



BIRMINGHAM CITY
University

REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

2018/19



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FOREWORD VICE-CHANCELLOR





During 2018/2019, the University has seen continued growth, both in student numbers and in income. Student intake numbers have grown both at undergraduate and postgraduate levels, and our focus on supporting our students is helping to drive strong retention and progression. For BCU, where so many of our students join us as the first in their immediate family to attend university, it is all the more important that the transition into university is as seamless as possible. Alongside the growing number of students, the University has maintained a good grip on financial sustainability and this has seen the delivery of a good level of operating surplus, something that has in turn enabled investment back into the front line activities of the University.

Having invested significantly in our estate with the move to the City Centre Campus, we have continued to ensure that we have both the space and the high quality facilities that we will need in order to accommodate growth. Alongside the new extensions to the Curzon Building and to the Seacole Building, we have been able to address the significant unmet demand for places at the School of Jewellery up in the city's unique Jewellery Quarter by expanding into premises in nearby St Paul's Square. With the success of Phase 1 of the STEAMhouse project, and the degree of national and international attention which it is now receiving, it is pleasing to be able to report that STEAMhouse Phase 2, which will be built at the historic Belmont Works site in Cardigan Street, is well in hand and will provide an additional 13,000 sq m of mixed industry-facing and academic spaces. And I am delighted that we have agreed with Birmingham City Council to become one of the anchor tenants of the revamped Alexander Stadium, the main site of much of the 2022 Commonwealth Games. Our Sport programmes at City South are rapidly expanding and need more space, and the agreement will mean that we will be able to start moving these programmes into the Alexander Stadium in 2022, ensuring that our students have the experience of working in a world-class sporting environment. It is, of course, particularly pleasing that we are re-establishing a presence in Perry Barr, where we have such a long history.





WE KNOW FROM OUR ANALYSIS OF THE CITY'S DEMOGRAPHICS THAT WE ARE LIKELY TO SEE CONTINUING STRONG AND GROWING DEMAND FOR PLACES. APPLICATIONS HAVE BEEN RISING YEAR ON YEAR, AND FROM 2021 THE GROWING NUMBER OF UNIVERSITY-AGE YOUNG PEOPLE WILL ADD TO THIS PRESSURE.

We recognise that this will almost certainly require investment into further academic space if we are to meet the aspirations of young people in our region. At the time of writing, the future of HS2 is under review, but the pressure on available land within Birmingham city centre is undiminished and it is good that we are able to take advantage of the additional space that we acquired last year along Cardigan Street.

- The growing University estate is one tangible sign of a thriving institution, but it is far from the most important element of what we do. The highlights within these Accounts give a sense of the continuing vigour and diversity of the University's activities.
- Our School of Jewellery played a central role in the re-creation of the helmet from the Anglo-Saxon Staffordshire hoard, using both ancient and modern technologies to create a stunning replica.
- At the Royal Birmingham Conservatoire, a new partnership between the Conservatoire and Naxos Records is enabling six students to make their recording debuts, something that ties in with Principal Julian Lloyd Webber's vision that music students should have the chance to experience as many aspects of the music industry as possible.
- The award to the West Midlands of the 5G testbed has enabled our colleagues in the Faculty of Computing, Engineering and the Built Environment to work closely with providers to understand the potential transformative impact of this new technology.
- In the Faculty of Health, Education and Life Sciences we were delighted to be the first provider of the Nurse Associate programme to be approved by the Nursing and Midwifery Council. We have already seen the importance of the programme in our partnership with University Hospitals Birmingham.
- In the Faculty of Business, Law and Social Sciences, the high profile work on hate crime and extremism has continued to attract significant interest, while the expansion of the long-running Law Clinic programmes (run in partnership with a number of external organisations, including the West Midlands Law Centre) is helping to address increasing unmet need for legal advice.
- And, unsurprisingly in the current political environment, the work of our unique Centre for Brexit Studies has ensured that the University has helped to shape and inform the arguments in relation to the UK's proposed exit from the European Union.



It is a list that shows the University's deep engagement with scholarship and with practice that is relevant to the developments in our society. It demonstrates the importance of universities, and their role both regionally and in the wider global context. However, 2019/2020 will be the third year in which there has been no uplift in the core student fee. The erosion of the real value of the original £9,000 student fee is already significant – and each year puts further pressure on finances as we work to maintain the support we offer our students. The unanticipated uplift in the cost of the Teachers' Pension Scheme – a scheme which we are required by law to offer to our academic staff – will by itself add over £3 million to our pay costs in the coming year. It is right that as we recognise the importance of higher education in delivering the skilled workforce that the country will need, we have the debate about how our universities should be funded. But if universities are to step up and meet the aspirations of our growing number of young people, we need to understand how we can maintain institutions that are sustainable and which are able to invest in the facilities that will be needed.

I would like to finish by again paying tribute to our Chancellor, Sir Lenny Henry. In a year that has involved him in everything from major television productions (The Long Song) and major theatrical performances (King Hedley II) to campaigning in support of those who were targeted in the Windrush scandal, he has continued to find time to come and talk with the students and to preside at our graduations. We could not wish for a better ambassador – or one who more fully embodies the values of the University.

Philip Plowden, Vice-Chancellor

HIGHLIGHTS OF THE YEAR



THE 2018/19 ACADEMIC YEAR WAS A MOMENTOUS ONE FOR BIRMINGHAM CITY UNIVERSITY, AS WE MARKED 175 YEARS SINCE THE FOUNDING OF OUR PREDECESSOR INSTITUTION, THE BIRMINGHAM GOVERNMENT SCHOOL OF DESIGN.



'175 Brummies Who Inspire' list



Belmont Works



Staffordshire Hoard helmet reconstruction

CELEBRATING OUR HERITAGE

Central to these celebrations was the announcement of our '175 Brummies Who Inspire' list, highlighting the achievements of inspirational people across arts, business, education, sports and science who either hailed from Birmingham or had made a significant contribution to the city, which was then narrowed down to a 'top 10' by public vote.

INVESTING IN OUR FUTURE

There was positive news for the future as planners in Birmingham gave the go-ahead to the University's proposals to transform the historic 120-year-old Belmont Works, next to our City Centre Campus, into a £60 million innovation centre for businesses, artists and academics to collaborate, as the second phase of our STEAMhouse initiative that was made possible, in part, through financial support from the Greater Birmingham and Solihull Local Enterprise Partnership. It was also announced that our School of Jewellery is to benefit from a new facility for postgraduate students in the city's historic St Paul's Square.

COMMONWEALTH GAMES

The University will be at the very heart of legacy plans for Birmingham's Commonwealth Games in 2022. We agreed a deal with the City Council for the redeveloped Alexander Stadium to provide a new home for our sports courses after the event, giving our students access to world-class professional facilities. Ahead of the Games, the last year has seen the launch of two related undergraduate degrees in Event, Venue and Experience Management, as well as Global Sport Management.

NEW EXPERTISE

We continue to be at the cutting edge of innovation in our academic appointments and our curriculum. For instance, our Business School's appointment of Visiting Professor Olinga Taaed, a leading expert in cryptocurrency, meant BCU had the world's first Professor of Blockchain, looking at the impact of digital currencies such as Bitcoin. Among other high profile appointments were two new Visiting Professors for our School of Architecture – renowned architect Glenn Howells, who helped remodel Birmingham's iconic Custard Factory and Rotunda, and George Clarke, known for his work on TV shows such as *Amazing Spaces* and *Build a New Life in the Country*.

ALUMNI TECHNOLOGY SUCCESS

Two of our entrepreneurial computing alumni secured lucrative returns on their development of innovative technological platforms. Cal Henderson, who was awarded an honorary doctorate in July's graduation ceremonies, has floated his company, Slack, on the New York Stock Exchange – at an estimated valuation of more than \$17 billion. Cal graduated from the University in 2002 with a degree in Software Engineering.

Harry Jawanda, who co-founded Wambiz, a company specialising in staff engagement apps, sold the technology for £2 million. Harry studied BSc Information Technology Management for Business (ITMB) at BCU from 2005.



Royal Birmingham Conservatoire



Greg Brears at Graduate Fashion Week



Mary Shelley's classic gothic novel Frankenstein

MUSICAL TALENT

It is difficult to isolate any one of the many successes achieved within our Royal Birmingham Conservatoire. For example, BA (Hons) Acting student Ella Stokes became the first recipient of a prestigious new scholarship funded by the Andrew Lloyd Webber Foundation. The scholarship covers her full course fees for three years and was awarded on the basis of both financial need and merit, particularly her singing ability. Separately, a new partnership with Naxos Records will allow six outstanding Conservatoire students to make their all-important debut recording.

HUFFPOST AND BCU

An exciting partnership has been launched with the HuffPost online newspaper to create the HuffPost Centre for Journalism at Birmingham City University – the first of its kind in the UK, the Centre will look at alternative routes into journalism careers, questioning the traditional model which is perceived to stymie diversity in the profession. The University will host HuffPost Journalism Masterclasses and HuffPost Big Talks, with the news outlet also setting live project challenges linked to the curriculum, as well as work experience placements for two top-performing students each year.

EXCELLING IN THE CREATIVE ARTS

The University's success in the annual Graduate Fashion Week awards continued this year, with Fashion Design student Greg Brears judged overall winner of the Best Menswear prize for his clothing range inspired by engineer overalls.

We took arts on the road in October with a series of free events to mark 200 years since the publication of Mary Shelley's classic gothic novel Frankenstein, including lectures on gothic literature, the chance to spend Halloween in an immersive overnight Frankenstein-inspired writing workshop, a screening of the first-ever Frankenstein film accompanied by a live score, and the opportunity to view original creations from our students.

Experts at our School of Jewellery were called on to help produce two reconstructions of a high-status helmet contained within the Staffordshire Hoard. One went on show at Birmingham Museum & Art Gallery, and the other at The Potteries Museum & Art Gallery, almost 10 years after the stash of historic gold and silver metalwork was originally discovered.

TEACHING AND STUDENTS

BIRMINGHAM CITY UNIVERSITY IS
CURRENTLY RECOGNISED AS A SILVER-RANKED
UNIVERSITY UNDER THE TEACHING EXCELLENCE
FRAMEWORK (TEF).





The TEF award is acknowledgement of our teaching and learning that offers 'high levels of stretch that ensures all students are significantly challenged, and acquire knowledge, skills and understanding that are highly valued by employers'.

The University supported 18,493 full-time undergraduate students, and 2,700 full-time postgraduate taught (Master's) students in 18/19; with 12% of our students coming to study with us from outside the UK (EU and non-EU countries). BCU also enrolled 4,488 part-time students, supporting students in work to gain full degrees or a range of vocational CPD qualifications. Our population of postgraduate research students in 18/19 numbered 475. Our NSS scores in 2019 identify that although our overall satisfaction rating was lower this year than the last year, down 2 percentage points to 82.3% from 84.4% (due in part to a number of issues with new systems which were rectified during the year), BCU achieved ratings well above sector average for a number of areas of the Student Experience, including Assessment and Feedback, Learning Community and, in line with our commitment to practical applications, how well students felt they were given opportunities to apply what they have learnt in their courses during their studies (scoring 85% versus 80.7% for the sector).

Birmingham City University's commitment to developing graduates with the skills and experience that employers need is reflected in the fact that 84.5% of our final year undergraduates feel that their career prospects have been improved by their course, compared to a sector average of 77%. The employment status of our graduates is impressive with 97% in employment or further study six months after graduating (compared to 94.6% across the sector), and 76.8% in higher skilled employment (Source: DLHE 2016/17).

STAFF

“Here at BCU, we believe that our staff are at the forefront of the overall success of the ‘university for Birmingham’. We live and demonstrate our core values, which optimises a positive workplace culture. This in turn provides an outstanding student experience, a dynamic workplace culture and helps to lever and drive institutional improvements.”

MARK O'DWYER
HR Director





WE RECOGNISE THE IMPORTANCE OF CONTINUALLY INVESTING IN OUR STAFF, WHETHER THAT BE FROM A HEALTH AND WELLBEING PERSPECTIVE, OR OPENING UP OPPORTUNITIES TO GAIN FURTHER QUALIFICATIONS, OR OFFERING SKILLS DEVELOPMENT. WE ARE DETERMINED THAT WE MAKE FURTHER IMPACTFUL PROGRESS ON OUR JOURNEY TO BEING AN INCLUSIVE EMPLOYER.

We know that looking after our staff allows us to not only retain the professional and experienced staff within our organisation but ensures we have the best talent in BCU which will deliver the best transformational learning outcomes for our students.

Staff who are committed to their work at BCU, are engaged in the workplace, and who act as advocates of Birmingham City University as an employer are the key to our organisation's future success. Engaged and valued staff will deliver the best experience for our students and stakeholders. Staff who feel engaged and supported in research, scholarly work and their personal development will feel that they can give their best in the workplace.

Our 2019 staff engagement survey results show that we are on the right path to ensuring all colleagues are engaged in their work and share success. 83% of our staff feel that 'BCU is a good place to work'. We know that increasing numbers of our staff recommend the University as a place to work and also recommend the University as a place to study. We are on a positive journey of staff engagement. BCU has published the Trade Union Facility Time Report for 2018/19 to report information regarding staff participation in the Trade Unions. This report is available on the BCU website in corporate publications section.

We look ahead to the next 12 months with confidence that we will continue to make BCU a great place to work.

THE TITLE OF 'QUEEN'S NURSE' BY THE QUEEN'S NURSING INSTITUTE (QNI) AWARDED

Stephanie Reynolds and Rachel Hogan , Lecturers, Faculty of Health, Education and Life Sciences

PLATINUM APPROVED LEARNING PARTNER (ACCA)

Faculty of Business, Law and Social Sciences




Athena SWAN
Bronze Award

BIRMINGHAM CITY
University



THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT



BIRMINGHAM CITY UNIVERSITY IS AN EXEMPT CHARITY BY VIRTUE OF SCHEDULE 3 OF THE CHARITIES ACT 2011 AND AS SUCH REGULATED BY THE OFFICE FOR STUDENTS (OFS) (HEFCE PRIOR TO 1 APRIL 2018) ON BEHALF OF THE CHARITY COMMISSION FOR ENGLAND AND WALES.

The University's objectives as defined in the Education Reform Act 1988 are to 'provide higher education', to 'provide further education' and to 'carry out research and to publish the results of that research' for the public benefit. The University's Board of Governors serves as its trustees and is responsible for determining the educational character and mission of the University, overseeing and scrutinising its activities. The University's Board of Governors serves as its trustees and is responsible for determining the educational character and mission of the University and for overseeing and scrutinising its activities. When establishing the strategic direction of the University, the Board of Governors and the University's Executive Board give careful consideration to the Charity Commission's general and supplementary guidance on public benefit and also to the guidance issued by the OfS in its capacity as principal regulator on behalf of the commission.

We consider the beneficiaries of our charitable status to be all students (both undergraduate and postgraduate), as well as members of the public in the UK and overseas. We believe universities are a public good and that Birmingham City University transforms lives by providing inspiring environments for its students and staff while sharing their discoveries to benefit the world.

PUBLIC BENEFIT – OUR COMMITMENT

Birmingham City University is a university which is committed to supporting personal transformation and, through the transformation of the life opportunities of our students, to driving the success of our city and region.

A focus on applied learning, on service to our city and on the widening of education to all who can benefit from it remain at the heart of the University. They are central to the University's understanding of its inherent charitable objectives.

In particular, our goals are to:

- Improve social mobility through education
- Transform our students' lives
- Create and apply knowledge so as to enable transformation
- Promote and improve our city and our region.

Our achievements against these goals are set out in the following pages.



**IMPROVE SOCIAL
MOBILITY THROUGH
EDUCATION**



OUR HESA DATA IDENTIFIES OUR FULL-TIME UNDERGRADUATE POPULATION IS EXTREMELY DIVERSE, PROVIDING ACCESS TO HIGHER EDUCATION (AND TRANSFORMATIONAL OPPORTUNITIES THEREIN) PARTICULARLY FOR UNDER-REPRESENTED AND DISADVANTAGED COMMUNITY GROUPS.

In 2017/18, 38.9% of our English full-time undergraduate first degree entrants were from neighbourhoods in the bottom quintile of the Index of Multiple Deprivation, and 13.6% of our young UK first degree entrants (under 21) were from areas with the lowest levels of participation in Higher Education. 51.6% of UK full-time first degree entrants were from Black, Asian and Minority Ethnic backgrounds.

This is reflected in many of the activities undertaken by the University’s outreach team who worked with 167 priority schools/colleges classified as ‘high priority’ (under indicators such as eligibility for free school meals, index of multiple deprivation, and no parental engagement in higher education), delivering over 500 activities to more than 47,000 beneficiaries. Our collaborative approach to outreach through AimHigher West Midlands and the National Collaborative Outreach Programme has resulted in the design of a new innovative programme of activity to address lower than expected progression rates of secondary pupils living in 25 identified gap wards; and our partnership with IntoUniversity (IU) has resulted in the establishment of an external centre (partially funded by BCU) based in a local area with high levels of deprivation and low HE participation, from which the University provides both outreach academic engagement and mentoring support.



**TRANSFORM OUR
STUDENTS BY DELIVERING
AN INDIVIDUAL STUDENT
EXPERIENCE**

**OUR 1,424 STRONG TEAM OF TEACHING STAFF
COME FROM, AND MAINTAIN THEIR LINKS WITH,
INDUSTRY AND THE PROFESSIONS.**



We have transformed our curriculum with a new range of contemporary, flexible courses with practice-based learning and international opportunities built in to every stage – delivered through four faculties:

FACULTY OF HEALTH, EDUCATION AND LIFE SCIENCES

Our Faculty of Health, Education and Life Sciences has a long and established history when it comes to delivering initial teacher training (ITT), education, childhood and youth courses in Birmingham. It is also a leading provider of defence healthcare and employees to the NHS, offering cutting-edge learning facilities including state-of-the-art lecture theatres and seminar rooms, mock wards, birthing rooms, operating theatres and virtual reality software.

The Faculty is one of the largest and most diverse providers of health and social care education in the country, with departments covering education, social work, adult nursing, mental health and learning disabilities, midwifery and child health, operating department practice and paramedics, public and community health, radiography, and speech and language therapy. Investment in a £41 million purpose-built development with specialist laboratories has enabled the Faculty to offer a wide range of new health, life science and sports courses including: pre-registration Master's courses in physiotherapy and dietetics; courses in sports therapy, sports and exercise science and sports nutrition; biomedical sciences and biomedical engineering.

FACULTY OF BUSINESS, LAW AND SOCIAL SCIENCES

The Faculty of Business, Law and Social Sciences specialises in the fields of business, law, criminology, sociology and psychology, and has a strong record of teaching, research and consultancy. A significant amount of our courses have accreditations from professional bodies such as the ACCA (Association of Chartered Certified Accountants), the Chartered Institute of Marketing (CIM) and the BPS (British Psychological Society). Our LLB is accredited by the Joint Academic Stage Board, which represents the Solicitors Regulation Authority and Bar Standards Board of England and Wales. The School of Law is fully accredited by the Law Society and the Bar Council as a Centre for Continuing Professional Development; while our Centre for Applied Criminology was founded by David Wilson, one of the UK's leading criminologists.

FACULTY COMPUTING ENGINEERING, AND THE BUILT ENVIRONMENT

The Faculty of Computing, Engineering, and the Built Environment is located at the multi-million pound City Centre Campus with a vision to create a powerful centre of technological excellence and innovation, through close links to industry (national and international) that allow students to become involved in the latest research or make a real contribution to business.

The School of Engineering and the Built Environment offers students the opportunity to achieve in-depth knowledge in areas such as automotive, electronic and mechanical engineering or in management functions such as logistics. The School of Computing and Digital Technology has established itself as one of the leading academies for Microsoft and Cisco Systems. The Digital Media Technology Laboratory specialises in the development of methods for creating, processing, analysing, evaluating and distributing digital media; and the Data Analytics and AI group develops advanced machine learning and optimisation methods, applying multi-agent systems to smart cities and digital health at the cutting edge of innovation.

FACULTY OF ARTS, DESIGN AND MEDIA

Our Faculty of Arts, Design and Media has been a pioneer in education and research since 1843. Incorporating acting, architecture, art, design, fashion, film, games, graphics, illustration, jewellery, media, music, photography and textiles, the Faculty arguably offers one of the most inclusive arts educational experiences anywhere.

The Faculty also undertakes world-leading research in art and design, media and music, and offers unparalleled opportunities, whether it's working on the title sequence for the 2016 BRIT Awards, taking plays to Europe and the Far East, designing jewellery for A-list celebrities and games for the next generation of PlayStation, working with the Royal Shakespeare Company and the Royal Opera House, or performing in one of the world's finest concert venues, Birmingham's Symphony Hall. Our Royal Birmingham Conservatoire represents a £57 million teaching and performance facility; while also receiving recognition as one of the top three Conservatoires in the country for music (Source: Guardian University Guide 2019).

A photograph of three students in conversation on a balcony. A young woman in a white cardigan and black hijab sits on the left. A young man in a denim jacket stands in the center. A woman in a black top and headscarf stands on the right. They are positioned behind a red brick wall with a grey stone ledge. The background shows a building with large windows and some greenery with purple flowers in the foreground.

**CREATE AND APPLY
KNOWLEDGE THAT FURTHERS
SOCIETAL AND ECONOMIC
DEVELOPMENT**



Birmingham City University offers a high quality and distinctive academic experience, harnessing the best new approaches to learning and research to equip our students with the skills and knowledge to support both their employability and broader lives; and to deliver quality and added value through understanding and responding to the needs of business and the professions.

Almost 90% of our research was judged to have delivered 'outstanding' or 'very considerable' external impact (REF 2014). Our Innovation Institutes enable businesses and organisations to collaborate with our academic experts and specialists to create leading, practice-based research and new knowledge that delivers a real-world, societal or business impact. Birmingham City University has been engaged in a number of practice-based projects over the year, supported by external research grants and contracts to the value of £5m. Highlights include:

A REAL-TIME DATA PLATFORM FOR BIRMINGHAM

The development of Birmingham in Real Time (BiRT) project to deliver a real-time data platform for Birmingham and create value through combining a range of existing and new data sources, such as car parking data, public transport, air quality and cycling. The project will deliver transformed data openly, allowing decision-makers, service-creators, analysts and the public to use it freely to improve life in Birmingham. Over the course of 2018/19 the project has been developing a web Application Programming Interface (API) to facilitate and simplify the process of analysing traffic in Birmingham designed to enable Birmingham City Council to detect and manage transport issues and accidents with greater efficacy, rapidity and reliability.

TURNING WASTE INTO FUEL IN INDONESIA

Collaborative working with partners in Indonesia on the MacroBio project, funded by the British Council and Newton Fund, to investigate how the waste products of cultivating algae for the agar industry can be utilised as an energy source, fertiliser or other valuable products. University researchers are working alongside stakeholders from a deprived fishing community in East Java to explore the environmental and economic potential, for this community and others across Indonesia, of turning algal waste into fuel.

HUMAN-COMPUTER INTERACTION IN AUGMENTED REALITY

The research focuses on natural free-hand interaction, where users interact with an augmented physical world, enhancing the environment with virtual information and tools. Free hand interaction opens a whole range of new applications in education, simulation and product promotion. These new approaches will enhance training in a variety of fields – from enabling medical students to use virtualised tools in a safe and realistic augmented environment, to helping manufacturers create and design new products in immersive environments.

IMPACT OF ANTIMICROBIAL RESISTANCE (AMR)

Secured funding to conduct research into the socio-economic impact of antimicrobial resistance (AMR). AMR is a rising global health threat. Patients who are affected by drug-resistant pathogens are at risk of increased infections, longer hospital stays, and even death. The funds awarded from the Public Health Agency of Canada will allow researchers at Birmingham City University, in collaboration with the RAND Corporation, to deliver a dynamic, multi-country, computable general equilibrium (CGE) model that will simulate various AMR scenarios and the impact on the Canadian economy (labour supply, trade patterns, production, and other mechanisms) and its healthcare system.

ELIZABETH BRYAN MULTIPLE BIRTHS CENTRE (EBMBC) AT BIRMINGHAM CITY UNIVERSITY

Embedding the Elizabeth Bryan Multiple Births Centre (EBMBC) at Birmingham City University, representing an exciting new collaboration with the Multiple Births Foundation (MBF), a charity of international repute founded on the pioneering work of consultant paediatrician Dr Elizabeth Bryan. The EBMBC aims to improve the support available to multiple birth families through development of research work streams, educational and professional development programmes and resources for health and allied professionals. Over the course of 2018/19 the EBMBC has established the West Midlands Multiple Births Group collating data on the delivery of maternity services, and will be working with practice-based partners in the West Midlands and more widely to develop services in order to meet the needs of multiple birth families.



Birmingham City University also leads on a number of initiatives that strive to transform the region through accelerating business growth and employability within the local economy. For example:

INSTITUTE OF TECHNOLOGY (IOT) FOR ADVANCED MANUFACTURING AND ENGINEERING

In April, Greater Birmingham and Solihull was awarded the prestigious Institute of Technology (IOT) for Advanced Manufacturing and Engineering by the Secretary of State for Education. BCU is part of the delivery partnership which will jointly design, develop and widen education and training opportunities aligned to the latest skills needs of leading-edge employers; the local, regional and national economy; and Government priorities for technical education. This represents a £808k capital grant for BCU to support new programmes to meet the regional skills deficit in advanced manufacturing.

MULTI-AGENCY COLLABORATION 'GRADUATE RE-TUNE'.

Working in partnership with Jobcentre Plus and Aston University, BCU won a £531,000 contract from the OfS in May to deliver a new innovative multi-agency collaboration 'Graduate Re-tune'. The initiative is targeted at graduates that have newly registered for Universal Credit in the Greater Birmingham and Solihull Local Enterprise (GBSLEP) area, and has three core aims: to improve the rates of progression of students from underrepresented groups, particularly those from minority ethnic groups and those with disabilities; improve graduate outcomes of mature students or part-time students intending to remain in their local area for study and post-study work; and to address skills gaps by ensuring that interventions developed to enhance graduate outcomes respond to and reflect local labour market demands.

BIRMINGHAM SKILLS FOR ENTERPRISE AND EMPLOYABILITY NETWORK (BSEEN) PROGRAMME

In March 2019, we secured an extension to our Birmingham Skills for Enterprise and Employability Network (BSEEN) programme, which offers students and graduates intensive start-up support for new ventures and develops entrepreneurial talent, with successful participants benefitting from a variety of workshops, networking opportunities, tailored mentoring, grants and workspace. The programme has engaged with over 1,000 students and graduates in activities, supported 84 new start-ups, and provided entrepreneurial support to 112 beneficiaries. The BSEEN programme was integral to securing BCU's position in the top 10 of multi-faculty universities for the number of students who are self-employed/freelance, based on 2016/17 DLHE results (140).



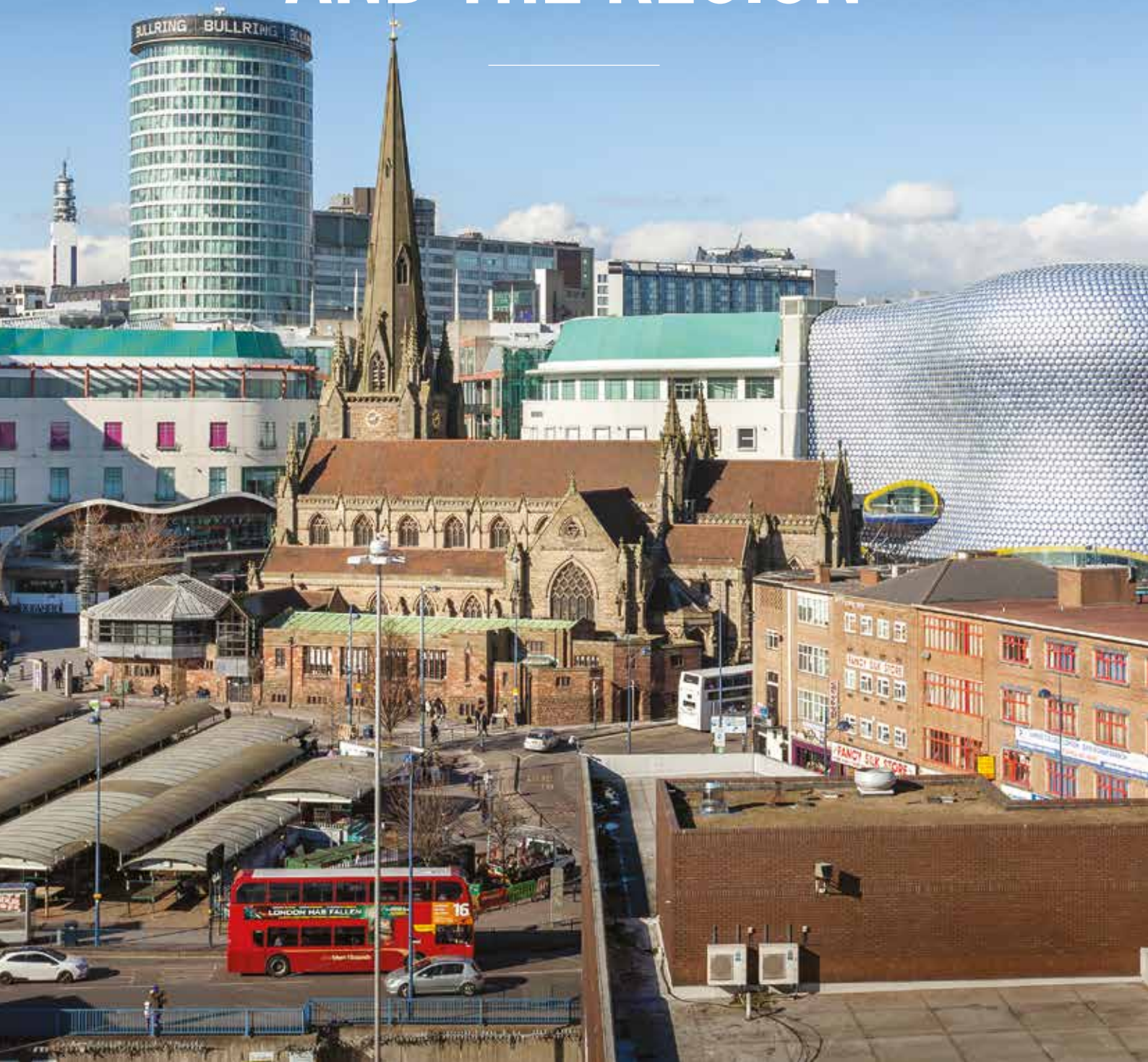
A NUMBER OF INITIATIVES AND EVENTS WERE ALSO LAUNCHED IN 2018/19 IN ORDER TO PROMOTE PERSONAL TRANSFORMATION FOR STUDENTS THROUGH ENGAGEMENT WITH INDUSTRY.

For example, in August 2018 we launched the BCU Mentoring scheme with 95 cross-faculty student partnerships, including large employers such as Legal & General, HMRC, and EY; while in March, BCU was a finalist in National Undergraduate Employability Awards for 'Most Improved Commitment to Employability', with a key element of the submission an emphasis on developing employer partnerships to facilitate access to work experience opportunities.

In common with last year, **2018/19 saw BCU gain further external recognition as a global thought leader for STEAM**, the intersection of science, technology, engineering, arts and maths to resolve local and global challenges that is supporting the innovation agenda of our region, and driving innovation nationally and internationally. In May, we celebrated the first anniversary of our STEAMhouse initiative which has already distributed over £67,500 in small grants for IP advice and prototyping support; provided over 6,500 hours of support to small, new and emerging businesses; seen 24 new research collaborations launched; and continues to welcome around 1,000 visitors per month who access workshops, networking events, and the facilities and expertise available. By June 2019, the facility had 249 registered members comprised of entrepreneurs and creative practitioners.

STEAMhouse has already become an international exemplar in its field, and has stimulated dialogue with institutions such as Stanford, Berkeley Jacobs and Cal Poly. This has served to drive international collaborative opportunities for student exchange and live project briefs; incubation models for STEAM; and new programmes to facilitate further academic engagement. Nationally, STEAMhouse was awarded the Made At Uni 'Pioneering Centre for Innovation' (January 2019); while regionally it was shortlisted for the Greater Birmingham Chamber of Commerce's 'Excellence in Technology and Innovation' award (April 2019), and featured as a case study in the Local Industrial Strategy (May 2019).

PROMOTE AND IMPROVE OUR CITY AND THE REGION





BIRMINGHAM CITY UNIVERSITY IS THE UNIVERSITY 'FOR' BIRMINGHAM. WE STRIVE TO REALISE THIS VISION TO COMPLEMENT AND TRANSFORM THE REGION THROUGH ACCELERATING BUSINESS GROWTH AND EMPLOYABILITY WITHIN THE LOCAL ECONOMY.

Practically, this takes place through delivery of practise-based research and knowledge transfer; business growth expertise and support activities; a highly-skilled, work-ready graduate workforce; and interdisciplinary academic and industry collaborations.

In 2018/19 61% of our UK-domiciled full-time undergraduate (first degree) entrant students were defined as commuter students (HESA data) from the Birmingham area, and from the wider West Midlands. We have a strong track record of promoting and enabling innovation in the West Midlands region with University strategy closely aligned with Strategic Economic Plans of the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and the West Midlands Combined Authority (WMCA) in support of national priorities for stimulating innovation, skills, business development and productivity.

Significant activity has continued in 2018/19 to enhance BCUs position as active 'thought' and 'act' leaders in the innovation and enterprise debate/space, and to become more accomplished in exploiting both our applied and practice based strengths, and near market heritage. For example, BCU has been working with the local councils and the Combined Authority on launching a pilot which focusses on innovation through Citizen Engagement, using our work in STEAM as the platform.

In June, the National Centre for Universities and Business published their 2019 State of the Relationship report, which explores and celebrates the achievements made when universities and business come together to innovate and provide social and economic benefits, and is exemplified through case studies from universities. The NCUB develops, supports and promotes world-class collaboration between universities and business across the UK, and yields significant influence with Government. The report featured three case studies from Birmingham City University providing a clear indication of the quality of our business engagement and collaborative activities.

Our passion to support the transformation of the region has also resulted in the direct secondment of staff to support the Combined Authority with the development and implementation of its local Industrial Strategy, such as maximising the regional benefits of a 5G infrastructure. Growth of the creative industries is also a big part of the success story of our region. The outreach work with our cultural partners, the support and engagement with the production and content sector through our events, and the active engagement of STEAMhouse to support creative practitioners to develop their business is a key component of this ecosystem.

We also believe that universities have a major responsibility to contribute to society through collaborative and citizen-engaged solutions which focus on the relationships that communities have with their environment. The University's schools of Jewellery and Art, for example, are heavily involved in the preservation of local heritage, and our Royal Birmingham Conservatoire, led by Professor Julian Lloyd Webber, offers a programme of over 300 concerts for schools and the general public each academic year.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

INTRODUCTION

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and the HE Code of Governance. The University has reviewed its governance and management practices and internal controls against the latter and is satisfied that they comply with the guidance contained within the Code.

THE CORPORATION

The University is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and of an Instrument of Government approved by the Privy Council in April 1993. The University is an exempt charity within the meaning of the Charities Act 2011. Its powers are set out in the Act; its framework of governance is set out in the Articles of Government which were approved by the Privy Council in September 1995 and by the Board of Governors in November 1995.

THE BOARD OF GOVERNORS

The Board of Governors is collectively responsible for overseeing the University's activities, determining its educational character, mission and general strategic direction and all decisions which might have significant reputational or financial implications, as well as all legal and regulatory compliance.

The Board includes the Vice-Chancellor within its membership and has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chairman of the Board to be elected from the independent members. There is also provision for the appointment of co-opted members (some of whom may be members of the staff of the University) and for representatives of the student body. By custom and practice the President of the Students' Union and one of the Vice-Presidents are members of the Board.

The University Secretary has been appointed as Clerk to the Board and, in that capacity, provides independent advice and guidance on matters of governance to all Board members.

The University maintains a Register of Interests of members of the Board and senior officers which may be consulted by arrangement with the University Secretary.

The members of the Governing Body are its trustees for the purpose of charity law. The trustees and officers serving during the year and until the date the financial statements were formally approved were as follows:

Chair of the Board of Governors

Mr Mark Hopton (Independent Member)

Deputy Chair

Mr Joe Kelly (Independent Member)

Vice-Chancellor

Professor Philip Plowden (Ex-officio)

Independent Members

Ms Sally Beavan

Dr Louise Brooke-Smith, OBE

Mr Ian Burke

Mr Glenn Howells

Mr Andrew Jowett, OBE

Ms Jenny Ladbrooke

Mr Parmjit Singh

Rt Hon Gisela Stuart (appointed 1 February 2019)

Co-opted Lay Members

Professor Graham Henderson CBE, DL

Ms Tracy Westall

Co-opted Staff Governors

Mr Mohammed Ayaz

Professor Andrew Kulman

Student Governors

Ms Ivona Hadzhiyska (appointed 1 July 2019)

Mr Liam Miles (appointed 1 July 2019)

Retired Members

Dame Julie Moore

Mr Andrew Cleaves

Ms Jemma Ellis

Mr Sahib Singh

Expiry of Term of Office

22 October 2018

22 October 2018

30 June 2019

30 June 2019

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £1,757 and hotel accommodation and transport to the value of £2,121 was also provided for 2018/19.

Ex-officio and elected staff representatives on the Board have their salaries agreed in the normal way as employees (i.e. in accordance with agreed salary scales or, in the case of the Vice-Chancellor, via the approval of the University's Remuneration Committee). No staff representatives receive additional payment for their role as Trustees.

All members and co-opted members of the Board of Governors and its Committees are required to complete the annual Register of Interests. In addition, declarations of interest are sought and, where appropriate, minuted whenever commercially sensitive or substantive matters are discussed or decided.

The University's Governance structure is supported by a number of wholly-owned subsidiary companies. All non-charitable work carried out by the University is undertaken through these subsidiary companies.

THE VICE-CHANCELLOR

The Vice-Chancellor is the Chief Executive Officer and is responsible to the Board of Governors for the leadership of the academic affairs and executive management of the University. The Vice-Chancellor is the Accountable Officer under the OfS Terms and Conditions of Funding which came into force on 1 April 2018. The Accountable Officer is personally responsible to the governing body for ensuring compliance with the terms and condition of funding and for providing the OfS with clear assurances to this effect. If required, the Accounting Officer can be summoned to appear before the Public Accounts Committee of the House of Commons.

The senior officers of the University in 2018/19 were the Deputy Vice-Chancellors, the University Secretary and the Chief Finance Officer who, together with the Vice-Chancellor, comprise the Vice-Chancellor's Office. As Chief Executive Officer, the Vice-Chancellor has overall executive responsibility for the development of strategy, the identification and planning of new developments and the shaping of the University's ethos. Although the other senior officers all contribute in various ways to this aspect of the work, ultimate responsibility for what is done rests with the Vice-Chancellor.

In the executive leadership of the University the Vice-Chancellor is supported by the University Executive Group (UEG) which comprises all members of the Vice-Chancellor's Office; the four PVC Executive Deans of Faculty, Chief Financial Officer and the Director of Human Resources.

COMMITTEES OF THE BOARD OF GOVERNORS

The Board of Governors meets regularly and at least three times each academic year, but much of its detailed work is initially handled by committees, including the Finance Committee, Human Resources Committee, Remuneration Committee, Nominations and Governance Committee, and Audit Committee. The decisions of these Committees are all formally reported to the Board.

Membership of these committees is comprised predominantly of independent and co-opted lay members of the governing body and does not include staff and student members of the governing body. The Vice-Chancellor is in attendance at meetings of the Remuneration Committee as a non-member but is required to withdraw from meetings where his own salary and terms of conditions of service are under discussion. In November 2018 the University's Articles were revised to allow the co-option of non-Board members with particular expertise onto all Board committees. During 2018/19 two co-opted members served on the Audit Committee and one was appointed to serve on the Human Resources and Remuneration Committees with effect from 1 September 2019.

INTERNAL CONTROL

The Board of Governors is responsible for maintaining a sound system of internal control that supports the achievements of policies, aims and objectives, while safeguarding the public and other funds and assets for which it has responsibility. The Board's review of the effectiveness of this system is supported by the work of the following:

- the University Executive Group (UEG), which has operational responsibility for the development and maintenance of the internal control framework;
- the Audit Committee, which monitors and reviews the effectiveness of internal control, risk management and governance arrangements. As part of its work in this area, the Committee holds individual meetings with both the internal and external audit senior management teams at which no member of the University Executive are present;
- the University's internal audit service, which operates to standards defined in the OfS Audit Code of Practice. The regular reports submitted to the Audit Committee by the internal audit service include an independent opinion on the adequacy and effectiveness of the system of internal control, together with any recommendations for improvement.

The University's system of internal control manages, rather than eliminates, the risk of failure to adhere to policies and achieve aims and objectives and is based on a continuous process of management and monitoring, designed to:

- identify the principal risks to compliance with policies and to the achievement of aims and objectives;
- evaluate the nature and extent of those risks;
- implement actions to manage the risks efficiently, effectively and economically.

The following specific actions have been taken in relation to risk management during the year:

- the respective responsibilities of the Board, the Audit Committee and the University Executive Group have been reviewed and clarified within the revised Risk Management Policy;
- the University's Strategic Risk Register, which is approved by the University Executive Group (UEG), identifies the key risks that could prevent the University Group from achieving its strategic objectives and articulates the measures being taken to manage and mitigate these risks. The risks and mitigations report has been reviewed regularly by UEG and any pertinent risks have been reported to the Audit Committee;
- the Risk Register and Risk Management Policy have been reviewed by the Audit Committee in order to ensure that they reflect changing external factors and the University's strategic aims. The Risk Appetite Statement, last approved by the Board during 2016/17, is currently under review.
- the Audit Committee has provided the Board with regular reports and advice on the implementation and continuing effectiveness of the University's risk management and internal control arrangements;

On the basis of the foregoing, procedures have been in place from 1 August 2018 to enable a full statement of internal control to be made for the whole of the financial year ended 31 July 2019 and up to the date of the Financial Statements.

GOING CONCERN

The Board of Governors considers that the University has adequate resources to continue in operational existence for the foreseeable future and, therefore, has adopted the going concern basis of accounting in these financial statements.

FINANCIAL RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Education Reform Act 1988, the Board of Governors is responsible for overseeing the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the SORP on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the current OfS Terms and Conditions of Funding for Higher Education Institutions the Board of Governors, through the Vice-Chancellor, is required to prepare financial statements which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has 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, subject to any material departures disclosed and explained in the financial statements;
- it is appropriate that the financial statements are prepared on the going concern basis.

Having regard to its charitable purpose, the Board of Governors has taken reasonable steps to:

- ensure income from the OfS, Research England, Department for Education and the Education and Skills Funding Agency (ESFA), grants and income for specific purposes and from other restricted funds by the University during the year ended 31 July 2019 have been applied for the purposes for which they were received and in accordance with the University statutes and, where appropriate, with the OfS Terms and Conditions of Funding, the Research England Terms and Conditions of Funding and the Financial Memorandum with the Department for Education and ESFA.
- 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 University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

FINANCIAL REVIEW

KEY FINANCIAL HIGHLIGHTS

The consolidated accounts for 2018/19 consolidate the results of the University and its subsidiary undertakings. The accounts have been prepared in accordance with FRS 102 and the Statement of Recommended Practice on Accounting for Higher and Further Education (2015).

The surplus before tax for the year was £14.0m (2018: £16.6m). The unrestricted comprehensive income for the year amounted to £4.1m (2018: unrestricted comprehensive income of £39.3m). This includes an actuarial loss in respect of the Group's pension schemes amounting to £8.4m (2018: £23.2m gain). Further commentary on the impact of pension scheme volatility on the Group's results is provided below.

The University considers it important to deliver a surplus on its activities each year in order to generate resources for investment in its academic activities, people, facilities and services and to enable it to anticipate and robustly manage future strategic and operational risks.

FINANCIAL PERFORMANCE 2018/19

Key performance indicators taken from the consolidated results for the year ended 31 July 2019 are summarised below.

The external economic and market operating environment continued to present significant challenges. Against this backdrop, the results for the year reflect a strong financial performance. Before other gains and losses and taxation the Group achieved a surplus of £10.1m (2018: surplus of £14.2m).

Total income for the year was £246.8m (2018: £231.0m) an increase of £15.8m.

Income from tuition fees and education contracts increased by £19.2m. Income from tuition fees and education contracts as a proportion of income from all sources reflects an increase at 84.5% compared to the previous year (82.0%).

Total expenditure for the year was £236.7m (2018: £216.8m), an increase of £19.9m, which included an increase in Staff Costs of £11.3m and an increase in Other Operating Expenses of £10.2m.

Staff costs remain a significant cost for the University and the increase in the year reflects an increase in both underlying staff numbers and increasing pension costs. The University manages staff numbers and costs carefully. A major focus for the University's procurement team is the delivery of value for money in relation to other operating expenditure.

DEFINED BENEFIT PENSION SCHEME

The pension scheme deficit disclosed in the balance sheet for West Midlands Pension Fund is influenced by the following key factors:

- Asset returns for the 12 months to 31 July 2019
- Corporate bond yields as at 31 July 2019
- Market expectations of inflation as at 31 July 2019
- Change in demographic assumptions as at 31 July 2019.

A brief commentary on these is provided in the following paragraphs:

Asset Returns

The scheme assets are invested in gilts, bonds and equities. Equity returns have been strong over the year; however, returns on gilts have been negative. Due to the allocation outlined above, overall asset performance has been higher than assumed over the year which would lead to an improvement in funding levels, all else being equal.

Based on the performance to 31 July 2019 and the allocation outlined above, a typical LGPS Fund might have achieved a positive return of around 11% for the year but this could vary considerably depending on each Fund's investment strategy.

If Fund returns have been around this mark the assets will have outperformed the discount rate used last year and this will have led to an actuarial gain on the assets, improving the accounting position.

However, the overall position is also affected by the effect of market movements on the defined benefit obligation.

Corporate Bond Yields

The defined benefit obligation is valued using a discount rate based on corporate bond yields that reflect the duration of the University's liabilities. In deriving the financial assumptions for the University as at 31 July 2019, we have estimated the duration of the University's liabilities and then used the point on the Merrill Lynch AA-rated corporate bond yield curve which corresponds to this duration. This is the same approach as last year.

The duration of the University's defined benefit obligation is the weighted average time to pay the future expected cashflows for every member. This is estimated based on the data from the last actuarial valuation.

Bond yields rose in the second half of 2019 but gradually lowered in the first half of 2019 and started to climb again from June 2018. Overall, they are slightly higher than at the start of the year. Therefore, we are likely to see decreases in the value of the defined benefit obligation as a result of the change in discount rate only.

Inflation Assumptions

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI) rather than RPI. As there is limited market information on CPI-linked assets, we take the implied RPI assumption.

It is assumed that CPI inflation will, on average, be 0.9% lower than RPI. We note that this is a lower difference compared with last year and reflects the fact that we are no longer including an inflation risk premium representing supply/demand distortions in the bond market. This is consistent with the most recent actuarial valuation of the Fund.

Demographic Assumptions

We have used demographic assumptions consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2016.

The Mortality improvement projection has been updated in year to use the latest version of the continuous Mortality Investigations model CMI 2018, released in March 2019.

CAPITAL INVESTMENT

Cash invested in capital investment for the year amounted to £17.6m (2018: £88.5m) as the Group continued its estates development and investment in its replacement IT infrastructure.

CASH FLOW AND TREASURY MANAGEMENT

Cash flow from operations for the year was £37.7m (2018: £31.7m). After taking into account capital expenditure and financial investment, the cash inflow before deposits and borrowing amounted to £14.5m (2018: £78.6m outflow).

The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £14.4m (2018: £15.8m). In addition, the Group had undrawn borrowing facilities amounting to £68m (2018: £75m). The borrowings are subject to a set of financial covenants and the Group has complied with these requirements during the year.

Gross debt at the year-end was £21.5m (2018: £60.9m). The Group has cash amounting to £34.0m at 31 July (2018: £19.9m) giving net cash of £12.5m (2018: net debt £41.0m) as at the year end.

The cash balances are invested with a variety of counterparties, including UK banks and building societies. The counterparty list has been kept under close review during the year with a view to balancing risk and return, but with short term rates being at historically low levels, the Group is earning lower interest on its cash balances than the rates payable on its mortgages.

**INDEPENDENT
AUDITOR'S REPORT
TO THE BOARD
OF GOVERNORS
OF BIRMINGHAM
CITY UNIVERSITY**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Birmingham City University ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement 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 University's affairs as at 31 July 2019, and of the Group's and the University'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 the Accounts Direction dated 19 June 2018 issued by the Office for Students other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

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

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board of Governors'

conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Operating and Financial Review and the Corporate Governance and Internal Controls 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 29, 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 University'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 University or to cease operations, or has no realistic alternative but to do so.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students and Research England have been applied in accordance with the 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 paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. 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 University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Mark Dawson
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

	NOTE	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
INCOME					
Tuition fees and education contracts	2	208,580	195,628	189,340	169,975
Funding body grants	3	18,058	18,377	16,481	16,475
Research grants and contracts	4	2,489	1,805	2,665	2,105
Other income	5	15,859	32,349	21,896	35,877
Investment income	6	227	227	251	251
Donations and endowments	7	1,553	1,545	356	449
TOTAL INCOME		246,766	249,931	230,989	225,132
EXPENDITURE					
Staff costs	8	132,451	132,451	121,124	121,124
Other operating expenses	9	82,991	89,003	72,770	71,794
Depreciation and amortisation	12, 13	17,372	17,165	18,508	18,184
Interest and other finance costs	10	3,847	3,847	4,399	4,399
TOTAL EXPENDITURE		236,661	242,466	216,801	215,501
SURPLUS BEFORE OTHER GAINS/(LOSSES)		10,105	7,465	14,188	9,631
Gain/(Loss) on disposal of fixed assets		3,404	(2,383)	2,058	362
Gain on investments		483	483	315	315
SURPLUS BEFORE TAX		13,992	5,565	16,561	10,308
Taxation	11	(87)	-	(22)	-
SURPLUS FOR THE YEAR		13,905	5,565	16,539	10,308
Actuarial (loss)/gain in respect of pension scheme	32	(8,364)	(8,364)	23,194	23,194
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		5,541	(2,799)	39,733	33,502
Represented by:					
Endowment comprehensive income for the year	22	1,475	1,475	401	401
Unrestricted comprehensive income for the year	23	4,066	(4,274)	39,332	33,101
TOTAL		5,541	(2,799)	39,733	33,502

The notes form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

CONSOLIDATED	ENDOWMENT £'000	UNRESTRICTED £'000	TOTAL £'000
AS AT 1 AUGUST 2017	6,176	229,578	235,754
Surplus from the income and expenditure statement	401	16,138	16,539
Other comprehensive income	-	23,194	23,194
AS AT 31 JULY 2018	6,577	268,910	275,487
CHANGES IN RESERVES			
Surplus from the income and expenditure statement	1,475	12,430	13,905
Actuarial loss in respect of pension schemes	-	(8,364)	(8,364)
AS AT 31 JULY 2019	8,052	272,976	281,028

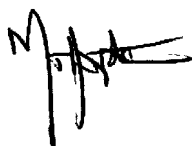
UNIVERSITY	ENDOWMENT £'000	UNRESTRICTED £'000	TOTAL £'000
AS AT 1 AUGUST 2017	6,176	212,072	218,248
Surplus from the income and expenditure statement	401	9,907	10,308
Other comprehensive income	-	23,194	23,194
AS AT 31 JULY 2018	6,577	245,173	251,750
CHANGES IN RESERVES			
Surplus from the income and expenditure statement	1,475	4,090	5,565
Actuarial loss in respect of pension schemes	-	(8,364)	(8,364)
AS AT 31 JULY 2019	8,052	240,899	248,951

The notes form part of these financial statements.

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS

	NOTE	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
NON-CURRENT ASSETS					
Intangible assets	12	3,393	3,393	3,012	3,012
Fixed assets	13	433,985	428,252	458,309	451,564
Heritage assets	14	690	690	690	690
Investments	15	6,735	10,910	6,126	10,426
TOTAL		444,803	443,245	468,137	465,692
CURRENT ASSETS					
Stocks	16	216	216	254	254
Debtors	17	30,059	30,642	23,097	21,680
Cash at bank and in hand		33,989	33,224	19,941	19,398
TOTAL		64,264	64,082	43,292	41,332
CREDITORS					
Creditors - Amounts falling due within one year	18	(48,422)	(79,286)	(34,853)	(54,721)
Net current assets/(liabilities)		15,842	(15,204)	8,439	(13,389)
TOTAL ASSETS LESS CURRENT LIABILITIES		460,645	428,041	476,576	452,303
Creditors - amounts falling due after more than one year	19	(78,860)	(78,491)	(117,631)	(117,254)
PROVISIONS					
Pension provisions	21, 23	(97,006)	(97,006)	(78,923)	(78,923)
Other provisions	21	(3,751)	(3,593)	(4,535)	(4,376)
NET ASSETS		281,028	248,951	275,487	251,750
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserves	22	8,052	8,052	6,577	6,577
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted	23	272,976	240,899	268,910	245,173
TOTAL RESERVES		281,028	248,951	275,487	251,750

The financial statements were approved by the Board of Governors on 28 November 2019 and signed on its behalf by:



M Hopton, Chairman of the Board of Governors



P Plowden, Vice-Chancellor

The notes form part of these financial statements.

CONSOLIDATED CASHFLOW STATEMENT

	NOTE	2019 £'000	2018 £'000
OPERATING ACTIVITIES			
Net cash flows from operations	24	37,791	31,814
Corporation tax paid		(44)	(154)
NET CASH FLOWS FROM OPERATING ACTIVITIES		37,747	31,660
INVESTING ACTIVITIES			
Investment Income		4	4
Interest received		49	49
Interest paid		(236)	(335)
Endowment income		174	206
Donation Income		399	215
Purchase of intangible fixed assets		(1,350)	(2,345)
Purchase of tangible fixed assets		(16,238)	(86,162)
Proceeds on disposal of tangible fixed assets		28,274	2,316
STEAMhouse land grant receipt		-	4,500
Other capital grant receipts		3,451	2,959
NET CASH FLOWS FROM INVESTING ACTIVITIES		14,527	(78,593)
FINANCING ACTIVITIES			
New endowments received		1,154	141
Drawdown of Loans		-	45,000
Repayment of loans		(39,380)	(1,229)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(38,226)	43,912
Net increase in cash and cash equivalents		14,048	(3,021)
CASH AND CASH EQUIVALENTS AT 1 AUGUST		19,941	22,962
CASH AND CASH EQUIVALENTS AT 31 JULY		33,989	19,941
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash at bank and in hand		33,989	19,941
CASH AND CASH EQUIVALENTS		33,989	19,941

The notes form part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the University's accounts.

1.1 Accounting convention

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets). At 1 August 2014, fair value has been used for deemed cost for certain properties measured at fair value.

1.2 OfS Accounts Direction

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 Standards (FRS) 102 and have early adopted paragraph 12(d) of the OfS Account Direction dated 25 October 2019. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

1.3 Lease Incentives

The University will continue to recognise the residual benefit or cost associated with lease incentives on the same basis as that applied at the date of transition to FRS102.

1.4 Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

1.5 Recognition of Income

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. Grant funding including Office for Students block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University 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 on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. The University has adopted the accounting treatment which allows it to recognise grant income received relating

to land purchases in the income and expenditure account in the year of receipt.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and 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 gross as expenditure and not deducted from income.

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

The University acts as agent in the collection and payment of training bursaries from the Department for Education and of access funds and bursaries from OFS. Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in note 28 to the accounts.

1.6 Leasing Costs

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are operating 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 on the remaining balance of the liability.

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.

1.7 Post-Retirement Benefits

The University participates in three principal, defined benefit pension schemes: the West Midlands Pension Fund (WMPF), the Universities Superannuation Scheme (USS) and the Teacher's Pension Scheme England and Wales (TPS). The schemes are defined benefit schemes, which are externally funded. The assets of the schemes are held separately from those of the University and are administered independently.

WMPF assets are measured using market values; scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The University's share of the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and movements are disclosed in the Consolidated Statement of Comprehensive Income and Expenditure split between operating charges, finance items and actuarial gains and losses.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities relating to University members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The TPS is accounted for as if it were a defined contribution pension scheme because the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure account represents the contributions payable in respect of the accounting period.

1.8 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 University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

1.9 Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 University 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 tangible fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

All subsidiary companies (with the exception of the Technology Innovation Centre, which is a charity) are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

1.10 Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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 Surplus or Deficit.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Nonmonetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.11 Intangible Assets

Intangible assets are amortised over 3-5 years representing the remaining estimated economic life of the assets.

1.12 Tangible Fixed Assets and Depreciation

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 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July.

Equipment is stated at cost. Equipment costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Depreciation is provided so as to charge the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

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

- Existing freehold buildings - up to 60 years
- Leasehold land and buildings - period of lease or useful economic life, if shorter

Newly completed buildings:

- Externals - up to 60 years
- Services - 30 years
- Finishes - 20 years
- Fixtures and fittings - 30 years
- Equipment - between 3 and 10 years

No depreciation is provided on freehold land or on assets in the course of construction.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

1.13 Borrowing Costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

1.14 Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

1.15 Stocks

Stock is held at the lower of cost or net realisable value.

1.16 Cash Flows and Liquid Resources

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice 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 risk of change in value.

1.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made.

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 University 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 University. 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.

1.18 Accounting for Donations and Endowments

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

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

Investment income and appreciation of endowments is recorded as income in the year in which it arises and as either restricted or unrestricted income according to the terms of the individual endowment fund.

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

Restricted donations - the donor has specified that the donation must be used for a particular objective.

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 University.

Restricted expendable endowments- the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

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.

1.19 Heritage Assets

Heritage assets are defined as assets that are held principally for their contribution to knowledge and culture.

Heritage assets valued at over £25,000 are capitalised and recognised in the balance sheet provided appropriate valuations are available. Donated assets that are capitalised will be reported in the income and expenditure account at valuation on receipt.

Valuations of heritage assets on conversion to FRS 102 were performed by specialist external valuers. Heritage assets that are irreplaceable originals for which no reliable value can be attributed will not be capitalised in the financial statements.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. They are subject to impairment reviews if damage or deterioration is reported. They are maintained and the cost of maintenance is charged to the income and expenditure account as incurred.

1.20 Reserves

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

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

2. TUITION FEES AND EDUCATION CONTRACTS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
TUITION FEES				
Full-time home and EU students	150,991	150,991	134,710	134,710
Full-time international students	29,897	29,897	24,710	24,710
Part-time students	7,020	7,020	5,483	5,483
Further education	9	9	-	-
Full cost course fees	3,954	3,816	2,728	2,578
TOTAL	191,871	191,733	167,631	167,481
EDUCATION CONTRACTS				
Health professions education contracts	15,393	2,908	21,709	2,494
Apprenticeships	1,316	987	-	-
TOTAL	208,580	195,628	189,340	169,975

Health professions education contracts include the training of nurses (pre and post registration), midwives, radiographers, radiotherapists, speech and language therapists and operating department practitioners for the NHS and Royal Centre for Defence Medicine.

3. FUNDING BODY GRANTS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
OFFICE FOR STUDENTS AND RESEARCH ENGLAND				
Teaching funds	10,865	10,865	10,035	10,035
Research funds	2,500	2,500	2,323	2,323
Other specific grants	1,197	1,197	1,626	1,626
Deferred capital grants released	3,573	3,564	2,068	2,062
TOTAL	18,135	18,126	16,052	16,046
Education and Skills Funding Agency	(77)	251	152	152
Department for Education	-	-	277	277
TOTAL	18,058	18,377	16,481	16,475

Office for Students access funds and training bursaries are excluded from income and expenditure (see Note 28).

4. RESEARCH GRANTS AND CONTRACTS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Research councils	756	701	633	615
Research charities	216	172	348	348
Government (UK and overseas)	1,070	640	968	751
Industry and commerce	327	172	446	184
Other	120	120	270	207
TOTAL	2,489	1,805	2,665	2,105

5. OTHER INCOME

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Residences, catering and conferences	7,482	7,493	9,340	9,277
Other revenue grants	2,324	2,028	2,590	2,346
STEAMhouse Land Grant	-	-	4,500	4,500
Other capital grants	403	403	277	274
Other income	5,650	22,425	5,189	19,480
TOTAL	15,859	32,349	21,896	35,877

6. INVESTMENT INCOME

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Investment income on endowments	174	174	209	209
Other investment income	4	4	4	4
Interest receivable	49	49	38	38
TOTAL	227	227	251	251

7. DONATIONS AND ENDOWMENTS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
New endowments	1,154	1,154	141	141
Unrestricted donations	399	391	215	308
TOTAL	1,553	1,545	356	449

8. STAFF COSTS

Staff costs, including remuneration of the Vice-Chancellor, were as follows:

STAFF COSTS	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Wages and salaries	97,635	97,635	91,254	91,254
Social security costs	10,520	10,520	9,697	9,697
Other pension costs	24,296	24,296	20,173	20,173
TOTAL	132,451	132,451	121,124	121,124

Included within payroll costs above are restructuring costs amounting to £0.6m (2018: £1.1m).

Consolidated other pension costs consist of the group's contributions into the following pension schemes:

PENSION SCHEMES	CONSOLIDATED 2019 £'000	CONSOLIDATED 2018 £'000
Universities Superannuation Scheme (USS)	3,332	513
Local Government Pension Scheme (LGPS)	12,552	11,731
Teachers' Pension Scheme (TPS)	8,412	7,929
TOTAL	24,296	20,173

8. STAFF COSTS (CONTINUED)

The average monthly number of employees, including the Executive Group, during the year was:

EMPLOYEES	2019 NO.	2018 NO.
Manager	396	400
Admin	1,107	1,072
Academic	1,424	1,384
Visiting tutors	751	863
TOTAL	3,678	3,719

Number of higher paid staff (by range) whose basic salary was above £100k, during the year was:

SALARY	2019 NO.	2018 NO.
£100,000 to £104,999	1	2
£105,000 to £109,999	1	2
£110,000 to £114,999	4	3
£115,000 to £119,999	1	1
£120,000 to £124,999	1	1
£140,000 to £144,999	-	1
£145,000 to £149,999	2	1
£150,000 to £154,999	1	-
TOTAL	11	11

Note – No Vice Chancellors have been included within the analysis above due to the separate analysis below.

Key management personnel

The members of the University Executive Group (excluding the Vice Chancellor) including the Deputy Vice Chancellors, PVC Executive Deans, University Secretary and Chief Finance Officer are the Key Management Personnel for the University.

	2019 £'000	2018 £'000
Remuneration of key management personnel	1,793	1,631
Compensation for loss of office paid to Higher paid personnel (excluding Vice Chancellor)	120	80

8. STAFF COSTS (CONTINUED)

EMOLUMENTS OF THE VICE-CHANCELLORS:	2019 £	2018 £
G UPTON – (Left the University on 31st Aug'17)		
Salary	-	45,175
Taxable Benefits	-	72
Pension Contributions (Taxable)	-	-
Non-Taxable Benefits	-	-
TOTAL EMOLUMENTS	-	45,247
P PLOWDEN – (From 14th Aug'17)		
Salary	225,500	212,312
Taxable Benefits	-	273
Pension Contributions (Taxable)	37,162	34,989
Non-Taxable Benefits	-	8,000
TOTAL EMOLUMENTS	262,662	255,574

Justification for the total remuneration for the Head of Provider (Vice Chancellor):

The Chairman of the Board of Governors conducted Professor Plowden's annual performance review and concluded that the Vice Chancellor was performing at the expected level and had made an excellent start in his leadership of Birmingham City University. Accordingly, and in the context of strong university performance and financial delivery, and with Remuneration Committee agreement, the Chairman recommended that the 2.5% pay increase (similarly awarded to all university staff) should be awarded to the Vice Chancellor. Through reference to benchmarking data and recognising the guidance provided from various sources, including the CUC Senior Staff Remuneration Code, the Chairman considered the recommended 2.5% award fully justified at this time. With continuing performance by Professor Plowden at the expected level, the situation would be monitored and kept under review at regular intervals, having due regard to the University's policy to be a median payer.

Head of Provider (VC) - Multiples of Basic Pay and Total Pay Analysis:

YEAR	VC	FTE SALARY	STAFF BASIC PAY MEDIAN	VC MULTIPLE OF BASIC PAY
2018	Upton	271,050	36,225	7.48
2018	Plowden	219,996	36,225	6.07
2019	Plowden	225,500	36,590	6.16

YEAR	VC	TOTAL PAY	STAFF TOTAL PAY MEDIAN	VC MULTIPLE OF TOTAL PAY
2018	Upton	271,050	36,861	7.35
2018	Plowden	263,258	36,861	7.14
2019	Plowden	262,662	38,682	6.79

The University has based its calculation on the early adoption of the requirements of paragraph 12(d) of the 2019/20 OFS accounts direction basing the calculation on staff included on the HMRC real time reporting data.

9. OTHER OPERATING EXPENSES

Other operating expenses include:

	2019 £'000	2018 £'000
AUDITOR'S REMUNERATION:		
In respect of audit services	68	80
In respect of non-audit services	143	31
OPERATING LEASE RENTALS:		
Land and buildings	5,811	5,050
Other	412	328

10. INTEREST AND OTHER FINANCE COSTS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Loan interest	236	236	335	335
Finance lease interest	1,628	1,628	1,589	1,589
Net expense on pension scheme (note 32)	1,983	1,983	2,475	2,475
TOTAL	3,847	3,847	4,399	4,399

11. TAXATION

Recognised in the statement of comprehensive income:

CURRENT TAX	CONSOLIDATED 2019 £'000	CONSOLIDATED 2018 £'000
UK Corporation tax	(11)	-
China tax	23	22
Deferred tax expense	75	-
TOTAL TAX EXPENSE	87	22

12. INTANGIBLE ASSETS

CONSOLIDATED AND UNIVERSITY		IT SOFTWARE DEVELOPMENT £'000
COST OR VALUATION		
AT 1 AUGUST 2018		10,494
Additions		1,350
AT 31 JULY 2019		11,844
AMORTISATION		
AT 1 AUGUST 2018		7,482
Expense for the year		969
AT 31 JULY 2019		8,451
NET BOOK VALUES		
AT 31 JULY 2019		3,393
AT 31 JULY 2018		3,012

13. FIXED ASSETS

CONSOLIDATED	FREEHOLD LAND AND BUILDINGS £'000	LEASEHOLD LAND AND BUILDINGS £'000	FIXTURES, FITTINGS AND EQUIPMENT £'000	ASSETS IN THE COURSE OF CONSTRUCTION £'000	TOTAL £'000
COST OR VALUATION					
AT 1 AUGUST 2018	132,060	375,619	16,426	3,281	527,386
Additions	4,381	-	1,969	9,888	16,238
Disposals	(23,866)	(8,966)	-	-	(32,832)
At 31 JULY 2019	112,575	366,653	18,395	13,169	510,792
DEPRECIATION					
AT 1 AUGUST 2018	11,912	52,447	4,718	-	69,077
Expense for the year	2,514	10,984	2,905	-	16,403
Eliminated on disposals	(8,644)	(29)	-	-	(8,673)
At 31 JULY 2019	5,782	63,402	7,623	-	76,807
NET BOOK VALUES					
AT 31 JULY 2019	106,793	303,251	10,772	13,169	433,985
AT 31 JULY 2018	120,148	323,172	11,708	3,281	458,309

13. FIXED ASSETS (CONTINUED)

UNIVERSITY	FREEHOLD LAND AND BUILDINGS £'000	LEASEHOLD LAND AND BUILDINGS £'000	FIXTURES, FITTINGS AND EQUIPMENT £'000	ASSETS IN THE COURSE OF CONSTRUCTION £'000	TOTAL £'000
COST OR VALUATION					
AT 1 AUGUST 2018	131,040	368,051	15,999	3,282	518,372
Additions	4,381	-	1,969	9,763	16,113
Disposals	(23,865)	(8,036)	-	-	(31,901)
At 31 JULY 2019	111,556	360,015	17,968	13,045	502,584
DEPRECIATION					
AT 1 AUGUST 2018	11,912	50,550	4,346	-	66,808
Expense for the year	2,514	10,789	2,893	-	16,196
Eliminated on disposals	(8,644)	(28)	-	-	(8,672)
At 31 JULY 2019	5,782	61,311	7,239	-	74,332
NET BOOK VALUES					
AT 31 JULY 2019	105,774	298,704	10,729	13,045	428,252
AT 31 JULY 2018	119,128	317,501	11,653	3,282	451,564

Included within consolidated and university fixed assets are assets held under finance leases as follows:

	2019 £'000	2018 £'000
COST OR VALUATION		
AT 1 AUGUST 2018 and 31 JULY 2019	21,369	21,369
DEPRECIATION		
AT 1 AUGUST 2018	1,858	1,395
Expense for the year	464	463
AT 31 JULY 2019	2,322	1,858
Net Book Values	19,047	19,511

14. HERITAGE ASSETS

CONSOLIDATED AND UNIVERSITY	TOTAL £'000
COST OR VALUATION	
AT 1 AUGUST 2018 and 31 JULY 2019	690

The University's heritage assets support its teaching, research and public engagement. The collection includes objects, such as paintings and sculpture. The strengths of the collection relates to the University's own specialist areas of excellence. The heritage assets held in the University make a significant contribution to scholarly endeavour, teaching and learning and the dissemination of knowledge for the public benefit.

The acquisition, preservation, management and disposal of heritage assets is in accordance with the University's general policies in regard to its heritage assets; relevant assets are curated by the appropriate staff in the Birmingham Institute of Art and Design to ensure that such assets continue to be available to staff and students for teaching, research and other purposes.

Heritage assets valued at over £25,000 are capitalised and recognised in the balance sheet provided appropriate valuations are available. Donated assets that are capitalised will be reported in the income and expenditure account at valuation on receipt.

The collections were valued on conversion to FRS 102 by specialist external valuers. Information on the qualifications of the valuer can be found at <http://schoonantiquesandart.com/index.html>. Heritage assets that are irreplaceable originals for which no reliable value can be attributed will not be capitalised in the financial statements.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. They are subject to impairment reviews if damage or deterioration is reported. They are maintained and the cost of maintenance is charged to the income and expenditure account as incurred.

15. INVESTMENTS

CONSOLIDATED	SUBSIDIARY UNDERTAKINGS £'000	ENDOWMENT FUNDS £'000	OTHER FIXED ASSET INVESTMENTS £'000	TOTAL £'000
COST OR VALUATION				
AT 1 AUGUST 2018	-	5,955	171	6,126
Change in Fair Value	-	484	-	484
Additions	-	-	125	125
At 31 JULY 2019	-	6,439	296	6,735

UNIVERSITY	SUBSIDIARY UNDERTAKINGS £'000	ENDOWMENT FUNDS £'000	OTHER FIXED ASSET INVESTMENTS £'000	TOTAL £'000
COST OR VALUATION				
AT 1 AUGUST 2018	4,300	5,955	171	10,426
Change in Fair Value	-	484	-	484
At 31 JULY 2019	4,300	6,439	171	10,910

15. INVESTMENTS (CONTINUED)

The £4,300k subsidiary undertaking is an investment in BCU Property Ltd, a wholly owned subsidiary of Birmingham City University.

Investments in endowment funds constitute the University's Trust and Prize Funds. The capital element of these assets is invested in income and shares in the COIF Charities Fixed Interest, Property and Investment Funds on the basis of professional investment advice. Investments held in the COIF funds at the year-end were as follows:

ENDOWMENT FUNDS COMPRISE:	TOTAL £'000
COIF Fixed Interest Fund	430
COIF Property Fund	5,510
COIF Investment Fund	499
TOTAL	6,439

Investments in subsidiaries and other fixed asset investments are held at cost.

OTHER FIXED ASSET INVESTMENTS CONSIST OF:	TOTAL £'000
CVCP Properties Limited	35
Advantage Growth Fund	95
Mercia Fund	41
Semantic Audio Labs Limited	125
AT 31 JULY 2019	296

16. STOCKS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Raw materials and consumables	216	216	198	198
Finished goods and goods for resale	-	-	56	56
TOTAL	216	216	254	254

17. DEBTORS

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Trade debtors	22,098	21,486	14,864	12,523
Amounts due from subsidiaries	-	1,864	-	1,818
Prepayments and accrued income	7,961	7,292	8,233	7,339
TOTAL	30,059	30,642	23,097	21,680

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Bank loans (Note 20)	1,540	1,540	1,532	1,532
Trade creditors	4,564	4,550	220	220
Other creditors	6,364	6,293	6,495	6,368
Capital Grants	2,956	2,956	3,102	3,102
Amounts due to subsidiaries	-	33,494	-	22,410
Corporation tax	4	-	26	-
Other taxation and social security	2,762	1,665	2,233	1,725
Accruals and deferred income	30,232	28,788	21,245	19,364
TOTAL	48,422	79,286	34,853	54,721

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

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Donations	46	46	43	43
Research grants received on account	887	579	798	225
Grant income	575	575	508	506
TOTAL	1,508	1,200	1,349	774

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Bank loans (Note 20)	19,933	19,933	59,320	59,320
Other creditors	-	-	7	7
Capital Grants	32,716	32,347	32,725	32,348
Finance Lease liabilities (Note 20)	26,211	26,211	25,579	25,579
TOTAL	78,860	78,491	117,631	117,254

20. BANK LOANS AND FINANCE LEASES

Bank loans are repayable as follows:

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Within one year	1,540	1,540	1,532	1,532
Between two and five years	14,844	14,844	51,215	51,215
After more than five years	5,089	5,089	8,105	8,105
TOTAL	21,473	21,473	60,852	60,852

20. BANK LOANS AND FINANCE LEASES (CONTINUED)

The Natwest Bank loans are secured on the University's student residential properties, in year an additional facility of £45 million was agreed with HSBC which is not secured. The loan facilities are scheduled for repayment by 19 August 2028; the interest rate payable on the loans is LIBOR + 0.40%.

Finance leases are repayable as follows:

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	26,211	26,211	25,579	25,579
TOTAL	26,211	26,211	25,579	25,579

21. PROVISIONS

CONSOLIDATED	OBLIGATION TO FUND DEFICIT ON USS PENSION £'000	OBLIGATION TO FUND DEFICIT ON LGPS PENSION £'000	TOTAL PENSION PROVISIONS £'000	OTHER PROVISIONS £'000	TOTAL OTHER PROVISIONS £'000
AT 1 AUGUST 2018	1,349	77,574	78,923	4,535	4,535
Increase / (decrease) in provisions	2,590	15,556	18,146	(690)	(690)
Utilised during the year	(63)	-	(63)	(94)	(94)
At 31 JULY 2019	3,876	93,130	97,006	3,751	3,751

Other provisions of £3.7m includes: £2.8m Dilapidations provision for Leasehold Buildings, and £0.9m provision against potential clawback on externally funded projects.

UNIVERSITY	OBLIGATION TO FUND DEFICIT ON USS PENSION £'000	OBLIGATION TO FUND DEFICIT ON LGPS PENSION £'000	TOTAL PENSION PROVISIONS £'000	OTHER PROVISIONS £'000	TOTAL OTHER PROVISIONS £'000
AT 1 AUGUST 2018	1,349	77,574	78,923	4,376	4,376
Increase / (decrease) in provisions	2,590	15,556	18,146	(689)	(689)
Utilised during the year	(63)	-	(63)	(94)	(94)
At 31 JULY 2019	3,876	93,130	97,006	3,593	3,593

Other provisions of £3.5m includes: £2.8m Dilapidations provision for Leasehold Buildings, and £0.7m provision against potential clawback on externally funded projects.

Since the year end, following the completion of the 2018 actuarial valuation of the USS pension, a new deficit recovery plan has been agreed. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £2.2m, a decrease of £1.7m from the current year end provision.

22. ENDOWMENT RESERVES

CONSOLIDATED AND UNIVERSITY	RESTRICTED PERMANENT ENDOWMENTS 2019 £'000	EXPENDABLE ENDOWMENTS 2019 £'000	TOTAL 2019 £'000	TOTAL 2018 £'000
AT 1 AUGUST				
Capital	5,122	1,054	6,176	5,676
Accumulated income	247	154	401	500
TOTAL	5,369	1,208	6,577	6,176
New endowments	638	516	1,154	141
Investment income	123	51	174	209
Expenditure	(192)	(145)	(337)	(264)
Increase in market value of investments	394	90	484	315
TOTAL ENDOWMENT COMPREHENSIVE INCOME FOR THE YEAR	963	512	1,475	401
AT 31 JULY	6,332	1,720	8,052	6,577
Capital	5,369	1,208	6,577	6,372
Accumulated income	963	512	1,475	205
TOTAL	6,332	1,720	8,052	6,577

ANALYSIS OF ENDOWMENTS BY ASSETS	2019 £'000	2018 £'000
Fixed assets	15	15
Non-current asset investments	6,439	5,955
Current assets	-	-
Cash at bank and in hand	1,611	621
Current liabilities	(13)	(14)
TOTAL	8,052	6,577

23. UNRESTRICTED RESERVES

CONSOLIDATED	TOTAL 2019 £'000	TOTAL 2018 £'000
AT 1 AUGUST	268,910	229,578
Surplus for the year	12,430	16,138
Actuarial gain in respect of pension schemes	(8,364)	23,194
Transfers to endowment reserves	-	-
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	4,066	39,332
AT 31 JULY	272,976	268,910

23. UNRESTRICTED RESERVES (CONTINUED)

UNIVERSITY	TOTAL 2019 £'000	TOTAL 2018 £'000
AT 1 AUGUST 2018	245,173	212,072
Surplus for the year	4,090	9,907
Actuarial gain in respect of pension schemes	(8,364)	23,194
Transfers to endowment reserves	-	-
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	(4,274)	33,101
AT 31 JULY 2019	240,899	245,173

24. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of surplus for the financial year to cash generated from operations:

	2019 £'000	2018 £'000
Surplus for the financial year	13,905	16,539
ADJUSTMENT FOR NON-CASH ITEMS:		
Taxation	(23)	130
Depreciation of tangible fixed assets (note 13)	16,403	18,307
Write off Work in Progress	-	144
Amortisation of intangibles (note 12)	969	201
(Increase)/Decrease in stocks	38	6
(Increase)/Decrease in debtors	(6,962)	(45)
Increase /(Decrease) in creditors	10,372	(6,430)
Actuarial gain on pension	(8,364)	23,194
Increase/(Decrease) in pension provision	18,083	(15,558)
(Decrease)/Increase in other provisions	(784)	2,940
Endowment revaluation	(483)	(315)
Investment income	(4)	(4)
Interest receivable	(49)	(38)
Interest payable	1,864	1,924
Endowment income	(174)	(209)
STEAMhouse land grant	-	(4,500)
Profit on the disposal of fixed assets	(3,404)	(2,058)
Capital grant release	(3,596)	(2,414)
NET CASH FLOWS FROM OPERATIONS	37,791	31,814

25. CAPITAL AND OTHER COMMITMENTS

Capital commitments

At 31 July, the Group and University had the following capital commitments for which no provision has been made:

	CONSOLIDATED 2019 £'000	UNIVERSITY 2019 £'000	CONSOLIDATED 2018 £'000	UNIVERSITY 2018 £'000
Commitments contracted for	4,183	4,183	7,879	7,879

The gross value of capital commitments set out above reflect the costs associated with the implementation of the University's two-campus strategy. The commitments reflect the contracted costs set out in the University's major projects plan in relation to the development of the City Centre Campus.

No provision has been made in the accounts for these capital commitments. However, the University has taken steps to ensure that it will have access to sufficient cash and liquid resources to enable it to finance its major projects plan.

Lease obligations

Minimum lease payments payable under non-cancellable operating leases fall due as follows:

	2019 £'000	2018 £'000
Within than one year	5,946	5,811
Between one and five years	21,317	20,703
After more than five years	60,177	63,428
TOTAL	87,440	89,942

26. CONTINGENT LIABILITIES

The University has given a guarantee to Millennium Point Property Ltd to pay the property lease rental of its subsidiary, Technology Innovation Centre (TIC). The lease term is currently 30 years until 26 November 2029 and the current annual rental is £996,379 (2018: £972,077). On the expiration date of the current lease, a lease extension signed on 31 October 2011 will be entered into between Millennium Point Property Ltd, TIC and the University which extends the period of the guarantee and lease to 18 March 2149.

27. SUBSIDIARY UNDERTAKINGS

The subsidiary companies (all of which are registered in England & Wales) and unincorporated entities, wholly-owned or effectively controlled by the University, are as follows:

ENTITY	PRINCIPAL ACTIVITY	STATUS	HOLDING
Awarding Body For The Built Environment Limited	Awarding organisation providing qualifications for the built environment	Company limited by guarantee	100%
Birmingham School of Acting	Dormant	Company limited by guarantee	100%
Technology Innovation Centre	First-degree & post-graduate level education, engineering related scientific and technical consulting, technical testing and analysis	Company limited by guarantee	100%
TIC Commercial Limited	Professional, scientific and technical activities	Company limited by guarantee	100%
BCU Enterprise Limited	Training programmes for health professionals, training, consultancy, commercial research, residential conferences and catering	Company limited by guarantee	100%
BCU Property Limited	Buying and selling of own real estate	Company limited by shares	100%
BCU Trustees limited	Trustee for Employees' Non-Discretionary Medical Benefit Scheme for BCU	Company limited by shares	100%
Eastside Locks Management Ltd	Management and Maintenance of Eastside Locks	Company limited by shares	74.4%

28. STUDENT ACCESS FUNDS AND TRAINING BURSARIES

	TOTAL ITT £'000	TOTAL NHS £'000
Office for Students grant	61	60
Disbursed to students	(61)	(60)
BALANCE UNSPENT AT 31 JULY 2019	-	-

Office for Students grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the consolidated Income and Expenditure Account.

29. RELATED PARTY TRANSACTIONS

Due to the nature of the University's activities and the composition of the Board of Governors it is possible that transactions will take place from time-to-time with organisations in which a member of the Board of Governors may have an interest. All such transactions are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The following material related party transactions occurred during the year: £5,527,797 (2018: £5,079,330) was paid to Millennium Point Property Limited for use of space and associated service charges (David Wilkin – Trustee).

Two student governors elected by the Union of Students are members of the University's Board of Governors. During the year ended 31 July 2019, payments were made to the Students' Union for the value of £922,062 and invoices were raised from the University for the value of £13,656.

There were balances of £11,616 and £2,245 outstanding in debtors and creditors at the year end.

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the University's consolidated financial statements requires management to make estimates and judgements that affect the reported results in the income statement, balance sheet and accompanying disclosures. Uncertainty about the estimates and judgments could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 32, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

USS Pension Liability

The USS pension liability has been estimated using the BUFDG USS modeller on the assumption that the number of staff in the pension scheme will be stable, salary inflation consistent with the assumptions used for LGPS and the discount rate for high quality corporate bond.

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 accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss.

The management are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Assessment of impairment of Assets

An impairment assessment of the University's land and buildings has been undertaken and no impairments are required in this financial year.

Bad Debt Provision

A bad debt provision has been made against expenditure based on the percentage recovery rates of the external debt recovery company used by the University. Management are satisfied these provide a reasonable approximation in light of historical recovery rates.

31. FINANCIAL INSTRUMENTS

Risk Management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the Finance Committee's approved treasury management policy. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Office for Students (OfS) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2019, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by an international credit-rating agency. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the treasury management policy.

Student and commercial debtors are reviewed on an ongoing basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

Liquidity Risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Cash flow forecasts form part of the University's planning process and are revised during the financial year when re-forecasts are made. The University policy is to maintain a minimum of £20m in on-call cash balances. Excess funds are invested to maximise the return while observing the Treasury Management Policy limits.

Interest Rate Risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

Financial Instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet.

32. PENSION SCHEMES

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme (TPS), The Universities Superannuation Scheme (USS) and the West Midlands Pension Fund, a Local Government Pension Scheme (LGPS). The assets of these schemes are held separately from those of the University and are administered independently.

The liabilities associated with these schemes are as follows:

	2019 £'000	2018 £'000
Local Government Pension Scheme	93,130	77,574
Universities Superannuation Scheme	3,876	1,349
Teachers' Pension Scheme	-	-
TOTAL	97,006	78,923

32. PENSION SCHEMES (CONTINUED)

(i) Local Government Pension Scheme (LGPS)

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from West Midlands Pension Fund:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 July 2018 FRS102 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 July 2019;
- Fund investment returns for the period to 31 March 2019 and market returns (estimated where necessary) thereafter for the period to 31 July 2019;

- Estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2019; and
- Details of any new early retirements for the period to 31 July 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Employer membership statistics

The table below summarises the membership data, as at 31 March 2016 for any members receiving unfunded benefits.

MEMBER DATA SUMMARY	NUMBER	SALARIES/ PENSIONS	AVERAGE AGE
Actives	973	11,724	42
Deferred pensioners	3,193	3,729	34
Pensioners	583	3,248	70
Unfunded pensions	12	13	82

The service cost for the year ending 31 July 2019 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £34,466,000. The project service costs for the year ended 31 July 2020 has been calculated assuming the payroll remains at this level over the year.

Scheduled contributions

For information, the table below summarises the minimum employer contributions due from Birmingham City University to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 15.5% of payroll p.a. The monetary contributions are due to be paid in monthly instalments.

MINIMUM EMPLOYER CONTRIBUTIONS DUE FOR THE PERIOD BEGINNING	1 APRIL 2017	1 APRIL 2018	1 APRIL 2019
Percent of payroll	13.6%	14.6%	15.5%
Plus monetary amount (£'000)	2,094	2,176	2,261

32. PENSION SCHEMES (CONTINUED)

The deficit recovery period currently adopted for the Employer is 15 years with effect from the 2016 valuation. Please refer to the formal 2016 valuation report for any additional conditions on which the contributions above are based.

Birmingham City University may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by the Fund Actuary.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2019 is estimated to be 6%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Birmingham City University as at 31 July 2019 is as follows:

	31 JULY 2019 £'000	%	31 JULY 2018 £'000	%
Equities	140,493	60%	136,678	63%
Government bonds	22,131	9%	15,536	7%
Other bonds	8,842	4%	7,998	4%
Property	19,076	8%	17,529	8%
Cash/liquidity	8,438	4%	8,099	4%
Other	34,703	15%	30,153	14%
TOTAL	233,683	100%	215,993	100%

The actuaries have estimated the bid values where necessary based on the information provided by West Midlands Pension Fund: The individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 July 2019 is likely to be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 1%.

Valuation approach

To assess the value of the Employer's liabilities at 31 July 2019, actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016 using financial assumptions that comply with FRS102.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 July 2019 without completing a full valuation. However, the actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 July 2019 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate. To calculate the asset share the actuaries have rolled forward the assets allocated to the Employer at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

32. PENSION SCHEMES (CONTINUED)

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury has confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore the pension fund do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Impact of McCloud/Sargeant judgement

We have used the analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement on the Employer. The key assumption is the assumed rate of future salary increases which is set out in the Demographic/Statistical assumptions section of this disclosure.

We have included a summary of our impact assessment below. Please see the results of the GAD analysis in their report dated 10 June 2019 for more information along with our employer briefing note which sets out further details on the approach we have taken.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a.

- Adjusting this to reflect BCU's own salary increase assumption from 31 March 2016 (which is that salaries will increase at 2.35% until 31 March 2020 and 3.85% thereafter), gives an estimated impact of 1.9% of active liabilities.
- Adjusting this to allow for the additional accrual of liabilities since 31 March 2019 and an approximate adjustment to strip out members who joined the Scheme after 31 March 2012 (who are unlikely to be affected by the outcome of the judgement) gives an estimated impact of 1.6% of active liabilities.
- This is equivalent to 0.6% of BCU's total liabilities at the accounting date (i.e. active liabilities are estimated to be 36% of the Employer's total liabilities at the accounting date).

GAD estimated the impact on the service cost to be 3.0% of payroll based on a salary increase assumption of CPI plus 1.5% p.a.

- Adjusting this to reflect BCU's own salary increase assumption from 31 March 2016 (which is that salaries will increase at 2.35% until 31 March 2020 and 3.85% thereafter), gives an estimated impact of 1.9% of active liabilities.
- Making an approximate adjustment to strip out members who joined the Scheme after 31 March 2012 (who are unlikely to be affected by the outcome of the judgement) gives an estimated impact of 0.9% of payroll.
- This is equivalent to 2.7% of the projected service cost.

32. PENSION SCHEMES (CONTINUED)

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI 2018, which was released in March 2019. The pension fund has adopted the default smoothing parameter of 7.0 and has not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI 2015 Model was adopted.

The assumed life expectations from age 65 are:

		31 JULY 2019	31 JULY 2018
Retiring today	Males	20.9	21.9
	Females	23.2	24.4
Retiring in 20 years	Males	22.6	24.1
	Females	25.0	26.7

The actuaries have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results are as follows:

	31 JULY 2019 % P.A.	31 JULY 2018 % P.A.	31 JULY 2017 % P.A.
Discount Rate	2.10%	2.65%	2.7%
Pension increase	2.35%	2.35%	2.7%
Salary increases	3.85%	3.85%	4.2%

These assumptions are set with reference to market conditions at 31 July 2019.

The estimate of the duration of the Employer's liabilities is 21 years.

32. PENSION SCHEMES (CONTINUED)

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.35% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

The capitalised cost of the additional benefits awarded during the year is calculated at £1,897,000. This figure has been included within the service cost in the statement of profit or loss.

The above past service cost is an estimate of the impact of the McCloud/Sargeant judgement on the basis that all active members in the Fund as at 31 March 2012 are covered by the transitional protections.

Curtailments

The pension fund has calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

The pension fund has calculated the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

The capitalised cost of the additional benefits is estimated to be £12,000. This figure has been included within the service cost in the statement of profit or loss.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

32. PENSION SCHEMES (CONTINUED)

Statement of profit or loss for the year to 31 July 2019

The amounts recognised in the profit and loss statement are:

	YEAR TO 31 JULY 2019 £'000	AS AT 31 JULY 2018 £'000
Service cost	12,830	11,032
Net interest on defined liability	1,954	2,444
Administration expenses	112	89
TOTAL LOSS	14,896	13,565

Asset and benefit obligation reconciliation for the year to 31 July 2019.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	YEAR TO 31 JULY 2019 £'000	AS AT 31 JULY 2018 £'000
Opening defined benefit obligation	293,567	295,472
Current service cost	10,921	10,838
Interest Cost	7,731	7,981
Change in financial assumptions	34,364	(18,531)
Change in demographic assumptions	(18,001)	-
Liabilities assumed / (extinguished) on settlements	-	793
Estimated benefits paid net of transfers in	(6,002)	(5,136)
Past service costs, including curtailments	1,909	-
Contributions by Scheme participants and other employers	2,341	2,163
Unfunded pension payments	(17)	(13)
CLOSING DEFINED BENEFIT OBLIGATION	326,813	293,567

The pension fund has allowed for the estimated impact of the recent McCloud judgement as a past service cost. We have estimated the impact on the total liabilities as at 31 July 2019 to be £1,897,000 (or 0.6% as a percent of total liabilities).

Reconciliation of opening and closing balances of the fair value of Fund assets:

	YEAR TO 31 JULY 2019 £'000	AS AT 31 JULY 2018 £'000
Opening fair value of fund assets	215,993	202,415
Interest on assets	5,777	5,537
Return on assets less interest	7,999	4,663
Administration expenses	(112)	(89)
Contributions by employer including unfunded	7,704	5,854
Contributions by Scheme participants and other employers	2,341	2,163
Estimated benefits paid plus unfunded net of transfers in	(6,019)	(5,149)
Settlement prices received	-	599
CLOSING FAIR VALUE OF FUND ASSETS	233,683	215,993

The total return on the fund assets for the year to 31 July 2019 is £13,776,000.

32. PENSION SCHEMES (CONTINUED)

Re-measurements in other comprehensive income

Re-measurement of the net defined liability:

	YEAR TO 31 JULY 2019 £'000	AS AT 31 JULY 2018 £'000
Return on Fund assets in excess of interest	7,999	4,663
Changes in financial assumptions	(34,364)	18,531
Change in demographic assumptions	18,001	-
RE-MEASUREMENT OF THE NET DEFINED LIABILITY	(8,364)	23,194

(ii) The Universities' Superannuation Scheme

The Universities' Superannuation Scheme (USS) provides benefits based on final pensionable salary.

The University participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2018 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set.

The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The total cost charged to the profit and loss account is £3,332,000 (2018: £513,000) as shown in note 8. The latest available full actuarial valuation of the scheme was at 31 March 2018 (the valuation date), which was carried out using the projected unit method.

The 2018 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. From the 2019 annual report, the value of the assets of the scheme was £67.4 billion and the value of the scheme's technical provisions was £73.1 billion indicating a shortfall of £5.7 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Funding position based on the 2017 monitoring approach:

	2019	2018
Scheme assets	£67.4bn	£63.7bn
Total scheme liabilities	£73.1bn	£68bn
FRS 102 total scheme deficit	£5.7bn	£4.3bn
FRS 102 total funding level	92%	94%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

- Male members' mortality
96.5% of S1NA ["light"] YoB tables – No age rating
- Female members' mortality
101.3% of S1NA ["light"] YoB tables – Rated down 1 year

32. PENSION SCHEMES (CONTINUED)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2018 projections with a 1.5% pa long term rate were also adopted.

(iii) The Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teacher's Pension Budget and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website.

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

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