



BIRMINGHAM CITY
University

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University

REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

2020/21

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FOREWORD VICE-CHANCELLOR





THIS HAS BEEN THE SECOND YEAR WHERE THE COVID-19 PANDEMIC HAS HAD A SIGNIFICANT IMPACT ON OUR LIVES, AND IT IS UNSURPRISING TO FIND THAT IMPACT REFLECTED IN THIS FINANCIAL STATEMENT FOR 2020/2021. THE PANDEMIC HAS BROUGHT INTO RELIEF THE IMPORTANCE OF THE UNIVERSITY'S MISSION AS THE UNIVERSITY FOR BIRMINGHAM, AND AN INSTITUTION WITH A COMMITMENT TO ENABLING OUR STUDENTS TO TRANSFORM THEIR LIVES.



For our students this has been an exceptionally challenging year. During the year I was often struck by their commitment to their studies, even under these very difficult circumstances. For many students on what we came to call our “keyworker courses” (generally in the Health professions, Teaching and Social Work) much of the year was still on campus – albeit with face-coverings, testing facilities and social distancing. For other students, the second half of the year in particular was characterised by extended periods of lockdown – with students on the practice-based courses able to return to campus from March and other students effectively required to study online until May.

In order to support our students, the University again waived rent payments in respect of accommodation which it manages, and worked with our private providers to encourage them to provide similar support to students. Colleagues across the university ensured that additional funding for student support was targeted at areas where we could see significant challenge. In particular the pressures created by digital poverty – whether in the form of excess charges for data downloads, or simply access to a laptop – were an obvious area for prioritisation, but equally we were aware of the needs of students who were having to self-isolate, or who – like many of our international students – found themselves with additional costs for which they had not budgeted.



And if this last year was challenging for students, it was equally gruelling for staff across the university. Working practices had to change to accommodate the demands of the pandemic. For many this additional workload came at a time when school closures and other care commitments meant that they were needing to juggle work commitments with unanticipated demands on the home front. Our academic staff needed to plan changes that had to be made to teaching activities and to assessments, while also ensuring that students were supported and that academic standards were maintained. I am extremely grateful to everyone for their work.

Our priorities for the year were simple: ensure safety; maintain standards; and deliver sustainability. I am pleased to say that we performed well against all of these. Throughout the year the health and safety of our community was the overriding objective, and cases on campus were low – something that was undoubtedly driven by the commitment of both staff and students to keeping our campuses Covid secure. Academic standards were maintained, and the feedback from our external examiners has been overwhelmingly positive. And the university's financial performance has been far more positive than I expected.

Overall, our estimate is that we carried around £10-12m of additional Covid-related costs. These cover everything from the rent waivers and additional student support payments, through to the provision of PPE, the costs of additional hygiene measures and of additional staffing.

While there were, of course, some offsetting savings – particularly in the context of travel – this was also a year when an impairment review was conducted, assessing the valuations of our estate, something which further impacted on the financial performance. I was therefore pleased that we were able to remain in surplus, and indeed largely in line with the target which had been set in the budget for the year. It is a performance which is indicative of the overall strength of the institution.

Of course, this was not solely the year of the pandemic. The university's development continued, with the rebuilding and refurbishment of the iconic Belmont Works on our Eastside campus as the future home of STEAMhouse. The STEAM agenda – which places our rich heritage of Art and Design education into the context of Science and Technology disciplines – is a key element of our Strategy 25. We see the meeting of these different discipline areas as an important factor in ensuring that our students are able to think across discipline boundaries, ensuring that the education which we deliver will maintain its currency and its relevance. It has been very pleasing to see how well this has been received, not just in the UK, with significant grant funding supporting the development, but also in India, where our STEAMhouse India development has also been progressing during the pandemic.



Even in the midst of the pandemic, we have continued to deliver the activities at the heart of the university. The Research Excellence Framework submission took place, and I was very pleased to see the growth in both scale and quality evidenced by the university's submission. There was a similarly encouraging performance in the new Knowledge Exchange Framework. I have also been pleased to see the continuing strengthening in the university's league table performance, indicating the increasing reach and profile of the institution. Perhaps unsurprisingly both home and overseas recruitment has continued to be strong, and our expectations are that levels of demand are likely to continue to grow across most of our disciplines.

At time of writing, we are now largely back on our campuses, and able to offer our students a fuller and more normal university experience. It is clear that we need to maintain a cautious stance in order to keep all of our staff and students safe from Covid, and there is no doubt that there will be continuing additional costs from managing our way through what we hope will be the last stages of the pandemic. With the return to normality there is the return of long-standing areas of concern – the continuing erosion of the unit of resource from the long-standing fee freeze for home students on regulated programmes; the coming Comprehensive Spending Review, and potentially the implementation of parts of the Augar Report; and the continuing pressure of pensions costs (even though the university has only minimal engagement with the Universities Superannuation Scheme.)

The good performance of university during this last year is encouraging, and was the result of a huge amount of hard work and commitment across the institution. Even with the political and financial challenges which the next year may bring, we come out of Covid with justifiable confidence in our ability to meet those challenges.

Philip Plowden, Vice-Chancellor

October 2021

HIGHLIGHTS OF THE YEAR



THE 2020/21 SAW CONTINUED CHALLENGES FROM THE COVID-19 PANDEMIC, BUT THAT DID NOT STOP THE UNIVERSITY CONTINUING TO INNOVATE IN ITS COURSE PROVISION, WIDEN OPPORTUNITIES FOR OUR LEARNERS, AND CONTRIBUTE TO THE LIFE OF THE CITY.



The new STEAMHouse facility



I AM BCU Awards



Inspired Festival signage

CONTINUED GROWTH OF STEAMHOUSE

Work continued during the year on the £72 million refurbishment of Birmingham's 120-year-old derelict Belmont Works building, which will be transformed into a new home for STEAMhouse, providing businesses in the city with access to state-of-the-art facilities, packages of business support and access to like-minded collaborators. The project is based on the concept of STEAM, which places the arts at the centre of traditional scientific subjects of science, technology, engineering and mathematics to increase innovation.

RETURN OF STUDENTS TO CAMPUS

The University adapted its course delivery on multiple occasions in light of changing Covid rules during the past year. Ahead of more students coming onto campus for the next academic year, BCU hosted a two-week programme of masterclasses to help new arrivals prepare for University, following survey results highlighting young people's concerns about moving to higher education. This followed a guide published in January which helped students with applications.

FIRST I AM BCU AWARDS

June 2021 saw the University's first I AM BCU awards, celebrating the contribution of staff and students across the University in what was an exceptional year. Building on the success of our Extra Mile Awards in previous years, this event saw more nominations than ever before – a testament to how staff and students went above and beyond during the challenges posed by Covid-19. While Covid restrictions prevented an in-person event, we were excited to host the ceremony live from campus with guests joining online.

LAUNCH OF ANTIRACIST COMMITMENT PLAN

BCU shared its ambitious Black Lives Matter Antiracist Commitment Plan on 25 May 2021 – one year after the death of George Floyd, which sparked Black Lives Matter protests around the world. Developed by a working group consisting of BCU staff, students and recent alumni, the plan sets out a path forward for the next five years with actions in four key areas – learning, teaching and assessment; research and knowledge exchange; people, values and partnerships; and leadership.

UNIVERSITY SIGNS UP TO MENTAL HEALTH CHARTER

BCU has joined the University Mental Health Charter Programme, a new initiative aiming to improve student and staff mental health following the impact of the Covid-19 pandemic. As a participant in the scheme, the University has committed to making mental health and wellbeing a university-wide priority, share practice with others, and create cultural change. It will also work towards the Charter Award, an accreditation scheme which recognises universities that demonstrate excellent practice.

INSPIRED FESTIVAL SHOWCASES STUDENT ACHIEVEMENT

Dozens of creative projects produced by our students went on display at sites across the city in July including the Bullring, New Street station, Aston Expressway and Grand Central. The artworks were on display as part of the annual Inspired Festival, which showcases our exceptional graduate work. Due to restrictions caused by the Covid-19 pandemic, which limited in-person events, we instead took our art on the road to billboards and digital screens and on mobile ad vans.



School of Jewellery 'All That Glitters'



West Midlands National Park proposal



Launch of Nursing Degree Apprenticeship

STUDENT SUPPORT WORK LEADS TO MBE

Former Head of Mental Health and Wellbeing at BCU Karin Qureshi has been awarded an MBE for her work around student support during the Covid-19 pandemic. Karin, who oversaw the department between 2014 and 2020 and has over 30 years' experience of providing mental health and wellbeing support, was included in the 2021 Queen's Birthday Honours 'for services to Mental Health and Higher Education (Birmingham, West Midlands)'.

ALL THAT GLITTERS

The studios and workshops of BCU's historic School of Jewellery provided the location for BBC Two's primetime jewellery show 'All That Glitters', broadcast earlier this year. Filmed during the summer of 2020 at the 131-year-old site, the six-part series fronted by comedian Katherine Ryan saw eight of the UK's best jewellery makers battle it out to make two pieces each week to briefs set by the All That Glitters judges.

WEST MIDLANDS NATIONAL PARK FOUNDATION

BCU is at the forefront of proposals for a new kind of National Park for the West Midlands, spanning more than seven cities and creating hundreds of miles of green space, conservation areas and new cycle routes. The West Midlands National Park Foundation met for the first time in January to discuss initial proposals, confirming the project as a key driver in the region's post-Covid green economic recovery.

LAUNCH OF NURSING DEGREE APPRENTICESHIP

BCU welcomed its first cohort of nursing apprentices in September 2020, in an effort to help overcome the growing shortage of nurses across the UK. The Registered Nursing Degree Apprenticeship has been developed in collaboration with local NHS partners and employers across the region, and aims to provide an additional route into the profession to help tackle skills gaps and boost the nursing workforce. Learners are able to study across the four fields of nursing: Adult, Child, Learning Disabilities or Mental Health.

NEW BLENDED LEARNING NURSING DEGREE

The University also become one of only seven institutions in the UK to offer a new 'blended learning' Nursing degree, funded by Health Education England and aimed at widening opportunities for people to enter the profession. Featuring a mix of online and face-to-face teaching, it is designed to appeal to those interested in studying to become a nurse but who, for reasons such as location, family, work or other commitments, cannot commit to the traditional three-year university route.



**TEACHING
AND STUDENTS**



OVERALL THE UNIVERSITY SUPPORTED OVER 29,000 STUDENTS STUDYING OUR AWARDS IN THE UK AND OVER 5,050 STUDENTS STUDYING OUR AWARDS OVERSEAS.

Using numbers reported on 26 July 2021 [numbers may change slightly when reported in HESA 2020/21], of those studying in the UK, full-time undergraduate student numbers at BCU grew by 6% in 2020/21 to 19,889 while full-time postgraduate students grew by 20% to 4,223. This growth to 24,102 full-time taught students was partly driven by an 20% increase in non-EU international students to nearly 20% over 3,500, but also due to improved continuation rates from 2019/20 to 2020/21, and particularly strong student recruitment in Health and Life Sciences in the pandemic-affected recruitment round of September 2020.

The University also enrolled 2,990 part-time students (not including apprentices) – a slight increase on last year where CPD numbers were particularly affected by the complete lockdown in April and May 2020. Our higher and degree apprenticeship numbers have risen again this year to well over 900. Our population of postgraduate research students has remained fairly steady compared to last year at just over 550 students (full time and part time).

Early end of year data for offshore students shows nearly 1,100 students studying for a dual degree (mainly China and Hong Kong); and 3,788 registered with overseas partners while studying for Birmingham City University validated awards. Overseas distance learning numbers remain quite low at 146, and this year, for the first time, we have the first early enrolments at our overseas campus in UAE.

54% of our full time UK undergraduate entrants (2019/20 data) 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. Proportions are similar for 2020/21 cohorts, but are yet to be fully confirmed at the time of publishing this report.

Nationally the National Student Survey was affected in all higher education providers by the pandemic. At BCU, Teaching satisfaction score went down by 4.3% points to 78.3%, and our overall satisfaction score by 8 percentage points to 72.1% agree. However, because the rest of the sector was similarly affected if not more so, we found that our NSS scores helped us increase our ranking in the UK League Tables – our consistently very good Feedback and Assessment scores were ranked 23rd in the UK. We were also pleased that we were rated better than the sector by our students in terms of our responses to the pandemic, in the special Covid-related NSS questions this year. This included 87.5% of respondees agreeing that we had taken sufficient steps to protect physical safety on campus.

The pandemic also affected, sector-wide, the results of the second-ever national Graduate Outcomes survey. This survey is still classed as experimental data – and nationally 2018/19 leavers, surveyed in September 2020, saw a 3% drop in employment rates compared to the 2017/18 leavers who were surveyed pre-pandemic. At BCU our unemployment rate for full-time UK undergraduate degree leavers was 8.9%, 2.2% points worse than for our 2017/18 leavers. We have increased significantly the range of our courses which offer placement options, as this improves employability, and we hope that new partnerships with industry – particularly through the STEAMhouse initiative, will continue to improve the graduate prospects of all our students.

STAFF





THE IMPORTANCE OF OUR STAFF HAS BEEN AMPLIFIED IN THE LAST 12 MONTHS – THE UNIVERSITY IS PROUD AND APPRECIATIVE OF THE WAY THAT OUR STAFF HAS RESPONDED TO THE PANDEMIC. NAVIGATING THROUGH UNCHARTERED WATERS IS NEVER EASY BUT IN THE FACE OF A GLOBAL PANDEMIC, OUR STAFF HAS STRIVEN EVERY STEP OF THE WAY TO SUPPORT OUR STUDENTS, OUR COMMUNITY AND OTHER STAKEHOLDERS AND HAS GONE THE EXTRA MILE ON SO MANY OCCASIONS.

Going the extra mile was demonstrated at our recent I AM BCU awards - our security team won Team of the Year which acknowledge the fact they have remained in our buildings throughout the pandemic and, in many cases, have been the first visible point of support for our students. Helen Davis from the Faculty of Health, Education and Life Sciences was 'Highly Commended' in the I AM BCU award category of Supportive Staff of the Year with words such as "tenacity", "creativity" and "fearlessness" in her award citation. Amy Cook from the Faculty of Business, Law and Social Sciences won this category, being cited for leading their department with "strength and grace" and supporting staff and students alike.

These teams and individuals are examples of the depth and range of our staff body. Flexibility, adaptation and agility have become key words for all of us and our staff has taken those words to heart in their actions. Despite lockdowns, the University has remained open for business at all times in the last academic year and this great feat has been through the work and combined efforts of both our academic and professional services teams.

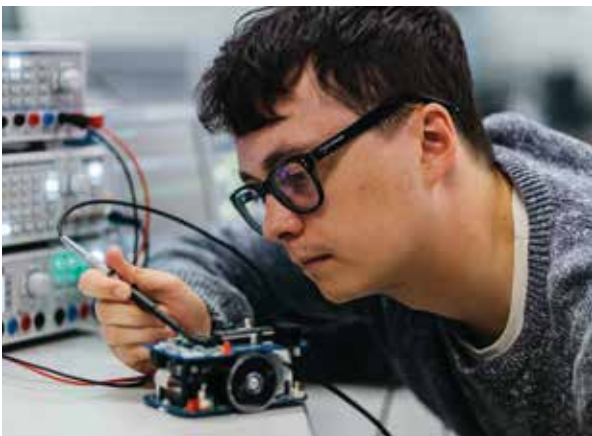
The last 12 months has seen issues of diversity and inclusion move centre stage internationally and in the UK. The murder of George Floyd in the USA set off a series of events that asked every organisation to reflect on its commitment to making a difference and ensuring that its workplace is diverse and inclusive. Here at Birmingham City University we have agreed our Equality, Diversity and Inclusion strategy for the coming years and have recently published our Black Lives Matters Antiracist Commitment Plan – we now need to demonstrate by impactful and enduring change that we can take Birmingham City University to the next level for inclusivity, ensuring that everyone who comes to our workplace can be themselves and give of their best and also that Birmingham City University acts as a catalyst for further change in our region.

The 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 both documents available on the Birmingham City University website in the corporate publications section.

As we look to the future, the pandemic is still impacting on the world and we will need to respond to this ongoing situation. Our people are our critical resource to ensure we continue to safely and securely navigate the next 12 months – their commitment, dedication and hard work will ensure that we continue to deliver the best experience to our students and stakeholders.



THE UNIVERSITY'S STATEMENT OF PUBLIC BENEFIT



BIRMINGHAM CITY UNIVERSITY IS AN EXEMPT CHARITY BY VIRTUE OF SCHEDULE 3 OF THE CHARITIES ACT 2011 AND AS SUCH REGULATED BY THE OFFICE FOR STUDENTS (OFS) 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.



IMPROVE SOCIAL MOBILITY THROUGH EDUCATION



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.

In recognition of these challenges, the University's outreach team have, despite the pandemic, continued to work 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), on activities to promote access to higher education. Our collaborative approach to outreach through AimHigher West Midlands and the Uniconnect Programme continues to be expressed in an 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 operate 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 and their parents who are from disadvantaged backgrounds in a local area with high levels of deprivation and low HE participation. 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. Despite the pandemic and the centre closing for a period of time during the national lockdown, the centre interacted with over 650 individual learners over the course of the last year, some of whom have taken part in multiple programmes.

The outreach team also trained BCU students to work as tutors with young learners from primary schools who were identified as struggling with hitting literacy targets and with progression. These tutors worked with 106 primary school pupils over the course of the year, improving their reading age by over two years in some cases.



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

**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 1,545 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, designing jewellery and watches 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 and one of its most famous jewellery schools, 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. Equality Diversity and Inclusion is at the heart of everything we do with the newly launched Centre for Equality, Diversity and Inclusion in the Arts (CEDIA) and the Sir Lenny Henry Centre for Media Diversity, shortlisted for the THE 2021 Award for outstanding contribution to EDI in Higher Education.

FACULTY OF HEALTH, EDUCATION AND LIFE SCIENCES (HELS)

HELS is one of the largest providers of Health, Education and Social Work courses in the UK, providing much needed professionals for the workforce. In addition, we are the sole provider of Nurses, Diagnostic Radiographers and Operating Department Practitioners for all three military services. We work very closely with our partners in practice to ensure our students have the opportunity to undertake high quality, supported experiences to prepare them for their future careers. This includes providing continuing professional development courses to assist employers to meet their workforce development needs.

Our apprenticeship offer continues to grow, again supporting our employer partners to develop their workforce. Furthermore, we are developing more flexible provision to support the uptake of courses e.g. Blended Learning Midwifery Course, where students attend university for 15 days per year with the remainder of their time in practice or undertaking online learning. This flexible approach makes the course more attractive to applicants from a wide geographic area, again supporting employers with their workforce development, particularly in shortage areas.

We have a growing research portfolio with particular expertise in practice based and practitioner research to support our course delivery and innovations in practice. We work with partners locally, nationally and internationally helping to develop staff and/or services and in the case of international partners to achieve sustainable developments. Through our partners we are able to support students to undertake opportunities to gain experiences in the UK but more usually overseas to support their role as global citizens.



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 practice oriented teaching, applied 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), amongst others, meaning that many of the awards earned by our students carry the additional benefit of professional recognition.

Our practice oriented education puts great emphasis on enabling our students to engage with and provide benefit to the world beyond the university. For example, our in-house Law Clinic enables our students to engage with and to provide support for our communities, many of whom would otherwise find it very difficult to access any legal advice. Similarly, in our Business Advice Centre, students from across our Business School work with and provide guidance and ideas to many small and medium sized business from across the West Midlands region and beyond. In the School of Social Sciences, the Social Impact Hub provides students with opportunities to work with many different forms of organisation in addressing societal challenges that many of our local communities are confronting. The work of the Faculty is epitomised by the Birmingham 2029 project, which is a major longitudinal research and knowledge transfer programme of work to use the city and the region as a laboratory, enhancing knowledge whilst also providing benefit.



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 and beyond by becoming involved in the latest research and 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 currently pursuing 11 Innovate UK funded Knowledge Transfer Partnerships, and offers students industry mentored projects, many of which are showcased at our annual weeklong Innovation Fest (<https://www.innovationfest.co.uk/>).

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, in technical business functions such as logistics, building and quantity surveying. There are strong links to industry through our 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 students in conversation on a balcony. A young woman in a white cardigan and black hijab sits on the left. A young man in a denim jacket stands in the center. A woman in a black top and headscarf stands on the right. They are positioned behind a red brick wall with a concrete ledge. The background shows a building with large windows and some greenery with purple flowers in the foreground.

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



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.

In 2020/21 the University secured £6m of income from new externally funded grants and contracts, and managed a live portfolio that stood at 214 projects, with a total grant value of £43.4m at July 2021. New project highlights for 2020/21 include:

KNOWLEDGE EXCHANGE WITH THE ARTS AND CULTURE SECTOR

BCU are partners in the National Centre for Academic and Cultural Exchange (NCACE) - launched in January 2021 with £1.1m of funding from Research England to support four-years of activity until December 2024. The centre is managed by The Culture Capital Exchange (TCCE) with activities carried out by higher education provider partners, including BCU staff in our Art, Design and Media faculty and STEAMhouse. The NCACE will focus on realising and communicating the potential of Knowledge Exchange, in its widest sense, with the arts and culture sector.

SMART TOOL PROJECT FOR LOW CARBON BUILDING ECONOMY

The EcRoFit project, led by the School of Computing and Digital Technology, and funded by the European Regional Development Fund, will support a UK-wide shift to a low carbon model within the new build and retrofitting markets. Specifically, this will take place through the provision of a new tool for assessing energy efficiency and renewable energy use in domestic and non-domestic buildings. The project is supported by the EcRoFit Industry Advisory Board whose members are made up of 10 companies that represent the energy certification market, building supplies, housing and retrofit providers.

INDONESIAN BIOENERGY POTENTIAL THROUGH ASSESSMENT OF WALLACEA'S PLANT SPECIES

Academics from the School of Computing and Digital Technology will undertake an investigation into the bioenergy potential of plant species in Wallacea, Indonesia. Funded by the British Council, the project involves a new partnership between BCU, the University of Tokyo and Gorontalo State University in Indonesia. Project outcomes will be reported to the UN Climate Change Conference (COP26) in Glasgow during October-November 2021.

AI-BASED DECISION SUPPORT SYSTEM FOR POST-COVID HEALTH CERTIFICATION

The project, which is led by the School of Law, and funded by UKRI/Sprite+, draws from law and moral philosophy to explore human dignity in the design, development, and deployment of technology, specifically a human dignity-aware AI system. Researchers will be exploring AI system impacts on human dignity; legal responsibility; and liability for harm, damage, or loss.

INTERDISCIPLINARY CREATIVE PRACTICES AND BODY POSITIVE RESILIENCE

Led by our School of Art, in collaboration with Edinburgh Children's Hospital, and funded by the British Scoliosis Research Foundation, the project uses art as a form of interdisciplinary research practice to measure the impact of Scoliosis (curvature of the spine) on wellbeing and body perception in adolescent girls. Workshops will explore the aesthetics of imperfection and their cultural value through investigations that focus on the body as an object, and how it is experienced.

DIGITAL DOCTORATE TRAINING HUB

Led by the School of Education and Social Work, the project will establish a doctoral training hub to support development of a high-quality 'digital doctorate' (EdD-I) in partnership with universities in Vietnam, China, and Indonesia. It will also provide opportunities for international educational professionals to extend their knowledge and skills and improve practice in ways that positively impact learners and communities.



In 2020/21 we also led on a number of initiatives that aimed to transform the region through accelerating business growth and employability within the local economy. For example:

EARLY YEARS WORKFORCE PROGRESSION

In late 2020, the University received funding for the Early Years Career Progression Pathways (EYCP) project. The £1.8m European Social Fund-funded project represents a partnership between West Smethwick Enterprise, Newman University and BCU academics from the Faculty of Health, Education and Life Sciences. The project started working with participants in July 2021 to support them in their careers in the Early Years workforce.

INSTITUTE OF TECHNOLOGY FOR ADVANCED MANUFACTURING AND ENGINEERING

The Institute of Technology (IOT) for Advanced Manufacturing and Engineering was officially launched by the government in July 2021 as one of 12 IOTs nationwide. Construction of the new state-of-the-art IOT Hub started in May 2021 and is expected to open in January 2022. The Hub will host a cyber-manufacturing rig and new equipment for labs and workshops, including 3D printers, lathes and a coordinate measuring machine.

MULTI-AGENCY COLLABORATION TO IMPROVE GRADUATE OUTCOMES

During 2021, Phase II of Graduate Re-Tune project commenced to extend coverage across the West Midlands and nationally. The project represents a partnership with Jobcentre Plus and Aston University to target graduates that have newly registered for Universal Credit in the Greater Birmingham and Solihull Local Enterprise Area. BCU supports three core project aims: to improve progression rates of students from under-represented groups; to improve graduate outcomes of mature students or part-time students; and to address skills gaps through responding to and reflecting local labour market demands.

KICKSTART SCHEME GATEWAY

BCU received approval as a Kickstart Scheme Gateway to help create jobs for young people at risk of long-term unemployment. The BCU Careers+ and Graduate Re-Tune project team are working with our employer partner, West Midlands Police (WMP) and Department of Work and Pensions (DWP) to deliver over 100 Graduate placements across a range of roles. Participants in the scheme are also supported by BCU's Graduate Re-tune employability advisors – a multiagency collaboration to improve graduate outcomes and address regional skills gaps.



THROUGHOUT 2020/21, BCU FURTHER BUILT ITS PROFILE AS AN INTERNATIONAL THOUGHT-LEADER IN STEAM, AN INTERDISCIPLINARY WAY OF THINKING THAT COMBINES ARTS WITH STEM TO DRIVE INNOVATION.

The government-backed initiative continued to underpin collaborative research partnerships; drive open innovation with regional, national and international businesses and entrepreneurs; and facilitate considerable levels of public and community engagement through access to facilities and workshops; whilst also making a substantial contribution to local growth and regeneration.

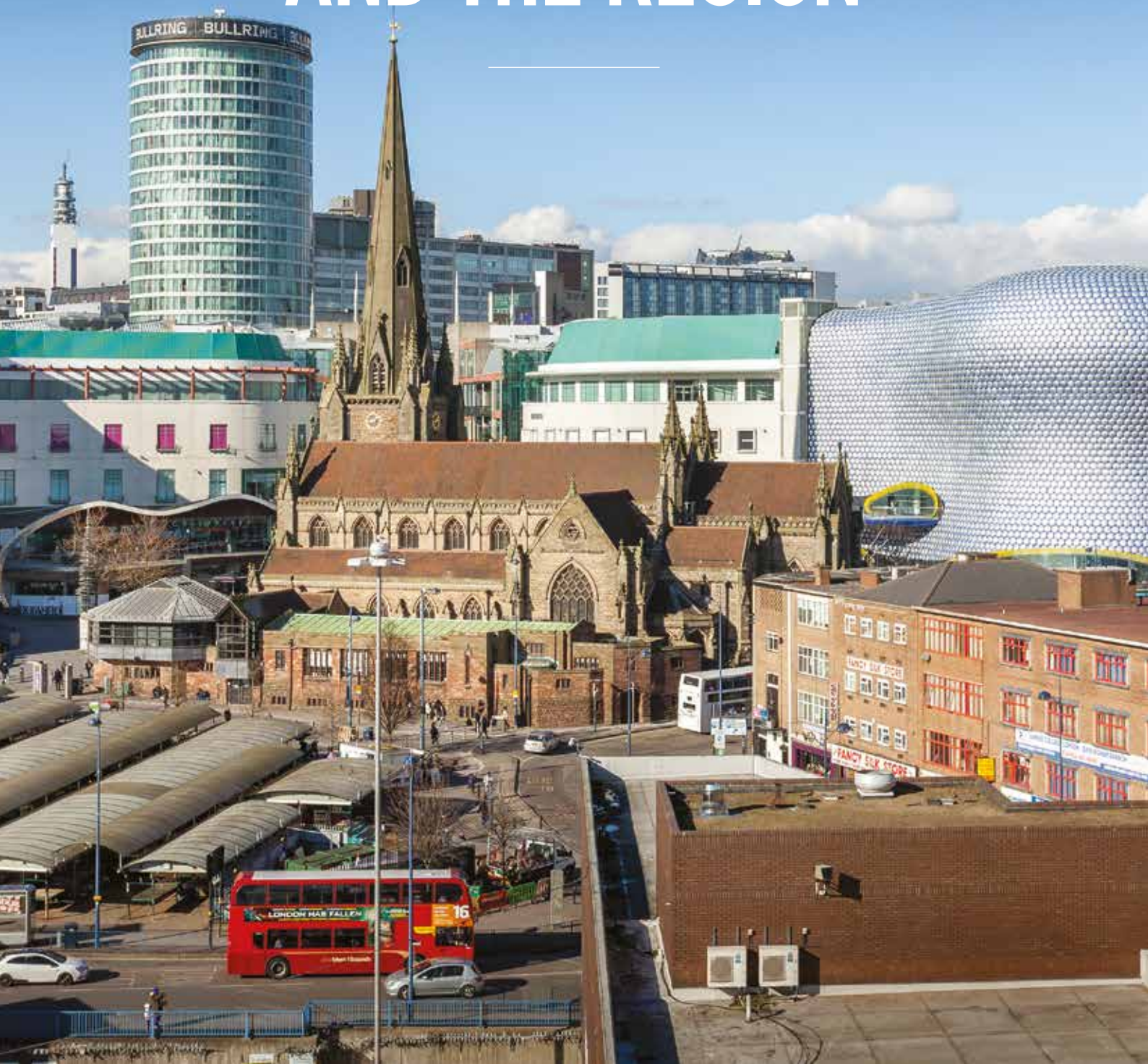
Highlights included the second BCU International STEAM conference, cementing BCU's position as a thought leader in this field. The event, which brought together a global audience, included demonstrations, talks and workshops with internationally renowned practitioners and innovators including Mr Sunil Kant Munjal, Chairman of Hero Enterprise, Nadav Hochman, The Associate Director of Gray Area Foundation, Liliane Wong, Head of Interior Architecture at Rhode Island School of Design.

The successive lockdowns from March 2020 and remote working meant that STEAMhouse, the physical manifestation of the STEAM approach, had to pivot an offer to its 475 members from being tactile and physical, to one that was remote and hands-off. This was underpinned by innovative new products and services such as Portal - an online learning platform for members; Maker Boxes - specialised STEAM learning kits for home delivery; Courses - to learn about a range of technical subjects using box materials; and Bureau - a remote prototyping and production service.

Our STEAM India joint venture with the Hero Group (the world's largest manufacturer of cycles and motorcycles) to establish the Munjal BCU Centre of Innovation and Entrepreneurship (MBCIE) in the state of Punjab, also gathered pace throughout 2020/21. MBCIE will provide STEAM-oriented higher education which aims to trigger industrial revival in the State by driving innovation in industrial clusters and promoting entrepreneurship.

Lastly, despite the pandemic, work continued on the £70m STEAMhouse Phase 2 building - a 120,000 sq ft prestige facility, which is scheduled to open in early 2022. STEAMhouse 2 will incorporate 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.

PROMOTE AND IMPROVE OUR CITY AND THE REGION





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.

Underlining the success of our mission, in 2021 the Government's new Knowledge Exchange Framework ranked BCU in the top 20% of all universities for skills, enterprise and entrepreneurship, and the top 30% for working with business, and local growth and regeneration.

The University's strong sense of place has also ingrained a strong culture of public and community engagement through research; shaped a position as an active thought leader and innovator in the region playing to our applied and practice based strengths; whilst also promoting culture and learning to a wider audience through a programme of public events, including public lectures, exhibitions, and artistic performances.

In Autumn 2020, we launched a detailed Public and Community Engagement (PCE) Strategy which sets out four thematic pillars of activity based on community need: partnership to advance growth and innovation; championing and supporting diversity; knowledge making, sharing and exchange; and cultural and creative identity.

Examples of aligned activity include Birmingham 2029: A community-university engagement programme responding to the societal challenges Birmingham residents face; and working with people and stakeholders of Birmingham to co-produce solutions with lasting place-based impact. Activity includes working with Birmingham City Council on a 12-month community engagement project in East Birmingham; and community and voluntary sector partnerships with groups such as New Biggin Community Trust in Handsworth, Birmingham and Legacy WM in Lozells to co-produce community based research, and to train and capacity build local people as community researchers.

Our commitment to transferring good ideas, research results and skills from the University to business and the wider community has also resulted in a strong track record of promoting and enabling innovation and business growth in the West Midlands region.

For example, throughout 2020/21 we engaged with the local business community to determine the help and support mechanisms that would be of most value in supporting their resilience and recovery. As an example, the pandemic severely restricted or prevented trading for many businesses. In response, we launched a webinar series focussed on support for social media, for those whom moving parts of their business operation online presented a viable option.

A dedicated section was also added to the BCU Advantage platform (the University's front door for business support, bcuadvantage.co.uk), to directly support businesses through the pandemic, and into recovery. This included an overview of the key financial measures available for businesses; links to key sources of information and assistance regionally, and nationally; and details of webinars and online training funded by BCU to keep business moving, and to build their resilience.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

INTRODUCTION

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and the HE Code of Governance. The University has reviewed its governance and management practices and internal controls against the latter and is satisfied that they comply with the guidance contained within the Code. In accordance with this guidance, the University has commissioned an independent review of the effectiveness of its governance arrangements which is due to report to the Board of Governors in spring 2022.

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 is published on the University's website. 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

Position is currently vacant following the retirement in May 2021 of Mr Joe Kelly.

Vice-Chancellor

Professor Philip Plowden (Ex-officio)

Independent Members

Mr Joe Bates (appointed 1 January 2021)
 Dr Louise Brooke-Smith, OBE
 Mr Andrew Buckley
 Ms Sue Hall
 Mr Glenn Howells
 Mr Neil Jones (appointed 6 May 2021)
 Mr Andrew Jowett, OBE
 Mr Peter Phillips
 Mr Parmjit Singh
 Rt Hon Baroness Stuart of Edgbaston

Co-opted Lay Members

Professor Graham Henderson CBE, DL
 Mr Hugh Jones
 Ms Tracy Westall

Co-opted Staff Governors

Mr Mohammed Ayaz
 Professor Andrew Kulman

Student Governors

Ms Victoria Bennett-Salvador
 Ms Leanna Grant (appointed 1 July 2021)

Retired Members

Ms Sally Beavan
 Mr Ian Burke
 Ms Polly Jones
 Mr Joe Kelly (Deputy Chair)

Expiry of Term of Office

18 June 2021
 14 July 2021
 30 June 2021
 6 May 2021

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £492 (2020: £1,587) and expenditure on external training to the value of £2,275 (2020: £1,357) 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 2020/21 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. The University's Articles allow for the co-option of non-Board members with particular expertise onto all Board committees. During 2020/21 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 Risk Appetite Statement was reviewed by the Audit Committee and approved by the Board before the start of the financial year in May 2020.
- 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;
- In January 2021 the University Executive Group (UEG) and the Audit Committee undertook a fundamental review to refresh and update the Strategic Risk Register, which now includes risks on the environment and societal change. The format has also been revised to provide more detailed information to enable the Audit Committee to deepen its understanding of the risks;
- 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 2020 to enable a full statement of internal control to be made for the whole of the financial year ended 31 July 2021 and up to the date of the Financial Statements.

GOING CONCERN

The University and Governors have closely monitored the financial situation of the University. This included consideration of the impact of the pandemic on the income, costs and cashflow in 2020/21 and forecasts for subsequent years.

Income forecasts have been more difficult to anticipate than usual. Home students have faced uncertainty in their A Level and equivalent examination grades. International students still face uncertainty of travel and visa applications, although restrictions have been easing for entry into the UK. Quarantine restrictions have been imposed for some students when they reach the UK. All of this has made financial planning and forecasting more difficult. Additional costs are forecast to be required for enhanced cleaning costs for the University for the safe working condition of staff and students on the campus and accommodation and commercial income will be affected if there are future lockdowns in 2021/22.

Birmingham City University is a strongly sustainable institution, with low borrowings as at 31 July 2021, but with available credit facilities of £60m until January 2024. It has historically strong local student recruitment, with approximately 70% commuting from home, and is situated in a city that's growing and prospering with the Commonwealth Games next year. 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 and comfortable headroom in meeting bank covenant requirements. 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 45.

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 2021 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.

FINANCIAL REVIEW

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 £4.6m compared to a surplus of £5.3m 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 2020/21

Key performance indicators taken from the consolidated results for the year ended 31 July 2021 are summarised below.

The external economic and market operating environment continued to present significant challenges. The impact of Covid-19 had a significant effect on the results for the year. With students continuing to largely work from home due to further countrywide lock downs, income was significantly reduced from student accommodation, lettings, summer schools and catering. Restricted opening during the year required the acquisition of a significant amount of Personal Protective Equipment including face coverings and sanitiser. Additional cleaning costs were required.

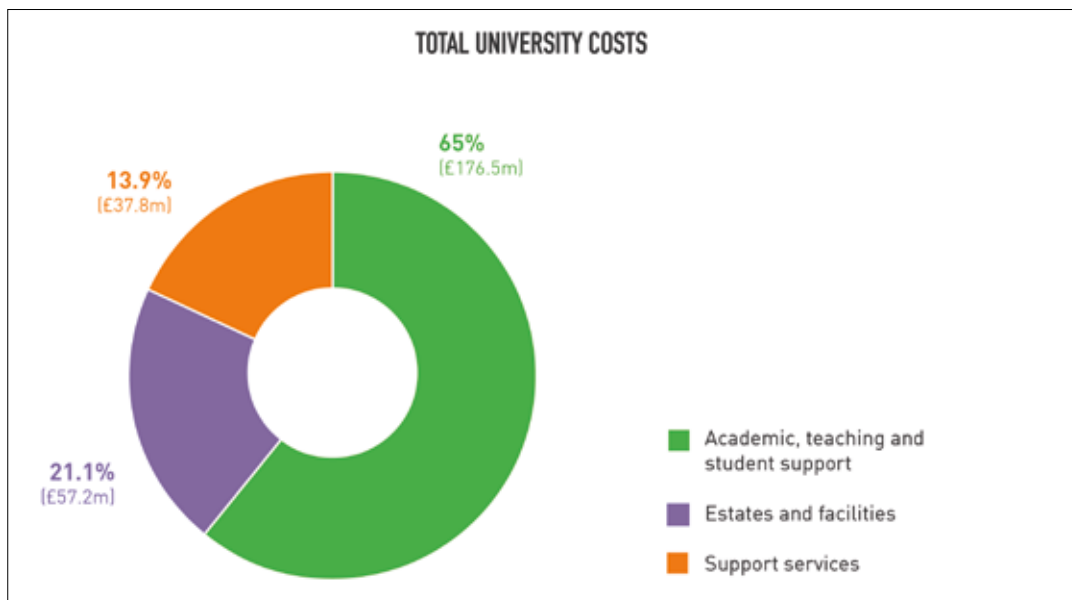
Against this backdrop, the results for the year reflect a strong financial performance. The majority of UK and EU students pay tuition fees capped at £9,250. Growth in student numbers, particularly from international students, has provided an increase in income of £18.2m. However this has not fully covered increases in total costs of £19.2m due to increases in pay costs of £12.0m and depreciation costs of £3.1m, an impairment cost of £9.2m, offset by reductions in other operating expenditure of £5.4m largely due to the reduction of travel expenditure in the year. Before other gains and losses and taxation the Group achieved a surplus of £3.8m (2020: surplus of £4.8m).

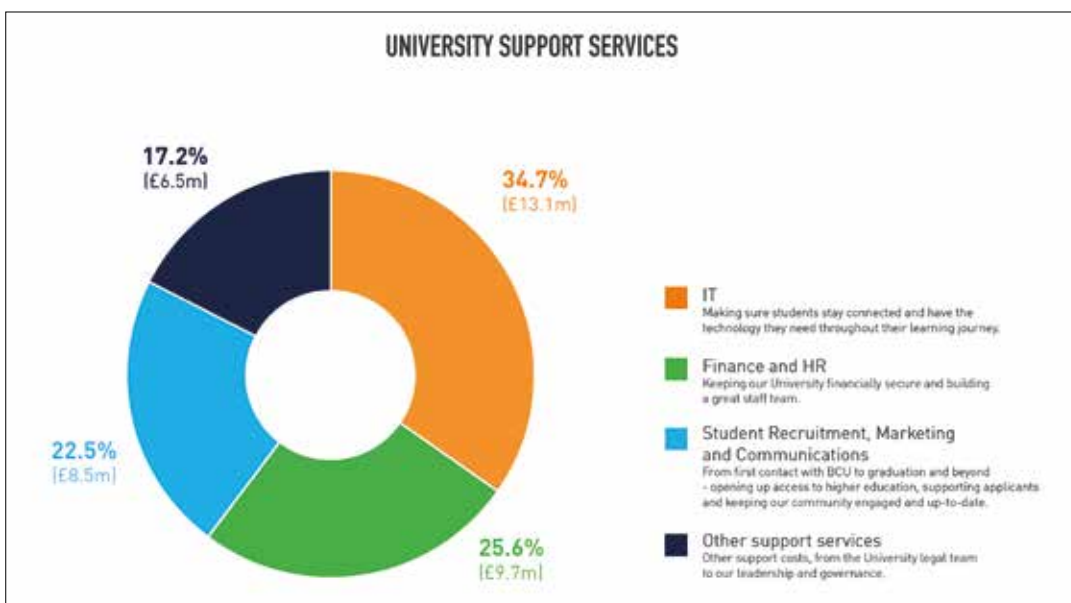
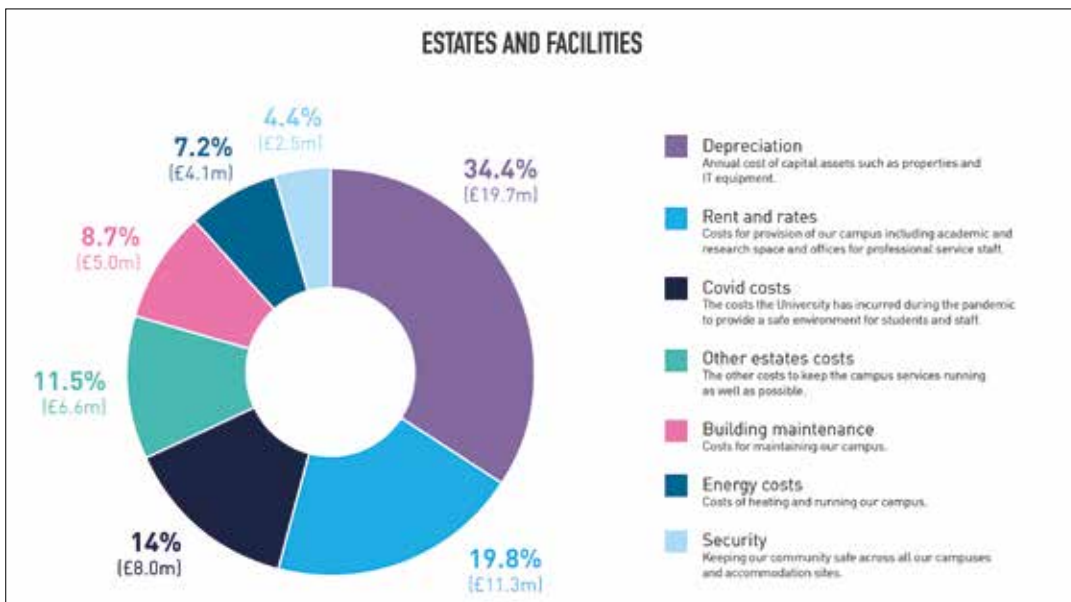
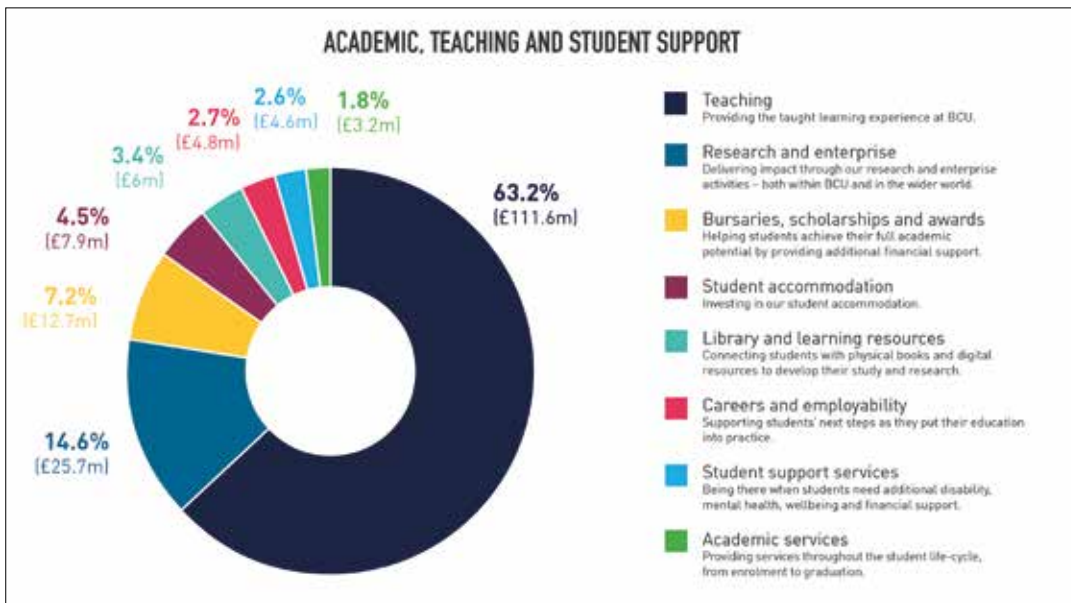
Staff costs remain a significant cost for the University and the increase in the year reflects an increase in underlying staff numbers and increasing pension costs. The University manages staff numbers and costs carefully and has not given an annual pay award during the year due to the unprecedented economic challenges.

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

VALUE FOR MONEY

The diagrams below shows a summary of total University spend on academic and student support, estates and facility costs and other support costs. The following diagrams break down each of the cost categories into more detail.





Capital Investment

Cash committed to capital investment for the year amounted to £39.7m (2020: £30.0m) 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 and investment in replacement IT infrastructure.

CASH FLOW AND TREASURY MANAGEMENT

Cash flow from operations for the year was £46.3m (2020: £25.0m). The cash inflow from investing activities amounted to £36.5m (2020: £19.7m inflow).

The Group has long-term borrowings in the form of mortgages secured on the city south campus and student residential accommodation amounting to £11.2m (2020: £12.8m). In addition, the Group had undrawn borrowing facilities amounting to £85m (2020: £85m). 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 £11.4m (2020: £13.0m). The Group has cash balances amounting to £41.2m at 31 July 2021 (2020: £32.2m) giving net cash of £28.8m (2020: net cash £19.2m) 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.

FUNDRAISING AND DONATIONS

Fundraising activities in 2020/21 focused mainly on a £10m campaign for Royal Birmingham Conservatoire, launched in 2016/17. By 31st July 2021, the campaign had generated a total of £8.06m (more than 80% of its overall target) from 679 donors, comprising a range of private individuals, corporate partners, and trusts and foundations.

New gift commitments secured during the year, including pledges which are payable in instalments over future years, amounted to £1.06m (2019: £2.54m). This consisted of £0.5m for scholarships and bursaries for students in financial need; £0.1m for educational outreach activities with children, young people, schools and communities in some of the most economically deprived parts of the West Midlands; £0.2m for equipment and instruments and other purposes including endowments. The remaining £0.3m was unrestricted, to be directed towards the Conservatoire's area or areas of greatest need.

One of the major projects completed in the year was a new pipe organ for the Conservatoire's Organ Studio. Costing £0.6m and funded entirely by philanthropic donations, the Wolfson Organ (as it will be known) is the first of a number of world-class instruments to be commissioned especially for the Conservatoire's new building, and has been hand made by Dutch organ builder Flentrop Orgelbouw using eighteenth century techniques.

Not only will it be used by students for one-to-one lessons, workshops and masterclasses, it will also make a wider contribution to the arts and culture in the region and beyond by playing host to public concerts and professional recordings.

In anticipation of the Conservatoire's fundraising campaign reaching its conclusion in 2021/22, the University's Development team has already begun to extend its work to support other University departments, projects and initiatives.

ACCESS AND PARTICIPATION PLAN

As a Higher Education Provider registered with the Office for Students, BCU is required, from 2020/21 to have a five-year Access and Participation Plan (APP) in place. This plan sets ambitious rolling targets over five years to reduce gaps in access, attainment and progression to employment between different groups of students at BCU – including the gap between the percentage of white students gaining a degree classification of 2:1 or above, compared to the percentage of students doing so from a black or minority ethnic background. The plan also looks at gaps in attainment, continuation and progression between pupils from IMD Quintile 1 (most deprived) and those from IMD Quintile 5 (most advantaged), as well as indicators for disabled students and care leavers. During the first year of our five year APP we have experienced challenges in relation to some of our milestones, with the pandemic among contributing factors. Our APP strategy board undertakes data analysis to seek out root causes, and works with our Faculties and professional services across our institution to align operations and deliverables to address areas of inequality.

IMPAIRMENT REVIEW

During the year Avison Young has carried out an impairment review of the valuation of the University land and buildings.

Whilst the primary reason for the valuation was to identify whether any of the properties were being valued in fixed assets at an overstated value, Avison Young also identified many properties with a valuation significantly in excess of book value.

Four properties where Avison Young valued the properties at less than the carrying net book value within fixed assets and this amount has been adjusted however the valuation also saw high increases in value of Parkside, Curzon and Conservatoire due to the significant increase in construction costs in recent years. These buildings are considered to be of unique design and requirements for the University and are therefore valued on a depreciated replacement cost basis, rather than a market value basis (as office buildings like Joseph Priestly). The valuation has been positively impacted by the timing of the original build where construction costs were considerably lower and the increase in current construction pricing indices.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Birmingham City University ("the University") for the year ended 31 July 2021 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 2021, 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; and
- 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.

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").

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 University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Governors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the University will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Governors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board of Governors, Audit Committee and Finance Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as impairment and pension assumptions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted between unrelated accounts, entries posted by specific users, journals posted to low activity account codes and unusual postings to cash and borrowings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board of Governors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Board of Governors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation, pensions legislation and specific disclosures required by higher education and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with the regulatory framework of the Office for Students, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Board of Governors is responsible for the other information, which comprises the Operating and Financial Review and the Corporate Governance and Internal Controls statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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; and
- in our opinion the information given in the Operating and Financial Review and the Corporate Governance and Internal Controls Statement, is consistent with the financial statements.

Board of Governors responsibilities

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

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters 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;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions);
- 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; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

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

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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

CONSOLIDATED AND INSTITUTION STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

	NOTE	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
INCOME					
Tuition fees and education contracts	2	238,694	237,216	217,088	214,616
Funding body grants	3	20,170	20,156	19,276	19,264
Research grants and contracts	4	3,686	2,188	2,234	1,935
Other income	5	10,625	11,480	14,952	18,018
Investment income	6	207	207	237	237
Donations and endowments	7	1,225	1,190	2,647	2,647
TOTAL INCOME		274,607	272,437	256,434	256,717
EXPENDITURE					
Staff costs	9	155,089	155,089	143,095	143,095
Other operating expenses	10	82,366	91,141	88,154	95,225
Depreciation and amortisation	13,14	20,063	19,494	16,652	16,444
Interest and other finance costs	11	4,138	4,138	3,701	3,701
Impairment	14	9,162	9,162	-	-
TOTAL EXPENDITURE		270,818	279,024	251,602	258,465
SURPLUS/(DEFICIT) BEFORE OTHER GAINS/(LOSSES)		3,789	(6,587)	4,832	(1,748)
(Loss)/Gain on disposal of fixed assets		(43)	(43)	483	(32)
Gain/(Loss) on investments		819	944	(34)	(34)
SURPLUS BEFORE TAX		4,565	(5,686)	5,281	(1,814)
Taxation	12	(567)	(543)	(80)	(4)
SURPLUS/(DEFICIT) FOR THE YEAR		3,998	(6,229)	5,201	(1,818)
Actuarial gain/(loss) in respect of pension scheme	31	2,336	2,336	(43,427)	(43,427)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		6,334	(3,893)	(38,226)	(45,245)
Represented by:					
Endowment comprehensive income for the year	23	1,566	1,566	2,139	2,139
Unrestricted comprehensive income for the year	24	4,768	(5,459)	(40,365)	(47,384)
TOTAL		6,334	(3,893)	(38,226)	(45,245)

The notes form part of these financial statements.

CONSOLIDATED AND INSTITUTION STATEMENTS OF CHANGES IN RESERVES

CONSOLIDATED	ENDOWMENT £'000	UNRESTRICTED £'000	TOTAL £'000
AS AT 1 AUGUST 2019	8,052	272,976	281,028
Surplus from the income and expenditure statement	2,139	3,062	5,201
Actuarial gain in respect of pension schemes	-	(43,427)	(43,427)
AS AT 31 JULY 2020	10,191	232,611	242,802
Surplus from the income and expenditure statement	1,566	2,432	3,998
Actuarial loss in respect of pension schemes	-	2,336	2,336
AS AT 31 JULY 2021	11,757	237,379	249,136

INSTITUTION	ENDOWMENT £'000	UNRESTRICTED £'000	TOTAL £'000
AS AT 1 AUGUST 2019	8,052	240,899	248,951
Surplus from the income and expenditure statement	2,139	(3,957)	(1,818)
Actuarial loss in respect of pension schemes	-	(43,427)	(43,427)
AS AT 31 JULY 2020	10,191	193,515	203,706
Surplus from the income and expenditure statement	1,566	(7,795)	(6,229)
Actuarial gain in respect of pension schemes	-	2,336	2,336
AS AT 31 JULY 2021	11,757	188,056	199,813

The notes form part of these financial statements.

CONSOLIDATED AND INSTITUTION BALANCE SHEETS

	NOTE	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
NON-CURRENT ASSETS					
Intangible assets	13	7,971	7,971	7,716	7,716
Fixed assets	14	451,374	446,086	442,088	436,586
Heritage assets	15	690	690	690	690
Investments	16	7,520	11,820	6,701	10,876
TOTAL		467,555	466,567	457,195	455,868
CURRENT ASSETS					
Stocks	17	214	214	204	204
Debtors	18	35,132	33,179	30,409	30,011
Cash at bank and in hand		41,245	40,108	32,153	31,592
TOTAL		76,591	73,501	62,766	61,807
CREDITORS					
Creditors - Amounts falling due within one year	19	(60,309)	(106,013)	(50,169)	(87,453)
Net current assets/(liabilities)		16,282	(32,512)	12,597	(25,646)
TOTAL ASSETS LESS CURRENT LIABILITIES		483,837	434,055	469,792	430,222
Creditors - amounts falling due after more than one year	20	(75,581)	(75,250)	(77,009)	(76,655)
PROVISIONS					
Pension provisions	22	(153,461)	(153,461)	(144,864)	(144,864)
Other provisions	22	(5,659)	(5,531)	(5,117)	(4,997)
NET ASSETS		249,136	199,813	242,802	203,706
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserves	23	11,757	11,757	10,191	10,191
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted	24	237,379	188,056	232,611	193,515
TOTAL RESERVES		249,136	199,813	242,802	203,706

The financial statements were approved by the Board of Governors on 25 November 2021 and signed on its behalf by:

MT Hopton, Chairman of the Board of Governors

P Plowden, Vice-Chancellor

The notes form part of these financial statements.

CONSOLIDATED CASHFLOW STATEMENT

	NOTE	2021 £'000	2020 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year before tax		4,565	5,281
ADJUSTMENT FOR NON-CASH ITEMS			
Depreciation		16,537	15,039
Amortisation of intangibles		3,526	1,613
Impairment		9,162	-
(Gain)/loss on endowments, donations and investment property		(944)	34
Decrease/(increase) in stock		(10)	12
Decrease/(increase) in debtors		(4,723)	(350)
Increase/(decrease) in creditors		7,501	983
Increase in pension provision		10,933	4,431
(Decrease)/increase in other provisions		542	1,366
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Interest payable		2,050	1,778
Endowment income		(206)	(295)
(Gain)/loss on the sale of tangible assets		43	(483)
Capital grant income		(2,654)	(4,369)
OPERATING ACTIVITIES			
Net cash flows from operations	24	46,322	25,040
Corporation tax paid		(27)	(34)
NET CASH FLOWS FROM OPERATING ACTIVITIES		46,295	25,006
INVESTING ACTIVITIES			
Interest received		-	28
Interest paid		(339)	(110)
Endowment income		206	209
Donation Income		679	367
Purchase of intangible fixed assets		(230)	(2,729)
Purchase of tangible fixed assets		(39,499)	(27,198)
Proceeds on disposal of tangible fixed assets		-	515
Other capital grant receipts		2,654	9,227
NET CASH FLOWS FROM INVESTING ACTIVITIES		(36,529)	(19,691)

The notes form part of these financial statements.

CONSOLIDATED CASHFLOW STATEMENT (CONTINUED)

	NOTE	2021 £'000	2020 £'000
FINANCING ACTIVITIES			
New endowments received		932	2,280
Drawdown of Loans		21,000	45,000
Repayment of loans		(22,606)	(54,431)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(674)	(7,151)
Net increase / (decrease) in cash and cash equivalents		9,092	(1,836)
CASH AND CASH EQUIVALENTS AT 1 AUGUST		32,153	33,989
CASH AND CASH EQUIVALENTS AT 31 JULY		41,245	32,153
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash at bank and in hand		41,245	32,153
CASH AND CASH EQUIVALENTS		41,245	32,153

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 OfS 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, 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 2021. 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 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
TUITION FEES				
Full-time home and EU students	179,782	179,796	162,344	162,344
Full-time international students	40,853	39,594	35,572	35,571
Part-time students	5,153	5,141	6,640	6,640
Further education	29	29	29	29
Full cost course fees	2,184	2,108	2,753	2,712
TOTAL	228,001	226,668	207,338	207,296
EDUCATION CONTRACTS				
Health professions education contracts	6,153	6,153	6,550	4,120
Apprenticeships	4,540	4,395	3,200	3,200
TOTAL	238,694	237,216	217,088	214,616

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 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
OFFICE FOR STUDENTS AND RESEARCH ENGLAND				
Teaching funds	12,940	12,938	11,169	11,169
Research funds	3,087	3,087	2,463	2,463
Other specific grants	1,481	1,481	1,275	1,275
Deferred capital grants released	2,654	2,642	4,369	4,357
TOTAL	20,162	20,148	19,276	19,264
Education and Skills Funding Agency	8	8	-	-
TOTAL	20,170	20,156	19,276	19,264

4. RESEARCH GRANTS AND CONTRACTS

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Research councils	1,126	1,077	650	575
Research charities	230	226	307	303
Government (UK and overseas)	1,646	858	776	628
Industry and commerce	665	57	348	277
Other	19	[30]	153	152
TOTAL	3,686	2,188	2,234	1,935

5. OTHER INCOME

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Residences, catering and conferences	2,911	3,012	5,629	5,740
Other revenue grants	2,645	2,353	2,779	2,780
Other income	5,069	6,115	6,544	9,498
TOTAL	10,625	11,480	14,952	18,018

6. INVESTMENT INCOME

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Investment income on endowments	207	207	209	209
Interest receivable	-	-	28	28
TOTAL	207	207	237	237

7. DONATIONS AND ENDOWMENTS

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
New endowments	546	511	2,280	2,280
Unrestricted donations	679	679	367	367
TOTAL	1,225	1,190	2,647	2,647

8. GRANT AND FEE INCOME

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Grant income from the OfS	12,940	12,938	11,169	11,169
Grant income from other bodies	7,229	7,218	8,107	8,095
Fee income for research awards	2,255	2,255	2,458	2,458
Fee income from non-qualifying courses	2,989	2,910	3,793	3,752
Fee income for taught awards	233,450	233,450	201,086	201,086
TOTAL	258,863	258,771	226,613	226,560

9. STAFF COSTS

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

STAFF COSTS	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Wages and salaries	111,167	111,167	106,201	106,201
Social security costs	11,893	11,893	11,417	11,417
Other pension costs	32,029	32,029	25,477	25,477
TOTAL	155,089	155,089	143,095	143,095

Included within payroll costs above are restructuring costs amounting to £0.2 million relating to 16 staff members. (2020: £0.3 million, relating to 16 staff).

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

PENSION SCHEMES	CONSOLIDATED 2021 £'000	CONSOLIDATED 2020 £'000
Universities Superannuation Scheme (USS)	520	(1,178)
Local Government Pension Scheme (LGPS)	17,793	13,616
Teachers' Pension Scheme (TPS)	13,716	13,039
TOTAL	32,029	25,477

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

EMPLOYEES	2021	2020
Manager	386	378
Administration	1,191	1,137
Academic	1,545	1,492
Visiting tutors	723	815
TOTAL	3,845	3,822

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

SALARY	2021	2020
£100,000 to £104,999	3	1
£105,000 to £109,999	1	1
£115,000 to £119,999	1	2
£125,000 to £129,999	6	5
£145,000 to £149,999	2	2
£150,000 to £154,999	1	-
TOTAL	14	11

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, Director of HR and University Secretary are the Key Management Personnel for the University.

	2021 £'000	2020 £'000
Remuneration of key management personnel	2,125	1,654
Compensation for loss of office paid to Higher paid personnel (excluding Vice Chancellor)	-	-

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

EMOLUMENTS OF THE VICE-CHANCELLOR:	2021 £	2020 £
P PLOWDEN		
Salary	231,138	231,138
Taxable Benefits	-	-
Pension Contributions (Taxable)	54,733	53,380
Non-Taxable Benefits	-	-
TOTAL EMOLUMENTS	285,871	284,518

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. However due to the unprecedented challenges due to the global pandemic the Remuneration Committee agreed that no pay increases would be awarded to University staff and therefore no pay award was 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 and recommendations for pay awards to University staff.

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
2020	Plowden	231,138	35,642	6.48
2021	Plowden	231,138	34,971	6.61

YEAR	VC	TOTAL PAY	STAFF TOTAL PAY MEDIAN	VC MULTIPLE OF TOTAL PAY
2020	Plowden	284,518	40,637	7.00
2021	Plowden	285,871	39,824	7.18

10. OTHER OPERATING EXPENSES

Other operating expenses include:

	2021 £'000	2020 £'000
AUDITOR'S REMUNERATION:		
In respect of audit services	102	93
In respect of non-audit services	160	226
OPERATING LEASE RENTALS:		
Land and buildings	9,536	4,060
Other	247	407

ACCESS & PARTICIPATION EXPENDITURE	CONSOLIDATED AND INSTITUTION 2021 £'000	CONSOLIDATED AND INSTITUTION 2020 £'000
Access investment	933	1,320
Financial support provided to students	2,867	236
Support for disabled students	681	653
Research and evaluation of access and participation activities	157	97
TOTAL	4,638	2,306

The financial support expenditure includes £1.8m of additional hardship funding provided by the OfS and used for giving financial support to students during the Covid 19 pandemic.

Included within expenditure is staff costs of £1.2m 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 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Loan interest	339	339	110	110
Finance lease interest	1,711	1,711	1,668	1,668
Net expense on pension scheme	2,088	2,088	1,923	1,923
TOTAL	4,138	4,138	3,701	3,701

12. TAXATION

Recognised in the statement of comprehensive income:

CURRENT TAX	CONSOLIDATED 2021 £'000	CONSOLIDATED 2020 £'000
UK Corporation tax	(2)	43
China tax	546	30
Deferred tax expense	23	7
TOTAL TAX EXPENSE	567	80

13. INTANGIBLE ASSETS

CONSOLIDATED AND INSTITUTION	IT SOFTWARE DEVELOPMENT £'000
COST OR VALUATION	
AT 1 AUGUST 2020	17,851
Additions	230
Transfers from tangible assets	3,551
AT 31 JULY 2021	21,632
DEPRECIATION	
AT 1 AUGUST 2020	10,135
Expense for the year	3,526
Transfer from tangible assets	-
AT 31 JULY 2021	13,661
NET BOOK VALUES	
AT 31 JULY 2021	7,971
AT 31 JULY 2020	7,716

14. FIXED ASSETS

CONSOLIDATED	FREEHOLD LAND AND BUILDINGS £'000	LEASEHOLD LAND AND BUILDINGS £'000	FIXTURES, FITTINGS AND EQUIPMENT £'000	ASSETS IN THE COURSE OF CONSTRUCTION £'000	TOTAL £'000
COST OR VALUATION					
AT 1 AUGUST 2020	113,077	372,228	16,731	31,827	533,863
Additions	13	2,005	4,803	31,757	38,578
Transfers	270	4,720	5,972	(10,962)	-
Transfer to intangible assets	-	-	-	(3,551)	(3,551)
Impairment	-	(9,162)	-	-	(9,162)
Disposals	(45)	-	-	-	(45)
At 31 JULY 2021	113,315	369,791	27,506	49,071	559,683
DEPRECIATION					
AT 1 AUGUST 2020	7,982	74,436	9,357	-	91,775
Expense for the year	2,193	10,989	3,355	-	16,537
Elimination on disposals	(3)	-	-	-	(3)
At 31 JULY 2021	10,172	85,425	12,712	-	108,309
NET BOOK VALUES					
AT 31 JULY 2021	103,143	284,366	14,794	49,071	451,374
AT 31 JULY 2020	105,095	297,792	7,374	31,827	442,088

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
COST OR VALUATION					
AT 1 AUGUST 2020	113,077	364,554	16,305	31,742	525,678
Additions	13	2,005	4,803	31,757	38,578
Transfers to intangible assets	-	-	-	(3,551)	(3,551)
Transfers	270	4,720	5,858	(10,848)	-
Disposals	(45)	-	-	-	(45)
Impairment	-	(9,162)	-	-	(9,162)
At 31 JULY 2021	113,315	362,117	26,966	49,100	551,498
DEPRECIATION					
AT 1 AUGUST 2020	7,982	72,149	8,961	-	89,092
Expense for the year	2,192	10,793	3,338	-	16,323
Elimination on disposals	(3)	-	-	-	(3)
At 31 JULY 2021	10,171	82,942	12,299	-	105,412
NET BOOK VALUES					
AT 31 JULY 2021	103,144	279,175	14,667	49,100	446,086
AT 31 JULY 2020	105,095	292,405	7,344	31,742	436,586

Impairment on assets

The University undertook a valuation of its fixed assets as at 31st July 2021. The valuation was performed by Avison Young and had an increase on certain assets of £140.3m above book value and a decrease on other assets of £9.1m. In line with standard accounting practice, the University's accounting policy does not recognise the £ 140.3m increase in value of land and buildings but requires the recognition of impairments of land and buildings of £9.1m.

14. FIXED ASSETS (CONTINUED)

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

	2021 £'000	2020 £'000
COST OR VALUATION		
AT 1 AUGUST 2020 and 31 JULY 2021	21,369	21,369
DEPRECIATION		
AT 1 AUGUST 2020	2,786	2,322
Expense for the year	466	464
AT 31 JULY 2021	3,252	2,786
Net Book Values	18,117	18,583

15. HERITAGE ASSETS

CONSOLIDATED AND INSTITUTION	TOTAL £'000
COST OR VALUATION	
AT 1 AUGUST 2020 and 31 JULY 2021	690

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

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

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

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

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

16. INVESTMENTS

CONSOLIDATED	SUBSIDIARY UNDERTAKINGS £'000	ENDOWMENT FUNDS £'000	OTHER FIXED ASSET INVESTMENTS £'000	TOTAL £'000
COST OR VALUATION				
AT 1 AUGUST 2020	-	6,405	296	6,701
Change in Fair Value	-	944	-	944
Impairment	-	-	(125)	(125)
At 31 JULY 2021	-	7,349	171	7,520

16. INVESTMENTS (CONTINUED)

INSTITUTION	SUBSIDIARY UNDERTAKINGS £'000	ENDOWMENT FUNDS £'000	OTHER FIXED ASSET INVESTMENTS £'000	TOTAL £'000
COST OR VALUATION				
AT 1 AUGUST 2020	4,300	6,405	171	10,876
Change in Fair Value	-	944	-	944
At 31 JULY 2021	4,300	7,349	171	11,820

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	422
COIF Property Fund	6,440
COIF Investment Fund	487
TOTAL	7,349

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
AT 31 JULY 2021	171	171

17. STOCKS

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Raw materials and consumables	214	214	204	204
TOTAL	214	214	204	204

18. DEBTORS

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Trade debtors	20,064	19,310	19,745	19,077
Amounts due from subsidiaries	-	929	-	1,729
Prepayments and accrued income	15,068	12,940	10,664	9,205
TOTAL	35,132	33,179	30,409	30,011

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Bank loans (Note 21)	1,615	1,615	1,549	1,549
Trade creditors	2,792	2,785	1,511	1,010
Other creditors	9,627	9,632	7,987	8,075
Capital Grants	3,410	3,398	1,867	1,855
Amounts due to subsidiaries	-	49,358	-	40,629
Finance Lease liabilities	207	207	-	-
Corporation tax	11	-	43	-
Other taxation and social security	3,465	3,340	2,359	2,253
Accruals and deferred income	39,182	35,678	34,853	32,082
TOTAL	60,309	106,013	50,169	87,453

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 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Donations	115	62	54	29
Research grants received on account	1,306	857	546	271
Grant income	1,528	1,528	655	655
TOTAL	2,949	2,447	1,255	955

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

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Bank loans (Note 21)	9,817	9,817	11,489	11,489
Capital Grants	38,037	37,706	38,663	38,309
Finance Lease liabilities (Note 21)	27,727	27,727	26,857	26,857
TOTAL	75,581	75,250	77,009	76,655

21. BANK LOANS AND FINANCE LEASES

Bank loans are repayable as follows:

	CONSOLIDATED 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Within one year	1,615	1,615	1,549	1,549
Between two and five years	6,479	6,479	6,552	6,552
After more than five years	3,338	3,338	4,937	4,937
TOTAL	11,432	11,432	13,038	13,038

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 £21 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 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Within one year	207	207	-	-
Between two and five years	207	207	-	-
After more than five years	27,520	27,520	26,857	26,857
TOTAL	27,934	27,934	26,857	26,857

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 2020	1,975	142,889	144,864	5,117	5,117
(Decrease)/Increase in provisions	(299)	8,896	8,597	542	542
Utilised during the year	-	-	-	-	-
At 31 JULY 2021	1,676	151,785	153,461	5,659	5,659

Other provisions of £5.6m includes: £3.5m dilapidations provision for Leasehold Buildings, and £2.1m 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 2020	1,975	142,889	144,864	4,997	4,997
(Decrease)/Increase in provisions	(299)	8,896	8,597	534	534
Utilised during the year	-	-	-	-	-
At 31 JULY 2021	1,676	151,785	153,461	5,531	5,531

Other provisions of £5.5m includes: £3.5m dilapidations provision for Leasehold Buildings, and £2.0m provision against potential clawback on externally funded projects.

Since the year end, following the completion of the 2020 actuarial valuation, a new dual rate schedule of contributions has been agreed with an effective date of 1 October 2021. Recalculating the USS provision on the basis of these contributions would result in increased obligation of £3.9m.

A further change to deficit recovery contributions will become applicable under the 2020 valuation if the Joint Negotiating Committee recommended deed on benefit changes has not been executed by 28 February 2022. In this scenario, higher deficit recovery contributions will commence from 1 October 2022 at 3% and then increase every 6 months until they reach 20% at 1 October 2025. They remain at this level until 31 July 2032. As negotiations are currently continuing an increase on this basis is considered remote.

If the Schedule of Contributions remains unchanged, the University's Financial Statements for the year ended 31 July 2022 will reflect these changes to the provision, subject to any other changes in financial and operational assumptions.

23. ENDOWMENT RESERVES

CONSOLIDATED AND INSTITUTION	RESTRICTED PERMANENT ENDOWMENTS 2021 £'000	EXPENDABLE ENDOWMENTS 2021 £'000	TOTAL 2021 £'000	TOTAL 2020 £'000
AT 1 AUGUST				
Capital	7,912	1,208	9,120	8,052
Accumulated income	652	419	1,071	1,475
TOTAL	8,564	1,627	10,191	9,527
New endowments	53	879	932	2,280
Investment income	216	(10)	206	295
Expenditure	(197)	(319)	(516)	(402)
Increase in market value of investments	851	93	944	(34)
TOTAL ENDOWMENT COMPREHENSIVE INCOME FOR THE YEAR	923	643	1,566	2,139
AT 31 JULY				
Capital	8,816	2,180	10,996	9,120
Accumulated income	671	90	761	1,071
TOTAL	9,487	2,270	11,757	10,191

ANALYSIS OF ENDOWMENTS BY ASSETS	2021 £'000	2020 £'000
Fixed assets	346	346
Non-current asset investments	7,349	6,405
Cash at bank and in hand	3,389	3,439
Current assets	673	-
Current liabilities	-	1
TOTAL	11,757	10,191

24. UNRESTRICTED RESERVES

CONSOLIDATED	TOTAL 2021 £'000	TOTAL 2020 £'000
AT 1 AUGUST	232,611	272,976
Surplus for the year	2,432	3,062
Actuarial gain/(loss) in respect of pension schemes	2,336	(43,427)
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	4,768	(40,365)
AT 31 JULY	237,379	232,611

24. UNRESTRICTED RESERVES (CONTINUED)

INSTITUTION	TOTAL 2021 £'000	TOTAL 2020 £'000
AT 1 AUGUST	193,515	240,899
Deficit for the year	(7,795)	(3,957)
Actuarial gain/(loss) in respect of pension schemes	2,336	(43,427)
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	(5,459)	(47,384)
AT 31 JULY	188,056	193,515

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 2021 £'000	INSTITUTION 2021 £'000	CONSOLIDATED 2020 £'000	INSTITUTION 2020 £'000
Commitments contracted for	14,177	14,177	40,323	40,323

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:

	2021 £'000	2020 £'000
Within than one year	5,907	5,974
Between one and five years	18,610	19,289
After more than five years	58,563	59,618
TOTAL	83,080	84,881

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 £1,046,821 (2020: £1,021,289). 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%
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: £4,838,968 (2020: £5,165,922) 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 £200,000.

Two student governors elected by the Union of Students are members of the University's Board of Governors. During the year ended 31 July 2021, payments were made to the Students' Union for the value of £1,522,765 (2020: £1,239,292) and invoices were raised from the University for the value of £13,583 (2020: £13,656).

There were balances of £2,053 and £31,919 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 2021. 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 impairments have been taken 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:

	2021 £'000	2020 £'000
Local Government Pension Scheme	151,785	142,889
Universities Superannuation Scheme	1,676	1,975
Teachers' Pension Scheme	-	-
TOTAL	153,461	144,864

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 2020 FRS102 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 July 2021;
- Fund investment returns to 31 March 2021, estimated returns based on a net asset statement and market returns thereafter;

- Estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2021;
- Details of any new early retirements for the period to 31 July 2021 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 2021.

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	1,637
Deferred pensioners	3,308
Pensioners	724
Unfunded pensions	11

The service cost for the year ending 31 July 2021 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £39,630,000.

The projected service cost for the year ending 31 July 2022 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.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2021 is estimated to be 16.63%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Birmingham City University as at 31 July 2021 is as follows:

	31 JULY 2021 £'000	%	31 JULY 2020 £'000	%
Equities	169,674	61%	131,293	56%
Government bonds	23,017	8%	25,355	11%
Other bonds	17,053	6%	9,066	4%
Property	19,568	7%	17,615	8%
Cash/liquidity	10,256	4%	15,502	7%
Other	38,981	14%	34,880	15%
TOTAL	278,549	100%	233,711	100%

The actuaries have estimated the bid values where necessary based on the information provided by West Midlands

Pension Fund. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 July 2021 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 1.43%.

Valuation approach

To assess the value of the Employer's liabilities at 31 July 2021, 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 2021 without completing a full valuation.

However, they are satisfied that the approach of rolling forward the previous valuation data to 31 July 2021 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.

As required under the FRS102 accounting standard, the actuaries have used the projected unit credit method of valuation.

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.

31. PENSION SCHEMES (CONTINUED)

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

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 2021.

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 23 March 2021, 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 5 April 2021.

This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 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 actuaries have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA heavy tables with a multiplier of 85% for males and 95% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.0% p.a. and a 2020 weighting of 10%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. The parameters of the model have been requested by the University after taking independent advice. At the last accounting date, the CMI_2018 Model was adopted. The effect on the University's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure, and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

		31 JULY 2021 (After CMI_2020 update)	31 JULY 2021 (Before CMI_2020 update)	31 JULY 2020
Retiring today	Males	20.8	21.0	21.0
	Females	23.3	23.3	23.2
Retiring in 20 years	Males	22.2	22.5	22.4
	Females	24.8	24.9	24.8

The actuaries have also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- 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 2021 % P.A.	31 JULY 2020 % P.A.	31 JULY 2019 % P.A.
Discount Rate	1.65%	1.5%	2.10%
Pension increase	2.65%	2.0%	2.35%
Salary increases	2.65%	2.5%	3.85%

The assumptions as at 31 July 2021 have been requested of the Fund following the University having taken independent advice.

The estimate of the duration of the University's liabilities is 24 years.

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 2021.

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 University'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.

Over the year, no employees were permitted by the University to take unreduced early retirement that they would not otherwise have been entitled to.

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 2021

The amounts recognised in the profit and loss statement are:

	YEAR TO 31 JULY 2021 £'000	AS AT 31 JULY 2020 £'000
Service cost	18,453	13,279
Net interest on defined liability	2,074	1,862
Administration expenses	32	139
TOTAL LOSS	20,559	15,280

31. PENSION SCHEMES (CONTINUED)

Asset and benefit obligation reconciliation for the year to 31 July 2021.

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Opening defined benefit obligation	376,600	326,813
Current service cost	18,453	13,279
Interest Cost	5,621	6,816
Change in financial assumptions	41,581	14,732
Change in demographic assumptions	(2,527)	(7,698)
Estimated benefits paid net of transfers in	(6,688)	(6,839)
Experience loss/(gain) on defined benefit obligation	(5,632)	27,185
Contributions by Scheme participants and other employers	2,937	2,323
Unfunded pension payments	(11)	(11)
CLOSING DEFINED BENEFIT OBLIGATION	430,334	376,600

The change in financial assumptions item includes the impact of the change in derivation of future assumed RPI and CPI inflation. These changes have resulted in a loss of £23.8m on the defined benefit obligation; comprising a gain of £22.4m from the change in assumed IRP and a loss of £46.2m from the change in the assumed gap between RPI and CPI inflation.

The change in demographic assumptions figure in the table above reflects the update to use the CMI_2020 Model as set out in the Demographic/Statistical assumptions section of this report.

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Opening fair value of fund assets	233,711	233,683
Interest on assets	3,547	4,954
Return on assets less interest	35,758	(122)
Administration expenses	(32)	(139)
Contributions by University including unfunded	9,327	8,948
Contributions by Scheme participants and other employers	2,937	2,323
Estimated benefits paid plus unfunded net of transfers in	(6,699)	(6,850)
Other actuarial gains	-	(9,086)
CLOSING FAIR VALUE OF FUND ASSETS	278,549	233,711

The total return on the fund assets for the year to 31 July 2021 is £39.3m.

31. PENSION SCHEMES (CONTINUED)

Re-measurements in other comprehensive income

Re-measurement of the net defined liability:

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Return on Fund assets in excess of interest	35,758	(122)
Changes in financial assumptions	(41,581)	(14,732)
Change in demographic assumptions	2,527	7,698
Other actuarial gains/(losses) on assets	-	(9,086)
Experience gain/(loss) on defined benefit obligation	5,632	(27,185)
RE-MEASUREMENT OF THE NET DEFINED LIABILITY	2,336	(43,427)

(ii) The Universities' Superannuation Scheme

The institution participates in Universities Superannuation Scheme (USS). The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. USS is a multi-employer scheme and is accounted for as set out in the accounting policies.

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 total cost charged to the profit and loss account is £520,000 (2020: release £1,178,000) 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 fifth 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below.

DISCOUNT RATE (FORWARD RATES)	
Years 1-10:	CPI + 0.14% reducing linearly to CPI - 0.73%
Years 1-10:	CPI + 0.14% reducing linearly to CPI - 0.73%
Years 21 +:	CPI + 1.55%
PENSION INCREASE (CPI)	
Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.	

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

MORTALITY BASE TABLE	2018 VALUATION
Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Post-retirement:	97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
Future improvements:	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2018 VALUATION	2019 VALUATION
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	26.6

A further full valuation as at 31 March 2020 was concluded on 1 October 2021. There is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions.

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 have paid an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%).

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

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