

**Birkbeck,  
University of London**

# **Financial Statements**

**for the year ended 31 July 2017**

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**OFFICERS OF THE COLLEGE AND SENIOR MANAGEMENT 2016/17**

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**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 Education: Professor Sue Jackson (to November 2016), Professor Diane Houston (from December 2016)

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

**EXECUTIVE DEANS**

School of Arts: Professor Hilary Fraser

School of Business, Economics and Informatics: Professor Philip Powell

School of Law: Professor Patricia Tuitt (to June 2017), Dr Stewart Motha (Acting from October 2016)

School of Science: Professor Nicholas Keep

School of Social Sciences, History and Philosophy: Professor Miriam Zukas (to September 2016), Professor Matthew Davies (from October 2016)

**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 (to March 2017), Ms Naomi Holloway (Interim April – July 2017), Ms Charlotte Croffie (from August 2017)

## MEMBERSHIP OF COMMITTEES 2016/17

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### THE GOVERNING BODY

Chair	Sir Harvey McGrath
Deputy Chair	Ms Liz Meek
Academic Board governors:	Professor Alison Finlay
	Dr Jennifer Baird
Academic staff governors:	Dr Eddie Bruce-Jones
	Dr Joanne Leal
Non-teaching staff governor	Ms Rose Devaney
Student governors:	Mr David Kirkman
	Ms Hana Faber
Alumnus governor	Ms Octavia Bell
Independent governors:	Mrs Julia Collins
	Mr Hugh Ferrand
	Ms Liz Meek
	Mr Peter Zinkin
	Mr Robert Allison
	Mr Clive Birch
	Ms Gillian Broadley
	Ms Cindy Leslie
	Mr Simon Davis
	Mr Eric Salama (from January 2017)

### 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
	Dr Eddie Bruce-Jones
Non-teaching staff governor	Ms Rose Devaney
Student governor	Mr David Kirkman
Independent governors:	Mr Peter Zinkin
	Mr Robert Allison
	Ms Gillian Broadley
Co-opted external member	Mr Rob McWilliam (from March 2017)
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/Ms Naomi Holloway
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 2016/17 (Continued)

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### NOMINATIONS COMMITTEE

Chair	Sir Harvey McGrath
The Deputy Chair of Governors	Ms Liz Meek
The Master	Professor David Latchman
Academic governors:	Dr Eddie Bruce-Jones
	Dr Joanne Leal
Student governor	Vacancy
Independent governors:	Mr Robert Allison
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	Ms Liz Meek
Chair of the Finance and General Purposes Committee	Mr Hugh Ferrand
Independent governors:	Mr Clive Birch
	Mr Peter Zinkin
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	Ms Liz Meek
Chair of the Finance and General Purposes Committee	Mr Hugh Ferrand
Independent governors:	Mr Clive Birch
	Mr Peter Zinkin
The Master	Professor David Latchman
In attendance:	
The Director of Human Resources	Mr John Kempton/Ms Naomi Holloway

### AUDIT COMMITTEE

Chair	Mrs Julia Collins
Independent governors:	Ms Cindy Leslie
	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 2016/17 (Continued)**

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**STRATEGIC PLANNING COMMITTEE**

Chair	Professor David Latchman
The Vice-Master	Professor Matthew Innes
The Pro-Vice-Masters:	
Education	Professor Sue Jackson, Professor Diane Houston
Research	Professor Julian Swann
International Links	Professor Stephen Frosh
Access and Community Engagement	Dr Roz Dixon
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, Ms Naomi Holloway
The Academic Registrar	Mr Fraser Keir
The Director of Planning	Mr Nick Head
The Director of External Relations	Mr Jonah Duffin
The Director of Alumni and Development	Mr Chris Murphy
The Director of Commercial Services and Estates Development	Mr Jeremy Tanner
The Policy Advisor	 
 	Mr Jonathan Woodhead
The Executive Deans:	
School of Arts	Professor Hilary Fraser
School of Business, Economics & Informatics	Professor Philip Powell
School of Law	Professor Patricia Tuit, Dr Stewart Motha
School of Science	Professor Nicholas Keep
School of Social Sciences, History and Philosophy	Professor Miriam Zukas, Professor Matthew Davies

## MISSION STATEMENT

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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.

## OPERATING AND FINANCIAL REVIEW

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### Master's Report

#### Operating environment

Since the ELQ crisis in 2008, and the dramatic drop in part-time student numbers when the £9,000 fees were introduced in 2012/13, Birkbeck has focussed on sustaining student numbers and managing costs. This has enabled the College to remain sustainable in the face of the decline of one of our core markets - part-time undergraduate degrees. Over the period 2012/13 to 2016/17, part-time undergraduate degree enrolments have halved, as have enrolments to undergraduate certificates. In the past two cycles, there have been indications in some areas that the College may have reached a lower but more stable level, particularly in part-time undergraduate degrees. It is hoped that the introduction of maintenance loans for part-time students from 2018/19 may positively affect recruitment.



We are also pleased to note that the Government and media commentators regularly mention the importance of part-time students. However, because of the diversification of our offer and strong growth in other markets, overall student FTEs have been broadly stable right across this period of turbulence.

2016/17 resulted in strong growth in full-time and part-time postgraduate taught students for the College. Home and EU enrolments jumped by 11.8% (to 1,289 FTE) and 65.7% (to 653 FTE) for part-time and full-time Masters programmes respectively. These increases are likely to be due to the introduction of postgraduate loans for home and EU students. In this regard, it is particularly satisfying that very large increases were observed in the 30-60 age group following the success of the College's political campaign which resulted in the raising of the age-limit of these loans from 30 (which was originally proposed) to 60.

At undergraduate level, full time enrolments by UK and EU students increased slightly from 2015/16 to 2016/17. This is particularly pleasing given the increase in competition in the sector following the removal of the student number control for undergraduate students from the UK and EU. The mature student market remains more volatile and harder to predict than 18-year old full-time undergraduates which most universities depend on and we are concerned that economic uncertainty and further competition may affect this particular part of our market.

International recruitment has been a relatively small but increasing sector for the College. Since 2013/14 income from international students, both full-time and part-time, has increased by 9.6% to £8.2 million and now represents 12.1% of our total tuition fee income (7.5% of total income). The College became a Chevening partner in 2016/17 which increased our international profile. The scheme, which is funded by the Foreign and Commonwealth Office, contributed to higher applications from international students for 2017/18 which in turn has led to higher numbers of students once again. We will look to further develop our international reach during 2017/18.



## OPERATING AND FINANCIAL REVIEW (continued)

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### Operating environment (continued)

A number of new programmes were developed during the year including two innovative arrangements:

- An 18 month part-time MBA (the first for the College) in conjunction with Central St Martins, University of the Arts. The aim was to create a new type of business graduate who can combine genuinely creative thinking and innovation with core financial and strategic management skills. This new development is likely to be the first in a suite of MBA programmes offering a different approach to the traditional MBA;
- With the assistance of £50,000 funding from HEFCE, the Department of Computer Science developed a conversion Master's degree in Data Sciences. This course will combine work in software engineering and data sciences to provide a Masters level qualification for those with no previous computer or data science experience.

Portfolio development is undertaken by each of the five Schools on an annual basis to ensure that our programmes meet the needs of students and employers in London and beyond.

The College has always been committed to improving access to higher education for students, particularly for those who may not be able to directly enter an undergraduate programme. In 2017/18, for the first time, students will be able to enter four-year full-time evening degree programmes which will begin with a Foundation Year and be followed by the standard three-year full-time evening degree programme. These programmes will be for students who do not meet standard requirements for the first year of a degree but who demonstrate the likely ability to complete a degree subject with an additional year of study at the outset.

In addition to promoting access for all students in this way, we have also funded a programme specifically for asylum seekers entitled "Bridges to Study". Under this programme, 20 asylum seekers (who because of their status cannot obtain loans and are subject to international fees), will be given fully-funded undergraduate or postgraduate places at Birkbeck with a programme of additional support to smooth their transition to UK higher education.

In October 2016 we launched the initial phase of our outreach teaching initiative in Tottenham. This is supported by the London Borough of Haringey (which contains no other University activity). Eighteen students have begun study on the course, each of whom is receiving a £2,000 bursary funded by Haringey for their study, so reducing the loan they need to take to £4,000 for this year. As with all Birkbeck students, these students are eligible for further bursary support based on low household income. Following completion of the introductory course, the students can progress to further degree study at Birkbeck.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Operating environment (continued)

Having successfully adapted our business model due to changes in government policy in 2008 and 2012, it appears that the sector faces another period of prolonged uncertainty and increasing competition:

- We do not yet know the outcome of the Brexit negotiations but have already seen a negative impact on applications from EU students domiciled on the continent and an even higher impact on those domiciled in the UK;
- The UK government appears confused over how higher education should be funded. A review has been proposed with no clear objective or timescale and the previously announced annual increases in the home undergraduate fees have been rescinded;
- There is a lot of negativity in the press about the value of a higher education qualification which is likely to reduce confidence in the sector amongst potential applicants;
- HEFCE have noted that there is increasing divergence between the financially well-off HEIs and those that are struggling. This will inevitably increase competition;
- Implementation of the Higher Education and Research Act 2017 is currently the subject of a suite of consultations. Notably, the consultation on the new Office for Students (OfS) seeks views on the proposed new regulatory framework which will be the system to regulate higher education. This consultation sets out the proposed new regulatory approach and what this will mean for the sector and students. It includes proposals for how higher education providers will enter the system, how they will be risk-assessed, the conditions they will have to meet, how they will be monitored, and what potential actions the OfS will be able to take;
- The cost of pensions, particularly in relation to USS, is becoming challenging to maintain.

In 2023 we will celebrate our 200<sup>th</sup> 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. Within an increasingly volatile operating environment, 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.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Awards (continued)

Marina Warner, Professor of English and Creative Writing was elected as the 19<sup>th</sup> President of the Royal Society of Literature (RSL). She is the first woman to hold this position since the Society was founded in 1820. The RSL is Britain's national charity for the advancement of literature. It honours and encourages great writing through fellowships and literary awards, engages the public in literature through events, publications and outreach to schools, and acts as a voice for the value of literature.

Professor Ian Crawford, from the Department of Earth and Planetary Sciences was elected Vice President of the Royal Astronomical Society (RAS) in 2017. The RAS was founded in 1820 to encourage and promote the study of astronomy, solar-system science, geophysics and other related branches of science. Professor Crawford's research at Birkbeck is primarily focused on lunar science and exploration, and he also has long-standing interests in astrobiology and space exploration. In addition to his new position at the RAS, Professor Crawford also holds the position of Chair Sub-Commission B3 (The Moon) on the Committee for Space Research (COSPAR) and is an advisor to the European Space Agency.

Professor Jacqueline Barnes was conferred as a Fellow of the Academy of Social Sciences. Professor Barnes' research looks at children's behavioural and emotional development, the importance of community characteristics in development and evaluation of Government services for families and children, including Sure Start and the Nurse Family Partnership scheme. The title of Fellow is bestowed upon social scientists after an exhaustive process of peer-review which evaluates individuals' contributions to the advancement of social science.

Professor Jennifer Hornsby from the Department of Philosophy was elected as a Fellow of the British Academy. The British Academy is the UK's national body for the humanities and social sciences. Professor Hornsby has been a Professor at Birkbeck since 1995 and also holds membership of the Norwegian Academy of Science and Letters and an Emeritus Fellowship at Corpus Christi College, Oxford, where she was a Tutorial Fellow for 17 years. Her research is primarily concerned with the philosophies of mind, action, language and feminist philosophy.

Professor Renata Salecl from the School of Law has been elected a member of the Slovenian Academy of Sciences and Arts (SASA). Alongside her Professorship in Psychology, Psychoanalysis and Law at Birkbeck, Professor Salecl is a senior researcher in criminology at the Faculty of Law in Ljubljana. At Birkbeck, she has been responsible for developing and running a course exploring the psychoanalytical and emotional dimensions of the lawyer-client relationship, and more generally, the psychosocial dimensions of legal practice in the Critical Legal Practice LLM. The SASA in its present structure was founded in 1938, but its predecessor, the Academia Operosorum, dates back to 1693. It aims to cultivate, encourage and promote sciences and arts through its activities and contributions to the development of scientific thought and creativity in the arts.

Claire Callender, Professor of Higher Education Policy at Birkbeck was awarded an OBE in 2017 for services to higher education. Professor Callender researches and teaches in our Department of Psychosocial Studies and has been Professor of Higher Education Studies at University College London's Institute of Education since 2010. She is Deputy Director of the Centre for Global Higher Education and leads the Centre's social and economic impact of higher education research programme. Professor Callender's research in higher education policy focuses particularly on student finances and related issues, such as the effects of tuition debt on graduate financial and life decisions.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Awards (continued)

Fellow and alumna of the College, Dame Stephanie Shirley, was awarded the Companion of Honour in the Queen's Birthday Honours list. The award is given to those who have made a major contribution to the arts, science, medicine or government over a long period of time. The order, now in its 100th year, is limited to 65 members, 45 from the UK and 20 from the Commonwealth. Dame Shirley is the first Birkbeck alumna to receive this accolade.

Finally, Simon Davis, Governor of Birkbeck, has been elected President of the Law Society of England and Wales. He took up the role of deputy vice president in July 2017 and will become vice president in 2018 and president in 2019.

### Teaching and research excellence

The College is proud of its long tradition of providing flexible education courses delivered by research active staff to students of all ages, particularly those who live and work in the London region. We work very hard at ensuring that the quality of both our research and teaching is at a recognisably high standard whilst also enabling and encouraging students from diverse social and educational backgrounds to participate in our courses.

The 2014 Research Excellence Framework (REF2014) determined that 73% of our research was rated "world leading" or "internationally excellent" (compared with 56% in REF2008). 83% of our academic staff were returned in the REF, a figure that is well above the sector average.

When the Teaching Excellence Framework (TEF) was announced we were concerned that the metrics used may have unintentional consequences for us due to our unique mode of evening teaching. In recognition of feedback received during the consultation for the review, institutions were able to submit a detailed commentary alongside the pure data. We were delighted that the review panel acknowledged our unique position and awarded the College a Silver grade. The review panel noted evidence of:

- a range of strategic initiatives which contribute to positive outcomes for cohorts of students who would not otherwise engage with higher education, including unique provision of on-site programme delivery in the evenings;
- programmes designed to support students from diverse backgrounds to gain knowledge and achieve their full potential through a curriculum which is at the forefront of research;
- ongoing implementation of strategic initiatives, some externally funded, to enhance retention for mature returners to higher education;
- systematic monitoring of student engagement by the College in order that personalised support can be offered to students such that they are able to fully engage and commit to their studies;
- implementation of an institutional culture which facilitates, recognises and rewards excellent teaching, including targeted staff development initiatives.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Teaching and research excellence (continued)

Shortly after the TEF results were published in June 2017, WONKHE (a renowned independent website with a mission to “improve policy making in higher education”) published an article which aimed to compare the REF and TEF results for institutions. They plotted the REF2014 grade point average intensity score against a 25 point scale devised by them to convert the TEF metrics into a “score”. Birkbeck appeared with 28 other institutions in the top right quadrant of the chart which the article described as institutions which “can be considered to be successful at research and teaching”. It is worth noting that only three of the institutions in this quadrant are based in London – Birkbeck, Imperial and Brunel.

Graduate earnings for our students also ranked well in the government’s Longitudinal Educational Outcomes (LEO) salary data report. Our students were the 14<sup>th</sup> highest earners among UK graduates and the sixth highest in London for the subjects we teach, outstripping the salaries of graduates from universities including the London School of Economics and Queen Mary, University of London.

In the 2017 National Student Survey (NSS), Birkbeck was rated second among London institutions for teaching. 90% of students taking part in the survey agreed that their courses were intellectually stimulating - the sixth highest of any university in the country. We also scored higher than the average in England over all four questions about teaching and were rated highly for student satisfaction in many individual subjects with Philosophy named best in the country for overall satisfaction.

Although the TEF and REF confirmed that both our teaching and research are of high quality, and the NSS indicated that our students found their courses intellectually stimulating, feedback from students indicates that we could do better in student support and other aspects which contribute to the student experience. Although our evening model of teaching gives working Londoners access to higher education not available to them elsewhere, it also creates a unique challenge when it comes to improving the provision of services to our students, many of whom come to study straight from work. We are committed to this and are proposing to invest significantly in new supportive activities following the completion of a review of the student experience by the Pro Vice Master Education (report due for completion early 2018).

We have also set aside funding to further develop our research support in 2017/18. In the lead up to the next REF the Pro Vice Master Research has proposed new initiatives to support post graduate research students, early career researchers and established academics. It is our current aspiration to submit 100% of our research active staff to the next REF.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Estates

The main thrust of our estates strategy is to improve the quality of teaching and ancillary space, to co-locate student activity on our main campus in Torrington Square and to improve research facilities. By the time we reach our 200<sup>th</sup> anniversary in 2023 it is our aim that all Birkbeck students will be studying either in fully owned Birkbeck facilities or in buildings shared with other HE institutions. Governors have approved the College Estate Strategy which determined that four projects were required to improve the quality of our research and teaching space and also to increase the amount of teaching space that was under the direct, or shared, control of the College.

A governance structure has been set up to oversee the projects including Project Boards (membership: internal clients, Estates staff, representatives from the external design teams, senior College staff and lay Governors) which feed in to Estates Committee (a sub-committee of Finance & General Purposes Committee). The structure aims to ensure that all aspects of each project are appropriately managed thereby ensuring that value for money is obtained, the building meets the needs of the client and budgets are not exceeded. Reports on major projects are also provided to each meeting of the Audit Committee to provide assurance that all risks are being appropriately managed.

The first two projects - Toddlerlab (a new build to extend the research undertaken in the Babylab) and Cambridge House (the redevelopment of an office block for teaching) - are currently working towards planning submission. Both occupy independent sites in the control of the College and construction is expected to commence in 2018. Budget approval has only been granted for fees at this stage.

The bulk of our science research is currently undertaken in unsustainable space in the Malet Street extension building and needs to be rehoused. We are currently seeking a suitable site and developing initial requirements for the building. Once the research has been relocated the intention is to knock down the Malet Street extension and construct a new teaching block on the site. Indicative timelines suggest that construction could begin on the Science block in 2019 and the extension building in 2021.

In addition to the new building projects our long term cash flow forecast includes prudent estimates for: unspecified capital amendments to existing buildings; capital elements of our long term maintenance plan; replacement of existing combined heat and power system; and capital equipment. We do not expect to spend these funds in full but we are keen to ensure that the main building projects are affordable even in a scenario where significant additional capital funding was required.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Alumni and friends of the College

The generosity of alumni, friends, corporate partners, charitable trusts and foundations is vital in enabling Birkbeck to continue amplifying our commitment to access and widening the impact of our world leading research.

Last year, Birkbeck raised over £3.3 million of new philanthropic income. Donations ranged from regular monthly gifts, several legacies and six-figure gifts from individuals and corporates. These donations supported a range of areas across the college including widening access provision, student support, academic research and capital projects.

In 2016/17 over 300 volunteers donated nearly 3,500 hours of their time to supporting students across Birkbeck, aiding recruitment, retention and employability initiatives across the College.

Over the coming year we hope to further broaden our fundraising activity; deepening our relationships with current supporters and attracting new donors to support the College's ambitious strategic priorities as we move towards the College's 200<sup>th</sup> anniversary in 2023.

2016/17 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 embarking on 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 Research Excellence Framework we achieved a Silver grade in the 2017 Teaching Excellence Framework. These external reviews validate our strategic objective to deliver high quality teaching *and* research. Although there are an unprecedented 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 200<sup>th</sup> anniversary.

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

**OPERATING AND FINANCIAL REVIEW (continued)**

**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

The 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).



**Results for the Year**

Chart 1 compares the main income streams for the last three years whilst Chart 2 summarises the breakdown of the total income for 2016/17.

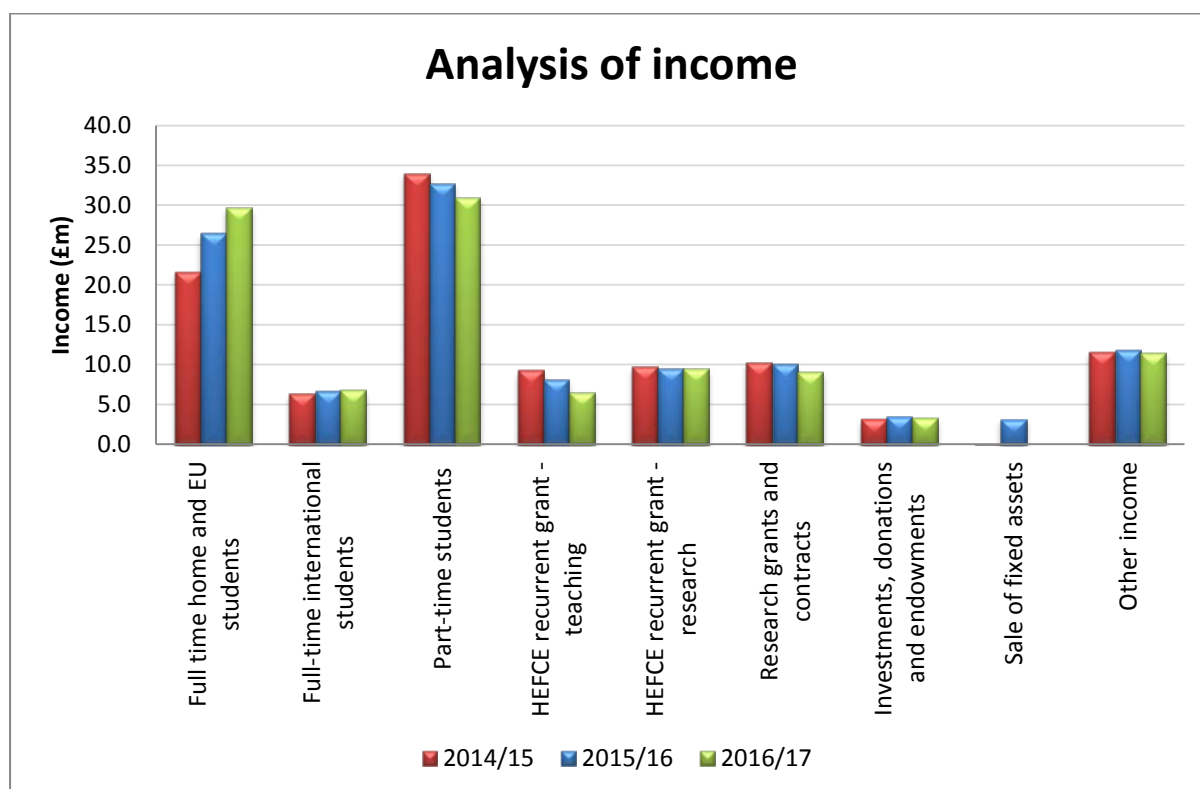


Chart 1: Income by category 2014/15 to 2016/17



OPERATING AND FINANCIAL REVIEW (continued)

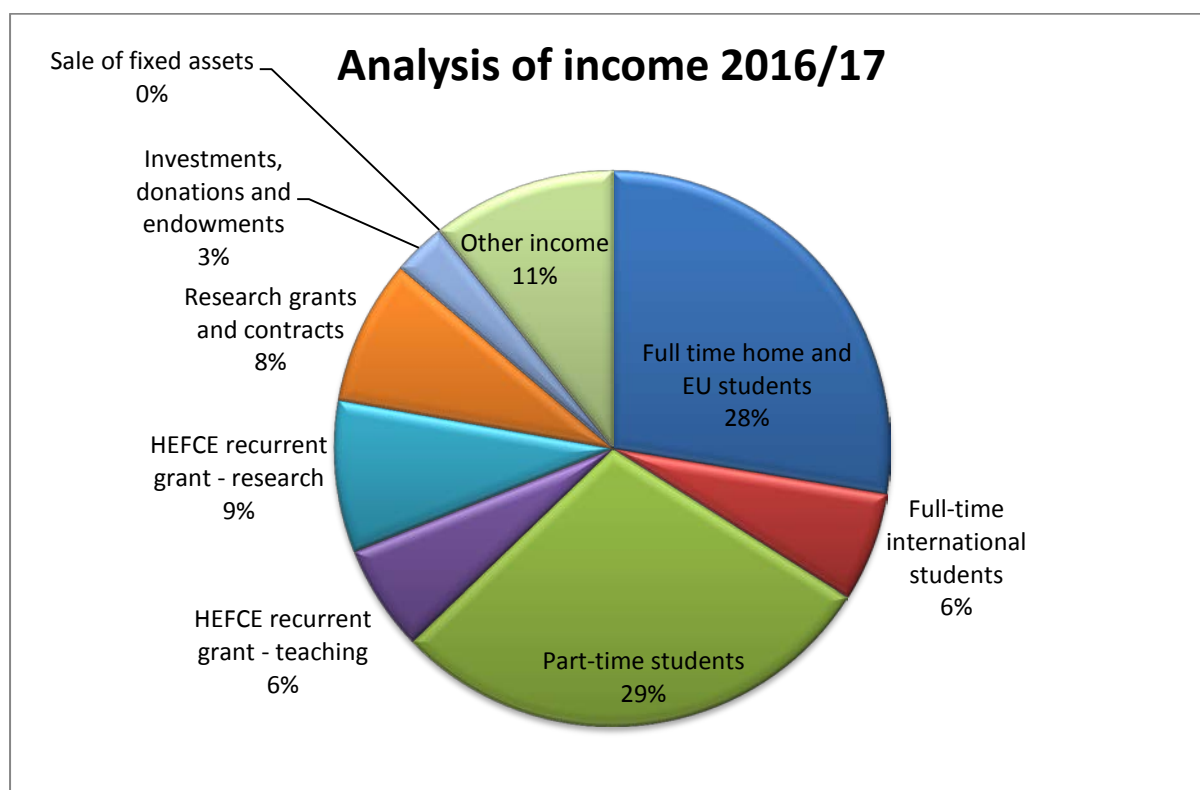


Chart 2: Analysis of income 2016/17

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 £1.6 million in 2016/17 (a reduction of 17.5%). HEFCE teaching grant now represents only 6% of College income in comparison with 47.5% in 2005/6. In contrast, income from academic fees has risen from 25.7% in 2005/6 to 62.8% in 2016/17 (up from 58.6% in 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)**

Chart 3 highlights the change in enrolment trends since 2011/12.

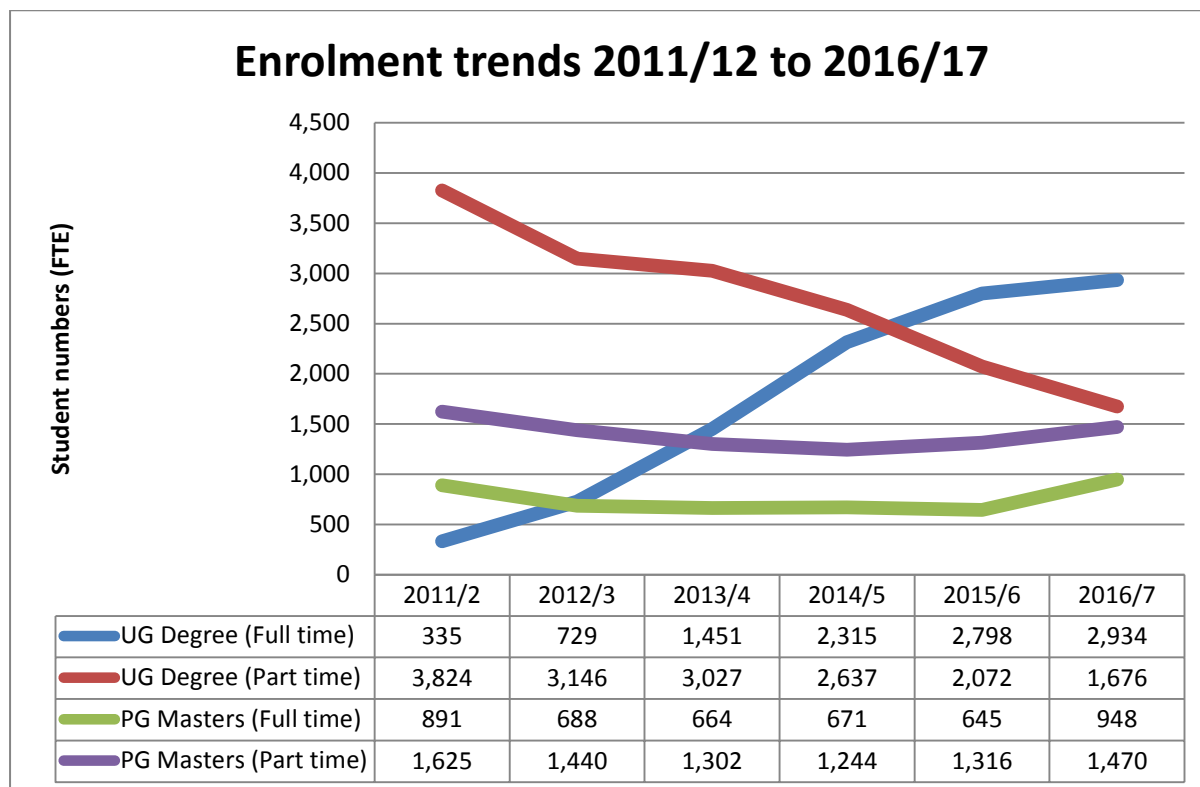


Chart 3: Main levels of study enrolment trends 2011/12 to 2016/17

Since 2012/13, total student numbers have been broadly stable, declining from 9,436 FTE to 9,225 FTE in 2016/17, a fall of 2%. Beneath this top level figure there has been a lot of change, both in the types of students studying (undergraduate versus postgraduate) and by school. A dramatic decline in part-time undergraduate has been compensated for by growth in full-time undergraduate as can be clearly seen in Chart 3. In 2016/17, Masters recruitment showed a marked increase due to the introduction of the post graduate loan. The School of Business Economics & Informatics has grown by 25% over this period whilst the Schools of Arts, Social Sciences History & Philosophy and Science have fewer students. Law has similar numbers to 2012/13 following a period of growth and then falling student numbers.

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 £3.3 million (15%) primarily as a result of the continuing increase in full time undergraduate numbers and the significant increase in Masters students (47% increase in full time Masters students). Income from international students (which represents just over 6% of total income) increased marginally over the previous year (£0.1 million) whilst part time student income fell by £1.8 million (5%) despite an increase in part time Masters enrolments of 12%.

**OPERATING AND FINANCIAL REVIEW (continued)**

Charts 4 and 5 summarise where our expenditure has been incurred.

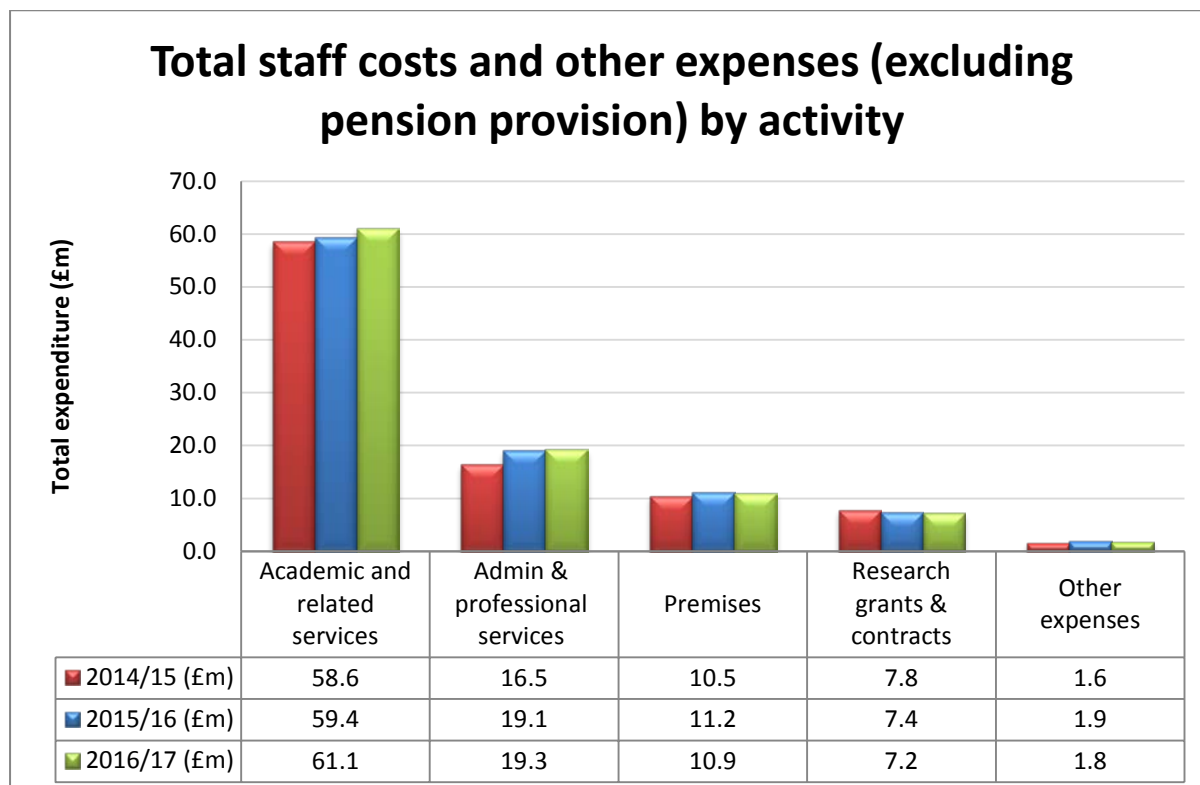


Chart 4: Expenditure by activity 2014/15 to 2016/17

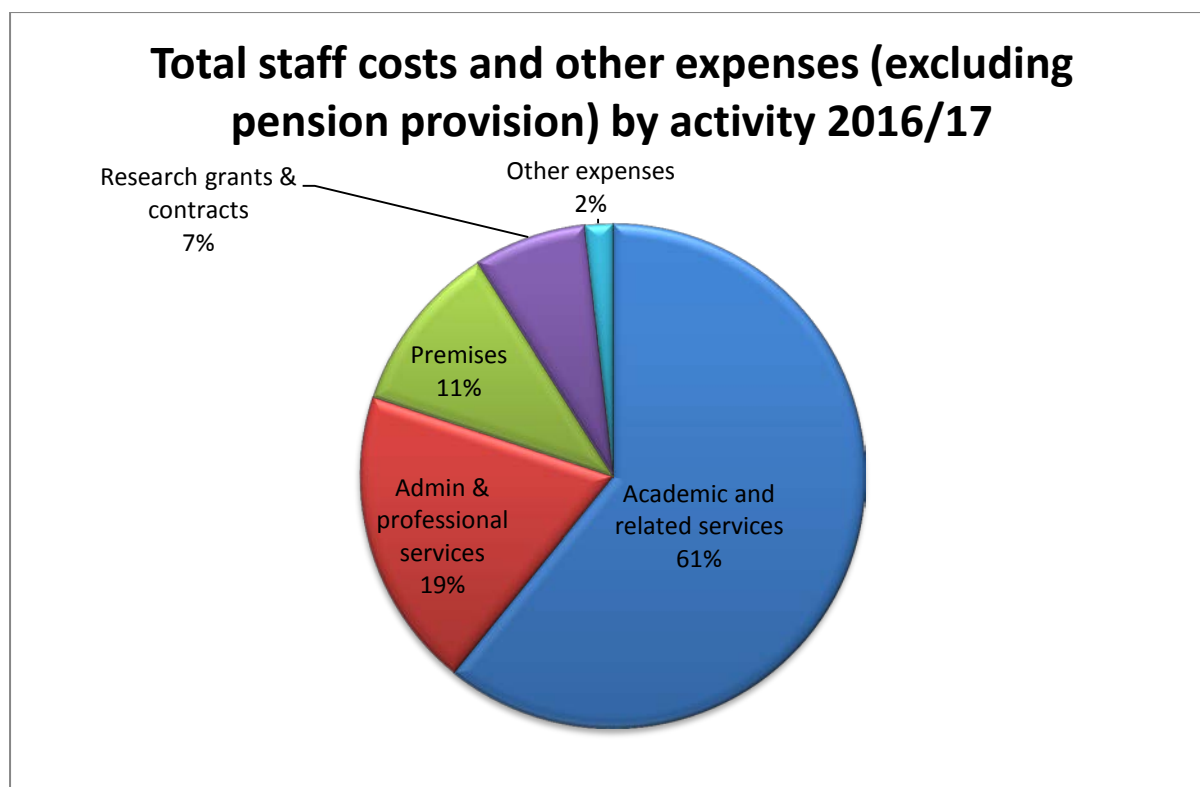


Chart 5: Analysis of expenditure 2016/17

## OPERATING AND FINANCIAL REVIEW (continued)

The analysis of expenditure confirms that the College continues to invest heavily in education and research with only 19.3% of total expenditure (2015/16: 19.1%) spent on administration and other professional services.

Staff costs as a percentage of total income (excluding movements in the pension provision) has risen from 57.1% in 2014/15 to 61.1% in 2016/17 (see Table 1). The College does not own any student residences (which increase income without a corresponding increase in staff costs) so this percentage is one of the highest in the sector. The College regularly reviews the level of staff costs in relation to income and uses 60% as a benchmark during annual and long term planning.

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Gross salaries	60,783	64,436	66,369
Movement on pension provision	5,591	(464)	(181)
<b>Total expenditure on salaries</b>	<b>66,373</b>	<b>63,971</b>	<b>66,188</b>
Gross salaries (excluding movement on pension provision) as a percentage of total income	57.1%	59.6%	61.1%

Table 1: Change in underlying staff costs

### Financial sustainability

Table 2 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.

	2012/13	2013/14	2014/15	2015/16	2016/17
Total income (£'000)	96,262	101,463	106,388	108,087	108,595
Total comprehensive income for the year (£'000)	6,736	6,622	5,921	14,029	7,483
Total comprehensive income as a percentage of total income	7.0%	6.5%	5.5%	13.0%	6.9%
Non-current assets (£'000)	73,838	72,711	86,886	86,733	86,144
Cash plus current investments (£'000)	32,583	41,696	43,397	57,648	63,820
Net cash inflow from operating activities (£'000)	3,813	10,448	11,130	10,842	6,957
Operating cash as a percentage of total income	4.0%	10.3%	10.5%	10.0%	6.4%
Net liquidity days	139	169	161	219	238
Staff costs as a percentage of total income (ignoring movement in pension provision)	58.2%	58.7%	57.1%	59.6%	61.1%
Net pension liability (£'000)	-	-	(11,956)	(11,835)	(11,851)
Total net assets (£'000)	103,753	109,254	72,754	86,783	94,539

Table 2: Key financial data 2012/13 to 2016/17 (2014/15 onwards are calculated under FRS102 and the new SORP)

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

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Although restating the 2014/15 balance sheet with the transition to FRS 102 had the effect of substantially reducing total net assets when the pension liability and deferred capital grant adjustments were introduced, most of the data in Table 2 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 investments increased the surplus in 2015/16. In 2016/17, total income remained static overall whilst staff costs increased due to the annual inflationary rise and grade drift. The gain on investments of £1.3 million in 2015/16 was largely reversed by a loss of £0.9 million the following year, although there was no impact on cash due to these adjustments.

What is clear from Table 2 is that the College is generating reasonably consistent levels of cash from operating activities. In 2016/17, the operating cash was affected by an unwinding of increases in year-end debtors and creditors in 2015/16 – a net reduction in operating cash of £2.2 million in 2016/17. Our strategy to return surpluses of 5% of income was primarily introduced to ensure that we generated cash to invest in our future. The cash reserves that we have built up will be invested back in to our estate with two projects entering the construction phase in early 2018.

The College is a member of two sector-wide pension schemes, both of which undertook a triennial valuation of the assets and liabilities of the schemes in 2017. Following the 2014 valuation, both schemes reported a deficit and the College share of this deficit was included in the balance sheet for the first time under the FRS102 regulations. The deficit in the Universities Superannuation Scheme has increased at the latest valuation point and the formal review process is currently under way. Whilst the College is committed to providing attractive reward packages to all staff we are concerned that the deficit and an increase in the costs of providing for future pensions will negatively impact on our financial sustainability. With staff costs already representing over 60% of total income, further increases to our contributions will put significant strain on other elements of our budget.

Despite concerns over the pension schemes which the College has little direct influence over, we are in a sound financial position with a strong cash base to invest in our future. That said, we are mindful of the unprecedented uncertainty in the higher education sector at the moment.

### **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.

## OPERATING AND FINANCIAL REVIEW (continued)

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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 2016/17 was presented to the Audit Committee in May 2017.

Risks are assessed and scored 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.

The top risks for the College for 2017/18 outlined in the annual report are:

- **Estates Strategy**

The main thrust of our estates strategy is to improve the quality of teaching and ancillary space, to co-locate student activity on our main campus in Torrington Square and to improve research facilities. By the time we reach our 200<sup>th</sup> anniversary in 2023 it is our aim that all Birkbeck students will be studying either in fully owned Birkbeck facilities or in buildings shared with other HE institutions. Governors have approved the College Estate Strategy (total value around £150 million) which determined that four projects were required. The first two building projects are planned to be on site in early 2018.

A number of risks have been noted in relation to the Estates Strategy including: projects do not effectively meet the stated objectives; project budgets are not appropriately managed; and long term cash levels negatively impact our financial sustainability. A governance structure has been set up to oversee the projects including Project Boards (membership: internal clients, Estates staff, representatives from the external design teams, senior College staff and lay Governors) which feed in to Estates Committee (a sub-committee of Finance & General Purposes Committee). The structure aims to ensure that all aspects of each project are appropriately managed. Reports on major projects are also provided to each meeting of the Audit Committee and the management of major projects is routinely reviewed by our internal auditor.

With an indicative budget of over £150 million the impact of the Estates Strategy on the College has been assigned a net risk of 12.0 (amber).

## OPERATING AND FINANCIAL REVIEW (continued)

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- **Students**

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 (NSS) 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.

Although the Teaching Excellence Framework exercise resulted in a silver award for the College, the NSS has indicated that we need to focus on improving student support. The student body has changed over the last few years, with larger numbers of younger students with different needs and expectations choosing to study with us. Many of our students combine work with study and are consequently time poor. The College Pro Vice Master Education is undertaking a wide ranging review of the student experience with a view to recommending actions for improvement.

Although students find our programmes intellectually stimulating we are committed to improving the student experience. The potential impact on student recruitment of failing to provide services our students need is significant and the risk has been assigned a net score of 12.0 (amber).

- **Planning and prioritisation of investment**

The higher education environment is more competitive than ever (new entrants to the market, development of innovative modes of delivery, removal of student number controls, changing expectations from students) and more uncertain (Brexit, government policy, changing attitudes to higher education). As such, it is important for the College to dynamically adapt to circumstances to ensure financial sustainability.

To help ensure our financial sustainability, rolling five year plans (including portfolio review) are prepared by each School and Professional Service annually and the financial implications are combined with capital aspirations to develop ten year forecasts. Innovative new initiatives are encouraged and a Planning Group including School Executive Deans and key strategic staff has been set up to consider areas for investment. Strategic Planning Committee is the executive body responsible for ensuring sustainability.

Although long term planning has improved the uncertain external environment has resulted in this risk being assigned a score of 10.5 (amber).

Brexit has not been included in our risk register as a specific risk due to the lack of progress made in negotiations and the uncertain impact on universities (although it is expected that the impact is likely to be negative for the sector). There is a differential risk between students resident in the EU losing access to UK student loans and that of EU nationals recognised as already living in the UK, whose status will be established during the negotiations. At Birkbeck, around three quarters of undergraduate students classified by the SLC as EU tell us that they are living in the UK when they apply to study. If all EU citizens living in the UK are granted 'full UK rights' after Brexit, then these students should still be able to access loans. We have undertaken a range of modelling using different assumptions but believe that the risk to income for the College may be slightly lower than for other institutions due to the fact that most of our students are already working in London when they apply to study. Fees Bursaries & Scholarships Committee are overseeing the risk to students and reporting regularly to Governors. This risk will be carefully monitored as government negotiations progress.

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

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Audit Committee was provided with an update in September of the main developments since they approved the College risk register in May. Whilst this noted in particular the negative publicity in the press around Vice Chancellor salaries, Brexit uncertainties and increased competition for students, sector uncertainty has increased still further following the announcement by the Government that regulated fees would no longer rise in line with inflation and that a significant review of HE funding was to be undertaken. Although we had been closely monitoring student recruitment all year, conversion rates from application to enrolment appear to have fallen despite applications being buoyant. The impact of this on income coupled with the changes to student funding announced by the government recently will require us to review our plans. The risk register will be updated and represented to Audit Committee for oversight as appropriate.

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



## OPERATING AND FINANCIAL REVIEW (continued)

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### Public Benefit Statement

The College Charter dated 17 March 1926 states:

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

As an exempt charity within the meaning of the Charities Act 2006 (updated 2011), we are required to demonstrate how our activities are of benefit to the public. The Governing Body has regard to the Charity Commission’s guidance on public benefit and meets these requirements in the following manner.

The College 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 evening higher education, Birkbeck has long encouraged applications from students without traditional qualifications or from disadvantaged and under-represented backgrounds.

We actively encourage students with non-traditional qualifications to study at Birkbeck and offer various flexible routes into study including Certificates of Higher Education and (from 2017/18) undergraduate degrees with an additional Foundation year. Data from 2015/16 which was included in our 2018/19 Access Agreement with the Office for Fair Access (OFFA) highlighted that:

- 35% of part-time entrants at Birkbeck had either level 2 (equivalent to GCSE), level 1 or no entry qualifications in 2015/16.

Our outreach work, alongside the various entry routes to degree study, support students without traditional entry qualifications to study successfully at Birkbeck. That a high proportion of part-time students do not have a level 3 qualification is a strong demonstration of our commitment to widening participation and to facilitating social mobility.

Given our evening model of study, we attract a high proportion of mature students. 40% of our undergraduate degree students chose to study part-time in 2016/17 and 94% of these students are over 21 (as compared to 66% of full-time students). However, recruitment to our full-time programmes has been more successful in recent years than to our part-time programmes: higher fees and debt aversion have clearly been a deterrent to many mature, part-time students. The introduction of maintenance loans for part-time students from 2018/19 may encourage some of these students back to higher education. Unlike most higher education institutions, much of our outreach work is with mature students with no previous experience of higher education, especially those who have low incomes.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Public Benefit Statement (continued)

We attract a very high proportion of students with low incomes. Our 2018/19 Access Agreement noted that:

- 32% of our part-time students were eligible for Birkbeck financial support in 2015/16 (criteria of household income below £40,000); and
- 40% of our full-time students were eligible for Birkbeck financial support in 2015/16 (criteria of household income of below £25,000).

We are pleased that full-time programmes delivered in the evening are proving attractive to students from low income backgrounds and that we are able to offer attractive opportunities to students who we would not have been able to reach with part-time provision.

The Access Agreement also highlighted that:

- 7.4% of our part-time students were eligible for Disabled Students' Allowance (DSA) in 2015/16;
- 7.4% of our full-time students were eligible for Disabled Students' Allowance (DSA) in 2015/16; and
- 16% of full-time and part-time students declared to us that they had a disability in 2016/17.

It should be noted that supporting part-time students is more resource intensive than supporting full-time students, as they represent a Full Time Equivalent of less than one but require equal levels of support. The figures show that there are significant numbers of students who do not receive DSA but may well require additional assistance in order to study successfully. Both our Disability and Dyslexia and Mental Health Advice Services work closely with these students to ensure that they are given the best possible opportunity to succeed.

The proportion of BME students on our full-time programmes remains high:

- 55% of full-time students were from BME groups in 2015/16; and
- 39% of part-time students were from BME groups in 2015/16.

Our widening access provision predominantly targets students on low income rather than focusing on ethnicity but as our work is exclusively in London our approach invariably means that we work with high numbers of students from BME groups.

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.

## OPERATING AND FINANCIAL REVIEW (continued)

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### Public Benefit Statement (continued)

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 offer a service to create job brokerage called Birkbeck Talent.

As an example of a new initiative developed during 2016/17, Birkbeck has created the Compass Project Outreach Programme and the Compass Project Fund. Set up with the support of international law firm Allen & Overy and the Z Foundation, the Outreach Programme provides pre-entry support to asylum seekers, with free workshops and events throughout the year. These events and workshops are available to anyone who has sought sanctuary in the UK.

The Project Fund will offer 20 asylum seekers per year a fully-funded place on an undergraduate or postgraduate certificate course at Birkbeck. Asylum seekers often arrive in the UK without documentation, limiting their ability to find work or to enrol in courses of study. Unlike those classified as refugees, their immigration status means that they are treated as international students, with university fees set at the higher international rate and with no access to loan support. This is often prohibitive for asylum seekers hoping to continue into higher education. As well as offering funded places to asylum seekers we will also provide a tailored programme of additional social and academic support to ensure a smooth transition into the British higher education system. Additionally, each successful applicant will be assigned a personal tutor to help them to navigate the academic processes at Birkbeck and provide pastoral care, as well as a dedicated student buddy.

20 students, including some from Syria, Iran and the Democratic Republic of Congo, commenced programmes in September 2017. The students are studying courses in politics, data science, economics, healthcare, international development, law, international security and global governance, and legal methods.

We will continue to invest significantly in activities which support student access, progression, success and employability. A wide-ranging review of the student experience at Birkbeck is being undertaken by the Pro Vice Master Education and it is expected that a number of recommendations for improvement will be made when the report is finalised in early 2018.

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 three years:

	2014/15	2015/16	2016/17
Research income (£'000)	10,328	10,082	9,091
Income as a percentage of total income	9.7%	9.3%	8.4%

Table 3: Research income trends

Research income is released in line with progress on the projects. The College currently has a portfolio of live research projects linked to nearly £50 million in external grant funding.

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

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### **Public Benefit Statement (continued)**

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

#### **The advancement of the arts, culture, heritage or science**

Birkbeck has been awarded £1.8 million Institutional Strategic Support Funding (ISSF) by Wellcome, for the period 2016-2019. The ISSF funding enables the College to invest in areas that are of mutual strategic importance to Birkbeck and Wellcome and promotes excellence in research.

The funding will be used to develop biomedical-related scholarship across the College, with the aim of increasing interdisciplinary collaboration and public engagement with biomedical research and humanities related to human and animal health. It will also be used to create new opportunities for postgraduate and early career researchers and mid-career researchers, particularly any individuals returning to work after career breaks.

This is the second ISSF award made to Birkbeck by Wellcome. A portion of the first grant was used to develop the College's public engagement activity and supported 11 public engagement projects including theatre, exhibitions, interactive workshops and development of new teaching resources.

#### **The advancement of health or saving of lives**

Researchers at Birkbeck and King's College London, including Dr Tim Smith, Birkbeck Reader in Cognitive Psychology, questioned 715 parents about their child's daily touchscreen use and sleep patterns. Their findings were published in the journal *Scientific Reports* in April 2017. They found that babies and toddlers who spent more time using a touchscreen slept less at night and, despite sleeping more during the day, slept for less time overall and also took longer to fall asleep. For every additional hour of touchscreen use during the day, children were sleeping for nearly 16 minutes less in each 24 hour period. Sleep is important for cognitive development - especially during the first few years of life, so the findings have important implications. Of the families participating in the study, 75% of the toddlers (aged between 6 months and 3 years) used a touchscreen on a daily basis, increasing from 51% at 6-11 months to 92% at 25-36 months.

An earlier study from the research team showed that increased active touchscreen use (for example scrolling, rather than passively watching videos) was associated with earlier achievement in fine motor milestones in babies. Consequently, further research is needed to understand in depth how to use modern technology in a way which maximizes benefits and minimizes any negative consequences for young children.

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

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### **Public Benefit Statement (continued)**

#### **The advancement of environmental protection or improvement**

Dr Sue Brooks, Birkbeck Reader in Environmental Systems Analytics, published a paper in the journal *Geography* which assessed the impact of the extreme storms that occurred in the winter of 2013/14 in the UK, where monthly rainfall was over 200% of the 1981 to 2010 average. The damage from this extreme weather affected landforms, habitats, societies and infrastructure, and varied noticeably across the UK. Several high-magnitude storms over the course of the winter were particularly devastating in the west and south-west of the UK while a single extreme storm did most of the damage in the east.

The article highlighted how new technologies can be used to quantify some of the key coastal impacts of such events. It also explored the need for new strategies for forecasting, early warning and evacuation planning to mitigate possible future damage in the context of rising sea levels and changing storm tracks.

#### **The promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services**

The College has worked closely with the Institute for Criminal Policy Research (ICPR) for a number of years and in 2016/17 it was agreed with the trustees of the charity to transfer the staff, assets and liabilities of the charity to Birkbeck. Including the Institute within the College infrastructure would provide improved administrative efficiency and financial sustainability which would allow the researchers to concentrate on their research.

Current projects include being part of an academic consortium that has won a £3.3 million grant from the Economic and Social Research Council (ESRC) and the College of Policing to mount a three-year programme of work to build more evidence around what really works in reducing crime. The consortium will map the existing evidence base for crime reduction, label it for quality, cost and impact, and make it easily accessible for practitioners and decision makers.

In a separate project, ICPR, together with Birkbeck's Department of Organisational Psychology, is engaged in a Home Office-funded project which also involves collaboration with the Mayor's Office for Policing and Crime (MOPAC), the Jill Dando Institute, University College London and eight UK police forces. The project aims to develop the training curriculum for police graduate recruits to include - and encourage further discussion about - evidence-informed practice; and to evaluate the response to this training, including its usefulness and application in post training placements.

At the point of incorporation into the College, ICPR had net assets totalling £0.3 million.

## STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

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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)

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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, Directors of Operation (Schools), 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

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### Corporate governance and accountability arrangements

Birkbeck College is a body incorporated by Royal Charter. Although the College does not have shareholders, and is not a listed company, the Governing Body is committed to achieving high standards of corporate governance in line with accepted best practice. This summary describes the manner in which the College has applied the principles set out in 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. In 2016/17 four new lay governors were appointed following an open call for expressions of interest, which increased the diversity of the Governing Body.

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, and will annually review, a set of Key Performance Indicators linked to College strategic objectives.



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

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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 2017 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.

### **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.

## CORPORATE GOVERNANCE STATEMENT (continued)

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### Audit Committee

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

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

The remit of the Audit Committee includes:

- reviewing the effectiveness of the College's systems of internal control and risk management;
- satisfying itself and assuring the Governors that satisfactory arrangements are in place to promote economy, efficiency and effectiveness thereby securing value for money;
- reviewing and approving the remit of the internal audit function;
- advising the Governors, as necessary, on the appointment and remuneration of the internal and external auditors, and their quality, reliability and effectiveness;
- reviewing with the external auditors the scope and nature of the audit, including the report to Audit Committee written by the external auditors; and
- assessing compliance with the 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)**

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

The senior management team and the Audit Committee receive regular reports, including value for money reports, from internal audit which include recommendations for improvement. The Audit Committee's role in this area is to carry out a high level review of the arrangements for internal financial control. The Audit Committee and the Strategic Planning Committee review risk and control during the annual compilation of the risk register and report to the Governing Body. The Audit Committee also reports on the effectiveness of the College's management of risks to the Governing Body each term. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its summer 2017 meeting, the Governing Body approved the risk management report for 2016/17 and the risk register for 2017/18, taking into account reports from College management and the Audit Committee. In November 2017 the Governing Body considered and approved the annual report of the Audit Committee on its work during 2016/17, 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 nine times during the year.

The membership of all of the above committees during the year is shown on pages 4-6.

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

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### Opinion

We have audited the financial statements of Birkbeck College, University of London ("the College") for the year ended 31 July 2017 which comprise the consolidated statement of comprehensive income and expenditure, consolidated and college statement of changes in reserves, the consolidated and college balance sheets and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2017, and of the Group's and the College's 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 2016-17 financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Board of Governors is responsible for the other information, which comprises the Operating and financial review and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### Board of Governors responsibilities

As explained more fully in their statement set out on page 30 to 31, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK,  
UNIVERSITY OF LONDON (continued)**

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**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

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

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

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



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

29 November 2017

**Consolidated Statement of Comprehensive Income and Expenditure  
for the year ended 31 July 2017**

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated	College	Consolidated	College
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	69,294	69,294	67,648	67,648
Funding body grants	2	17,334	17,334	19,897	19,897
Research grants and contracts	3	9,091	9,091	10,082	10,082
Other income	4	8,610	8,610	8,212	8,212
Investment income	5	665	665	554	554
<b>Total income before donations and endowments</b>		<b>104,995</b>	<b>104,995</b>	106,393	106,393
Donations and endowments	6	3,600	3,600	1,694	1,694
<b>Total income</b>		<b>108,595</b>	<b>108,595</b>	108,087	108,087
<b>Expenditure</b>					
Staff costs	7	66,189	66,189	63,971	63,971
Other operating expenses		31,594	31,594	31,976	32,003
Depreciation	12	2,196	2,196	2,156	2,156
Interest and other finance costs	8	194	194	323	323
<b>Total expenditure</b>	9	<b>100,172</b>	<b>100,172</b>	98,426	98,453
Surplus before other gains and losses		8,423	8,423	9,662	9,634
Gain on disposal of fixed assets		-	-	3,235	3,235
(Loss)/gain on investments	14	(940)	(940)	1,309	1,309
<b>Surplus before tax</b>		<b>7,483</b>	<b>7,483</b>	14,206	14,178
Taxation	10	-	-	177	177
<b>Total comprehensive income for the year</b>		<b>7,483</b>	<b>7,483</b>	14,029	14,002
Represented by:					
Endowment comprehensive income for year		1,000	1,000	741	741
Restricted comprehensive income for year		1,114	1,114	76	76
Unrestricted comprehensive income for year		6,055	6,055	12,187	12,159
Revaluation reserve comprehensive income for year		(686)	(686)	1,025	1,025
		<b>7,483</b>	<b>7,483</b>	14,029	14,002

All items of income and expenditure relate to continuing activities.

**Consolidated and College Statement of Changes in Reserves  
 for the year ended 31 July 2017**

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000		
<b>Balance at 1 August 2015</b>	<b>5,624</b>	<b>128</b>	<b>64,714</b>	<b>2,289</b>	<b>72,754</b>
Surplus from the income and expenditure statement	1,063	627	11,314	1,025	<b>14,029</b>
Release of restricted funds spent during the year	(322)	(551)	873	-	-
<b>Total comprehensive income for the year</b>	<b>741</b>	<b>76</b>	<b>12,187</b>	<b>1,025</b>	<b>14,029</b>
<b>Balance at 1 August 2016</b>	<b>6,365</b>	<b>204</b>	<b>76,901</b>	<b>3,314</b>	<b>86,783</b>
Surplus from the income and expenditure statement	1,137	1,515	5,517	(686)	<b>7,483</b>
Release of restricted funds spent during the year	(137)	(401)	538	-	-
<b>Total comprehensive income for the year</b>	<b>1,000</b>	<b>1,114</b>	<b>6,055</b>	<b>(686)</b>	<b>7,483</b>
<b>Balance at 31 July 2017</b>	<b>7,365</b>	<b>1,317</b>	<b>82,956</b>	<b>2,628</b>	<b>94,266</b>

**Consolidated and College Statement of Changes in Reserves (continued)**  
**for the year ended 31 July 2017**

College	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000		
<b>Balance at 1 August 2015</b>	<b>5,624</b>	<b>128</b>	<b>64,741</b>	<b>2,289</b>	<b>72,781</b>
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	-	-
<b>Total comprehensive income for the year</b>	<b>741</b>	<b>76</b>	<b>12,159</b>	<b>1,025</b>	<b>14,002</b>
<b>Balance at 1 August 2016</b>	<b>6,365</b>	<b>204</b>	<b>76,901</b>	<b>3,314</b>	<b>86,783</b>
Surplus from the income and expenditure statement	1,137	1,515	5,517	(686)	7,483
Release of restricted funds spent during the year	(137)	(401)	538	-	-
<b>Total comprehensive income for the year</b>	<b>1,000</b>	<b>1,114</b>	<b>6,055</b>	<b>(686)</b>	<b>7,483</b>
<b>Balance at 31 July 2017</b>	<b>7,365</b>	<b>1,317</b>	<b>82,956</b>	<b>2,628</b>	<b>94,266</b>



**Consolidated and College Balance Sheets  
for the year ended 31 July 2017**

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>Non-current assets</b>					
Intangible assets	11	1,476	1,476	430	430
Fixed assets	12	66,875	50,699	67,867	52,019
Heritage assets	13	352	352	352	352
Investments	14	17,440	33,057	18,084	33,701
		<b>86,144</b>	<b>85,584</b>	<b>86,733</b>	<b>86,502</b>
<b>Current assets</b>					
Stock	15	22	22	22	22
Trade and other receivables	16	12,912	13,669	14,914	15,144
Investments	22	41,108	41,108	22,012	22,012
Cash and cash equivalents	23	22,712	22,479	35,636	35,504
		<b>76,754</b>	<b>77,277</b>	<b>72,583</b>	<b>72,682</b>
Creditors: amounts falling due within one year	17	(24,475)	(24,439)	(27,357)	(27,224)
<b>Net current assets</b>		<b>52,279</b>	<b>52,839</b>	<b>45,226</b>	<b>45,457</b>
<b>Total assets less current liabilities</b>		<b>138,422</b>	<b>138,423</b>	<b>131,959</b>	<b>131,959</b>
Creditors: amounts falling due after more than one year	18	(32,305)	(32,305)	(33,342)	(33,342)
Pension provisions	19	(11,851)	(11,851)	(11,835)	(11,835)
<b>Total net assets</b>		<b>94,266</b>	<b>94,266</b>	<b>86,783</b>	<b>86,783</b>
<b>Restricted reserves</b>					
Income and expenditure reserve - endowments	20	7,365	7,365	6,365	6,365
Income and expenditure reserve - restricted	21	1,317	1,317	204	204
<b>Unrestricted reserves</b>					
Income and expenditure reserve - unrestricted		82,956	82,956	76,901	76,901
Revaluation reserve		2,628	2,628	3,314	3,314
<b>Total reserves</b>		<b>94,266</b>	<b>94,266</b>	<b>86,783</b>	<b>86,783</b>

The financial statements were approved by Governors on 21 November 2017 and were signed on its behalf by:

Sir Harvey McGrath  
Chair of Governors

Professor David Latchman  
Master

Mr Keith Willett  
Director of Finance

**Consolidated and College Cash Flow  
 for the year ended 31 July 2017**

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		7,483	14,029
<b>Adjustment for non-cash items</b>			
Depreciation	12	2,196	2,156
Loss/(gain) on investments	14	940	(1,309)
Decrease in stock	15	-	9
Decrease/(increase) in debtors	16	2,001	(3,117)
(Decrease)/increase in creditors	17	(3,903)	3,331
Increase/(decrease) in pension provision	19	17	(122)
Receipt of donated asset		-	(8)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(665)	(554)
Interest payable	8	197	343
Endowment income		(1,309)	(681)
Profit on the sale of fixed assets		-	(3,235)
<b>Net cash inflow from operating activities</b>		<b>6,957</b>	<b>10,842</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	5,200
Placement of deposits		(19,096)	(22,012)
Investment income		665	554
Payments made to acquire fixed assets		(2,251)	(2,415)
New non-current asset investments		(295)	(236)
		<b>(20,977)</b>	<b>(18,909)</b>
<b>Cash flows from financing activities</b>			
Endowment cash received		1,309	681
Interest paid		(197)	(343)
Repayments of amounts borrowed		(16)	(32)
		<b>1,096</b>	<b>307</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(12,924)</b>	<b>(7,760)</b>
Cash and cash equivalents at beginning of the year	23	35,636	43,397
Cash and cash equivalents at end of the year	23	22,712	35,636

Statement of Accounting Policies  
for the year ended 31 July 2017

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**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 2017. 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 2017

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**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 three 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 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.

Statement of Accounting Policies (continued)  
for the year ended 31 July 2017

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**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 2017

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**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 brought 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.

Statement of Accounting Policies (continued)  
for the year ended 31 July 2017

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**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 2017

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**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 2017

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**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.

Notes to the Accounts  
 for the year ended 31 July 2017

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>1 Tuition fees and education contracts</b>		
Full-time home and EU students	29,751	26,493
Full-time international students	6,842	6,711
Part-time students	31,008	32,790
Research Training Support Grant	1,692	1,654
	<u>69,294</u>	<u>67,648</u>
<b>2 Funding body grants - HEFCE</b>		
<b>Recurrent grant</b>		
Teaching	6,631	8,257
Research	9,511	9,645
<b>Specific grants</b>		
Strategic Development Fund	(628)	(624)
Higher Education Innovation Fund	539	233
Collaborative outreach	203	284
Catalyst Fund	3	820
Postgraduate support	-	232
Engineering conversion	38	12
Release of capital grant (Note 18)	1,037	1,037
	<u>17,334</u>	<u>19,897</u>
<b>3 Research grants and contracts</b>		
Research councils	3,969	3,972
Research charities	2,734	2,782
UK government	310	1,141
Industry and commerce	107	102
EU government	1,494	1,827
Other	477	258
	<u>9,091</u>	<u>10,082</u>

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>4 Other income</b>		
Lettings	3,523	3,578
Catering and conferences	1,221	1,120
Other revenue grants	573	528
Other income	3,294	2,987
	<u>8,610</u>	<u>8,212</u>
<b>5 Investment income</b>		
Investment income on endowments	99	98
Other investment income	566	456
	<u>665</u>	<u>554</u>
<b>6 Donations and endowments</b>		
New endowments	1,270	681
Donations with restrictions	1,515	627
Unrestricted donations	816	386
	<u>3,600</u>	<u>1,694</u>
<b>7 Staff costs</b>		
Salaries	52,966	52,554
Social security costs	5,086	4,388
Movement on pension provisions	(181)	(464)
Other pension costs	8,318	7,494
	<u>66,189</u>	<u>63,971</u>

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

	Year ended 31 July 2017	Year ended 31 July 2016
<b>7 Staff costs (continued)</b>	<b>£</b>	<b>£</b>
Emoluments of the Master of the College:		
Salary	350,064	346,472
Pension contributions to USS	7,351	37,109
Alternate pension contribution	28,683	8,706
	<u>386,098</u>	<u>392,287</u>

Along with all other staff of the College, the Master received the national pay award of 1% from 1 August 2016.

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 College continues to contribute 2.1% of salary towards the USS pension deficit - the same percentage as for all members of the scheme.

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

	Number	Number
£100,000 to £109,999	6	3
£110,000 to £119,999	1	3
£120,000 to £129,999	1	1
£130,000 to £139,999	0	1
£140,000 to £149,999	1	1
£150,000 to £159,999	1	0
	<u>10</u>	<u>9</u>

Average staff numbers by category :

	Number	Number
Academic	463	470
Research	98	96
Technical	12	12
Professional and Support	570	533
	<u>1,143</u>	<u>1,111</u>

Notes to the Accounts (continued)  
for the year ended 31 July 2017

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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 2017 £'000	Year ended 31 July 2016 £'000
Key management personnel pay plus employer's pension	<b>2,158</b>	1,952

Governing Body

The College governors 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 transactions have taken place during the year (2015/16: none).

None of the governors received any remuneration or waived payments from the group during the year (2015/16: none).

Two governors received a total of £440 (2015/16: £804, three governors) representing the reimbursement of travel expenses incurred in attending meetings and events in their official capacity.

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>8 Interest and other finance costs</b>				
Exchange differences	(3)	(3)	(20)	(20)
Net charge on pension scheme	197	197	343	343
	<b>194</b>	<b>194</b>	<b>323</b>	<b>323</b>

**9 Analysis of total expenditure by activity**

Academic and related expenditure	<b>61,117</b>	<b>61,117</b>	59,390	59,390
Administration and professional services	<b>19,308</b>	<b>19,308</b>	19,114	19,114
Premises	<b>10,939</b>	<b>10,939</b>	11,163	11,191
Catering and conferences	<b>1,548</b>	<b>1,548</b>	1,450	1,450
Research grants and contracts	<b>7,231</b>	<b>7,231</b>	7,363	7,363
Change in pension provision (Note 7)	<b>(181)</b>	<b>(181)</b>	(464)	(464)
Other expenses	<b>211</b>	<b>211</b>	410	410
	<b>100,172</b>	<b>100,172</b>	<b>98,426</b>	<b>98,453</b>

Other operating expenses include:

External auditor - audit services	<b>53</b>	72
External auditor - non-audit services	<b>4</b>	4
Internal auditor - audit services	<b>31</b>	38
Internal auditor - non-audit services	<b>7</b>	3

Operating lease rentals:

Land and buildings	<b>311</b>	43
Other	<b>26</b>	31

Grant to the Students' Union	<b>264</b>	264
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Notes to the Accounts (continued)  
 for the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>10 Taxation</b>				
Adjustment in respect of previous years	-	-	177	177
<b>Total tax expense</b>	<u>-</u>	<u>-</u>	<u>177</u>	<u>177</u>

<b>11 Intangible Assets</b>	Year ended 31
	July 2017
	Software
	£'000
<b>Cost or valuation</b>	
At 1 August 2016	430
Additions	1,092
<b>At 31 July 2017</b>	<u><u>1,522</u></u>
<b>Amortisation</b>	
At 1 August 2016	-
Charge for the year	(46)
<b>At 31 July 2017</b>	<u><u>(46)</u></u>
<b>Net book value</b>	
<b>At 31 July 2017</b>	<u><u>1,476</u></u>
At 31 July 2016	<u><u>430</u></u>

A large scale software development project commenced during 2015/16. Part of the software was brought into use during 2016/17 and the remainder is expected to come into use from 2017/18.

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

12 Fixed assets

Group	Land & buildings £'000	Assets in the course of construction £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2016	53,751	15,848	16,926	15,248	101,772
Additions	32	527	89	511	1,159
Transfers	-	-	-	(352)	(352)
<b>At 31 July 2017</b>	<b>53,783</b>	<b>16,375</b>	<b>17,015</b>	<b>15,407</b>	<b>102,579</b>
<b>Consisting of valuation as at</b>					
1 July 2016	-	-	-	344	344
Cost	53,783	16,375	17,015	15,062	102,235
	<b>53,783</b>	<b>16,375</b>	<b>17,015</b>	<b>15,407</b>	<b>102,579</b>
<b>Depreciation</b>					
At 1 August 2016	(17,358)	-	(6,898)	(9,297)	(33,553)
Charge for the year	(592)	-	(745)	(814)	(2,151)
<b>At 31 July 2017</b>	<b>(17,950)</b>	<b>-</b>	<b>(7,643)</b>	<b>(10,110)</b>	<b>(35,704)</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>35,833</b>	<b>16,375</b>	<b>9,372</b>	<b>5,296</b>	<b>66,875</b>
At 31 July 2016	36,393	15,848	10,027	5,951	68,219



Notes to the Accounts (continued)  
for the year ended 31 July 2017

12 Fixed assets

	Land & buildings £'000	Assets in the course of construction £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
<b>College</b>					
<b>Cost or valuation</b>					
At 1 August 2016	53,751	-	16,926	15,248	85,924
Additions	32	198	89	511	830
Transfers	-	-	-	(352)	(352)
<b>At 31 July 2017</b>	<b>53,783</b>	<b>198</b>	<b>17,015</b>	<b>15,407</b>	<b>86,402</b>
<b>Consisting of valuation as at</b>					
1 July 2016	-	-	-	344	344
Cost	53,783	198	17,015	15,063	86,058
	<b>53,783</b>	<b>198</b>	<b>17,015</b>	<b>15,407</b>	<b>86,402</b>
<b>Depreciation</b>					
At 1 August 2016	(17,358)	-	(6,898)	(9,297)	(33,553)
Charge for the year	(592)	-	(745)	(814)	(2,151)
<b>At 31 July 2017</b>	<b>(17,950)</b>	<b>-</b>	<b>(7,643)</b>	<b>(10,110)</b>	<b>(35,704)</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>35,833</b>	<b>198</b>	<b>9,372</b>	<b>5,296</b>	<b>50,699</b>
At 31 July 2016	36,393	-	10,027	5,951	52,371

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 2017 of £7,718,000 (31 July 2016: £7,847,000). 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.

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

**13 Heritage assets**

The College holds a number of assets of historical or artistic interest. 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 2017 £'000	Number of Items	Year ended 31 July 2016 £'000
Furniture and works of art	34	66	34	66
Pictures and wall hangings	67	230	67	230
Sculptures	6	17	6	17
Silver and silver plate	50	37	50	37
Other items	5	3	5	3
	<b>162</b>	<b>352</b>	<b>162</b>	<b>352</b>

The items with the highest valuation are:

	Year ended 31 July 2017 £'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 were no additions during the year.

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

14 Non-current investments

	Subsidiary company £'000	Other fixed assets investments £'000	Total £'000
<b>Group</b>			
At 1 August 2016	-	18,084	18,084
Additions	-	295	295
Revaluation	-	(940)	(940)
<b>At 31 July 2017</b>	<b>-</b>	<b>17,440</b>	<b>17,440</b>
<b>College</b>			
At 1 August 2016	15,617	18,084	33,701
Additions	-	295	295
Revaluation	-	(940)	(940)
<b>At 31 July 2017</b>	<b>15,617</b>	<b>17,440</b>	<b>33,057</b>

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	17,108
CAF Trust Fund	66
Other Listed UK equities	266
<b>At 31 July 2017</b>	<b>17,440</b>

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
<b>15 Stock</b>				
General consumables	22	22	22	22
	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>

**16 Trade and other receivables**

**Amounts falling due within one year:**

Research grants receivables	1,843	1,843	1,770	1,770
Other trade receivables	8,419	8,406	10,885	10,865
Other receivables	107	877	151	401
Prepayments and accrued income	2,542	2,542	2,108	2,108
	<u>12,912</u>	<u>13,669</u>	<u>14,914</u>	<u>15,144</u>

**17 Creditors : amounts falling due within one year**

Unsecured loans	-	-	16	16
Trade payables	860	860	3,719	3,586
Social security and other taxation payable	1,467	1,467	1,468	1,468
Accruals and deferred income	22,148	22,111	22,154	22,154
	<u>24,475</u>	<u>24,439</u>	<u>27,357</u>	<u>27,224</u>

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

Research grants received on account	2,729	2,729	2,727	2,727
Grant income	2,520	2,520	1,037	1,037
Other income	8,274	8,274	11,870	11,870
	<u>13,524</u>	<u>13,524</u>	<u>15,634</u>	<u>15,634</u>

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

18 Creditors : amounts falling due after more than one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Deferred income	32,305	32,305	33,342	33,342
	<u>32,305</u>	<u>32,305</u>	<u>33,342</u>	<u>33,342</u>

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:

Due within one year or on demand (included in note 17)	-	-	16	16
	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>

19 Provisions for liabilities

	Obligation to fund deficit USS pension £'000	Obligation to fund deficit SAUL pension £'000	Total pensions provisions £'000
<b>Group and College</b>			
At 1 August 2016	11,351	483	11,835
Utilised in year	(824)	(342)	(1,165)
Additions in 2016/17	972	209	1,181
<b>At 31 July 2017</b>	<u>11,500</u>	<u>351</u>	<u>11,851</u>

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 2017

20 Endowment Reserves

	Restricted permanent £'000	Unrestricted permanent £'000	Expendable £'000	2017 total £'000	2016 total £'000
<b>Group and College</b>					
<b>Balance at 1 August</b>					
Capital	1,430	1,430	-	2,860	2,706
Accumulated income	705	22	2,778	3,505	2,918
	<u>2,135</u>	<u>1,452</u>	<u>2,778</u>	<u>6,365</u>	<u>5,623</u>
New endowments	1,309	-	-	1,309	681
Investment income	56	-	26	82	98
Expenditure	(27)	(22)	(88)	(137)	(322)
Increase/(decrease) in market value	(115)	(73)	(66)	(254)	284
	<u>1,223</u>	<u>(95)</u>	<u>(128)</u>	<u>1,000</u>	<u>741</u>
<b>Total comprehensive income for the year from endowments</b>	<b>1,223</b>	<b>(95)</b>	<b>(128)</b>	<b>1,000</b>	<b>741</b>
<b>Balance at 31 July</b>	<b><u>3,358</u></b>	<b><u>1,357</u></b>	<b><u>2,650</u></b>	<b><u>7,365</u></b>	<b><u>6,365</u></b>
<b>Represented by</b>					
Capital	2,624	1,357	-	3,981	2,860
Accumulated income	734	-	2,650	3,384	3,505
	<u>3,358</u>	<u>1,357</u>	<u>2,650</u>	<u>7,365</u>	<u>6,365</u>
<b>Analysis by purpose</b>					
Lectureships	60	-	-	60	163
Scholarships and bursaries	1,581	-	926	2,507	1,748
Research support	983	-	1,220	2,203	1,327
Prize funds	228	-	34	262	661
General	506	1,357	470	2,333	2,467
	<u>3,358</u>	<u>1,357</u>	<u>2,650</u>	<u>7,365</u>	<u>6,365</u>
<b>Analysis by asset</b>					
Current and non-current asset investments				4,037	4,192
Cash & cash equivalents				3,328	2,173
				<u>7,365</u>	<u>6,365</u>

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

21 Restricted reserves	Unspent capital grants £'000	Donations £'000	2017 total £'000	2016 total £'000
<b>Group and College</b>				
New donations	-	1,515	1,515	627
Expenditure	-	(401)	(401)	(551)
<b>Total comprehensive income for the year from restricted reserves</b>	<b>-</b>	<b>1,114</b>	<b>1,114</b>	<b>76</b>
Balance at 1 August	100	104	204	128
<b>Balance at 31 July</b>	<b>100</b>	<b>1,217</b>	<b>1,317</b>	<b>204</b>
<b>Analysis by purpose</b>				
Scholarships and bursaries			280	80
Research support			101	102
Prize funds			1	1
Buildings Fund			650	-
General			285	21
			<b>1,317</b>	<b>204</b>
<b>22 Current investments</b>				
	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	College £'000	Group £'000	College £'000
Short term deposits	41,108	41,108	22,012	22,012
	<b>41,108</b>	<b>41,108</b>	<b>22,012</b>	<b>22,012</b>
<b>23 Cash and cash equivalents</b>				
	Balance at 1 August 2016 £'000	Cash Flows £'000	Balance at 31 July 2017 £'000	
<b>Group</b>				
Cash and cash equivalents	35,636	(12,924)	<b>22,712</b>	
	<b>35,636</b>	<b>(12,924)</b>	<b>22,712</b>	
<b>College</b>				
Cash and cash equivalents	35,504	(13,026)	<b>22,479</b>	
	<b>35,504</b>	<b>(13,026)</b>	<b>22,479</b>	

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

24 Capital and other commitments

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Capital commitments contracted for but not provided for in the accounts	4,237	4,237	107	17
	<b>4,237</b>	<b>4,237</b>	<b>107</b>	<b>17</b>

25 Lease obligations

Total rentals payable under operating leases:

	Year ended 31 July 2017			Year ended
	Land & buildings	Other leases	Total	31 July 2016
	£'000	£'000	£'000	£'000
Payable during the year	311	26	337	75
<b>Future minimum lease payments due:</b>				
Not later than 1 year	364	24	389	60
Between 1 and 5 years	1,016	12	1,028	125
<b>Total lease payments due</b>	<b>1,380</b>	<b>36</b>	<b>1,417</b>	<b>186</b>

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 (2015/16: 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 (2015/16: £264,000) 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 2017

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 2017 £'000	Year ended 31 July 2016 £'000
USS	6,843	6,271
SAUL	1,475	1,223
	<u>8,318</u>	<u>7,494</u>

(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.

Notes to the Accounts (continued)  
 for the year ended 31 July 2017

**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 scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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:

	<b>2017</b>	2016
Discount rate	<b>2.6%</b>	3.6%
Pensionable salary growth	<b>n/a</b>	n/a
Pension increases	<b>2.4%</b>	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:

	<b>2017</b>	2016
Males currently aged 65	<b>24.4</b>	24.3
Females currently aged 65	<b>26.6</b>	26.5
Males currently aged 45	<b>26.5</b>	26.4
Females currently aged 45	<b>29.0</b>	28.8

Financial data for the scheme can be summarised as follows:

	<b>2017</b>	2016
Total scheme assets	<b>£60.0bn</b>	£49.8bn
Total scheme liabilities	<b>£77.5bn</b>	£58.3bn
FRS 102 total scheme deficit	<b>£17.5bn</b>	£8.5bn
FRS 102 total funding level	<b>77.0%</b>	85.0%

Notes to the Accounts (continued)  
for the year ended 31 July 2017

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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 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). As a result the overall level of the employers' contributions increased from 13% of salaries to 16% of Salaries with effect from 1 April 2016.