



UNIVERSITY OF
BIRMINGHAM

2018 ANNUAL REPORT AND ACCOUNTS 19

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Vice-Chancellor's Report



Birmingham inspires in all walks of life

When establishing the University, our founders sought inspiration from the very best. A study tour of leading US universities at the time was facilitated by Andrew Carnegie, one of our founding donors, which influenced the establishment of the University in numerous ways.

From the outset, the University had the confidence to teach the full range of subjects, and to innovate in ways that were genuinely pioneering. The University of Birmingham was distinctive in that it sought to link research to teaching, and to enrich the economy and culture of its city.

This innovation and ambition remains today. We seek to inspire transformation, generate impact and achieve greater understanding throughout our work, to transform the lives of those in our city and across the globe, always with Chamberlain's vision of providing 'a great school of universal instruction' in mind.

There has been a marked change in our Edgbaston campus. Our beautiful 12-acre Green Heart opened formally in February, with the re-opening of the historic North Gate – rediscovering the tree-lined vista envisaged by our founders. This was followed by the largest community event the University has ever hosted, the Green Heart Festival Weekend, in June. The space truly came into its own during Welcome Week in September, when it was brought to life by our new student intake. An important asset to the city as much as to staff, students and visitors, the year-long

Green Heart Festival programme is now well underway, with a range of exhibitions, performances and events open to all.

Our much-admired new Collaborative Teaching Laboratory (CTL), which brings together practical teaching activities across a broad range of science and engineering disciplines, welcomed students for the first time in October 2018. Described by the Nobel Laureate, Professor Sir Fraser Stoddart as an 'awesome facility' at the official opening, the CTL is a major investment that is responding to industry needs and transforming the opportunities for students in our STEM disciplines.

Next year will see the completion of a number of key projects as part of our ambitious plan to create a campus rich in academic and teaching facilities fit for future generations. In early 2020, we will open our impressive new Teaching and Learning Building. Located next to the Main Library, this will provide a vastly enhanced learning experience for staff and students. It will offer a 500-seater lecture theatre, an interactive lecture theatre, seminar rooms, and independent study spaces. Alongside this, we will see the completion of the Business School extension,

Vice-Chancellor's Report (continued)

which will allow staff to be co-located, as well as providing better study facilities for students. The National Buried Infrastructure Facility, on the South West edge of campus, will provide a unique opportunity to better understand the earth beneath our feet, while the refurbishment of the Frankland building, part of the original red-brick buildings, is already open, giving students access to state-of-the-art music rooms and a studio as part of the new University Music Hub. Frankland has also allowed us to create newly refurbished homes for the departments of Law and English Language. We have seen the Old Gym, originally built in the 1940s, reimagined with modern lecture theatres, study spaces and meeting rooms capable of accommodating more than 260 students.

Outside of the Edgbaston campus, we have invested in and are preserving a key Birmingham landmark, the old Municipal Bank at Centenary Square, now known as The Exchange. When it opens in 2021, the Exchange will give the University a presence at the heart of our city, a hub for culture, public engagement, student entrepreneurship, and policy and leadership activity. A building that is befitting of our status as England's first civic university.

Supporting and inspiring our city and the wider West Midlands is vital to delivering our vision. Across the city and region, we continue to invest in projects that will link our research to tackling major issues. This contribution encompasses investments in Tyseley Energy Park to address Birmingham's challenges in air quality and carbon reduction, and the Birmingham Life Sciences Park in Selly Oak, which builds on the city's remarkable strength in life sciences.

The University of Birmingham School continues to go from strength to strength in its mission to provide a high-quality education to pupils from as broad a range of backgrounds as possible. The School is already one

of the most diverse in the city, and we were delighted that it received a Good rating in its first Ofsted inspection – the best possible rating at this stage in its development.

This year, the University's flagship regional Access to Birmingham (A2B) programme has broken records with over 470 students from the region joining campus in September 2019, including a number of students who participated in the institution's successful five-day Academic Enrichment Programme. We are also immensely proud that a third of our students who graduated this summer were the first generation in their families to go to university and gain a degree. Our Access & Participation Plan sets out the University's commitment to supporting access and participation across a five-year period, from 20/21 to 24/25, and gives us ambitious targets for access, continuation, attainment and employment.

Our students continuously demonstrate their commitment to supporting and inspiring the local community. Every year nearly 8,000 students volunteer, giving time to back to the city in a range of roles and settings, from legal advice to supporting hospices.

Delivering the highest standards of teaching remains as important as ever. In rankings, our excellence continues to be recognised and we are comfortably in the top 16 UK universities in both *the Guardian University Guide* and the *Complete University Guide* and are pleased that this strength is recognised in our Teaching Excellence Framework Gold award. We have continued to move up the international league tables and strengthen our position in the top 100 universities globally.

We have also continued to grow our distance learning and online education offer – launching a new online Law Masters-level degree alongside our popular

Vice-Chancellor's Report (continued)

Masters in Public Administration and Masters in Business Administration and our online MBA and MSc programmes. This year, we were delighted to have won a five-year contract to deliver the NHS Leadership Academy's award-winning Elizabeth Garrett Anderson MSc programme with the Alliance Manchester Business School.

Investment in services for students to ensure that they thrive while they are at Birmingham remains a key area of focus. The University has been successful in bidding for funding from the Office for Students to establish a new early intervention student mental health service, delivered in partnership with the Children's Society and local NHS services. The last year also saw us secure additional resources from the Office for Students (OfS) to work with Newman University and University College Birmingham to boost career opportunities for the city's home-grown students.

We have seen the benefits of our investment in facilities reflected in our National Student Survey results, with students telling us that there has been a marked improvement in the facilities and environment available to them. While there is always more that we can do, we are making good progress and are amongst the best of our peers.

However, the single biggest investment that the University has made in recent years is in our people. We have invested heavily in our staff, now employing over 8,000 staff for the first time, including an additional 500 academic colleagues recruited since 2015. The varied and world-leading research led by academic colleagues across the University continues to grow in influence and reputation. Last year we secured over £215 million of new research awards, by a considerable margin the best performance in

the history of the University, and one we expect to build on again with a number of major research grants already secured including £23.5 million for our Quantum Sensors Hub and a £9 million health services research centre, delivered with partners across the region.

In an outstanding year for research successes, academic colleagues made breakthroughs in concussion in Premier League football, cancer immunotherapy, homelessness, the impact of technology in elections and have even shown that it's possible to produce a compound with anti-cancer properties directly from the feverfew plant grown at our very own Winterbourne Gardens.

Being international has never been more important to us – not only in terms of our staff, students and research collaborations but also in growing our global footprint.

To this end and in one of our most ambitious projects, this year saw us sign a lease agreement, for a purpose-built campus in Dubai, set to provide an academic home for up to 4,500 students after it opens in 2021.

We have also continued to develop enhanced partnerships with global universities. The last 12 months have seen us forge strategic partnerships with Trinity College Dublin and with the University of Amsterdam, building on our existing strong global links with institutions around the world.

Beyond Europe, we share research studentships with leading universities in Chicago and Melbourne. Through our partnership with Jinan University, we now teach some of the best mathematicians in China and we have activities and partnerships in more Chinese

Vice-Chancellor's Report (continued)

cities than any other UK university. In India, we work with leading universities and government agencies to tackle global challenges such as clean energy, air pollution, and human rights. As one of the first civic universities, we take our wider impact on society seriously and a report by London Economics found the University's work with its partners in Guangzhou contributes ¥327 million (£37 million) to the Chinese city's economy every year.

We are developing an enviable reputation for attracting some of the finest minds in the world to teach and research here. Increasingly government ministers and policy makers have Birmingham at the top of their list for policy advice and guidance. We pride ourselves on our ability to influence policy, and we were delighted that government announced a new immigration route for international graduates enabling them to stay in the UK for two years after their study to find work. The move will enhance further the attractiveness of the UK as a destination for international students, enable us to attract and retain the talent our country needs, and underpin one of the country's most important export industries.

There are, of course, challenges that we must face; we live, work, and do business in unusually challenging times. It is in times like this when we need our universities the most. These are the institutions that are able to produce the innovation, the creativity, the workforce, and the social capital that is needed to meet the challenges of our time.

We remain very popular with applicants and saw another strong year for student recruitment. As an institution, our strong financial position allows us to invest in a high-quality student experience, in world-leading research, and in our staff and our campus and facilities.

Our goal is always to inspire. To inspire change through our world-class research; inspire our students to go onto great things; and to inspire the community around us.

As we look towards the next year, we look forward to the impact of our new philanthropy and volunteering campaign – Birmingham in Action – that will become the most significant of its kind in the region and sector. Capturing the philanthropic spirit that this great university was founded upon, it will be the most ambitious fundraising campaign in the sector, as well as mobilising 1 million volunteer hours from our global community of alumni, staff and students.

We can reflect on the achievements of the last year with great pride and in the knowledge that we are well prepared for the uncertainties that the future hold.

Professor Sir David Eastwood
Vice-Chancellor

Treasurer's Report



I am pleased to present my report on the University's financial affairs for 2018/19.

It has been another record year for income generation. We continued to build on our successes in recruitment both at home and abroad by increasing our income from tuition fees by 8.3% over last year, which, in a ferociously competitive marketplace, was a great achievement. Perhaps though the most significant success story for us in 2018/19 has been the record levels we achieved in research income, which exceeded £150 million for the first time with awards exceeding £200 million for the second year. In line with our strategy, this success could not have been achieved without significant investment in people and facilities.

The Statement of Comprehensive Income and Expenditure shows a deficit as a result of an adjustment to the USS pension deficit recovery plan relating to the 2017 valuation. The USS scheme provides defined benefits for members and the University contributes through a scheme-wide contribution rate. This means the University is exposed to the shared actuarial risks and needs to recognise a liability for its contribution to the deficit recovery plan. The deficit recovery plan that was put in place as part of the 2017 valuation required a payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2018/19 pension liability provision reflects this plan and the University's deficit provision has increased to £191.8 million. This has

resulted in a threefold increase in the level of the USS Provision. Whilst this is a significant increase in provision for the University, it is consistent with increases across the sector for the USS providers. The long-term challenge to fund this deficit resides with all providers and is a considerable risk to long-term financial sustainability unless appropriate action is taken.

Whilst this has not affected the underlying financial performance of the University in 2018/19 it does reflect the level of risk that the increasing deficit in the scheme has on the University and wider sector. During the year, there was an increase in the rate of the employer contributions from 18% to 19.5%. Subsequently in October 2019, there was another increase to 21%. These increases have a full-year impact of c£7 million cost which is less than 1% of income and although it can be managed it reduces the level of investment in our people and facilities which support students' and our research and civic activities.

The primary objective of our financial strategy was and remains the generation of the cash resources the University needs to deliver its strategic objectives and ensure its long-term financial sustainability. In 2018/19, we generated £72 million cash from our operating activities which was in excess of budget by £4 million although a small reduction on 2017/18.

Treasurer's Report (continued)

During the year, we utilised £80 million of invested funds to finance further capital investment of £163 million as part of our capital programme but we also invested significantly in academic, clinical academic and academic-related support staff as part of our broader growth strategy. During the year, this investment in people resulted in an increase in academic staff FTE ('Full Time Equivalent Staff') by 274 or 5.3% from 5,075 FTE at the end of 2017/18 to 5,349 at the end of this financial year. This supports the scale of our ambition to reach the Birmingham 2026 strategic objectives of: growing research by 10% per annum to over £350 million, growing student numbers by 11,000, supported by investment in over 1,400 academic and research-focussed staff to become among the UK's top five research-intensive universities.

I would like to mention now just a few examples of how the financial strategy has given the University's leadership the wherewithal to deliver our ambitious strategy.

In January 2019, our 'Green Heart' development completed. Measuring over 12 acres, the Green Heart project opens up the centre of the campus for students, staff and the local community to enjoy. With its official opening in June, it provides a unique space for performances, socialising, meeting and studying while reinstating the original sightlines of the 1920s design. It provides easy walking and cycling access to some of our new iconic buildings such as our library, the refurbished Muirhead Tower and the Alan Walters Building for postgraduate students in the Business School.

Community engagement is an important part of our strategy and we began this year the key investment in the 'Influence' element of that strategy with approval for a £40 million investment in The Exchange. This is an iconic building in Centenary Square, right in the

heart of Birmingham city, which we intend to use specifically for community engagement. One example of this is that it will hold a dedicated centre for graduate and staff entrepreneurialism with advice and support directly available in the city centre from professional services firms to help with start-up businesses. An added benefit is that the building has historic links to our founder Joseph Chamberlain who believed passionately in Birmingham as a forward-thinking and industrious city and saw the University as a means of unlocking that potential. The Exchange follows that tradition.

IT infrastructure is a key element of our investment strategy and during 2018/19, we went live with the biggest Oracle ERP implementation project in Europe, this brings together in one system our HR, Finance, Capital and Research Projects to enhance efficiency and effectiveness across the support functions of the University. This system provides live information to all staff allowing for informed decision-making across all levels of the management structure.

Investment continues in state-of-the-art buildings such as the School of Engineering, Teaching and Learning Building and our Business School extension.

I hope these few examples illustrate how our cash resources are being invested to deliver innovation in curriculum and teaching delivery, state-of-the-art workspaces to improve the study and research environment, preserving the best of our traditions and making them relevant for the modern world and engaging with our community to ensure as many young people as are able can experience our university.

The accompanying financial report gives information on the various key financial performance indicators for the 2018/19 financial year. It shows a strong financial performance but as the University's Treasurer I do not forget that we are operating in a marketplace

Treasurer's Report (continued)

of significant uncertainty and challenge be it our ambitions internationally for example in Dubai, to Brexit, to the demands of a changing regulatory and funding environment. There are many potential headwinds we could face and therefore the cash focus of the financial strategy remains essential. We will continue to direct our financial strategy to deliver in the following areas:

- Maximising returns on investments in new systems and processes to improve efficiency and cost effectiveness
- Looking to commercialise our activities where appropriate, for example, in building the success of our new hotel and conference facility
- Funding capital investment by optimising the balance between in-house cash generation, loan finance and partnerships
- Keeping our liquidity and debt ratios under close review to ensure we are managing our working capital efficiently
- Managing our cash and our medium-term University Investment Fund to support our ambitious capital programmes in ways that are consistent with our risk appetite, with our objective to generate reasonable returns in a low-interest rate world, but above all to preserve capital to fund our ambitious capital programme

- Monitoring the scale of our commitment to pensions for our employees, taking note of both current and future cash requirements as well as scale of provisions for pension fund deficits.

Above all in uncertain times, we continue to develop our expertise in scenario planning to ensure we are alert to changes in the risk profile and can develop long- and short-term measures to mitigate risk and protect against major adversity in market situations. As Treasurer I consider our scenario planning work to be a vital element in our work to ensure the long-term financial sustainability of our university.

Much has been going on and much still remains to be done. Throughout the last year, our staff have risen to the challenges of major capital projects, innovation in teaching, winning record-breaking research awards and expanding overseas. I would like to finish by thanking them for all their hard work, dedication and determination to overcome obstacles in their way. Without them, we would have achieved nothing.

<i>Consolidated</i>	2018/19	2017/18	2016/17
	£m	£m	£m
Income and expenditure			
Total income	716	681	641
Total expenditure	(835)	(671)	(604)
Surplus/(deficit) before other gains and losses and tax	(119)	10	37
Cash flow generated from operations	72	75	94
Capital investment	163	196	102
Fixed, intangible and heritage assets	1,413	1,322	1,191
Borrowings	(262)	(265)	(69)
Cash and cash equivalents	126	123	209
Investments	255	332	139
Net assets at year end	1,179	1,288	1,261

Treasurer’s Report (continued)

Key Financial Facts

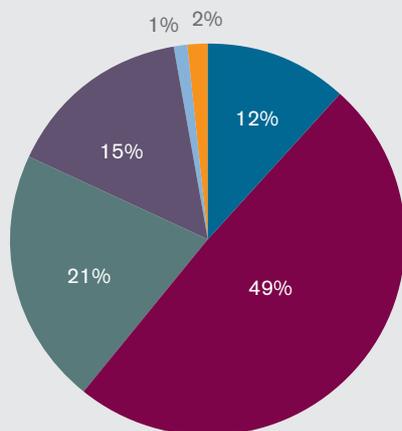
During the year, the income and expenditure statement and balance sheet recognised some key movements due to external influences: such as USS valuations and internally the University delivering its ambitious growth strategy towards 2026. The table on page 10 recognises some of these key financial facts:

- The impact of the USS valuation on the income and expenditure statement resulting in a £119 million deficit before other gains and losses (2018: £10 million surplus)
- Capital investments of £163 million (2018: £196 million) reducing investments by £77 million to £255 million (2018: £332 million)

- Cash and cash equivalents remained consistent at £126 million (2018: £123 million) to support capital investment in line with a robust treasury policy
- An increase in fixed and intangible assets as a result of the investment.

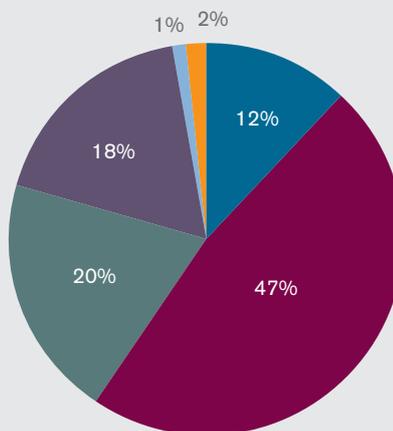
There was also a conscious increase in revenue investment to support growth. Increased research spend resulted in £15 million increase in research income, there was also investment in high-profile academics to attract further research awards in advance of delivering the strategy to significantly grow research income.

Income Analysis



2018/19 Total income

- Funding council grants **£85 million**
- Academic fees **£352 million**
- Research **£151 million**
- Other operating income **£110 million**
- Donations and endowments **£7 million**
- Investments income **£11 million**

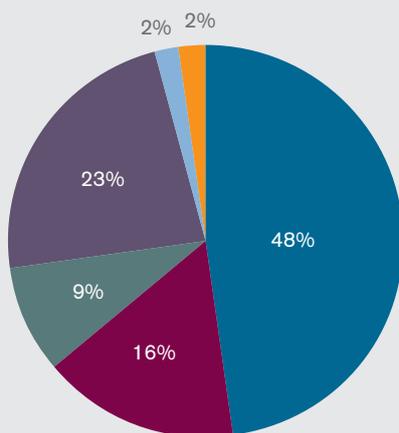


2017/18 Total income

- Funding council grants **£83 million**
- Academic fees **£325 million**
- Research **£136 million**
- Other operating income **£122 million**
- Donations and endowments **£7 million**
- Investments income **£11 million**

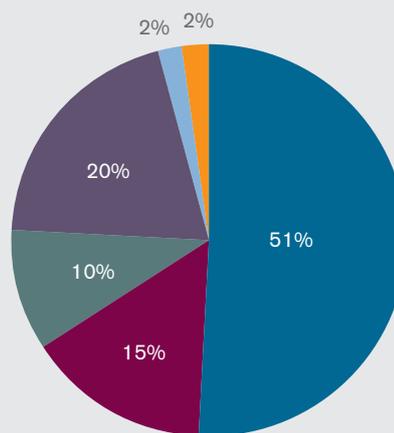
Treasurer's Report (continued)

Tuition Fee Analysis



2018/19 Tuition fee

■ Undergraduate Home/EU	£169 million
■ Undergraduate Other	£56 million
■ Postgraduate Home/EU	£33 million
■ Postgraduate Other	£82 million
■ Other courses	£6 million
■ Research, training and support grants	£7 million



2017/18 Tuition fee

■ Undergraduate Home/EU	£164 million
■ Undergraduate Other	£49 million
■ Postgraduate Home/EU	£32 million
■ Postgraduate Other	£66 million
■ Other courses	£7 million
■ Research, training and support grants	£7 million

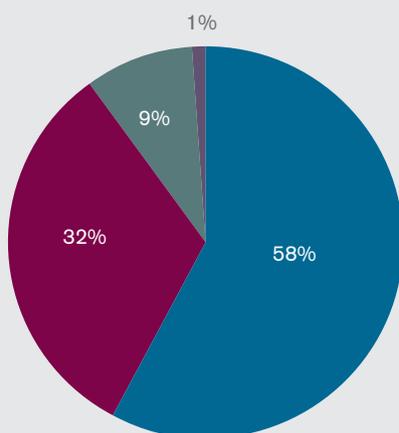
Financial Performance 2018/19

The underlying performance in 2018/19 adjusted for the impact of USS valuation reflects another positive outturn. Overall income saw growth of 5.2%. Tuition fee income increased by 8.3% a large proportion of this being overseas. Student fees represent 49% of total income (2017/18: 48%). Other significant income to the University is from Research grants and contracts, this income increased by 12.4% and represents 21% of the total income (2017/18: 20%). Scholarships, bursaries and student support totalled £44 million (2017/18: £43 million) reflecting our continued commitment to widening participation.

Research awards recorded a third year of record highs, with awards reaching £215 million (2017/18: £204 million). This was reflected in higher income levels, with two successful years of awards which are profiled over a number of years. There is expected growth in research income over the coming years.

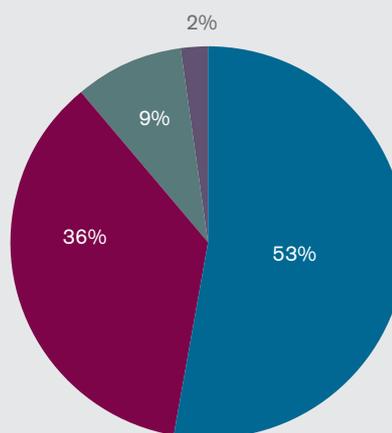
The financial ratios in the table overleaf, expressed as a percentage of income, shows the impact the USS valuation has had on financial performance. The large increase in staff costs is a result of the valuation increasing the movement on USS to £127 million (2018: £7 million) and the resulting impact on surplus and comprehensive income.

Treasurer's Report (continued)



2018/19 Total expenditure

■ Staff costs	£519 million
■ Other operating expenses	£241 million
■ Depreciation	£65 million
■ Interest and other finance costs	£10 million



2017/18 Total expenditure

■ Staff costs	£355 million
■ Other operating expenses	£245 million
■ Depreciation	£62 million
■ Interest and other finance costs	£11 million

	2016/17	2017/18	2018/19
% of total income	%	%	%
Surplus before USS provision movement	8	3	2
Surplus before tax	7	2	(16)
Total comprehensive income	15	4	(15)
Net cash inflow from operating activities	15	11	10
Staff costs (including USS)	50	52	72
Staff costs (excluding USS)	50	52	55

Treasurer's Report (continued)

Capital Investment Programme

Capital spending in 2017/18 totalled £163 million (2016/17: £196 million). This included £21 million on the Teaching and Learning Building; £16 million on the School of Engineering; £18 million on the Business School Extension; £11 million on the infrastructure project – New Core – a replacement finance and HR system; £6 million on Green Heart; and investment on major projects improving infrastructure; teaching and research facilities across the campus.

In the year a number of projects were completed, most notably Green Heart providing 12 acres of parkland in the heart of campus. With a capital programme of over £1.2 billion nearly £800 million of which has been spent, there is still £400 million to be spent over the coming three years with £143 million phased in 2019/20.

Cashflow

Cash generated from operations during the year was £71 million (2018/19: £75 million). This cash generation is imperative to continue to invest in the infrastructure as highlighted above. This cash generation has been consistent year on year with spend being targeted in areas of greatest return ensuring there is robust control over the financial position. We also continued to apply strong financial disciplines over the basics of working capital management making sure we collect debts on time to enable payments to suppliers in accordance with contractual terms, a discipline that is important for us.

Treasury Management

Management of the University's surplus funds is overseen by the Investment Sub-Committee (a Subcommittee of SPRC) which I chair. The University is highly cash generative and while funds are earmarked for specific investments we can find we are holding very large sums of cash for anything up to five years mainly because capital projects extend over several years and timings have to be balanced against other building work on the campus. SPRC was concerned that we needed to do more to ensure the University was earning a fair return on this cash given that the interest rates on bank deposits were so low.

The University has established a University Investment Fund (UIF) alongside its existing Long Term Endowment Fund (LTEF). Based on cash flow projections, estimates are made of when cash required for investment would most likely need to be drawn down. From this, we allocate cash to short-, medium- and long-term portfolios within the UIF, and develop tailored investment strategies for each.

A number of external investment managers oversee the investment funds, working to agreed investment mandates. In developing these mandates the University sets a fundamental guiding principle that managers must apply investment criteria based on environmental, social and governance (ESG) standards. As part of our selection process, we require fund managers to confirm that they have robust ESG policies in place. During our regular performance review of our fund managers, we consider their application of ESG policies in making investment decisions. The investment managers vote against management on issues such as excessive remuneration policies and on concerns regarding directors' independence. The University is compliant with the UK Stewardship Code and the University's external invest managers are signatories to the United Nations Principles for Responsible Investment.

Following a review of ethical fund options for the University's absolute return fund investments in May 2019, the University decided to transition allocations to ethical investment funds where available. The ethical investment funds mirror the risk and return objectives of the absolute return funds but heavily restrict or exclude investments in companies deriving revenue from the following areas: carbon and fossil fuels, defence and weapons, alcohol, tobacco, gambling, adult entertainment and high-interest lending.

The University has further agreed to proactively pursue ethical fund options, where suitable investment vehicles are available, and where investment returns would be consistent with the University's charitable objectives.

The University Investment Fund in aggregate returned 3.5% in 2018/19 (2.7% since inception) and provided £6.1 million of investment income in the year.

Treasurer's Report (continued)

Donations and endowments

The University holds the following types of donations:

1. **Restricted donations** – the donor has specified that the donation must be used for a particular objective
2. **Unrestricted permanent endowments** – the donor has specified that the fund is to be permanently invested and generate an income stream for the general benefit of the University
3. **Restricted expendable endowments** – the donor has specified a particular objective other than fixed assets and the University has the power to use capital over the medium term
4. **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

The Long Term Endowment Fund provided £3.8 million of investment income and an investment return of 4.1% in 2018/19 (2017/18 8.5%). The Fund underperformed its benchmark return of 6.3% due to returns achieved from its equities investments.

The Fund's strategic asset allocation is reviewed annually with the next review due to take place in December 2019.

Pensions

Pension provisions (note 18) continue to be a significant area of judgement in the accounts reflecting the reality that pension fund valuations are more an art than science being based on long term assumptions which can be inherently volatile and subjective not least in the present financial environment on abnormally low interest rates.

The March 2018 valuation of the University's own closed defined benefit scheme (BPAS) is ongoing and therefore it is the 2016 valuation which is reflected in the SOCIE and reduced the balance sheet value at the year-end to £21 million (2017/18: £29 million).

Involvement in the multi-employer Universities Superannuation Scheme (USS) continues to be a large cost to the University and the scheme's members. During the year, there was an increase in the rate of the employer contributions from 18% to 19.5%. Subsequently in October 2019, there has been another increase to 21%. The 2017 valuation of this scheme concluded and the impact is reflected in this Annual Report and Accounts with an increase in provision of £127 million for this reflected through the income and expenditure statement. The 2018 valuation has now concluded and in 2019/20 this will reverse some of the provision increase.

Principal risks and uncertainties

The strategic goals of the University are in part a response to strategic risk. The key strategic risks reflected in the risk register, together with an outline of the actions taken to manage and mitigate them are set out on page 16.

Treasurer's Report (continued)

	Description of risk/uncertainty	Examples of mitigating actions
Education	Failure to meet student expectations and deliver an excellent student experience	<ul style="list-style-type: none"> ■ Action plans at School level to deliver improved Student Satisfaction outcomes whilst sustaining current high scores ■ Enhanced alumni engagement in supporting student employability ■ Continued significant capital investment in teaching spaces and residences ■ Investment in digital resources and lecture capture to support learning outcomes ■ Delivering high-quality teaching as evidenced by TEF Gold status
	Failure to achieve growth ambitions in relation to student recruitment	<ul style="list-style-type: none"> ■ Diversification of recruitment channels to attract the best students from a global market ■ Developing new admission support and offer-making eg, the Offer Calculator ■ Continued development of the Dubai campus and joint degree partnerships outside the UK
Research	Failure to achieve enhanced performance and growth in relation to research awards and income	<ul style="list-style-type: none"> ■ Active engagement with government and Research Councils to inform strategy and ensure we are well placed to respond to funding calls ■ Investment in new early-career researchers and professors in areas of strength ■ Development of key performance indicators to drive awards, income and citation performance ■ New and enhanced partnership arrangements with partners to deliver collaborations
	Failure to maintain research excellence and achieve our ambitions	<ul style="list-style-type: none"> ■ Implementing a plan and oversight process for preparing and responding to the next Research Excellence Framework (REF) in 2021 ■ Identification of impact opportunities and making investment to support the delivery of these ■ Operating as national coordinator for the Centre for Public Engagement

Treasurer's Report (continued)

	Description of risk/uncertainty	Examples of mitigating actions
Influence	Failure to sustain existing and develop new partnerships to deliver research impact and influence	<ul style="list-style-type: none"> ■ Regional engagement group which oversees activity and ensures key relationships are sustained locally, nationally and globally ■ Continued investments made into Research Support and Business Engagement
	Failure to strengthen and protect the brand and reputation of the University in all aspects of our activity	<ul style="list-style-type: none"> ■ Diversified marketing activities based on market, content and reach ■ Continue to host a number of external high-profile events ■ Ensuring quality of delivery is maintained, particularly in relation to partnership activities ■ Reputation and due diligence undertaken prior to entering into any new arrangements
Operations	Failure to recruit, develop and retain excellent staff in all our endeavours to deliver the quality of teaching, research and professional support required	<ul style="list-style-type: none"> ■ Introduction of a new research leaders training and support programme ■ Recruitment of additional staff in areas of academic and professional services enhancement
	Failure to meet future demands to fund the deficit on USS Pension Scheme	<ul style="list-style-type: none"> ■ Maintain effective relations with USS providers ■ Lobby and influence USS to manage long-term liabilities of the scheme ■ Effective financial modelling to reflect USS changes
	Failure to deliver financial performance, which limits investment and impacts achievement of ambitions	<ul style="list-style-type: none"> ■ Financial monitoring and management to deliver annual surpluses for future investment ■ Delegation of budgetary control with enhanced reporting to support financial management ■ Effective working capital management
	Failure to have/deliver suitable systems and processes to deliver our ambitions	<ul style="list-style-type: none"> ■ Significant investment in new systems and processes for HR and Finance ■ Adoption of new legislation on a timely basis ■ Vice-Chancellor's review of Schools and services consider operational and strategic area for commendation and recommendation ■ Additional investment in IT to support operations

Treasurer's Report (continued)

Financial Strategy and future prospects

The future financial prospects of the University are evaluated over a period of five years, and comprise a one-year budget plus four years' forecasts. We believe this timeframe gives a reasonable planning horizon for decision-making. The five-year planning process includes the preparation of income and expenditure statements, cash flows, capital budgets and summarised balance sheets. These budgets and forecasts are subjected to sensitivity assessments that flex the main assumptions. This forms the basis of our assessment of the long-term financial sustainability of the University.

We supplement our strategic planning with scenario assessments, which encompass a variety of potential outcomes driven by external and governmental factors. For example, we have modelled scenarios for our most significant financial risks, namely cuts in government teaching grants and/or student funding mechanisms; inability to achieve our targets on student recruitment; and reductions in research funding by governments in both the UK and Europe. This scenario modelling enables the University to explore the actions it might take in response.

In assessing budget and actual performance, we focus on a number of key factors:

- Maximising returns for new activities and for further investment into existing areas
- Funding capital investment by optimising the balance between in house cash resources and loan finance
- Generating a sustainable level of operating cash flow each year ensuring that the scale of planned activities can be afforded
- Keeping our liquidity and debt ratios under close review, to ensure that both short- and long-term financial sustainability is in focus and that we are utilising our resources in the most effective way; and
- Monitoring the scale of our commitment to pensions for our employees, taking note of both current and future cash requirements as well as the scale of provisions for pension fund deficits.

Mrs Caragh Merrick

Treasurer



Our Community

The University is an exempt charity by virtue of Schedule 3 of the Charities Act 2011. In April 2018, the Office for Students (OfS) took over from HEFCE as the University's principal regulator under the Charities Act 2006. The University's principal place of business is Edgbaston, Birmingham B15 2TT.

The University is able to operate autonomously, having regard to requirements to fulfil our charitable objectives under the Royal Charter (by which it was established in 1900), to OfS and other regulatory bodies within the sector.

In setting strategy and implementing decisions to enhance our activity, the University's Council has due regard to the Charity Commission guidance on public benefit and takes account of this when exercising its powers and duties.

The University's activities are governed by its Charter and Statutes. In accordance with these, the University's objective is to be a teaching and an examining university, and to further the prosecution of original research.

Educational benefit

In 2018/19, the University taught over 35,000 students, offering the highest quality academic experience at both undergraduate and postgraduate level. Our subject range is one of the broadest of any UK university, and our students form part of a vibrant academic community, studying and working alongside some of the finest academic minds in the world.

In June 2017, we were awarded Gold in the government's Teaching Excellence Framework, where the panel particularly highlighted the University's embedded culture of personalised learning, our sustained investment into the student learning environment, and our focus on research-informed teaching and in 2016 the Higher Education Review awarded the University the highest possible rating, particularly in nine areas of good practice, including the high value placed on teaching and sustained engagement with employers.

We consistently rank highly in national and international employability rankings, having achieved

seventh in the UK for employability in *the Guardian University Guide 2020* and 79th in the world for employer reputation by the *QS World University Rankings 2020*. The University was the third most targeted by top employers in 2018/19 in the *High Fliers Graduate Market in 2019* report. The report identifies that graduate recruiters have put more emphasis on social media, university careers fairs, recruitment presentations and skills training events during this year's recruitment campaigns, and less emphasis on campus brand managers and advertising in career sector guides. On average, 92% of our students are in graduate-level jobs or further study within six months of graduating – one of the highest levels in the country, and well above comparable institutions.

These educational benefits spill over into the region. We are a net importer of graduates, with 48% of our graduates choosing to stay and work in the West Midlands, and we develop young entrepreneurs – in one year our students and graduates started more than 50 new businesses. We have over 6,000 students studying towards professions in the healthcare sector, from courses including Medicine (our Medical School is the second largest in the UK), Nursing, Physiotherapy, Psychology, and Healthcare Leadership. We offer these benefits to a diverse student population. More than four in five of our students come from state schools and nearly 25% from lower socio-economic backgrounds. Our pioneering Pathways to Birmingham widening participation initiative continues to deliver excellent outcomes.

Meanwhile, our students volunteer in the local community (for example, Medical students provide Basic Life Saving training in local secondary schools), and our academics offer over 2,000 hours to supporting activities such as school mentoring and classroom-based engagement.

Our Community (continued)

Our investment in the University of Birmingham School spreads this education benefit more widely within the city, as it enhances the ambition and opportunities for a genuinely diverse range of young people from across the city. The School is already the most popular non-selective school in the city for applications and has been awarded Good ratings by Ofsted, the highest a new school can achieve. The School continues to attract high-profile visitors keen to learn more about its innovative nodal approach and the last year saw the first group of students take advantage of work experience placements at the University.

After graduation, our students take the training and skills they have gained with us into a variety of careers and locations, spreading the impact of the University around the globe. We have alumni in almost every country in the world and they maintain strong contacts with us long after graduation.

Research benefit

For more than a century, research from our university has created a major impact on the city, the region and the world. Our research has a lasting impact on lives, culture, industry and society. We continue to create innovative, grounded and enduring solutions to some of the world's biggest issues. Our academics are regularly sought for comment on their subjects and are contributing to discussions and debate through the news and online fora such as *The Conversation* (<http://theconversation.com/uk>) and *Birmingham Brief* (www.birmingham.ac.uk/news/thebirminghambrief/index.aspx).

Recent examples of our research success include a new study, led by the University in partnership with University Hospitals Birmingham NHS Foundation Trust and funded by The Drake Foundation, to review and potentially enhance concussion diagnosis in Premier League football. Elsewhere, researchers in the Birmingham Business School discovered claims for Shared Parental Pay, the statutory paid part of Shared Parental Leave, increased by 73% between 2015/16 and 2018/2019.

Mental health continues to be a strong theme for our academics with research as varied as it is impactful. A study led by academics in the Institute of Applied Health Research found that children who have experienced child abuse or neglect are four times more likely to develop serious mental illness. An influential study from the University's Centre for Human Brain Health and the Institute for Mental Health reported that behavioural problems in young people with severe antisocial behaviour – known as conduct disorder – could be caused by differences in the brain's wiring that link the brain's emotional centres. In Birmingham, a study led by Medical and Dental School academics, funded by Public Health England and the West Midlands Combined Authority, found alarming evidence of severe mental health problems, substance dependence and alcohol misuse amongst Birmingham's homeless population.

In the arts, academics from the Centre for Corpus Research and the Department of English Language and Linguistics analysed Donald Trump's use of social media during the 2016 US Presidential elections and an expert in Byzantine History worked with academics from the Università degli Studi di Salerno to continue work on the Sant'Ambrogio church at Montecorvino Rovella. Research in Europe continues to be important for the University, with dozens of joint research projects active at any one time.

Engaging local and international communities

The University is one of a small number of large global organisations in Birmingham. The public and private benefit we attract, our operational expenditure and capital investment mean we have a significant beneficial impact on the region's economy. The University is an international gateway attracting students and staff from around the world. We contribute £3.5 billion to the UK economy each year – enough to build seven flagship hospitals or 140 new secondary schools. We support nearly 16,000 jobs in the West Midlands, including one in every 50 jobs in Birmingham. For the first time, we now employ over 8,000 staff, with over 20% joining us from outside the UK.

Our Community (continued)

We are proud of our contribution to the advancement of research and education and our good standing. We seek to use these to benefit our local and national community in all our engagement and activity. Many of the University's facilities are used by the local community for sporting activity; access to teaching space, particularly laboratories; attendance at events; the library, and visits to our collections. Highlights from this year include:

- The Green Heart Festival Launch Weekend attracted thousands of our staff, students and members of the community to campus in an outdoor celebration of music, dance, research and the environment
- We hosted numerous community groups on campus to give them tours of new and improved facilities and gave members of the public a chance to vote on their favoured sculpture idea for the Green Heart
- We attended meetings in community venues and on campus to discuss University plans for the future of campus development with local residents
- Professor Martin Bridson, Whitehead Professor of Pure Mathematics at Oxford University, President of the Clay Mathematics Institute, and a Fellow of Magdalen College, Oxford, delivered a Vice-Chancellor's Distinguished Lecture on 'Pure mathematics: What's the point?'
- The Green Heart Festival Weekend marked the official opening of our striking new parkland in the centre of campus, with over 45% of visitors during attending a University event for the first time
- Supported LGBT History Month, where the Rainbow Network and Student Societies work together to develop a programme of events for staff, students and the wider community
- Black History Month, where the University celebrates the culture and histories of black communities with a comprehensive programme of events, including launch celebrations with the University of Birmingham School Steel Band
- A joint DARO, HR and Student Services stall at Birmingham Pride.

Our programme of Massive Open Online Courses (MOOC) are free, open, online courses designed to offer a taste of higher education to learners from across the UK and the world. The catalogue of courses continues to expand and is available at www.birmingham.ac.uk/postgraduate/courses/moocs/index.aspx.

Heritage assets

The University holds and maintains historic buildings, collections of art and other valuable items of artistic, scientific and historical importance (heritage assets). The University conserves these assets and supplements the collections where appropriate in order to enable use of the assets for teaching and research and in addition the University allows access to the public.

These include:

- The Aston Webb Building and the Barber Institute of Fine Arts.
- Winterbourne House and Gardens, which secured Museum status from Arts Council England in March 2017.
- The Lapworth Museum of Geology, refurbished in 2016 and runner-up in the 2017 Art Fund Museum of the Year competition. The Lapworth is a specialist geological museum dating back to 1880.
- Displays of thousands of objects from within the following distinct collections: the Danford Collection of West African Art and Artefacts, the Institute of Archaeology and Antiquity Museum, the Collection of Historic Physics Instruments, the Biological Sciences Collection, the Zoology Collection, the Medical School Collection, the Silver and Plate Collection, the University Heritage Collection, and the Campus Collection of Fine and Decorative Art.

The Special Collections and Archives of the University of Birmingham consist of approximately 120,000 antiquarian books dating from 1471 and some 3 million archives and manuscripts, all of which provide a rich resource for teaching and research.

Our Community (continued)

Fellowships and scholarships

The University provides scholarships and bursaries on a targeted basis to encourage entry to and continuation of higher education from as wide a cross-section of the community as possible. In 2018/19, financial support amounted to £44 million (2017/18: £43 million). We actively encourage widening participation through our Pathways to Birmingham scheme. This is funded in part by our alumni and involves targeted engagement with young people who have little or no experience of university, to assist them in understanding what it involves and supporting them from application through to graduation.

Some of the other scholarships we offer are targeted to particular disciplines to encourage study in subjects which may be less popular but nonetheless valuable. Some are for particular student types, for example, musicians who are studying other subjects may be offered music tuition; sports scholarships and performance awards support students to continue their sporting success alongside their study, and fund scholarships for particular areas of skill or interest such as Lloyds Bank Scholarships.

Through the variety of support offered including financial advice, budgeting apps and Guild Advice, the University is committed to ensuring that fears about finance do not impact on the ambition and achievement of our students.

With contributions from external funders, we run a number of doctoral training centres which provide studentships in a variety of multidisciplinary areas. These focus on postgraduate opportunities and links with businesses through the programmes ensure the activities are dealing with issues which matter in the world around us.

Fundraising

In 2018/19, our fundraising activities included face-to-face applications to Trusts and Foundations, legacy stewardship, direct mail and a telephone calling campaign to our alumni delivered by our students. Over the course of 2018/19, the University received pledges of almost £12.3 million.

We work within OfS regulation and keep up-to-date with guidance from other charity governance bodies to ensure we deliver the best service for our supporters, alumni and donors. We have clear systems, including robust due diligence, in place to protect the University's reputation and the financial and other assets. The University has received no allegations or investigations from regulatory bodies on our fundraising practice.

The primary responsibility for fundraising at the University is held by the Development and Alumni Relations Office (DARO). The Director of DARO is accountable to Council for fundraising performance. Day-to-day supervision of fundraising is conducted within DARO. DARO's strategy, targets, resources and risk assessment are clearly set out and approved on an annual basis.

Fundraisers are recruited as permanent staff or student workers and all are trained to focus upon our relationship with our supporters as the highest priority. We do not employ commercial fundraisers or external call centres and do not use commission-based incentives for our team. Regular monitoring takes place to ensure local performance reaches our expectations including 1:1 feedback, team meetings and monthly senior management reviews. We commit to our high standards via our Donor Promise, Ethical Guidelines for Fundraising and the University Code of Ethics.

All our supporters are treated fairly and without discrimination and we adhere to the recommendations from the Institute of Fundraising, particularly the protection of vulnerable supporters. Four complaints in relation to fundraising were assessed and resolved in year with Senior Management advised of the outcomes. Our transparent dialogue with all members of our donor and non-donor community represents our commitment to a lifelong relationship with all friends of the University. We encourage everyone to engage in the full range of the University life whether donating, volunteering, attending events, or reading the latest academic and alumni news in Old Joe www.birmingham.ac.uk/alumni/news/old-joe/index.aspx

Our Community (continued)

Conclusion

The University contributes directly to the public benefit through the outcomes of our teaching and research. Our staff and many of our students recognise that wider engagement with our environment and community can deliver significant benefits alongside achieving the requirements of our Charter and Statutes, first introduced in the 1900s, which remain relevant today. The University was England's first civic university, where students from all backgrounds and regions were accepted on an equal basis and we continue to innovate and engage, responding to the challenges around us to ensure we continue to inspire great minds whatever their background.



Corporate Governance Statement

The following statement is provided to enable readers of the financial statements to understand the key aspects of the governance of the University of Birmingham.



Members of University of Birmingham Council 2018/19

The University is committed to best practice in all aspects of corporate governance and conducts its business in accordance with:

- (i) the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- (ii) the guidance on corporate governance which has been provided for the sector by the Committee of University Chairs (CUC), including the Higher Education Code of Governance. The University has also supplemented this guidance by publishing its own Code of Practice on Corporate Governance;
- (iii) the public interest governance principles identified by the Office for Students. This includes significant engagement with our stakeholders, particularly students and staff.

Status of the University

The University is an independent corporation whose legal status derives from its Royal Charter granted in 1900. The University's title, objects, degree awarding powers and framework of governance are set out in the Charter and its supporting Statutes.

The University is an exempt charity and is subject to regulation by the Office for Students (OfS).

The members of the University Council are the charity trustees and are responsible for ensuring compliance with charity law.

Corporate Governance Statement

(continued)

Council

The governing body of the University is the Council. It is chaired by the Pro-Chancellor, Mr Ed Smith CBE, and consists of 24 lay, academic and student members, the majority of whom are external to the University.

The Council continues to take opportunities to broaden the diversity and skills profile of its membership, with a particular focus on increasing the number of women on Council (currently one-third of the membership).

The Pro-Chancellor and Chair of Council will complete his term of office in July 2020 having completed the maximum term permitted under the Statutes of the University. We have commenced the search for his successor with the aim of them joining Council as a lay member to prepare for their new role. In doing so, we would like to place on record our significant appreciation of the tremendous contribution made to the University by Mr Ed Smith CBE during his tenure as Pro-Chancellor and Chair of Council.

The actual powers of the Council are set out in the Charter and Statutes of the University. The primary responsibilities of Council in the CUC Code can be summarised:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To delegate authority to the Vice-Chancellor and Principal, as head of the University, for the academic, corporate, financial, estate and human

resource management of the University and to keep under regular review how such management functions are undertaken by and under the authority of the Vice-Chancellor and Principal.

5. To safeguard the good name and values of the University.
6. To be the employing authority for all staff in the University and to be responsible for regular review of its human resources strategy.
7. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
8. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
9. To receive assurance that adequate provision has been made for the general welfare of students.

Council meets five times per year. The formal meetings of Council are supplemented by briefing sessions to explore key issues, strategy days, visits to departments, external speakers on major issues in higher education and attendance at key University events such as the University Annual Meeting, the Chancellor's Dinner, and Degree Congregations. This ensures that members of Council are part of the wider community of the University and that they are fully briefed on the activities of and challenges facing the University.

Council members also spend time within the wider activities of the University. This can take the form of specific meetings with students and members of staff including mentoring, delivery of and attendance at lectures and events, representing the University in social or business communities, fundraising and raising the awareness, profile and excellence of the University within their own networks.

Corporate Governance Statement

(continued)

Council undertakes regular reviews of its effectiveness. The most recent effectiveness review of Council and its Committees reported to Council in November 2015. The Effectiveness Review Panel was chaired by the Deputy Pro-Chancellor, Richard Haywood, and benefitted from the external perspective provided by Kevin Greenleaves, a consultant with significant experience of working with boards in a wide variety of sectors. The overall conclusion of the Effectiveness Review was that Council can continue to be assured of its effectiveness having regard to the Committee of University Chairs (CUC) Higher Education Code of Governance and other good governance practice. Indeed, the Review was regarded as a valuable opportunity to reflect and make further enhancements to what is already a high performing Council and effective governance at the University. These enhancements covered certain aspects of membership and operation of Council, the reporting relationship between Council and Senate, operation of Committees of Council and the arrangements for providing assurance to Council on equalities and diversity throughout the University. The next Effectiveness Review of Council will commence in November 2019 which is in accordance with the four-year timescale for effectiveness reviews set out in the CUC Higher Education Code of Governance.

Senate

The Senate is chaired by the Vice-Chancellor and consists of up to 60 members drawn from the leadership team of the University, academic staff and the student community. It is the principal academic body of the University and is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research and for award of all Degrees, Diplomas, Certificates and other academic distinctions of the University. Senate oversees quality assurance and standards of the education provided by the University and provides an annual assurance report to Council on academic quality, standards and the student experience. Council also considers a report from each meeting of Senate covering key aspects of teaching and learning, student experience and quality matters (eg, admissions, progression, degree classification, external examiners report, employability etc.).

University Executive Board

The University Executive Board is the senior management team of the University and a Committee of Council. Its membership consists of the Vice-Chancellor and Principal (Chair), the Provost and Vice-Principal, the Pro-Vice-Chancellors, the Heads of College, the Registrar and Secretary and the Finance Director. It normally meets weekly to steer the implementation of strategy and policies under Council's direction and within the Council's scheme of delegation. It oversees and makes decisions on major issues relating to the University and monitors institutional performance. It also fosters good communication and inter-collegiate activity in the University.

Committees of Council

There are four other Committees of Council: Strategy, Planning and Resources Committee (SPRC), Audit Committee, Membership Committee and Remuneration Committee. All of these include lay members of the Council. The decisions and recommendations of these Committees are formally reported to Council and their membership and terms of reference are reviewed on an annual basis. The Council operates a Scheme of Delegation which delegates specific matters to University Committees or senior members of staff.

The attendance at meetings of Council and its Committees for 2018/19 is shown on pages 27 and 28.

Corporate Governance Statement

(continued)

Members of the Council, who are also trustees of the University as an exempt charity, who served throughout the year ended 31 July 2019 and to the date of approval of these accounts, except where indicated otherwise are set out in the table. Their attendance at meetings except where indicated otherwise are set out in the table. Their attendance at meetings as members of Council, Strategy, Planning and Resources (SPRC), Audit, Remuneration and Membership Committees are shown below.

Members	Council membership dates	Meeting Attendance 2018/19				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 1 in year
Lay Members appointed by the Council						
Mr Ed Smith CBE, Pro-Chancellor		5/5	5/6	–	2/2	1/1
Mr Richard Haywood, Deputy Pro-Chancellor		4/5	5/6	–	2/2	0/1
Mrs Caragh Merrick, Treasurer		5/5	5/6	–	1/2	1/1
Mr Derrick Anderson CBE		5/5	4/6	–	1/2	–
Ms Deborah Cadman OBE		4/5	–	–	–	–
Mr Alan Davey CBE		2/5	–	1/4	–	–
Mr David Davies OBE	Term Ended July 2019	4/5	5/6	–	–	–
Mr Malcolm Harbour CBE		5/5	–	–	–	–
Dame Lin Homer DCB		4/5	5/6	–	–	–
Mr Harjinder Kang		5/5	–	2/3	–	–
Mr Mick Laverty		5/5	–	4/4	–	–
Dame Una O'Brien DCB		2/5	–	–	1/2	–
Mr David Stead	Term Ended July 2019	3/5	–	4/4	–	–
Mr Richard Swann		5/5	–	–	–	–
Ms Jacqueline Taylor	Term commenced October 2018	3/4	–	–	–	–

Corporate Governance Statement

(continued)

Members	Council membership dates	Meeting Attendance 2018/19				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 1 in year
Appointed by Guild of Students						
Mr Reece Roberts, President of the Guild of Students	Term ended July 2019	5/5	6/6	–	–	–
Ms Joanne Parks, International Officer of the Guild of Students		4/5	–	–	–	–
Mr Josh Williams, President of the Guild of Students	Term commenced July 2019	N/A	N/A	N/A	N/A	N/A
Ex Officio Members						
Professor Sir David Eastwood, Vice-Chancellor and Principal		4/5	6/6	–	2/2	1/1
Professor Tim Jones, Provost and Vice-Principal		5/5	6/6	–	–	1/1
Academic Members Elected by Senate						
Professor Hisham Mehanna	Term ended July 2019	4/5	4/6	–	–	–
Professor Corey Ross		3/5	5/6	–	–	–
Professor Karen Rowlingson		5/5	–	–	–	1/1
Professor Nicola Wilkin		4/5	–	–	–	–
Secretary to Council						
Mr Lee Sanders, Registrar and Secretary						

Advisors

External Auditor	Deloitte LLP
Bankers	Lloyds Bank
Solicitors	Shakespeare Martineau
(from Panel of)	Mills & Reeve LLP
	Pinsent Masons LLP
	Freeths

Corporate Governance Statement

(continued)

Strategy, Planning and Resources Committee (SPRC)

SPRC is comprised of the Vice-Chancellor (Chair), the Pro-Chancellor and Chair of Council, the Deputy Pro-Chancellor, the Treasurer, the Provost, the three thematic Pro-Vice-Chancellors, two academic members of Council, three lay members of Council and the President of the Guild of Students. It meets six times per year.

The key responsibilities of SPRC are:

- (a) oversight of the strategic planning of the University, bringing together academic, financial and physical planning;
- (b) oversight and development of the University's financial strategy for institutional sustainability. This includes consideration of the University's annual budget and forward look, financial scenarios and long-term financial projections and monitoring financial performance. The Committee also recommends the University's Annual Report and Accounts to the Council each November;
- (c) oversight, development and implementation of systems of institutional performance monitoring and review of progress towards achievement of institutional targets. The Committee undertakes detailed scrutiny of the University's Key Performance Targets, aligned with the Strategic Framework, to monitor the University's progress against its most important indicators of success and sustainability;
- (d) keeping under review the policies of the University as an employer of staff and making recommendations to Council for change in matters of substance or principle.

Audit Committee

The Audit Committee meets four times per year and consists of five lay members of Council who are not members of SPRC. It also has three external co-opted members (Ms Sarah Harkness, Mr James Hunt and Ms Tiffany Lathe).

The Committee reviews the effectiveness of the University's financial and other internal control systems, satisfies itself that satisfactory arrangements are in

place to promote economy, efficiency and effectiveness and advises the Council on risk management.

It reviews the reports of the External Auditor and the scope and effectiveness of the work of the Internal Auditor and advises the Council on their appointment. It reviews regulatory requirements and the University's annual financial statements and accounting policies. The lay members of the Audit Committee meet with the Internal and External Auditors for independent discussions.

Membership Committee

The Membership Committee considers nominations for vacancies in the membership of Council and its Committees.

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration of all senior staff, namely the Vice-Chancellor, members of the University Executive Board, professors and senior professional staff.

The Committee is chaired by the Deputy Pro-Chancellor. The Pro-Chancellor is a member of the Committee, but since he reports to the Committee on the Vice-Chancellor's performance and recommends to the Committee the Vice-Chancellor's remuneration, the University believes it is appropriate that a different senior lay officer chairs the Committee. The Committee is comprised of five lay members of University Council. The Vice-Chancellor is not a member of the Committee but attends its meetings to discuss the remuneration of other senior staff. The Registrar and Secretary is also in attendance. The Director of Human Resources services the Committee and supports the remuneration process. No member of staff, including the Vice-Chancellor and Registrar and Secretary, is present for discussion of their own remuneration. The Remuneration Committee meets at least twice a year and its terms of reference are:

- (a) to agree and oversee the annual remuneration process for senior staff (ie, grade 10 and above) (noting that performance is assessed for the academic year and the reward payments made in October following the second meeting of the Committee).

Corporate Governance Statement

(continued)

- (b) to review and agree the University's reward policy for senior staff, designed to support a high performance culture and taking account of pay data, market factors and the financial position of the University and recommend major changes to Council.
- (c) to review and determine senior staff remuneration.
- (d) to review senior staff equal pay issues.
- (e) to review and determine pay and reward for the Vice-Chancellor's direct reports on UEB; review reports on the Vice-Chancellor's objectives and performance, and review and determine the Vice-Chancellor's remuneration.
- (f) to agree severance packages for staff earning in excess of £100k per annum:
 - where the severance payment is up to 12 months' salary (and so within the University's long-standing arrangements for Voluntary Severance), the payment will be approved by the Chair on behalf of the Committee and reported to the next meeting of the Committee;
 - where the severance payment is above 12 months' salary, the payment will be considered by the Committee, which can be by circulation if the case needs agreement between Committee meetings.
- (g) to monitor strategic risks relevant to the work of the Committee as determined by the Strategic Risk Register.
- (h) to monitor the extent to which value for money is achieved within the areas under the Committee's oversight.
- (i) to monitor relevant Key Performance Targets and to ensure that any concerns with performance against these KPTs are addressed.

The Committee ensures that it complies with the OfS Accounts Direction and other guidance on senior staff remuneration, including the CUC Higher Education Senior Staff Remuneration Code. The annual process for setting senior staff remuneration is as follows:

1. At its first meeting each May, the Remuneration Committee considers and agrees the parameters and principles that will apply to that year's process and the information and market, comparative and other benchmarking data it wishes to consider

at its second meeting in October, when it sets senior staff remuneration. The Vice-Chancellor is responsible for overseeing the annual process for senior staff (other than himself, which falls to the Pro-Chancellor) working within the approach agreed by the Committee.

2. In the case of senior academic staff, professors are invited to submit a statement describing their achievements over the previous 12 months, which is reviewed by their Head of School. These are then considered alongside market, comparative, and equality data by their Head of College, who is responsible for ensuring consistency and equality of treatment, and for making recommendations regarding proposed remuneration increases reflecting individuals' performances in their College. The Vice-Chancellor considers these recommendations, and then formally reviews, where appropriate revises, and then confirms the proposals at a formal meeting with the Provost and Vice-Principal, thematic Pro-Vice-Chancellors and Heads of College. The Vice-Chancellor then presents the recommendations to the second meeting of Remuneration Committee for consideration and approval.
3. There is a parallel process for senior professional staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative, market and equality data. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations, determine any changes, and then presents his plan for the remuneration of professional staff to the second meeting of Remuneration Committee for consideration and approval.
4. Those members of University Executive Board who report directly to the Vice-Chancellor agree a series of collective and individual performance objectives at the start of the year, which are reviewed at least twice during the year. This provides the Vice-Chancellor with an assessment of performance, which, along with market, comparative and other relevant inputs, are used by him to prepare proposals for the

Corporate Governance Statement

(continued)

remuneration of those staff, which he presents to the second meeting of the Remuneration Committee for consideration and for approval.

5. Remuneration Committee takes into account a range of indicators in considering whether reward proposals for senior staff are justified. These include, but are not limited to:
 - (a) performance in support of the University's strategic objectives in areas such as:
 - (i) teaching (eg, TEF, NSS, student feedback, recruitment and admission, student outcomes and employability, teaching awards, programme leadership etc.);
 - (ii) research (eg, publications, citations, grants, impact, research leadership, major initiatives including with industry and external partners etc.);
 - (iii) management and administration (eg, professorial and academic leadership, service enhancement and delivery, policy development and delivery, income generation, improving performance of School or Service etc.);
 - (iv) leadership of staff (eg, development and performance of staff, quality of hires etc.);
 - (v) partnerships and external relations internationally, nationally and locally (eg, leadership in external networks and communities, external policy work); and,
 - (vi) major initiatives and projects (eg, international campus, capital projects etc.);
 - (b) the size and complexity of the University;
 - (c) the level of pay increases for all staff;
 - (d) the global nature of the HE market and issues of recruitment and retention;
 - (e) the University's objectives in relation to the diversity of the workforce;
 - (f) that some staff are on NHS salaries and reward structures not determined by the University.
6. The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are considered and endorsed by the Remuneration Committee. The Pro-Chancellor undertakes six and twelve-month appraisal discussions with the Vice-Chancellor and obtains
 - feedback from selected individuals both within the University and its external stakeholders and reports these to Remuneration Committee.
7. The Pro-Chancellor makes a recommendation to the Remuneration Committee's second meeting on the Vice-Chancellor's remuneration, informed by his assessment of the Vice-Chancellor's performance and a range of data and comparative information on the Vice-Chancellor's remuneration. In considering the Pro-Chancellor's recommendation to the Committee and whether it is justified, the Committee reviews a range of data and information on the Vice-Chancellor's remuneration, including:
 - (a) the Vice-Chancellor's salary history;
 - (b) how the Vice-Chancellor's remuneration compares to that of other Vice-Chancellors across the Russell Group and the sector more broadly, taking account of the comparative size and complexity of the University and including data collected by the Universities and Colleges Employers Association, the Times Higher Education Supplement and the Committee of University Chairs;
 - (c) how the Vice-Chancellor's current salary compares to that of other staff at the University. This includes data on the Vice-Chancellor's remuneration (including pension) as a percentage of turnover (0.05% for 2017/18, compared with 0.23% for the higher education sector). It also includes information on the pay multiples of the Vice-Chancellor's salary compared with median earnings of the University's whole staff, of academic staff and of professorial staff. The pay ratio data reported to Remuneration Committee used the data methodology widely used in the higher education sector. The Vice-Chancellor's remuneration increased by 1.4% between 2017/18 and 2018/19. The OfS last year introduced a methodology for calculating pay ratios which is different to the UCEA methodology. These ratios are disclosed in Note 7 to the Accounts.
 - (d) the Vice-Chancellor's and University performance over the review period.

Corporate Governance Statement

(continued)

8. Having considered performance for the previous academic year, the decisions of the Remuneration Committee on reward proposals for senior staff, including the Vice-Chancellor, are taken and implemented each October. This means that the remuneration information provided in these Accounts reflects the decisions taken by the Committee in October 2018 (and therefore implemented during the 2018/19 financial year), having considered performance for the 2017/18 academic year.
9. Having considered the range of factors at paragraphs 5 to 8 above and the Pro-Chancellor's appraisal of the Vice-Chancellor's performance for the previous academic year, the Committee concluded in October 2018 that 2017/18 had been another excellent year in all respects, including financial performance, academic performance including student and staff survey data, research performance, league table performance, 2018/19 recruitment, rebuilding and development of the leadership team, overall brand positioning of the University and enhancement of his personal external reputation which reflected very well on the University.
10. The Vice-Chancellor's total remuneration paid in 2018/19 is set out in Note 7 to these Accounts. It is comprised of three elements, base salary; a performance-related payment of up to 20% of salary; and a long-term incentive plan. The Pro-Chancellor proposes targets for payout of the performance-related elements to the Remuneration Committee, which determine the level of award.
11. An annual report is presented from Remuneration Committee to Council on completion of this process on the Committee's work during the year, together with the outcomes.

Annual Declarations Return

Members of Council and its Committees and the University's wider leadership make an annual declarations return which includes declarations of interest and disclosure of related party transactions, noting that conflicts of interest are also declared and managed effectively at meetings as they arise.

Outside Activities

Academic staff are encouraged to undertake relevant activities outside the University and may apply for permission to undertake up to 30 days of such activities in any one financial year. The arrangements for this are set out in the University's Guidelines on Outside Activities.

The Vice-Chancellor declares his outside activities in his Annual Declarations Return. In addition, his outside activities are discussed with and reviewed by the Pro-Chancellor and Chair of Council. The Vice-Chancellor makes an annual declaration to Remuneration Committee on his outside activities, including the income he earns from these activities and the donation of that income to charitable causes associated with the University and education.

Corporate Governance Statement

(continued)

Statement of Internal Control

The Council has responsibility 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 is responsible, in accordance with the responsibilities assigned to the Governing Body in Article 7 of the Charter of Incorporation, Section 9 of the Statutes of the University and the Office for Students Terms and conditions of funding for higher education institutions.

The system of internal control is designed to manage rather than eliminate risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. The internal control system has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements, and accords with Office for Students guidance.

The following processes have been established to monitor effectiveness of the internal control system:

- Council meets a minimum of four times a year to consider the plans and strategic direction of the institution.
- Council reviews an annual report on teaching quality and standards (from the Senate which has responsibility for this under the University's legislation) and then signs off an assurance statement on teaching quality and standards as part of its Annual Accountability Return.
- Council receives periodic reports from the Audit Committee concerning internal control, and require regular reports from managers, either directly or through the SPRC, on the steps they are taking to manage strategic risks in their area of responsibility, including progress reports on key projects.
- Council has requested the Audit Committee to provide oversight of the risk management process. This provides a formal reporting and appraisal mechanism, in addition to the reports noted above.
- The Audit Committee receives regular reports from the Head of Internal Audit, which include an independent opinion on the adequacy and effectiveness of the institution's systems of governance, risk management and internal control, together with recommendations for improvement.
- A risk management process has been established which includes a risk register which is fully aligned to the University's strategic goals set out in the University's 2026 strategic framework which was approved by Council in 2017. Heads of Budget Centres seek to manage the risks in their own areas and embed this within their normal management processes. Audit Committee receives presentations, on a cyclical basis, from the Heads of College on their risk registers to supplement the work of Internal Audit in relation to effectiveness of risk management.
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly by UEB, SPRC and Council.
- Regular formal reviews take place to identify and where necessary revise and update the record of risks facing the institution.
- Reports are received from budget holders, department heads and project managers on internal control activities via committees of Council.
- A framework is in place to raise the profile of significant risks throughout the institution in a timely manner outside of the normal risk management cycle.
- Systematic and comprehensive independent peer reviews of Schools and Professional Services have been introduced for UEB aimed at enhancing performance in line with the strategic framework.
- All major investment projects undertaken by the University are subject to rigorous governance procedures, including objective post-investment learning reviews.
- A new finance, HR and research grant management system went live in June 2019, and provides a more efficient approach to internal control by strengthening the detective controls within the framework.

The above review processes are further informed by external good practice and guidance; Internal Audit, which operates to standards defined in the OfS Audit Code of Practice; the work of the executive managers of the institution, who have responsibility for the development and maintenance of the internal control framework; and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the Council

The University Council 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 University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England (HEFCE) and the Council of the University (to 31 March 2018) and the terms and conditions of funding for higher education institutions set by the Office for Students (OfS) (from 1 April 2018), the University Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit, cash flows, and total recognised gains and losses for that year.

In preparation of the financial statements, the University Council has to ensure 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 satisfied that the University has adequate resources to continue in operation for the foreseeable future; and
- The going concern basis is appropriate for the preparation of the financial statements.

The University Council has taken reasonable steps to:

- Ensure that funds from HEFCE and the OfS are used only for the purposes for which they have been given and in accordance with the terms and conditions set by these bodies;
- 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; and
- Secure the economical, efficient and effective management of the University's resources and expenditure.

Ed Smith CBE
Pro-Chancellor

27 November 2019



Independent Auditor's Report to the Council of Members of the University of Birmingham

Opinion

In our opinion the financial statements of the University of Birmingham (the 'university') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2019 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the statement of accounting policies;
- the consolidated and university statements of comprehensive income;
- the consolidated and university statement of changes in reserves;
- the consolidated and university balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Council of Members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council of Members' has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Council of Members is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed,

Independent Auditor's Report to the Council of Members of the University of Birmingham

(continued)

we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of the Council of Members

As explained more fully in the Council of Members' responsibilities statement, the Council of Members is responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Council of Members determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council of Members is responsible for assessing the group's and the 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 the Council of Members either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Office for Students (OfS) 'Regulatory Advice 9: Accounts Direction'

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes during the year ended 31 July 2019 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2019; and
- the requirements of the OfS's accounts direction (applied as described in note 1 in the statement of accounting policies) have been met.

Use of our report

This report is made solely to the Council of Members in accordance with the charter and statutes of the university and the Accounts Direction issued by the Office for Students. Our audit work has been undertaken so that we might state to the Council of Members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor
St Albans, United Kingdom

2 December 2019

Statement of Accounting Policies

Year Ended 31 July 2019

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: Accounting for Further and Higher Education, Financial and Reporting Standard (FRS) 102 and the Office for Students (OfS) Accounts Direction published June 2018. In October 2019, the OfS published a new Accounts Direction relating to financial years starting on or after 1st August 2019, with an option to early adopt all or part of. In relation to the calculation of the VC pay multiple; the University has taken the option to adopt that element of the October 2019 Accounts Direction.

2. Going concern

The University's business activities and current financial position, together with the factors likely to affect its future development, performance and position are set out in the Treasurer's Report.

The University has considerable financial resources and a diverse range of income streams to ensure sustainability. The University continues to deliver its strategic plan, which was updated in 2015 and as a consequence Council believes that the University is well placed to manage its business risks successfully despite the uncertain economic climate, the UK's expected departure from the European Union, government funding changes, and the increased level of competition in the higher education sector.

Based on a one-year budget, four-year forecast, and ten-year scenario planning Council believes that the University has adequate resources to continue in operational existence for the foreseeable future.

Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

3. Basis of consolidation

The consolidated financial statements combine the financial statements of the University and its subsidiary undertakings, all of which have 31 July year ends, except the University of Birmingham School with its financial year end being 31 August and Guangzhou

ABC Education Information Consultancy Limited, which has its financial year end at 31 December. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the Guild of Students as the University does not exert control or have a dominant influence over operational decisions.

4. Income recognition

Income from the sale of goods or services is credited to the 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. Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries, scholarships and stipends are accounted for gross as expenditure and not deducted from income.

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

Grant funding

Grant funding including OfS block grant, research grants from government sources and grants (including research grants) from non-governmental 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 conditions are met.

Donations and endowments

Non-exchange transactions without performance-related conditions are donations and endowments.

The University holds the following types of donations:

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

Statement of Accounting Policies (continued)

Year Ended 31 July 2019

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

3. Restricted expendable endowments – the donor has specified a particular objective other than fixed assets and the University has the power to use capital over the medium term

4. 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

Donations and endowments with donor-imposed restrictions are recognised as income on a receivable basis and retained within the restricted reserve until such time they are utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

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

Capital grants

Capital grants are recognised as income when the University is entitled to the funds subject to any performance-related conditions being met. Where grant-funded assets are in the course of construction, the University considers on a case-by-case basis whether their construction constitutes a performance-related condition.

5. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and for support staff the Group Personal Pension Scheme (GPPS). The University also operates the University of Birmingham Pension and Assurance Scheme (BPAS) for some support staff, which was closed to new members in 2002. Both the USS and BPAS schemes are defined benefit schemes. The GPPS is a defined contribution pension scheme. The University additionally participates in

the NHS pension schemes (NHSPS). The USS and NHSPS are a multi-employer schemes for which it is not possible to identify the assets and liabilities of each organisation due to the mutual nature of the schemes and therefore they are accounted for as a defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. Please refer to Note 18 for greater detail regarding USS deficit.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the year during which services are rendered by employees.

Statement of Accounting Policies (continued)

Year Ended 31 July 2019

6. 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 unused entitlement.

7. Leases

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the Statement of Comprehensive Income and Expenditure on the same basis as owned fixed assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the Statement of Comprehensive Income and Expenditure over the period of the lease.

Operating lease costs are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

8. Foreign currency

Transactions in foreign currencies are translated to Sterling 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 Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

9. Tangible fixed assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Prior to the date of transition to FRS 102, a revaluation process was carried out by an independent valuer, Gerald Eve LLP, and the University has revalued the land and buildings at fair value at the date of transition, 1 August 2014, with revised economic useful lives allocated to the individual assets. These values have been adopted as the deemed cost of these assets.

Land is not depreciated. Buildings are depreciated over their economic useful lives on a straight-line basis.

Buildings asset lives range from 5 to 76 years based on independent professional advice. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

Major refurbishments are capitalised at cost and depreciated on a straight-line basis over ten years where they substantially add to the total area of the building or prolong its useful life or enhance the economic benefits of the building.

Equipment (including IT) is capitalised at cost and is depreciated over three years on a straight-line basis. Assets under construction are not depreciated until they are ready for use and are represented as costs incurred to date.

10. Heritage assets

Heritage assets are works of art and other valuable artefacts, held principally for their contribution to knowledge and culture rather than for the University's operational use. Heritage assets acquired or donated since 1 August 1999 and valued over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets acquired before 1 August 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. The University's practice in regards to heritage assets, in accordance with the national accreditation standards, is: to preserve, conserve and manage the objects in its care; to augment the collections where appropriate and within the resources available; to enable and encourage access to and use of the collections for teaching and research, and to enable wide access to and engagement with the collections by members of the public.

Statement of Accounting Policies (continued)

Year Ended 31 July 2019

11. Intangible assets

Intangible assets represent costs of significant software and development for use in the long term. Only costs relating to the development and implementation phases have been capitalised.

Research phase and training costs involved with the project are expensed as incurred.

Costs are amortised over their useful economic life (being between five and ten years) and are subject to periodic impairment reviews as appropriate.

Major IT systems are capitalised and amortised on a straight-line basis over the useful economic life based on the terms of the contract for system licences.

12. Investments

Where fair value cannot be measured reliably, investments are measured at cost less impairment. Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

13. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

14. Stock

Stock is held at the lower of cost and net realisable value. Consumable items are charged directly to the Statement of Comprehensive Income and Expenditure.

15. Cash and cash equivalents

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 (within 90 days) to known amounts of cash with insignificant risk of change in value.

16. Provisions

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

17. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is, therefore, a charity within the meaning of Para. 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478–488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no (VAT) exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT related to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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 only if they are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Statement of Accounting Policies (continued)

Year Ended 31 July 2019

18. Financial instruments

Financial assets and financial liabilities are recognised when the University becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the University after deducting all of its liabilities.

(a) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the University intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment. Financial assets are derecognised when:

- (a) the contractual rights to the cash flows from the financial asset expire or are settled;
- (b) the University transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the University, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(b) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the University's balance sheet, investments in subsidiaries are measured at cost less impairment.

(c) Derivative financial instruments

The University uses derivative financial instruments to reduce exposure to interest rate and cash flow movements. The University does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

(d) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Statement of Accounting Policies (continued)

Year Ended 31 July 2019

19. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

20. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a 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.

21. Agency arrangements

Funds that the University receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income and Expenditure where the University is exposed to minimal risks or enjoys minimal economic benefit related to the transaction.

22. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, the University is required to make estimations and judgements that have a significant impact on the amounts recognised. The estimates and associated judgements are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are two significant judgements that have been identified:

- (1) Judgements on the recoverability of aged trade receivables based on the knowledge of the individuals or market. Where conditions suggest the full recoverability is doubtful, a provision will be recognised.
- (2) Judgements as to whether any indicators of impairment are present for any of the University's assets.

Neither has resulted in a significant provision in 2018/19. There are two key sources of estimation uncertainty that are shown below:

- (1) Assumptions underlying the calculation of the BPAS pension deficit liability have been informed by independent actuarial assessment. The brought forward provision was a liability of £29.4 million. At 31 July 2019, there was a liability of £21.2 million. The liability reflects payments made towards the liability and changes

Statement of Accounting Policies (continued)

Year Ended 31 July 2019

in assumptions during the year. Further details are shown in Note 19.

- (2) Assumptions relating to USS provisions.
- The University recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries, and 5% from 1 April 2020, towards repairing the deficit over a period of 16 years, of which 13 remain. Details of this provision are included in note 19 to the financial statements. In calculating the University's USS pension liability of £191.8 million, a discount rate of 1.60% has been used in line with higher education sector norms, (2017/18: 2.17%) and salary inflation growth at 3.0% (2017/18: 2.5%) over the Recovery Plan period.



Consolidated and University Statements of Comprehensive Income and Expenditure

Year Ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	351,782	351,782	324,802	324,802
Funding body grants	2	84,822	84,822	83,063	83,063
Research grants and contracts	3	150,620	150,620	134,237	134,237
Other income	4	110,885	100,297	121,531	114,577
Investment income	5	10,992	10,978	10,502	10,491
Total income before endowments and donations		709,101	698,499	674,135	667,170
Donations and endowments	6	7,195	7,195	6,665	6,665
Total income		716,296	705,694	680,800	673,835
Expenditure					
Staff costs excluding movement in the USS provision	7	392,020	384,508	347,702	343,011
USS provision movement	7	126,653	126,653	6,928	6,928
Total staff costs	7	518,673	511,161	354,630	349,939
Other operating expenses		240,353	237,570	242,357	242,183
Depreciation and amortisation	11,12	65,707	65,447	62,316	59,898
Interest and other finance costs	8	10,386	10,386	11,151	11,151
Total expenditure	9	835,119	824,564	670,454	663,171
(Deficit)/Surplus before other gains and losses		(118,823)	(118,870)	10,346	10,664
Gain on investments	13	3,425	3,425	5,102	5,102
(Deficit)/Surplus before tax		(115,398)	(115,445)	15,448	15,766
Corporation Tax	10	-	-	-	-
(Deficit)/Surplus after taxation		(115,398)	(115,445)	15,448	15,766

The University Superannuation Scheme provides defined benefits for members and the University contributes through a scheme-wide contribution rate. The University needs to recognise a liability in its accounts to contribute to the deficit recovery plan that was put in place as part of the 2017 valuation. The deficit provision has increased staff costs by £126.7m as outlined in Note 18.

Consolidated and University Statements of Comprehensive Income and Expenditure (continued)

Year Ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018		
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
(Deficit)/Surplus after taxation		(115,398)	(115,445)	15,448	15,766
Actuarial gain in respect of pension schemes		6,300	6,300	14,072	14,072
Total comprehensive income for the year		(109,098)	(109,145)	29,520	29,838
Represented by:					
Endowment comprehensive income for the year		1,272	1,272	7,768	7,768
Restricted comprehensive income for the year		1,993	1,993	16	16
Unrestricted comprehensive income for the year		(112,363)	(112,410)	21,736	22,054
Total comprehensive income for the year		(109,098)	(109,145)	29,520	29,838

Consolidated and University Statements of Changes in Reserves

Year ended 31 July 2019

Consolidated	Income and Expenditure account			Total excluding Non-Controlling Interest	Non- Controlling Interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£'000	£'000	£'000			
Balance at 1 August 2017	112,557	14,651	1,130,327	1,257,535	3,318	1,260,853
Surplus from the Statement of Comprehensive Income	11,791	1,268	2,389	15,448	–	15,448
Other comprehensive income	–	–	14,072	14,072	–	14,072
Release of restricted funds spent in year	(4,023)	(1,252)	5,275	–	–	–
Total Comprehensive Income for the year	7,768	16	21,736	29,520	–	29,520
Transactions with non-controlling interest	–	–	1,015	1,015	(3,318)	(2,303)
Balance at 31 July 2018	120,325	14,667	1,153,078	1,288,070	–	1,288,070
Deficit from the Statement of Comprehensive Income	6,266	4,276	(125,940)	(115,398)	–	(115,398)
Other comprehensive income	–	–	6,300	6,300	–	6,300
Release of restricted funds spent in year	(4,994)	(2,283)	7,277	–	–	–
Total Comprehensive Income for the year	1,272	1,993	(112,363)	(109,098)	–	(109,098)
Balance at 31 July 2019	121,597	16,660	1,040,715	1,178,972	–	1,178,972

Consolidated and University Statements of Changes in Reserves (continued)

Year ended 31 July 2019

University	Income and Expenditure account			Total excluding Non-Controlling Interest	Non- Controlling Interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£'000	£'000	£'000			
Balance at 1 August 2017	112,557	14,651	1,100,434	1,227,642	–	1,227,642
Surplus from the Statement of Comprehensive Income	11,791	1,268	2,707	15,766	–	15,766
Other comprehensive income	–	–	14,072	14,072	–	14,072
Release of restricted funds spent in year	(4,023)	(1,252)	5,275	–	–	–
Total Comprehensive Income for the year	7,768	16	22,054	29,838	–	29,838
Other movements	–	–	–	–	–	–
Balance at 31 July 2018	120,325	14,667	1,122,488	1,257,480	–	1,257,480
Deficit from the Statement of Comprehensive Income	6,266	4,276	(125,987)	(115,445)	–	(115,445)
Other comprehensive income	–	–	6,300	6,300	–	6,300
Release of restricted funds spent in year	(4,994)	(2,283)	7,277	–	–	–
Total Comprehensive Income for the year	1,272	1,993	(112,410)	(109,145)	–	(109,145)
Balance at 31 July 2019	121,597	16,660	1,010,078	1,148,335	–	1,148,335

Consolidated and University Balance Sheets

Year ended 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Intangible assets	11	31,312	31,312	20,268	20,268
Fixed assets	12	1,381,964	1,348,147	1,301,486	1,267,710
Heritage assets	12	364	364	364	364
Investments	13	255,221	260,691	332,126	337,596
		1,668,861	1,640,514	1,654,244	1,625,938
Current assets					
Stocks for resale		342	312	384	376
Trade and other receivables	14	114,153	122,885	76,558	77,203
Cash and cash equivalents		126,144	118,691	122,670	117,383
		240,639	241,888	199,612	194,962
Creditors: amounts falling due within one year	15	(255,142)	(259,056)	(189,779)	(187,413)
Net current (liabilities)/assets		(14,503)	(17,168)	9,833	7,549
Total assets less current liabilities		1,654,358	1,623,346	1,664,077	1,633,487
Creditors: amounts falling due after more than one year	16	(262,388)	(262,013)	(282,816)	(282,816)
Pension provisions	18	(212,998)	(212,998)	(93,191)	(93,191)
Total net assets		1,178,972	1,148,335	1,288,070	1,257,480

Consolidated and University Balance Sheets (continued)

Year ended 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Restricted reserves					
Income and expenditure reserve – endowment reserves	21	121,597	121,597	120,325	120,325
Income and expenditure reserve – restricted	22	16,660	16,660	14,667	14,667
Unrestricted reserves					
Income and expenditure reserve		1,040,715	1,010,078	1,153,078	1,122,488
		1,178,972	1,148,335	1,288,070	1,257,480
Non-controlling interest		–	–	–	–
Total reserves		1,178,972	1,148,335	1,288,070	1,257,480

The financial statements were approved by the Governing Body on 27 November 2019 and were signed on its behalf on that date by:

■ **Professor Sir David Eastwood, Vice-Chancellor and Principal**

■ **Mrs Caragh Merrick, Treasurer**

Consolidated Cash Flow Statement

Year ended 31 July 2019

	Notes	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Cash flow from operating activities			
(Deficit) for the year		(115,398)	15,448
Adjustment for non-cash items			
Depreciation and amortisation	11/12	65,707	62,316
Gain on investments	13	(3,425)	(5,102)
Decrease/(Increase) in stock		42	(125)
Decrease in debtors	14	(37,595)	(9,927)
Increase in creditors	15	66,398	7,375
(Decrease)/Increase in long-term creditors	16	(17,044)	22,086
Increase in pension provision	18	126,108	1,567
Adjustment for investing or financing activities			
Investment income	5	(10,992)	(10,502)
Interest payable	8	8,173	8,134
Endowment income	21	(2,248)	(3,255)
Loss on the sale of fixed assets		6,077	2,843
Capital grant income		(8,093)	(15,486)
Net cash inflow from operating activities		77,710	75,372
Cash flows from investing activities			
Proceeds from sale of fixed assets		–	–
Capital grants receipts		8,093	15,486
Disposal of non-current asset investments	13	80,672	16,159
Withdrawal of deposits		–	5,000
Investment income		10,992	10,502
Payments made to acquire fixed assets		(163,967)	(195,865)
New non-current asset investments	13	(342)	(204,413)
Net cash (outflow) from investing activities		(64,552)	(353,131)

Consolidated Cash Flow Statement (continued)

Year ended 31 July 2019

	Year Ended	Year Ended
	31 July 2019	31 July 2018
	£'000	£'000
Cash flows from financing activities		
Interest paid	(8,173)	(8,134)
Endowment cash received	2,248	3,255
New unsecured loans	–	200,000
Repayments of amounts borrowed	(3,759)	(3,729)
Net cash (outflow)/inflow from financing activities	(9,684)	191,392
Increase/(Decrease) in cash and cash equivalents in the year	3,474	(86,367)
Cash and cash equivalents at beginning of the year	122,670	209,037
Cash and cash equivalents at end of the year	126,144	122,670



Notes to the Accounts

For the Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Undergraduate tuition – home and EU students	168,595	168,595	164,427	164,427
Undergraduate tuition – other students	55,786	55,786	49,037	49,037
Postgraduate tuition – home and EU students	32,530	32,530	32,482	32,482
Postgraduate tuition – other students	82,312	82,312	65,789	65,789
Other courses	5,856	5,856	6,341	6,341
Research, training and support grants	6,703	6,703	6,726	6,726
	351,782	351,782	324,802	324,802
2. Funding body grants				
Recurrent grant:				
Higher Education Funding Council (HEFCE)	–	–	47,629	47,629
Office for Students (OfS)	29,323	29,323	6,879	6,879
Research England	41,392	41,392	13,950	13,950
HEFCE Capital grant	–	–	9,006	9,006
Office for Students Capital grant	2,414	2,414	–	–
Research England	4,930	4,930	–	–
Specific grants:				
Higher Education Innovation Fund	4,395	4,395	3,350	3,350
National College for Teaching and Leadership	71	71	46	46
HEFCE other	–	–	2,055	2,055
Office for Students other	866	866	20	20
Research England	1,431	1,431	128	128
	84,822	84,822	83,063	83,063
In 2017/18, HEFCE was dissolved and replaced by OfS and Research England as the primary funders				
3. Research grants and contracts				
Research Councils	49,953	49,953	43,756	43,756
UK-based charities	26,744	26,744	24,265	24,265
UK Central/Local Government, Health and Hospital Authorities	33,307	33,307	27,504	27,504
UK industry, commerce and public corporations	7,646	7,646	9,457	9,457
EU government bodies	21,153	21,153	17,384	17,384
EU other	2,608	2,608	2,475	2,475
Other overseas	7,850	7,850	8,717	8,717
Other sources	1,359	1,359	679	679
	150,620	150,620	134,237	134,237

Notes to the Accounts (continued)

For the Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
4. Other income				
Residences, catering and conferences	46,614	43,435	46,264	46,185
Other services rendered	8,543	6,363	9,046	6,861
Health Authority-funded external posts	13,969	13,969	15,541	15,541
Self-financing activities	2,480	2,480	4,577	4,577
Other capital grants	573	573	–	–
Student support	9,983	9,983	8,736	8,736
Sport	6,040	6,040	5,812	5,812
External funding	7,883	3,041	7,878	3,372
Day Nurseries	2,548	2,548	2,818	2,818
Rental properties and University Centre lettings	1,207	1,207	1,160	1,160
Barber Trust grant	119	119	1,103	1,103
VAT refund	2,447	2,447	1,642	1,642
Other income	8,479	8,092	16,954	16,770
	110,885	100,297	121,531	114,577
5. Investment income				
Investment income on endowments	3,240	3,240	3,961	3,961
Other investment income	7,752	7,738	6,541	6,530
	10,992	10,978	10,502	10,491
6. Donations and endowments				
Capital grants	176	176	1,974	1,974
New endowments	2,248	2,248	3,255	3,255
Donations with restrictions	4,276	4,276	1,315	1,315
Unrestricted donations	495	495	121	121
	7,195	7,195	6,665	6,665

Notes to the Accounts (continued)

For the Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7. Staff costs				
Salaries	316,321	308,976	280,125	276,146
Social security costs	29,780	29,676	27,849	27,521
Movement on USS pension provision	126,653	126,653	6,928	6,928
Other pension costs	45,919	45,856	39,728	39,344
Total	518,673	511,161	354,630	349,939

No payments were made in respect of compensation for loss of office to a senior post-holder in 2018/19 (2017/18: Nil).

Compensation for loss of office (including voluntary severance) of £1.4m was paid in 2018/19 (2017/18: £1.8m) and this number relates to 56 employees (2017/18: 67).

	2019 £'000	2018 £'000
Emoluments of the Vice-Chancellor:		
Salary	386	386
Performance-related award	61	55
Taxable benefit	3	3
	450	444

The process of Remuneration Committee to determine the remuneration of the Vice-Chancellor is set out in the Corporate Governance Statement on pages 29 to 33 of the annual accounts.

The Vice-Chancellor's basic salary is 10.5 times (2017/18: 10.8 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice-Chancellor's total remuneration is 11.5 times (2017/18: 11.9 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

All agency paid staff and any temporary staff where the number of days or hours worked has not been recorded, have been excluded from the calculation of the total staff median, used for the ratio calculations quoted above, as insufficient information has been recorded at the time of payment to calculate an accurate full-time equivalent pay.

A long-term incentive plan is in place for the Vice-Chancellor for an initial period of four years commencing 2015/16. Any reward under that plan is contingent on the Vice-Chancellor meeting specific objectives in each of the four years of the term and still being in post at the end of the term. If these tests are met, the total maximum value of the incentive plan is £80,000. This is not included in the median calculations above.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
Staff full-time equivalents (FTE) numbers by major category:	FTE	FTE	FTE	FTE
Academic, Clinical Academic and Administrative	5,349	5,335	5,075	5,014
Other, including Technical, Clerical and Manual	2,226	2,213	2,195	2,154
	7,575	7,548	7,270	7,168

Trustees

The total expenses paid to or on behalf of 5 (2017/18 – 5) Council members was £5,149 (2017/18: £3,456). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity as Council members. No payments and other benefits have been received by Council members, in respect of their services.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University and are represented as the University Executive Board (UEB).

In the year, UEB consisted of the Vice-Chancellor and Principal, Provost and Vice-Principal, Pro-Vice-Chancellor (Education), Pro-Vice-Chancellor (Research and Knowledge Transfer), Pro-Vice-Chancellor (International), five College Pro-Vice-Chancellors, the Registrar and Secretary, and Finance Director.

Remuneration of higher-paid staff other than the Vice-Chancellor (including members of UEB) accounted for in the Comprehensive Statement of Income and Expenditure is set out below.

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Key management personnel compensation	2,447	2,544

A significant number of staff in the table below are on NHS contracts not determined by the University. Amounts reimbursed by others, such as the NHS, are excluded from the remuneration of the relevant staff.

Some staff, who are not in the USS pension scheme and do not therefore receive the employer's contribution, receive instead as part of their salary a 13.7% cash payment in lieu of pension. The remuneration figures below are presented in line with the requirements of accounting standards and therefore do not include any employer pension contributions, but do include cash payments in lieu of pension. To make a meaningful comparison, 18.5% (2017/18:18%) would need to be added to those staff for whom the University is making USS contributions and comparison figures adjusted for those staff who have opted out of USS during 2018/19.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

	Year ended 31 July 2019	Year ended 31 July 2018
	No.	No.
£100,000.00 to £104,999.99	24	19
£105,000.00 to £109,999.99	21	19
£110,000.00 to £114,999.99	23	16
£115,000.00 to £119,999.99	9	8
£120,000.00 to £124,999.99	13	7
£125,000.00 to £129,999.99	8	3
£130,000.00 to £134,999.99	5	7
£135,000.00 to £139,999.99	9	3
£140,000.00 to £144,999.99	5	6
£145,000.00 to £149,999.99	8	2
£150,000.00 to £154,999.99	9	3
£155,000.00 to £159,999.99	6	6
£160,000.00 to £165,999.99	7	1
£165,000.00 to £169,999.99	5	–
£170,000.00 to £174,999.99	3	1
£175,000.00 to £179,999.99	3	1
£180,000.00 to £184,999.99	–	1
£185,000.00 to £189,999.99	2	–
£190,000.00 to £194,999.99	1	–
£195,000.00 to £199,999.99	1	–
£200,000.00 to £204,999.99	2	–
£205,000.00 to £209,999.99	–	1
£210,000.00 to £214,999.99	2	1
£215,000.00 to £219,999.99	2	–
£220,000.00 to £224,999.99	–	–
£225,000.00 to £229,999.99	–	–
£230,000.00 to £234,999.99	–	1
£235,000.00 to £239,999.99	–	–
£240,000.00 to £244,999.99	–	–
£245,000.00 to £249,999.99	1	–
£250,000.00 to £254,999.99	–	1
£255,000.00 to £259,999.99	–	–
£260,000.00 to £264,999.99	1	–
£265,000.00 to £269,999.99	–	1
	170	108

Notes to the Accounts (continued)

For the Year ended 31 July 2019

8. Interest and other finance costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	7,566	7,566	7,471	7,471
Swap interest	607	607	663	663
BPAS interest charge	700	700	1,000	1,000
USS interest charge	1,384	1,384	1,114	1,114
Investment fees	129	129	903	903
	10,386	10,386	11,151	11,151

9. Analysis of total expenditure by activity

Academic and related expenditure	280,335	280,335	297,657	297,657
Administration and central services	155,209	150,069	131,813	127,302
Premises	76,165	75,905	74,744	72,325
Residences, catering and conferences	36,119	33,089	35,644	35,644
Research grants and contracts	150,914	150,914	105,011	105,011
Other operating expenses	136,377	134,252	25,585	25,232
	835,119	824,564	670,454	663,171

Other operating expenses include:

External auditor's remuneration in respect of audit services	172	136	172	136
External auditor's remuneration in respect of non-audit services	–	–	203	203
Operating lease payments	1,559	1,559	2,029	2,029

Research Income has increased significantly from prior year due to the direct allocation of overheads to research projects during the year.

10. Taxation

There is no Corporation Tax in the current year or prior year.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

11. Intangible assets

	Intangible asset	Total
Consolidated and University	£'000	£'000
Cost	–	–
As at 1 August 2018 (in the course of construction)	20,268	20,268
Additions	11,555	11,555
At 31 July 2019	31,823	31,823
Amortisation		
As at 1 August 2018	–	–
Charge for the year	511	511
At 31 July 2019	511	511
Net Book Value		
At 31 July 2019	31,312	31,312
At 31 July 2018	20,268	20,268

Intangible assets represent costs incurred in relation to the New Core system, which redesigned Finance, HR, Payroll, and Research Grant Management processes through a cloud-based system.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

12. Fixed assets	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	Heritage assets	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 August 2018	1,101,634	122,950	95,642	71,471	82,677	364	1,474,738
Additions	21,559	–	23,896	16,807	90,150	–	152,412
Transfers	60,015	–	–	–	(60,015)	–	–
Other movements	4,627	(4,539)	–	–	(906)	–	(818)
Disposals	–	–	–	(24,076)	–	–	(24,076)
At 31 July 2019	1,187,835	118,411	119,538	64,202	111,906	364	1,602,256
Depreciation							
At 1 August 2018	93,469	15,303	22,999	41,117	–	–	172,888
Charge for the year	28,209	3,749	11,474	21,764	–	–	65,196
Other movements	–	–	(158)	–	–	–	(158)
Disposals	–	–	–	(17,999)	–	–	(17,999)
At 31 July 2019	121,678	19,052	34,315	44,882	–	–	219,927
Net book value							
At 31 July 2019	1,066,157	99,359	85,223	19,320	111,906	364	1,382,329
At 31 July 2018	1,008,165	107,647	72,643	30,354	82,677	364	1,301,850

At 31 July 2019, freehold land and buildings included £205.5m (2018: £189.9m) in respect of freehold land and is not depreciated. In the year to 31 July 2019, £0.9m (2017/18 £nil) was written off from Assets in the course of Construction due to projects being cancelled after Feasibility Study.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

12. Fixed assets (continued)	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	Heritage assets	Total
University	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 August 2018	1,069,746	122,950	95,642	65,088	82,676	364	1,436,466
Additions	15,331	–	23,896	16,657	90,149	–	146,033
Transfers	60,015	–	–	–	(60,015)	–	–
Other movements	4,627	(4,539)	–	–	(906)	–	(818)
Disposals	–	–	–	(17,601)	–	–	(17,601)
At 31 July 2019	1,149,719	118,411	119,538	64,144	111,904	364	1,564,080
Depreciation							
At 1 August 2018	89,388	15,303	22,999	40,702	–	–	168,392
Charge for the year	27,988	3,749	11,474	21,725	–	–	64,936
Other movements	–	–	(158)	–	–	–	(158)
Disposals	–	–	–	(17,601)	–	–	(17,601)
As at 31 July 2019	117,376	19,052	34,315	44,826	–	–	215,569
Net book value							
At 31 July 2019	1,032,343	99,359	85,223	19,318	111,904	364	1,348,511
At 31 July 2018	980,358	107,647	72,643	24,386	82,676	364	1,268,074

At 31 July 2019, freehold land and buildings included £205.5m (2018: £189.9m) in respect of freehold land and is not depreciated. In the year to 31 July 2019, £0.9m (2017/18 £nil) was written off from Assets in the course of Construction due to projects being cancelled after feasibility study stage.

The leasehold land and buildings category includes a number of leases from Birmingham City Council on a long lease, including the Medical School site, and a number of leases from the NHS.

Exchequer funded assets

There exists an exchequer interest in certain buildings. It is a condition of funding imposed by the Secretary of State and the Treasury that no transaction involving these assets should be entered into without the prior approval of the Office for Students.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

13. Non-current investments

	Subsidiary companies	Investment in spinouts	Other non- current asset investments	Endowment asset investments	Total
Consolidated	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	–	1,435	219,194	111,497	332,126
Additions	–	342	–	–	342
Disposals	–	(350)	(80,322)	–	(80,672)
Revaluation	–	253	2,394	778	3,425
At 31 July 2019	–	1,680	141,266	112,275	255,221
University					
At 1 August 2018	5,495	1,435	219,169	111,497	337,596
Additions	–	342	–	–	342
Disposals	–	(350)	(80,322)	–	(80,672)
Revaluation	–	253	2,394	778	3,425
At 31 July 2019	5,495	1,680	141,241	112,275	260,691

The other non-current asset investments class includes University holdings in a number of investment funds which are held at fair value. It also has shareholdings in several companies which are also held at fair value. In the Endowment asset investment class, the University holds a number of investments which are held at fair value.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

14. Trade and other receivables

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Loans	–	–	535	535
Research grant receivables	69,778	69,778	42,146	42,146
Other trade receivables	17,672	16,482	11,683	10,808
Other receivables	3,555	3,408	1,526	1,431
Prepayments and accrued income	22,808	32,399	20,332	21,744
Amounts due from subsidiary companies	–	128	–	203
	113,813	122,195	76,222	76,867
Amounts falling due after one year:				
Other debtors and prepayments	340	690	336	336
	114,153	122,885	76,558	77,203

Notes to the Accounts (continued)

For the Year ended 31 July 2019

15. Creditors: amounts falling due within one year	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research grants and contracts in advance	109,487	109,487	83,047	83,047
Unsecured loans	4,554	4,554	4,519	4,519
Trade creditors	23,997	24,251	16,102	15,839
Social security and other taxation payable	10,575	10,040	9,243	9,130
Accruals	33,728	39,664	33,828	33,620
Deferred income	55,401	54,861	19,852	19,403
Derivatives	2,241	2,241	2,414	2,414
Other creditors	15,159	13,498	20,774	19,250
Amounts due from subsidiary companies	–	460	–	191
	255,142	259,056	189,779	187,413

Deferred income

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

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Grant income	–	–	–	–
Other income	55,401	54,861	19,852	19,403
Total deferred income	55,401	54,861	19,852	19,403

Notes to the Accounts (continued)

For the Year ended 31 July 2019

16. Creditors: amounts falling due after more than one year	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research Grants and contracts in advance	5,042	5,042	22,086	22,086
Other Creditors	375	–	–	–
Unsecured loans	256,971	256,971	260,730	260,730
	262,388	262,013	282,816	282,816
Analysis of unsecured loans:				
Due within one year or on demand	4,554	4,554	4,519	4,519
Due between one and two years	4,252	4,252	4,738	4,738
Due between two and five years	11,790	11,790	11,929	11,929
Due in five years or more	240,929	240,929	244,063	244,063
Due after more than one year	256,971	256,971	260,730	260,730
Total secured and unsecured loans	261,525	261,525	265,249	265,249

Included in loans are the following:

Lender	Amount £'000	Maturity	Interest rate %	Borrower
Private Placement – Barings	30,000	2042/43	2.64	University
Private Placement – M&G	20,000	2044/45	2.67	University
Private Placement – BAE	40,000	2050/51	2.58	University
Private Placement – Aviva	20,000	2057/58	2.51	University
Private Placement – PIC	90,000	2057/58	2.51	University
European Investment Bank	47,250	2034/35	4.04	University
European Investment Bank	11,813	2034/35	LIBOR+1.401	University
Revolving Green Fund	2,462	2024/25	nil	University
Total	261,525			

*Edgbaston Park Hotel and Conference Centre Limited

Notes to the Accounts (continued)

For the Year ended 31 July 2019

17. Financial instruments

The carrying values of the Consolidated and University financial assets and liabilities are summarised by category below:

	Notes	2018/19		2017/18	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial assets					
Measured at fair value through income and expenditure					
Investments in common investment funds	13	249,262	249,262	334,766	334,766
Debt instruments measured at amortised cost					
Long-term loans receivable	14	340	690	336	336
Measured at undiscounted amount receivable					
Trade and other receivables	14	91,005	89,796	55,890	55,123
Equity instruments measured at cost less impairment					
Non-current asset investments in utilised equity instruments	13	5,935	11,430	4,360	9,831
		346,542	351,178	395,352	400,056
Financial liabilities					
Measured at fair value through income and expenditure					
Derivative financial liabilities	15	2,241	2,241	2,414	2,414
Loans payable		30,000	30,000	30,000	30,000
Measured at amortised cost					
Loans payable	16	231,525	231,525	235,249	235,249
Measured at undiscounted amount receivable					
Trade and other creditors	15	57,725	64,375	48,196	47,916
		321,491	328,141	315,859	315,579

The derivative financial liabilities relate to three interest rate swaps for £5m each carried at fair value and which give a fixed rate of 4.725%, 4.89% and 4.97% respectively compared to the variable three months LIBOR rate payable on the loans. The first two swaps expire in 2021 and the third in 2026. The swaps are settled quarterly, with the difference between the fixed and floating interest rates settled on a net basis.

The loans payable measured at fair value was in the prior year accounts, the full value of the £200m private placement. Only one of the private placements to the value of £30m should be disclosed at fair value due to a currency rate swap within the loan note, which expires in 2042/43. The remaining £170m is now disclosed as measured at amortised cost in 2017/18 and 2018/19 above.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

17. Financial instruments (continued)

The Consolidated and University's income, expense, gains and losses in respect of financial instruments are summarised below:

	Notes	2018/19		2017/18	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Financial liabilities					
Interest income and (expense)					
Total interest income for financial assets at amortised costs	5	10,992	10,978	10,502	10,491
Total interest expense for financial liabilities at amortised cost	8	(8,173)	(8,173)	(8,134)	(8,134)
		2,819	2,805	2,368	2,357
Fair value gains and (losses)					
On financial assets measured at fair value through income and expenditure	13	3,425	3,425	5,102	5,102
On derivative financial liabilities		172	172	862	862
On liquid funds		-	-	(903)	(903)
		3,597	3,597	5,061	5,061

Notes to the Accounts (continued)

For the Year ended 31 July 2019

18. Provisions	Obligation to fund deficit on USS Pension	Defined Benefit Obligations on BPAS Pension	Total Pensions Provision
Consolidated	£'000	£'000	£'000
At 1 August 2018	63,763	29,428	93,191
Charged to income and expenditure	131,074	4,370	135,443
Credited to comprehensive income	–	(6,300)	(6,300)
Utilised	(3,036)	(6,300)	(9,336)
At 31 July 2019	191,801	21,198	212,998
University	£'000	£'000	£'000
At 1 August 2018	63,763	29,428	93,191
Charged to income and expenditure	131,073	4,370	135,443
Credited to comprehensive income	–	(6,300)	(6,300)
Utilised	(3,036)	(6,300)	(9,336)
At 31 July 2019	191,800	21,198	212,998

USS Pension

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 26.

The major assumptions used to calculate the obligations are:

	2019	2018
Discount rate	1.60%	2.17%
Salary growth	3.00%	2.50%

Notes to the Accounts (continued)

For the Year ended 31 July 2019

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

Changes in assumptions at 31 July 2019	Approximate impact £m
0.5% pa decrease in discount rate	8.4
0.5% pa increase in salary inflation over duration	8.2
0.5% pa increase in salary inflation year 1 only	0.9
0.5% increase in staff changes over duration	8.4
0.5% increase in staff changes year 1 only	0.5
1% increase in deficit contributions from April 2020	37.6

BPAS Pension

The University operates the University of Birmingham Pension and Assurance Scheme (BPAS) for the University's qualifying support staff. The scheme is a funded scheme. The latest actuarial valuation of the scheme was at the 31 March 2016 and revealed a funding shortfall. The Trustees have put a Recovery Plan in place to address the deficit.

19. Events after the Reporting Period

In September 2019 the USS valuation as at 31 March 2018 was concluded. As part of this a new Schedule of Contributions was issued, with deficit recovery contributions of 2% rather than 5% as set in the 2017 valuation. The adjustment to the provision for USS calculated on the same basis and assumptions, as a result of this would be a reduction of £81.6m to be credited to staff costs.

20. Lease commitments

	Not later than 1 year £'000	Later than 1 year and not later than 5 years £'000	Later than 5 years £'000
Total	1,539	38,882	59,014

Notes to the Accounts (continued)

For the Year ended 31 July 2019



Notes to the Accounts (continued)

For the Year ended 31 July 2019

21. Endowment reserves (restricted)

Consolidated and University	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August 2018					
Capital	72,188	33,110	7,926	113,224	107,984
Accumulated income	5,617	–	1,484	7,101	4,573
	77,805	33,110	9,410	120,325	112,557
New endowments	200	–	2,048	2,248	3,255
Investment income	2,179	743	318	3,240	3,961
Expenditure	(2,664)	(743)	(1,587)	(4,994)	(4,023)
Increase in market value of investments	553	167	58	778	4,575
Total endowment comprehensive income for the year	268	167	837	1,272	7,768
At 31 July 2019	78,073	33,277	10,247	121,597	120,325
Represented by:					
Capital	72,941	33,277	10,032	116,250	113,224
Accumulated income	5,132	–	215	5,347	7,101
	78,073	33,277	10,247	121,597	120,325
Analysis by type of purpose:					
Lectureships	10,156	365	2,658	13,179	12,897
Scholarships and bursaries	24,625	7,942	2,131	34,698	33,921
Research support	6,783	2,869	106	9,758	9,463
Prize funds	21,897	435	1,239	23,571	23,513
Funded posts	1,964	1,435	53	3,452	3,054
General	12,650	20,231	4,058	36,939	37,477
	78,075	33,277	10,245	121,597	120,325
Analysis by asset					
Non-current asset investments				112,275	111,497
Cash and cash equivalents				9,322	8,828
				121,597	120,325

Notes to the Accounts (continued)

For the Year ended 31 July 2019

21. Endowment reserves (restricted) (continued)

	Consolidated and University 2019 Total £'000	Consolidated and University 2018 Total £'000
Endowment reserves		
Represented by:		
Equities	74,205	74,904
Fixed interest securities and bonds	21,603	21,182
Property	16,467	15,411
Cash and cash equivalents	9,322	8,828
	121,597	120,325

22. Restricted reserves

Consolidated and University

	2019 Total £'000	2018 Total £'000
Balances at 1 August 2018	14,667	14,651
Income	4,276	1,277
Expenditure	(2,283)	(1,252)
Transfer from unrestricted reserves	–	(9)
Total restricted comprehensive income for the year	1,993	16
At 31 July 2019	16,660	14,667

	2019 Total £'000	2018 Total £'000
Analysis of other restricted funds by type of purpose:		
Lectureships	25	25
Scholarships and bursaries	259	283
Research support	1,960	1,441
Prize funds	12	13
Funded posts	155	199
General	14,249	12,706
	16,660	14,667

Notes to the Accounts (continued)

For the Year ended 31 July 2019

23. Capital and other commitments

Provision has not been made for the following capital commitments:

	2019		2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	74,358	74,358	68,891	68,891

Within commitments £0.6m relates to intangible assets (2017/18: £1.6m).

24. Subsidiary undertakings

The subsidiaries are all wholly owned or effectively controlled by the University and incorporated in and operate in Great Britain, other than Alta Birmingham China Limited, which is incorporated in the UK but operates in the UK and China. Guangzhou ABC Education Information Consultancy Limited incorporated and operating within China, is a 100% subsidiary of Alta Birmingham China Limited. At a University of Birmingham Enterprise Board meeting on 24 July 2019, it was agreed to combine both the operations and the assets of Birmingham Research Park into University of Birmingham Enterprise Limited (UoBE Ltd) as of 31 July 2019. This has involved transferring the assets (principally the leasehold interests in land at the Research Park and cash at bank) of Birmingham Research Park Limited to UoBE Ltd. The company Birmingham Research Park Limited changed its name to Birmingham Global Limited on 1 August 2019.

University of Birmingham School is connected to the University of Birmingham by virtue of the University's role as the founding member of the Charitable Company. The University has control over the University School through its majority representation on the board.

Name of company	Percentage holding		Nature of business
	Consolidated	University	
Alta Birmingham China Limited	100%	100%	Management of activities in China
Alta Cyclotron Services Limited	100%	100%	Preparation and sale of chemicals for clinical use
Birmingham Research Park Limited	100%	100%	Provision of accommodation to high technology companies
University of Birmingham Enterprise Limited	100%	100%	Technology transfer and provision of accommodation to high technology companies
University of Birmingham Selly Oak Educational Trust (UoBSOET)	100%	100%	Management of land and buildings on the Selly Oak campus
Guangzhou ABC Education Information Consultancy Limited	100%	0%	Consulting services on education, trade, investment, enterprise, management, convention and exhibition services
Edgbaston Park Hotel and Conference Centre Limited	100%	100%	Hotel and conference centre
University of Birmingham School (Limited by Guarantee)	Member	Member	Running the University School and Sixth Form

Notes to the Accounts (continued)

For the Year ended 31 July 2019

25. Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected organisations are exempt from registration with the Charity Commission. One of the connected charities, being UoBSOET, is included as a subsidiary undertaking in these consolidated financial statements; the others are not included in the consolidation as the University does not have control over their activities.

The movements in the year on the total funds of UoBSOET, as reported are as follows:

	Opening balance	Income	Expenditure	Revaluation	Closing balance
	£'000	£'000	£'000	£'000	£'000
University of Birmingham Selly Oak Endowment Trust	6,387	28	(250)	–	6,165

Not consolidated

Included within the balance sheet, held in endowments assets, is £2.2m (2017/18: £2.5m), which represents the University's shareholding via the Samuel Hanson Rowbotham Trust, which holds a minority shareholding of Waterloo House, a private limited company.

26. Pension schemes

The four principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS); the University Birmingham Pension and Assurance Scheme (BPAS); the Group Personal Pension Scheme (GPPS), and the NHS Pension Scheme (NHSPS).

(i) The Universities Superannuation Scheme

The University participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the assets are not attributed 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. The amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. 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 therefore an expense is recognised.

The total cost charged to the Consolidated Statement of Comprehensive Income is £163.7m (2018: £38m).

Notes to the Accounts (continued)

For the Year ended 31 July 2019

26. Pension schemes (continued)

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

At the valuation date, the value of the assets of the scheme was £60bn and the value of the scheme's technical provisions was £67.5bn at 31 March 2017 indicating a shortfall of £7.5bn.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32%
	Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21
	Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post-retirement: 96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

The funding position of the scheme has been updated on a FRS102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total scheme level	85%	88%

Notes to the Accounts (continued)

For the Year ended 31 July 2019

26. Pension schemes (continued)

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the provision which has increased from £63.7m to £191.8m as set out in note 18.

(ii) University of Birmingham Pension and Assurance Scheme (BPAS)

The University operates the BPAS defined benefit pension scheme which was closed to new members in July 2002. BPAS is contracted out of the State Second Pension (S2P) and the management of the Scheme's investments is undertaken by a team of investment managers.

Actuarial valuation

The latest actuarial valuation of the scheme was at 31 March 2016 and it revealed a funding shortfall as the Scheme's assets were less than the liabilities. The valuation was carried out using the projected unit method. The key assumptions and data relevant to the determination of the contribution levels of the scheme are the discount rate calculated at 3.85%; RPI in line with gilt yields; and CPI (RPI less 1%). In addition, standard mortality assumptions were used.

The Trustees of the scheme have put a Recovery Plan in place to address the shortfall. The Recovery Plan provides for the University making payments per annum on 1 August each year from 2013 to 2030. In 2018/19, the University made a payment of £5.6m comprising of employer contributions of £1.1m and a deficit recovery payment of £4.5m.

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS 102 are:

	At 31 July 2019	At 31 July 2018
	%pa	%pa
Price Inflation (RPI)	3.45%	3.35%
Price Inflation (CPI)	2.45%	2.35%
Rate of increase in salaries to 31 March 2019	2.0%	2.35%
Rate of increase in salaries after 31 March 2019	2.0%	3.35%
Rate of increase of pensions in payment	1.80% to 3.10%	1.75% to 3.10%
Discount rate	2.0%	2.55%

Notes to the Accounts (continued)

For the Year ended 31 July 2019

26. Pension schemes (continued)

Scheme assets and expected rate of return for BPAS

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (ie, equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward-looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the scheme were:

	Fair value as at 31 July 2019 £m	Fair value as at 31 July 2018 £m
Equities	125.4	121.6
Bonds	89.1	84.3
Other	198.0	175.4
Total	412.5	381.3

	Assets £m	Liabilities £m	Total £m
At 1 August 2018	381.3	(410.7)	(29.4)
Employer contributions	6.3	–	6.3
Current service cost	–	(2.9)	(2.9)
Interest income (expense)	9.6	(10.3)	(0.7)
Benefits paid from scheme	(14.8)	14.8	–
Actuarial gains and losses	–	(23.8)	(23.8)
Scheme, introductions, changes, curtailments and settlements	–	(0.8)	(0.8)
Return on plan assets	30.1	–	30.1
Total at 31 July 2019	412.5	(433.7)	(21.2)

	2019 £m	2018 £m
Current service cost	–	(2.9)
Interest cost	–	(0.7)
Scheme, introductions, changes, curtailments and settlements	–	(0.8)
	(4.4)	(4.1)

Notes to the Accounts (continued)

For the Year ended 31 July 2019

26. Pension schemes (continued)

(iii) Group Personal Pension Scheme (GPPS)

The University introduced from 1 April 2008 a new 'defined contribution' pension scheme for its support staff who are not members of BPAS. The scheme will enable staff to build a fund that can be used to provide a pension on retirement in addition to the normal state pension. The University contributes 10% in addition to an agreed percentage paid by the individual. The scheme operates as a Group Personal Pension Scheme and is run on the University's behalf by Friends Life. The value of employer contributions for the year ending 31 July 2019 was £3.7m (2017/18: £3.3m).

(iv) NHS Pension Scheme (NHSPS)

The University participates in the NHSPS which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the government.

The NHS Pension Scheme is a defined benefit public service pension scheme, which operates on a pay-as-you-go basis. A new reformed scheme was introduced on 1 April 2015 that calculates pension benefits based on career average earnings. Transitional arrangements permit individuals who on 1 April 2012 were within ten years of normal pension age to continue participating in the old 'final salary' NHS Pension Scheme arrangements (the 1995 and 2008 sections).

The scheme is not designed to be run in a way that would enable members to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

NHSPS is in a similar position to USS in that in the event of the withdrawal of a participating employer the remaining participating employers will assume responsibility for any increased contributions arising.

27. Guild of Students

The University has not consolidated the financial statements of the Guild of Students because the University has no control or dominant influence. The summarised balance sheet of the Guild and its subsidiaries and results for the Year ended 31 July 2019 are as follows:

	Year to 31 July 2019	Year to 31 July 2018
	£'000	£'000
Tangible fixed assets	394	472
Current assets	3,144	2,894
Creditors	(1,016)	(786)
Pension provision	(3,633)	(3,678)
Reserves	(1,110)	(1,098)
Surplus/(deficit) for the year	(13)	392

The University's Statement of Comprehensive Income and Expenditure reflects payment to the Guild of Students of a block grant of £2.6m (2017/18: £2.4m).



Notes to the Accounts (continued)

For the Year ended 31 July 2019

28. Related party transactions

The related party transactions for the year ended 31 July 2019 are as follows:

Related Party	Relationship
Academic Registrars' Council	A Senior Officer is a Trustee
Academy of Medical Sciences Starter Grant Panel	A College Director is in Chair
AHUA	A UEB Member is Chairman
Alta Bioscience Ltd	A Subsidiary Director is a University representative Director
Alta Birmingham China Limited	A UEB Member is a Director
Alta Cyclotron Services Ltd	The Deputy Director of Finance is a Director
Arts and Humanities Research Council	A Council Member is a Board member
Ascent Events	A Senior Officer is a Retained Estates & Facilities Advisor
Barber Institute of Fine Arts	A Council Member is a Trustee
BBSRC	A UEB Member is a Member
Birmingham Children's Trust	A Head of School is a Non-Executive Director
Birmingham City Council	A Director of HSMC has a Spouse Employed
Birmingham Hippodrome Theatre	A Council member is a Trustee
Birmingham Research Park Ltd	The Deputy Director of Finance is a Director A Senior Officer is a Director
Birmingham Women's and Children's Hospital	A UEB Member is a Non-Executive Director A Director of HSMC is a Non-Executive Director
British Heart Foundation Programmes & Chairs Committee 2019	A UEB Member is Chair
Celentyx Ltd	A College Director is a Consultant
Chartered Association of Business Schools	A Deputy Pro-Vice-Chancellor is a Member
Edgbaston Park Hotel and Conference Centre Limited	A UEB Member is a Director
Engineering and Physical Sciences Research Council	A UEB Member is a Strategic Advisory Network Member
Financial Conduct Authority and the Payments Systems Regulator	A UEB Member is a Decision-Making Member
Food Standards Agency Science Council	A UEB Member is a Member
Institute of Physics UK	A Deputy Pro-Vice-Chancellor is a Trustee and Member of Council
Joseph Rowntree Foundation	A Council Member is a Trustee
King Edward VI Academy Trust	A UEB Member is a Director
Linear Diagnostics Ltd	A College Director is a Director
Macmillan Cancer	A Council Member is a Trustee
Manufacturing Technology Centre	A UEB Member is an Audit Committee Member A UEB Member is a Director
Nuffield Health	A Council Member is a Trustee and Governor
Nuffield Trust	A Director is a Senior Associate
Palleon Pharma	A College Director is a Shareholder

Notes to the Accounts (continued)

For the Year ended 31 July 2019

2018/19		2018/19 Outstanding Balances		2017/18	
Income	Expenditure	Balance due to the University	Balance due from the University	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
–	1	–	–	–	–
142	1	142	–	–	–
–	1	–	–	–	1
3	22	1	–	17	210
77	549	194	305	138	497
188	–	256	–	217	–
112	–	6	–	1,658	–
–	–	–	–	17	1
1,150	–	135	–	1,149	–
–	4	–	–	–	–
40	46	1	–	–	–
176	1,344	13	967	–	–
–	–	–	–	–	1
184	–	359	7,146	138	–
3,742	330	504	–	3,218	495
3,464	–	1,314	–	–	–
173	–	131	–	–	–
–	12	–	–	–	33
750	1,680	128	364	39	38
494	–	191	–	20,344	393
1	–	–	–	1	–
1	–	–	–	–	–
1	–	–	–	1	5
35	–	–	–	–	–
12	7	12	–	–	–
17	50	8	–	–	–
32	–	22	–	58	–
748	2,447	322	17	4	–
2	–	–	–	–	–
15	25	–	–	–	–
–	–	–	–	83	–

Notes to the Accounts (continued)

For the Year ended 31 July 2019

28. Related party transactions (continued)

The related party transactions for the year ended 31 July 2019 are as follows:

Related Party	Relationship
Reynolds Porter Chamberlain LLP	A Council Member is a Partner
Russell Group	A Council Member is a Board Member
Sandwell & West Birmingham NHS Trust	Two Council Members are Non-Executive Directors
The Schools of King Edward VI in Birmingham	A UEB Member is a Trustee
Universitas 21	A Council Member is a Chairman and Non Executive Director
Universities Superannuation Scheme	A Council Member is Chair and Non Executive Director
Universities UK	A Council Member is a Board member A UEB Member is a Member
University College Birmingham	A Council Member is a Governor
University Hospitals Birmingham NHS Trust (formerly Heart of England)	A Head of School is a Non-Executive Director
University of Birmingham Enterprise Limited	2 UEB Members are Directors A College Director is an Academic Consultant
University of Birmingham Guild of Students	A Council Member is a Trustee A UEB Member is a Director A BPAS member is a Life Member
University of Birmingham School	Two UEB Members are Governors A Head of School is a Governor and Trustee Two Senior Officers are Governors
University of London	A Head of School has a Spouse Employed
University of Loughborough	An Audit Committee Member is a Member of Audit Committee
University of Nottingham	A UEB Member has a Spouse Employed
University of Warwick	A UEB Member has a Spouse Employed A Head of School has a Spouse Employed
West Midlands Combined Authority	A Council Member is a Representative A Council Member is Chief Executive

To capture information on related party transactions members and officers who attend Council, Strategy, Planning and Resources Committee, University Executive Board and the Committee, Audit Trustees of the University of Birmingham Pension and Assurance Scheme have submitted returns.

Due to the nature of the University's operations and the composition of the University Council (with members drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest.

Notes to the Accounts (continued)

For the Year ended 31 July 2019

2018/19		2018/19 Outstanding Balances		2017/18	
Income	Expenditure	Balance due to the University	Balance due from the University	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
–	1	–	–	1	–
–	80	–	–	808	75
1,365	178	411	–	–	–
4	14	–	1	1	–
318	39	72	–	233	–
–	40,126	–	–	–	35,795
–	71	–	–	–	63
4	2	–	–	–	63
11,344	3,648	1,837	152	–	285
260	252	8,127	793	–	–
–	–	–	–	–	–
530	3,569	152	–	620	2,337
101	413	1,076	418	95	2,788
2	–	–	–	–	–
270	477	11	–	9	9
4,558	2,114	613	33	694	378
1,654	1,373	37	–	–	–
60	371	20	–	–	–

All such transactions are conducted at arm's length and in accordance with the University's Manual of Financial Rules and Procedures with respect to procurement. All members of Council are required to declare any such relationships in the Register of interest return on an annual basis.

The organisations in which members of Council have an interest in and with which the University has had transactions during the financial year ended 31 July 2019 as set out in the table.

Post year end it was identified that the University had, in error, overpaid a UEB Member by £20k (2017/18: Nil). This will be recovered by the end of November 2019.

Four Year Summary Accounts

The following information is not within the scope of the audit and is unaudited

Consolidated Statement of Comprehensive Income and Expenditure Summary

	2018/19	2017/18	2016/17	2015/16
	£'000	£'000	£'000	£'000
Income				
Tuition fees and education contracts	351,782	324,802	305,072	286,338
Research grants and contracts	150,620	134,237	124,031	135,465
Other	213,894	221,761	257,738	228,623
Total income	716,296	680,800	641,490	650,426
Expenditure				
Staff costs	518,673	354,630	320,664	310,381
Other – non-staff	316,446	315,824	283,321	255,734
Total expenditure	835,119	670,454	603,985	566,115
Surplus before tax	(115,398)	15,448	45,721	92,751
Total comprehensive income for the year	(109,098)	29,520	97,113	37,219

Consolidated Balance Sheet Summary

	2018/19	2017/18	2016/17	2015/16
	£'000	£'000	£'000	£'000
Non-current assets	1,668,861	1,654,244	1,330,182	1,306,275
Current assets	240,639	199,612	283,392	257,081
Total assets	1,909,500	1,853,856	1,613,574	1,563,356
Current liabilities	(255,142)	(189,779)	(182,566)	(165,935)
Non-current liabilities	(262,388)	(282,816)	(64,459)	(66,995)
Pension provisions	(212,998)	(93,191)	(105,696)	(157,718)
Total liabilities	(730,528)	(565,786)	(352,721)	(390,648)
Net Assets	1,178,972	1,288,070	1,260,853	1,172,708

Four Year Summary Accounts (continued)

Consolidated Cash Flow Statement Summary

	2018/19	2017/18	2016/17	2015/16
	£'000	£'000	£'000	£'000
Cash flow from operating activities	77,710	75,372	93,955	87,172
Cash flow from investing activities	(64,552)	(353,131)	(45,685)	(106,499)
Cash flow from financing activities	(9,684)	191,392	(4,393)	(6,044)
(Decrease)/increase in cash and cash equivalents in the year	3,474	(86,367)	43,917	(25,371)
Cash and cash equivalents at beginning of the year	122,670	209,037	165,120	(190,491)
Cash and cash equivalents at end of the year	126,144	122,670	209,037	165,120

Key Financial Indicators as a Percentage of Income

	2018/19	2017/18	2016/17	2015/16
Surplus before tax to income	(16)%	2%	7%	13%
Net cash inflow from operating activities to income	10%	9%	15%	13%
Staff costs as a proportion of income	72%	52%	50%	48%
Debt to equity ratio	25%	23%	6%	7%
Ratio of current assets to current liabilities	0.9	1.1	1.6	1.6%







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