Ferrand
Independent governors:	Mr Stuart Popham
	Mr Clive Birch
	Mr Peter Zinkin
Co-opted member	Mr Drummond Leslie
The Master	Professor David Latchman

In attendance:

The Director of Human Resources	Mr John Kempton

MEMBERSHIP OF COMMITTEES 2015/16 (Continued)

EQUALITIES COMMITTEE

Chair and College Diversity Champion	Professor Les Moran
The College Dean	Dr Kate MacKenzie Davey
Independent Governor	Ms Caroline Luker
School representatives:	
School of Arts	Dr Heike Bauer
School of Business, Economics & Informatics	Dr Rebecca Gumbrell-McCormick
School of Law	Dr Sarah Keenan
School of Science	Dr Belinda Brooks-Gordon
School of Social Sciences, History and Philosophy	Dr Jennifer Baird
The Academic Registrar	Mr Fraser Keir
The Disability Services Manager	Mr Mark Pimm
The Director of Human Resources	Mr John Kempton
The Chair of the Disability sub-committee	Mr Daniel Monk
College Trade Union representatives:	Dr George Tsopas (UCU)
	Mr Anthony Shepherd (Unison)
Representative from External Relations	Mr Garmon ap Garth
Student Union representative	Ms Hana Faber
	Mr Richard Brinck-Johnsen

AUDIT COMMITTEE

Chair	Mrs Julia Collins
Independent governors:	Mr Stuart Popham
	Mr Clive Birch
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 Deputy College Secretary (Governance)	Mrs Katharine Bock
The Deputy College Secretary (Operations)	Ms Megan Reeves
The Internal Auditor (Knox Cropper)	Mr Kevin Lally
The External Auditor (KPMG)	Mr Neil Thomas

MEMBERSHIP OF COMMITTEES 2015/16 (Continued)

STRATEGIC PLANNING COMMITTEE

Chair	Professor David Latchman
The Vice-Master	Professor Matthew Innes
The Pro-Vice-Masters:	
Learning & Teaching	Professor Sue Jackson
Research	Professor Julian Swann
International Links	Professor Stephen Frosh
Access and Community Engagement	Dr Roz Dixon (from January 2016)
Strategic Engagement and Recruitment	Mrs Tricia King (to October 2015)
Academic and Community Partnerships	Professor Matthew Weait (to October 2015)
Special Projects	Professor Philip Dewe (to October 2015)
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Deputy College Secretary (Governance)	Mrs Katharine Bock
The Deputy College Secretary (Operations)	Ms Megan Reeves
The Director of Finance	Mr Keith Willett
The Director of Human Resources	Mr John Kempton
The Academic Registrar	Mr Fraser Keir
The Director of Planning	Mr Nick Head
The Director of External Relations	Mr Jonah Duffin
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

MISSION STATEMENT

The **principal aims** of Birkbeck are to:

- Provide flexible and part-time higher education courses which meet the changing educational, cultural, personal and career needs of students of all ages; 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;
- 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;
- Maintain and develop excellence in research and provide the highest quality research training in all our subject areas.

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.

Master's Report

Operating environment

After a number of years of growth in student numbers following the introduction of our full time evening three year undergraduate and one year Masters programmes we were optimistically planning on further growth in 2015/16. The forecast increase in income would cover the higher staff costs brought about by the change in pension and National Insurance contribution rates. The planned budget surplus of £5.5 million (calculated pre-FRS102) would continue to contribute to our reserves which underpin our long term estates and infrastructure plans.

However, student enrolments (FTE) were down 8% in 2015/16 compared to 2014/15. This reduction was largely due to continuing declines in undergraduate part-time student numbers, which fell by 18%, and a smaller decline of 5% in new enrolments to Masters courses.

Recruitment to full-time undergraduate programmes was steady following 5 years of rapid growth although international recruitment fell slightly against a plan to maintain numbers.

Changing recruitment behaviour across the sector following the removal of the Student Number Control has had an impact on our numbers, particularly at the "access" end of the market. Expansion in the number of alternative providers in areas such as Law, Business and Management, have also had a negative impact. Although we increased central marketing and conversion activity throughout the year it became apparent that competitors had aggressively targeted students from a wider spectrum than normal. To counter this, we improved the speed with which we process applications, are undertaking an extended range of targeted and general marketing activity and have increased the financial resource for advertising and conversion to ensure that targets are met for 2016/17.

Under-recruitment of new students resulted in an income shortfall against budget of nearly £6.0 million in 2015/16. Our budget included a prudent contingency of £3.175 million and further adjustments were identified mid-way through the year to ensure that the budget surplus was achieved. However, the shortfall against recruitment target will have an impact on future levels of income. We are planning to undertake a phased recovery to ensure that our financial strategy of generating cash for investment in our estate and infrastructure is maintained.

The continuing decline in part-time undergraduate numbers is an issue we know HEFCE and government are well aware of and the introduction of part-time maintenance loans and further relaxation of the ELQ policy should have a positive impact on this from 2018/19. We continue to lobby to improve the support for part time students.

The White Paper, Success as a knowledge economy: teaching excellence, social mobility and student choice and the 2016 Higher Education and Research Bill will inevitably have consequences for the College. The introduction of the Teaching Excellence Framework (TEF) metrics may have unintentional consequences for us due to our unique mode of evening teaching and we will robustly lobby where appropriate.

OPERATING AND FINANCIAL REVIEW (continued)

The EU referendum decision in June 2016 will affect the whole economy, not just the higher education sector, and we are closely monitoring the situation. Regular reports are provided to Strategic Planning Committee and Governors. We are mitigating potential risks wherever possible whilst also identifying future opportunities which will benefit staff, students and our local community. We remain committed to providing support to all our staff and students from the European Union and further afield during what is a particularly uncertain time for the higher education sector.

In 2023 we will celebrate our 200th anniversary. In 1823 our philanthropist founder Dr George Birkbeck set out his vision:

> *'Now is the time for the universal benefits of the blessings of knowledge'*

This statement continues to underpin our mission and the connections we have made between, work, study, culture, research and society. In our third century we will continue to offer transforming educational opportunities, in the belief that there should be no barriers, financial, practical or otherwise, to the benefits of university education. We will maintain and develop our distinctive research culture and contribution to science and society and we will create more and better space and facilities for all of our activities.

Awards

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 of Psychology, Martin Eimer, was elected a Fellow of the British Academy in recognition of his outstanding contribution to research. He was one of only 42 academics to be elected for the fellowship this year. Professor Eimer leads the Brain and Behaviour Lab at the Department for Psychological Sciences, where he and his team investigate the cognitive and neural mechanisms of visual attention and working memory, and study face perception and recognition and their impairment in prosopagnosia (face blindness). In REF 2014, 60% of the Department's work was rated in the highest category 4*, defined as 'world-leading in terms of originality, significance and rigour'.

Professor Nikolaus Wachsmann of the Department of History, Classics and Archaeology, was awarded the Wolfson History Prize for his book on the history of Nazi concentration camps. Established in 1972 the £30,000 Wolfson History Prize recognises scholarly works which enhance public understanding of history and encourages historians to write for a wider audience than academia. As well as his role as Professor of Modern European History at Birkbeck, Professor Wachsmann is also a Fellow of the Royal Historical Society.

The Royal Society of Chemistry Anne Bennett Memorial Award for Distinguished Service was awarded to Birkbeck chemist Professor Michael Thompson for "his outstanding contribution to the development and recognition of the work of the Analytical Division and its Analytical Methods Committee". The award recognises exceptional voluntary services to the Royal Society of Chemistry Analytical Division - typically at least ten years. Professor Thompson's research involves assessing and improving the quality of analytical data, the performance of the laboratories producing them, and the development of statistical models and procedures to support these activities. The Royal Society was founded in 1841 by a group of academics, industrialists and doctors.

OPERATING AND FINANCIAL REVIEW (continued)

A creative writing alumna has been awarded the Wellcome Book Prize for her 2015 non-fiction work exploring psychosomatic illness. Dr Suzanne O'Sullivan, who completed an MA Creative Writing programme in November 2015, won the annual award which recognises excellence in new works of fiction or non-fiction that are based around some aspect of medicine, health or illness. "It's All in Your Head: True Stories of Imaginary Illness" is her first book and explores her experiences as a neurology consultant and the encounters she has had with patients who have debilitating but medically unexplained illnesses. Dr O'Sullivan claimed her experience of Birkbeck "is one I will never forget. I was exposed to ways of thinking about reading and writing that I had never thought about before. There is no doubt that I can view my own writing more critically now, but without a sense that my individuality or creativity has been stymied."

Two alumni of Birkbeck, as well as the College's Chair of Governors, were recognised in the Queen's New Year honours list. Harvey McGrath, Chair of Governors, was awarded a knighthood for services to economic growth and public life. With a long and distinguished career in business, having served as Chair of both the Man Group and Prudential, he has promoted philanthropy across London for many years, including serving as the Chairman of Big Society Capital.

Fellow of the College and former Liberal Democrat MP for Kingston and Surbiton Ed Davey was also awarded a knighthood for political and public service. Sir Ed studied a Master's degree in Economics at Birkbeck and latterly served in the last Government as Secretary of State for Energy and Climate Change.

Finally, Daniel Peltz, was awarded an OBE for services to charity and philanthropy. Daniel funded the restoration of the Peltz Gallery in Birkbeck's School of Arts, a space which has become a flexible exhibition space enabling creative activities to happen at the heart of the School.

Teaching excellence

We are committed not only to teaching excellence, but to the innovative organization and flexible delivery of our teaching in ways that genuinely respond to the needs of our students. Teaching activity is absolutely critical both in terms of mission and financial stability. Student fee income in 2015/16 constituted nearly 63% of our total income compared to 18% for funding council grants, 9% for research grants and 8% for other income.

To improve the student experience we are developing an estates strategy which aims to improve the quality of teaching and ancillary space and co-locate student activity on our main campus in Torrington Square. It is now a strategic objective that by our 200th anniversary in 2023 all Birkbeck students will be studying either in fully owned Birkbeck facilities or in facilities shared with other HE institutions.

Our strategy for ensuring the quality of our teaching is heavily linked to our research activity. We submitted 83% of eligible staff to the 2014 Research Excellence Framework (REF) with approximately three-quarters of their research being rated either 'world leading' (4*) or 'internationally excellent' (3*). Unlike many universities our research intensive staff also undertake teaching.

The College Research Strategy confirms the point that teaching and research quality are linked:

"Birkbeck proudly asserts that it is a research-led and research-informed teaching institution. Exactly how this is manifested in practice varies across disciplines and also according to the level of teaching. It means that all our academic staff members also carry out research so that even when they are not teaching directly on their own specialist topics, their academic understanding is rooted in their practice as researchers and scholars. It also means that where opportunities arise, students can benefit from direct contact with, and teaching by, individuals who are engaged with research in the topic areas of interest, and it means that the curriculum is heavily influenced by our academics' up-to-date understanding of changing research agendas, advances in knowledge, and contemporary methodological challenges.

Whilst the College is committed to providing research leave and to encouraging academics to gain research grants that allow them time away from teaching in order to pursue a research project, and whilst it is also the case that some levels and areas of teaching are best delivered by specialist Teaching and Scholarship staff, these factors are balanced against the additional principle that there should be no separation of the academic community into 'research' and 'teaching' groups."

Although league tables do not always factor in the implications of our unique evening delivery of teaching, it is nevertheless reassuring to note that the College maintained its position in the top 1% of universities worldwide in the Times Higher Education (THE) league table. We were ranked in the 201-250 category compared to 226-250 in 2015. The THE also ranked Birkbeck as the 50th most international university in the world in a ranking based on the diversity of the student body, the proportion of international staff and the level of international academic collaboration.

Our work in the Arts and Humanities area (which includes activity in two of our Schools) was ranked 52nd in the world in the THE league table emphasizing the world-leading nature of this area of activity. This allows us to recruit both senior and junior academics of very high quality who in turn contribute to the standard of our teaching and research.

In the 2016 National Student Survey (NSS) the College was rated number one in the country for overall course satisfaction in five subject areas: Archaeology; Classics; Finance; Geology; and Linguistics. Economics and English were rated top in London for overall satisfaction. In general, 91% of our students in their final year have found their course 'intellectually stimulating', with 87 per cent satisfied with their experience of the College more broadly. 61 per cent of final year students completed the Survey with detailed feedback used by the College to continually improve the student experience.

We are preparing to engage with the second round of reporting under the proposed Teaching Excellence Framework (TEF). Taking part in the exercise will allow us to benchmark our performance against the sector and will provide information to enable us to understand our strengths and weaknesses. Anticipated metrics are being considered in detail by the College to identify areas for improvement. There are, however, two significant elements in the construction of the TEF metrics which disadvantage Birkbeck which we have made clear in our response to the technical consultation and in lobbying work:

- the denominator in the proportion of students in employment or further study includes graduates who are not available for work eg pensioners and full time carers. This is a change to the way the Destination of Leavers outcomes are usually reported;
- the "London effect" is not considered in benchmarking for NSS results (where London institutions tend to get lower scores due to location).

OPERATING AND FINANCIAL REVIEW (continued)

Another key metric in the TEF is likely to be employability. In this area, we achieved a notable success when the Higher Education Statistics Agency (HESA) found that the proportion of Birkbeck students in employment or further study six months after graduation was significantly higher than other institutions nationally when benchmarked against characteristics such as entry qualification. Moreover, Birkbeck also appears amongst the highest ranking institutions in sector-wide metrics on graduate earnings.

Obviously, part of this success is due to the fact that a number of students are in employment when they arrive at the College and continue to remain in such employment. Nonetheless, we recognize that many of our students study in order to gain their first job or a new position. For this reason, we have established “Birkbeck Talent”: an Employment Agency which assists students to find work or paid internships. In its pilot year 350 students attended interviews with 143 being placed in jobs or paid internships. On the back of these accomplishments, the scheme was expanded further and opened up to the entire student body from February 2016.

The Birkbeck Talent initiative is one part of our careers and employment activity which also involves an in-house service for enhancing career development and employability of our students, as well as a work readiness programme sponsored by the J.P. Morgan Foundation. This involves a series of events and workshops equipping students with the skills, confidence and experience needed for successful career progression.

These activities involving enhancing the career prospects of our students are evidently central to the mission of Birkbeck. They also provide us with the basis to participate actively in the development of the Apprenticeships Programme which is currently being strongly promoted by Government. The Apprenticeship Programme we are developing will build on our experience in working with business and their employees as well as providing opportunities for employees in London to gain degree level qualifications. This could involve standard degree programmes, perhaps modified to include a project at the place of work or the development of bespoke apprenticeship/degree programmes for groups of employers in a particular area.

We continue to operate robust systems and structures to ensure that high quality teaching is maintained and improved. We have recruited a full time Pro-Vice-Master for Learning and Teaching to oversee and further develop our teaching strategy. She will be supported by academic leads in each of the five Schools to implement and monitor action plans.

Teaching and Quality Enhancement Committee oversees the Strategy for Learning and Teaching and the operation of academic quality assurance mechanisms including responses to student feedback, overview of academic regulations, annual programme review, five year departmental review and external examiner procedures.

Ensuring that we maintain our high levels of teaching based on the international reputation of our research staff is an integral part of our business. A number of learning and teaching initiatives undertaken with the support of Catalyst funding in 2014/15 and 2015/16 are now included in the College budget for future years at a cost of c£0.5 million.

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.

The results of the 2014 Research Excellent Framework (REF) convincingly demonstrated our position as a high quality research intensive institution. Approximately three-quarters of the research submitted by the College was rated either 'world leading' (4*) or 'internationally excellent' (3*). This represents a considerable improvement on the results of the 2008 Research Assessment Exercise (RAE) when 56% of our research was rated 4* or 3*, paralleling the considerable improvement overall in the sector.

We are committed to the implementation of the principles laid down in the Concordat to Support the Career Development of Researchers. The Concordat offers a set of principles for the support and management of research careers and, under each principle, an explanation of how it may best be embedded into institutional practice. We adhere to the Concordat as a way to maintain the excellence of our research environment and to support the development of researchers. Most of what we do is already in line with the recommendations of the Concordat, but we shall be formalising this through integrating the recommendations into an updated College Research Strategy and developing an Action Plan to encourage improvements in our working practices. Building on this we are preparing a submission for the HR Excellence in Research Award.

The College Research Strategy 2014-19 articulates the way we wish to set about achieving our research aims. It is overseen by a Pro-Vice-Master for Research supported by Assistant Deans in each of the Five Schools. There is a research strategy group working in parallel with a research support group implementing the aims of the Strategy. This includes providing support for researchers at all levels, encouraging collaborative activity and partnerships, and offering opportunities for research students including doctoral training partnerships with other institutions. We are preparing for the upcoming REF informed by the report from the Stern review and aiming to at least maintain our 2014 position.

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 for the year remained relatively stable at £10.1 million in 2015/16 (2014/15: £10.3 million).

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 or completed this year are summarised in the Public Benefit Statement starting on page 27.

The excellence of our staff and their research successes were responsible for our continuing good position in University League Tables. We were positioned 280th in the 2016 QS World University Rankings (up from 431st in 2014 and 290th in 2015). The ranking evaluated more than 4,200 universities worldwide in 42 subject areas. Moreover, for research the College was ranked 12th in the UK for citations per faculty (16th 2015).

OPERATING AND FINANCIAL REVIEW (continued)

We also ranked 5th in the world in the 'Normalized Citation Impact' (NCI) index within the Best Global Universities Ranking 2016 'Psychiatry/Psychology' category. Comprising the total number of citations per research paper, NCI represents the overall impact of a university's research and is independent of the institution's size or age. Consequently, NCI is widely considered a core measure of research performance which is used by various evaluation bodies globally. The Department of Psychological Sciences high position in the global rankings followed from its strong performance in the 2014 Research Excellence Framework (REF) where it was rated 5th in the UK. The College also scored 8th in the world in terms of its percentage of total publications that are among the 10% most highly cited papers. The Best Global Universities Ranking compares 750 institutions from 57 countries in terms of their academic research performance, plus global and regional reputations.

Estates and the environment

Currently a significant proportion of our teaching activity is undertaken in premises which are rented from local providers in Bloomsbury. Some of the space is not of the high standard that we would like to offer our students and in some cases operational challenges have been experienced. It is now a strategic objective that by our 200th Anniversary in 2023 all Birkbeck students will be studying either in fully owned facilities or in property shared with other higher education institutions.

Having achieved revenue surpluses for a number of years we were able to purchase a building called Cambridge House on the Euston Road during 2014/15. A range of options including using the building for research, teaching or office space have been considered. A design team are currently engaged in drawing up plans ranging from simple refurbishment to demolition and construction of a larger building. Either directly, or indirectly through moving staff from existing accommodation, the development work will increase the teaching space owned by the College.

It is of vital importance that we provide the very best facilities for our research as well as ensuring that high quality teaching facilities are provided for students. During 2015/16 we completed work to upgrade laboratory and associated space for our Earth Sciences department. The £1.3 million project was half funded by a capital grant from HEFCE.

We have been planning the development of a new building to house a Toddler Laboratory for the Department of Psychological Sciences, building on the great success of the Baby Laboratory in terms of identifying early markers of autism, potentially allowing much earlier interventions before the onset of the symptoms. Following the receipt of major donations from the Wohl Foundation (£1.3 million) and the Wolfson Foundation (£800,000), Governors made the decision to proceed with this project. Unfortunately, progress was delayed whilst the University of London negotiated with the neighbouring Warburg Institute to gain their approval for the proposed scheme since the University would not grant us the site without such approval. A lease has now been agreed for the land.

Before commencing the next phase of development for this £5.0 - £7.0 million project, we are negotiating an extended lease with the University for the property at 32 Torrington Square which will abut the new Toddlerlab. Once this is complete we can also develop plans to refurbish this building for use by research staff who are currently housed in rented accommodation nearby.

In July 2016 we completed the sale of a long leasehold property which was surplus to College requirements. The sale price of £5.2 million was confirmed as a good price by external consultants. The funds received will contribute to the construction costs of the projects mentioned above.

OPERATING AND FINANCIAL REVIEW (continued)

The teaching and research space created from the two projects outlined will go some way to meeting our future space needs. A longer term estates strategy is being drafted by an external consultant and aims to draw together all the work previously undertaken in relation to future space needs, quality of existing space, opportunities in the area for construction etc. The report will be considered by Governors in the Autumn term.

Historic spend levels on long term maintenance have been low and there is a recognition that this cannot continue. An increased budget has been identified for 2016/17. A ten year plan of upcoming works has also been prepared which currently identifies the following potential levels of budget required over the next five years:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Extension building	736	694	44	45	47
Remainder of estate	772	1,561	3,935	3,456	2,191
Total	**1,508**	**2,255**	**3,979**	**3,501**	**2,238**
Capital projects	-	643	2,183	783	-
Revenue projects	772	918	1,752	2,673	2,238

Table 1: Indicative forecasts for long term maintenance

The projects identified will be a mix of capital and revenue and the need to invest in maintenance of the extension building will be dependent upon our estates strategy (the capital and revenue figures in the table exclude the extension building). It is assumed that the extension building will be replaced and funding will not be needed in the short term. Significant remedial works will be required if we choose to delay the extension building project. Major works are needed in the main building such as replacing the roof and windows. It is clear from the schedule that maintaining our existing buildings is likely to have a significant impact on expenditure in future years.

The College is committed to reducing its environmental impact and along with other Bloomsbury College environment partners, SOAS and LSHTM, we were awarded EcoCampus Platinum status. This is a dual award which also confers on the partner institutions the Certification to ISO 14001:2015 international standard for Environmental Management Systems (EMS). The EcoCampus initiative was initially set up and funded by the Higher Education Funding Council for England in 2005 and is now a collaborative project between Nottingham Trent University and Loreus Ltd, an EMS software development & training consultancy.

Set up specifically for institutions in higher education, around 30% of the sector is enrolled on the scheme. The phased approach means that universities gain recognition for improved environmental performance through a series of awards; Bronze, Silver, Gold and Platinum. Platinum is the highest award and is equivalent to the ISO 14001:2015 EMS Standard. The certification not only recognises the current progress with our environment programme but also acknowledges the structures we have in place upon which further improvements can be made in the coming years. A schedule of carbon reduction measures is developed each year with a view to reducing our carbon emissions by at least 25% by the 2020/21 academic year against a 2013/14 baseline.

OPERATING AND FINANCIAL REVIEW (continued)

Alumni

We are in touch with over 50,000 Birkbeck alumni who are residing all over the globe. They are a vital part of Birkbeck's past, present and future. Alongside our corporate partners, charitable trusts and foundations our alumni contributed towards the £1.8 million raised in philanthropic donations during the 2015/16 financial year. These donations ranged from regular monthly donations to several six-figure gifts and contributed towards funding for undergraduate and postgraduate bursaries, academic research, staff posts, employability work, the re-development of the new Library Study Space and supporting students with disabilities.

Alumni were also involved in volunteering their time to aid recruitment, retention and employability strategies across the College. There are a number of programmes that alumni can get involved in at varying levels of commitment, with opportunities lasting for an hour right through to six-month long mentoring programmes. Over 300 alumni volunteered at Birkbeck, an increase of over 75% year-on-year. This resulted in 2,947 volunteer hours being donated, double last year's figure.

In July 2016 we received the very sad news that our Deputy Chair of Governors, Dr Ruth Thompson, had died of cancer. Ruth was appointed as an independent Governor in 2009 after she retired as Director-General for Higher Education in the Department for Innovation, Universities and Skills. A career civil servant, she also worked in senior roles in the Department of Trade and Industry, HM Treasury and the Department of Social Security. She was a member of the Higher Education Policy Institute and in 2014 co-chaired an inquiry for the Higher Education Commission on the future financial sustainability of Higher Education. At Birkbeck, Ruth was a member of the Finance and General Purposes Committee and the Remuneration Committee and took on the Deputy Chair role in 2014. She led the Review of Governor Effectiveness in 2013 and co-chaired the Review of the Department of Economics, Mathematics and Statistics in 2015. Ruth made an enormous contribution to Birkbeck in her time as a Governor, combining her tremendous intelligence and analytical skills with good humour.

2015/16 was another very successful year for the College, both financially and academically. We are continuing with the academic and student support developments that are essential to creating the best possible environment for our students and we are 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. On the back of a very strong performance in the 2014 REF we will implement our updated strategy for excellent and distinctive research. Although there are a number of significant uncertainties in the higher education sector at the moment we are confidently defining our ambitions and vision for Birkbeck in 2023, when the College will celebrate its 200th anniversary.

Professor David S. Latchman, CBE
Master

Financial Report of the Chair of Governors

The Financial Statements presented to the Governors comprise the consolidated results of the College and its subsidiary. The principal activities undertaken by the Group are teaching and research together with ancillary activities necessary to facilitate this. Additional activities include rendering academic services to a variety of educational, commercial and other organisations

Conversion to FRS102: The financial reporting standard applicable in the UK and Republic of Ireland

FRS 102 replaced UK GAAP and aims to provide a modern and consistent approach to accounting in line with international standards. A new Statement of Recommended Practice (SORP) based on this standard has been developed for Further and Higher Education. Financial year 2015/16 is the first set of financial statements that the College needs to prepare under the new SORP. To enable comparison of financial performance from one year to the next, the statements for 2014/15 have been restated under the new standard.

During the early part of 2015, we commissioned a review of the implications of conversion to the new accounting standard from our external auditor, KPMG. They undertook a gap analysis of the likely areas requiring review and identified them as: government grants; non-exchange transactions; componentisation of fixed assets; revaluation of land and buildings; employee benefits – annual leave accrual; and pensions. We do not have exposure to other aspects of the new SORP such as joint ventures and service concessions.

Where options in accounting policy were available the College agreed the following:

- Government grants (revenue and capital) – accruals basis. This is the same treatment as required under UK GAAP and matches annual income with expenditure;

- Land and buildings have not been revalued. However, an external valuation was obtained in order to componentise the assets. The assets were split in line with the valuation report but pro-rated to the original balance sheet cost. The valuation report assessed the remaining useful life of the building element and the revised lives (which were in general longer than the estimates we had been using) were used to calculate depreciation. The net effect of revising the lives of the individual buildings was to reduce depreciation.

We also introduced a new asset category for heritage assets to record various donated works of art. The estimated value for these assets is £0.4 million. The donations had previously not been recorded as having value to the College. The asset class will not be depreciated.

OPERATING AND FINANCIAL REVIEW (continued)

The financial statements have been prepared under the new SORP. Table 2 summarises the impact of the new reporting standard on the income and expenditure of the College:

	2015/16 £'000	2014/15 £'000
Surplus generated under previous SORP	11,456	9,800
FRS102 adjustments:		
Depreciation	2,844	2,793
Release of deferred grant	(2,463)	(2,434)
Pension liability	121	(5,774)
Endowment income	681	1,383
Gain on investment	1,309	104
Other	81	48
Total comprehensive income for the year	**14,029**	**5,921**

Table 2: Income and expenditure adjusted by requirements of FRS102

It is likely that the new regulations will introduce increased volatility into annual financial performance, particularly due to the mismatch between income and expenditure in relation to donations. A pension deficit recovery scheme was approved by USS following the most recent scheme valuation in 2014/15. Under the old SORP, the total cash amount paid to the pension schemes was recorded as expenditure. Under the new SORP, the element associated with changes to the pension liability in the Balance Sheet will have a direct impact on the surplus.

Table 3 summarises the main adjustments which have been made to restate the Balance Sheet at 31 July 2015:

	Audited 2014/15 £m	Pension £m	Endowments £m	Capital grants £m	Other £m	Restated 2014/15 £m
Fixed assets	79.8		3.8		3.5	87.1
Endowment assets	5.6		(5.6)			-
Current assets	53.4		1.8			55.2
Creditors	(22.2)	(13.0)		(33.6)	(1.5)	(70.3)
Total net assets	**116.6**	**(13.0)**	**-**	**(33.6)**	**2.0**	**72.0**
Deferred capital grants	43.0			(43.0)		-
Endowments	5.6		(5.6)			-
Reserves	68.0	(13.0)	5.6	9.4	2.0	72.0
Total reserves	**116.6**	**(13.0)**	**-**	**(31.8)**	**2.0**	**72.0**

Table 3: Restated Balance Sheet 31 July 2015

The College contributes to two pension schemes: Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Both are multi-employer defined benefit schemes. Under FRS102 we are now required to estimate our share of the assets and liabilities of the two schemes with the net liability reducing our total net assets. The liabilities have been calculated using a modeller developed by Mercer in conjunction with the British Universities Finance Directors' Group (BUFDG).

OPERATING AND FINANCIAL REVIEW (continued)

Non-government capital grants are now released to income to the extent that performance criteria have been satisfied. For grants with unsatisfied performance criteria, and for all government capital grants, the Balance Sheet now shows the balance under Creditors.

The total net assets at 31 July 2015 have reduced by £44.6 million (38%) largely as a consequence of these two adjustments.

Results for the Year

Chart 1 compares the main income streams for 2014/15 and 2015/16 whilst Chart 2 summarises the breakdown of the total income for 2015/16.

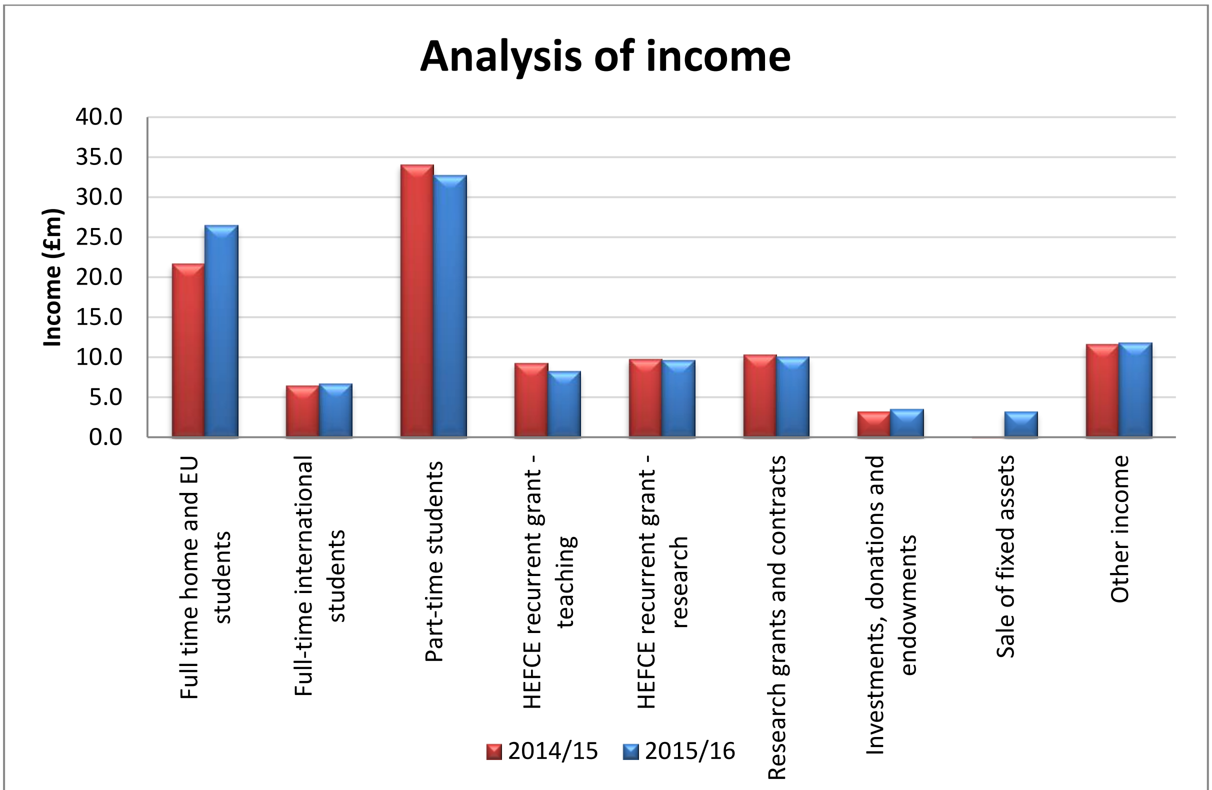


Chart 1: Income by category 2014/15 and 2015/16

OPERATING AND FINANCIAL REVIEW (continued)

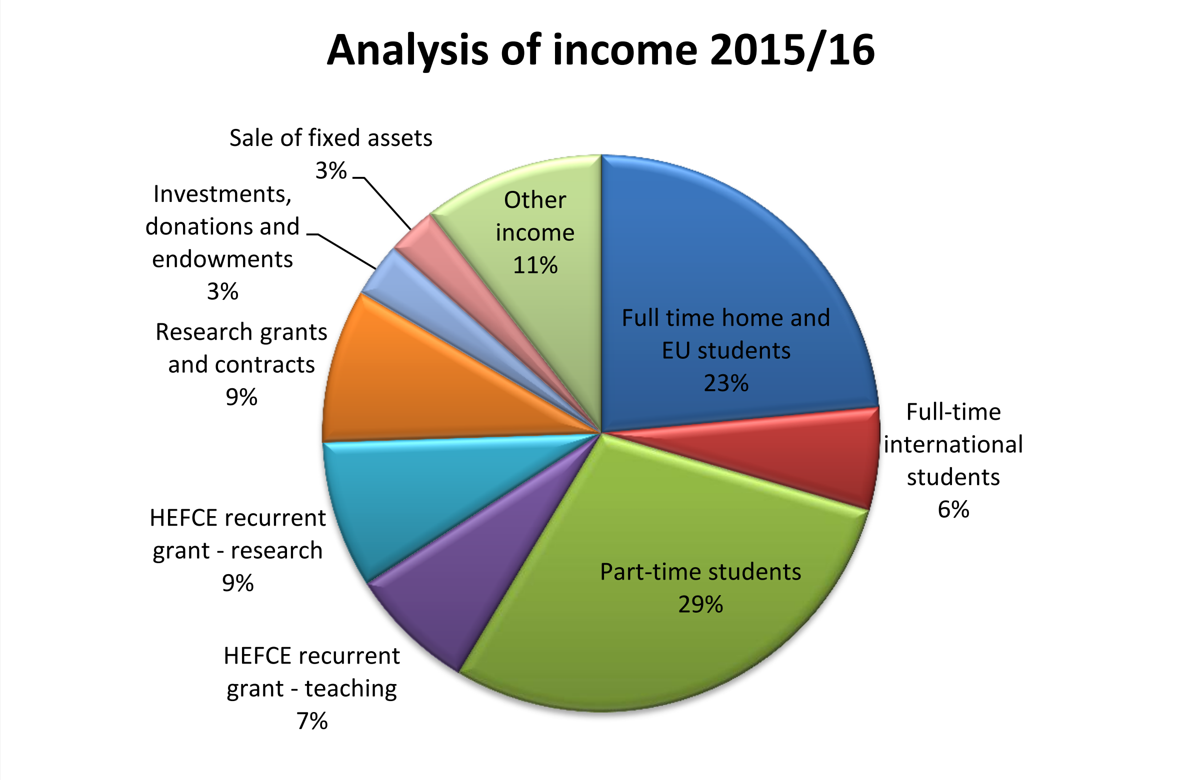


Chart 2: Analysis of income 2015/16

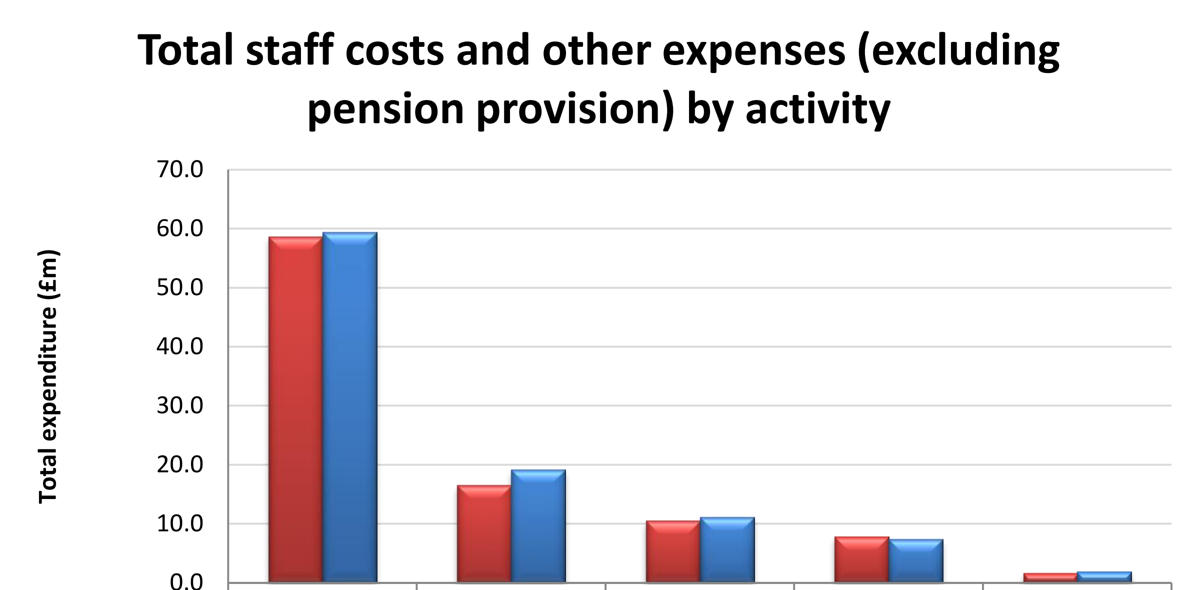
The recurrent teaching grant from HEFCE continues to fall as an increasing proportion of our tuition fees are paid by student loans. Teaching grant fell by a further £1.0 million in 2015/16 (a reduction of 11.2%) following on from the £2.0 million reduction in 2014/15. HEFCE teaching grant now represents only 7% of College income in comparison with 47.5% ten years ago. Income from academic fees has risen from 25.7% in 2005/6 to 58.6% in 2015/16.

Part-time student recruitment remains challenging for the sector and it is hoped that the introduction of maintenance loan funding for part time undergraduate students in 2018/19 will help to arrest the decline. Income from full time Home and EU students increased by £4.8 million (22.2%) primarily as a result of the continuing flow through of higher fee paying cohorts of students following the introduction of 3 year undergraduate programmes from 2012. The new postgraduate student loan of £10,000 which became available from 2016/17 has led to a significant increase in both full time and part time postgraduate taught enrolments (an increase of over 50% in full time and nearly 20% in part time numbers compared with 2015/16).

Other income has remained broadly similar over the last two years with the exception of a profit from sale of fixed asset of £3.2 million in 2015/16.

OPERATING AND FINANCIAL REVIEW (continued)

Charts 3 and 4 summarise where our expenditure has been incurred.



	Academic and related services	Admin & professional services	Premises	Research grants & contracts	Other expenses
2014/15 (£m)	58.6	16.5	10.5	7.8	1.6
2015/16 (£m)	59.4	19.1	11.2	7.4	1.9

Chart 3: Expenditure by activity 2014/15 and 2015/16

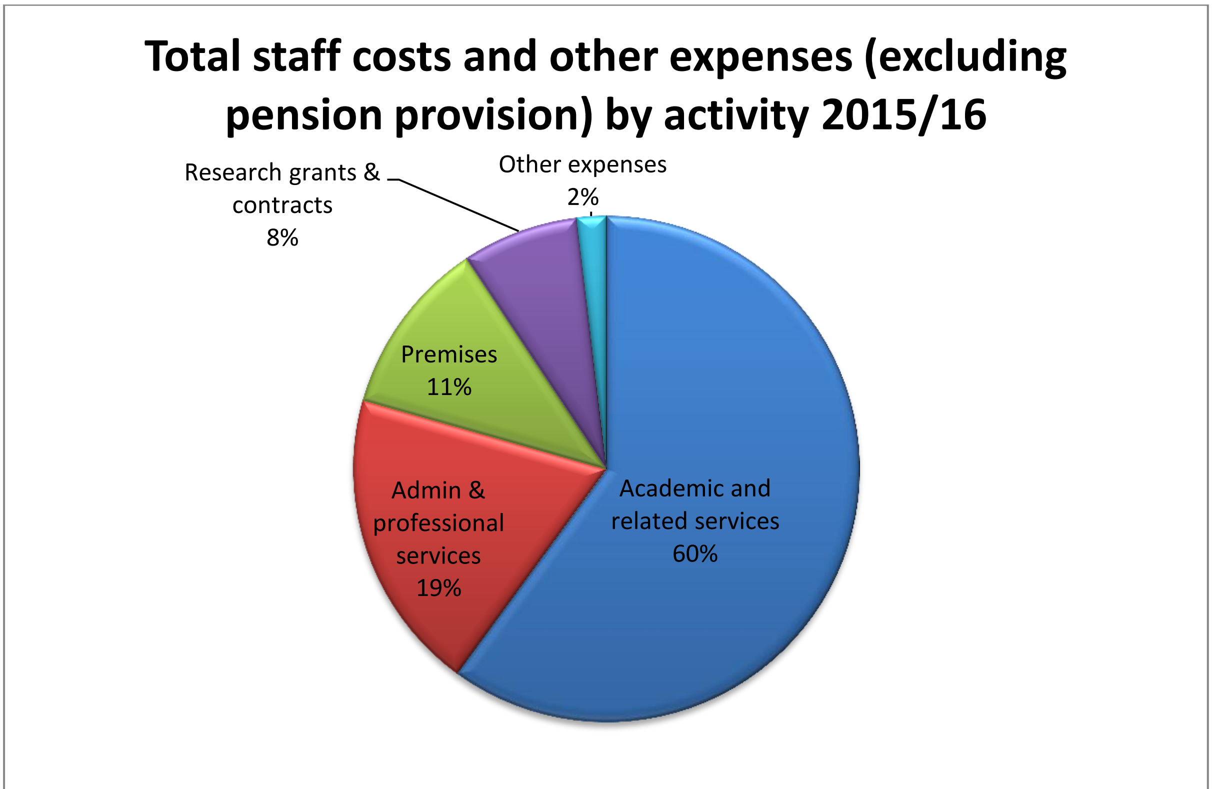


Chart 4: Analysis of expenditure 2015/16

OPERATING AND FINANCIAL REVIEW (continued)

The analysis of expenditure confirms that the College continues to invest heavily in education and research with only 19% of total expenditure (2014/15: 16.5%) spent on administration and other professional services.

Staff costs as a percentage of total income have fallen from 62.4% in 2014/15 to 59.2% in 2015/16 but this is masked by the movement in the pension liability that we are now required to account for. Table 4 summarises the underlying change.

	2015/16 £'000	2014/15 £'000
Gross salaries	64,436	60,783
Movement on pension provision	(464)	5,591
Total expenditure on salaries	**63,971**	**66,373**
Gross salaries (excluding movement on pension provision) as a percentage of total income	59.6%	57.1%

Table 4: Change in underlying staff costs

The year on year increase in gross salaries of 6.0% is a combination of the annual wage increase, scale point progression and a part year of increases in National Insurance and pension.

Financial sustainability

Table 5 brings together some key pieces of financial data for the Group from the last five years. The data for years prior to 2014/15 have not been converted to the new SORP but are included to indicate performance over time.

	2011/12	2012/13	2013/14	2014/15	2015/16
Total income (£'000)	93,606	96,262	101,463	106,388	108,087
Total comprehensive income for the year (£'000)	6,529	6,736	6,622	5,921	14,029
Total comprehensive income as a percentage of total income	7.0%	7.0%	6.5%	5.5%	13.0%
Non-current assets (£'000)	69,622	73,838	72,711	86,886	86,733
Cash plus current investments (£'000)	34,488	32,583	41,696	43,397	57,648
Net cash inflow from operating activities (£'000)	8,857	3,813	10,448	11,130	10,842
Operating cash as a percentage of total income	9.5%	4.0%	10.3%	10.5%	10.0%
Net liquidity days	152	139	169	161	219
Staff costs as a percentage of total income (ignoring movement in pension provision)	58.5%	58.2%	58.7%	57.1%	59.6%
Net pension liability (£'000)	-	-	-	(11,956)	(11,835)
Total net assets (£'000)	97,320	103,753	109,254	72,754	86,783

Table 5: Key financial data 2011/12 to 2015/16 (2014/15 and 2015/16 are calculated under FRS102 and the new SORP)

OPERATING AND FINANCIAL REVIEW (continued)

Although the restated 2014/15 balance sheet reduced by 38% when the pension liability and deferred capital grant adjustments were introduced (see Table 3) most of the data in Table 5 is reasonably comparable year on year. The creation of a pension deficit recovery plan in 2014/15 depressed the underlying financial performance whilst the sale of property and gain on endowments increased the surplus in 2015/16. The College previously targeted a surplus of 5% of turnover but the volatility in total comprehensive income requires us to reconsider this metric.

What is clear from Table 5 is that the College is generating consistent levels of cash from operating activities – around 10% of total income. Our strategy to return surpluses of 5% of income was primarily introduced to ensure that we generated cash to invest in our future. The rationale remains the same albeit that we may want to shift our focus to cash directly (rather than indirectly) as a less volatile indicator of performance.

Strong financial management has kept costs in line with budget. Staff costs as a percentage of total income rose in 2015/16 due to the increases in pension and National Insurance contributions but this increase was in line with expectations. As a research intensive institution based in London with no additional income from student residences, the College recognises the added importance of managing this metric and has a current target of not exceeding 60%.

Despite the reduction in net assets the College is in a sound financial position with a strong base for the future.

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 has a Risk Management Policy in place which explains the underlying approach to risk management and documents the roles and responsibilities of the governing body, the Audit Committee, the Strategic Planning Committee, the Risk Management Group and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. The policy is reviewed on an annual basis.

The 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 risks are grouped by themes, for which Key Performance Indicators linked to strategic objectives have been established. The risks are monitored by Strategic Planning Committee, Audit Committee and Governors. An annual report on internal control and risk for 2015/16 was presented to the Audit Committee in May 2016.

The College introduced a new scoring system for the risk register in 2015/16. We have now assessed and scored risks using gross and net likelihood and impact scores. Gross scores indicate the magnitude of the risk without successful controls, and net scores take into account the impact of management interventions. Risk scores are divided into low/green (below 9), medium/amber (9-12.5) and high/red (12.5+). The maximum risk which can be achieved (highest impact and likelihood) is 25.

OPERATING AND FINANCIAL REVIEW (continued)

The top four risks for the College for 2016/17 outlined in the annual report are:

- **Financial sustainability**

  Financial sustainability has been a long-standing top risk for the College. In 2015 an objective was agreed to return surpluses of 5-7% for the next five years. A recruitment cycle that was worse than expected meant that student recruitment and income targets for 2015/16 were not met. In-year budget adjustments were made which led to the budget surplus for the year being exceeded but the College will need to take action to recover the income lost through lower recruitment of undergraduate students in 2015/16. A staged return to sustainable surpluses above 5% of income is currently planned from 2016/17 onwards.

  The dimensions of the financial sustainability risk include the potential inability to maintain income, which is linked with the student recruitment risk; inability to control staff costs; and inability to control non-staff costs. While the risk is well managed through financial planning, improved budget reporting and income and debt management, which has allowed prompt action to be taken this year to maintain the target surplus, the uncertainty around student recruitment and income and the challenge of ensuring target surpluses in future means that financial sustainability remains a top risk, with an overall increased score for 2016/17 of 20.25 gross, 16 net.

- **Estates strategy**

  The score for the estates strategy risk has increased from 12 gross and 10.5 net to 16 gross and 14 net, recognising the importance for the College of implementing an effective estates strategy to fulfil its student and research related aims.

  The College continues to have significant space requirements for teaching students, research and other activities. The University of London are developing their estates strategy, and taking an increasingly commercial approach to use of the University estate, which may impact our ability to secure space in the vicinity of the Malet Street campus. Estates Committee meets each term to monitor the progress of projects and reports to Finance & General Purposes Committee.

- **Student experience**

  An inability to meet the needs of students and delivery of an optimal student experience could potentially impact both recruitment and retention, result in lower National Student Survey scores with a consequent impact on both reputation and recruitment, and lead to students having an unsatisfactory university experience and not reaching their full potential. A student services strategy to address and alleviate these risks has been approved by College management and considered by Governors, and is being implemented.

  A National Student Survey taskforce has been set up to consider the results of the NSS, identify areas of student satisfaction which need to be addressed, and make students aware of action that has been taken in response to their feedback. The Student Engagement and Widening Participation Committee is overseeing a number of projects aimed at improving the student experience, including projects on personal tutors and query resolution.

OPERATING AND FINANCIAL REVIEW (continued)

Although new services and support are in place, the College's changing student body, with larger numbers of younger students with different needs and expectations means that there is still a large degree of challenge around this risk. In addition, external budget cuts in other organisations, such as the cuts to the Disabled Students Allowance, will increase the range of services that the College will need to provide. The net score for this risk is, therefore, maintained at 12 for 2016/17.

- **Student recruitment**

  2015/16 was the first year that institutions were competing without student number controls for undergraduate students. The impact of this competition on recruitment was much greater than anticipated, and student number and income targets for 2016/17 were revised mid-year. The introduction of postgraduate loans in 2016/17 has led to an increase in recruitment but it is too early to determine whether this is a long term change or previous student demand now being fulfilled due to the availability of funding. The College has strengthened its recruitment management and monitoring arrangements in response to this challenge, setting up a Recruitment Strategy and Planning Group. This group oversees efforts to market courses widely and effectively and improve application and enrolment processes.

  Recruitment has been affirmed as a key strategic priority in the annual strategic discussions held by the Strategic Planning Committee and the Governors. In addition to additional marketing resource and recruitment process improvements, Birkbeck is considering how to expand and develop the existing academic portfolio to attract new students. In the meantime the risk score has been maintained at 15.75 gross and 12 net.

A series of emerging risks for the sector, not just the College, are being closely monitored. Brexit, the Stern review of research, the introduction of the Teaching Excellence Framework and the development of the new Higher Education bill are all likely to impact the College. Even with the increased uncertainty in the sector, the four risks above are likely to remain of primary importance albeit that the residual risk score and mitigating actions may need to change.

Despite the persistent challenge of recruiting students in an extremely competitive market our financial strategy for the future focusses on a quick return to sustainable levels of surplus which generate cash which we can 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.

Sir Harvey McGrath
Chair of Governors

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 aims to provide higher education opportunities to people who would not otherwise have access, continuing the mission since its inception. The College's founder, George Birkbeck, had a vision of the power of education to transform and improve lives, and this founding commitment to social change and widening access is a core strand of what still drives the College today. The College's mission includes "enabling students from diverse social and educational backgrounds to participate". As London's only specialist provider of flexible evening higher education, Birkbeck has long encouraged applications from students without traditional qualifications or from disadvantaged and under-represented backgrounds.

We attract a very high proportion of students with low incomes. The most recent monitoring return to the Office for Fair Access (OFFA) for 2014/15 indicated that 47% of our full time undergraduate students were from households with an income of under £25,000 and 39% of part time students. These students received a Birkbeck bursary to support their study. The ethnicity of our students demonstrates that we are attracting a very diverse student body, with 57% of our full-time undergraduate students from BME backgrounds (2014/15: 59%). 15% of our students (19% of our full time undergraduates) declared that they had a disability (2014/15: 14%; 19% full time undergraduate).

To ensure that finance is not a barrier to study we support government funding arrangements by providing our own bursaries and scholarships to students experiencing financial hardship. In addition, a number of scholarships are provided through donations from our alumni and friends. We also offer self-financing students the option to pay for their tuition fees in interest free monthly instalments over the academic year.

As well as the expenditure on financial support, we spend considerable amounts on ensuring that our students are successful while they are with us, and that they are well placed in the jobs market on graduation. Our evening provision uniquely enables students to combine study in the evening with meaningful work during the day. In order to support students to gain paid and relevant job placements we have invested in our capacity to provide a particular type of careers support and a new service to create job brokerage called Birkbeck Talent.

We will continue to invest significantly in activities which support student access, progression, success and employability.

OPERATING AND FINANCIAL REVIEW (continued)

Public Benefit Statement (continued)

In addition to our contribution to the advancement of education from teaching, our success in driving forward research directly contributes to a number of the public benefit criteria outlined in the Charities Act. The following table summarises our research income over the last four years (prior to 2014/15 data prepared under the old SORP):

	2012/13	2013/14	2014/15	2015/16
Research income (£'000)	9,157	11,050	10,328	10,082
Income as a percentage of total income	9.5%	10.9%	9.7%	9.3%

Table 6: Research income trends

The following examples highlight how our research contributes to a range of public benefit criteria.

The advancement of the arts, culture, heritage or science

Dr Fiona Candlin, Reader in Museum Studies, and Alex Poulovassilis, Professor of Computer Science, were awarded £1,012,460 by the Arts and Humanities Research Council for a new project to map and analyse the emergence, character and development of the UK independent museums sector from 1960-2020. The project will establish a dataset of the approximately 1,600 independent museums currently operating in the UK, as well as those that have opened or closed since 1960. The new dataset will be made freely available on a project website and will help funding organisations identify patterns to better understand the sustainability of museums and how best to use their resources to secure a healthy future for the sector.

The advancement of health or saving of lives

A Birkbeck headed study has led to the design of novel anti-tuberculosis compounds, offering new avenues in the fight against treatment-resistant strains of the bacterial disease. Mycobacterium tuberculosis is a pathogenic bacterium which is responsible for causing tuberculosis (TB) and every year nearly 9 million healthy individuals get newly infected resulting in 1.5 million deaths. Treatment of the disease involves a harsh course of antibiotics over a period of many months. The urgent need for new, shorter, therapeutic regimens and new classes of drugs active against drug-resistant bugs drove a countrywide collaboration among researchers who specialise in chemical synthesis and molecular microbiology to develop potential anti-TB drugs. This inter-disciplinary effort identified a number of promising drug candidates that may be able to tackle the increasing antibiotic resistance of TB strains.

OPERATING AND FINANCIAL REVIEW (continued)

Public Benefit Statement (continued)

The advancement of citizenship or community development

Dr Melissa Butcher (Department of Geography, Environment and Development Studies) and partners from the universities of Heidelberg and Amsterdam documented the experiences of women living and working in Delhi and Shanghai. The £88,000 HERA funded project considered how the idea of 'singleness' reflects social and demographic transformation, the impact of globalisation, cultural and urban change in both cities. Using ethnographic, mobile and visual methodologies, the research re-positioned singleness as a category relevant to collective identity and subjectivity (e.g. loneliness or independence), and as a phenomenon that women move into and out of throughout their lives. Exploring the specific as well as similarities in both cities to extend comparative urban theory, the research sites are linked by themes of autonomy, respectability, precarity and the shifting boundaries between public and private space. Visual methods were central to this work and collaboration with artists in Shanghai and Delhi culminated in public events in both cities as well as a final exhibition in Amsterdam in September 2016.

The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity

Human trafficking and clandestine migration are two of the most politically volatile and socially pressing issues of the present day. In 2016, Dr Julia Laite from the Department of History, Classics and Archaeology secured support from the AHRC to fund a £250,000 project to study the history of illicit and clandestine migration by examining trafficking in the nineteenth and twentieth centuries. The research will elaborate a global history of trafficking at a time when historical perspective is needed to improve understanding of the phenomenon in the present day. It will examine trafficking in the context of the history of international crime and wider migration control asking how trafficking policy relates to migration control more broadly and how it has influenced the development of migration law and enforcement. The research will explore the connections between gender, sex, labour, and illicit migration, both in terms of law and policy, but also in terms of individual experiences in the past.

The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage

Professor Mark Johnson and his team have secured funds from the MQ Foundation and Action Medical Research to support their ongoing research into vulnerable groups of infants. New projects worth £500,000 and £200,000 will consider "Attention control training in infants at risk of ADHD" and "Identifying neurocognitive treatment targets in infants with Neurofibromatosis Type 1". The research team also contributed to the recent report in the Lancet that parent-mediated interventions can significantly improve outcomes for infants at high risk of autism.

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

In accordance with the Charter and Statutes of the College, the Governors are responsible for exercising the powers of the College. Governors have oversight of the College's affairs and are responsible for ensuring effective administration, management and internal control. The Governing Body is 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 FRS102: The financial reporting standard applicable in the UK and Republic of Ireland. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability 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 its income and expenditure, gains and losses, changes in reserves and cash flows for the 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 Memorandum of Assurance and Accountability 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.

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES (continued)

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;

- 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, operational, compliance and sustainability 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

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 the UK Corporate Governance Code (2016) 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. There is a majority of lay members and 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 Memorandum of Assurance and Accountability 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 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 review put in place measures 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 has reviewed Birkbeck's governance system against the CUC's HE Code of Governance and concluded that the College is compliant with the principles of the Code. It has asked Audit Committee to keep under review Birkbeck's processes and practices in line with the provisions of the Code. The Governing Body has approved a set of Key Performance Indicators linked to College strategic objectives and for which benchmarks and targets are being set.

The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, linked to the achievement of strategic objectives, that the process has been in place for the year ended 31 July 2016 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 (2016) and the principles in the Committee of University Chairs' HE Code of Governance.

CORPORATE GOVERNANCE STATEMENT (continued)

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.

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 lay member 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 and diversity 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.

Equalities Committee (continued)

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

The Committee met three times during the year. In addition the College has initiated a Strategic Equalities Review to set objectives and a framework for promoting and monitoring student and staff equalities going forward, which will report in 2016/17.

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 HE regulatory framework.

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)

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 summer 2016 meeting, the Governing Body approved the risk management report for 2015/16 and the risk register for 2016/17, taking into account reports from College management and the Audit Committee. In November 2016 the Governing Body considered and approved the annual report of the Audit Committee on its work during 2015/16, including a report from the internal auditor.

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 eight times during the year.

The membership of all of the above committees during the year is shown on pages 4-7.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK, UNIVERSITY OF LONDON

We have audited the financial statements of Birkbeck, University of London for the year ended 31 July 2016 set out on pages 38 to 68. 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Governing Body, in accordance with Charters and Statutes of the College. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of the College Governors' Responsibilities set out on page 30 and 31 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 Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements 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 Group and the College affairs as at 31 July 2016, of the Group and College income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and

- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015/16 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and

- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

Neil Thomas
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL

November 2016

Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2016

		Year ended 31 July 2016		Year ended 31 July 2015	
	Notes	**Consolidated**	**College**	Consolidated	College
		£'000	**£'000**	£'000	£'000
Income					
Tuition fees and education contracts	1	**67,648**	**67,648**	63,887	63,887
Funding body grants	2	**19,897**	**19,897**	20,884	20,884
Research grants and contracts	3	**10,082**	**10,082**	10,328	10,328
Other income	4	**8,212**	**8,212**	8,214	8,214
Investment income	5	**554**	**554**	684	684
Total income before donations and endowments		**106,393**	**106,393**	103,997	103,997
Donations and endowments	6	**1,694**	**1,694**	2,391	2,391
Total income		**108,087**	**108,087**	106,388	106,388
Expenditure					
Staff costs	7	**63,971**	**63,971**	66,373	66,373
Other operating expenses		**31,976**	**32,003**	31,966	31,938
Depreciation	12	**2,156**	**2,156**	2,049	2,049
Interest and other finance costs	8	**323**	**323**	246	246
Total expenditure	9	**98,426**	**98,453**	100,634	100,607
Surplus before other gains and losses		9,662	9,634	5,754	5,781
Gain on disposal of fixed assets		**3,235**	**3,235**	95	95
Gain on investments	14	**1,309**	**1,309**	104	104
Surplus before tax		**14,206**	**14,178**	5,953	5,980
Taxation	10	**177**	**177**	32	32
Total comprehensive income for the year		**14,029**	**14,002**	5,921	5,948
Represented by:					
Endowment comprehensive income for year		**741**	**741**	1,363	1,363
Restricted comprehensive income for year		**76**	**76**	28	28
Unrestricted comprehensive income for year		**12,187**	**12,159**	4,406	4,434
Revaluation reserve comprehensive income for year		**1,025**	**1,025**	124	124
		14,029	**14,002**	5,921	5,948

All items of income and expenditure relate to continuing activities.

Consolidated and College Statement of Changes in Reserves
for the year ended 31 July 2016

Consolidated	Income and expenditure account				
	Endowment	Restricted	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2014	**4,261**	**100**	**60,308**	**2,165**	**66,833**
Surplus from the income and expenditure statement	1,786	657	3,354	124	**5,921**
Release of restricted funds spent during the year	(423)	(630)	1,052	-	-
Total comprehensive income for the year	1,363	28	4,406	124	**5,921**
Balance at 1 August 2015	**5,624**	**128**	**64,714**	**2,289**	**72,754**
Surplus from the income and expenditure statement	1,063	627	11,314	1,025	**14,029**
Release of restricted funds spent during the year	(322)	(551)	873	-	-
Total comprehensive income for the year	741	76	12,187	1,025	**14,029**
Balance at 31 July 2016	**6,365**	**204**	**76,901**	**3,314**	**86,783**

Consolidated and College Statement of Changes in Reserves (continued)
for the year ended 31 July 2016

College	Income and expenditure account				
	Endowment	Restricted	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2014	**4,261**	**100**	**60,308**	**2,165**	**66,833**
Surplus from the income and expenditure statement	1,786	657	3,381	124	**5,948**
Release of restricted funds spent during the year	(423)	(630)	1,052	-	-
Total comprehensive income for the year	1,363	28	4,434	124	**5,948**
Balance at 1 August 2015	**5,624**	**128**	**64,741**	**2,289**	**72,781**
Surplus from the income and expenditure statement	1,063	627	11,286	1,025	**14,002**
Release of restricted funds spent during the year	(322)	(551)	873	-	-
Total comprehensive income for the year	741	76	12,159	1,025	**14,002**
Balance at 31 July 2016	**6,365**	**204**	**76,901**	**3,314**	**86,783**

Consolidated and College Balance Sheets
for the year ended 31 July 2016

	Notes	As at 31 July 2016 Consolidated £'000	As at 31 July 2016 College £'000	As at 31 July 2015 Consolidated £'000	As at 31 July 2015 College £'000
Non-current assets					
Intangible assets	11	430	430	-	-
Fixed assets	12	67,867	52,019	70,003	54,603
Heritage assets	13	352	352	344	344
Investments	14	18,084	33,701	16,539	32,156
		86,733	86,502	86,886	87,103
Current assets					
Stock	15	22	22	31	31
Trade and other receivables	16	14,914	15,144	11,796	11,796
Investments	22	22,012	22,012	-	-
Cash and cash equivalents	23	35,636	35,504	43,397	43,397
		72,583	72,682	55,224	55,224
Creditors: amounts falling due within one year	17	(27,357)	(27,224)	(24,620)	(24,809)
Net current assets		45,226	45,457	30,604	30,414
Total assets less current liabilities		131,959	131,959	117,490	117,517
Creditors: amounts falling due after more than one year	18	(33,342)	(33,342)	(32,780)	(32,780)
Pension provisions	19	(11,835)	(11,835)	(11,956)	(11,956)
Total net assets		86,783	86,783	72,754	72,781
Restricted reserves					
Income and expenditure reserve - endowments	20	6,365	6,365	5,623	5,623
Income and expenditure reserve - restricted	21	204	204	128	128
Unrestricted reserves					
Income and expenditure reserve - unrestricted		76,901	76,901	64,714	64,741
Revaluation reserve		3,314	3,314	2,289	2,289
Total reserves		86,783	86,783	72,754	72,781

The financial statements were approved by Governors on 23 November 2016 and were signed on its behalf by:

Sir Harvey McGrath	Professor David Latchman	Mr Keith Willett
Chair of Governors	Master	Director of Finance

Consolidated and College Cash Flow
for the year ended 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus for the year		14,029	5,921
Adjustment for non-cash items			
Depreciation	12	2,156	2,049
Gain on investments	14	(1,309)	(104)
Decrease in stock	15	9	2
(Increase)/decrease in debtors	16	(3,117)	2,794
Increase/(decrease) in creditors	17	3,331	(3,035)
(Decrease)/increase in pension provision	19	(122)	5,774
Receipt of donated asset		(8)	-
Adjustment for investing or financing activities			
Investment income	5	(554)	(684)
Interest payable	8	343	183
Endowment income		(681)	(1,673)
Profit on the sale of fixed assets		(3,235)	(95)
Net cash inflow from operating activities		10,842	11,130
Cash flows from investing activities			
Proceeds from sale of fixed assets		5,200	5,430
(Placement)/withdrawal of deposits		(22,012)	15,500
Investment income		554	684
Payments made to acquire fixed assets		(2,415)	(16,989)
New non-current asset investments		(236)	(405)
		(18,909)	4,220
Cash flows from financing activities			
Endowment cash received		681	1,673
Interest paid		(343)	(183)
Repayments of amounts borrowed		(32)	(185)
		307	1,305
(Decrease)/increase in cash and cash equivalents in the year		(7,760)	16,655
Cash and cash equivalents at beginning of the year	23	43,397	26,741
Cash and cash equivalents at end of the year	23	35,636	43,397

Statement of Accounting Policies
for the year ended 31 July 2016

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102: The financial reporting standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and, therefore, has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

2. Basis of consolidation

The consolidated financial statements include the College and its subsidiary for the financial year to 31 July 2016. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Grant funding

Government revenue grants, including funding council teaching and research grants, are recognised as income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants, including research grants, from non-government sources, are recognised as income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors and released to income as the conditions are met.

Statement of Accounting Policies (continued)
for the year ended 31 July 2016

3. Income recognition (continued)

Donations and endowments

Non-exchange transactions without performance related conditions are treated as donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within restricted reserves until it is utilised in line with such restrictions at which point the income is released to general reserves.

Donations with no restrictions are recognised as income when the College is entitled to the funds.

Investment income from endowments and appreciation of endowment funds are recorded as income during the year in which the growth arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

a) Restricted donations - the donor has specified that the donation must be used for a particular objective;
b) 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 College;
c) Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the University has the power to use the capital;
d) 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.

Capital grants

Government capital grants are recognised as income over the expected useful life of the asset the funds were used to purchase/construct. Other capital grants are recognised as income when the College has satisfied any performance related conditions associated with the grant.

4. Accounting for retirement benefits

College staff are members of two principal pension schemes - the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are primarily defined benefit schemes which are externally managed. Each fund is valued every three years by professionally qualified independent actuaries.

Both schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities of the College due to the mutual nature of the schemes. The schemes are accounted for as a defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the schemes.

4. Accounting for retirement benefits (continued)

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

5. Employment benefits

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

6. Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest of the remaining balance of the liability.

Statement of Accounting Policies (continued)
for the year ended 31 July 2016

7. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

9. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Total Comprehensive Income for the year.

10. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are stated at cost (deemed cost). Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the College. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line.

The useful lives of land and buildings are assessed on a building by building basis and the cost is depreciated as follows:

Buildings: 40 to 100 years

Refurbishments: 5 to 20 years

Leasehold land: the life of the lease

Assets in the course of construction: no depreciation until asset is brought into use.

10. **Fixed assets (continued)**

Equipment

Equipment costing less than £10,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life. Indicative useful lives are as follows:

Computer hardware: 3 years

Equipment acquired for specific research projects: 3 to 5 years

Other equipment: 5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

11. **Heritage assets**

Works of art and other valuable artefacts have been capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life means that any depreciation would not be material.

12. **Intangible assets**

Intangible assets are amortised over the remaining estimated economic life of the assets. Large value software implementations are treated as intangible assets with depreciation commencing once the initial phase of development is complete.

13. **Investments**

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment. Investments in subsidiaries are carried at cost less impairment in the College's accounts. Current asset investments are held at fair value with movements recognised in the Total Comprehensive Income for the year.

14. **Stock**

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

Statement of Accounting Policies (continued)
for the year ended 31 July 2016

15. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant change in value.

16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

a) The College has a present obligation (legal or constructive) as a result of a past event;
b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

17. Taxation

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is, therefore, a charity within the meaning of Para 1 of Schedule 6 of the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College’s subsidiary is liable to Corporation Tax in the same way as any other commercial organisation.

Statement of Accounting Policies (continued)
for the year ended 31 July 2016

18. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and, therefore, the College is restricted in the use of these funds.

19. Transition to 2015 SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 29.

Application of first time adoption grants certain exemption from the full requirements of the HE SORP in the transition period.

Notes to the Accounts
for the year ended 31 July 2016

		Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
1	**Tuition fees and education contracts**		
	Full-time home and EU students	**26,493**	21,680
	Full-time international students	**6,711**	6,457
	Part-time students	**32,790**	34,092
	Research Training Support Grant	**1,654**	1,659
		67,648	63,887
2	**Funding body grants - HEFCE**		
	Recurrent grant		
	Teaching	**8,257**	9,294
	Research	**9,645**	9,795
	Specific grants		
	Strategic Development Fund	**(624)**	(624)
	Higher Education Innovation Fund	**233**	526
	Collaborative outreach	**284**	51
	Catalyst Fund	**820**	646
	National Scholarship Programme	**-**	234
	Postgraduate support	**232**	-
	Engineering conversion	**12**	-
	Release of capital grant (Note 18)	**1,037**	963
		19,897	20,884
3	**Research grants and contracts**		
	Research councils	**3,972**	4,399
	Research charities	**2,782**	2,400
	UK government	**1,141**	662
	Industry and commerce	**102**	316
	EU government	**1,827**	2,374
	Other	**258**	176
		10,082	10,328

Notes to the Accounts (continued)
for the year ended 31 July 2016

		Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
4	**Other income**		
	Lettings	3,578	3,566
	Catering and conferences	1,120	1,101
	Other revenue grants	528	421
	Other income	2,987	3,126
		8,212	8,214
5	**Investment income**		
	Investment income on endowments	98	132
	Other investment income	456	552
		554	684
6	**Donations and endowments**		
	New endowments	681	1,673
	Donations with restrictions	627	657
	Unrestricted donations	386	60
		1,694	2,391
7	**Staff costs**		
	Salaries	52,554	50,122
	Social security costs	4,388	3,917
	Movement on pension provisions	(464)	5,591
	Other pension costs	7,494	6,744
		63,971	66,373

Notes to the Accounts (continued)
for the year ended 31 July 2016

		Year ended 31 July 2016	Year ended 31 July 2015
7	**Staff costs (continued)**		
		£	£
	Emoluments of the Master of the College:		
	Salary	346,472	343,239
	Pension contributions to USS	37,109	51,718
	Alternate pension contribution	8,706	-
		392,287	394,957

From 1 April 2016 the Governors agreed alternate pension arrangements for the Master which resulted in a net reduction in cost for the College. The full year effect of the reduction in total emoluments of the Master is around £26,000.

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

	Number	Number
£100,000 to £109,999	3	1
£110,000 to £119,999	3	2
£120,000 to £129,999	1	2
£130,000 to £139,999	1	2
£140,000 to £149,999	1	-
	9	7

Average staff numbers by category :

	Number	Number
Academic	470	473
Research	96	90
Technical	12	15
Professional and Support	533	490
	1,111	1,068

Notes to the Accounts (continued)
for the year ended 31 July 2016

7 Staff costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Below are the pay costs including employer's pension contributions for staff listed as senior management of the College on Page 3.

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Key management personnel pay plus employer's pension	**1,952**	1,836

Governing Body

The College govorners are the trustees for charitable law purposes. Due to the nature of the College's operations and the compositions of the Council, being drawn from local public and private sector organisations, transactions may take place with organisations in which a Governor may have an interest. No such tansaction have taken place during the year (2014/15: none).

None of the govorners received any remuneration or waived payments from the group during the year (2014/15: none).

The total expenses paid to or on behalf of the 18 governors (2014/15: 18) was £804 (2014/15: £332). This represents travel expenses incurred in attending meetings and charity events in their official capacity.

Notes to the Accounts (continued)
for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
8 Interest and other finance costs				
Exchange differences	(20)	(20)	63	63
Net charge on pension scheme	343	343	183	183
	323	323	246	246
9 Analysis of total expenditure by activity				
Academic and related expenditure	59,390	59,390	58,631	58,631
Administration and professional services	19,114	19,114	16,508	16,508
Premises	11,163	11,191	10,492	10,465
Catering and conferences	1,450	1,450	1,296	1,296
Research grants and contracts	7,363	7,363	7,823	7,823
Change in pension provision (Note 7)	(464)	(464)	5,591	5,591
Other expenses	410	410	293	293
	98,426	98,453	100,634	100,607
Other operating expenses include:				
External auditor - audit services	72		46	
External auditor - non-audit services	4		87	
Internal auditor - audit services	38		30	
Internal auditor - non-audit services	3		3	
Operating lease rentals:				
Land and buildings	43		58	
Other	31		31	
Grant to the Students' Union	264		234	

Notes to the Accounts (continued)
for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
10 Taxation				
Current tax expense	-	-	-	-
Adjustment in respect of previous years	177	177	32	32
Total tax expense	177	177	32	32

The prior year taxation relates to Corporation Tax payable on research & development tax credit income of £438,000 for the year 2013/14 and £381,000 for 2014/15 (a tax credit of £138,000 was claimed in 2014/15 in respect of the financial year 2012/13). The income is included in Note 3 under the research income from UK government heading.

11 Intangible Assets

Software

Additions in the year	430	430	-	-
At 31 July 2016	430	430	-	-

A large scale software development project commenced during the year and is expected to go live during 2016/17. Depreciation will be charged from the date the software comes into use.

Notes to the Accounts (continued)
for the year ended 31 July 2016

12 Fixed assets

	Land & buildings	Assets in the course of construction	Plant & machinery	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Cost or valuation					
At 1 August 2015	55,842	15,660	16,231	14,370	**102,103**
Additions	140	448	586	819	**1,994**
Transfers	41	(260)	108	111	-
Disposals	(2,273)	-		(51)	**(2,324)**
At 31 July 2016	**53,751**	**15,848**	**16,926**	**15,248**	**101,772**
Consisting of valuation as at					
1 July 2015	-	-	-	344	**344**
Cost	53,751	15,848	16,926	14,904	**101,428**
	53,751	**15,848**	**16,926**	**15,248**	**101,772**
Depreciation					
At 1 August 2015	(17,084)	-	(6,190)	(8,481)	**(31,756)**
Charge for the year	(581)	-	(708)	(867)	**(2,156)**
Disposals	308	-	-	51	**359**
At 31 July 2016	**(17,358)**	-	**(6,898)**	**(9,297)**	**(33,553)**
Net book value					
At 31 July 2016	**36,393**	**15,848**	**10,027**	**5,951**	**68,219**
At 31 July 2015	38,757	15,660	10,041	5,889	70,347

Notes to the Accounts (continued)
for the year ended 31 July 2016

12 Fixed assets

	Land & buildings	Assets in the course of construction	Plant & machinery	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000	£'000	£'000
College					
Cost or valuation					
At 1 August 2015	55,842	260	16,231	14,370	**86,703**
Additions	140	-	586	819	**1,546**
Transfers	41	(260)	108	111	**-**
Disposals	(2,273)	-	-	(51)	**(2,324)**
At 31 July 2016	**53,751**	**-**	**16,926**	**15,248**	**85,924**
Consisting of valuation as at					
1 July 2015	-	-	-	344	**344**
Cost	53,751	-	16,926	14,904	**85,580**
	53,751	**-**	**16,926**	**15,248**	**85,924**
Depreciation					
At 1 August 2015	(17,084)	-	(6,190)	(8,481)	**(31,756)**
Charge for the year	(581)	-	(708)	(867)	**(2,156)**
Disposals	308	-	-	51	**359**
At 31 July 2016	**(17,358)**	**-**	**(6,898)**	**(9,297)**	**(33,553)**
Net book value					
At 31 July 2016	**36,393**	**-**	**10,027**	**5,951**	**52,371**
At 31 July 2015	38,757	260	10,041	5,889	54,947

The fixed assets for the Group and College can be further analysed as follows:

Within land & buildings are freehold buildings with a net book value at 31 July 2016 of £7,847,000 (31 July 2015: £7,975,000). There were no additions to freehold land & buildings during the year. The remaining assets within the land & buildings asset class are held on a leasehold basis.

13 Heritage assets

The College holds a number of assets of historical or artistic interest. The value is held within the fixtures, fittings & equipment asset class included in Note 12. The assets were donated to the College over a number of years with nil cost. They were last valued by Bonham and Sons Ltd in 1998.

Heritage assets are not depreciated.

The heritage assets can be summarised as follows:

	Number of Items	Year ended 31 July 2016 £'000	Number of Items	Year ended 31 July 2015 £'000
Furniture and works of art	34	66	34	66
Pictures and wall hangings	67	230	67	230
Sculptures	6	17	5	9
Silver and silver plate	50	37	50	37
Other items	5	3	5	3
	162	352	161	344

The items with the highest valuation are:

	Year ended 31 July 2016 £'000
Paintings by Vanessa Bell	65
Painting by Duncan Grant	40
Portrait of Lord Denning by John Stanton	20
Portrait of Dame Helen Gwynne-Vaughan by De Lazlo	15
Portrait of George Birkbeck by S Lane	10

There was one addition during the year. A sculpture of the President of the College, Baroness Joan Bakewell, was donated with an estimated value at £8,000.

Notes to the Accounts (continued)
for the year ended 31 July 2016

14 Non-current investments

	Subsidiary company £'000	Other fixed assets investments £'000	Total £'000
Group			
At 1 August 2015	-	16,539	**16,539**
Additions	-	236	**236**
Revaluation	-	1,309	**1,309**
At 31 July 2016	-	**18,084**	**18,084**
College			
At 1 August 2015	15,617	16,539	**32,156**
Additions	-	236	**236**
Revaluation	-	1,309	**1,309**
At 31 July 2016	**15,617**	**18,084**	**33,701**

Note 26 provides further information on the subsidiary, Birkbeck College (Cambridge House Ltd).

The other fixed asset investments have been valued at market value as follows:

	Group and College £'000
Newton Real Return Fund	17,770
CAF Trust Fund	68
Other Listed UK equities	246
At 31 July 2016	**18,084**

Notes to the Accounts (continued)
for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
15 Stock				
General consumables	22	22	31	31
	22	22	31	31

16 Trade and other receivables

Amounts falling due within one year:

	Group 2016	College 2016	Group 2015	College 2015
Research grants receivables	1,770	1,770	1,312	1,312
Other trade receivables	10,885	10,865	9,658	9,658
Other receivables	151	401	158	158
Prepayments and accrued income	2,108	2,108	668	668
	14,914	15,144	11,796	11,796

17 Creditors : amounts falling due within one year

	Group 2016	College 2016	Group 2015	College 2015
Unsecured loans	16	16	32	32
Trade payables	3,719	3,586	3,081	3,081
Social security and other taxation payable	1,468	1,468	1,318	1,318
Accruals and deferred income	22,154	22,154	20,188	20,378
	27,357	27,224	24,620	24,809

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

	Group 2016	College 2016	Group 2015	College 2015
Research grants received on account	2,727	2,727	2,374	2,374
Grant income	1,037	1,037	963	963
Other income	11,870	11,870	11,152	11,152
	15,634	15,634	14,489	14,489

Notes to the Accounts (continued)
for the year ended 31 July 2016

18 Creditors : amounts falling due after more than one year

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Deferred income	33,342	33,342	32,764	32,764
Unsecured loans	-	-	16	16
	33,342	33,342	32,780	32,780

The deferred income relates to HEFCE capital grant which is transferred to income over the useful economic life of the assets funded.

Analysis of unsecured loans:

	Group 2016	College 2016	Group 2015	College 2015
Due within one year or on demand (included in note 17)	16	16	32	32
Due between 1 - 2 years	-	-	16	16
	16	16	48	48

The unsecured loans are from Salix Ltd Energy Efficiency Scheme and are interest free.

19 Provisions for liabilities

	Obligation to fund deficit USS pension £'000	Obligation to fund deficit SAUL pension £'000	Total pensions provisions £'000
Group and College			
At 1 August 2015	11,439	517	11,956
Utilised in year	(439)	(94)	(533)
Additions in 2015/16	352	60	412
At 31 July 2016	**11,351**	**483**	**11,835**

The obligation to fund the past deficits on the pension schemes arises from the contractual relationship with the schemes for total payments relating to benefits arising from past performance. Management have estimated the number of future employees within the pension schemes and the salary payments made to the employees over the period of the contracted obligation when assessing the value of this provision.

Notes to the Accounts (continued)
for the year ended 31 July 2016

20 Endowment Reserves

	Restricted permanent £'000	Unrestricted permanent £'000	Expendable £'000	2016 total £'000	2015 total £'000
Group and College					
Balance at 1 August					
Capital	1,348	1,357	-	2,706	2,762
Accumulated income	719	37	2,162	2,918	1,498
	2,067	1,394	2,162	5,623	4,261
New endowments	-	-	681	681	1,673
Investment income	34	22	41	98	132
Expenditure	(48)	(37)	(236)	(322)	(423)
Increase/(decrease) in market value	81	73	130	284	(20)
Total comprehensive income for the year from endowments	67	59	615	741	1,363
Balance at 31 July	2,134	1,453	2,778	6,365	5,623
Represented by					
Capital	1,430	1,430	-	2,860	2,705
Accumulated income	705	22	2,778	3,505	2,918
	2,134	1,453	2,778	6,365	5,623
Analysis by purpose					
Lectureships	163	-	-	163	164
Scholarships and bursaries	822	22	903	1,748	1,372
Research support	-	-	1,327	1,327	1,273
Prize funds	627	-	34	661	607
General	523	1,430	513	2,467	2,208
	2,134	1,453	2,778	6,365	5,623
Analysis by asset					
Current and non-current asset investments				4,192	3,825
Cash & cash equivalents				2,173	1,798
				6,365	5,623

Notes to the Accounts (continued)
for the year ended 31 July 2016

21 Restricted reserves

	Unspent capital grants £'000	Donations £'000	2016 total £'000	2015 total £'000
Group and College				
New donations	-	627	**627**	657
Expenditure	-	(551)	**(551)**	(630)
Total comprehensive income for the year from restricted reserves	-	76	**76**	28
Balance at 1 August	100	28	**128**	100
Balance at 31 July	**100**	**104**	**204**	128
Analysis by purpose				
Scholarships and bursaries			**80**	8
Research support			**102**	102
Prize funds			**1**	10
General			**21**	7
			204	128

22 Current investments

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Short term deposits	22,012	22,012	-	-
	22,012	**22,012**	-	-

23 Cash and cash equivalents

	Balance at 1 August 2015 £'000	Cash Flows £'000	Balance at 31 July 2016 £'000
Group			
Cash and cash equivalents	43,397	(7,760)	**35,636**
	43,397	(7,760)	**35,636**
College			
Cash and cash equivalents	43,397	(7,892)	**35,504**
	43,397	(7,892)	**35,504**

Notes to the Accounts (continued)
for the year ended 31 July 2016

24 Capital and other commitments

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Capital commitments contracted for but not provided for in the accounts	107	17	674	674
	107	17	674	674

25 Lease obligations

Total rentals payable under operating leases:

	Year ended 31 July 2016			Year ended
	Land & buildings	Other leases	Total	31 July 2015
	£'000	£'000	£'000	£'000
Payable during the year	43	31	75	89
Future minimum lease payments due:				
Not later than 1 year	43	17	60	65
Between 1 and 5 years	87	39	125	176
Total lease payments due	130	55	186	241

26 Subsidiary undertakings

The College owns 100% of the shares of its subsidiary, Birkbeck College (Cambridge House) Ltd. The principal activity of the company is to own and develop a building on the Euston Road. The company is registered in England.

27 Related party transactions

All Governors and senior staff of the College are required to complete an annual statement detailing any significant personal links they have with other organisations. Due to the nature of our business and the composition of the Board of Governors (being drawn from a range of private and public sector organisations) it is inevitable that transactions will take place with organisations in which a Governor or senior member of staff may have an interest. All transactions are conducted at arms length in accordance with the financial regulations of the College. There were no material transactions during the year with related parties (2014/15: nil).

The consolidated financial statements do not include the income and expenditure of Birkbeck Students' Union as the College does not exert control or dominant influence over policy decisions. A grant of £264,000 (2014/15: £234,000) was provided to the Union. There were no debtor or creditor balances outstanding at the year end.

Notes to the Accounts (continued)
for the year ended 31 July 2016

28 Pension schemes

Different categories of staff were eligible to join one of two pension schemes:
- Universities' Superannuation Scheme (USS)
- The Superannuation Arrangements of the University of London (SAUL)

Both schemes are defined benefit schemes, the assets of which are held in separate trustee administered funds.

The total cost charged to the Statement of Comprehensive Income and Expenditure was:

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
USS	**6,271**	5,672
SAUL	**1,223**	1,072
	7,494	6,744

(i) The Universities' Superannuation Scheme (USS)

Prior to 31 March 2016, the scheme was a defined benefit only scheme which was contracted out of the State Second Pension (S2P). From 1 April 2016 defined benefit schemes could no longer opt out of the S2P. A defined contribution section was introduced in October 2016. The fund is independently administered by trustees. Due to the mutual nature of the scheme, the assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The College is, therefore, exposed to actuarial risks associated with the employees of other institutions and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Consequently, and as required by Section 28 of FRS 102 "Employee benefits", the College accounts for the scheme as if it were a defined contribution scheme.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The members of USS have entered into an agreement with the scheme trustees which determines how they will fund the net pension deficit in the scheme. The accounting principles pertaining to multi-employer schemes require the College to recognise the contributions payable that arise from the agreement (to the extent that they relate to the deficit) as a liability in the Balance Sheet. The resulting expense is recognised in Statement of Comprehensive Income and Expenditure. College governors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and have, therefore, recognised as a liability the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

28 Pension schemes (continued)

The most recent full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"). The valuation was carried out using the projected unit method. Since the College cannot identify its share of the

The 2014 valuation was prepared under the scheme-specific funding regime introduced by the Pensions Act 2004. The Act requires schemes to adopt a statutory funding objective to have sufficient and appropriate assets to cover the technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion. This results in a net shortfall of £5.3 billion. The assets, therefore, were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The defined benefit liability for the scheme has been produced using the following assumptions:

	2016	2015
Discount rate	**3.6%**	3.3%
Pensionable salary growth	**n/a**	3.5% in the first year and 4.0% thereafter
Pension increases	**2.2%**	2.2%

Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality: 98% of S1NA ["light"] YoB tables – no age rating
Female members' mortality: 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65	**24.3**	24.2
Females currently aged 65	**26.5**	26.4
Males currently aged 45	**26.4**	26.3
Females currently aged 45	**28.8**	28.7

Financial data for the scheme can be summarised as follows:

	2016	2015
Total scheme assets	**£49.8bn**	£49.1bn
Total scheme liabilities	**£58.3bn**	£60.2bn
FRS 102 total scheme deficit	**£8.5bn**	£11.1bn
FRS 102 total funding level	**85.0%**	82.0%

Notes to the Accounts (continued)
for the year ended 31 July 2016

28 Pension schemes (continued)

(ii) The Superannuation Arrangements of the University of London (SAUL)

The scheme is a centralised defined benefit scheme which, until 31 March 2016, was contracted out of the State Second Pension (S2P). From 1 April 2016 defined benefit schemes could no longer opt out of the S2P.

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a final salary basis or a career average revalued earnings ("CARE") basis. Following a consultation with members, it was agreed that the final salary section would close from 31 March 2016 and all members would subsequently build up benefits on a CARE basis.

The College is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of the scheme, but in the event of an insolvency event of any participating employer, the amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the subsequent actuarial valuation.

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the trustees in paying SAUL's benefits as they fall due (the "Technical Provisions"). The trustees adopt assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from members' accrued pension rights to be met.

The assumptions used to calculate the Technical Provisions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The trustees and employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the employers' contributions will, therefore, increase from 13% of salaries to 16% of Salaries with effect from 1 April 2016.

Notes to the Accounts (continued)
for the year ended 31 July 2016

29 Transition to FRS102 and the 2015 SORP

This is the first set of financial statements prepared in accordance with FRS 102 and the new 2015 SORP for Further and Higher Education. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information for the year ended 2015, and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. The College has adjusted amounts previously reported in accordance with the 2007 SORP. An explanation of how the transition to FRS 102 and the 2015 SORP has affected the financial position, financial performance and cash flows of the College and Group is set out in the following tables.

	1 August 2014		31 July 2015	
	Group	College	Group	College
Financial position	**£'000**	**£'000**	**£'000**	**£'000**
Annual leave accrual	(1,303)	(1,303)	(1,350)	(1,350)
USS pension provision	(6,183)	(6,183)	(11,439)	(11,439)
SAUL pension provision	-	-	(517)	(517)
Deferred capital grant	11,713	11,713	9,279	9,279
Depreciation adjustment	-	-	2,793	2,793
Heritage assets	344	344	344	344
Profit on disposal of fixed asset	-	-	95	95
Total effect of transition to FRS 102	**4,571**	**4,571**	**(795)**	**(795)**
Total reserves 2007 SORP	62,262	62,262	73,549	73,576
Total reserves 2015 SORP	**66,833**	**66,833**	**72,754**	**72,781**

	Year ended 31 July 2015	
	Group	College
Financial performance	**£'000**	**£'000**
USS pension provision	(5,074)	(5,074)
SAUL pension provision	(517)	(517)
Interest on pension	(183)	(183)
Grant income	(2,434)	(2,434)
Annual leave accrual	(47)	(47)
Profit on disposal of fixed asset	95	95
Depreciation adjustment	2,793	2,793
Endowments	1,487	1,487
Total effect of transition to FRS 102	**(3,880)**	**(3,880)**
Surplus for the year 2007 SORP	9,800	9,828
Total comprehensive income for the year under 2015 SORP	**5,921**	**5,948**

There is no impact of the transition to FRS 102 on the cash flows of the College or the Group.