



BIRMINGHAM CITY  
University

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University

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# REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

2019/20

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# FOREWORD VICE-CHANCELLOR

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**THIS LAST YEAR HAS, OF COURSE, BEEN EXCEPTIONAL. THE IMMEDIATE FINANCIAL IMPACT OF THE PANDEMIC IS REFLECTED IN THIS FINANCIAL STATEMENT FOR THE ACADEMIC YEAR 2019/2020 – BUT THE REAL IMPACT HAS BEEN ON THE LIVES OF OUR STUDENTS AND OUR STAFF, AND ON THE COMMUNITIES IN OUR CITY AND REGION – AS WELL AS ON THE GLOBAL COMMUNITIES FROM WHICH OUR INTERNATIONAL STUDENTS JOIN US.**



I want to pay tribute to the huge amount of hard work and commitment shown by our whole university community to ensuring that we keep safe, we protect the academic standards which underpin everything we do, and we continue to deliver a university which is sustainable.

The “I am BCU” campaign was started by our students – and it reflects not only their pride and their confidence but also the sense of community which makes Birmingham City University such a distinctive place to work and to study. That sense of community was at the heart of the response to the pandemic, and the sudden lockdown in March. It can be seen in the close engagement between academic staff and their students, even as teaching moved online. It was evident as the university’s Academic Board met to review the assessment regulations in order to ensure we recognised the exceptional circumstances in which our students were being assessed, while still recognising the absolute importance of maintaining our academic standards. It has been on show all summer as we moved to reopen buildings and to deliver teaching to groups of students in particular need, ensuring wherever possible that students were able to graduate as planned.



At the same time our university community responded to the needs of our city and our region. As is noted elsewhere in this Report, our Faculty of Health, Education and Life Sciences saw its final year health professionals taking up positions within the NHS, and its staff returning to campus to help retrain and refresh skills for returning nurses and practitioners. Our technical staff took the lead in using university facilities to manufacture much needed PPE for use in the city. Our students in Computing took on support roles in the city's hospitals. We see ourselves as the university for Birmingham, and the response to the pandemic showed the key role that Birmingham City University fills within our city and our region. At a time when the growth of the university sector has been accompanied by a focus on the creation of a market in Higher Education, it has been an invaluable reminder that we are a charity, committed not just to education as a public good, but to the broader benefit of society.

Clearly this year's financial statement will show the significant impact of the pandemic on the university. But Birmingham City has been relatively well-placed. With around 70% of students living in their family homes, the University has a smaller stock of student accommodation than many others. Even so the decision to waive rent payments for students who left our accommodation from March onwards will have cost £0.8M. The University has not therefore had the level of exposure that some others have faced. However the impact of the pandemic on the valuation of pension schemes can be seen in the significant actuarial deficit now being reported. Some of this reflects the unique circumstances of the valuation at the end of July 2020, but it is an important reminder that pensions issues remain a longer-term issue of concern.

It is important however to remember that there was activity pre-Covid. Indeed the first months of 2019/20 brought a number of exciting developments – from the continuing success of the University in responding to the growth in demand for places, to the award of the Queen's Anniversary Prize to the university, marking the unique standing of the University's School of Jewellery, both nationally and internationally. We had already responded to the increasing pressure on space in the School of Jewellery by opening additional premises in St Paul's Square in the city's Jewellery Quarter, only a short walk from the specialist resources in our Vittoria Street hub. The award of the Queen's Anniversary Prize was reflected by the award of the College Trophy at the Goldsmiths Craftsmanship and Design Council Awards – the fourth successive year that the School has been awarded the Trophy.

The successes across the University reflect both its breadth and its diversity. Dr Islam Issa's ground-breaking project on the contribution of Muslim soldiers in the First World War was recognised with the Times Higher award for Arts Research Project of the Year. In the Royal Birmingham Conservatoire the Arts and Humanities Research Council awarded £480,000 for a project that will recompose the sounds of Early Irish and Old Norse. The Faculty of Health, Education and Life Sciences built on long-standing links with Zambia with the award of an international UKRI Covid Grant (one of only 25) for supporting nursing in that country. And, recognising the particular expertise of our Faculty of Computing, Engineering and the Built Environment in the context of 5G, the University is delighted to be the major academic partner in the £10M 5G Connected Forest project, run in partnership with Nottinghamshire Council.



Finally, I want to thank our inspiring Chancellor, Dr Sir Lenny Henry, for his continuing commitment to and engagement with the university. Although our summer graduations were inevitably disrupted, our Chancellor engaged with the virtual graduations and has continued to work with the University throughout the pandemic. I was delighted that in March of this year we were able to launch the Lenny Henry Centre for Media Diversity – an initiative which immediately garnered high profile support from the media industries. Its value was demonstrated by an early and timely piece of work reviewing the impact of the pandemic on BAME-led television independent production companies.

The pandemic will continue to impact significantly on the University community during the coming academic year. It will be a year like no other that we have experienced in our 177 year history, with fewer people on our campuses, with mandatory wearing of masks and visors, and with a constant focus on safety. But at the heart of our mission as a university is our commitment to our city and its communities, and our unwavering belief in the transformative power of education. These take on a particular significance in these challenging times, and they will remain central to everything that we do, in this year as in every other year.

A handwritten signature in black ink, appearing to read 'P. Plowden'.

Philip Plowden, Vice-Chancellor

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# HIGHLIGHTS OF THE YEAR

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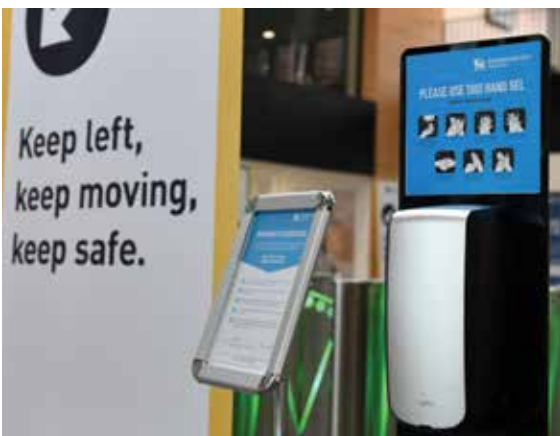
**THE 2019/20 ACADEMIC YEAR POSED MANY UNPRECEDENTED CHALLENGES FOR BIRMINGHAM CITY UNIVERSITY, DUE TO THE CORONAVIRUS PANDEMIC, BUT THIS DID NOT STOP US FROM SEEING ANOTHER BATCH OF SIGNIFICANT ACHIEVEMENTS.**



The Queen's Anniversary Prize



The new STEAMHouse facility



Covid-19 signage on campus

## QUEEN'S ANNIVERSARY PRIZE

It was announced in November that the University had won a prestigious Queen's Anniversary Prize in recognition of our School of Jewellery's proud history of innovation, spanning 130 years. These awards are the highest national honour given out to UK further and higher education institutions, and are granted by the Queen every two years. It was presented to Vice-Chancellor Professor Philip Plowden and Pro-Vice-Chancellor and Executive Dean of the Faculty of Arts, Design and Media Professor Alison Honour during a ceremony at Buckingham Palace in February.

## TIMES HIGHER EDUCATION AWARD

There was further recognition for the University when we received a Times Higher Education Award in the Arts, Humanities and Social Sciences category for Dr Islam Issa's research which found that twice as many Muslim soldiers had fought in the First World War on the British side than previously thought. An exhibition, named 'Stories of Sacrifice', was commissioned by the British Muslim Heritage Centre and its findings have been used by the Armed Forces, British police forces and hundreds of school pupils as part of a programme of diversity training.

## WORK STARTS ON NEW STEAMHOUSE FACILITY

Work began in March on the latest phase of our STEAMhouse project – the £60 million transformation of the 121-year-old Belmont Works, next to our City Centre Campus, into an innovation centre where artists, academics and industry can collaborate with each other. The University has also partnered with India's Hero Group to set up the BCU School of Innovation and Entrepreneurship – a local equivalent of STEAMhouse – to encourage innovation and entrepreneurship in the State of Punjab.

## OUR COVID-19 RESPONSE

The University moved quickly to respond to the Covid-19 outbreak, undertaking an unprecedented effort to move all of our teaching online in March, allowing students to continue working during the initial period of national lockdown. The following month, our City South Campus re-opened to help train frontline workers for the battle against coronavirus, with nearly 300 of our own students taking on roles. The University announced a £500,000 package to support students facing financial difficulties as a result of the pandemic.

## MORE SPACE FOR HEALTH COURSES

The University announced the expansion of its City South Campus, with the acquisition of a property on Harborne Road. The £5 million facility will provide additional teaching space for students at the Faculty of Health, Education and Life Sciences, helping to train over 1,000 additional public service professionals for the future. This coincides with the launch of a new suite of nursing degree apprenticeships which are intended to help tackle workforce shortages in the sector.





Sir Lenny Henry at an Open Day in 2019



City Talk with MP Jess Phillips



George Clarke

## NEW HUB TO BOOST HIGHER EDUCATION ACCESS

The University joined forces with education charity IntoUniversity to develop a new £1.2 million education hub in Kingstanding. It is aimed at supporting more young people into higher education through a series of after-school classes, aspiration-building workshops and a mentoring programme with University students and corporate professionals. The hub was officially opened by Chancellor Sir Lenny Henry in March, and has continued to operate virtually during the Covid-19 pandemic.

## CENTRE TO EXPLORE MEDIA DIVERSITY

March also saw the opening of a landmark new research centre aimed at examining diversity across the UK's media. The Sir Lenny Henry Centre for Media Diversity will look at representation across the industry including journalism, acting, film, TV and radio in both on-screen and behind-the-scenes roles, and conduct new research and analysis on the subject.

## SIR LENNY MEETS PROSPECTIVE STUDENTS

Our Chancellor was also on campus for the October 2019 Open Day, where he welcomed prospective students and their parents to the event, and spoke to them about their higher education choices. He provided fans with an exclusive sneak preview of his forthcoming book tour and signed copies of his memoir 'Who Am I, Again?'.

## POSTHUMOUS DEGREE AWARDED

Lyra McKee, the young journalist from Northern Ireland fatally shot during rioting in Derry in April 2019, was posthumously awarded a Master of Arts degree in Online Journalism – the course she started studying via distance learning in 2012 – at January's awards ceremonies. Lyra's sister Nichola Corner and brother-in-law John Corner received the award from Professor Alison Honour, Pro-Vice-Chancellor and Executive Dean for the Faculty of Arts, Design and Media.

## MP AND JOURNALIST GIVE TALKS AT UNIVERSITY

The University's popular City Talks series of public talks continued during the autumn term with Yardley MP Jess Phillips discussing her life and work to date, and HuffPost Editor-in-Chief Lydia Polgreen giving a unique insight into her career in the media, following the launch of the HuffPost Centre for Journalism at Birmingham City University.

## NEW COURSE LAUNCHED WITH TV ARCHITECT

The University teamed up with television presenter and architect George Clarke to launch a new undergraduate degree programme for budding home designers. The Design for Future Living course will explore how new understandings of the home, digital technologies and creative design can help to shape the places where we live, as well as looking at new and innovative ways to design the homes of the future.



A male student with glasses and a blue shirt is sitting on a grey armchair, holding an open book. He is looking towards a female student with long dark curly hair who is sitting on another grey armchair. They are both wearing lanyards. On the table between them are several books, including one titled 'MARKETING COMMUNICATIONS', and a laptop. The background is a blue tufted wall.

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# TEACHING AND STUDENTS

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**OVERALL THE UNIVERSITY SUPPORTED 26,911 STUDENTS STUDYING OUR AWARDS IN THE UK AND 4,394 STUDENTS STUDYING OUR AWARDS OVERSEAS IN THE 2019/20 ACADEMIC YEAR. EQUIVALENT FIGURES FOR 2018/19 WERE 25,857 AND 4,084 RESPECTIVELY.**

Of those studying in the UK, full-time undergraduate student numbers grew by 5% to 18,983 while full-time postgraduate students grew by 31% to 3,470. This growth to 22,453 full-time taught students was primarily driven by a 49% increase in non-EU international students to 3,136, now comprising 14% of our full-time student population.

The University also enrolled 3,192 part-time students, supporting students in work to gain full degrees or a range of vocational CPD qualifications. This number has fallen from 4,216 in 2018/19 continuing the sector trend of falling numbers of part-time students studying in the UK. This is offset by a near doubling of degree apprenticeships from 399 to 737 over the same period.

Our population of postgraduate research students in 2019/20 numbered 529 compared to 476 in 2018/19.

Our aggregate offshore record reports 1,033 students studying for a dual degree (mainly China and Hong Kong) and 3,298 registered with overseas partners while studying for Birmingham City University validated awards. Overseas distance learning numbers remain low at 63.

Of our c.19,000 full-time undergraduate students 54% are of black and minority ethnicity with the majority from disadvantaged backgrounds (IMD Quintile 1). Overall 45% of our students are from IMD Quintile 1 and 69% are from the West Midlands.

Our NSS scores in 2019/20 identify that although our overall satisfaction rating was lower this year than last year, down 1.7 percentage points to 80.3%, the University achieved ratings well above sector average for a number of areas of the Student Experience, including Assessment and Feedback (+4%), Learning Community (+1.7%), and Learning Opportunities (+1.7%). In contrast below sector average were: Learning Resources (-2.1%); Organisation and Management (-1.3%) and the Teaching on my Course (-1%). Staff development with a focus on digital online delivery, a new timetabling system and improved IT and library resources have been introduced in response to student feedback.

With the introduction of the new Graduate Outcomes Survey after graduation we had a lower than anticipated response rate (in traditionally high performing areas) with the employment outcomes of our graduates dropping from 97% for 2016/17 graduates to 93% for 2017/18 graduates in employment or further study 15 months after graduating and a drop in higher skilled employment from 76.8% to 67.9%. A number of projects are being delivered to address this unexpected fall and deliver the graduate outcomes that our students merit (Source: Graduate Outcomes data 2017/18).

# STAFF





**THE PAST FEW MONTHS HAVE SHOWN ALL ORGANISATIONS THE IMPORTANCE OF THEIR STAFF. WITH COVID-19 IMPACTING ON ALL PARTS OF THE WORLD, THE HIGHER EDUCATION SECTOR IN THE UK HAS NOT BEEN IMMUNE TO THE IMPACT OF THE PANDEMIC AND WE ALL RECOGNISE THAT THERE CANNOT BE A SIMPLE RETURN TO THE WORLD PRE-COVID 19.**

Our staff responded superbly to the challenges of moving into lockdown – our academic colleagues with the support of IT ensured we moved to a blended learning approach for students and our Professional Services Departments worked in partnership to ensure that our university remained open for business.

The pandemic is creating new ways of working for our organisation and has demonstrated the importance of the relationship between an employer and its workforce. At the heart of the University's response to Covid-19 has been our commitment to the health and safety of all our people and all our decisions have been informed by this core commitment. Our Health and Wellbeing survey that we have run during the pandemic shows that 84% of staff feel that their line manager has been available to them during this period of Covid-19 and 93% of our staff know what they have to do to remain healthy and safe.

Investment in programmes and activities in the health, wellbeing and career development of our workforce have meant that our staff can focus on giving their best in their daily work. We know we need to work harder to further develop this positive journey and that Birmingham City University and its staff can play a strong role within the community within which we operate.

We also know that many of the 'business as usual' challenges that were in place before the pandemic remain to be moved forward. We are working hard to ensure that we make further progress in being an inclusive employer and are investing in our 'Going for Stonewall Project' as well as increased participation in Athena Swan and how we as a university can make a meaningful and lasting commitment to further race equality.

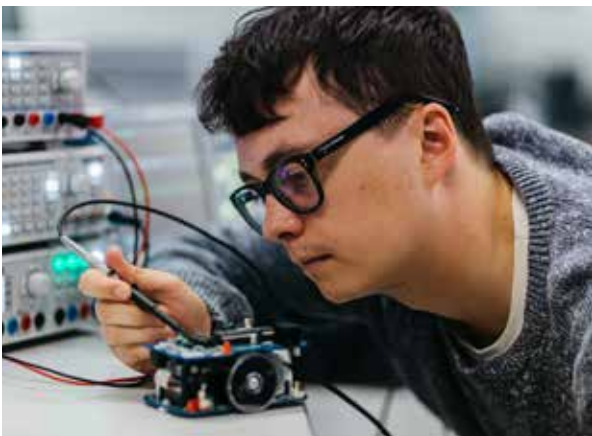
Birmingham City University has published its Trade Union Facility Time Report setting out staff participation in Trade Unions and we have also published our Gender Pay Gap Report with documents available on the Birmingham City University website in the corporate publications section.

The next 12 months will be dynamic and challenging. As a university we have a strategy to navigate through the coming period and at the heart of that strategy remain our brilliant and hardworking people.



# THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT

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

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

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

### **PUBLIC BENEFIT – OUR COMMITMENT**

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

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

In particular, our goals are to:

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



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# IMPROVE SOCIAL MOBILITY THROUGH EDUCATION

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**WE ARE A GREAT, PROFESSIONAL AND TECHNICAL UNIVERSITY, IN A GREAT GLOBAL CITY. WE HAVE A DRIVING AMBITION TO MAKE HIGHER EDUCATION ACCESSIBLE AND BENEFICIAL TO ALL THOSE WITH THE PASSION AND ABILITY TO SUCCEED.**

Our HESA data recognises the inclusivity and diversity of our student body with around 69% of our students from the West Midlands; 45% of our entrants from Index of Multiple Deprivation (IMD) quartile 1 the most income deprived neighbourhoods.

This is reflected in many of the activities undertaken by the University's outreach team who worked with over 160 priority schools/colleges classified as 'high priority' (under indicators such as eligibility for free school meals, index of multiple deprivation, and no parental engagement in higher education), delivering a range of activities to support these young people.

Our collaborative approach to outreach through AimHigher West Midlands and the National Collaborative Outreach Programme has resulted in the design of a new innovative programme of activity to address lower than expected progression rates of secondary pupils living in 25 identified gap wards. Through our partnership with IntoUniversity (IU) we have established a £1.2 million education hub in the north of Birmingham (Kingstanding) offering access to free services and one-to-one and small-group tuition for young people from disadvantaged backgrounds in a local area with high levels of deprivation and low HE participation. Currently in parts of Kingstanding only 13.5% of schoolchildren go on to study at university compared with 78% of young people in parts of Sutton Coldfield. The project aims to have a transformative effect on the community by increasing access to higher education, and enhancing employment levels.



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

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**EXCELLENCE IN EDUCATION AND STUDENT  
ENGAGEMENT REMAINS ONE OF THE CORE VALUES  
AT THE HEART OF EVERYTHING WE DO.**



**OUR OFFERING ACROSS THE UNIVERSITY IS ROBUST, INNOVATIVE, FLEXIBLE AND INCLUSIVE WHICH MEETS THE CHANGING NEEDS AND EXPECTATIONS OF STUDENTS; REFLECTS THE DIVERSITY OF OUR STUDENTS' BACKGROUNDS; RAISES ATTAINMENT; AND CREATES A STUDENT-CENTRED, PERSONALISED AND FLEXIBLE LEARNING ENVIRONMENT.**

Our 1,492 strong team of teaching staff come from, and maintain their links with, industry and the professions; delivering modern, flexible courses with practice-based learning and international opportunities built in to every stage – offered through four faculties:

**FACULTY OF ARTS, DESIGN AND MEDIA**

Our Faculty of Arts, Design and Media is one of Britain's leading providers of talented professionals to the cultural and creative industries. Incorporating acting, architecture, art, design, fashion, film, games, graphics, illustration, jewellery, media, music, photography and textiles. The Faculty arguably offers one of the most inclusive arts educational experiences anywhere.

The Faculty also undertakes world-leading research in art and design, media and music, and offers unparalleled opportunities, whether it's showing runway collections at London Graduate Fashion Week, working at Cannes Film Festival, taking plays to Europe and the Far East, designing jewellery for A-list celebrities, games for the next generation of PlayStation, working with the Royal Shakespeare Company, the Royal Opera House, or performing in one of the world's finest concert venues, Birmingham's Symphony Hall.

Our internationally renowned arts training provision includes a specialist drama school, a leading provider of media training with one of the largest green screens in Europe, the UK's largest regional centre for art, architecture and design education, incorporating Europe's largest jewellery school, and our Royal Birmingham Conservatoire represents a £57 million teaching and performance facility. An Art School for the 21st Century with over 175 years of history and winner of a prestigious Queen's Anniversary Prize.

**FACULTY OF HEALTH, EDUCATION AND LIFE SCIENCES**

Our Health, Education and Life Sciences Faculty is also one of the largest and most diverse providers of health and social care education in the country, with departments covering Education, Social Work, Adult Nursing, Mental Health and Learning Disabilities, Midwifery and Child Health, Operating Department Practice and Paramedics, Public and Community Health, Radiography, and Speech and Language Therapy. We have a long and established history when it comes to delivering initial teacher training (ITT), education, childhood and youth courses in Birmingham and is the regional provider for the pioneering education charity Teach First, working with Teaching Schools and School Alliances in the delivery of the School Direct programme.

It is also a leading provider of defence healthcare and employees to the NHS, offering cutting-edge learning facilities including state-of-the-art lecture theatres and seminar rooms, mock wards, birthing rooms, operating theatres and virtual reality software. Investment in a £41 million purpose-built development with specialist laboratories has enabled the Faculty to offer a wide range of new health, life science and sports courses including: pre-registration Master's courses in Physiotherapy and Dietetics; courses in Sports Therapy, Sports and Exercise Science and Sports Nutrition; Biomedical Sciences and Biomedical Engineering.



## FACULTY OF BUSINESS, LAW AND SOCIAL SCIENCES

The Faculty of Business, Law and Social Sciences specialises in the fields of business, law, criminology, sociology and psychology, and has a strong record of teaching, research and consultancy. A significant number of our courses have external accreditations from professional bodies such as the ACCA (Association of Chartered Certified Accountants), the Chartered Institute of Marketing (CIM), and the British Psychological Society (BPS).

Our LLB is accredited by the Joint Academic Stage Board, which represents the Solicitors Regulation Authority and Bar Standards Board of England and Wales. The School of Law is fully accredited by the Law Society and the Bar Council as a Centre for Continuing Professional Development; while our Centre for Applied Criminology - founded by David Wilson, one of the UK's leading criminologists - has been recognised as a university research Centre of Excellence.

## FACULTY COMPUTING ENGINEERING, AND THE BUILT ENVIRONMENT

The Faculty of Computing, Engineering, and the Built Environment is located at the City Centre Campus with a vision to create a powerful centre of technological excellence and innovation, through close links to industry that allow students to embark on exciting careers in the region by becoming involved in the latest research or make a real contribution to business. We use the knowledge and skills generated by our applied research to fuel technological and commercial innovation for regional and national industry. The faculty is pursuing 11 Innovate UK funded Knowledge Transfer Partnerships currently, and nearly 100 industry mentored student projects, many of which are showcased at our annual week long Innovation Fest.

The School of Engineering and the Built Environment offers students the opportunity to achieve in-depth knowledge in areas such as automotive, mechanical, electronic and civil engineering or in technical business functions such as logistics or building and quantity surveying, with strong links to industry through research groups working in the areas supporting the fourth industrial revolution and defining the modern built environment and global environmental solutions. The School of Computing and Digital Technology has established itself as one of the leading academies for Microsoft and Cisco Systems backed by researching the Internet of Things and Secure Next Generation Networks. The Digital Media Technology Laboratory has demonstrated world leading research in a number of areas including Augmented Reality and Intelligent Music Production; and the Data Analytics and Artificial Intelligence group develops advanced machine learning and optimisation methods, applying multi-agent systems to smart cities and digital health at the cutting edge of innovation, applied to real world problems through our socio-technical research.

A photograph of three individuals in conversation on a brick ledge. On the left, a woman wearing a black hijab and a light grey cardigan sits on the ledge, looking towards the center. In the middle, a young man with reddish hair, wearing a blue denim jacket over a purple t-shirt, stands and looks towards the woman on the right. On the right, a woman wearing a black headwrap and glasses stands and looks towards the man in the center. The background shows a brick building and large windows. The foreground is filled with out-of-focus purple flowers.

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

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Leading locally and engaging globally. Our academic experts and specialist staff work with hundreds of businesses and organisations regionally, nationally and internationally to shape our students' futures by creating knowledge that provides practical solutions to real world challenges. Extensive sector linkages have been established driving research, collaboration and innovation around identified priority areas and key economic strengths such as smart specialisation, creative and digital, engineering, advanced manufacturing and health-related life sciences.

Throughout 2019/20 the University engaged in a number of practice-based projects, supported by external research grants and contracts to the value of £2.2m. Highlights include:

### **SUPPORTING THE WEST MIDLANDS COMBINED AUTHORITY POST COVID GREEN ECONOMIC RECOVERY**

An environmental project described by WMCA Mayor Andy Street as "an exciting glimpse of the future" to deliver a green infrastructure for the region through a 1,000-mile network of footpaths, trails and cycle routes connecting homes, schools and shops. The project will also support the capture and storage of carbon; manage, store, cleanse and purify flood and stormwater; filter air, protect wildlife and repair habitats; and will kick-start the post-COVID economy in the context of WM2041, the West Midlands' zero-carbon and accelerated brownfield-first house building strategies.

### **ESSENTIAL RESEARCH INTO NURSE RETENTION AND STAFFING SHORTAGES**

Collaborative working with NHS Improvement, funded by the Health Foundation, to conduct essential research into nurse retention and staffing shortages. Nurse retention is one of the biggest challenges the NHS faces. The research is in response to the increasing rates of nurses leaving the NHS, with total nursing vacancies topping 37,000 at one point in 2017. These were unevenly spread across professions, specialities and parts of the UK, resulting in inequalities in patient care. The project will use 'big data' techniques to analyse these variations and their effect on nurse retention, and the subsequent impact on patients. The project is part of the NHS Efficiency Research Programme, which aims to improve understanding of workforce productivity and retention.

### **INVESTIGATING THE BENEFITS OF 5G THROUGH THE CONNECTED FORESTS TESTBED**

Funded by the Department for Culture, Media and Sport (DCMS), the two-year project will see computer science experts from the CEBE faculty deliver technology to aid the preservation of Sherwood Forest, and improve the visitor experience. The University will also apply their expertise and experience to develop live AR and VR experiences for visitors of all ages and investigate high-speed business models that could lead to a boost in rural connectivity as well as the creation of innovative applications with the potential for commercial development.

### **IMPACT OF ANTIMICROBIAL RESISTANCE (AMR)**

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

### **EXPLORING THE ROLE OF ARTS AND HUMANITIES IN SUPPORTING EDUCATION INCLUSION FOR CHILDREN WITH DISABILITIES.**

A research network including Birmingham City University was awarded £2 million from the United Kingdom Research Institute (UKRI) Global Challenge Research Fund (GCRF) to support its GCRF Network Plus: Disability under Siege. The four-year project will examine the role of arts and humanities in fostering inclusion and delivering education programmes for children with disabilities. Interdisciplinary research with cultural and disability organisations will play a major part in the project's outcomes. Birmingham City University experts will work alongside colleagues from institutions including Birzeit University, Lebanese American University, Islamic University of Gaza; and cultural partners including Qattan Foundation in Palestine.



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

### **STEM SUPPORT TO UPSKILL THE UNEMPLOYED AND UNDEREMPLOYED**

In March 2020, the University was awarded funding for 'STEM-UP' - a £2.8m European Social Fund-funded project that will support upskilling for the unemployed and underemployed using STEM-based interventions. STEM-UP will deliver a balanced programme of soft skills, STEAM Thinking, STEM-skills 'tasters', transferable Skills Workshops and Careers Education, and IAG. The project will support the skills required to secure a career in Advanced Manufacturing and Engineering, Creative and Digital sectors; and provide continuing professional development for those in industry to advance their careers. The project sees the University work in partnership with Aston University and Solihull College & University Centre.

### **MULTI-AGENCY COLLABORATION TO IMPROVE GRADUATE OUTCOMES**

Working in partnership with Jobcentre Plus and Aston University, we are delivering a £1m contract from the OfS for a new innovative multi-agency collaboration 'Graduate Re-tune'. Targeted at graduates that have newly registered for Universal Credit in the Greater Birmingham and Solihull Local Enterprise Area, the initiative has three core aims: to improve progression rates of students from under-represented groups, particularly BAME and those with disabilities; improve graduate outcomes of mature students or part-time students intending to remain in their local area for study and post-study work; and to address skills gaps through responding to and reflecting local labour market demands.

### **SUPPORTING START-UPS THROUGH INCUBATION FACILITIES**

We are delivering the STEAMincubator pilot programme, supporting new spaces, facilities and collaboration opportunities for start-ups across the West Midlands using funding of £532k from Research England's Development Fund. In March 2020, the incubator formally opened at the University's city centre campus to help fledgling businesses create sustainable business models, and ensure that their products and/or services are market ready. The facility, which has space to support up to 40 start-ups, is also available to students, graduates and academics.

### **INSTITUTE OF TECHNOLOGY FOR ADVANCED MANUFACTURING AND ENGINEERING**

Throughout 2019/20 work continued on preparing the launch of the Institute of Technology (IOT) for Advanced Manufacturing and Engineering. This included the refurbishing of workshops to create a fuel test cell to support research into new automotive technologies; and new courses (including degree apprenticeships in aerospace engineering, embedded systems and control engineering, and manufacturing engineering) to deliver the skills for the future - both new entrants as well as providing re-training and upskilling opportunities for the existing workforce.



## THE UNIVERSITY LAUNCHED A SERIES OF NEW PROGRAMMES, INITIATIVES AND EVENTS ACROSS 2019/20 IN ORDER TO PROMOTE PERSONAL TRANSFORMATION FOR STUDENTS THROUGH ENGAGEMENT WITH INDUSTRY.

For example, in September 2019 we launched the latest iteration of our Mentoring scheme, which matched over 380 of our students or graduates with professional mentors, and provided over 10 weeks of mentoring. The Scheme achieved full accreditation status from the Mentoring and Befriending Foundation, securing the national quality kite mark which provides evidence that the scheme is effective, safe, and professional. Our TigerLab series, which provides our students with the opportunity to work alongside regional businesses on challenges has included guest speakers such as Aston Villa Manager, Dean Smith; Mayor of the West Midlands, Andy Street; and Chief Executive of the West Midlands Combined Authority (WMCA), Deborah Cadman.

Our STEAM journey (STEM with Arts) also continues to develop, cementing the University's position as a global thought leader in this practice and supporting regional innovation. STEAMHouse Phase 1.5 launched in April 2020 and is focussed on supporting businesses to access and explore the potential of digital technologies to help develop products and services. Alongside the substantial existing makerspace realised through Phase 1, new workshops, equipment and technicians allow members to experiment with digital design and prototype, and to make use of digital fabrication tools, electronics and virtual and augmented reality. In December 2019, work commenced on the £60m STEAMhouse Phase 2, a 120,000 sq ft prestige facility incorporating a STEAM Academy to support new learning approaches and partnerships with industry; artists' studios to drive value from the creative economy; co-working areas and incubation space; and units for commercial partners.

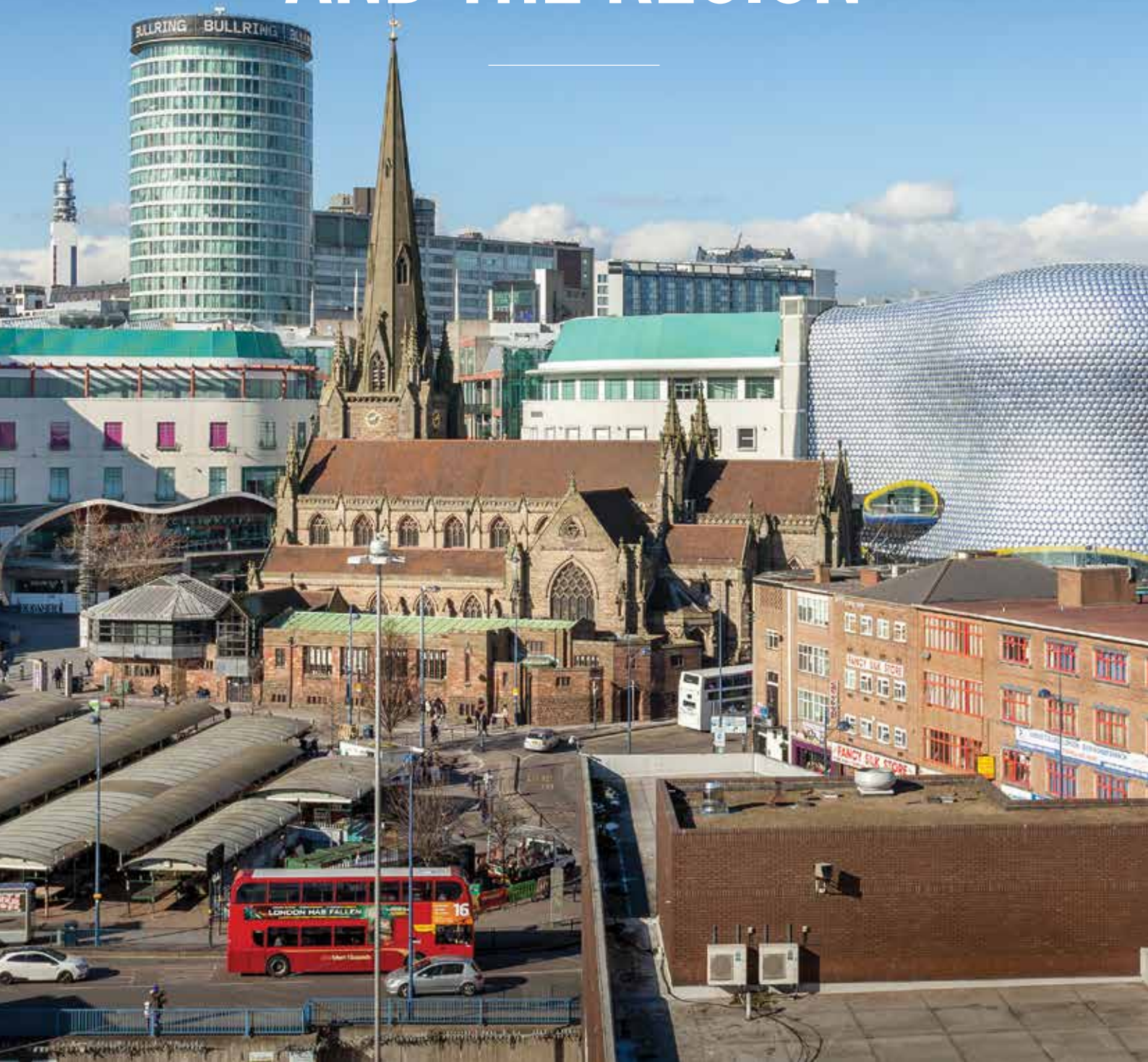
Throughout 2019/20 STEAMhouse also grew as an international exemplar in its field, exemplified by ongoing partnerships in India, with high-profile launches scheduled for 2020/21. This includes the planned opening of a School of Innovation and Entrepreneurship in the State of Punjab. Working in partnership with a global manufacturer, the initiative will support the needs of the state's business and industrial sector; drive international collaborative opportunities for student exchange and live project briefs; and develop new programmes of study.



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# PROMOTE AND IMPROVE OUR CITY AND THE REGION

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## **BIRMINGHAM CITY UNIVERSITY IS THE UNIVERSITY 'FOR' BIRMINGHAM. OUR MISSION REFLECTS OUR ROLE BOTH AS A CIVIC UNIVERSITY AND ANCHOR INSTITUTION IN BIRMINGHAM AND THE WIDER WEST MIDLANDS.**

We strive to realise this vision to complement and transform the region through accelerating business growth and employability within the local economy through the delivery of practice-based research and knowledge transfer; business growth expertise and support activities; a highly-skilled, work-ready graduate workforce; and interdisciplinary academic and industry collaborations.

Independent data and analysis, released in 2019/20 underlines the University's role in driving regional **improvement through economic impact**. This indicated that the University's expenditure stimulates £277m of gross value added (GVA) contribution to regional GDP; and supports 5,100 jobs through direct employment, supply chain and wage consumption impacts. This amounts to £532m GVA and 8,690 jobs nationally. Further, visitor spend from graduation ceremonies and open days draw in £3m to the Birmingham local Authority District, and stimulates £2.3m in GVA (Source: Oxford Economics).

Our commitment to transfer good ideas, research results and skills from the University to business and the wider community has resulted in a strong **track record of promoting and enabling innovation and business growth** in the West Midlands region, with University strategy closely aligned with the Strategic Economic Plans of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and the West Midlands Combined Authority (WMCA).

For example, through our partnership with the GBSLEP we provide **specialist expertise for businesses in the creative industries** sector under the Growth Hub project; in terms of innovation infrastructure, we play a major role in supporting 5G digital connectivity and implementation - in addition to research, hosting the West Midlands 5G Demo events in partnership with WM5G and Ericsson to accelerate the roll-out of the technology across the region, and promote how key sectors can benefit from this innovation.

Significant activity has taken place throughout the last quarter of 2019/20 to **support the regional socio-economic recovery from the Covid-19 pandemic**. For example, the provision of direct assistance to businesses through our business support platform BCU Advantage, providing links to key sources of information and assistance regionally, and nationally, and offering webinars focussed on support for social media, health and wellbeing. In terms of frontline support, **nearly 300 student nurses from Birmingham City University took up positions within the NHS to help the nation-wide effort** to stem the spread of the virus. This was in addition to a number of staff returning to frontline roles. Assistance was also provided from wider discipline areas, such as the University's Employer Engagement Team supporting a group of four computing students to join the Birmingham Women's and Children's NHS Foundation Trust on work placement to deliver IT support throughout the pandemic. Practically, we also responded to calls for Personal Protective Equipment (PPE) by donating over 1,000 items, and manufacturing many more to meet local need.

A strong sense of place has ingrained our culture of public and community engagement, promoting culture and learning to a wider audience through a programme of public events that includes lectures, exhibitions, and artistic performances. The University's schools of Jewellery and Art are heavily involved in the preservation of local heritage, and our Royal Birmingham Conservatoire, led by Julian Lloyd Webber, offers a programme of over 300 concerts for schools and the general public each academic year.

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# UNIVERSITY RESPONSE TO COVID 19

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## UNIVERSITY'S RESPONSE TO COVID

In January 2020, the University responded to the risks of Covid-19 by setting up a Business Continuity Group. The University has a close association to two Universities in Wuhan, China where the outbreak began and therefore received regular updates from China on the spread of the virus. Staff were aware of the risks from the coronavirus and the need to quarantine both staff and students travelling to the University from Wuhan. The group was established to support staff and students affected by the virus, and was chaired by the Deputy Vice Chancellor – Academic, who is responsible for internationalisation and student wellbeing.

The group regularly communicated advice from both Public Health England and the Foreign and Commonwealth Office to both staff and students. The University also offered support to our staff located in Wuhan, and those returning from China and required to quarantine for a period, through employee assistance programmes.

Through this unprecedented situation the priorities for the University continue to be:

- Safety for its students, staff and campus visitors
- To minimise disruption to its work, ensuring that students can keep learning and graduate without delay with their degrees and that research students can continue their work.

In March, government guidelines were followed for moving staff and students off campus, to work from home and to learn online. The campuses were able to open to support those students who needed to remain, or needed to access services, and to train nurses and medical staff that could support the National Health Service in managing the impacts of the virus.

Regular support and guidance was provided through the University's various communication channels. Risk assessments and Covid-19 working safely guides were published for all campus buildings, as well as HR essential guidance on test and trace for staff, hot desking and agile working, recruitment through Covid-19, travel guidance and health and mental wellbeing support.

To respond to students' needs, the University took the decision to waive rent payments from students from mid-March and provided £500,000 of hardship funds to help those who lost part-time jobs to continue to buy food and essentials. Students with outstanding tuition fee have been supported to extend the terms of payment plans to help minimise disruption during this period.

For international students, the University provided the opportunity to stay in accommodation or to continue their studies from home if they preferred to return home. A reading week enabled students to settle and transition to online study developed so that studies could continue as smoothly as possible.

As the pandemic continued, the University leadership team has responded to changing government guidelines and adapted its response to enable students to return to the campus during Semester 3. The campus gradually reopened for teaching on 14th June 2020. For some students this was vital for their studies as they needed access to equipment and facilities to complete practical coursework.

International students who had started courses in January 2020, had had little opportunity to gain access to the campus. The majority had stayed in Birmingham and were provided with access to library and other resources.

Key to the response more recently, as preparations were made for re-opening for Semester 1, has been the continued communications with other leading organisations in Birmingham. This has included daily meetings with Birmingham City Council to ensure a coordinated response.

The University made a pledge to all students for the current academic year that the majority of teaching would be face to face. Lectures are provided online so that they can be viewed remotely. Seminar groups and practical work continued to be completed on campus. Personal protective equipment (PPE) has been provided to all staff and students to ensure that they can stay safe on campus, including face coverings and hand sanitiser. Social distancing around campus has been protected through reducing the numbers of students that attend each week, and markings, screens and increased cleaning and security arrangements have been put in place.

The University is expecting the costs of Covid-19 to exceed £7m in total. £0.9m relates to PPE costs. £3.3m relates to moving to a new operating model, including provision of laptops to students and staff to enable remote learning, and changes to the catering and cleaning provision. £3.2m relates to business interruption costs including loss of income and additional costs of ventilating and heating the building.

## GOING CONCERN

The University and Governors have responded with close monitoring of the situation. This includes consideration of the impact on the income, costs and cashflow in 2019/20 and forecasts in subsequent years.

Income forecasts have been more difficult to anticipate than in any previous year. Home students have faced confusion in their A Level and equivalent examination grades. Student number caps were imposed and then relaxed. International students face uncertainty of travel and visa applications. Quarantine restrictions may be imposed when they reach the UK. All of this has made financial planning and forecasting very difficult. As noted above, £7m of costs have been forecast to be incurred in preparing the University for the safe return of staff and students to the campus and reducing the risk of the spread of the virus on campus.

Birmingham City University is a strongly sustainable institution, with little borrowing as at 31 July 2020, but with available credit facilities of £85m. It has historically strong local student recruitment, with approximately 70% commuting from home, and is situated in a city that's growing and prospering. The Board of Governors monitors the financial security at each of its meetings, to ensure that the University has adequate resources to continue in its operational existence for the foreseeable future. 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.

Further detail on the Board's assessment of the going concern status of the University is set out in the Principal Accounting Policies on Page 44.

## UNIVERSITY'S PUBLIC BENEFIT AND SUPPORT FOR THE NHS

The University and its staff and students have responded proactively with support for the UK response to Covid-19:

### Personal Protective Equipment

The University donated over 1,000 items of protective equipment to frontline staff supporting the battle against coronavirus. Staff across the Faculty of Arts, Design and Media produced hundreds of aprons, protective goggles and face visors to donate to Birmingham City Council's appeal for equipment, to be used by key workers delivering essential services across the city. They scoured the University's technical work areas across its School of Jewellery, School of Art and Parkside Building to uncover pieces of equipment, which could support the city's collective efforts during the Covid-19 pandemic.

### Teaching support for Nightingale and student nurses support

The University reopened its Seacole Building to help train students taking on frontline NHS roles in the fight against Covid-19. The building, together with its state-of-the-art facilities, was made available to hundreds of students to help prepare them to take up extended work placements within the NHS. The University has been working closely with the skills teams in local NHS Trusts, especially University Hospitals Birmingham, to ensure the skills taught are in line with Trust requirements, and that their training makes the biggest impact in supporting patients.

Almost 300 student nurses from the University took up positions within the NHS to support the nationwide effort to stem the spread of the virus. Around 95 per cent of the University's student nurses, in the final six months of their studies, offered their services for an extended placement with the health service.

### Computing students helped keep city hospitals running

Students and graduates from Birmingham City University's Computing courses took on support roles with Birmingham Women's and Children's NHS Foundation Trust, volunteering time and offering support during the Covid-19 pandemic.

### Student creates 1,000-strong volunteering group

Adult Nursing student Katie Dixon set up a volunteering group to help vulnerable members of her south Birmingham community during the Covid-19 outbreak. As a student nurse, Katie was inspired to help by a desire to help people in her community.

## MOVING FORWARD AS A UNIVERSITY

At Birmingham City University we have a very strong university community. We will continue to work together, and to look after one another – just as we always have. This year, more than any other, we are BCU.

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# CORPORATE GOVERNANCE AND INTERNAL CONTROLS

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## INTRODUCTION

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

## THE CORPORATION

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

## THE BOARD OF GOVERNORS

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

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

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

The University maintains a Register of Interests of members of the Board and senior officers which may be consulted by arrangement with the University Secretary. The members of the Governing Body are its trustees for the purpose of charity law. The trustees and officers serving during the year and until the date the financial statements were formally approved were as follows:

### Chair of the Board of Governors

Mr Mark Hopton (Independent Member)

### Deputy Chair

Mr Joe Kelly (Independent Member)

### Vice-Chancellor

Professor Philip Plowden (Ex-officio)

### Independent Members

Ms Sally Beavan  
 Dr Louise Brooke-Smith, OBE  
 Mr Andrew Buckley (appointed 1 October 2020)  
 Mr Ian Burke  
 Ms Sue Hall (appointed 1 April 2020)  
 Mr Glenn Howells  
 Mr Andrew Jowett, OBE  
 Mr Peter Phillips (appointed 1 October 2020)  
 Mr Parmjit Singh  
 Rt Hon Baroness Stuart of Edgbaston

### Co-opted Lay Members

Professor Graham Henderson CBE, DL  
 Mr Hugh Jones (appointed 1 October 2020)  
 Ms Tracy Westall

### Co-opted Staff Governors

Mr Mohammed Ayaz  
 Professor Andrew Kulman

### Student Governors

Ms Victoria Bennett-Salvador (appointed 1 July 2020)  
 Ms Polly Jones (appointed 1 July 2020)

### Retired Members

Ms Ivona Hadzhiyska  
 Ms Jenny Ladbrooke  
 Mr Liam Miles

### Expiry of Term of Office

30 June 2020  
 31 March 2020  
 30 June 2020

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled 1,587 (2019: £1,757) and hotel accommodation and transport to the value of £1,347 (2019: £2,121) was also provided.

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

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

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

## THE VICE-CHANCELLOR

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

The senior officers of the University in 2019/20 were the Deputy Vice-Chancellors, the Pro Vice-Chancellor (Learning and Teaching), and the University Secretary who, together with the Vice-Chancellor, comprise the Vice-Chancellor's Office. As Chief Executive Officer, the Vice-Chancellor has overall executive responsibility for the development of strategy, the identification and planning of new developments and the shaping of the University's ethos. Although the other senior officers all contribute in various ways to this aspect of the work, ultimate responsibility for what is done rests with the Vice-Chancellor.

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

## COMMITTEES OF THE BOARD OF GOVERNORS

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

Membership of these committees is comprised predominantly of independent and co-opted lay members of the governing body and does not include staff and student members of the governing body. The Vice-Chancellor is in attendance at meetings of the Remuneration Committee as a non-member but is required to withdraw from meetings where his own salary and terms of conditions of service are under discussion. In November 2018 the University's Articles were revised to allow the co-option of non-Board members with particular expertise onto all Board committees. During 2019/20 co-opted members served on the Audit, Human Resources and Finance Committees.

## INTERNAL CONTROL

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

- the University Executive Group (UEG), which has operational responsibility for the development and maintenance of the internal control framework;
- the Audit Committee, which monitors and reviews the effectiveness of internal control, risk management and governance arrangements. As part of its work in this area, the Committee holds individual meetings with both the internal and external audit senior management teams at which no member of the University Executive is present;
- the University's internal audit service. The regular reports submitted to the Audit Committee by the internal audit service include an independent opinion on the adequacy and effectiveness of the system of internal control, together with any recommendations for improvement.
- the University's External Audit and Internal Audit providers both make recommendations for improvement in key management and internal control processes. Internal audit reviews include periodic reviews of the University's approach to delivering value for money. In addition to the annual assurance report received from Internal Audit, the Audit Committee and Governors receive benchmarking and sector specific reports from both Internal and External Auditors to assist them in discharging their responsibility to monitor the University's performance in delivering value for money.

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

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



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

- the University's Strategic Risk Register, which is approved by the University Executive Group (UEG), identifies the key risks that could prevent the University Group from achieving its strategic objectives and articulates the measures being taken to manage and mitigate these risks. The risks and mitigations report has been reviewed regularly by UEG and any pertinent risks have been reported to the Audit Committee;
- a revised Risk Appetite Statement was reviewed by the Audit Committee and approved by the Board in May 2020. The Statement is mapped to the Strategic Risk Register and focuses on the three key pillars that determine the University's Risk Appetite namely: Academic Quality, Financial Sustainability and Regulation & Compliance;
- the Audit Committee has provided the Board with regular reports and advice on the implementation and continuing effectiveness of the University's risk management and internal control arrangements;

On the basis of the foregoing, procedures have been in place from 1 August 2019 to enable a full statement of internal control to be made for the whole of the financial year ended 31 July 2020 and up to the date of the Financial Statements.

## FINANCIAL RESPONSIBILITIES OF THE BOARD OF GOVERNORS

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

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

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- it is appropriate that the financial statements are prepared on the going concern basis.

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

- ensure income from the OfS, Research England, Department for Education and the Education and Skills Funding Agency (ESFA), grants and income for specific purposes and from other restricted funds by the University during the year ended 31 July 2020 have been applied for the purposes for which they were received and in accordance with the University statutes and, where appropriate, with the OfS Terms and Conditions of Funding, the Research England Terms and Conditions of Funding and the Financial Memorandum with the Department for Education and ESFA.
- ensure that there are appropriate financial management controls, regulations and policies 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.

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# FINANCIAL REVIEW

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## KEY FINANCIAL HIGHLIGHTS

The accounts have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

The surplus before tax for the year was £5.3m compared to a surplus of £14.0m in the prior year. The University considers it important to deliver a surplus on its activities each year, to generate resources for investment in its academic activities, people, facilities and services and to enable it to anticipate and robustly manage future strategic and operational risks.

## FINANCIAL PERFORMANCE 2019/20

**Key performance indicators taken from the consolidated results for the year ended 31 July 2020 are summarised below.**

The external economic and market operating environment continued to present significant challenges. The impact of Covid-19 had a significant impact on the results for the year. With students largely working from home from mid-March, income was significantly reduced from student accommodation, lettings, summer schools and catering. Restricted opening in Semester 3 required the acquisition of a significant amount of Personal Protective Equipment including face coverings and sanitiser. Additional cleaning costs were required.

Against this backdrop, the results for the year reflect a strong financial performance. The majority of UK and EU students pay tuition fees capped at £9,250. Growth in student numbers, particularly from international students, has provided an increase in income of £9.7m. However this has not fully covered increases in pay costs of £10.6m and other operating expenses of £5.2m including increases in catering, fire safety and other maintenance costs. Before other gains and losses and taxation the Group achieved a surplus of £4.8m (2019: surplus of £10.1m).

Staff costs remain a significant cost for the University and the increase in the year reflects an increase in underlying staff numbers, the annual pay award and increasing pension costs. The University manages staff numbers and costs carefully.

A major focus for the University's procurement team is the delivery of value for money in relation to other operating expenditure.

### Capital Investment

Cash invested in capital investment for the year amounted to £30.0m (2019: £17.6m) as the Group continued its estates development, particularly a new build of an academic and innovation centre on the Curzon campus in Birmingham, known as STEAMhouse 2 and investment in replacement IT infrastructure.

## CASH FLOW AND TREASURY MANAGEMENT

Cash flow from operations for the year was £25.0m (2019: £37.7m). The cash outflow from investing activities amounted to £19.7m (2019: £14.5m inflow).

The Group has long-term borrowings in the form of mortgages secured on the city south campus and student residential accommodation amounting to £12.8m (2019: £14.4m). In addition, the Group had undrawn borrowing facilities amounting to £85m (2019: £68m). 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 £13.0m (2019: £21.5m). The Group has cash balances amounting to £32.2m at 31 July 2020 (2019: £34.0m) giving net cash of £19.2m (2019: net cash £12.5m) 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. Restricted funds are invested with CCLA in its Charities Funds which have received income rates of over 3% during the year.

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

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# REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the financial statements of Birmingham City University ("the Institution") for the year ended 31 July 2020 which comprise the consolidated and institution statements of comprehensive income and expenditure, consolidated and institution statement of changes in reserves, consolidated and institution balance sheets, consolidated cashflow statement and related notes, including the accounting policies in note 1.

### In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

## Basis for opinion

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

## Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

## Other information

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

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

## Board of Governors responsibilities

As explained more fully in their statement set out on page 33, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

### In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

### Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in note 10 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 8 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

**Mark Dawson**  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

## CONSOLIDATED AND INSTITUTION STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

	NOTE	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
<b>INCOME</b>					
Tuition fees and education contracts	2	217,088	214,616	208,580	195,628
Funding body grants	3	19,276	19,264	18,058	18,377
Research grants and contracts	4	2,234	1,935	2,489	1,805
Other income	5	14,952	18,018	15,859	32,349
Investment income	6	237	237	227	227
Donations and endowments	7	2,647	2,647	1,553	1,545
<b>TOTAL INCOME</b>		<b>256,434</b>	<b>256,717</b>	<b>246,766</b>	<b>249,931</b>
<b>EXPENDITURE</b>					
Staff costs	9	143,095	143,095	132,451	132,451
Other operating expenses	10	88,154	95,225	82,991	89,003
Depreciation and amortisation	13, 14	16,652	16,444	17,372	17,165
Interest and other finance costs	11	3,701	3,701	3,847	3,847
<b>TOTAL EXPENDITURE</b>		<b>251,602</b>	<b>258,465</b>	<b>236,661</b>	<b>242,466</b>
<b>SURPLUS/(DEFICIT) BEFORE OTHER GAINS/(LOSSES)</b>		<b>4,832</b>	<b>(1,748)</b>	<b>10,105</b>	<b>7,465</b>
Gain/(Loss) on disposal of fixed assets		483	(32)	3,404	(2,383)
(Loss)/Gain on investments		(34)	(34)	483	483
<b>SURPLUS BEFORE TAX</b>		<b>5,281</b>	<b>(1,814)</b>	<b>13,992</b>	<b>5,565</b>
Taxation	12	(80)	(4)	(87)	-
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>5,201</b>	<b>(1,818)</b>	<b>13,905</b>	<b>5,565</b>
Actuarial loss in respect of pension scheme	31	(43,427)	(43,427)	(8,364)	(8,364)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR</b>		<b>(38,226)</b>	<b>(45,245)</b>	<b>5,541</b>	<b>(2,799)</b>
Represented by:					
Endowment comprehensive income for the year	23	2,139	2,139	1,475	1,475
Unrestricted comprehensive income for the year	24	(40,365)	(47,384)	4,066	(4,274)
<b>TOTAL</b>		<b>(38,226)</b>	<b>(45,245)</b>	<b>5,541</b>	<b>(2,799)</b>

The notes form part of these financial statements.

## CONSOLIDATED AND INSTITUTION STATEMENTS OF CHANGES IN RESERVES

CONSOLIDATED	ENDOWMENT £'000	UNRESTRICTED £'000	TOTAL £'000
<b>AS AT 1 AUGUST 2018</b>	<b>6,577</b>	<b>268,910</b>	<b>275,487</b>
Surplus from the income and expenditure statement	1,475	12,430	13,905
Other comprehensive income	-	(8,364)	(8,364)
<b>AS AT 31 JULY 2019</b>	<b>8,052</b>	<b>272,976</b>	<b>281,028</b>
Surplus from the income and expenditure statement	2,139	3,062	5,201
Actuarial loss in respect of pension schemes	-	(43,427)	(43,427)
<b>AS AT 31 JULY 2020</b>	<b>10,191</b>	<b>232,611</b>	<b>242,802</b>

INSTITUTION	ENDOWMENT £'000	UNRESTRICTED £'000	TOTAL £'000
<b>AS AT 1 AUGUST 2018</b>	<b>6,577</b>	<b>245,173</b>	<b>251,750</b>
Surplus from the income and expenditure statement	1,475	4,090	5,565
Other comprehensive income	-	(8,364)	(8,364)
<b>AS AT 31 JULY 2019</b>	<b>8,052</b>	<b>240,899</b>	<b>248,951</b>
Surplus from the income and expenditure statement	2,139	(3,957)	(1,818)
Actuarial loss in respect of pension schemes	-	(43,427)	(43,427)
<b>AS AT 31 JULY 2020</b>	<b>10,191</b>	<b>193,515</b>	<b>203,706</b>

The notes form part of these financial statements.



## CONSOLIDATED AND INSTITUTION BALANCE SHEETS

	NOTE	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
<b>NON-CURRENT ASSETS</b>					
Intangible assets	13	7,716	7,716	3,393	3,393
Fixed assets	14	442,088	436,586	433,985	428,252
Heritage assets	15	690	690	690	690
Investments	16	6,701	10,876	6,735	10,910
<b>TOTAL</b>		<b>457,195</b>	<b>455,868</b>	<b>444,803</b>	<b>443,245</b>
<b>CURRENT ASSETS</b>					
Stocks	17	204	204	216	216
Debtors	18	30,409	30,011	30,059	30,642
Cash at bank and in hand		32,153	31,592	33,989	33,224
<b>TOTAL</b>		<b>62,766</b>	<b>61,807</b>	<b>64,264</b>	<b>64,082</b>
<b>CREDITORS</b>					
Creditors - Amounts falling due within one year	19	(50,169)	(87,453)	(48,422)	(79,286)
Net current assets/(liabilities)		12,597	(25,646)	15,842	(15,204)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>469,792</b>	<b>430,222</b>	<b>460,645</b>	<b>428,041</b>
Creditors - amounts falling due after more than one year	20	(77,009)	(76,655)	(78,860)	(78,491)
<b>PROVISIONS</b>					
Pension provisions	22	(144,864)	(144,864)	(97,006)	(97,006)
Other provisions	22	(5,117)	(4,997)	(3,751)	(3,593)
<b>NET ASSETS</b>		<b>242,802</b>	<b>203,706</b>	<b>281,028</b>	<b>248,951</b>
<b>RESTRICTED RESERVES</b>					
Income and expenditure reserve - endowment reserves	23	10,191	10,191	8,052	8,052
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve - unrestricted	24	232,611	193,515	272,976	240,899
<b>TOTAL RESERVES</b>		<b>242,802</b>	<b>203,706</b>	<b>281,028</b>	<b>248,951</b>

The financial statements were approved by the Board of Governors on 26 November 2020 and signed on its behalf by:

M Hopton, Chairman of the Board of Governors

P Plowden, Vice-Chancellor

The notes form part of these financial statements.

## CONSOLIDATED CASHFLOW STATEMENT

	NOTE	2020 £'000	2019 £'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus for the year before tax		5,281	13,992
<b>ADJUSTMENT FOR NON-CASH ITEMS</b>			
Depreciation	14	15,039	16,403
Amortisation of intangibles	13	1,613	969
(Gain)/loss on endowments, donations and investment property		34	(483)
Decrease/(increase) in stock		12	38
Decrease/(increase) in debtors		(350)	(7,011)
Increase/(decrease) in creditors		983	10,262
Increase in pension provision		4,431	9,719
(Decrease)/increase in other provisions		1,366	(784)
<b>ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES</b>			
Investment income		-	(4)
Interest payable		1,778	1,864
Endowment income		(295)	(174)
Gain on the sale of tangible assets		(483)	(3,404)
Capital grant income		(4,369)	(3,596)
<b>OPERATING ACTIVITIES</b>			
Net cash flows from operations		25,040	37,791
Corporation tax paid		(34)	(44)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>25,006</b>	<b>37,747</b>
<b>INVESTING ACTIVITIES</b>			
Investment Income		-	4
Interest received		28	49
Interest paid		(110)	(236)
Endowment income		209	174
Donation Income		367	399
Purchase of intangible fixed assets		(2,729)	(1,350)
Purchase of tangible fixed assets		(27,198)	(16,238)
Proceeds on disposal of tangible fixed assets		515	28,274
Other capital grant receipts		9,227	3,451
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(19,691)</b>	<b>14,527</b>

The notes form part of these financial statements.

**CONSOLIDATED CASHFLOW STATEMENT (CONTINUED)**

	NOTE	2020 £'000	2019 £'000
<b>FINANCING ACTIVITIES</b>			
New endowments received		2,280	1,154
Drawdown of Loans		45,000	-
Repayment of loans		(54,431)	(39,380)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(7,151)</b>	<b>(38,226)</b>
Net (decrease)/increase in cash and cash equivalents		(1,836)	14,048
<b>CASH AND CASH EQUIVALENTS AT 1 AUGUST</b>		<b>33,989</b>	<b>19,941</b>
<b>CASH AND CASH EQUIVALENTS AT 31 JULY</b>		<b>32,153</b>	<b>33,989</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>			
Cash at bank and in hand		32,153	33,989
<b>CASH AND CASH EQUIVALENTS</b>		<b>32,153</b>	<b>33,989</b>

The notes form part of these financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES

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

### 1.1 Accounting convention

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

### 1.2 Basis of preparation

The Consolidation and Institution financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

### 1.3 Going concern

The Consolidated and Institution activities, together with the factors likely to affect its future development, performance and position, are set out in the Operating and Financial Review which forms part of the Corporate Governance and Internal Controls Statement. The Corporate Governance and Internal Controls Statement also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors consider to be appropriate for the following reasons.

The Board of Governors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the Group and Institution will have sufficient funds to meet their group liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The forecasts were reassessed using the latest available assumptions, including student recruitment and potential impacts on revenue from commercial activities. Recruitment data has been prudently considered in arriving at the final forecasts of student numbers and tuition fee income included in the forecasts, in light of the uncertainty of recruitment and retention of international students.

Consequently, the Board of Governors is confident that the Group and Institution will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 1.4 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.

### 1.5 Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2020. 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.

### 1.6 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. The University has adopted the accounting treatment which allows it to recognise grant income received relating to land purchases in the income and expenditure account in the year of receipt.

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

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

## 1.7 Leasing Costs

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

Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

## 1.8 Post-Retirement Benefits

The University participates in three principal, defined benefit pension schemes: the Local Government Pension Scheme (LGPS), 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 at least every five years by professionally qualified independent actuaries.

LGPS 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.

In determining the valuation of the West Midlands Pension Fund, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the University:

- Discount rate;
- Inflation rate; and
- Life expectancy

The asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward to accounting dates using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations, asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed.

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.

## 1.9 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.

## 1.10 Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

### 1.11 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.

### 1.12 Intangible Assets

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

### 1.13 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 2019 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

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

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

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

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

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

#### Newly completed buildings:

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

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

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

### 1.14 Borrowing Costs

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

### 1.15 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.

### 1.16 Stocks

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

### 1.17 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.

### 1.18 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

### 1.19 Accounting for Donations and Endowments

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

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

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

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

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

Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

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

Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### 1.20 Heritage Assets

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

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

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

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

### 1.21 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 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
<b>TUITION FEES</b>				
Full-time home and EU students	162,344	162,344	150,991	150,991
Full-time international students	35,572	35,571	29,897	29,897
Part-time students	6,640	6,640	7,020	7,020
Further education	29	29	9	9
Full cost course fees	2,753	2,712	3,954	3,816
<b>TOTAL</b>	<b>207,338</b>	<b>207,296</b>	<b>191,871</b>	<b>191,733</b>
<b>EDUCATION CONTRACTS</b>				
Health professions education contracts	6,550	4,120	15,393	2,908
Apprenticeships	3,200	3,200	1,316	987
<b>TOTAL</b>	<b>217,088</b>	<b>214,616</b>	<b>208,580</b>	<b>195,628</b>

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 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
<b>OFFICE FOR STUDENTS AND RESEARCH ENGLAND</b>				
Teaching funds	11,169	11,169	10,865	10,865
Research funds	2,463	2,463	2,500	2,500
Other specific grants	1,275	1,275	1,197	1,197
Deferred capital grants released	4,369	4,357	3,573	3,564
<b>TOTAL</b>	<b>19,276</b>	<b>19,264</b>	<b>18,135</b>	<b>18,126</b>
Education and Skills Funding Agency	-	-	(77)	251
<b>TOTAL</b>	<b>19,276</b>	<b>19,264</b>	<b>18,058</b>	<b>18,377</b>

## 4. RESEARCH GRANTS AND CONTRACTS

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Research councils	650	575	756	701
Research charities	307	303	216	172
Government (UK and overseas)	776	628	1,070	640
Industry and commerce	348	277	327	172
Other	153	152	120	120
<b>TOTAL</b>	<b>2,234</b>	<b>1,935</b>	<b>2,489</b>	<b>1,805</b>



## 5. OTHER INCOME

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Residences, catering and conferences	5,629	5,740	7,482	7,493
Other revenue grants	2,779	2,780	2,324	2,028
Other capital grants	-	-	403	403
Other income	6,544	9,498	5,650	22,425
<b>TOTAL</b>	<b>14,952</b>	<b>18,018</b>	<b>15,859</b>	<b>32,349</b>

## 6. INVESTMENT INCOME

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Investment income on endowments	209	209	174	174
Other investment income	-	-	4	4
Interest receivable	28	28	49	49
<b>TOTAL</b>	<b>237</b>	<b>237</b>	<b>227</b>	<b>227</b>

## 7. DONATIONS AND ENDOWMENTS

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
New endowments	2,280	2,280	1,154	1,154
Unrestricted donations	367	367	399	391
<b>TOTAL</b>	<b>2,647</b>	<b>2,647</b>	<b>1,553</b>	<b>1,545</b>

## 8. GRANT AND FEE INCOME

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Grant income from the OfS	11,169	11,169	10,865	10,865
Grant income from other bodies	8,107	8,095	7,193	7,512
Fee income for research awards (exclusive of VAT)	2,458	2,458	2,294	2,294
Fee income from non-qualifying courses (exclusive of VAT)	3,793	3,752	4,442	4,304
Fee income for taught awards (exclusive of VAT)	201,086	201,086	185,135	185,135
<b>TOTAL</b>	<b>226,613</b>	<b>226,560</b>	<b>209,929</b>	<b>210,110</b>

## 9. STAFF COSTS

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

STAFF COSTS	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Wages and salaries	106,201	106,201	97,635	97,635
Social security costs	11,417	11,417	10,520	10,520
Other pension costs	25,477	25,477	24,296	24,296
<b>TOTAL</b>	<b>143,095</b>	<b>143,095</b>	<b>132,451</b>	<b>132,451</b>

Included within payroll costs above are restructuring costs amounting to £0.3 million relating to 16 staff members. (2019: £0.6 million, relating to 41 staff).

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

PENSION SCHEMES	CONSOLIDATED 2020 £'000	CONSOLIDATED 2019 £'000
Universities Superannuation Scheme (USS)	(1,178)	3,332
Local Government Pension Scheme (LGPS)	13,616	12,552
Teachers' Pension Scheme (TPS)	13,039	8,412
<b>TOTAL</b>	<b>25,477</b>	<b>24,296</b>

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

EMPLOYEES	2020 NO.	2019 NO.
Manager	378	396
Admin	1,137	1,107
Academic	1,492	1,424
Visiting tutors	815	751
<b>TOTAL</b>	<b>3,822</b>	<b>3,678</b>

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

SALARY	2020 NO.	2019 NO.
£100,000 to £104,999	1	1
£105,000 to £109,999	1	1
£110,000 to £114,999	-	4
£115,000 to £119,999	2	1
£120,000 to £124,999	-	1
£125,000 to £129,999	5	-
£145,000 to £149,999	2	2
£150,000 to £154,999	-	1
<b>TOTAL</b>	<b>11</b>	<b>11</b>

Note – The Vice Chancellor's remuneration has not been included within the analysis above due to the separate analysis below.

## 9. STAFF COSTS (CONTINUED)

### Key management personnel

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

	2020 £'000	2019 £'000
Remuneration of key management personnel	1,654	1,793
Compensation for loss of office paid to Higher paid personnel (excluding Vice Chancellor)	-	120

Note - Key management personnel remuneration is stated excluding employers national insurance payments.

EMOLUMENTS OF THE VICE-CHANCELLOR:	2020 £	2019 £
<b>P PLOWDEN</b>		
Salary	231,138	225,500
Taxable Benefits	-	-
Pension Contributions (Taxable)	53,380	37,162
Non-Taxable Benefits	-	-
<b>TOTAL EMOLUMENTS</b>	<b>284,518</b>	<b>262,662</b>

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

The Chairman of the Board of Governors conducted Professor Plowden's annual performance review and concluded that the Vice-Chancellor is performing at the expected level and continued to perform well in his leadership of Birmingham City University. University performance and financial delivery were on track and the Chairman had reviewed benchmarking data and guidance from the CUC Senior Staff Remuneration Code. With the benefit of that information, and with Remuneration Committee agreement, the Chairman recommended that the 2.5% pay increase (similarly awarded to all University staff) should be awarded to the Vice Chancellor. The Chairman confirmed that the salary level would be kept under review at regular intervals in the light both of market data and the University's performance.

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

YEAR	VC	FTE SALARY	STAFF BASIC PAY MEDIAN	VC MULTIPLE OF BASIC PAY
2019	Plowden	225,500	36,590	6.16
2020	Plowden	231,138	35,642	6.48

YEAR	VC	TOTAL PAY	STAFF TOTAL PAY MEDIAN	VC MULTIPLE OF TOTAL PAY
2019	Plowden	262,662	38,682	6.79
2020	Plowden	284,518	40,637	7.00

## 10. OTHER OPERATING EXPENSES

Other operating expenses include:

	2020 £'000	2019 £'000
<b>AUDITOR'S REMUNERATION:</b>		
In respect of audit services	93	68
In respect of non-audit services	226	143
<b>OPERATING LEASE RENTALS:</b>		
Land and buildings	4,060	5,811
Other	407	412

<b>ACCESS &amp; PARTICIPATION EXPENDITURE</b>	<b>CONSOLIDATED AND INSTITUTION 2020 £'000</b>
Access investment	1,320
Financial support provided to students	236
Support for disabled students	653
Research and evaluation of access and participation activities	97
<b>TOTAL</b>	<b>2,306</b>

The Access investment expenditure includes £400k of expenditure that was redirected from the forecasted spend per the Access and Participation plan and used for a hardship fund due to the impact of the Covid-19.

Included within expenditure is staff costs of £1,170k which are also included at note 9.

The Access and Participation plan is published at <https://www.bcu.ac.uk/about-us/corporate-information/policies-and-procedures/access-and-participation-plan>

## 11. INTEREST AND OTHER FINANCE COSTS

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Loan interest	110	110	236	236
Finance lease interest	1,668	1,668	1,628	1,628
Net expense on pension scheme	1,923	1,923	1,983	1,983
<b>TOTAL</b>	<b>3,701</b>	<b>3,701</b>	<b>3,847</b>	<b>3,847</b>

## 12. TAXATION

Recognised in the statement of comprehensive income:

CURRENT TAX	CONSOLIDATED 2020 £'000	CONSOLIDATED 2019 £'000
UK Corporation tax	43	(11)
China tax	30	23
Deferred tax expense	7	75
<b>TOTAL TAX EXPENSE</b>	<b>80</b>	<b>87</b>

## 13. INTANGIBLE ASSETS

CONSOLIDATED AND INSTITUTION	IT SOFTWARE DEVELOPMENT £'000
<b>COST OR VALUATION</b>	
AT 1 AUGUST 2019	11,844
Additions	2,729
Transfers from tangible assets	3,278
<b>AT 31 JULY 2020</b>	<b>17,851</b>
<b>AMORTISATION</b>	
AT 1 AUGUST 2019	8,451
Expense for the year	1,613
Transfer from tangible assets	71
<b>AT 31 JULY 2020</b>	<b>10,135</b>
<b>NET BOOK VALUES</b>	
<b>AT 31 JULY 2020</b>	<b>7,716</b>
AT 31 JULY 2019	3,393

## 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
<b>COST OR VALUATION</b>					
AT 1 AUGUST 2019	112,575	366,653	18,395	13,169	510,792
Additions	390	1,158	366	24,435	26,349
Transfers	112	4,417	(2,030)	(2,499)	-
Transfer to intangible assets	-	-	-	(3,278)	(3,278)
<b>At 31 JULY 2020</b>	<b>113,077</b>	<b>372,228</b>	<b>16,731</b>	<b>31,827</b>	<b>533,863</b>
<b>DEPRECIATION</b>					
AT 1 AUGUST 2019	5,782	63,402	7,623	-	76,807
Expense for the year	2,186	10,427	2,426	-	15,039
Transfers	14	607	(621)	-	-
Transfers to intangible assets	-	-	(71)	-	(71)
<b>At 31 JULY 2020</b>	<b>7,982</b>	<b>74,436</b>	<b>9,357</b>	<b>-</b>	<b>91,775</b>
<b>NET BOOK VALUES</b>					
<b>AT 31 JULY 2020</b>	<b>105,095</b>	<b>297,792</b>	<b>7,374</b>	<b>31,827</b>	<b>442,088</b>
AT 31 JULY 2019	106,793	303,251	10,772	13,169	433,985

INSTITUTION	FREEHOLD LAND AND BUILDINGS £'000	LEASEHOLD LAND AND BUILDINGS £'000	FIXTURES, FITTINGS AND EQUIPMENT £'000	ASSETS IN THE COURSE OF CONSTRUCTION £'000	TOTAL £'000
<b>COST OR VALUATION</b>					
AT 1 AUGUST 2019	111,556	360,015	17,968	13,045	502,584
Additions	390	1,158	366	24,458	26,372
Transfers	1,131	3,381	(2,029)	(2,483)	-
Transfers to intangible assets	-	-	-	(3,278)	(3,278)
<b>At 31 JULY 2020</b>	<b>113,077</b>	<b>364,554</b>	<b>16,305</b>	<b>31,742</b>	<b>525,678</b>
<b>DEPRECIATION</b>					
AT 1 AUGUST 2019	5,782	61,311	7,239	-	74,332
Expense for the year	2,186	10,232	2,413	-	14,831
Transfers	14	606	(620)	-	-
Transfers to intangible assets	-	-	(71)	-	(71)
<b>At 31 JULY 2020</b>	<b>7,982</b>	<b>72,149</b>	<b>8,961</b>	<b>-</b>	<b>89,092</b>
<b>NET BOOK VALUES</b>					
<b>AT 31 JULY 2020</b>	<b>105,095</b>	<b>292,405</b>	<b>7,344</b>	<b>31,742</b>	<b>436,586</b>
AT 31 JULY 2019	105,774	298,704	10,729	13,045	428,252

## 14. FIXED ASSETS (CONTINUED)

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

	2020 £'000	2019 £'000
<b>COST OR VALUATION</b>		
AT 1 AUGUST 2019 and 31 JULY 2020	21,369	21,369
<b>DEPRECIATION</b>		
AT 1 AUGUST 2019	2,322	1,858
Expense for the year	464	464
<b>AT 31 JULY 2020</b>	<b>2,786</b>	<b>2,322</b>
Net Book Values	18,583	19,047

## 15. HERITAGE ASSETS

CONSOLIDATED AND INSTITUTION	TOTAL £'000
<b>COST OR VALUATION</b>	
AT 1 AUGUST 2019 and 31 JULY 2020	690

The University's heritage assets support its teaching, research and public engagement. The collection includes objects, such as paintings and sculpture. The strengths of the collection relates to the University's own specialist areas of excellence. The heritage assets held in the University make a significant contribution to scholarly endeavour, teaching and learning and the dissemination of knowledge for the public benefit. The disposal this year relates to books that have not been referenced for some time and a sculpture that has been returned to the family.

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.

## 16. INVESTMENTS

CONSOLIDATED	SUBSIDIARY UNDERTAKINGS £'000	ENDOWMENT FUNDS £'000	OTHER FIXED ASSET INVESTMENTS £'000	TOTAL £'000
<b>COST OR VALUATION</b>				
AT 1 AUGUST 2019	-	6,439	296	6,735
Change in Fair Value	-	(34)	-	(34)
<b>At 31 JULY 2020</b>	<b>-</b>	<b>6,405</b>	<b>296</b>	<b>6,701</b>

## 16. INVESTMENTS (CONTINUED)

INSTITUTION	SUBSIDIARY UNDERTAKINGS £'000	ENDOWMENT FUNDS £'000	OTHER FIXED ASSET INVESTMENTS £'000	TOTAL £'000
<b>COST OR VALUATION</b>				
AT 1 AUGUST 2019	4,300	6,439	171	10,910
Change in Fair Value	-	(34)	-	(34)
<b>At 31 JULY 2020</b>	<b>4,300</b>	<b>6,405</b>	<b>171</b>	<b>10,876</b>

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

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

ENDOWMENT FUNDS COMPRISE:	CONSOLIDATED AND INSTITUTION TOTAL £'000
COIF Fixed Interest Fund	439
COIF Property Fund	5,509
COIF Investment Fund	457
<b>TOTAL</b>	<b>6,405</b>

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

OTHER FIXED ASSET INVESTMENTS CONSIST OF:	CONSOLIDATED TOTAL £'000	INSTITUTION TOTAL £'000
CVCP Properties Limited	35	35
Advantage Growth Fund	95	95
Mercia Fund	41	41
Semantic Audio Labs Limited	125	-
<b>AT 31 JULY 2020</b>	<b>296</b>	<b>171</b>

## 17. STOCKS

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Raw materials and consumables	204	204	216	216
<b>TOTAL</b>	<b>204</b>	<b>204</b>	<b>216</b>	<b>216</b>



## 18. DEBTORS

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Trade debtors	19,745	19,077	22,098	21,486
Amounts due from subsidiaries	-	1,729	-	1,864
Prepayments and accrued income	10,664	9,205	7,961	7,292
<b>TOTAL</b>	<b>30,409</b>	<b>30,011</b>	<b>30,059</b>	<b>30,642</b>

## 19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Bank loans (Note 21)	1,549	1,549	1,540	1,540
Trade creditors	1,511	1,010	4,564	4,550
Other creditors	7,987	8,075	6,364	6,293
Capital Grants	1,867	1,855	2,956	2,956
Amounts due to subsidiaries	-	40,629	-	33,494
Corporation tax	43	-	4	-
Other taxation and social security	2,359	2,253	2,762	1,665
Accruals and deferred income	34,853	32,082	30,232	28,788
<b>TOTAL</b>	<b>50,169</b>	<b>87,453</b>	<b>48,422</b>	<b>79,286</b>

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 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Donations	54	29	46	46
Research grants received on account	546	271	887	579
Grant income	655	655	575	575
<b>TOTAL</b>	<b>1,255</b>	<b>955</b>	<b>1,508</b>	<b>1,200</b>

## 20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Bank loans (Note 21)	11,489	11,489	19,933	19,933
Capital Grants	38,663	38,309	32,716	32,347
Finance Lease liabilities (Note 21)	26,857	26,857	26,211	26,211
<b>TOTAL</b>	<b>77,009</b>	<b>76,655</b>	<b>78,860</b>	<b>78,491</b>

## 21. BANK LOANS AND FINANCE LEASES

Bank loans are repayable as follows:

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Within one year	1,549	1,549	1,540	1,540
Between two and five years	6,552	6,552	14,844	14,844
After more than five years	4,937	4,937	5,089	5,089
<b>TOTAL</b>	<b>13,038</b>	<b>13,038</b>	<b>21,473</b>	<b>21,473</b>

The Natwest Bank loans are secured on the University's city south campus and student residential properties, a facility of £45 million was agreed with HSBC which is not secured and a further £40m with Natwest which is also not secured. The £45 million has been drawn down and repaid during the year. The secured 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 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	26,857	26,857	26,211	26,211
<b>TOTAL</b>	<b>26,857</b>	<b>26,857</b>	<b>26,211</b>	<b>26,211</b>

## 22. 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 2019	3,876	93,130	97,006	3,751	3,751
Increase/(decrease) in provisions	(1,901)	49,759	47,858	1,366	1,366
Utilised during the year	-	-	-	-	-
<b>At 31 JULY 2020</b>	<b>1,975</b>	<b>142,889</b>	<b>144,864</b>	<b>5,117</b>	<b>5,117</b>

Other provisions £5.1m includes: £3.2m Dilapidations provision for Leasehold Buildings, and £1.6m provision against potential clawback on externally funded projects.

INSTITUTION	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 2019	3,876	93,130	97,006	3,751	3,751
Increase/(decrease) in provisions	(1,901)	49,759	47,858	1,246	1,246
Utilised during the year	-	-	-	-	-
<b>At 31 JULY 2020</b>	<b>1,975</b>	<b>142,889</b>	<b>144,864</b>	<b>4,997</b>	<b>4,997</b>

Other provisions £5.0m includes: £3.2m Dilapidations provision for Leasehold Buildings, and £1.6m provision against potential clawback on externally funded projects.

## 23. ENDOWMENT RESERVES

CONSOLIDATED AND INSTITUTION	RESTRICTED PERMANENT ENDOWMENTS 2020 £'000	EXPENDABLE ENDOWMENTS 2020 £'000	TOTAL 2020 £'000	TOTAL 2019 £'000
<b>AT 1 AUGUST</b>				
Capital	5,369	1,208	6,577	6,176
Accumulated income	963	512	1,475	401
<b>TOTAL</b>	<b>6,332</b>	<b>1,720</b>	<b>8,052</b>	<b>6,577</b>
New endowments	2,223	57	2,280	1,154
Investment income	213	82	295	174
Expenditure	(178)	(224)	(402)	(337)
Increase in market value of investments	(26)	(8)	(34)	484
<b>TOTAL ENDOWMENT COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,232</b>	<b>(93)</b>	<b>2,139</b>	<b>1,475</b>
<b>AT 31 JULY</b>	<b>8,564</b>	<b>1,627</b>	<b>10,191</b>	<b>8,052</b>
Capital	7,912	1,208	9,120	6,577
Accumulated income	652	419	1,071	1,475
<b>TOTAL</b>	<b>8,564</b>	<b>1,627</b>	<b>10,191</b>	<b>8,052</b>

ANALYSIS OF ENDOWMENTS BY ASSETS	2020 £'000	2019 £'000
Fixed assets	346	15
Non-current asset investments	6,405	6,439
Cash at bank and in hand	3,439	1,611
Current liabilities	1	(13)
<b>TOTAL</b>	<b>10,191</b>	<b>8,052</b>

## 24. UNRESTRICTED RESERVES

CONSOLIDATED	TOTAL 2020 £'000	TOTAL 2019 £'000
AT 1 AUGUST	272,976	268,910
Surplus for the year	3,062	12,430
Actuarial loss in respect of pension schemes	(43,427)	(8,364)
<b>TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(40,365)</b>	<b>4,066</b>
<b>AT 31 JULY</b>	<b>232,611</b>	<b>272,976</b>

## 24. UNRESTRICTED RESERVES (CONTINUED)

INSTITUTION	TOTAL 2020 £'000	TOTAL 2019 £'000
AT 1 AUGUST 2019	240,899	245,173
Surplus for the year	(3,957)	4,090
Actuarial loss in respect of pension schemes	(43,427)	(8,364)
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	(47,384)	(4,274)
<b>AT 31 JULY 2020</b>	<b>193,515</b>	240,899

## 25. CAPITAL AND OTHER COMMITMENTS

### Capital commitments

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

	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000	CONSOLIDATED 2019 £'000	INSTITUTION 2019 £'000
Commitments contracted for	40,323	40,323	4,183	4,183

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

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

### Lease obligations

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

	2020 £'000	2019 £'000
Within than one year	5,974	5,946
Between one and five years	19,289	21,317
After more than five years	59,618	60,177
<b>TOTAL</b>	<b>84,881</b>	87,440

## 26. CONTINGENT LIABILITIES

The University has given a guarantee to Millennium Point Property Ltd to pay the property lease rental of its subsidiary, Technology Innovation Centre (TIC). The lease term is currently 30 years until 26 November 2029 and the current annual rental is £1,021,289 (2019: £996,379). On the expiration date of the current lease, a lease extension signed on 31 October 2011 will be entered into between Millennium Point Property Ltd, TIC and the University which extends the period of the guarantee and lease to 18 March 2149.

## 27. SUBSIDIARY UNDERTAKINGS

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

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

## 28. RELATED PARTY TRANSACTIONS

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

The following material related party transactions occurred during the year: £5,165,922 (2019: £5,527,797) £3,792,744 was paid to Millennium Point Property Limited for use of space at Millennium and associated service charges (Julian Beer – Trustee).

In 2019/20, Birmingham City University approved investment in the form of annual membership and 5 year support for Greater Birmingham and Solihull Institute for Technology. During the year transactions occurred for the value of £70,000. There was a balance of £70,000 outstanding in creditors at the year end.

Two student governors elected by the Union of Students are members of the University's Board of Governors. During the year ended 31 July 2020, payments were made to the Students' Union for the value of £1,239,292 (2019): and invoices were raised from the University for the value of £66 (2019: £13,656).

There were balances of £10,176 and £265 outstanding in debtors and creditors at the year end.

## 29. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 31, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### USS Pension Liability

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

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS.

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

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

### Assessment of impairment of Assets

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

### Bad Debt Provision

A bad debt provision has been made against expenditure based on the percentage recovery rates of the external debt recovery company used by the University. Management are satisfied these provide a reasonable approximation in light of historical recovery rates. Due to the impact of Covid-19 the percentages have been revised to reflect those areas for which management consider there to be an increased risk.

## 30. FINANCIAL INSTRUMENTS

### Risk Management

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

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

## 30. FINANCIAL INSTRUMENTS (CONTINUED)

### 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 2020, 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 normally maintain a minimum of £20m in on-call cash 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.

## 31. PENSION SCHEMES

The University's employees belong to three principal pension schemes, the West Midlands Pension Fund, a Local Government Pension Scheme (LGPS) the Teachers' Pension Scheme (TPS), and the Universities Superannuation Scheme (USS). 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:

The liabilities associated with these schemes are as follows:

	2020 £'000	2019 £'000
Local Government Pension Scheme	142,889	93,130
Universities Superannuation Scheme	1,975	3,876
Teachers' Pension Scheme	-	-
<b>TOTAL</b>	<b>144,864</b>	<b>97,006</b>

## 31. PENSION SCHEMES (CONTINUED)

### (i) Local Government Pension Scheme (LGPS)

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

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 July 2019 FRS102 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 July 2020;
- Fund investment returns to 30 April 2020, estimated returns based on a net asset statement as at 30 June 2020 and market returns thereafter;

- Estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2020;
- Details of any new early retirements for the period to 31 July 2020 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost; and
- Details of any settlements for the period to 31 July 2020.

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

### Employer membership statistics

The table below summarises the membership data, as at 31 March 2019, for members receiving funded benefits, and as at 31 March 2019 for any members receiving unfunded benefits.

MEMBER DATA SUMMARY	NUMBER
Actives	1,673
Deferred pensioners	3,308
Pensioners	724
Unfunded pensions	11

The service cost for the year ending 31 July 2020 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £37,492,000.

The projected service cost of £17,457,000 for the year ending 31 July 2021 has been calculated assuming the payroll remains at this level over the year.

### Scheduled contributions

For information, the table below summarises the minimum employer contributions due from Birmingham City University to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 18.0% of payroll p.a.

MINIMUM EMPLOYER CONTRIBUTIONS DUE FOR THE PERIOD BEGINNING	1 APRIL 2020	1 APRIL 2021	1 APRIL 2022
Percent of payroll	18.0%	18.0%	18.0%
Plus monetary amount (£'000)	1,499	1,554	1,611

We have agreed with the administering authority to prepay an element of the certified contributions by making lump sum payments at the start of each year (i.e. in April 2020, April 2021 and April 2022). This lump sum payment will include an actuarially equivalent discount.



## 31. PENSION SCHEMES (CONTINUED)

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.

### Early retirements

There were no new early retirements over the year which were not allowed for at the previous accounting date.

The estimated asset allocation for Birmingham City University as at 31 July 2020 is as follows:

	31 JULY 2020 £'000	%	31 JULY 2019 £'000	%
Equities	131,293	56%	140,493	60%
Government bonds	25,355	11%	22,131	9%
Other bonds	9,066	4%	8,842	4%
Property	17,615	8%	19,076	8%
Cash/liquidity	15,502	4%	8,438	4%
Other	34,880	15%	34,703	15%
<b>TOTAL</b>	<b>233,711</b>	<b>100%</b>	<b>233,683</b>	<b>100%</b>

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 2020 is likely to be different from that shown due to estimation techniques.

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

### Valuation approach

To assess the value of the Employer's liabilities at 31 July 2020, actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019 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 2020 without completing a full valuation.

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2020 is estimated to be 2%. The actual return on Fund assets over the year may be different.

However, they are satisfied that the approach of rolling forward the previous valuation data to 31 July 2020 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.

### Valuation of the Employer's assets

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2019 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.

This has been updated since the last accounting date when the results were based on a continuation of the roll forward from the 31 March 2016 funding valuation.

### Experience items allowed for since the previous accounting date

As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation to 31 July 2020.

## 31. PENSION SCHEMES (CONTINUED)

### Guaranteed Minimum Pension (GMP) Equalisation

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

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

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase.

For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore the pension fund do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

### Demographic/Statistical assumptions

The post retirement mortality tables adopted are the S3PA heavy tables with a multiplier of 85% for males and 95% for females, consistent with the 2019 valuation of the Fund. At our request, the fund has projected these base tables using the CMI\_2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., a smoothing parameter of 7.0 and no initial addition to improvements.

This has been updated since the last accounting date where the demographic assumptions were based on those adopted for the Fund's 31 March 2016 valuation.

The assumed life expectations from age 65 are:

		31 JULY 2020	31 JULY 2019
Retiring today	Males	21.0	20.9
	Females	23.2	23.2
Retiring in 20 years	Males	22.4	22.6
	Females	24.8	25.0

The actuaries have also assumed that:

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

## 31. PENSION SCHEMES (CONTINUED)

### Financial assumptions

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

	31 JULY 2020 % P.A.	31 JULY 2019 % P.A.	31 JULY 2018 % P.A.
Discount Rate	1.5%	2.65%	2.65%
Pension increase	2.0%	2.35%	2.35%
Salary increases	2.5%	3.85%	3.85%

The assumptions as at 31 July 2020 have been requested of the Fund following the University having taken independent advice.

The estimate of the duration of the Employer's liabilities is 24 years. This has been calculated based on membership data provided for the most recent full valuation of the Employer's liabilities at 31 March 2019. This may differ from the estimated duration at the previous accounting date.

### Discount rate

The derivation of the discount rate assumption has changed at 31 July 2020. Based on the sensitivity information provided by the actuary, the impact of this change in approach is an increase of approximately £8.7m in the defined benefit obligation as the assumption is now 0.1% higher than it would have been under the previous methodology.

### 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 2020.

### Curtailments

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

The Actuaries 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.

### Statement of profit or loss for the year to 31 July 2020

The amounts recognised in the profit and loss statement are:

	YEAR TO 31 JULY 2020 £'000	AS AT 31 JULY 2019 £'000
Service cost	13,279	12,830
Net interest on defined liability	1,862	1,954
Administration expenses	139	112
<b>TOTAL LOSS</b>	<b>15,280</b>	<b>14,896</b>

## 31. PENSION SCHEMES (CONTINUED)

### Asset and benefit obligation reconciliation for the year to 31 July 2020.

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

	YEAR TO 31 JULY 2020 £'000	YEAR TO 31 JULY 2019 £'000
Opening defined benefit obligation	326,813	293,567
Current service cost	13,279	10,921
Interest Cost	6,816	7,731
Change in financial assumptions	14,732	34,364
Change in demographic assumptions	(7,698)	(18,001)
Estimated benefits paid net of transfers in	(6,839)	(6,002)
Experience loss/(gain) on defined benefit obligation	27,185	-
Past service costs, including curtailments	-	1,909
Contributions by Scheme participants and other employers	2,323	2,341
Unfunded pension payments	(11)	(17)
<b>CLOSING DEFINED BENEFIT OBLIGATION</b>	<b>376,600</b>	<b>326,813</b>

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

	YEAR TO 31 JULY 2020 £'000	YEAR TO 31 JULY 2019 £'000
Opening fair value of fund assets	233,683	215,993
Interest on assets	4,954	5,777
Return on assets less interest	(122)	7,999
Administration expenses	(139)	(112)
Contributions by employer including unfunded	8,948	7,704
Contributions by Scheme participants and other employers	2,323	2,341
Estimated benefits paid plus unfunded net of transfers in	(6,850)	(6,019)
Other actuarial gains	(9,086)	-
<b>CLOSING FAIR VALUE OF FUND ASSETS</b>	<b>233,711</b>	<b>233,683</b>

The total return on the fund assets for the year to 31 July 2020 is £4,832,000.

### Re-measurements in other comprehensive income

Re-measurement of the net defined liability:

	YEAR TO 31 JULY 2020 £'000	YEAR TO 31 JULY 2019 £'000
Return on Fund assets in excess of interest	(122)	7,999
Changes in financial assumptions	14,732	(34,364)
Change in demographic assumptions	7,698	18,001
Other actuarial gains/(losses) on assets	(9,086)	-
Experience gain/(loss) on defined benefit obligation	(27,185)	-
<b>RE-MEASUREMENT OF THE NET DEFINED LIABILITY</b>	<b>43,427</b>	<b>(8,364)</b>

## 31. PENSION SCHEMES (CONTINUED)

### (iii) The Universities' Superannuation Scheme

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

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

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

Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account. The total cost released to the profit and loss account is £1,178,000 (2019: charge £3,332,000) as shown in note 9. The latest available full actuarial valuation of the scheme was at 31 March 2018 (the valuation date), which was carried out using the projected unit method.

The 2018 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

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

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

The current life expectancies on retirement at age 65 are:

	2019
Scheme assets	£67.4bn
Total scheme liabilities	£73.1bn
FRS 102 total scheme deficit	£5.7bn
FRS 102 total funding level	92%

## 31. PENSION SCHEMES (CONTINUED)

### (iii) The Teachers' Pension Scheme (TPS)

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

#### The Teacher's Pension Budget and Valuation Account

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

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

### Valuation of the Teachers' Pension Scheme

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

A copy of the latest valuation report can be found on the Teachers' Pension Scheme website.

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