

Report of the
Board of Governors
and Audited Accounts
2015 – 16

**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS
AND AUDITED ACCOUNTS 2015/16**

CONTENTS

Operating and Financial Review	1
Corporate Status	2
Public Benefit Statement	2
The Advancement of Education	3
Prizes and Scholarships, Bursaries and Hardship Funds	5
The Advancement of Health and Saving Lives	6
The Advancement of the Arts, Culture, Heritage or Science	7
The Advancement of Citizenship and Community Development	8
The promotion of Equality and Diversity	8
The Advancement of Environmental Protection or Improvement	9
Partnership working with the Students' Union	11
Key Financial Highlights	12
Corporate Governance and Internal Controls	16
Introduction	16
The Corporation	16
The Board of Governors and the Academic Board	16
Committees of the Board of Governors	18
Internal Control	19
Going Concern	20
Responsibilities of the Board of Governors	20
Independent Auditor's Report To The Board of Governors	21
Consolidated and University Statement of Comprehensive Income	23
Consolidated and University Statement of Changes in Reserves	24
Consolidated and University Balance Sheet	25
Consolidated Cash Flow Statement	26
Notes to the Financial Statements	27

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

OPERATING AND FINANCIAL REVIEW

Executive Summary and strategic overview

The purpose of this document is to provide an overview of the 2015/16 financial year, and context to the presentation of the University's audited financial accounts for the year ended 31 July 2016.

The report summarises the Board of Governors' assessment of how the University has delivered on its charitable purposes for the public benefit, and on the University's overall performance for the 2015/16 academic year. In discussing and approving this report, the Board, as Trustees, has had regard to the Charity Commission's guidance on Charitable Purposes and Public Benefit.

Throughout the year, the University has continued to pursue the aims set out in its 2020 Strategic Plan, which focuses on four core themes:

- Transforming students
- Transforming Birmingham and the Region
- Transforming practice
- Transforming the University

These themes encapsulate the clearly differentiated mission of this University. We are strongly committed to our role as the University for the City of Birmingham and for the wider Birmingham region. Two thirds of our undergraduates come from the West Midlands, and over 70% remain in the West Midlands after graduation. As a culturally inclusive institution we contribute significantly to the economic, social, cultural prosperity and well-being of the city and region.

The University has demonstrated strong performance across all its strategic themes. It has achieved strong and stable financial performance, while continuing to invest in its staff and its facilities. While the environment in which the University operates continues to bring new challenges and new competitive pressures, we are confident that our financial strategy places us in a good position to anticipate and respond to these challenges.

The University's financial objectives which underpin our strategy are as follows:

- Achieving income growth while managing costs to generate surpluses for investment in our academic activities, people, facilities and services
- Increasing our financial resilience by diversifying income sources across teaching, research and services to business and the community
- Anticipating and robustly managing future strategic and operational risks
- Ensuring good return on investment on special projects and new developments
- Continually reviewing our systems, processes and structures to maximise value, reduce unnecessary costs and incentivise behaviour

Performance against these objectives is considered further in the sections below.

In 2015/16, as in previous years, 100% of the University's financial surplus has been used to improve the provision of education, through enhanced facilities, services and infrastructure, and increased support to our staff in the delivery of our educational mission.

Looking forward to 2016/17, we have budgeted for a lower level of surplus, reflecting a combination of our continuing need for investment to enhance the student experience, combined with the continued reduction in HEFCE funding, inflationary pressures and uncertainties remaining around the impact of the new financial structure for higher education provision.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

Corporate Status

Birmingham City 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. The Board of Governors of the University are the charitable Trustees of the University.

Public Benefit Statement

The University's main charitable purpose is the advancement of education. This purpose derives from Section 124 of the Education Reform Act 1988 which established what is now Birmingham City University, as a Higher Education Corporation. Its purpose is expressed in the University's mission, which is: to transform the prospects of individuals, employers and society through excellence in practice-based education, research and knowledge exchange.

As well as meeting its main charitable purpose of the advancement of education, the University also makes a significant contribution to the following charitable purposes identified in the 2011 Charities Act:

- The advancement of health or the saving of lives
- The advancement of citizenship or community development
- The advancement of the arts, culture, heritage or science
- The promotion of ... equality and diversity
- The advancement of environmental protection or improvement

The University's Board of Governors reviewed its Public Benefit statement following the publication of the revised public benefit guidance issued by the Charity Commission, and continues to keep this statement under review. The Board considers that in the nature of its public benefit statement; the ways in which the University operates as a Charity; and the ways in which it reports on the charitable activities it undertakes, it is fully compliant with the Charity Commission's general public benefit guidance.

All new Governors are provided with a briefing programme to ensure that they are aware of the University's obligations as an exempt charity, and of the requirements for serious incident reporting and their obligations as charitable trustees. A serious incident reporting procedure has been established. During 2015/16 no serious incidents or incidents of harm to beneficiaries were reported within the University, and the Board of Governors is not aware of any activity which could cause harm to the University's beneficiaries.

The University's activities for the public benefit are summarised below. Further information on the University's charitable activities is provided on the University website (www.bcu.ac.uk) and in our annual review [<http://www.bcu.ac.uk/about-us/corporate-information>].

During 2015/16 the University has had a particular regard to the requirements of the Prevent duty, which became a statutory duty in September 2015. Briefing sessions have been held for management and staff, Governors have been kept updated, and revised policies and procedures have been developed to ensure the University is in compliance with the HEFCE monitoring framework.

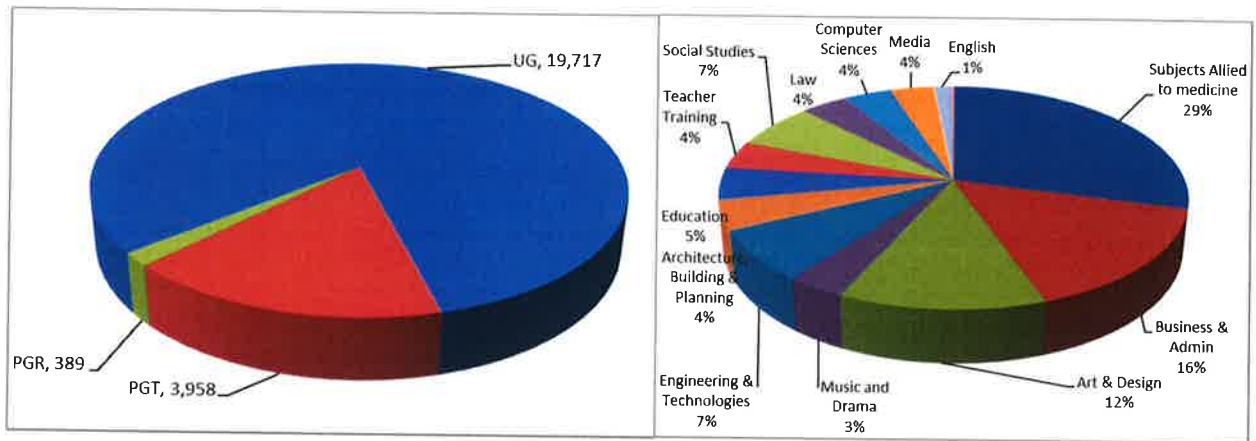
The University's charitable objects and our activities for the public benefit are fully reflected in the University's Strategic Plan, in our Faculty and departmental plans, and in the ways in which the University is led and managed.

The following sections of this report summarise the Board's assessment of how the University has delivered its charitable purposes for the public benefit and the University's overall performance in 2015/16.

**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16**

The Advancement of Education

The University delivers its main charitable purpose through the provision of undergraduate and postgraduate education as shown in the following charts.

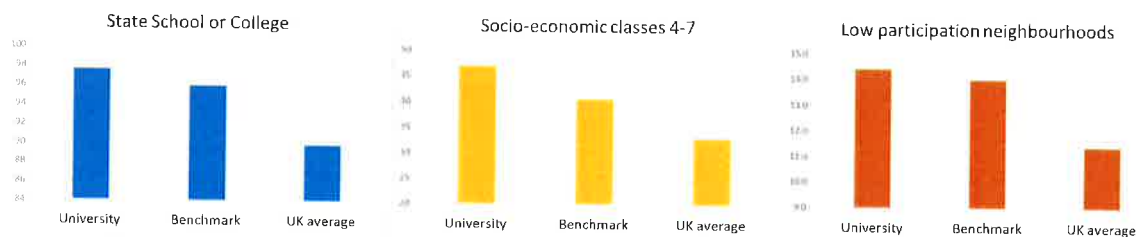


The University's primary beneficiaries are the students who study and learn at the University. Its activities also benefit society at large, through the education and training of students who upon graduation make a particular contribution to the creative industries and to professional practice, across our broad and varied subject areas.

In 2015/16, 6976 students graduated from undergraduate programmes plus 2494 postgraduates.

In delivering on its charitable purpose of the advancement of education, the University is committed to delivering an inclusive education, providing opportunity for those with the abilities and motivations to benefit and to transform their lives, particularly taking a pro-active approach to raising aspirations among socially and economically deprived communities, and ensuring there is a diverse University community of students and staff. The practice-based nature of the University's provision and its location in one of the youngest and most ethnically diverse cities in the UK mean that it is well placed to deliver on this purpose.

Through this work, the University makes a significant and positive contribution to improving their life opportunities, which is a major public benefit. Its success in this regard is illustrated by the national indicators of widening participation shown below, in which the University generally performs well in comparison to our sector benchmark and particularly so in absolute terms compared to the UK average.



Source: HESA Performance Indicators T1a: UK domiciled young full-time first degree entrants 2014/15

The University is also proud of the encouragement that is provided to students who have left care and those with disabilities, and puts appropriate targeted support and positive interventions in place to ensure that their University experience is rewarding and fruitful.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

The University had committed to spend over £4m of Home/EU undergraduate tuition fee income for 2015/16 on access and retention measures. This includes regional collaborative activity that continues to take forward the successful activity previously funded through AimHigher, University outreach and activities to support student retention, progression and achievement. A more focussed approach had been adopted than in the past, concentrating the resources available on outreach activities with evidence of success, whilst also seeking to analyse any issues associated with relationships which we perceive should be operating more effectively. Therefore the decision had been taken to withdraw financial support for those from less wealthy family backgrounds as there was little evidence of its impact either locally or nationally (whilst meeting all previous bursary commitments for continuing students), and instead to focus attention on activities shown to lead to student success. Nevertheless, following the Government's decision to move from maintenance grants to student loans and the potential risk such a move may pose to a key component of the University's recruitment market, a bursary scheme was introduced during 2015/16 for relevant 2016/17 entrants. The University has also committed resource on achieving its sector benchmark for the participation of students in receipt of disabled students' allowance.

In 2015/16, the University received and administered over £5.2m of funding for Widening Access and Improving Retention. These funds were used to promote a range of activities to raise aspirations among under-represented groups; maximise opportunities for access to HE; meet the needs of a diverse student group including social, pastoral and welfare needs to help them achieve success; and to help under-represented groups develop the skills and attitudes necessary to fulfil their ambitions.

The University's international partnership with Navitas Group for the Birmingham City University International College (BCUIC) at the Bournville campus is designed to provide a pathway onto University programmes. Navitas is the world's largest provider of university pathway education with over 30 partnerships globally. During 2015/16, the College enrolled 223 students from 31 countries, and 169 students who had previously enrolled with the College then progressed onto their main University programmes.



The University and Wuhan Textile University (WTU), a state controlled public university in China signed a Cooperation Agreement in May 2014 for the creation of an Institute under the jurisdiction of WTU, serviced by the University, to be known as the Birmingham Institute of Fashion and Creative Art (BIFCA). WTU is widely recognised for its creative arts, is ranked 31 globally for fashion and placed within the top five in Asia. Birmingham City University is one of just 63 universities across the world to be given approval to set up a jointly run higher education institute in China. Courses will be taught in both Mandarin and English, with students gaining both a UK and Chinese Bachelor's degree, and given the option to spend half of their studies in Birmingham. Preparations have been underway during 2015/16 in advance of the first intake in September 2016.



The City Road Primary has been a sponsored academy within the Birmingham City University Academies Trust since 2013/14. The school currently caters for around 400 pupils aged three to 11 (including its nursery). As the corporate member of the Trust, the University plays a pivotal role in developing and improving the learning experience of all its pupils by bringing a wide range of expertise and strategic leadership to the Academy. The University has provided training for both staff of the academy and for members of its Local Advisory Board, for example the University's School of Education and Social Work continues to support the Academy's improvement agenda delivering a practice-based Masters programme (Masters in Teaching and Learning) for its staff. 2016/17 represents the second year of staff engaging with this opportunity. There have been opportunities for University students to get involved, working with pupils for whom English is not their primary language and providing one-to-one mathematics support. Models of high capacity teacher training are also being developed. Further opportunities to extend the work of the Academies Trust are being explored.



BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

The University's School of Education and Social Work has strong partnerships with more than 900 primary schools and over 200 secondary schools from across the Midlands, as well as colleges and training organisations in the region such as Teach First, for which it is the West Midlands regional provider. The University has been awarded new contracts which take effect from the summer of 2017. Teach First is an education charity which seeks to ensure that all children, regardless of their family income, receive a first class education. The charity recruits, trains and supports graduates as teachers to work in schools in low income communities. The School continues to develop a range of strategic relationships with Teaching Schools, Multi-Academy Trusts and Local Authorities to design, deliver and support programmes for Initial Teacher Training, professional development and research.

The University has joined with Coventry and Wolverhampton to launch an initiative called West Midlands Combined Universities (WMCU), a move aimed at meeting the demands of devolution across the region. By bringing together the three institutions' applied research and training expertise, the intention is for WMCU to develop skills and foster innovation across the region.

The BCU Advantage scheme has been launched which offers organisations and start-ups access to funding opportunities and advice from University experts, as well as providing students and graduates with contacts, training and employment opportunities.

The University has secured £14m Government funding plus £0.5m Arts Council funding which will be matched by the European Regional Development Fund, for the STEAMHouse initiative which links the expertise of the University's Arts, Design and Media academics with specific challenges facing Health, Low Carbon and Manufacturing businesses across the West Midlands.

Prizes and Scholarships, Bursaries and Hardship Funds

Our charitable purpose of the advancement of education is demonstrated also through our Bursaries and Hardship Funds. The University administers in excess of £5.3m of trust and endowment funds. These funds exist to provide a range of bursaries, prizes, scholarships and awards to assist the students, our key beneficiaries, to achieve their potential, and in recognition of academic excellence in specific fields. In 2015/16, the University disbursed £297k in bursaries, scholarships and prizes from these funds.

In addition to these trust funds, the University distributed over £650k of grants and loans to students facing particular and unforeseen financial hardship. Students who are at risk of dropping out, for financial, family or other circumstantial reasons, have access to these hardship funds. Loans and grants are made to students on the basis of evidence, to help them to resolve their problems and return to and complete their education.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

The Advancement of Health and Saving Lives

The University delivers benefit to its secondary beneficiaries, the public at large, through the undertaking of research and the publication of research results. The University has a clear focus on research that has a direct practical outcome and impact, particularly in health-related areas.

The University's Health research transforms and influences practice in areas such as community mental health and the management of pain. The research centre focuses on the quality of care by developing research which investigates the delivery and impact of health and social care services as well as the user's attitudes, beliefs and experience of them. The impact of the mental health research has challenged prevailing beliefs and practices and led directly to changes in service delivery and design across the world. Investigations into the treatment of pain, combining an understanding of the factors that influence pain with the physical and psychological techniques that can be used to improve experience of pain, has led to significant improvements in patient outcomes and patient satisfaction.

Recent highlights include:

An Associate Professor in Biomechanics and Musculoskeletal Injury Prevention was Highly Commended for innovations in revolutionising the way that posture, movement and handling is taught

A Disability Advisor won a National Association of Disability Practitioners (NADP) award for a summer school for students with autism spectrum disorders (ASD) which equips them with life skills while lowering their anxiety around the transition to Higher Education.

Nursing students won the Student Nurse of the Year in both the child nursing and adult nursing categories

A research conference explored the ethical implications of robotics helping the UK to meet its future healthcare needs, including those for an ageing population.

Research is underway into food insufficiency and the part food banks play in helping people to feed their families, with hospitals seeing a rise in malnutrition

Work is underway on a 10,500m² building at the University's City South Campus, due to open in 2017. This will enable the introduction of new provision for the education of health, nutrition and biomedical science professionals which will recruit their first cohort for September 2017 entry. The development will also enable the relocation of the University's School of Education, consolidating the Faculty of Health, Education and Life Sciences on to one site. It will reinforce the University's status as the region's largest provider of qualified health and social care professionals to the NHS.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

The Advancement of the Arts, Culture, Heritage or Science

The University's location within the centre of the city and its concentration of arts and performance-related educational provision, mean that the University is a major contributor to the cultural life of the city and the region.

Birmingham City University offers a distinctive creative and cultural portfolio and is a significant contributor within the creative and cultural industries:

Around 5,000 students (over 20 per cent of our student population) are enrolled on creative and cultural courses annually.

We produce more graduate talent in these areas than anywhere outside London.

We produce world class research in creative and cultural subjects.

Birmingham Conservatoire typically organises around 400 concerts, recitals and other public events per annum, many of them free, with an estimated audience of 40,000. These concerts enable the public to hear music of the highest professional standard, performed by the Conservatoire's professional musicians

and student musicians. Through such performances the public in the City and the West Midlands have access to a musical repertoire that is rarely available elsewhere. This included a two-month long music festival 'City of Sounds' during 2015/16 to mark the closure of the Adrian Boult Hall, but also looking ahead to the Conservatoire's new £56 million home in the Eastside region of the city, currently under construction and due to open in 2017

The University organises an annual Inspired Festival which shines a spotlight on the artists, actors, designers, engineers, writers and musicians who are beginning their careers at Birmingham City University. It features a diverse range of events, including music and literature performances, fashion shows, theatre productions, art, media and technology exhibitions.

Recent highlights include:

Student and alumni awards include The Radio Academy's '30 under 30'; the Brant International Piano Competition; Academy of International Visual Arts (AIVA); National Student Television Association (NaSTA) Awards.

One of the world's greatest living flautists – Sir James Galway – held his only UK residency of 2016 at Birmingham Conservatoire, hosting a series of workshops and masterclasses

Local secondary school students worked alongside staff and students from the Conservatoire to showcase a new choral work at the national Music Education Expo

The University hosted conferences exploring the development of music and cultural education policies; the relationship between terrorism and cultural life in terms of dress, music, film, art, drama and performance; and 'The Shadow Never Lies' exhibition in Shanghai

An international research project was launched to better understand the decline in traditional Chinese arts and culture amid the country's rapid economic growth

An alliance between the School of Jewellery and SBS Insurance Services has transformed how insurance can replace lost high value items (such as gold bangles and pendants) using 3D printing technology

**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16**

The Advancement of Citizenship and Community Development

Evidence of the University’s charitable activities for the public benefit can be found in our strong commitment to Corporate Responsibility, and a strong ethos of good community citizenship.

We are committed, through our activities, to improving the life chances of individuals, and to enhancing the social, economic, cultural and physical environments of key communities within which we operate and with which we work.

Students regularly participate in volunteering activities, with community groups, local schools and charities. University staff serve as trustees and advisers to various local charities, and we have an active programme of staff acting as school governors in more deprived inner city schools which require enhanced governance support.

Recent highlights include:

Research into Islamophobia by Deputy Director of the Centre for Applied Criminology and Government Adviser was addressed in Parliament and led to police forces recording anti-Muslim hatred as a separate offence

A third year student has spoken at the House of Lords, contributing to a debate on the subject of “How to increase the diversity in Parliament”

Academics from the School of Media were recognised by the CNN MultiChoice African Journalist Awards for their investigation into football player trafficking in West Africa

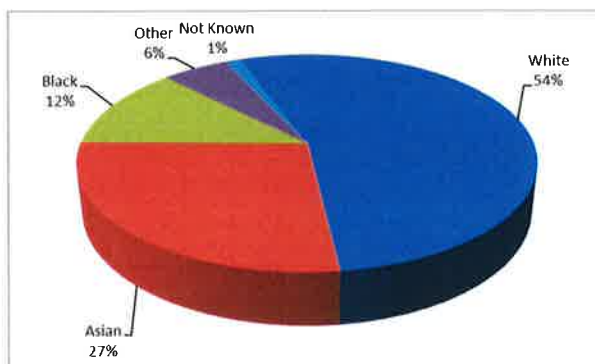
The University took part in a summer study programme with schoolchildren from Morocco aiming to raise both educational standards and aspirations

A study was submitted to a UK Parliament inquiry into sexual harassment and sexual violence in schools, including sexting and social media responsibilities

Research conducted in partnership with Birmingham City Council’s ‘Reach Out Recovery’ programme examined how and why people start using drugs, to help provide support for people with drug and alcohol problems

The promotion of ... Equality and Diversity

Birmingham City University is strongly committed to equality and diversity and has a highly diverse student population. For example, 45% of the student population is Black and other Minority Ethnic, 63% are female and, 9% of students have a declared disability. In 2015/16, 22% of the full-time undergraduate population is Muslim, which has increased from 18% when the University first started to collect this information in 2013/14. A range of activities are in progress to improve the attainment of BME students such as a Student Mentoring Scheme; promotion of self-help groups and research amongst students to explore perceived barriers to success; raising awareness of the attainment gap in the training delivered to Course Directors; and the identification and sharing between subject areas of good practice that has been shown to deliver positive outcomes.



The University also has favourable staff diversity profiles where data is collected for age, disability, sex/gender and ethnicity. For example, 18% of staff are from a BME background compared to 12% in the UK HE sector. The University’s Women Researchers’ Network brings together female researchers, including PhD students and professors to discuss the issues faced by women in academia, and the University is in the process of preparing an Athena SWAN application. An LGBT+ Staff Network has been launched to provide information and support, raise awareness and foster discussion.

**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16**

The Advancement of Environmental Protection or Improvement

In undertaking its activities the University aims for the highest environmental standards, and promotes environmental awareness and good practice among its staff, its students, and major suppliers.

The University was one of the first to achieve the Platinum EcoCampus award and has retained ISO 14001:2004 certification for Environmental Management Systems. The University will go through an external transition audit to the ISO 14001:2015 standard in January 2017. The University had already achieved a 25% reduction in carbon emissions from energy use in buildings. When compared to the 2005/06 baseline, a 57% reduction in water consumption has been achieved based on 2015/16 data.

Recent highlights include:

The new Curzon Building has won an award for sustainability whilst City South under development was recognised for innovative construction technologies including its building information modelling (BIM)

A digital simulation toolkit is being developed with Birmingham City Council to model the impact of major infrastructure developments and support economically and environmentally sound urban planning

Three students took part in Microsoft UK's Imagine Cup, showcasing their game which was designed to raise awareness of environmental conservation

The University is partnering in the INSIGHT driverless car project to reduce congestion and emissions and to improve transport access for people that are blind, visually impaired or have problems with mobility

The University has committed to BREEAM Excellent as a minimum for all new buildings, including the new Curzon Building extension on the City Centre Campus and the Education and Life Science building at City South Campus, both of which are in construction and due to open in 2017/18.

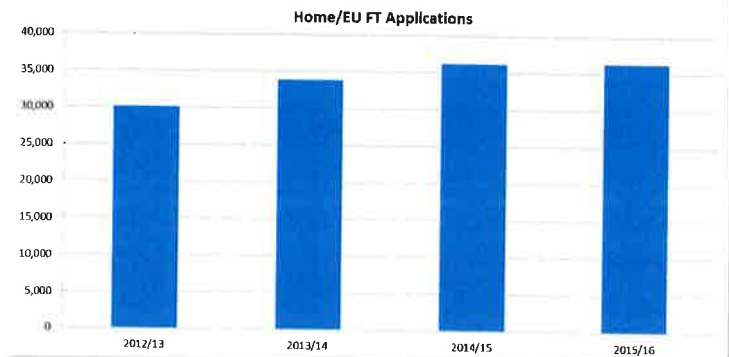
The new catering contract agreed with BaxterStorey has a range of environmental benefits such as management of food waste to reduce waste, use of local suppliers and seasonal produce, and provision of Fairtrade products.

In the 2015 travel survey, the number of staff travelling to the University as a lone car driver has reduced from 57% to 49.5%, whilst the number travelling by train has increased from 18% to 21.1%. Another travel survey is due in 2017 and transport strategies will be renewed to seek to improve these figures further.

Non-Financial Performance Measures

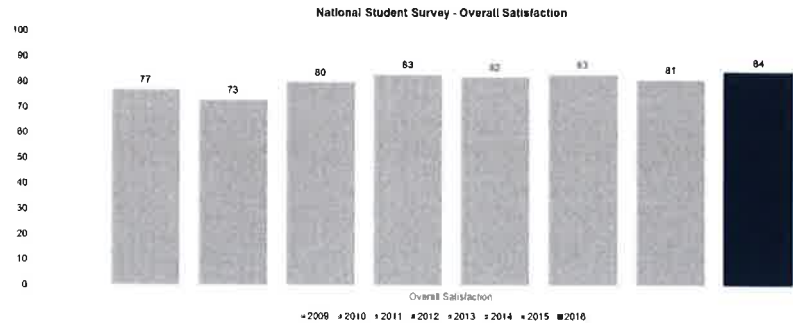
In carrying out its charitable purposes, and particularly the advancement of education, the University monitors progress against a range of non-financial measures which relate to the reputation of the University, the success of its beneficiaries (particularly its students) and the value of its staff.

The University continued to enjoy a strong level of demand for undergraduate places for 2015/16 entry with applications continuing to grow. During 2015/16, the University continued to enjoy buoyant recruitment for September 2016 entry. For example, at the UCAS main scheme deadline, Home / EU applications were over 3% higher compared to only around 0.5% nationally. The University continued to enjoy the freedom from the removal of restrictions on the volume of students universities were permitted to recruit, and exceeded its recruitment targets.



**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16**

Following the concerted attention given to the student experience and the National Students' Survey Student (NSS) after last year's disappointing results, the University saw good improvement across most of the NSS categories, with the overall satisfaction result reaching the highest level achieved by the University. This is one of the most significant factors used within League Tables rankings and so the University's position had fallen in



those tables which used the previous year's data, but has since improved by 12 places in the most recent table (The Times) which drew upon this year's result. The student experience continues to remain a medium-term priority for the institution.

After 3 years at 90%, the percentage of graduates in employment of further study has improved to 93% and those in graduate-level destination improved from 64% to 69%. A programme called Graduate+ has been launched which provides an awards framework to recognise extra-curricular activities, designed to capture and provide evidence of students' individual development focussed around key employability attributes.

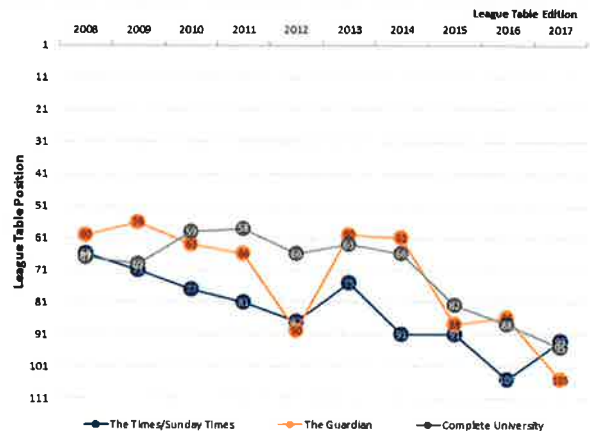
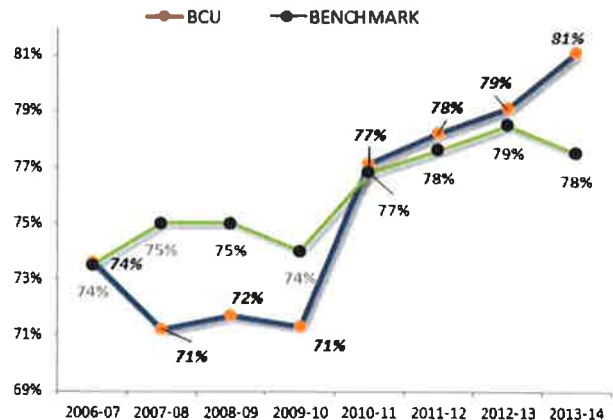


Table 5: FT First Degree entrant Projected competition to degree



The HESA Performance Indicators for non-continuation have continued to maintain the improvement shown over recent years. For example, the latest published indicator for the projected proportion of full-time first degree students expected to complete their degree (a calculation based on the transition of students starting their study in 2013/14 into 2014/15 and then reported in March 2016) has improved to 81%, which is significantly better than the benchmark for the institution and all previous levels achieved by the University.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

Partnership working with the Students' Union

The University is committed to partnership working with its students and the Students' Union. For example, the Students' Union President is a member of the Board of Governors, the University Executive Group and Academic Board. Students' Union officers work closely with the University's Centre for Enhancement of Learning and Teaching to optimise the student role in academic development, including encouraging students to participate in curriculum development teams working alongside academic staff. The University ran a conference over the summer for its Leadership population and the Students' Union was involved in the design and delivery of workshops and the President gave a keynote presentation.

The Students' Union have been heavily involved in the development of the Graduate+ programme described above. This includes an integrated approach to Welcome Week aligned to Graduate+ and the development of the range of extracurricular activities and opportunities to enhance employability and build community. 50 projects have been funded in 2015/16 around Student Academic Mentoring. The Student Voice Project has delivered a new approach to student representation including Feedback Forums to replace and enhance the work of Boards of Studies, with new Student Academic Leaders playing an active role.

The University is supporting the Students' Union project, BCU Active. This is a Sport England/University funded widening participation project which provides students with the opportunity to take part in sport and physical activity. All the activities provided have coaches, equipment and transport provided for as low a cost as possible to enable better access for hard-to-reach groups.



BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

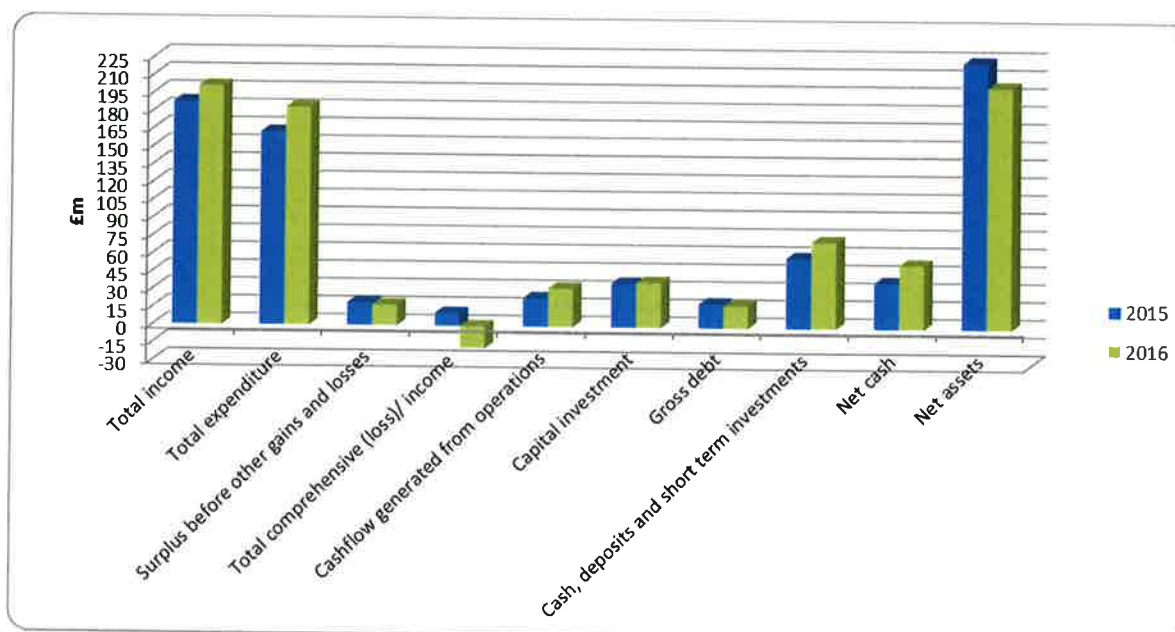
Key Financial Highlights

The consolidated accounts for 2015/16 consolidate the results of the University and its subsidiary undertakings. For the first time in 2015/16, the accounts have been prepared in accordance with FRS 102 and the Statement of Recommended Practice on Accounting for Higher and Further Education (2015). In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of the key changes introduced by FRS 102 is set out in note 35 to the financial statements.

The surplus before tax for the year was £17.9m (2015: £18.8m) taking into account impairment charges of £1.7m (2015: impairment charges of £27.0m, offset by a gain on the disposal of fixed assets of £24.2m). The net comprehensive expenditure for the year amounted to £18.6m (2015: net comprehensive income of £10.1m). This reflects an actuarial loss in respect of the Group's pension schemes amounting to £36.8m (2015: £9.2m). 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.

Key performance indicators taken from the consolidated results for the year ended 31 July 2016 are summarised below:



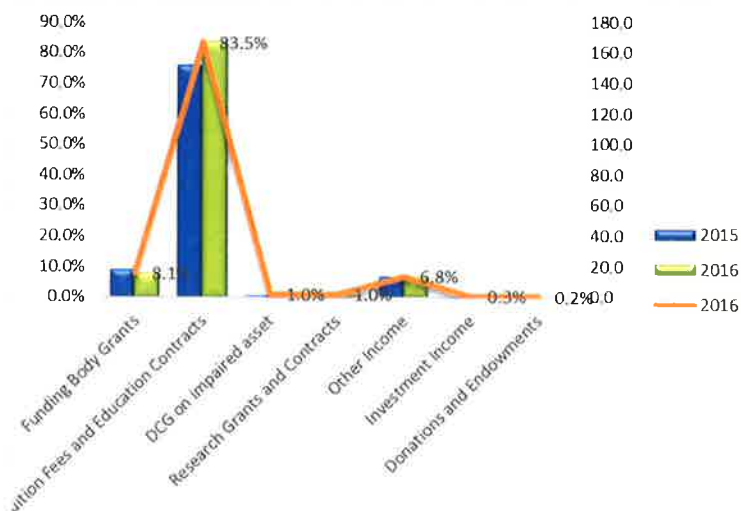
Financial Performance 2015/16

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 £17.6m (2015: deficit of £5.8m).

**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16**

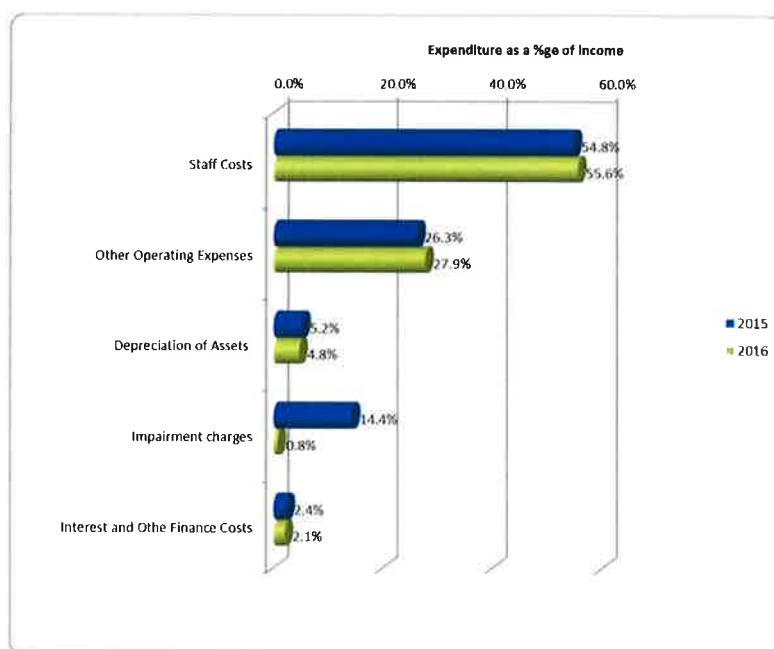
Total income for the year was £200.7m (2015: £188.2m) an increase of £12.5m. This included a decrease in Funding Council Grants, mainly reflecting reductions in funding from HEFCE, offset by an increase in tuition fees in line with an increase in the number of students paying higher tuition fees.

Funding Council Grant income in the year fell by £1.7m whilst income from tuition fees and education contracts increased by £15.4m. Income from academic fees and education contracts as a proportion of income from all sources rose to 83.5% in 2016 from 80.9% in the previous financial year.



Total expenditure for the year was £183.1m (2015: £194.0m) a decrease of £10.9m which included an increase in Staff Costs of £8.6m, an increase in Other Operating Expenses of £6.4m and a decrease in impairment charges of £25.3m.

Staff costs remain a significant cost for the University and the increase in the year reflects a part year pay award along with an increase in underlying staff numbers. 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. The current year's costs reflect a consistent increase when compared to income.



A significant change in accounting for pensions was introduced by FRS 102. Where an institution participates in a defined benefit multi-employer plan and sufficient information is not available to use defined benefit accounting but the institution has an obligation to fund past deficits within the scheme, the institution must recognise a liability on the Balance Sheet for this obligation. This is the position in regard to the Universities Superannuation Scheme and in the 2015/16 financial statements, the University has recognised a liability of £1.0m (2015: £0.5).

Future pension liabilities remain a concern for the University, with the increasing costs of providing occupational pensions to staff, across all categories of staff. This is particularly relevant in the context of the West Midlands Pension Fund (WMPF) which is updating the formal actuarial valuation of the scheme as at 31 March 2016 and the Universities Superannuation Scheme (USS). We anticipate increases to the University's contributions to WMPF of up to 50% once the results of these valuations have been published; we are exploring alternative arrangements for future pension provision.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

The pension scheme deficit disclosed in the balance sheet for WMPF is influenced by three key factors:

- Asset returns for the 12 months to 31 July 2016
- Corporate bond yields as at 31 July 2016
- Market expectations of inflation as at 31 July 2016.

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

Asset returns

The scheme assets are invested in gilts, bonds and equities. Gilts and bonds have given strong returns since 1 January 2016, particularly in the short period since the EU Referendum result. UK equities have also performed strongly in July so that they finish the year with a positive return despite negative returns for the first half of the year. Based on the actual performance of WMPF for the known available periods, we estimate that the Fund might have achieved a positive return of about 9% for the year to 31 July 2016 although much of this return has occurred in the last few weeks of the financial year. To calculate these asset figures the scheme actuary has used an estimate of the Fund cash flows over the year. If Fund returns had been around this mark the assets would have outperformed the discount rate used in the 2014/15 calculations and this would have led to an actuarial gain on the assets, slightly improving the accounting position. However, the overall position is also affected by the effect of market movements on the defined benefit obligation; this is considered below.

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 2016, the actuary has estimated the duration of our liabilities and has used the point on the Merrill Lynch AA-rated corporate bond yield curve which corresponds to this duration. This is consistent with 2014/15. The duration of an employer's defined benefit obligation is the weighted average time to pay the future expected cash flows for every member. This is estimated based on the data from the last actuarial valuation. Bond yields have fallen very sharply over the second half of the year and are much lower than at the start of the year. The fall in the past few weeks following the EU referendum has been particularly significant. This has had a significant effect on our defined obligations and has increased the deficit disclosed on the balance sheet. The increase in the deficit between 2014/15 and 2015/16 amounts to £40.8m.

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, the actuary has taken the implied RPI assumption (based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England) and made an adjustment. Historically, CPI has been on average lower than RPI. There are a number of reasons for this which result from a systematic difference in how the indices are calculated (the formula effect) as well as the items covered (e.g. mortgage interest payments are included in the RPI but not the CPI) and the weighting given to each item. We feel that it is appropriate to continue to assume that CPI inflation will on average, be 1.2% p.a. lower than RPI and this is consistent with the approach assumed last year.

In financial terms, the University has allowed for anticipated future lump sum and recurrent commitments into pension schemes, as well as other inflationary factors. However the impact on staff recruitment and retention of changes in pension schemes are more difficult to quantify at this stage, but remain of concern.

**BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16**

Capital Investment

Cash invested in capital investment for the year amounted to £37.7m (2015: £36.9m) as the Group continued its Estates Development. This includes expenditure on new facilities in the City Centre Campus development, including the new Conservatoire, the Joseph Priestley Building and new teaching accommodation. In addition, the University has been developing new teaching accommodation for STEM-related programmes at its City South Campus for the Faculty of Health, Education and Life. These new facilities are scheduled to open in 2017.

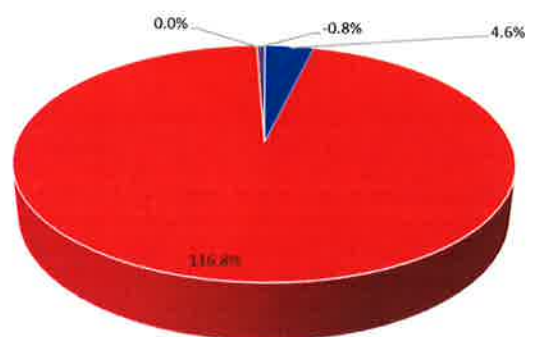
Cash flow and Treasury Management

Cash flow from operations for the year was £32.3m (2015: £24.0m). After taking into account capital expenditure and financial investment, the cash outflow before deposits and borrowing amounted to £4.9m (2015: inflow of £4.9m).

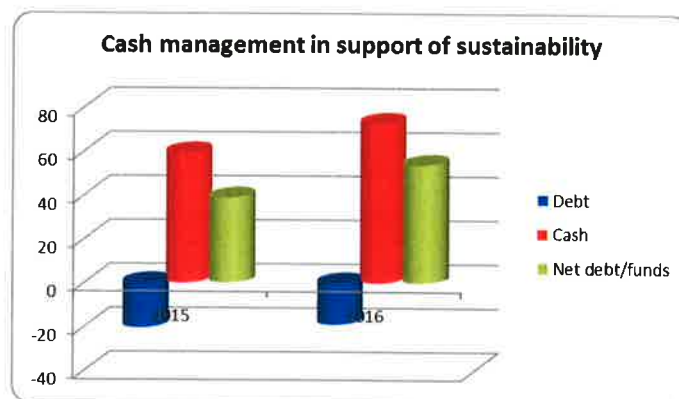
The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £18.9m (2015: £20.4m). In addition, the Group had undrawn borrowing facilities amounting to £30m. The borrowings are subject to a set of financial covenants and the Group has complied with these requirements during the year.

Gross debt at the year-end was £18.9m (2015: £20.4m). The Group has cash and money market deposits amounting to £72.8m at 31 July (2015: £73.9m) giving net cash balances of £53.9m (2015: £53.5m) 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.



- Net loan interest and repayments
- Net capital expenditure
- (Increase)/decrease in short term deposits
- Use of net cash inflow



BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Introduction

The University endeavors 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). In spring 2015 the University reviewed its governance, management practices and internal controls against the guidance in the new Higher Education Code of Governance, December 2014. Its evaluation confirmed that the University fully applies the guidance within the Code. The Board resolved to use the Code to inform future enhancements to its own effectiveness.

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 and the Academic Board

The Articles require the University to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Board, as governing body, is unambiguously and collectively responsible for institutional activities, taking all final decisions on matters of fundamental concern within its remit. It is responsible for all decisions which might have significant reputational or financial implications, as well as all legal and regulatory compliance. The Board is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board, which includes the Vice-Chancellor within its membership, 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 is a member of the Board.

Subject to the overall responsibility of the Board of Governors, the Academic Board has responsibility for academic governance, guiding and overseeing the teaching, research and scholarship of the institution. It draws its membership entirely from the staff and the students of the University.

In accordance with the Articles of Government of the University, 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:

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

Chairman:	Mr Mark Hopton, FCA (Independent Member and Chairman)
Deputy Chairman:	Mr Joe Kelly, FCA, MBA (Independent Member and Deputy Chairman)
Ex-officio Member:	Professor Cliff Allan, FRSA (Vice-Chancellor) (to 14 October 2016) Professor Graham Henderson, CBE, DL (Acting Vice-Chancellor) (from 17 October 2016)
Independent Members:	Ms Sally Beavan (from 1 April 2016) Mr Jim Beeston, OBE, Dip.T.P Dr Louise Brooke-Smith (from 1 October 2016) Mr Ian Burke Mr Vic Cocker, CBE, BA (Econ) (to 31 March 2016) The Rt Hon Lord Grocott PC Mr Andrew Jowett, OBE Ms Jenny Ladbrooke, BA (Hons), MCIPD Ms Jenny Loynton, LLB Dame Julie Moore, DBE Mr Shaun Smith (to 21 April 2016)
Co-opted Members:	Ms Andrea Chalk (general staff representative) (to 21 October 2016) Mr Andrew Cleaves (from 1 April 2016) Professor Graham Henderson, CBE, DL (to 16 October 2016) Ms Ann Jones, BA (Hons), PGCE (to 24 November 2015) Ms Jo Morgan (from 1 October 2016) Professor Philip Thickett (teaching staff representative) Ms Tracy Westall (from 1 April 2016)
Member of teaching staff	Professor Stuart Brand, BSc (Hons), PhD nominated by the Academic Board (to 24 November 2015)
Student Governors	President of the Students' Union: Ms Jenny Watkins (to 30 June 2016) Ms Jo Goodman (from 2 July 2016) Vice-President of the Students' Union Ms Molly Taylor (from 2 July 2016)

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £1,460 for 2015/16.

Ex-officio and elected staff representatives on the Board had 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 Personnel and Remuneration Committee). No staff representatives received 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.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

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 who is responsible to the Board of Governors for the leadership of the academic affairs and executive management of the HEI. The Vice-Chancellor is the Accountable Officer under the terms of the Memorandum of Assurance and Accountability between HEFCE and HEIs, which came into force on 1 August 2014. The Accountable Officer ("AO") is personally responsible to the governing body for ensuring compliance with the terms of this memorandum of assurance and accountability and for providing HEFCE with clear assurances to this effect. The AO is also responsible for ensuring that the governing body undertakes its legal, compliance and other responsibilities, as articulated in paragraph 29 of the Memorandum. If required the AO can be summoned to appear before the Public Accounts Committee of the House of Commons. The Vice-Chancellor stepped aside on 14 October 2016 and in agreement with HEFCE the University Secretary was appointed as AO pending the appointment of a new Vice-Chancellor.

The senior officers of the University in 2015/16 were the Deputy Vice-Chancellors, the University Secretary, the interim Chief Finance Officer and the Director of Human Resources 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, which in 2015/16, comprised all members of the Vice-Chancellor's Office; the four PVC Executive Deans of Faculty, the Chief Information Officer, the Director of Marketing and Communications, the President of the Students' Union and the Director of Planning and Performance (Secretary).

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, namely the Finance Committee, the Personnel and Remuneration Committee, the Nominations and Governance Committee, the Development Committee and the Audit Committee. The decisions of these Committees are all formally reported to the Board.

Independent and co-opted lay members make up the majority of the membership on all committees. Student and staff members are not eligible to serve on these committees, except for the Trustee Committee. The Chair is selected from among the lay members serving on the committees. The Vice-Chancellor is required to withdraw from meetings of the Personnel and Remuneration Committee when his own salary and terms and conditions of service are under discussion.

In 2013/14 the University undertook a review of (then) Senate and its committees. This resulted in the renaming of Senate as the Academic Board, and a streamlining of its committee structure and student representation. In 2014/15 the Academic Board undertook a light-touch review of these changes, requiring each committee to reflect on its changed terms of reference and membership and report on the effectiveness of its operation to Academic Board. This confirmed that all the committees were operating effectively and meeting their objectives. Further changes were also initiated to the structure and terms of reference of the academic committees with oversight of research activities – these changes will be reviewed at the end of a year of operation.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

Internal Control

The Board of Governors is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it has responsibility.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; therefore, it cannot provide an absolute assurance of effectiveness.

The University's system of internal control is based on a continuous process of management and monitoring, designed to:-

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

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

- the respective responsibilities of the Board, the Audit Committee, Vice Chancellor's Office and the University Executive Group have been reviewed and clarified;
- the University's Strategic Risk Register, which is approved by the Board, identifies the key risks that could prevent the University Group from achieving its strategic objectives, and assesses the measures being taken to manage and mitigate these risks. The risks and mitigations report is reviewed regularly by the University Executive Group, and any red or amber risks are reported in an exception report to the Audit Committee at each scheduled meeting;
- the Risk Register, Risk Management and Internal Control Policy and Risk Appetite Statement were reviewed by the Audit Committee for Board approval during the early part of 2015/16, in order to ensure that they reflect changing external factors and the University's strategic aims;
- the Audit Committee provides the Board with regular reports and advice on the implementation and continuing effectiveness of the University's risk management and internal control arrangements;

The University has an internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice. The internal audit service submits regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Audit Committee holds an annual meeting both with senior members of the internal audit team and the external audit team at which no members of the University Executive are present.

The Board of Governors' review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit Committee, the Vice-Chancellor's Office and the University Executive Group, who have operational responsibility for the development and maintenance of the internal control framework.

On the basis of the foregoing, procedures have been in place as from 1 August 2015 to enable a full statement on internal control to be made for the whole of the financial year ended 31 July 2016 and up to the date of approval of the Financial Statements.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2015/16

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.

Responsibilities of the Board of Governors

In accordance with the Education Reform Act 1988, the Board of Governors of the University is responsible for 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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors, through the Vice-Chancellor, is required to prepare financial statements for each financial year 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 that income from the Higher Education Funding Council for England, the National College for Teaching and Leadership (NCTL) and the Skills Funding Agency (SFA), grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2016 have been applied for the purposes for which they were received and in accordance with the University's statutes and, where appropriate, with the HEFCE Memorandum of Assurance and Accountability and the Financial Memorandum with the NCTL and SFA .
- 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.

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

We have audited the financial statements of Birmingham City University for the year ended 31 July 2016 set out on pages 23 to 64. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the 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 it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities of the Board of Governors set out on page 20 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements :

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and 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 United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

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

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.



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

30 November 2016

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 JULY 2016

	Note	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
INCOME					
Tuition fees and education contracts	2	167,707	117,916	152,330	106,694
Funding body grants	3	16,236	12,446	17,954	17,945
Deferred capital grant on impaired asset		-	-	908	908
Research grants and contracts	4	1,996	1,545	2,608	2,068
Other income	5	13,749	19,936	13,619	21,154
Investment income	6	662	662	706	706
Donations and endowments	7	398	485	112	112
TOTAL INCOME		200,748	152,990	188,237	149,587
EXPENDITURE					
Staff costs	8	111,691	89,095	103,169	81,447
Other operating expenses	9	55,942	40,386	49,600	37,845
Depreciation		9,555	9,227	9,811	9,538
Impairment Charges	11	1,701	1,706	27,023	27,023
Interest and other finance costs	10	4,236	4,236	4,457	4,456
TOTAL EXPENDITURE		183,125	144,650	194,060	160,309
SURPLUS/(DEFICIT) BEFORE OTHER GAINS/(LOSSES)		17,623	8,340	(5,823)	(10,722)
Gain on disposal of fixed assets		79	79	24,239	24,239
Gain on investments		225	225	368	368
SURPLUS BEFORE TAX		17,927	8,644	18,784	13,885
Taxation	12	305	-	82	-
SURPLUS FOR THE YEAR		18,232	8,644	18,866	13,885
Unrealised surplus on revaluation of other tangible fixed assets		-	-	489	489
Actuarial loss in respect of pension scheme	33	(36,804)	(36,804)	(9,181)	(9,181)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		(18,572)	(28,160)	10,174	5,193
Represented by:					
Endowment comprehensive income for the year	24	368	368	386	386
Unrestricted comprehensive income for the year	25	(18,940)	(28,528)	9,788	4,807
		(18,572)	(28,160)	10,174	5,193

All items of income and expenditure relate to continuing activities

The notes form part of these financial statements

**BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED AND UNIVERSITY
STATEMENT OF CHANGES IN RESERVES**

CONSOLIDATED

	Income and expenditure reserves			Revaluation	Total
	Endowment	Restricted	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000	£'000
AS AT 1 AUGUST 2014	4,922	-	146,298	60,844	212,064
CHANGES IN RESERVES					
Surplus from the income and expenditure statement	386	-	18,480	-	18,866
Other comprehensive income	-	-	(9,181)	489	(8,692)
Transfers between revaluation and income and expenditure reserve	-	-	20,158	(20,158)	-
AS AT 31 JULY 2015	5,308	-	175,755	41,175	222,238
CHANGES IN RESERVES					
Surplus from the income and expenditure statement	368	-	17,864	-	18,232
Other comprehensive income	-	-	(36,804)	-	(36,804)
Transfers between revaluation and income and expenditure reserve	-	-	907	(907)	-
AS AT 31 JULY 2016	5,676	-	157,722	40,268	203,666

UNIVERSITY

	Income and expenditure reserves			Revaluation	Total
	Endowment	Restricted	Unrestricted	Reserve	
	£'000	£'000	£'000	£'000	£'000
AS AT 1 AUGUST 2014	4,922	-	148,827	60,844	214,593
CHANGES IN RESERVES					
Surplus from the income and expenditure statement	386	-	13,499	-	13,885
Other comprehensive income	-	-	(9,181)	489	(8,692)
Transfers between revaluation and income and expenditure reserve	-	-	20,158	(20,158)	-
AS AT 31 JULY 2015	5,308	-	173,303	41,175	219,786
CHANGES IN RESERVES					
Surplus from the income and expenditure statement	368	-	8,276	-	8,644
Other comprehensive income	-	-	(36,804)	-	(36,804)
Transfers between revaluation and income and expenditure reserve	-	-	907	(907)	-
AS AT 31 JULY 2016	5,676	-	145,682	40,268	191,626

The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED AND UNIVERSITY BALANCE SHEET
FOR THE YEAR ENDED 31 JULY 2016

	Note	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
NON-CURRENT ASSETS					
Intangible assets	13	625	625	659	659
Fixed assets	14	313,918	305,910	288,183	280,069
Heritage assets	15	1,224	1,224	1,224	1,224
Investments	16	5,421	9,721	5,196	9,496
		321,188	317,480	295,262	291,448
CURRENT ASSETS					
Stocks	17	248	248	268	268
Debtors	18	27,648	29,113	28,072	29,061
Investments	19	20,000	20,000	15,000	15,000
Cash at bank and in hand		52,797	52,479	58,947	58,715
		100,693	101,840	102,287	103,044
CREDITORS - amounts falling due within one year	20	(36,390)	(46,290)	(36,759)	(37,250)
NET CURRENT ASSETS		64,303	55,550	65,528	65,794
TOTAL ASSETS LESS CURRENT LIABILITIES		385,491	373,030	360,790	357,242
Creditors – amounts falling due after more than one year	21	(68,145)	(67,743)	(65,321)	(64,918)
PROVISIONS					
Pension provisions	23	(111,604)	(111,604)	(70,373)	(70,373)
Other provisions	23	(2,076)	(2,057)	(2,858)	(2,165)
NET ASSETS		203,666	191,626	222,238	219,786
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserves	24	5,676	5,676	5,308	5,308
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted	25	157,722	145,682	175,755	173,303
Revaluation reserve	25	40,268	40,268	41,175	41,175
TOTAL RESERVES		203,666	191,626	222,238	219,786

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

M Hopton, Chairman of the Board of Governors

G Henderson, CBE, DL Acting Vice-Chancellor

Karen Stephenson Interim Accounting Officer

The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2016

	Note	2016 £'000	2015 £'000
OPERATING ACTIVITIES			
Net cash flows from operations	26	32,317	24,035
Corporation tax paid		-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		32,317	24,035
INVESTING ACTIVITIES			
Interest received		558	489
Interest paid		(184)	(657)
Endowment income		129	196
Donation Income		-	96
Purchase of intangible fixed assets		(149)	-
Purchase of tangible fixed assets		(37,776)	(36,936)
Proceeds on disposal of tangible fixed assets		190	14,542
Purchase of fixed asset investments		-	(1)
Purchase of current asset investments		(5,000)	(4,966)
Proceeds on disposal of current asset investments		-	5,300
Capital grant receipts		4,933	2,815
NET CASH FLOWS FROM INVESTING ACTIVITIES		(37,299)	(19,122)
FINANCING ACTIVITIES			
New endowments received		310	16
Repayment of loans		(1,478)	(1,238)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,168)	(1,222)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,150)	3,691
CASH AND CASH EQUIVALENTS AT 1 AUGUST		58,947	55,256
CASH AND CASH EQUIVALENTS AT 31 JULY		52,797	58,947
CASH AND CASH EQUIVALENTS CONSIST OF:			
CASH AT BANK AND IN HAND		52,797	58,947
CASH AND CASH EQUIVALENTS		52,797	58,947

The notes form part of these financial statements

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

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).

1.2 HEFCE 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. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

1.3 Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 34.

Application of first time adoption grants certain exemptions from the full requirements of FE HE SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair Value and Revaluation at Deemed Cost

At 1 August 2014, fair value has been used for deemed cost for certain properties measured at fair value.

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 2016. 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 Funding Council 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.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Recognition of Income (continued)

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 Teaching Agency for Schools and of access funds and bursaries from HEFCE. 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 30 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.

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

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest 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 and contracted out of the State Second Pension (S2P). The assets of the schemes are held separately from those of the University and are administered independently. Each fund is valued every five years by professionally qualified independent actuaries.

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.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Post-Retirement Benefits (continued)

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.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES (CONTINUED)

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES (CONTINUED)

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.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES (CONTINUED)

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:

- a) Restricted donations - the donor has specified that the donation must be used for a particular objective.
- b) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- c) Restricted expendable endowments- the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- d) Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES (CONTINUED)

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

An analysis of the group's revenue by class of business is given below:

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Tuition fees				
Full-time home and EU students	107,277	88,913	96,634	79,503
Full-time international students	21,603	18,068	20,026	16,857
Part-time students	6,561	5,151	6,590	5,084
Further education	137	137	115	115
Full cost course fees	3,192	3,025	3,106	2,923
	138,770	115,294	126,471	104,482
Education contracts				
Health professions education contracts	28,937	2,622	25,859	2,212
	167,707	117,916	152,330	106,694

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 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Higher Education Funding Council				
Teaching funds	12,084	8,300	13,713	13,713
Research funds	2,153	2,153	1,742	1,742
Other specific grants	976	976	1,410	1,410
Deferred capital grants released	678	672	931	922
	15,891	12,101	17,796	17,787
Skills Funding Agency	153	153	13	13
National College for Teaching and Leadership	192	192	145	145
	16,236	12,446	17,954	17,945

Funding Council student access funds and training bursaries are excluded from income and expenditure (see Note 30).

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

4. RESEARCH GRANTS AND CONTRACTS

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Research councils	210	152	372	332
Research charities	194	192	144	144
Government (UK and overseas)	1,163	1,061	1,908	1,649
Industry and commerce	361	95	14	(67)
Other	68	45	170	10
	1,996	1,545	2,608	2,068

5. OTHER INCOME

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Residences, catering and conferences	6,618	6,529	7,344	7,312
Other revenue grants	813	813	659	632
Other capital grants	33	33	134	72
Other income	6,285	12,561	5,482	13,138
	13,749	19,936	13,619	21,154

6. INVESTMENT INCOME

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Investment income on endowments	129	129	196	196
Interest receivable	533	533	510	510
	662	662	706	706

7. DONATIONS AND ENDOWMENTS

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
New endowments	310	310	16	16
Donations with restrictions	1	-	-	-
Unrestricted donations	87	175	96	96
	398	485	112	112

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

8. STAFF COSTS

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

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Wages and salaries	90,186	69,560	86,019	66,106
Social security costs	7,018	6,256	5,786	5,085
Movement on USS provision	430	430	525	525
Other pension costs	14,057	12,849	10,839	9,731
	111,691	89,095	103,169	81,447

Included within payroll costs above are restructuring costs amounting to £1.66 million (2015: £1.45 million).

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

	Consolidated 2016 £'000	Consolidated 2015 £'000
Universities Superannuation Scheme (USS)	637	488
Local Government Pension Scheme (LGPS)	6,844	4,962
Teachers' Pension Scheme (TPS)	6,576	5,389
	14,057	10,839

The average monthly number of employees, including executive directors, during the year was:

	2016 No.	2015 No.
Manager	273	290
Admin	825	784
Academic	857	781
Student	91	69
Visiting tutors	66	65
Other	44	49
	2,156	2,038

Emoluments of the Vice-Chancellor:

	2016 £	2015 £
Salary	245,663	233,632
Benefits	801	459
	246,464	234,091
Pension contributions to USS	25,000	24,000
	271,464	258,091

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

8. STAFF COSTS (CONTINUED)

Key management personnel

The members of the University Executive group including the Vice Chancellor, Deputy Vice Chancellors, Executive Deans, University Secretary, Chief Information Officer, Director of Marketing and Communications and Chief Finance Officer are the Key Management Personnel for the University.

	2016 £'000	2015 £'000
Compensation of key management personnel	1,739	1,391

Emoluments received in the year (including taxable benefits in kind, but excluding compensation for loss of office) of other higher paid staff, including employers pension contributions, during the year was:

	2016 No.	2015 No.
£100,000 to £109,999	6	-
£110,000 to £119,999	2	2
£120,000 to £129,999	3	-
£130,000 to £139,999	-	2
£140,000 to £149,999	1	-
£150,000 to £159,999	1	-
	13	4

During the current and previous year there was no compensation for loss of office paid to higher paid post-holders.

9. OTHER OPERATING EXPENSES

Other operating expenses include:

	2016 £'000	2015 £'000
Auditor's remuneration:		
- in respect of audit services	72	56
- in respect of non-audit services	91	44
Operating lease rentals:		
- land and buildings	2,319	1,469
- Other	1,250	1,240

10. INTEREST AND OTHER FINANCE COSTS

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Loan interest	183	183	650	650
Finance lease interest	1,491	1,491	1,455	1,455
Net expense on pension scheme	2,562	2,562	2,352	2,351
	4,236	4,236	4,457	4,456

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

11. EXCEPTIONAL COSTS

Exceptional items reported in the statement of comprehensive income comprise:

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Impairment charges	1,701	1,706	27,023	27,023
Deferred capital grant on impaired asset	-	-	(908)	(908)
Surplus arising on property disposal	-	-	(24,172)	(24,172)
	1,701	1,706	1,943	1,943

12. TAXATION

Recognised in the statement of comprehensive income

	2016 £'000	2015 £'000
Current tax:		
UK Corporation tax	-	-
Over provision in respect of prior year	(305)	-
Current tax expense	(305)	-
Deferred tax:		
Origination of timing differences	-	(82)
TOTAL TAX EXPENSE	(305)	(82)

13. INTANGIBLE ASSETS

CONSOLIDATED AND UNIVERSITY

	Total £'000
COST OR VALUATION	
AT 1 AUGUST 2015	1,634
Additions	149
At 31 JULY 2016	1,783
DEPRECIATION	
AT 1 AUGUST 2015	975
Expense for the year	183
AT 31 JULY 2016	1,158
NET BOOK VALUES	
AT 31 JULY 2016	625
AT 31 JULY 2015	659

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

14. 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 2015	94,632	275,073	39,020	8,066	416,791
Additions	541	1,850	1,265	33,313	36,969
Transfers	-	150	1,342	(1,492)	-
Disposals	(218)	(50)	(152)	-	(420)
At 31 JULY 2016	94,955	277,023	41,475	39,887	453,340
DEPRECIATION					
AT 1 AUGUST 2015	64,912	32,598	31,098	-	128,608
Expense for the year	627	6,385	2,360	-	9,372
Impairment	(509)	411	1,799	-	1,701
Eliminated on disposals	(108)	-	(151)	-	(259)
At 31 JULY 2016	64,922	39,394	35,106	-	139,422
NET BOOK VALUES					
At 31 JULY 2016	30,033	237,629	6,369	39,887	313,918
AT 31 JULY 2015	29,720	242,475	7,922	8,066	288,183

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 2015	92,993	267,207	35,850	7,859	403,909
Additions	541	1,850	1,108	33,253	36,752
Transfers	-	150	1,133	(1,283)	-
Disposals	(218)	(50)	(152)	-	(420)
At 31 JULY 2016	93,316	269,157	37,939	39,829	440,241
DEPRECIATION					
AT 1 AUGUST 2015	64,912	30,990	27,938	-	123,840
Expense for the year	627	6,188	2,229	-	9,044
Impairment	(509)	411	1,804	-	1,706
Eliminated on disposals	(108)	-	(151)	-	(259)
At 31 JULY 2016	64,922	37,589	31,820	-	134,331
NET BOOK VALUES					
At 31 JULY 2016	28,394	231,568	6,119	39,829	305,910
AT 31 JULY 2015	28,081	236,217	7,912	7,859	280,069

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

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

	2016 £'000	2015 £'000
COST OR VALUATION		
AT 1 AUGUST 2015	21,369	21,369
Additions	-	-
Disposals	-	-
At 31 JULY 2016	21,369	21,369
DEPRECIATION		
AT 1 AUGUST 2015	465	-
Expense for the year	465	465
AT 31 JULY 2016	930	465
NET BOOK VALUES	20,439	20,904

15. HERITAGE ASSETS

	Total £'000
COST OR VALUATION	
AT 1 AUGUST 2015	1,224
At 31 JULY 2016	1,224

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.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

16. INVESTMENTS

CONSOLIDATED

	Subsidiary undertakings £'000	Endowment funds £'000	Other fixed asset investments £'000	Total £'000
COST OR FAIR VALUE				
AT 1 AUGUST 2015	-	5,025	171	5,196
Revaluations	-	225	-	225
AT 31 JULY 2016	-	5,250	171	5,421

UNIVERSITY

	Subsidiary undertakings £'000	Endowment funds £'000	Other fixed asset investments £'000	Total £'000
COST OR FAIR VALUE				
AT 1 AUGUST 2015	4,300	5,025	171	9,496
Revaluations	-	225	-	225
AT 31 JULY 2016	4,300	5,250	171	9,721

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 was as follows:

Endowment funds comprise:

	Total £'000
COIF Fixed Interest Fund	446
COIF Property Fund	4,329
COIF Investment Fund	475
	5,250

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
AT 31 JULY 2016	171

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

17. STOCKS

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Raw materials and consumables	225	225	217	217
Finished goods and goods for resale	23	23	51	51
	248	248	268	268

18. DEBTORS

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Trade debtors	14,025	8,728	4,001	4,778
Other debtors	-	-	75	72
Amounts due from subsidiaries	-	7,189	-	928
Prepayments and accrued income	13,623	13,196	23,996	23,283
	27,648	29,113	28,072	29,061

19. CURRENT ASSET INVESTMENTS

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Short term deposits	20,000	20,000	15,000	15,000
	20,000	20,000	15,000	15,000

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 0.8% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 128 days. The fair value of these deposits was not materially different from the book value.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Bank loans (Note 22)	1,517	1,517	1,509	1,509
Trade creditors	1,594	1,787	4,400	4,382
Other creditors	6,815	6,721	7,896	7,900
Capital Grants	1,059	1,056	783	775
Amounts due to subsidiaries	-	9,855	-	-
Other taxation and social security	1,306	1,300	1,073	1,067
Accruals and deferred income	24,099	24,054	21,098	21,617
	36,390	46,290	36,759	37,250

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 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Donations	8	8	13	13
Research grants received on account	278	181	460	430
Grant income	1,536	1,517	1,398	1,325
	1,822	1,706	1,871	1,768

21. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Bank loans (Note 22)	17,377	17,377	18,893	18,893
Other creditors	97	97	173	173
Capital Grants	26,840	26,438	23,000	22,597
Finance Lease liabilities	23,831	23,831	23,255	23,255
	68,145	67,743	65,321	64,918

22. BANK LOANS AND FINANCE LEASES

Bank loans are repayable as follows:

	Consolidated 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Within one year	1,517	1,517	1,509	1,509
Between two and five years	6,146	6,146	6,113	6,113
After more than five years	11,231	11,231	12,780	12,780
	18,894	18,894	20,402	20,402

Bank loans are secured on the University's student residential properties.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

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 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	23,831	23,831	23,255	23,255
	23,831	23,831	23,255	23,255

23. 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 2015	1,013	69,360	70,373	2,858	2,858
Increase in provisions	430	40,801	41,231	697	697
Utilised during the year	-	-	-	(562)	(562)
Unutilised amounts reversed in the year	-	-	-	(917)	(917)
At 31 JULY 2016	1,443	110,161	111,604	2,076	2,076

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 2015	1,013	69,360	70,373	2,165	2,165
Increase in provisions	430	40,801	41,231	694	694
Utilised during the year	-	-	-	(562)	(562)
Unutilised amounts reversed in the year	-	-	-	(240)	(240)
At 31 JULY 2016	1,443	110,161	111,604	2,057	2,057

Other provisions include: £1,716k provision against potential clawback on externally funded projects, £114k for anticipated clawback from HEFCE, £19k provision for Awarding Body of the Built Environment examination fees and £208k for business rates on the Sports Centre (awaiting valuation).

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

24. ENDOWMENT RESERVES

CONSOLIDATED AND UNIVERSITY

	Restricted permanent endowments 2016 £'000	Total 2016 £'000	Total 2015 £'000
AT 1 AUGUST 2015	-	-	-
Capital	5,118	5,118	4,734
Accumulated income	190	190	188
	5,308	5,308	4,922
New endowments	311	311	16
Investment income	129	129	196
Expenditure	(297)	(297)	(194)
Increase in market value of investments	225	225	368
TOTAL ENDOWMENT COMPREHENSIVE INCOME FOR THE YEAR	368	368	386
AT 31 JULY 2016	5,676	5,676	5,308
Capital	5,473	5,473	5,118
Accumulated income	203	203	190
	5,676	5,676	5,308

Analysis of endowments by assets:

	2016 £'000	2015 £'000
Fixed assets	15	15
Non-current asset investments	5,248	5,023
Current assets	-	72
Cash at bank and in hand	421	201
Current liabilities	(8)	(3)
	5,676	5,308

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

25. UNRESTRICTED RESERVES

CONSOLIDATED

	Unrestricted general reserve 2016 £'000	Revaluation reserve 2016 £'000	Total 2016 £'000	Total 2015 £'000
AT 1 AUGUST 2015	175,755	41,175	216,930	207,142
Surplus for the year	17,864	-	17,864	18,480
Unrealised surplus on revaluation of heritage assets	-	-	-	489
Actuarial loss in respect of pension schemes	(36,804)	-	(36,804)	(9,181)
Transfers between unrestricted reserves	907	(907)	-	-
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	(18,033)	(907)	(18,940)	9,788
AT 31 JULY 2016	157,722	40,268	197,990	216,930

UNIVERSITY

	Unrestricted general reserve 2016 £'000	Revaluation reserve 2016 £'000	Total 2016 £'000	Total 2015 £'000
AT 1 AUGUST 2015	173,303	41,175	214,478	209,671
Surplus for the year	8,276	-	8,276	13,499
Unrealised surplus on revaluation of heritage assets	-	-	-	489
Actuarial gain in respect of pension schemes	(36,804)	-	(36,804)	(9,181)
Transfers between unrestricted reserves	907	(907)	-	-
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	(27,621)	(907)	(28,528)	4,807
AT 31 JULY 2016	145,682	40,268	185,950	214,478

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

26. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of (deficit)/surplus for the financial year to cash generated from operations:

	2016 £'000	2015 £'000
(Deficit)/Surplus for the financial year	(18,572)	10,174
Adjustment for non-cash items:		
Taxation	(305)	(82)
Depreciation of tangible fixed assets	9,372	9,712
Impairment of tangible fixed assets	1,701	27,023
Amortisation of intangibles	183	-
Decrease/(increase) in stocks	20	(173)
Decrease/(increase) in debtors	424	(1,971)
Increase/(decrease) in creditors	1,226	(4,588)
Increase in pension provision	36,804	9,181
Decrease/(increase) in other provisions	(782)	994
Adjustment for investing or financing activities		
Investment income	-	(16)
Interest receivable	(533)	(510)
Interest payable	4,236	3,002
Endowment income	(439)	(479)
Profit on disposal of investments	(225)	-
Profit on the disposal of fixed assets	(79)	(25,567)
Capital grant release	(714)	(2,665)
NET CASH FLOWS FROM OPERATIONS	32,317	24,035

27. 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 2016 £'000	University 2016 £'000	Consolidated 2015 £'000	University 2015 £'000
Commitments contracted for	123,639	123,639	52,585	52,585

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.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

27. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

Lease obligations

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

	2016	2015
	£000	£000
Within than one year	3,065	832
Between one and five years	12,261	3,327
After more than five years	23,756	5,173
	39,082	9,332

28. 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 £938,497 (2015: £915,607). 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.

On 26th September 2006 the University entered into an agreement to act as guarantor, for the benefit of Birmingham City Council, in relation to the possible future rental income shortfalls of Millennium Point Property Limited. The University's maximum contingent liability in any one year is £275,000.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

29. 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	Private Limited Company 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%

30. STUDENT ACCESS FUNDS AND TRAINING BURSARIES

	HEFCE Access Funds £'000	NCTL Training Bursaries £'000	NHS Placement Bursaries £'000	TA Training Bursaries £'000
Funding Council grants	1	120	306	1,877
Disbursed to students	(1)	(120)	(306)	(1,877)
	-	-	-	-
BALANCE UNSPENT AT 31 JULY 2016	-	-	-	-

Funding Council 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.

31. 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. There were no material related party transactions during the year.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

32. 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.

The following estimate and judgement have had the most significant effect on the values recognised in the consolidated financial statements.

Assessment of impairment of Assets

An impairment assessment of the University's land and buildings has been undertaken. City North campus will be vacated by the end of 2017 and has been impaired to reflect an updated assessment of the recoverable amount as advised by GVA.

Revaluation of leasehold land at City South

As part of the conversion to FRS102 leasehold land has been revalued by GVA as at 1/8/14 and these values have been brought onto the Fixed Asset register and will be depreciated over the length of the leases.

Assessment of the Finance Lease – Millennium Point

As part of the conversion to the FRS102 the core lease at Millennium Point has been recognised as a finance lease, there was no requirement for an estimation for inflation as the annual increase for the lease has been agreed. The asset has been valued by GVA and will be depreciated over its useful life as estimated by GVA and agreed by management.

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 34, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

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.

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.

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 Higher Education Funding Council for England (HEFCE) 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 2016, 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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

balances. Excess funds are invested to maximise the return whilst 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.

33. 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:

	2016 £'000	2015 £'000
Local Government Pension Scheme	110,161	69,360
Universities Superannuation Scheme	1,443	1,013
Teachers' Pension Scheme	-	-
	111,604	70,373

(i) Local Government Pension Scheme (LGPS)

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

- The results of the last full valuation which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 July 2016;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 July 2015 and 30 June 2016, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 July 2016;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2016; and
- Details of any new early retirements for the period to 31 July 2016 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, the actuaries do not believe that they are likely to have a material effect on the results of this report. Further, they are not aware of any material changes or events since they received the data.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

Employer membership statistics

The table below summarises the membership data, as at a recent date, for members receiving funded benefits.

Member data summary	Number
Actives	2,854
Deferred pensioners	1,217
Pensioners	548

The service cost for the year ending 31 July 2016 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £30,425,000.

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, as set out in the Rates and Adjustment certificate. The calculated cost of accrual of future benefits is 12.7% 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 2014	1 APRIL 2015	1 APRIL 2016
Percent of payroll	12.7%	12.7%	12.7%
plus monetary amount (£'000)	900	1,300	1,758

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 2016 is estimated to be 11%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Birmingham City University as at 31 July 2016 is as follows:

	31 July 2016		31 July 2015	
	£'000	%	£'000	%
Equities	96,349	59%	84,937	59%
Government bonds	11,264	7%	10,923	8%
Other bonds	13,898	9%	14,947	10%
Property	12,920	8%	12,072	8%
Cash/liquidity	10,421	6%	6,898	5%
Other	17,513	11%	13,941	10%
Total	162,365	100%	143,718	100%

The actuaries have estimated the bid values where necessary based on the information provided by West Midlands Pension Fund. Please note that 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 2016 is likely to be different from that shown due to estimation techniques. Please note that the actual investment strategy has not changed from the previous year, however there may be some labelling differences.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

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 2016, actuaries have rolled forward the value of the Employer's liabilities calculated for the last full funding valuation 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 2016 without completing a full valuation. However, they are satisfied that the approach of rolling forward the previous valuation data to 31 July 2016 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 they have rolled forward the assets allocated to the Employer at the last full funding valuation 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.

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 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 99% for males and 96% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)

		31 July 2016	31 July 2015
Retiring today	Males	23.0	23.0
	Females	25.7	25.6
Retiring in 20 years	Males	25.3	25.6
	Females	28.1	28.0

The actuaries have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65; and
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

Financial assumptions

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

Assumptions as at	31 July 2016 % p.a.	31 July 2015 % p.a.
Discount Rate	2.6%	3.8%
Pension increase	2.0%	2.2%
Salary increases	3.75%	3.95%

These assumptions are set with reference to market conditions at 31 July 2016.

The estimate of the duration of the Employer's liabilities is 20 years.

The discount rate is the annualised yield at the 20 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 20 year point on the BoE market implied inflation curve. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuaries have made a further assumption about CPI which is that it will be 1.2% p.a. below RPI (subject to a floor of 2% p.a.) i.e. 2.0% p.a. They believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. Of this difference 0.3% p.a. relates to the "inflation risk premium" representing the allowance for supply/demand distortions in the bond market. This approach is consistent with last year.

Salaries are assumed to increase at 1.75% p.a. above CPI, which includes allowance for promotional increases. This is consistent with last year. Following the 2015 summer Budget, it was announced that public sector pay would be limited to 1.0% p.a. for four years from 2016/17 onwards. In Appendix 4 is a sensitivity to show the impact on the defined benefit obligation if this assumption was incorporated into the results.

Expected return on assets

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

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 actuaries are not aware of any additional benefits which were granted over the year ending 31 July 2016.

Curtailments

The actuaries have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. They have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

They calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Settlements

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

Results and disclosures

The actuaries estimate that the value of the net liability as at 31 July 2016 is £110,161,000.

The results of this calculations for the year ended 31 July 2016 are set out below:

Statement of financial position as at 31 July 2016

Net pension liability as at	31 July 2016	31 July 2015
	£'000	£'000
Present value of defined benefit obligation	272,494	213,050
Fair value of Fund assets (bid value)	162,365	143,718
Deficit	110,129	69,332
Present value of unfunded obligation	32	28
Unrecognised past service cost	-	-
Impact of asset ceiling	-	-
Net defined benefit liability	110,161	69,360

Statement of profit or loss for the year to 31 July 2016

The UK's Financial Reporting Council have published FRS102, which applies for company accounting periods beginning on or after 1 January 2015 and has replaced the current FRS17 reporting standard. In summary, the main changes that affect the statement of profit or loss are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the defined benefit obligation, which are both calculated with reference to the discount rate; and
- Minor labelling changes to the statement of profit or loss.

FRS102 does not give a firm steer on how to account for administration expenses but we have chosen to account for these within the statement of profit or loss in line with IFRS requirements; previously we made a deduction to the actual and expected return on assets.

We have shown below the figures under the new standard for the year to 31 July 2016, the figures as they would have been under the new standard for the period to 31 July 2015 and the disclosed figures for the period to 31 July 2015.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

The amounts recognised in the profit and loss statement are:

	Year to 31 July 2016 £'000	As at 31 July 2015 £'000 Had FRS102 applied	As at 31 July 2015 £'000 disclosed
Service cost	6,758	5,702	Separated below
Current service cost	Included above	Included above	5,582
Net interest on defined liability (asset)	2,534	2,338	n/a
Interest on obligation	n/a	n/a	7,996
Expected return on Fund assets	n/a	n/a	(7,548)
Past service costs	Included above	Included above	-
Losses (gains) on settlements and curtailments	Included above	Included above	-
Administration expenses	86	86	n/a
Total loss	9,378	8,126	6,030

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

Asset and benefit obligation reconciliation for the year to 31 July 2016

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

	Year to 31 July 2016 £'000	As at 31 July 2015 £'000 Had FRS102 applied	As at 31 July 2015 £'000 disclosed
Opening defined benefit obligation	213,078	183,687	183,687
Current service cost	6,758	5,702	5,582
Interest Cost	8,035	7,877	7,996
Change in financial assumptions	47,920	16,810	Combined below
Change in demographic assumptions	-	-	Combined below
Experience loss/(gain) on defined benefit obligation	-	30	Combined below
Total actuarial losses (gains)	Separated above	Separated above	16,841
Losses (gains) on curtailments	Combined below	Combined below	-
Estimated benefits paid net of transfers in	(5,091)	(3,042)	(3,042)
Past service cost	Combined below	Combined below	-
Past service costs, including curtailments	-	-	Separated above
Contributions by Scheme participants and other employers	1,829	2,017	2,017
Unfunded pension payments	(3)	(3)	(3)
Closing defined benefit obligation	272,526	213,078	213,078

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

Reconciliation of opening & closing balances of the fair value of Fund assets

	Year to 31 July 2016 £'000	As at 31 July 2015 £'000 Had FRS102 applied	As at 31 July 2015 £'000 disclosed
Opening fair value of Fund assets	143,718	127,012	127,012
Expected return on Fund assets	n/a	n/a	7,548
Interest on assets	5,501	5,539	n/a
Return on assets less interest	11,116	7,659	n/a
Other actuarial gains/(losses)	-	-	n/a
Total actuarial gains/(losses)	n/a	n/a	5,564
Administration expenses	(86)	(86)	n/a
Contributions by employer including unfunded	5,381	4,622	4,622
Contributions by Scheme participants and other employers	1,829	2,017	2,017
Estimated benefits paid plus unfunded net of transfers in	(5,094)	(3,045)	(3,045)
Closing fair value of Fund assets	162,365	143,718	143,718

The total return on the fund assets for the year to 31 July 2016 is £16,617,000.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

Re-measurements in other comprehensive income

Remeasurement of the net defined liability	Year to 31 July 2016 £'000	As at 31 July 2015 £'000 Had FRS102 applied
Return on Fund assets in excess of interest	11,116	7,659
Changes in financial assumptions	(47,920)	(16,810)
Experience loss on defined benefit obligation	-	(30)
Remeasurement of the net defined liability	(36,804)	(9,181)

Statement of recognised gains and losses (STRGL)	As at 31 July 2015 £'000 Disclosed
Actual return less expected return on Fund assets	5,564
Experience gains and losses	(30)
Changes in assumptions underlying the present value of Fund liabilities	(16,811)
Actuarial losses recognised in STRGL	(11,277)

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

(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 2016 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 £1,067,000 (2015: £1,013,000) as shown in note 8.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion.

The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

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	98% of S1NA ("light") YoB tables – No age rating
Female members' mortality	99% of S1NA ("light") YoB tables – rated down 1 year

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7
	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS102 total scheme deficit	£8.5bn	£11.1bn
FRS102 total funding level	85%	82%

(iii) The Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, 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 Teachers' Pension Budgeting 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 are paid by public funds provided by Parliament.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

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 actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with *The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014*.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

The employer contribution rate is expected to be reassessed at the actuarial valuation to be carried out as at 31 March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1 April 2019.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

34. EXPLANATION OF TRANSITION TO FRS 102

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

FINANCIAL POSITION

	1 AUGUST 2014		31 JULY 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
TOTAL RESERVES UNDER 2007 SORP	219,893	222,394	232,656	230,099
USS Pension Provision	(488)	(488)	(1,013)	(1,013)
Deferred capital grants	(23,338)	(23,002)	(23,570)	(23,157)
Revaluation of Leasehold Land	19,339	19,339	18,854	18,854
Revaluation of Heritage Assets	310	310	310	310
Revenue Grants	524	216	526	218
Finance Lease Fixed Asset*	21,369	21,369	20,904	20,904
Finance Lease Creditor*	(22,694)	(22,694)	(23,256)	(23,256)
Employee leave accrual	(2,851)	(2,851)	(3,173)	(3,173)
Total effect of transition to FRS 102	(7,829)	(7,801)	(10,418)	(10,313)
TOTAL RESERVES UNDER 2015 SORP	212,064	214,593	222,238	219,786

FINANCIAL PERFORMANCE

	YEAR ENDED 31 JULY 2015	
	Consolidated £'000	University £'000
SURPLUS FOR THE YEAR UNDER 2007 SORP	23,404	18,361
USS Pension Provision	(525)	(525)
LGPS Provision	(2,096)	(2,096)
Deferred capital grants	(85)	(23)
Employee leave accrual	(322)	(322)
Finance Lease*	(1,025)	(1,025)
Unrealised surplus on revaluation of other tangible fixed assets	489	489
Additional Depreciation on Revaluation	(485)	(485)
Actuarial loss in respect of pension schemes	(9,181)	(9,181)
Total effect of transition to FRS 102	(13,230)	(13,168)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR UNDER 2015 SORP	10,174	5,193

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

The accounting changes introduced by FRS 102 have made a significant difference to the group accounts in several key areas:

- The application of the accruals model to deferred government grants means that they are reclassified as deferred income within creditors which has had the effect of reducing net assets by £23m
- On first time adoption of FRS 102 there is a once only opportunity to change the value used for cost of individual fixed assets as at 1 August 2014. The University has revalued leasehold property at its City South campus and Millennium Point
- A new provision has been recognised for short-term employee benefits (holiday pay) which is recognised through reserves on first time adoption of FRS 102
- A single statement of comprehensive income has replaced the income and expenditure account and statement of total recognised gains and losses (STRGL) with the result that certain items (for example, actuarial gains and losses in respect of pension schemes) are now reported within the statement of comprehensive income and expenditure rather than the STRGL.

*In reviewing its lease arrangements as part of its FRS 102 conversion work, the University identified that the main building lease at Millennium Point should be treated as a finance lease instead of an operating lease which was previously the accounting treatment under old UK GAAP until 2014/15. Further review of the documentation associated with this lease indicated that it should have been classified as a finance lease from 31 October 2011 when the agreement to extend the original 30 year lease of the property was signed. This item has therefore been highlighted and presented separately in the above table to distinguish it from the accounting policy changes arising directly from the implementation of FRS 102.



bcu.ac.uk

Birmingham City University
University House
15 Bartholomew Row
Birmingham B5 5JU