

## Financial Statements 2012/13 Commentary by Giles Kerr, Director of Finance

This year, the University saw continuing growth in income in line with long-term expectations and planned investment in staff (particularly to support research growth and capability), IT systems (new financial, HR and research systems) and infrastructure at a cost of £175.5m. The balance sheet position remains strong, and the University continues with a surplus ahead of that needed for long-term financial sustainability.

This year the University achieved an income of £1,086.9m, an increase of 8.4% on 2011/12. This resulted in a surplus for the year of £60.7m, compared with £39.0m in 2011/12. This increase was largely due to the donation of heritage assets totalling £28.5m [2012: £0.7m] including two significant donations: the Wellby collection of silver artefacts valued at £20.0m and the portrait of John Ruskin by John Everett Millais valued at £7.0m. The underlying surplus of £32.2m was in line with the budget for the year.

The largest source of income remains external research income at £436.8m, which increased by 6.8% on last year, but this increase was lower than in 2011/12 (8.6%). As a result of the reduction in the teaching grants from the Higher Education Funding Council for England (HEFCE) following the introduction of higher undergraduate tuition fees, the total HEFCE grant decreased this year for the first time since 2011 by 4.8% to £193.8m.. Academic fees and support grants amounted to £197.0m, up by 13.6% as a result of increased student numbers and a further undergraduate intake at the £9000 fee.

Whilst income continued to increase, so did the University's costs. Total costs increased by 5.9% to £1,037.4m, of which staff costs are a significant part at £541.6m, up 8.5% on last year. This is mainly due to the higher research income resulting in higher staff, support and overhead costs. £35.8m was distributed as student bursaries, up 10.5%. The University's EBITDA surplus was £59.9m for 2012/13, which, at 5.5% of income, is above the level required to achieve long-term financial sustainability.

2012/13 saw a record investment in capital expenditure of £207.6m (including the acquisition of heritage assets largely funded by donations), which included the completion of the Radcliffe Infirmary refurbishment, The Mathematics Institute, new laboratories in the Nuffield Department of Medicine, the Kennedy Institute and the development of Castle Mill for student accommodation. As a consequence there was a net cash outflow for the University of £76.6m (2011/12 inflow of £42.3m).



*Silver-gilt cup and cover, with embossing and cresting, c. 1490. Bequeathed by Michael Wellby, 2012.*