



BIRMINGHAM CITY
University

REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

2017/18



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REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

2017/18



FOREWORD VICE CHANCELLOR

THIS HAS BEEN MY FIRST YEAR IN POST AS THE VICE-CHANCELLOR OF BIRMINGHAM CITY UNIVERSITY AND I AM DELIGHTED TO BE ABLE TO REPORT THAT THE UNIVERSITY HAS HAD ANOTHER STRONG YEAR.





The most visible signs of a thriving university are inevitably the developments in the university's estate – and previous sets of Financial Statements have captured the exciting developments as the University has moved from its much-loved campus in Perry Barr to the iconic premises at the heart of the city. The proposed arrival of HS2 on our doorstep is confirmation of how the University will be at the centre of our city's future growth. This year we have seen the opening of the new state-of-the-art Conservatoire, now firmly embedded in our Eastside campus, and graced with Royal title in recognition of its national profile. This was further confirmed by the receipt of a significant bequest, recognised by the naming of the new Bradshaw Hall, and by the outstanding achievements of Lauren Zhang, a member of the Junior Conservatoire, who won the BBC's Young Musician of the Year award.

Alongside this, the pressure of growing numbers led to investment in extending our existing footprint. We opened an extension to The Curzon Building, the home of our thriving faculty of Business, Law and Social Sciences. We also opened an extension on our Edgbaston campus, bringing together all of the component parts of our Faculty of Health, Education and Life Sciences in a state-of-the-art building.

One of the reasons for the continuing growth in the popularity of the University has been its strong reputation for practice-orientated education. This has been borne out by the latest set of employability data drawn from this year's DLHE survey (Destinations of Leavers in Higher Education). This shows 76.8% of our students entering into graduate-level destinations within six months, and an astonishing 97.4% of students in work or further study within that period. The latter places us top of all universities in our city, and 7th in the UK of multi-faculty universities. It is great evidence that the University continues to commit to being a force for transformation in the lives of our students, and for the region that they go on to serve.



Our new Royal Birmingham Conservatoire building

IT HAS ALSO BEEN A YEAR WHEN THE UNIVERSITY HAS PLAYED A LEADING ROLE IN SUPPORTING THE AGENDAS OF THE CITY, AND OF THE REGION, WORKING CLOSELY WITH THE CITY COUNCIL AND THE WEST MIDLANDS COMBINED AUTHORITY.

From HS2 to the Birmingham 2022 Commonwealth Games, BCU has been active in engaging with change in the city and in helping to support and promote the city and region. With our longstanding heritage in art, design and performance – this year is the 175th year since our inception in 1843 as the Birmingham Government School of Design – we are proud to continue to play such an active role in the cultural life of our city. We are proud to be such a key part of the city’s cultural and digital offer, and the start of the innovative STEAMhouse project in Digbeth has already been so successful that it has triggered significant additional funding to bring forward Phase 2 – which will go ahead at the old Belmont Works.

It is pleasing to be able to report that at the same time as all of this development, our students are thriving – with improved satisfaction, improved retention, and improved outcomes. Alongside this, our staff are engaged at the highest levels with the creation of new knowledge and the enhancement of practice – from research into medieval music and into the televising of Jazz in the 1960s, to work on Islamophobia and even on anti-microbial coatings for space stations. Across each of our faculties there are research cultures that ensure that our students are able to benefit from that knowledge and skill. And finally, this is a year when our excellent Chancellor, Sir Lenny Henry, turned 60. Anyone who has seen his energy and enthusiasm at graduations, will be astonished that that can be the case. He has continued to support the University and our students throughout the year, from visiting prison with our criminologists to narrating Peter and the Wolf in the Conservatoire, and so much more.

It has been a great year for BCU, and this Annual Report and the accompanying Financial Statement reflects something of that success.



Philip Plowden, Vice-Chancellor



The Parkside Building



HIGHLIGHTS OF THE YEAR

THE 2017/18 ACADEMIC YEAR SAW THE OFFICIAL
OPENING OF THE NEW £57 MILLION MUSIC BUILDING
FOR OUR CONSERVATOIRE, WHICH ALSO RECEIVED A
PRESTIGIOUS 'ROYAL' TITLE, BECOMING THE ROYAL
BIRMINGHAM CONSERVATOIRE.





HARS staff at the Health and Social Care Awards

Later in the year, the building was awarded the illustrious title of 'West Midlands' Project of the Year' by the Royal Institution of Chartered Surveyors and 'West Midlands Building of the Year' by the Royal Institute of British Architects.

A group of tutors and students from the Conservatoire shared their expertise with a group of youngsters from South Africa when they travelled to Soweto as part of the ARCO project, to perform with a group of children they had been teaching virtually over the previous 18 months.

The year also saw the launch of our groundbreaking BA (Hons) Black Studies degree – the first course of its kind in Europe, focusing on the histories, social movements and contributions of people of African descent.

September saw the appointment of our new Deputy Vice-Chancellor, Professor Clare Mackie, who joined us the following January, while two of our lecturers – Professor Andrew Kulman and Professor Mark O'Hara – were named among the Higher Education Academy's 55 new National Teaching Fellows.

Work on our creative innovation centre, STEAMhouse, officially commenced in October. The first phase, in a former car dealership in Digbeth opened in May, while Cabinet Minister James Brokenshire MP joined us to announce plans for Phase Two, which will see the development of incubation and office spaces, teaching facilities, co-working and maker spaces, and artists' studios.

Our Centre for Brexit Studies undertook a unique research project during the autumn, visiting the 10 constituencies with the biggest 'Leave' votes to find out their thoughts and feelings on the Brexit process.

Birmingham City University International College, which offers pathways to undergraduate and postgraduate courses for international students, enrolled its 1,000th student in February – Rachit Patel from Mumbai in India.

Hundreds of families were treated to a day of fun, creative and sporting activities as the University opened its doors for the Inspired Family Day in June. More than 1,000 visitors were welcomed to the City Centre Campus.

Our students enjoyed a successful year at Graduate Fashion Week with two winners, three runners up and four finalists all being recognised for their outstanding work. In May, 16-year-old pianist Lauren Zhang, who studies at Royal Birmingham Conservatoire won the BBC's Young Musician of the Year.

There was good news in July as it was revealed 97.4% of our 2017 graduates were in employment or further study within six months – the highest figure in Birmingham and 7th-highest nationwide among multi-disciplinary institutions. Student satisfaction, measured in the National Student Survey, was also up to 84% from 82% the previous year, bucking an overall downward trend in the sector.

Our High Achievers Recognition Scheme (HARS), based in the Faculty of Health, Education and Life Sciences, was recognised with a Collaborative Award for Teaching Excellence. The scheme gives high-achieving students the opportunity to develop their skills.



Graduate Fashion Week



Inspired Family Day



TEACHING AND STUDENTS

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



The award is acknowledgement of our teaching and learning that offers 'high levels of stretch that ensures all students are significantly challenged, and acquire knowledge, skills and understanding that are highly valued by employers'. The University supported 17,945 undergraduate and 3,141 postgraduate (FTE) students in 2017/18; with a home/EU to overseas ratio of 91:9. Our NSS scores in 2018 identify that we are in the top 20 of modern universities for learning opportunities, and assessment and feedback. High levels of satisfaction were recorded within NSS questions relating to work placements (non-practice based) – 79% agreed that they had received sufficient support and advice from the University about the organisation of placements, up from 70% in the previous year and against an average satisfaction rate across England of 76%. In addition, overall satisfaction rate for work placements rose to 85%, compared to 80% the previous year and an average satisfaction rate across England of 83%.

Birmingham City University's commitment to developing graduates with the skills and experience that employers need is reflected in the status of our graduates, with 97.4% in employment or further study six months after graduating (compared to 94.6% across the sector), and 76.8% in higher skilled employment (Source DLHE 2016/17). BCU is the second most improved performer on the positive destinations measure for graduates in employment or further study six months after graduation.



YOUNG MUSICIAN OF THE YEAR

Lauren Zhang, Student from
Faculty of Arts, Design and Media

BBC MUSIC



STAFF

AT BIRMINGHAM CITY UNIVERSITY OUR VISION IS TO BE THE LEADING UNIVERSITY FOR CREATIVE AND PROFESSIONAL PRACTICE INSPIRED BY INNOVATION AND ENQUIRY.



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

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

**PLATINUM APPROVED
LEARNING PARTNER
(ACCA)**

Faculty of Business, Law and Social Sciences



As the 'University for Birmingham', we aim to transform the prospects of individuals, employers and society through excellence in practice-based education, research and knowledge exchange.

The University has an enviable reputation for providing quality, student-focused education in a professional and friendly environment.

Our superb courses, state-of-the-art facilities, first-rate staff, and focus on practical skills and professional relevance is producing some of the country's most employable graduates.

Our staff and student community is defined by our core values, which outline who we are as a University and how we will work with each other. Our core values are excellence, people focused, partnership working and fairness and integrity.

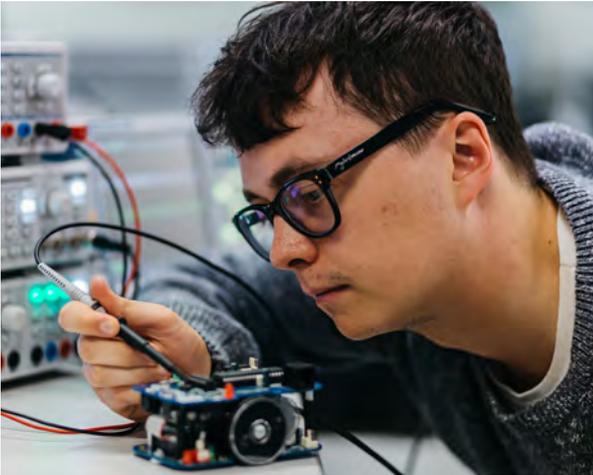
As the main provider of higher education for the people from the Birmingham region, we are a culturally inclusive and diverse institution that is focused on student success, underpinned by strong leadership and transformative strategies, all of which come together to assist our significant contribution to the economic, social, cultural prosperity and well-being of the city and the region.

We conducted a staff engagement survey in 2018 and since our last survey some of the key issues where 75% or more of staff have a positive view include:

- Staff valuing feedback from students/service users and acting on the feedback.
- The quality of service delivered by their team/work area to students/stakeholders.
- Staff are clear about the purpose and aims of their team/work area, and clear about how their performance objectives contribute to the University's aims.
- Staff feeling confident they have the skills to deliver what changes are required of them.



**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) (FORMERLY HEFCE PRIOR TO 1 APRIL 2018) ON BEHALF OF THE CHARITY COMMISSION FOR ENGLAND AND WALES.

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

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

Public Benefit – Our Commitment

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

2018 marks the 175th anniversary of the founding of the university as the Birmingham Government School of Design, with the mission of supporting the local industries to compete in a global marketplace. That 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.
- Each of these goals is set out below.



IMPROVE SOCIAL MOBILITY THROUGH EDUCATION



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

Around 97% of our students come from state schools or colleges, over 33% of our entrants come from the most income deprived neighbourhoods (IDAC1 Q1), and around 13% from an area with comparatively low participation in higher education.

This is reflected in many of the activities undertaken by the University's outreach team who worked with 167 priority schools/colleges classified as 'high priority' (under indicators such as eligibility for free school meals, index of multiple deprivation, and no parental engagement in higher education), delivering 550 activities to 47,610 beneficiaries. Our collaborative approach to outreach is demonstrated in our investment in, and contribution to, the AimHigher West Midlands Partnership since 2011 - working with young people facing multiple dimensions of disadvantage through programmes such as the UniFest Summer School and regional Mentoring Scheme. The partnership acts as a single point of contact for schools, engaging with 1,000 young people per year. The University has also designed a new innovative programme of activity to support young people in Year Groups 9 to 13 living in 25 identified gap wards as a member of AimHigher Plus, one of the largest of 29 consortia delivering the National Collaborative Outreach Programme.

TRANSFORM OUR STUDENTS BY DELIVERING AN INDIVIDUAL STUDENT EXPERIENCE

OUR 1,359 STRONG TEAM OF TEACHING STAFF
COME FROM, AND MAINTAIN THEIR LINKS WITH,
INDUSTRY AND THE PROFESSIONS.



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



Our **Faculty of Health, Education and Life Sciences** has a long and established history when it comes to delivering initial teacher training, education, childhood and youth courses in Birmingham. It is also a leading provider of defence healthcare and employees to the NHS, offering cutting-edge learning facilities including lecture theatres and seminar rooms, mock wards, birthing rooms, operating theatres and virtual reality software. The Faculty is one of the largest providers of health and social care education in the country, with departments covering social work, adult nursing, mental health and learning disabilities, midwifery and child health, operating department practice and paramedics, public and community health, radiography, and speech and language therapy. Investment in a £41 million purpose-built development with specialist laboratories has enabled the Faculty to offer a wide range of new health, life science and sports courses including Physiotherapy and Dietetics, Sports Therapy, Sports and Exercise Science Sports Nutrition, Biomedical Sciences and Biomedical Engineering.

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



The **Faculty of Computing, Engineering and the Built Environment** offers courses ranging from architectural technology to quantity surveying, planning and real estate. Our portfolio approach allows students to achieve in-depth knowledge in areas such as automotive, electronic and mechanical engineering or in management functions such as logistics. The School of Computing and Digital Technology has established itself as one of the leading academies for Microsoft and Cisco Systems.



Our **Faculty of Arts, Design and Media** has been a pioneer in education and research since 1843, incorporating acting, architecture, art, design, fashion, film, games, graphics, illustration, jewellery, media, music, photography and textiles. The Faculty undertakes world-leading research in art and design, media and music, and offers unparalleled opportunities, whether it's working on the title sequence for the 2016 BRIT Awards, taking plays to Europe and the Far East, designing jewellery for A-list celebrities, producing games for the next generation of PlayStation, working with the Royal Shakespeare Company and the Royal Opera House, or performing in one of the world's finest concert venues, Birmingham's Symphony Hall. Our Birmingham Conservatoire received Royal assent in September 2017 and represents a £57 million teaching and performance facility; while also receiving recognition as one of the top three Conservatoires in the country for music [Source: Guardian University Guide 2018].



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

BIRMINGHAM CITY UNIVERSITY OFFERS A HIGH QUALITY AND DISTINCTIVE ACADEMIC EXPERIENCE, HARNESSING THE BEST NEW APPROACHES TO LEARNING AND RESEARCH TO EQUIP OUR STUDENTS WITH THE SKILLS AND KNOWLEDGE TO SUPPORT BOTH THEIR EMPLOYABILITY AND BROADER LIVES; AND TO DELIVER QUALITY AND ADDED VALUE THROUGH UNDERSTANDING AND RESPONDING TO THE NEEDS OF BUSINESS AND THE PROFESSIONS.



Almost 90 per cent of our research was judged to have delivered 'outstanding' or 'very considerable' external impact (REF 2014). Our Innovation Institutes enable businesses and organisations to collaborate with our academic experts and specialists to create leading, practice-based research and new knowledge that delivers a real-world, societal or business impact. Birmingham City University has been engaged in a number of practice-based projects over the year, supported by external research grants and contracts to the value of £2.7million. Highlights include:

- The establishment of the **Elizabeth Bryan Multiple Births Centre (EBMBC)** at Birmingham City University, representing an exciting new collaboration with the Multiple Births Foundation (MBF), a charity of international repute founded on the pioneering work of consultant paediatrician Dr Elizabeth Bryan. The EBMBC aims to improve the support available to multiple birth families through development of research work streams, educational/professional development programmes and resources for health and allied professionals. Jane Denton (Director, MBF) and Professor Merryl Harvey (Co-founder, EBMBC) presented papers at 'TWINS – The Joint 4th World Congress on Twin Pregnancy a Global Perspective' and 'The 16th Congress of the International Society for Twins Studies' (ISTS) in Madrid from 16 - 18 November 2017. Abstracts were subsequently published in the international journal *Twin Research and Human Genetics*, Volume 20. In addition, the EBMBC launched an online CPD module 'individualised care of multiple birth families from conception to year 1' for allied health and social care professionals in April 2018, and will be working with practice-based partners in the West Midlands and more widely to develop services in order to meet the needs of multiple birth families.



- The development of a **new traffic light system** for consumers, which uses till receipts to display nutritional information for an entire supermarket shop. The system, developed by Birmingham City University academics in collaboration with London-based creative designer Hayden Peek who came up with the till receipt concept, shows the total data for calories, sugar, fat and salt in a person's shopping basket and highlights the total in a green, amber or red colour to allow consumers to see instantly if their regular food shops are too high in certain elements, thus enabling them to tailor future shopping trips to reduce potentially harmful food intakes. The concept which was shared as part of National Childhood Obesity Week (3 – 9 July), and was the subject of a Guardian article, offers the potential to be incorporated into supermarket self-scanning devices which could track the nutritional value of a shop as consumers go, and offer up alternative 'healthier' products.
- Securing £349,752 (€400,000) to conduct research into services that **refuges and places of safety provide for women and children fleeing domestic violence and abusive environments**. The funds awarded from the European Commission's Rights, Equality and Citizenship programme will allow researchers Professor Morag MacDonald, David Kane and Dr James Williams to explore the needs of women and children living in refuge situations for reintegration into mainstream society. Working alongside research institutions in Austria, Bulgaria, Italy, Romania and Spain, the two-year project will see the UK research team work with Staffordshire Women's Aid to collaboratively develop an EU-wide programme. This is designed to help families gain active life skills and build confidence through learning activities, supported free play, educational trips and communal food activities to create positive memories for families.
- **Securing, together with Greek technology firm Singular Logic, £665,966 (€761,644)** from the European Union's Horizon 2020 research and innovation programme under the Marie Skłodowska-Curie Innovative Training Networks scheme to develop smart technologies and state-of-the-art sensors to help tackle global water challenges (such as water loss and water wastage), and create and train a new generation of researchers. The four-year project, named Internet of Things Smart Water Innovative Networks (IoT4Win), will see Birmingham City University academics work alongside industry partners in the UK, Romania, Greece and Spain to find ways to improve the efficiency of water systems. Data outputs from the project will be made publicly available so that they can be used to help shape future industry initiatives. This has the potential to have a major impact on future policy by finding ways to improve the efficiency and performance of water systems across the UK and Europe.



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

- The BCU-led £3.3 million **Higher Level Skills Match (HLSM)** Project, launched in October 2017. Working in partnership with Aston and Newman universities, and Lichfield, Cannock Chase and Tamworth local authorities, HLSM is designed with and for businesses, supporting small and medium-sized enterprises (SMEs) in the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) area to identify, develop and retain graduate talent. In turn, this drives local growth by delivering a bespoke business engagement strategy and ensuring that graduate skills provision is matched to the future prosperity of local businesses. HLSM offers local SMEs a single point of contact through which they can access a range of different skills and business support services. By the end of July 2018 the project had successfully engaged with 104 businesses, of which over 75% are now looking to receive support from the universities to recruit talent to their businesses, while over 30% are looking to offer job opportunities.



Throughout 2017/18 BCU also gained considerable external recognition as a global thought leader for STEAM, supporting the innovation agenda of our region, but also driving innovation nationally and internationally. Phase 1 of the STEAMHouse project was formally opened by the Mayor of the West Midlands Andy Street in March 2018, and will deliver a £3.5 million innovation package with ERDF and UK Arts Council support with a target to engage with up to 200 small to medium sized enterprises (SMEs). Working in partnership with Digbeth based arts organisation Eastside Projects, and based in a 15,000 sq ft facility, Phase 1 will provide a range of innovation and production spaces and build communities of practice of academics, policy makers and SMEs in reviewing how to innovate using STEAM. Phase 2 of STEAMhouse, which was launched in July 2018 by Housing, Communities and Local Government Secretary the Rt Hon James Brokenshire MP, will build on this pilot through progressing international alliances and multinational partnerships to drive future consultancy, collaborative research, and insight to the STEAM agenda. As part of this, a £45million STEAMHouse campus will be developed encompassing over 100,000 sq ft of mixed incubator, collaboration, making and innovation space.



In March 2018 we launched BCU's new business support programme 'Growing You', specifically designed to understand the challenges of establishing businesses in diverse communities. Growing You offers access to workshops and mentoring opportunities to help beneficiaries grow and overcome common challenges, and is part of BCU's overall Growth Hub offer. The Programme recruited a wide variety of community-based mentors to support small businesses to take early steps, and who are now also now working with our students to support work around inclusion.

PROMOTE AND IMPROVE OUR CITY AND THE REGION





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

Practically, this takes place through 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.

In 2017/18 69% of our full time first degree undergraduate students were commuter students - from the Birmingham area and from the wider West Midlands. We have a strong track record of promoting and enabling innovation in the West Midlands region with University strategy closely aligned with Strategic Economic Plans of the Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and the West Midlands Combined Authority (WMCA) in support of national priorities for stimulating innovation, skills, business development and productivity.



We have invested £260 million in our campuses and facilities, including a major expansion of our City Centre Campus. In 2017/18 this culminated in the official opening of Curzon B, offering additional teaching and learning space for 3,000 students and staff within more than 650 rooms, and the opening of a £41 million extension at our City South Campus with specialist laboratories for our new courses in sport and life sciences.



Significant activity has taken place in 2017/18 to enhance BCU's position as active 'thought' and 'act' leaders in the innovation and enterprise debate/space, and to become more accomplished in exploiting both our applied and practice based strengths, and near market heritage. Examples include institutional representation across bodies and groups aligned to our Strategy, and regional and national priorities such as the Combined Authority Innovation Working Group; the ESIF Strategy Innovation Group; and the West Midlands Innovation Forum. Specific highlights include the hosting of June 2018's British American Business Council's Transatlantic Conference; and significant support in developing the business case and prospectus, and pitching to Channel 4 to urge them to consider the West Midlands for their new regional headquarters.

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



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

The Corporation

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

The Board of Governors

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

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

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

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

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

Chair of the Board of Governors

Mr Mark Hopton (Independent Member)

Deputy Chair

Mr Joe Kelly (Independent Member)

Vice-Chancellor

Professor Philip Plowden (Ex-officio)

Independent Members

Ms Sally Beavan
 Dr Louise Brooke-Smith
 Mr Ian Burke
 Mr Glenn Howells
 Mr Andrew Jowett
 Ms Jenny Ladbrooke
 Mr Parmjit Singh

Co-opted Lay Members

Professor Graham Henderson CBE
 Ms Tracy Westall

Co-opted Staff Governors

Mr Mohammed Ayaz (appointed 5 October 2017)
 Professor Andrew Kulman (appointed 5 October 2017)

Student Governors

Ms Jemma Ellis (appointed 18 July 2018)
 Mr Sahib Singh (appointed 1 July 2018)

Retired Members

Mr Andrew Cleaves
 The Rt Hon Lord Grocott PC
 Dame Julie Moore
 Ms Jo Morgan
 Mr Luke Shorrick
 (Student Governor)
 Mr Jaspreet Singh
 (Student Governor)

Expiry of Term of Office

22 October 2018
 31 March 2018
 25 October 2018
 22 February 2018
 30 June 2018
 30 June 2018

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totaled £2,282 and hotel accommodation and transport to the value of £1,947 was also provided for 2017/18.

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

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

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

The Vice-Chancellor

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

The senior officers of the University in 2017/18 were the Deputy Vice-Chancellors, the University Secretary and the Chief Finance Officer who, together with the Vice-Chancellor, comprise the Vice-Chancellor's Office. As chief executive officer, the Vice-Chancellor has overall executive responsibility for the development of strategy, the identification and planning of new developments and the shaping of the University's ethos. Although the other senior officers all contribute in various ways to this aspect of the work, ultimate responsibility for what is done rests with the Vice-Chancellor.

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

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.

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

Internal Control

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

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

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

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

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

- The respective responsibilities of the Board, the Audit Committee, Vice Chancellor's Office and the University Executive Group have been reviewed and clarified;
- The University's Strategic Risk Register, which is approved by the Board, identifies the key risks that could prevent the University Group from achieving its strategic objectives, and assesses the measures being taken to manage and mitigate these risks. The risks and mitigations report is reviewed regularly by the University Executive Group, and any red or amber risks are reported in an exception report to the Audit Committee at each scheduled meeting;
- The Risk Register, Risk Management and Internal Control Policy and Risk Appetite Statement were reviewed by the Audit Committee for Board approval during the early part of 2016/17, in order to ensure that they reflect changing external factors and the University's strategic aims;
- The Audit Committee provides the Board with regular reports and advice on the implementation and continuing effectiveness of the University's risk management and internal control arrangements.

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

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

On the basis of the foregoing, procedures have been in place as from 1 August 2017 to enable a full statement on internal control to be made for the whole of the financial year ended 31 July 2018 and up to the date of approval of the Financial Statements.

Going Concern

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

Financial Responsibilities of the Board of Governors

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

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed,

subject to any material departures disclosed and explained in the financial statements;

- it is appropriate that the financial statements are prepared on the going concern basis.

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

- ensure income from the OfS, the National College of Teaching and Leadership (NCTL) 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 2018 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 and the Financial Memorandum with the NCTL and ESFA;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

FINANCIAL REVIEW

Key Financial Highlights

The consolidated accounts for 2017/18 consolidate the results of the University and its subsidiary undertakings. The accounts have been prepared in accordance with FRS 102 and the Statement of Recommended Practice on Accounting for Higher and Further Education (2015).

The surplus before tax for the year was £16.5m (2017: £9.2m), this includes £4.5m of grant income received against the land purchase for STEAMhouse and £1.7m gain on disposal of Holford Drive. The net comprehensive income for the year amounted to £39.3m (2017: net comprehensive income of £31.6m). This reflects an actuarial gain in respect of the Group's pension schemes amounting to £23.2m (2017: £22.8m). Further commentary on the impact of pension scheme volatility on the Group's results is provided below.

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

Key performance indicators taken from the consolidated results for the year ended 31 July 2018 are summarised below:

Financial Performance 2017/18

The external economic and market operating environment continued to present significant challenges. Against this backdrop, the results for the year reflect a strong financial performance. Before other gains and losses and taxation the Group achieved a surplus of £14.1m (2017: surplus of £8.1m).

Total income for the year was £230.9m (2017: £211.2m), an increase of £19.7m. This included a one off grant receipt of £4.5m towards the purchase of land and £0.5m of additional income from HEIF and QR.

Income from tuition fees and education contracts increased by £12.8m. Income from academic fees and education contracts as a proportion of income from all sources reflects a slight decrease at 82.0% compared to the previous year (83.6%).

Total expenditure for the year was £216.8m (2017: £203.1m) an increase of £13.7m, which included an increase in staff costs of £6.0m and a decrease in other operating expenses of £0.4m.

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

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

- Asset returns for the 12 months to 31 July 2018
- Corporate bond yields as at 31 July 2018
- Market expectations of inflation as at 31 July 2018.

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

Asset returns

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

Based on the performance to 31 July 2018 and the allocation outlined above, a typical LGPS Fund might have achieved a positive return of around 11% for the year but this could vary considerably depending on each Fund's investment strategy.

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

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

Corporate bond yields

The defined benefit obligation is valued using a discount rate based on corporate bond yields that reflect the duration of the University's liabilities. In deriving the financial assumptions for the University as at 31 July 2018, we have estimated the duration of the University's liabilities and then used the point on the Merrill Lynch AA-rated corporate bond yield curve which corresponds to this duration. This is the same approach as last year.

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

Bond yields rose in the second half of 2017 but gradually lowered in the first half of 2018 and started to climb again from June 2018. Overall, they are slightly higher than at the start of the year. Therefore, we are likely to see decreases in the value of the defined benefit obligation as a result of the change in discount rate only.

Inflation assumptions

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

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

Capital Investment

Cash invested in capital investment for the year amounted to £88.5m (2017: £96.0m) as the Group continued its Estates Development. This includes expenditure on land purchases at the City Centre Campus and new teaching accommodation at its City South Campus for the Faculty of Health, Education and Life Sciences.

Cash flow and Treasury Management

Cash flow from operations for the year was £31.7m (2017: £32.9m). After taking into account capital expenditure and financial investment, the cash outflow before deposits and borrowing amounted to £78.5m (2017: £61.4m).

The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £15.8m (2017: £17.4m). In addition, the Group had undrawn borrowing facilities amounting to £75m. The borrowings are subject to a set of financial covenants and the Group has complied with these requirements during the year.

Gross debt at the year-end was £60.8m (2017: £17.4m). The Group has cash amounting to £19.9m at 31 July (2017: £23.0m) giving net cash owed of £40.9m (2017 in hand: £5.1m) as at the year end.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Birmingham City University ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

Board of Governors responsibilities

As explained more fully in their statement set out on page 29, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and

- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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

Michael Rowley

29th November 2018

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

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
INCOME					
Tuition fees and education contracts	2	189,340	142,027	176,553	125,820
Funding body grants	3	16,481	13,373	16,148	12,544
Research grants and contracts	4	2,665	2,105	1,686	1,302
Other income	5	21,896	35,877	15,936	26,379
Investment income	6	251	251	542	542
Donations and endowments	7	356	449	320	413
TOTAL INCOME		230,989	194,082	211,185	167,000
EXPENDITURE					
Staff costs	8	128,215	104,772	122,292	100,118
Other operating expenses	9	65,679	57,096	66,091	49,912
Depreciation	12, 13	18,508	18,184	10,251	9,933
Interest and other finance costs	10	4,399	4,399	4,401	4,401
TOTAL EXPENDITURE		216,801	184,451	203,035	164,364
SURPLUS BEFORE OTHER GAINS/(LOSSES)		14,188	9,631	8,150	2,636
Gain on disposal of fixed assets		2,058	362	773	773
Gain on investments		315	315	390	390
SURPLUS BEFORE TAX		16,561	10,308	9,313	3,799
Taxation	11	(22)	-	(48)	-
SURPLUS FOR THE YEAR		16,539	10,308	9,265	3,799
Actuarial gain in respect of pension scheme	32	23,194	23,194	22,823	22,823
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		39,733	33,502	32,088	26,622
Represented by:					
Endowment comprehensive income for the year	22	401	401	500	500
Unrestricted comprehensive income for the year	23	39,332	33,101	31,588	26,122
		39,733	33,502	32,088	26,622

The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS
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CONSOLIDATED CHANGE IN RESERVES

	Endowment £'000	Unrestricted £'000	Total £'000
AS AT 1 AUGUST 2016	5,676	197,990	203,666
Surplus from the income and expenditure statement	500	8,765	9,265
Other comprehensive income	-	22,823	22,823
AS AT 31 JULY 2017	6,176	229,578	235,754

CHANGES IN RESERVES

Surplus from the income and expenditure statement	401	16,138	16,539
Actuarial gain in respect of pension schemes	-	23,194	23,194
AS AT 31 JULY 2018	6,577	268,910	275,487

UNIVERSITY

	Endowment £'000	Unrestricted £'000	Total £'000
AS AT 1 AUGUST 2016	5,676	185,950	191,626
Surplus from the income and expenditure statement	500	3,299	3,799
Other comprehensive income	-	22,823	22,823
AS AT 31 JULY 2017	6,176	212,072	218,248

CHANGES IN RESERVES

Surplus from the income and expenditure statement	401	9,907	10,308
Actuarial gain in respect of pension schemes	-	23,194	23,194
AS AT 31 JULY 2018	6,577	245,173	251,750

The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
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CONSOLIDATED BALANCE SHEETS

	Note	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
NON-CURRENT ASSETS					
Intangible assets	12	3,012	3,012	708	708
Fixed assets	13	458,309	451,564	400,657	392,970
Heritage assets	14	690	690	690	690
Investments	15	6,126	10,426	5,811	10,111
		468,137	465,692	407,866	404,479
CURRENT ASSETS					
Stocks	16	254	254	260	260
Debtors	17	23,097	21,680	23,052	21,890
Cash at bank and in hand		19,941	19,398	22,962	22,188
		43,292	41,332	46,274	44,338
CREDITORS - amounts falling due within one year	18	(34,853)	(54,721)	(47,598)	(60,184)
NET CURRENT ASSETS /(LIABILITIES)		8,439	(13,389)	(1,324)	(15,846)
TOTAL ASSETS LESS CURRENT LIABILITIES		476,576	452,303	406,542	388,633
Creditors – amounts falling due after more than one year	19	(117,631)	(117,254)	(74,712)	(74,326)
PROVISIONS					
Pension provisions	21	(78,923)	(78,923)	(94,481)	(94,481)
Other provisions	21	(4,535)	(4,376)	(1,595)	(1,578)
NET ASSETS		275,487	251,750	235,754	218,248
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserves	22	6,577	6,577	6,176	6,176
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted	23	268,910	245,173	229,578	212,072
TOTAL RESERVES		275,487	251,750	235,754	218,248

The financial statements were approved by the Board of Governors on 27 November 2018 and signed on its behalf by:



M Hopton, Chairman of the Board of Governors



P Plowden, Vice Chancellor

The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
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CONSOLIDATED CASHFLOW STATEMENT

	Note	2018 £'000	2017 £'000
OPERATING ACTIVITIES			
Net cash flows from operations	24	31,814	32,917
Corporation tax paid		(154)	(11)
NET CASH FLOWS FROM OPERATING ACTIVITIES		31,660	32,906
INVESTING ACTIVITIES			
Investment Income		4	303
Interest received		49	281
Interest paid		(335)	(125)
Endowment income		206	90
Donation Income		215	159
Purchase of intangible fixed assets		(2,345)	(185)
Purchase of tangible fixed assets		(86,162)	(96,047)
Proceeds on disposal of tangible fixed assets		2,316	5,516
Proceeds on disposal of Heritage Assets		-	48
STEAMhouse land grant receipt		4,500	-
Proceeds on disposal of current asset investments		-	20,000
Other capital grant receipts		2,959	8,575
NET CASH FLOWS FROM INVESTING ACTIVITIES		(78,593)	(61,385)
FINANCING ACTIVITIES			
New endowments received		141	161
Drawdown of Loans		45,000	-
Repayment of loans		(1,229)	(1,517)
NET CASH FLOWS FROM FINANCING ACTIVITIES		43,912	(1,356)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,021)	(29,835)
CASH AND CASH EQUIVALENTS AT 1 AUGUST		22,962	52,797
CASH AND CASH EQUIVALENTS AT 31 JULY		19,941	22,962
CASH AND CASH EQUIVALENTS CONSIST OF:			
CASH AT BANK AND IN HAND		19,941	22,962
CASH AND CASH EQUIVALENTS		19,941	22,962

The notes form part of these financial Statements

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS
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1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 Accounting convention

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

1.2 OfS Accounts Direction

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

1.3 Lease Incentives

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

1.4 Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

1.5 Recognition of Income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Grant funding including Funding Council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. 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 Teaching Agency for Schools and of access funds and bursaries from both HEFCE & OFS. Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in note 28 to the accounts.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS
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1.6 Leasing Costs

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

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

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

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

1.7 Post-Retirement Benefits

The University participates in three principal, defined benefit pension schemes: the West Midlands Pension Fund (WMPF), the Universities Superannuation Scheme (USS) and the Teacher's Pension Scheme England and Wales (TPS). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). The assets of the schemes are held separately from those of the University and are administered independently. Each fund is valued every five years by professionally qualified independent actuaries.

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

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

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

1.8 Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

1.9 Taxation

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. All subsidiary companies (with the exception of the Technology Innovation Centre, which is a charity) are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

1.10 Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

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

1.11 Intangible Assets

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

1.12 Tangible Fixed Assets and Depreciation

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July.

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

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

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

Existing freehold buildings	- up to 60 years
Leasehold land and buildings	- period of lease or useful economic life, if shorter
Newly completed buildings:	
Externals	- up to 60 years
Services	- 30 years

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Finishes	- 20 years
Fixtures and fittings	- 30 years
Equipment	- between 3 and 10 years

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

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

1.13 Borrowing Costs

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

1.14 Investments

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

1.15 Stocks

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

1.16 Cash Flows and Liquid Resources

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.17 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

1.18 Accounting for Donations and Endowments

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

Donations with no restrictions are recognised as income when the University is entitled to the funds. Investment income and appreciation of endowments is recorded as income in the year in which it arises and as either restricted or unrestricted income according to the terms of the individual endowment fund.

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

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

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

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

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

1.19 Heritage Assets

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

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

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

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

1.20 Reserves

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

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

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2. TUITION FEES AND EDUCATION CONTRACTS

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

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Tuition fees				
Full-time home and EU students	134,710	112,925	115,504	95,132
Full-time international students	24,710	20,699	24,883	20,563
Part-time students	5,483	3,364	6,188	4,513
Further education	-	-	146	146
Full cost course fees	2,728	2,545	3,146	2,954
	167,631	139,533	149,867	123,308
Education contracts				
Health professions education contracts	21,709	2,494	26,686	2,512
	189,340	142,027	176,553	125,820

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 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Higher Education Funding Council				
Teaching funds	10,035	7,191	11,147	7,686
Research funds	2,323	2,323	2,142	2,142
Other specific grants	1,626	1,447	1,125	1,118
Deferred capital grants released	2,068	2,062	1,016	1,007
	16,052	13,023	15,430	11,953
Skills Funding Agency	152	73	410	283
National College for Teaching and Leadership	277	277	308	308
	16,481	13,373	16,148	12,544

Funding Council student access funds and training bursaries are excluded from income and expenditure (see Note 28).

4. RESEARCH GRANTS AND CONTRACTS

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Research councils	633	615	416	407
Research charities	348	348	218	218
Government (UK and overseas)	968	751	731	541
Industry and commerce	446	184	184	62
Other	270	207	137	74
	2,665	2,105	1,686	1,302

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5. OTHER INCOME

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Residences, catering and conferences	9,340	9,277	9,659	9,620
Other revenue grants	2,590	2,346	736	629
STEAMHouse Land Grant	4,500	4,500	-	-
Other capital grants	277	274	33	33
Other income	5,189	19,480	5,508	16,097
	21,896	35,877	15,936	26,379

6. INVESTMENT INCOME

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Investment income on endowments	209	209	252	252
Other investment income	4	4	51	51
Interest receivable	38	38	239	239
	251	251	542	542

7. DONATIONS AND ENDOWMENTS

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
New endowments	141	141	162	162
Unrestricted donations	215	308	158	251
	356	449	320	413

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8. STAFF COSTS

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

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Wages and salaries	98,215	77,118	95,840	75,952
Social security costs	9,827	8,858	8,980	8,037
Other pension costs	20,173	18,796	17,472	16,129
	128,215	104,772	122,292	100,118

Included within payroll costs above are restructuring costs amounting to £1.148 million (2017: £1.07 million).

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

	Consolidated 2018 £'000	Consolidated 2017 £'000
Universities Superannuation Scheme (USS)	513	747
Local Government Pension Scheme (LGPS)	11,731	9,387
Teachers' Pension Scheme (TPS)	7,929	7,357
	20,173	17,491

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

	2018 No.	2017 No.
Manager	347	326
Admin	869	818
Academic	1,183	967
Student	-	14
Visiting tutors	176	80
Other	-	85
	2,575	2,290

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

	2018 No	2017 No
£100,000 to £104,999	2	1
£105,000 to £109,999	2	5
£110,000 to £114,999	3	3
£115,000 to £119,999	1	-
£120,000 to £124,999	1	-
£125,000 to £129,999	-	1
£140,000 to £144,999	1	1
£145,000 to £149,999	1	2
TOTAL	11	13

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

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8. 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, University Secretary and Chief Finance Officer are the Key Management Personnel for the University.

	2018 £'000	2017 £'000
Remuneration of key management personnel	1,631	1,757

	2018 £'000	2017 £'000
Compensation for loss of office paid to Higher paid personnel (excluding Vice Chancellor)	80	146

Emoluments of the Vice-Chancellors:

C Allan (1St Aug' 16 to 14th Oct'16)

	2018 £	2017 £
Salary	-	33,301
Taxable Benefits	-	143
Pension Contributions (Taxable)	-	5,516
Non-Taxable Benefits	-	-
Total Emoluments	-	38,960
Compensation for loss of office	-	186,876

G Henderson (17 Oct to 29th Nov'16)

	2018 £	2017 £
Salary	-	41,372
Taxable Benefits	-	102
Pension Contributions (Taxable)	-	-
Non-Taxable Benefits	-	-
Total Emoluments	-	41,474

G Upton (Left the University on 31st Aug'17)

	2018 £	2017 £
Salary	45,175	145,785
Taxable Benefits	72	303
Pension Contributions (Taxable)	-	-
Non-Taxable Benefits	-	-
Total Emoluments	45,247	146,088

P Plowden (14th Aug'17 to 31st July'18)

	2018 £	2017 £
Salary	212,312	-
Taxable Benefits	273	-
Pension Contributions (Taxable)	34,989	-
Non-Taxable Benefits	8,000	-
Total Emoluments	255,574	-

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8. STAFF COSTS (CONTINUED)

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

During the reporting period in question, the university appointed Professor Plowden to be its Vice Chancellor.

This starting salary rate was set in the light of the activities and size of Birmingham City University, with reference to external market data, and was set at a lower salary level than that of the previous incumbent.

During the period in question, the salary of Professor Plowden has remained constant and has not been reviewed, with a salary review next due w.e.f.1/8/2018. At that point, as well as considering market data, the salary level will be considered in the light of Institutional and individual performance.

Professor Plowden received a non-taxable relocation package as part of his move to Birmingham.

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

VC	FTE Salary		Staff Basic Pay Median	VC Multiple of Basic Pay	
Upton	271,050		36,225	7.48	
Plowden	219,996		36,225	6.07	
VC	FTE Salary	Relocation	TOTAL Pay	Staff Total Pay Median	VC Multiple of Total Pay
Upton	271,050		271,050	36,861	7.35
Plowden	219,996	8,000	227,996	36,861	6.19

The University has excluded "atypical" staff (primarily temporary and agency workers) within the above calculation due to the complexity in the data, in particular due to data availability to allow a full time equivalent (FTE) calculation.

9. OTHER OPERATING EXPENSES

Other operating expenses include:

	2018 £'000	2017 £'000
Auditor's remuneration:		
in respect of audit services	80	85
in respect of non-audit services	31	77
Operating lease rentals:		
land and buildings	5,050	6,578
Other	328	305

10. INTEREST AND OTHER FINANCE COSTS

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Loan interest	335	335	125	125
Finance lease interest	1,589	1,589	1,464	1,464
Net expense on pension scheme	2,475	2,475	2,812	2,812
	4,399	4,399	4,401	4,401

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11. TAXATION

Recognised in the statement of comprehensive income

	Consolidated 2018 £'000	Consolidated 2017 £'000
Current tax:		
UK Corporation tax	-	11
China Tax	22	37
Current tax expense	-	48
TOTAL TAX EXPENSE	22	48

12. INTANGIBLE ASSETS

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	Total £'000
COST OR VALUATION	
AT 1 AUGUST 2017	1,953
Additions	2,345
Transfers from tangible fixed assets	6,703
Disposals	(507)
At 31 JULY 2018	10,494
DEPRECIATION	
AT 1 AUGUST 2017	1,245
Expense for the year	201
Transfers from tangible fixed assets	6,543
Eliminated on disposals	(507)
AT 31 JULY 2018	7,482
NET BOOK VALUES	
AT 31 JULY 2018	3,012
AT 31 JULY 2017	708

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13. FIXED ASSETS

CONSOLIDATED

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in the course of construction £'000	Total £'000
COST OR VALUATION					
AT 1 AUGUST 2017	36,217	280,715	25,503	133,100	475,535
Additions	42,738	21,712	5,669	6,729	76,848
Transfers	54,775	78,428	3,235	(136,438)	-
Transfers to intangible assets	-	-	(6,703)	-	(6,703)
Disposals	(1,670)	(5,236)	(11,278)	(110)	(18,294)
At 31 JULY 2018	132,060	375,619	16,426	3,281	527,386
DEPRECIATION					
AT 1 AUGUST 2017	10,762	45,497	18,619	-	74,878
Expense for the year	2,201	12,186	3,920	-	18,307
Transfer to Intangibles	-	-	(6,543)	-	(6,543)
Eliminated on disposals	(1,051)	(5,236)	(11,278)	-	(17,565)
AT 31 JULY 2018	11,912	52,447	4,718	-	69,077
NET BOOK VALUES					
AT 31 JULY 2018	120,148	323,172	11,708	3,281	458,309
AT 31 JULY 2017	25,455	235,218	6,884	133,100	400,657

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	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 2017	34,578	272,849	21,858	133,041	462,326
Additions	42,738	21,712	5,669	6,729	76,848
Transfers	54,775	78,428	3,175	(136,378)	-
Transfers to intangible fixed assets	-	-	(6,703)	-	(6,703)
Disposals	(1,051)	(4,938)	(8,000)	(110)	(14,099)
At 31 JULY 2018	131,040	368,051	15,999	3,282	518,372
DEPRECIATION					
AT 1 AUGUST 2017	10,762	43,497	15,097	-	69,356
Expense for the year	2,201	11,990	3,792	-	17,983
Transfers to intangible fixed assets	-	-	(6,543)	-	(6,543)
Eliminated on disposals	(1,051)	(4,937)	(8,000)	-	(13,988)
AT 31 JULY 2018	11,912	50,550	4,346	-	66,808
NET BOOK VALUES					
AT 31 JULY 2018	119,128	317,501	11,653	3,282	451,564
AT 31 JULY 2017	23,816	229,352	6,761	133,041	392,970

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13. FIXED ASSETS (Continued)

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

	2018 £'000	2017 £'000
COST OR VALUATION		
AT 1 AUGUST 2017 and 31 JULY 2018	21,369	21,369
DEPRECIATION		
AT 1 AUGUST 2017	1,395	930
Expense for the year	463	465
AT 31 JULY 2018	1,858	1,395
NET BOOK VALUES	19,511	19,974

14. HERITAGE ASSETS

CONSOLIDATED AND UNIVERSITY

	Total £'000
COST OR VALUATION	
AT 1 AUGUST 2017 and At 31 JULY 2018	690

The University's heritage assets support its teaching, research and public engagement. The collection includes objects, such as paintings and sculpture. The strengths of the collection relates to the University's own specialist areas of excellence. The heritage assets held in the University make a significant contribution to scholarly endeavour, teaching and learning and the dissemination of knowledge for the public benefit. The disposal this year relates to books that have not been referenced for some time and a sculpture that has been returned to the family. The acquisition, preservation, management and disposal of heritage assets is in accordance with the University's general policies in regard to its heritage assets; relevant assets are curated by the appropriate staff in the Birmingham Institute of Art and Design to ensure that such assets continue to be available to staff and students for teaching, research and other purposes.

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

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

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

15. INVESTMENTS

CONSOLIDATED

	Subsidiary undertakings £'000	Endowment funds £'000	Other fixed asset investments £'000	Total £'000
COST OR FAIR VALUE				
AT 1 AUGUST 2017	-	5,640	171	5,811
Change in Fair Value	-	315	-	315
AT 31 JULY 2018	-	5,955	171	6,126

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15. INVESTMENTS (Continued)

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	Subsidiary undertakings £'000	Endowment funds £'000	Other fixed asset investments £'000	Total £'000
COST OR FAIR VALUE				
AT 1 AUGUST 2017	4,300	5,640	171	10,111
Change in Fair Value	-	315	-	315
AT 31 JULY 2018	4,300	5,955	171	10,426

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

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

Endowment funds comprise:

	Total £'000
COIF Fixed Interest Fund	417
COIF Property Fund	5,037
COIF Investment Fund	501
	5,955

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

Other fixed asset investments consist of:

	Total £'000
CVCP Properties Limited	35
Advantage Growth Fund	95
Mercia Fund	41
AT 31 JULY 2018	171

16. STOCKS

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Raw materials and consumables	198	198	210	210
Finished goods and goods for resale	56	56	50	50
	254	254	260	260

17. DEBTORS

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Trade debtors	14,864	12,523	18,206	14,658
Amounts due from subsidiaries	-	1,818	-	2,783
Prepayments and accrued income	8,233	7,339	4,846	4,449
	23,097	21,680	23,052	21,890

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18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Bank loans (Note 21)	1,532	1,532	1,524	1,524
Trade creditors	220	220	3,375	3,321
Other creditors	6,495	6,368	5,095	5,891
Capital Grants	3,102	3,102	1,469	1,469
Amounts due to subsidiaries	-	22,410	-	13,603
Corporation tax	26	-	50	45
Other taxation and social security	2,233	1,725	1,302	1,278
Accruals and deferred income	21,245	19,364	34,783	33,053
	34,853	54,721	47,598	60,184

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 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Donations	43	43	12	12
Research grants received on account	798	225	747	614
Grant income	508	506	1,458	1,359
	1,349	774	2,217	1,985

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

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Bank loans (Note 21)	59,320	59,320	15,853	15,853
Other creditors	7	7	84	84
Capital Grants	32,725	32,348	33,813	33,427
Finance Lease liabilities (Note 20)	25,579	25,579	24,962	24,962
	117,631	117,254	74,712	74,326

20. BANK LOANS AND FINANCE LEASES

Bank loans are repayable as follows:

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Within one year	1,532	1,532	1,524	1,524
Between two and five years	51,215	51,215	6,180	6,180
After more than five years	8,105	8,105	9,673	9,673
	60,852	60,852	17,377	17,377

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

Finance leases are repayable as follows:

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	25,579	25,579	24,962	24,962
	25,579	25,579	24,962	24,962

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21. PROVISIONS

CONSOLIDATED

	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on LGPS Pension £'000	Total pension provisions £'000	Other provisions £'000	Total other provisions £'000
AT 1 AUGUST 2017	1,424	93,057	94,481	1,595	1,595
Increase / (decrease) in provisions	(75)	(15,483)	(15,558)	3,319	3,319
Utilised during the year	-	-	-	(136)	(136)
Unutilised amounts reversed in the year	-	-	-	(243)	(243)
At 31 JULY 2018	1,349	77,574	78,923	4,535	4,535

Other provisions £4.5m includes: £2.9m Dilapidations provision for Leasehold Buildings, and £1.6m provision against potential clawback on externally funded projects.

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	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 2017	1,424	93,057	94,481	1,578	1,578
Increase / (decrease) in provisions	(75)	(15,483)	(15,558)	3,177	3,177
Utilised during the year	-	-	-	(136)	(136)
Unutilised amounts reversed in the year	-	-	-	(243)	(243)
At 31 JULY 2018	1,349	77,574	78,923	4,376	4,376

Other provisions £4.4m includes: £2.9m Dilapidations provision for Leasehold Buildings, and £1.5m provision against potential clawback on externally funded projects.

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22. ENDOWMENT RESERVES

CONSOLIDATED AND UNIVERSITY

	Restricted permanent endowments 2018 £'000	Expendable endowments 2018 £'000	Total 2018 £'000	Total 2017 £'000
AT 1 AUGUST				
Capital	4,915	1,007	5,922	5,473
Accumulated income	208	47	255	203
	5,122	1,054	6,176	5,676
New endowments	-	141	141	162
Investment income	172	37	209	252
Expenditure	(182)	(82)	(264)	(304)
Increase in market value of investments	257	58	315	390
TOTAL ENDOWMENT COMPREHENSIVE INCOME FOR THE YEAR	247	154	401	500
AT 31 JULY				
	5,369	1,208	6,577	6,176
Capital	5,161	1,212	6,372	5,922
Accumulated income	208	(4)	205	254
	5,369	1,208	6,577	6,176
Analysis of endowments by assets:				
			2018 £'000	2017 £'000
Fixed assets			15	15
Non-current asset investments			5,955	5,640
Current assets			-	50
Cash at bank and in hand			621	489
Current liabilities			(14)	(18)
			6,577	6,176

23. UNRESTRICTED RESERVES

CONSOLIDATED

	Total 2018 £'000	Total 2017 £'000
AT 1 AUGUST	229,578	197,990
Surplus for the year	16,138	8,765
Actuarial gain in respect of pension schemes	23,194	22,823
Transfers to endowment reserves		
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	39,332	31,588
AT 31 JULY	268,910	229,578

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23. UNRESTRICTED RESERVES (Continued)

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	Total 2018 £'000	Total 2017 £'000
AT 1 AUGUST 2017	212,072	185,950
Surplus for the year	9,907	3,299
Actuarial gain in respect of pension schemes	23,194	22,823
Transfers to endowment reserve		-
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	33,101	26,122
AT 31 JULY 2018	245,173	212,072

24. NOTES TO THE CASH FLOW STATEMENT

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

	2018 £'000	2017 £'000
Surplus for the financial year	39,733	32,088
Adjustment for non-cash items:		
Taxation	130	11
Depreciation of tangible fixed assets	18,307	10,062
Write off Work in Progress	144	-
Amortisation of intangibles	201	189
(Increase)/Decrease in stocks	6	(12)
Increase / (Decrease) in debtors	(45)	4,554
Increase / (Decrease) in creditors	(6,430)	5,206
(Decrease)/increase in pension provision	(15,558)	(17,123)
Increase) in other provisions	2,940	(481)
Endowment revaluation	(315)	(390)
Adjustment for investing or financing activities		
Investment income	(4)	(303)
Interest receivable	(38)	(239)
Interest payable	1,924	1,589
Endowment income	(209)	(252)
STEAMhouse Land Grant	(4,500)	-
Profit on disposal of investments	-	(159)
Profit / (Loss) on the disposal of fixed assets	(2,058)	(773)
Capital grant release	(2,414)	(1,050)
NET CASH FLOWS FROM OPERATIONS	31,814	32,917

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 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Commitments contracted for	7,879	7,879	30,055	30,055

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25. CAPITAL AND OTHER COMMITMENTS (Continued)

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:

	2018 £000	2017 £000
Within than one year	5,811	6,749
Between one and five years	20,703	26,020
After more than five years	63,428	27,097
	89,942	59,866

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 £972,077 (2017: £948,369). On the expiration date of the current lease, a lease extension signed on 31 October 2011 will be entered into between Millennium Point Property Ltd, TIC and the University which extends the period of the guarantee and lease to 18 March 2149.

27. SUBSIDIARY UNDERTAKINGS

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

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

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28. STUDENT ACCESS FUNDS AND TRAINING BURSARIES

	NCTL Training Bursaries £'000	NHS Placement Bursaries £'000
Funding Council grants	61	60
Disbursed to students	(61)	(60)
BALANCE UNSPENT AT 31 JULY 2018	-	-

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

29. RELATED PARTY TRANSACTIONS

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

The following material related party transactions occurred during the year: £3,792,744 was paid to Millennium Point Property Limited for use of space at Millennium together with a further £1,286,586 for associated service charges (David Wilkin – Trustee), and £326,659 was paid to Birmingham Metropolitan College for provision of franchise college courses (Andrew Cleaves – CEO).

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 32, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

30. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Assessment of impairment of Assets

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

Bad Debt Provision

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

31. FINANCIAL INSTRUMENTS

Risk Management

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

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

Credit Risk

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

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2018, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

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

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

Liquidity Risk

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

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

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32. PENSION SCHEMES

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

	2018	2017
	£'000	£'000
Local Government Pension Scheme	77,574	93,057
Universities Superannuation Scheme	1,349	1,424
Teachers' Pension Scheme	-	-
	78,923	94,481

(i) Local Government Pension Scheme (LGPS)

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

The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 July 2017 FRS102 report which was carried out for accounting purposes;

Estimated whole Fund income and expenditure items for the period to 31 July 2018;

Fund investment returns (where known) and market returns (estimated where necessary) based on a net asset statement of the Fund as at 30 June 2018;

Estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2018; and

Details of any new early retirements for the period to 31 July 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

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

Employer membership statistics

The table below summarises the membership data, used for the purposes of the 2016 valuation, for members receiving funded benefits, and as at 31 March 2016 for any members receiving unfunded benefits.

Member data summary	Number
Actives	973
Deferred pensioners	3,193
Pensioners	548
Unfunded pensions	12

The service cost for the year ending 31 July 2018 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £31,301,000.

Scheduled contributions

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

Minimum employer contributions due for the period beginning	1 APRIL 2017	1 APRIL 2018	1 APRIL 2019
Percent of payroll plus monetary amount (£'000)	13.6% 2,094	14.6% 2,176	15.5% 2,261

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32. PENSION SCHEMES (Continued)

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

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

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 2018 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Birmingham City University as at 31 July 2018 is as follows:

	31 July 2018		31 July 2017	
	£'000	%	£'000	%
Equities	136,678	63%	128,060	64%
Government bonds	15,536	7%	14,808	7%
Other bonds	7,998	4%	7,797	4%
Property	17,529	8%	14,797	7%
Cash/liquidity	8,099	4%	10,068	5%
Other	30,153	14%	26,885	13%
Total	215,993	100%	202,415	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 2018 is likely to be different from that shown due to estimation techniques.

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

Valuation approach

To assess the value of the Employer's liabilities at 31 July 2018, actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016 using financial assumptions that comply with FRS102.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 July 2018 without completing a full valuation. However, they are satisfied that the approach of rolling forward the previous valuation data to 31 July 2018 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate. To calculate the asset share they have rolled forward the assets allocated to the Employer at 31 March 2016 allowing for

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investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

32. PENSION SCHEMES (Continued)

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 July 2018	31 July 2017
Retiring today	Males	21.9	21.8
	Females	24.4	24.3
Retiring in 20 years	Males	24.1	23.9
	Females	26.7	26.6

The actuaries have also assumed that:

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

Financial assumptions

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

Assumptions as at	31 July 2018	31 July 2017	31 July 2017
	% p.a.	% p.a.	% p.a.
Discount Rate	2.65%	2.7%	2.6%
Pension increase	2.35%	2.7%	2.0%
Salary increases	3.85%	4.2%	3.75%

These assumptions are set with reference to market conditions at 31 July 2018.

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

The discount rate is the annualised yield at the 21 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 21 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.6% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuaries have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. They believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a lower differential than last year as we are no longer allowing for an inflation risk premium, which is consistent with the 2016 valuation of the Fund. Salaries are assumed to increase at 1.5% p.a. above CPI, in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. This assumption has been updated from last year's report and is consistent with the 2016 valuation of the Fund.

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32. PENSION SCHEMES (Continued)

Please note that from 15 May 2017 to 3 July 2017 the Bank of England (BoE) temporarily suspended the publication of their implied inflation curve (on which the actuary RPI increase assumption, and so their CPI increase assumption, is based) while they carried out a review of their methodology. The BoE resumed publication of the implied inflation curve from 3 July 2017, however, they have also revised previous publications dating back to 1 January 2017. The assumptions below take into account the new methodology from 1 January 2017.

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 2018.

Curtailments

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

LGPS pension liabilities.

Over the year, there were costs of £374,000 associated with early retirement costs as a result of permitting employees to take unreduced early retirement that they would not otherwise have been entitled to. Settlements

As a result of some members transferring into the Employer, liabilities have been settled at a cost different to the accounting reserve. The capitalised loss of this settlement is £194,000.

A summary of the transfers into the Employer is set out below. This includes the value of assets transferred to the Employer in respect of any transfers and the value of the transferred defined benefit obligation (as calculated on a basis consistent with the start of the year). Where applicable, we have also provided the date of the report provided to the Administering Authority in relation to the transfer which includes a summary of the membership data used to calculate the value of assets and liabilities transferred.

Settlement in Employer transferred from	Transfer date	Assets transferred £000s	Liabilities transferred £000s
Sodexo Limited	31 July 2016	599	793
Total		599	793

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32. PENSION SCHEMES (Continued)

Statement of profit or loss for the year to 31 July 2018

The amounts recognised in the profit and loss statement are:

	Year to 31 July 2018 £'000	As at 31 July 2017 £'000
Service cost	11,032	9,236
Net interest on defined liability (asset)	2,444	2,787
Administration expenses	89	73
Total loss	13,565	12,096

Asset and benefit obligation reconciliation for the year to 31 July 2018

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

	Year to 31 July 2018 £'000	As at 31 July 2017 £'000
Opening defined benefit obligation	295,472	272,526
Current service cost	10,838	8,862
Interest Cost	7,981	7,057
Change in financial assumptions	(18,531)	29,757
Change in demographic assumptions	-	(7,790)
Experience loss/(gain) on defined benefit obligation	-	(12,728)
Liabilities assumed / (extinguished) on settlements	793	-
Estimated benefits paid net of transfers in	(5,136)	(4,736)
Past service costs, including curtailments	-	374
Contributions by Scheme participants and other employers	2,163	2,163
Unfunded pension payments	(13)	(13)
Closing defined benefit obligation	293,567	295,472

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32. PENSION SCHEMES (Continued)

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

	Year to 31 July 2018 £'000	As at 31 July 2017 £'000
Opening fair value of Fund assets	202,415	162,365
Interest on assets	5,537	4,270
Return on assets less interest	4,663	25,138
Other actuarial gains	-	6,924
Administration expenses	(89)	(73)
Contributions by employer including unfunded	5,854	6,377
Contributions by Scheme participants and other employers	2,163	2,163
Estimated benefits paid plus unfunded net of transfers in	(5,149)	(4,749)
Settlement prices received	599	
Closing fair value of Fund assets	215,993	202,415

The total return on the fund assets for the year to 31 July 2018 is £10,200,000.

Re-measurements in other comprehensive income

	Year to 31 July 2018 £'000	As at 31 July 2017 £'000
Re-measurement of the net defined liability		
Return on Fund assets in excess of interest	4,663	25,138
Other actuarial gains on assets	-	6,924
Changes in financial assumptions	18,531	(29,757)
Change in demographic assumptions	-	7,790
Experience gain on defined benefit obligation	-	12,728
Re-measurement of the net assets / (defined liability)	23,194	22,823

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32. PENSION SCHEMES (Continued)

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

(ii) The Universities' Superannuation Scheme

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

The University participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2017 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set.

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

Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account. The total cost charged to the profit and loss account is £513,000 (2017: £747,000) as shown in note 8. The latest available full actuarial valuation of the scheme was at 31 March 2017 (the valuation date), which was carried out using the projected unit method.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

Male members' mortality 96.5% of S1NA ["light"] YoB tables – No age rating
Female members' mortality 101.3% of S1NA ["light"] YoB tables – rated down 1 year
Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2017 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2018	2017
Scheme assets	£60.0bn	£60.0bn
Total scheme liabilities	£67.5bn	£77.5bn
FRS 102 total scheme deficit	£7.5bn	£17.5bn
FRS 102 total funding level	89%	77%

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

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

employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;

total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;

an employer cost cap of 10.9% of pensionable pay;

Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

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

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



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