

Report of the
Board of Governors
and Audited Accounts
2016 – 17

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS
AND AUDITED ACCOUNTS 2016/17

**BIRMINGHAM CITY UNIVERSITY
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AND AUDITED ACCOUNTS 2016/17**

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OPERATING AND FINANCIAL REVIEW

Executive Summary and strategic overview

The purpose of this document is to provide an overview of the 2016/17 financial year, and context to the presentation of the University's audited financial accounts for the year ended 31 July 2017.

The report summarises the Board of Governors' assessment of how the University has delivered on its charitable purposes for the public benefit, and on the University's overall performance for the 2016/17 academic year. In discussing and approving this report, the Board, as Trustees, has had regard to the Charity Commission's guidance on Charitable Purposes and Public Benefit.

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

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

These themes encapsulate the clearly differentiated mission of this University. We are strongly committed to our role as the University for the City of Birmingham and for the wider Birmingham region. As a culturally inclusive institution we contribute significantly to the economic, social, cultural prosperity and well-being of the city and region.

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

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

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

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

In 2016/17, as in previous years, 100% of the University's financial surplus has been used to improve the provision of education, through enhanced facilities, services and infrastructure, and increased support to our staff in the delivery of our educational mission.

Looking forward to 2017/18, we have budgeted for a higher level of surplus, reflecting a combination of our continuing need to generate cashflow for investment, to enhance the student experience, activities to increase efficiencies, combined with the continued reduction in HEFCE funding, inflationary pressures and uncertainties remaining around the impact of the new financial structure for higher education provision.

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Corporate Status

Birmingham City University is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988, and of an Instrument of Government approved by the Privy Council in April 1993. The University is an exempt charity within the meaning of the Charities Act 2011. The Board of Governors of the University are the charitable Trustees of the University.

Public Benefit Statement

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

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

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

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

All new Governors are provided with a briefing programme to ensure that they are aware of the University's obligations as an exempt charity, and of the requirements for serious incident reporting and their obligations as charitable trustees. A serious incident reporting procedure has been established. During 2016/17 no serious incidents or incidents of harm to beneficiaries were reported within the University, and the Board of Governors is not aware of any activity which could cause harm to the University's beneficiaries.

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

During 2016/17 the University has had a particular regard to the requirements of the Prevent duty, which became a statutory duty in September 2015. Briefing sessions have been held for management and staff, Governors have been kept updated, and revised policies and procedures have been developed to ensure the University is in compliance with the HEFCE monitoring framework.

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

The following sections of this report summarise the Board's assessment of how the University has delivered its charitable purposes for the public benefit and the University's overall performance in 2016/17.

BIRMINGHAM CITY UNIVERSITY REPORT OF THE BOARD OF GOVERNORS 2016/17

Introduction

This report has been structured around the eight segments of the Integrated Reporting Framework, and demonstrates how the University fulfils its charitable purposes.

INTEGRATED REPORTING 1/18

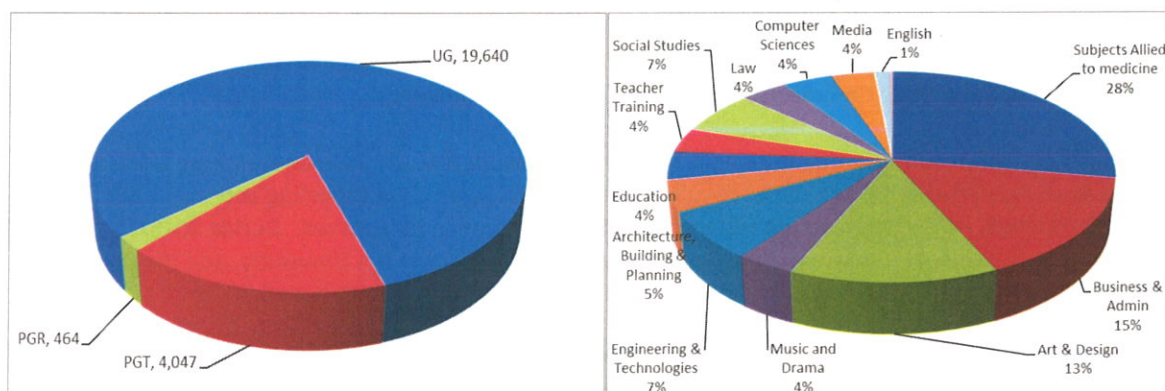
Value creation in universities



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Social value

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



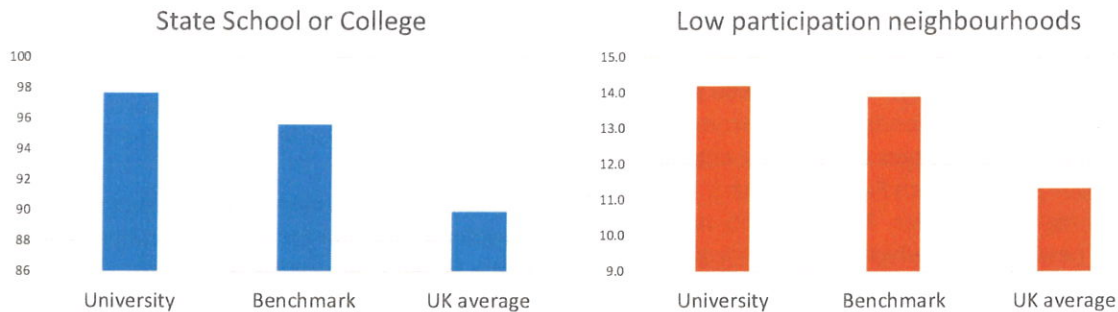
The University's primary beneficiaries are the students who study and learn at the University. However, its activities also benefit society at large through the education and training of students who, upon graduation, make a particular contribution to the creative industries and to professional practice,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

In 2016/17, 6014 students graduated from undergraduate programmes plus 2360 postgraduates.

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

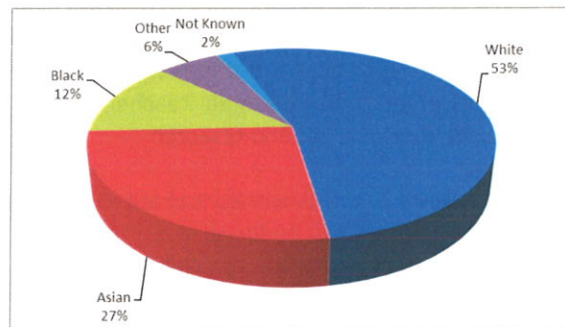
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Through this work, the University makes a significant and positive contribution to improving their life opportunities, which is a major public benefit. Its success in this regard is illustrated by the national indicators of widening participation shown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



Source: HESA Performance Indicators T1a: UK domiciled young full-time first degree entrants 2015/16

Birmingham City University is strongly committed to its charitable purpose for the promotion of equality and diversity. It has a highly diverse student population: 45% of the student population is Black and other Minority Ethnic, 63% are female and, 10% of students have a declared disability. 33% of the student population declares themselves as Christian, 17% Muslim and 9% other religions. A working group has been established to consider differential attainment and a range of activities are in progress to improve the visible commitment to the inclusion agenda; to investigate and implement interventions to address attainment, outcomes and experience gaps; and to develop staff capacity to act inclusively. The University also has favourable staff diversity profiles where data is collected for age, disability, sex/gender and ethnicity. For example, 19% of staff are from a BME background compared to 12% in the UK HE sector. An LGBT+ Staff Network is in place to provide information and support, raise awareness and foster discussion. The University is participating in the LFHE Aurora programme targeted at encouraging women into academic and professional leadership positions, and has been successful in gaining the Bronze Athena SWAN award at its first submission, recognising the work the University is doing to advance gender equality.



The University's international partnership with Navitas Group for the Birmingham City University International College (BCUIC) at the Bournville campus is designed to provide a pathway onto University programmes for students who would benefit from additional support. Navitas is the world's largest provider of university pathway education with over 30 partnerships globally. During 2016/17, the College enrolled 213 new students from 30 countries, and 187 students who had previously enrolled with the College then progressed onto their main University programmes.



The University and Wuhan Textile University (WTU) have established the Birmingham Institute of Fashion and Creative Art (BIFCA) under the jurisdiction of WTU, serviced by the University. WTU is a state controlled public university in China that is widely recognised for creative arts. The first intake of nearly 300 students was recruited successfully in September 2016 onto courses taught in both Mandarin and English; students will gain both a UK and Chinese Bachelor's degree, and will be given the option to spend half of their studies in Birmingham.



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The City Road Primary has been a sponsored academy within the Birmingham City University Academies Trust since 2013/14. The school currently caters for around 400 pupils aged three to 11 (including its nursery), with opportunities for University students to get involved, working with pupils for whom English is not their primary language.



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

Further evidence of the University's charitable activities for the public benefit can be found in our strong commitment to Corporate Responsibility and community citizenship, including improving the life chances of individuals and enhancing social, economic, cultural and physical environments. Students regularly participate in volunteering activities, with community groups, local schools and charities. University staff serve as trustees and advisers to various local charities, and we have an active programme of staff acting as school governors in more deprived inner city schools which require enhanced governance support.

The University undertakes research in many areas which deliver social value – some of these are referenced in the research and discovery section below.

Social value highlights include:

- Double Olympic silver medallist Louis Smith officially launched a new suite of Sports and Life Sciences degree courses being offered from September 2017
- The University was named Nurse Education Provider of the Year for post-registration courses at the Student Nursing Times Awards
- An innovative new centre aimed at improving the support available to families of twins and triplets has been launched by the University and the Multiple Births Foundation
- A new health charter addressing health inequalities due to social, geographical, biological and other factors potentially resulting in poor health and reduced life expectancy has been launched with the Politics of Health Group and the Equality Trust
- The Build Bangladesh: Environmental Education event examined how climate change is taught in Bangladesh
- The 'Best Greener & Healthier Lifestyles (Food) Scheme' recognised the significant contribution made to increasing food skills, food access, awareness of healthy eating, food sustainability and reducing food waste without putting an unsustainable burden on our environment

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Research & Discovery

The University delivers benefit to its secondary beneficiaries, the public at large, through the undertaking of research and the publication of research results with a clear focus on research that has a direct practical outcome and impact, including to health and the improvement of society.

The University makes a significant contribution to the charitable purpose of the advancement of health or the saving of lives, by transforming and influencing practice in areas such as community mental health and the management of pain. The impact of the mental health research has challenged prevailing beliefs and practices and led directly to changes in service delivery and design across the world; and investigations into the treatment of pain, combining an understanding of the factors that influence pain with the physical and psychological techniques that can be used to improve experience of pain, has led to significant improvements in patient outcomes and patient satisfaction. Recent topics of research include:

- Women's experiences in gaining treatment for endometriosis, the second most common gynaecological condition in the UK, including raising the awareness of endometriosis in adolescent girls.
- The short and long-term consequences of premature birth, drawing upon parents' experience and the level of support they received whilst in hospital, after being discharged, and when their child started nursery and school.
- Steroid use and image enhancing drugs (SIED) including making new artist images available to healthcare providers to help those working with SIED users, and research identifying that many bodybuilders illegally sell SIED to help fund their own use.
- A mixed reality system for medical practitioners to view and interact with virtual replicas of patients' organs, bones or body parts to allow medical professionals to interact with genuine patient data and manipulate it by hand to educate and inform patients.
- Exposure to targeted, personal and verbal aggression by patients which can adversely affect mental health nurses' decision-making regarding physical restraint.
- A quick attach/release mechanism for neonatal incubators to disengage from oxygen, power and other survival supplies for quick transfer to another ambulance vehicle.

The University contributes to the charitable purpose of the advancement of the arts, culture, heritage or science. The Conservatoire contributes to the advancement of the arts through;

- A number of engagement events and the Junior Conservatoire in 2016/17 3,778 school children and 2,655 members of the general public engaged with creative activities.
- Partnerships with CBSO (joining the orchestra's tour of Japan), Birmingham Royal Ballet (students enjoying rehearsal experience) and Music for Youth (to hold its annual national festival at the new Conservatoire).

The Heritage section of this report covers more on this, but examples of recent science and technology research include:

- Driverless low speed vehicles, known as autonomous Pods, equipped with sophisticated 3D-imaging systems and sensors to enable the Pod to navigate through pedestrian areas, particularly for blind and visually impaired people.
- A portable system which allows communications to be restored in the wake of a disaster and help direct survivors to safety, by plugging a crucial gap in system availability such as telephone, GPS and internet links.
- Magnesium use, showcasing the metal as an alternative lightweight, fuel efficient material, particularly for application in car manufacturing and the aerospace industry.

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It also makes a significant contribution to the charitable purpose of the advancement of citizenship and community development, such as through:

- Criminology research which includes examining how homicide offenders engage with religion and how religious beliefs can alter following a criminal conviction; the correlation between organised crime and murder; and the experiences and life circumstances of women who have committed sexual abuse against children in an effort to understand what leads them to commit the offence.
- Sociology research which includes ethnography of African and Afro-Caribbean community organisations in Britain, exploring workplace practices and culture to support black communities' welfare and wellbeing and challenge racism in today's society; and understanding of social and cognitive barriers hindering men who have sex with other men from finding out more information about sexually transmitted infections.
- Sharing academic research and best practice across Europe to equip school teachers in the early identification of gifted and talented students, and in the development of new curriculum to enable such students to reach their potential within mainstream education.

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Academics and Specialists

Alumni Influence

The University's staff, students and alumni have widespread impact and their contribution is recognised through national and international accolades.

Academics highlights include:

A strategic partnership was signed with the Fraunhofer Society in Germany to advance international research cooperation, technology and innovation transfer, commercialisation and training across a range of sectors

A Professor from the School of Art has been appointed as Lead Curator of the new international contemporary art project, "Krabi Art Olympics 2018", in Bangkok, Thailand

A researcher into Shakespeare and John Milton's influence in the Middle East and the contribution of Muslim soldiers to World War One, has been selected as a BBC / Arts and Humanities Research Council's New Generation Thinkers, which celebrates talented academics whose work has the potential to make a significant impact on society

Criminology Associate Professor, who is also an independent Government advisor on anti-Muslim hatred, was invited to meet Prime Minister Theresa May at 10 Downing Street to provide expertise on how society can tackle hate crimes and presented research in Parliament into Islamophobic victimisation

Channel 4's 'Interview with a Murderer', presented by criminologist Professor David Wilson, won the Best Documentary Programme in the Broadcast Awards 2017, whilst his book inspired the ITV drama 'Dark Angel'

Sir Lenny Henry, the actor, writer, comedian and charitable campaigner, was installed as the University's new Chancellor. In his installation speech, he identified: "education is a right, not an accident of birth, and if you're smart enough, creative enough and hardworking enough, Birmingham City University can provide you with life-changing opportunities, whatever your background. Birmingham City University is strongly placed to make a massive contribution to the world through their commitment to diversity, inclusion and the creative arts."

Alumni highlights include:

Founder of the Wambiz private social network to share educational content, greatly increasing student engagement outside the classroom, distributed across UK, Australia, New Zealand and Canada through a £2m deal

Awards won by recent graduates include:

- 'Best Student Documentary' Silver award at New York Festivals International Radio Program Awards for an investigation into the psychological toll of Iraq and Afghan operations on British Army personnel
- Ede & Ravenscroft prize for 'The Little Creepers' play showcased across the UK, based on teenage schizophrenic experiences with psychosis & depression
- RSA Student Designs Stepping Stone Award for recycling office chairs as hard-shell backpacks and bicycle panniers

The university celebrates the outstanding achievement of graduates through the alumni of the year awards which recognise their contribution to the local, national or international communities.

The 2017 awards were given to:

- Yifan Ling, known more widely by her pen name Buddy, who has published more than 20 books internationally and her online manga story Guarding has been viewed by over one billion people.
- Rachelle Harrison who was called to the bar aged just 22, obtained a pupillage at the Crown Prosecution Service and was subsequently taken on as a Crown Prosecutor. She has been active internationally, pursuing her interest in human rights, in the USA and at the International Criminal Court in The Hague.
- Shezad Nawab is a successful businessman with six companies based around luxury global property, events and business consultancy, and is an inspirational entrepreneur. He was born profoundly deaf, but has not let this be an obstacle to success and was made an MBE in 2017 for services to business and diversity.

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Economic value

The University's Strategic Plan positions the institution as the University FOR Birmingham, which plays a collaborative role in driving economic, social and cultural growth.

Economic value highlights include:

The launch of the West Midlands Combined University (WMCU), in partnership with Coventry and Wolverhampton, brings together their applied research and training expertise to develop skills and foster innovation across the region. WMCU represents a powerful resource to meet ambitious regional objectives around skills, employment opportunities and productivity – including creating over 500,000 jobs by 2030. The partnership signals a significant development in the way universities can contribute to increasing productivity, wealth creation and job opportunities, and to tackling a significant shortage of lower and higher end skills – particularly in the health and advanced manufacturing sectors – to address the high level of unemployment (9.3 per cent) across the region's metropolitan authorities.

The creation of Midlands Enterprise Universities (MEU) – a partnership of seven entrepreneurial universities working together to support the Midlands Engine for Growth. MEU will drive productivity and growth in the Midlands through skills, innovation and enterprise. The new partnership will provide the Midlands Engine with a powerful resource with which it can meet its ambitious objectives focusing on higher level skills gaps, talent pipeline needs and innovation requirements. Work will also concentrate on further developing the employability and entrepreneurship of students.

Further development of BCU Advantage, a scheme offering businesses access to funding and expert advice, and student access to opportunities with businesses, in partnership with the Chamber of Commerce, and creating a strong event engagement programme connected to University research. BCU Advantage has received over 20,900 unique web visitors since its launch (Nov 2015). It has also been a key contributor to the success of GBSLEP Growth Hub, since it launched in Jan 2016, by adding over 8,140 business contacts to the shared CRM system.

External recognition as a global thought leader for STEAM (STEM with Arts) – supporting the innovation agenda of our region and driven through the STEAMHouse project. This has secured significant funds: Phase 1: £500k Arts Council, £1.75m ERDF; Phase 2: £14m HMT, and £1m LGF. The STEAM agenda has also developed partnerships, methodologies to enhance knowledge, new teaching resources, international links, academic engagement to underpin our position as a knowledge leader; and received high level endorsement, such as from Arts Council England who identified STEAMHouse as their key regional initiative for sustaining and growing arts organisations.

Secured the £1.3m ESF funded Higher Level Skills Match Project. Working in partnership with Aston, Newman, and Lichfield and Chase District Councils, HLSM will identify, develop and help retain graduate talent to drive local growth through both delivering a bespoke business engagement strategy, and ensuring that skills provision is designed with and for business. HLSM will contribute to the realisation of the GBS LEP's vision to radically re-shape the local education and skills eco-system, and directly influence the City-region's employment and skills strategy, and the Mayor's vision for skills.

Significant activity around the Brexit agenda, including the establishment of a dedicated research arm – the first of its kind in the UK; together with publications and key note addresses from leading political figures such as Tim Farron, and Sir Vince Cable. Since its inception in January 2017, the Centre for Brexit Studies has generated a combined advertorial and broadcast value of £380k (including the Financial Times, Independent, The London Economic, BBC World Service, The Times, Bloomberg, and Guardian).

Close engagement with regional policy makers and influencers to understand and influence the devolution agenda. Close working relationships reinforce the role as an anchor institution and drive to put higher education at the centre of economic growth. The Skills Engine model, for example, embodies the principles of devolution by developing a new and dynamic civic approach to learning and skills development, driven by employers, learners, and providers reflecting localised need.

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Grants & Fees

The University had committed to spend nearly £5m of Home/EU undergraduate tuition fee income for 2016/17 on access and retention measures. This includes regional collaborative activity that continues to take forward the successful activity previously funded through AimHigher, University outreach and activities to support student retention, progression and achievement. A focussed approach had been adopted to concentrate resources available on outreach activities with evidence of success, together with prioritising attention on activities shown to lead to student success. The University has also committed resource on the participation of disabled students together with supporting those who may no longer be eligible for disabled students' allowance following government changes.

In 2016/17, the University received and administered over £5.4m of funding for Widening Access and Improving Retention of students from disadvantaged backgrounds. These funds were used to promote a range of activities to raise aspirations among under-represented groups; maximise opportunities for access to HE; meet the needs of a diverse student group including social, pastoral and welfare needs to help them achieve success; and to help under-represented groups develop the skills and attitudes necessary to fulfil their ambitions.

Our charitable purpose of the advancement of education is demonstrated also through our Bursaries and Hardship Funds. The University administers in excess of £6m of trust and endowment funds. These funds exist to provide a range of bursaries, prizes, scholarships and awards to assist the students, our key beneficiaries, to achieve their potential, and in recognition of academic excellence in specific fields. In 2016/17, the University disbursed £304k in bursaries, scholarships and prizes from these funds. In addition to these trust funds, the University distributed over £660k of grants and loans to 646 students facing particular and unforeseen financial hardship. Students who are at risk of dropping out, for financial, family or other circumstantial reasons, have access to these hardship funds. Loans and grants are made to students on the basis of evidence, to help them to resolve their problems and return to and complete their education.

Property and Foundations

The University contributes to the charitable purpose of the advancement of environmental protection and improvement.

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

The University was one of the first to achieve the Platinum EcoCampus award and to transition its Environmental Management System to the ISO 14001:2015 standard in January 2017, for which it was featured in the Institute for Environmental Management and Assessment (IEMA) magazine and website. The University's Environmental Manager also encourages students to get involved with the EMS and delivers lectures as part of the Environmental Sustainability (Strategy and Management) MSc programme; students have the opportunity to shadow internal audits to gain experience; and students also conduct coursework based on the University's EMS. The University was ranked 31st of 150 in the People & Planet University League for environmental and ethical performance.

The University intends to achieve energy and carbon targets by investing in the estate, existing and future, and partnering with staff, students and the local community to drive cultural change. It has already achieved a 33% reduction in carbon emissions from energy use in buildings compared to the 2005/06 baseline.

The University has committed to BREEAM Excellent as a minimum for all new buildings. Several new buildings have been in construction and due to open in 2017/18.

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A £41 million 10,500m² expansion of the University's City South Campus will provide specialist laboratories and teaching spaces for the new suite of health, nutrition and biomedical science provision and the relocation of the School of Education, consolidating the Faculty of Health, Education and Life Sciences on to one site. It will reinforce the University's status as the region's largest provider of qualified health and social care professionals to the NHS.



A further 10,400m² six storey extension to the 24,300m² Curzon Building will provide further teaching and social learning space at the City Centre Campus. The new £57 million 9,000m² Conservatoire is the first of its kind in the digital age, featuring purpose designed teaching, rehearsal and state of the art performance space. This includes five new public performance spaces: a 500-seat concert hall; a 150-seat recital hall; a 100-seat organ studio; The Lab, a cutting edge, completely flexible black-box studio; and the first permanent jazz space in any UK conservatoire – the 80-seat Eastside Jazz Club. HRH Prince Edward, The Earl of Wessex KG GCVO is the Conservatoire's first Royal Patron and took a tour of the new facilities; it has also been granted a Royal title by Her Majesty The Queen, with the music and drama academy then being renamed the Royal Birmingham Conservatoire, joining a select list of performing arts institutions bearing the Royal imprimatur.



University research relating to environmental protection and improvement includes:

- The Retrofit Plus project to transform social housing into energy efficient smart homes which demonstrated energy consumption reduction over 80 per cent.
- Merging of various existing and emerging advanced digital techniques to provide smarter cities which could help lift poor communities out of poverty by ensuring efficient use of land and resources, creating new jobs and providing increased connectivity.
- Helping city policy makers to take more effective actions in the delivery of urban services and governance including studies into ideals and viewpoints surrounding post-war high-rise public housing and the disconnect between citizens, the urban form and the environment.

Heritage

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

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

The University produces more graduate talent in these areas than anywhere outside London, and its research in creative and cultural subjects is world class.

The Conservatoire typically organises around 400 concerts, recitals and other public events per annum, many of them free, with an estimated audience of 40,000. These concerts enable the public to hear music of the highest professional standard, performed by the Conservatoire's professional musicians and student musicians. Through such performances the public in the City and the West Midlands have access to a musical repertoire that is rarely available elsewhere.



The Inspired Festival, now in its fourth year, showcases the exceptional creative talent of the artists, actors, designers, writers and musicians who are beginning their careers at Birmingham City University. It features a

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diverse range of events, including music and literature performances, fashion shows, theatre productions, art, media and technology exhibitions.

Some examples of recent research include:

- The first major study in almost 20 years into screen comedy audiences, and the first focussed on social media, has identified a recurring desire for 'old fashioned' situation comedies that can be enjoyed together as a family, and the rise in the online distribution platforms is similarly facilitating development of international community discussion.
- An EU project exploring new ways of communicating art and culture considers attracting new visitor groups to museums and the changing needs and interests of visitors. A new Innovation and Leadership in Museum Practice programme focuses on the growing need for museum professionals to be multi-skilled, innovative and commercially aware.
- A new system analysing the stylistic trends of musicians, which could show how musicians of the past would have played and how their styles changed over time, and even how they may have played more recent music, potentially bringing some of the greatest musicians in history back to life.

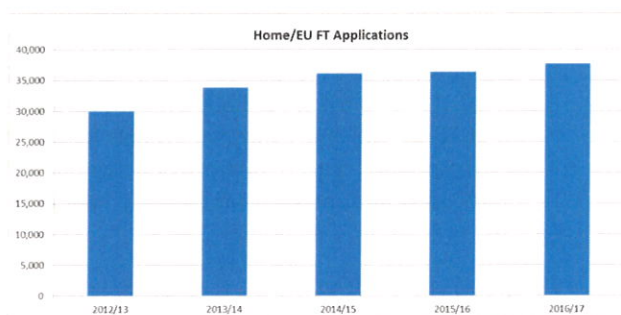
Non-Financial Performance Measures

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

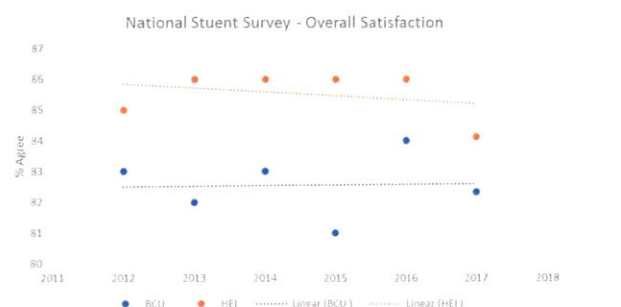
The University has received a Silver award in the Teaching Excellence Framework (TEF). The statement of findings identified 5 areas of good practice and noted that most students achieve excellent outcomes.



The University continued to enjoy a strong level of demand for undergraduate places for 2016/17 entry with applications continuing to grow with the University choosing to exceed its entrant target. However, during 2016/17 for September 2017 entry, nationally applications were depressed both due to the demographic dip in the volume of the 18 year old student population and, within Health, due to the transition onto fee funding through student loans. For example, at the UCAS main scheme deadline, Home / EU applications were nationally down 4.75% leading to increased competition throughout the cycle. Nevertheless, even against this background, the University did continue to enjoy relatively buoyant recruitment, and exceeded its September 2017 recruitment targets for full-time undergraduates. Some new subjects had been introduced such as Sport and Life Sciences, and all provision had undergone a complete redesign, through a project known as Transforming the Curriculum.



The nature of the National Students' Survey (NSS) was changed for the 2017 survey, with the structure of the questionnaire changing, questions being amended and new questions (and question categories) being introduced. Hence the outcomes for overall satisfaction are not directly comparable with the previous sets of results – nationally the results for this question fell by around 2% and similarly the University's results also fell 2%. In terms of particular categories within the NSS, the University was slightly above national average for the teaching on my course; learning opportunities; assessment and feedback; learning community and student



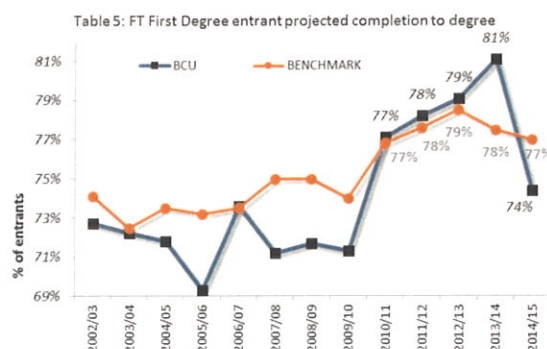
BIRMINGHAM CITY UNIVERSITY **REPORT OF THE BOARD OF GOVERNORS 2016/17**

voice. The new Vice-Chancellor has set student experience as one of his three priorities for the institution.

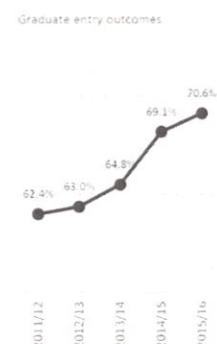
This is one of the most significant factors used within League Tables rankings and last year's positive NSS performance led to improvements in the University's position in both the Guardian and last year's Times Good University Guide table (which used that data). This year's NSS data fed into the recently published Times table which in combination with an increased non-continuation rate has led to a decline in the current year's ranking.



The HESA Performance Indicators for non-continuation have shown a dip. The latest published indicator for the projected proportion of full-time first degree students expected to complete their degree (a calculation based on the transition of students starting their study in 2014/15 into 2015/16 and then reported in March 2017) which had been improving over the last 4 years and had been exceeding the benchmark, has shown a fall of 7% in the recent figures. This had been expected as a change had been made to the academic regulations.



The percentage of graduates in any-level of employment or further study fell back slightly from 92.8% to 91.8% but those in graduate-level destinations improved from 69.1% to 70.6%. Over 5300 students engaged with the Graduate+ programme during 2016/17 which provides an awards framework to recognise extra-curricular activities, designed to capture and provide evidence of students' individual development focussed around key employability attributes.



BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2016/17

Partnership working with the Students' Union

The University is committed to partnership working with its students and the Students' Union. For example, the Students' Union President is a member of the Board of Governors, the University Executive Group and Academic Board. Students' Union officers work closely with the University's Education Development Service to optimise the student role in academic development, including encouraging students to participate in curriculum development teams working alongside academic staff. For example, the University hosted the European First Year Experience conference over the summer and the Students' Union President offer a keynote and directed the design and delivery of workshops.

The Students' Union have been heavily involved in the development of the Graduate+ programme. This includes an integrated approach to Welcome Week aligned to Graduate+ and the development of the range of extracurricular activities and opportunities to enhance employability and build community. The SU even offered up a prime office space to host the Graduate+ office as it saw how widespread the benefits would be for students. Around 60 student engagement projects have been funded through EDS in 2016/17 to deliver staff/staff partnership projects to improve the student learning experience. The SU's Student Voice team continue to deliver an evolving approach to student representation including Feedback Forums to replace and enhance the work of the old Boards of Studies, with new Student Academic Leaders playing an active role.

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



BIRMINGHAM CITY UNIVERSITY REPORT OF THE BOARD OF GOVERNORS 2016/17

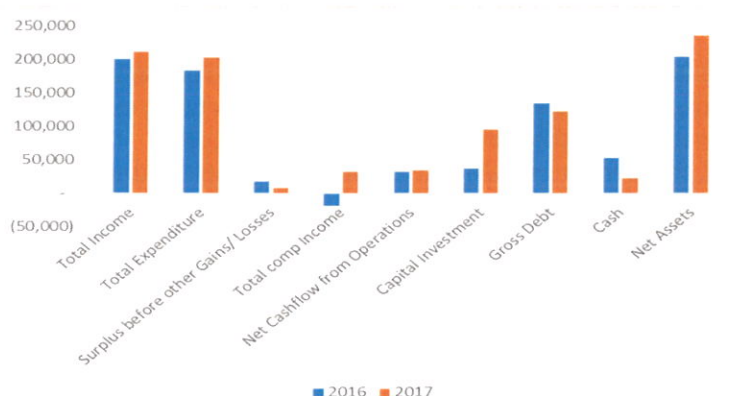
Key Financial Highlights

The consolidated accounts for 2016/17 consolidate the results of the University and its subsidiary undertakings. The accounts have been prepared in accordance with FRS 102 and the Statement of Recommended Practice on Accounting for Higher and Further Education (2015).

The surplus before tax for the year was £9.3m (2016: £17.9m), this includes £773k gain on disposal of assets (largely City North Campus). The net comprehensive income for the year amounted to £32.1m (2016: net comprehensive expenditure of £18.6m). This reflects an actuarial gain in respect of the Group's pension schemes amounting to £22.8m (2016: loss of £36.8m). Further commentary on the impact of pension scheme volatility on the Group's results is provided below.

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

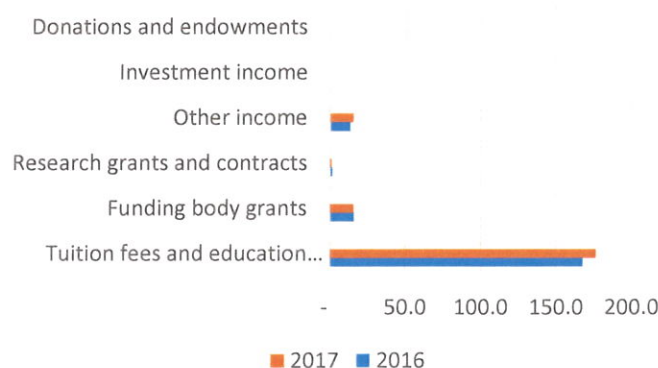
Key performance indicators taken from the consolidated results for the year ended 31 July 2017 are summarised below:



Financial Performance 2016/17

The external economic and market operating environment continued to present significant challenges. Against this backdrop, the results for the year reflect a strong financial performance. Before other gains and losses and taxation the Group achieved a surplus of £9.3m (2016: surplus of £17.6m).

Total income for the year was £211.1m (2016: £200.7m) an increase of £10.4m. This included a decrease in Funding Council Grants, mainly reflecting reductions in funding from HEFCE, offset by an increase in tuition fees in line with an increase in the volume of students and number paying higher tuition fees.



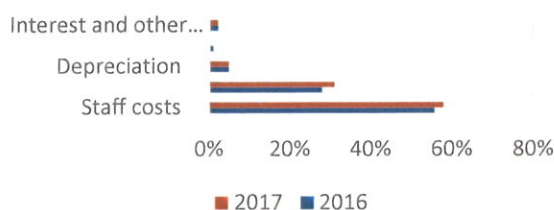
Funding Council Grant income in the year fell by £0.1m whilst income from tuition fees and education contracts increased by £8.8m. Income from academic fees and education contracts as a proportion of income from all sources reflects a small increase at 83.7% compared to the previous year (83.5%).

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Total expenditure for the year was £203.1m (2016: £183.1m) an increase of £20.0m, which included an increase in Staff Costs of £10.6m and an increase in Other Operating Expenses of £10.2m.

Staff costs remain a significant cost for the University and the increase in the year reflects an increase in underlying staff numbers and increasing pension costs. The University manages staff numbers and costs carefully. A major focus for the University's procurement team is the delivery of value for money in relation to other operating expenditure.

Expenditure as a % of Income



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

- Asset returns for the 12 months to 31 July 2017
- Corporate bond yields as at 31 July 2017
- Market expectations of inflation as at 31 July 2017.

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

Asset returns

The scheme assets are invested in gilts, bonds and equities. Equity returns have been strong over the year, however returns on gilts have been negative. Due to the asset allocation (63% is invested in equities and 7 % in gilts) the overall asset performance has been strong.

Corporate bond yields

The defined benefit obligation is valued using a discount rate based on corporate bond yields that reflect the duration of the University's liabilities. In deriving the financial assumptions for the University as at 31 July 2017, we have estimated the duration of the University's liabilities and then used the point on the Merrill Lynch AA-rated corporate bond yield curve which corresponds to this duration. This is the same approach as last year.

The duration of the University's defined benefit obligation is the weighted average time to pay the future expected cashflows for every member. This is estimated based on the data from the last actuarial valuation. Bond yields rose in the second half of 2016 but gradually lowered in the first half of 2017 and started to climb again from June 2017. Overall, they are slightly higher than at the start of the year. Therefore, we have seen decreases in the value of the defined benefit obligation as a result of the change in the discount rate.

Inflation assumptions

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

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

BIRMINGHAM CITY UNIVERSITY
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Capital Investment

Cash invested in capital investment for the year amounted to £101.5m (2016: £37.7m) as the Group continued its Estates Development. This includes expenditure on new facilities for the City Centre Campus including the new Conservatoire and new teaching accommodation. In addition, the University has been developing new teaching accommodation for STEM-related programmes at its City South Campus for the Faculty of Health, Education and Life. These new facilities are scheduled to open in the academic year 2017-2018.

Cash flow and Treasury Management

Cash flow from operations for the year was £34.2m (2016: £32.3m). After taking into account capital expenditure and financial investment, the cash outflow before deposits and borrowing amounted to £28.5m (2016: outflow of £4.9m).

The Group has long-term borrowings in the form of mortgages secured on student residential accommodation amounting to £17.4m (2016: £18.9m). In addition, the Group had undrawn borrowing facilities amounting to £75m. The borrowings are subject to a set of financial covenants and the Group has complied with these requirements during the year.

Gross debt at the year-end was £17.4m (2016: £18.9m). The Group has cash amounting to £23.0m at 31 July (2016: £52.8m) giving net cash balances of £5.1m (2016: £33.9m) as at the year end.

The cash balances are invested with a variety of counterparties, including UK banks and building societies. The counterparty list has been kept under close review during the year with a view to balancing risk and return.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2016/17

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Introduction

The University endeavors to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). In spring 2015 the University reviewed its governance, management practices and internal controls against the guidance in the new Higher Education Code of Governance, December 2014. Its evaluation confirmed that the University fully applies the guidance within the Code. The Board resolved to use the Code to inform future enhancements to its own effectiveness.

The Corporation

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

The Board of Governors and the Academic Board

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

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

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

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

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

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

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

BIRMINGHAM CITY UNIVERSITY
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Chairman:	Mr Mark Hopton, FCA (Independent Member and Chairman)
Deputy Chairman:	Mr Joe Kelly, FCA, MBA (Independent Member and Deputy Chairman)
Ex-officio Member:	Professor Cliff Allan, Vice-Chancellor (to 14 October 2016) Professor Graham Upton, Interim Vice-Chancellor (from 30 November 2016 to 31 August 2017) Professor Phillip Plowden Vice-Chancellor, BA (Hons) Oxon LLM Barrister at Law (from 1 September 2017)
Independent Members:	Ms Sally Beavan Mr Jim Beeston, OBE, Dip.T.P (to 31 March 2017) Dr Louise Brooke-Smith (from 5 October 2016) Mr Ian Burke The Rt Hon Lord Grocott PC Mr Glenn Howells (from 1 July 2017) Mr Andrew Jowett, OBE Ms Jenny Ladbroke, BA (Hons), MCIPD Ms Jenny Loynton, LLB (to 31 March 2017) Dame Julie Moore, DBE Mr Parmjit Singh (from 13 April 2017)
Co-opted Members:	Ms Andrea Chalk (general staff representative) (to 31 October 2016) Mr Andrew Cleaves Professor Graham Henderson, CBE, DL (Acting Vice-Chancellor and Ex-officio Member from 17 October to 29 November 2016) Ms Jo Morgan (from 1 October 2016) Professor Philip Thickett (teaching staff representative) (to 31 December 2016) Ms Tracy Westall
Student Governors	President of the Students' Union: Ms Jo Goodman (to 30 June 2017) Mr Jaspreet Singh (from 1 July 2017) Vice-President of the Students' Union Ms Molly Taylor (to 30 June 2017) Mr Luke Shorrick (from 1 July 2017)

No members of the Board received remuneration for their services as Governors. Expenses paid to Board members (for travel and necessary subsistence) totalled £976 and hotel accommodation and transport to the value of £3,103 was also provided for 2016/17.

Ex-officio and elected staff representatives on the Board had their salaries agreed in the normal way as employees (i.e. in accordance with agreed salary scales or, in the case of the Vice-Chancellor, via the approval

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2016/17

of the University's Personnel and Remuneration Committee). No staff representatives received additional payment for their role as Trustees.

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

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

The Vice-Chancellor

The Vice-Chancellor is the chief executive officer who is responsible to the Board of Governors for the leadership of the academic affairs and executive management of the HEI. The Vice-Chancellor is the Accountable Officer under the terms of the Memorandum of Assurance and Accountability between HEFCE and HEIs, which came into force on 1 August 2014. The Accountable Officer ("AO") is personally responsible to the governing body for ensuring compliance with the terms of this memorandum of assurance and accountability and for providing HEFCE with clear assurances to this effect. The AO is also responsible for ensuring that the governing body undertakes its legal, compliance and other responsibilities, as articulated in paragraph 29 of the Memorandum. If required the AO can be summoned to appear before the Public Accounts Committee of the House of Commons. The Vice-Chancellor stepped aside on 14 October 2016 and in agreement with HEFCE the University Secretary was appointed as AO pending the appointment of a new Vice-Chancellor. The interim Vice Chancellor was appointed on 30th November 2016 through to 31st August 2017 and the new Vice Chancellor was appointed from 1st September 2017.

The senior officers of the University in 2016/17 were the Deputy Vice-Chancellors, the University Secretary, the Chief Finance Officer and the Director of Human Resources who, together with the Vice-Chancellor, comprise the Vice-Chancellor's Office. As chief executive officer, the Vice-Chancellor has overall executive responsibility for the development of strategy, the identification and planning of new developments and the shaping of the University's ethos. Although the other senior officers all contribute in various ways to this aspect of the work, ultimate responsibility for what is done rests with the Vice-Chancellor.

In the executive leadership of the University the Vice-Chancellor is supported by the University Executive Group (UEG). During 2016/17 the membership of UEG was reviewed and now comprises all members of the Vice-Chancellor's Office; the four PVC Executive Deans of Faculty and the President of the Students' Union.

Committees of the Board of Governors

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

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

In 2013/14 the University undertook a review of (then) Senate and its committees. This resulted in the renaming of Senate as the Academic Board, and a streamlining of its committee structure and student representation. In 2014/15 the Academic Board undertook a light-touch review of these changes, requiring each committee to reflect on its changed terms of reference and membership and report on the effectiveness of its operation to

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2016/17

Academic Board. The conclusion of the review, which was endorsed by Academic Board was that all the committees were operating effectively and meeting their objectives.

Internal Control

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

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

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

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

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

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

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

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

On the basis of the foregoing, procedures have been in place as from 1 August 2016 to enable a full statement on internal control to be made for the whole of the financial year ended 31 July 2017 and up to the date of approval of the Financial Statements.

BIRMINGHAM CITY UNIVERSITY
REPORT OF THE BOARD OF GOVERNORS 2016/17

Going Concern

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

Responsibilities of the Board of Governors

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

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors, through the Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

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

- ensure that income from the Higher Education Funding Council for England, the National College for Teaching and Leadership (NCTL) and the Education and Skills Funding Agency (ESFA), grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2017 have been applied for the purposes for which they were received and in accordance with the University's statutes and, where appropriate, with the HEFCE Memorandum of Assurance and Accountability and the Financial Memorandum with the NCTL and ESFA .
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Birmingham City University ("the University") for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

Basis for opinion

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

Going concern

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

Other information

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

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

Board of Governors responsibilities

As explained more fully in their statement set out on page 25, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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



Michael Rowley
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

30 November 2017

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 JULY 2017

	Note	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
INCOME					
Tuition fees and education contracts	2	176,553	125,820	167,707	117,916
Funding body grants	3	16,148	12,544	16,236	12,446
Research grants and contracts	4	1,686	1,302	1,996	1,545
Other income	5	15,936	26,379	13,749	19,936
Investment income	6	542	542	662	662
Donations and endowments	7	320	413	398	485
TOTAL INCOME		211,185	167,000	200,748	152,990
EXPENDITURE					
Staff costs	8	122,292	100,118	111,691	89,095
Other operating expenses	9	66,128	49,921	55,942	40,386
Depreciation		10,251	9,933	9,555	9,227
Impairment Charges		-	-	1,701	1,706
Interest and other finance costs	10	4,401	4,401	4,236	4,236
TOTAL EXPENDITURE		203,072	164,364	183,125	144,650
SURPLUS BEFORE OTHER GAINS/(LOSSES)		8,113	2,636	17,623	8,340
Gain on disposal of fixed assets		773	773	79	79
Gain on investments		390	390	225	225
SURPLUS BEFORE TAX		9,276	3,799	17,927	8,644
Taxation	11	(11)	-	305	-
SURPLUS FOR THE YEAR		9,265	3,799	18,232	8,644
Actuarial gain/(loss) in respect of pension scheme	32	22,823	22,823	(36,804)	(36,804)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR		32,088	26,622	(18,572)	(28,160)
Represented by:					
Endowment comprehensive income for the year	23	500	500	368	368
Unrestricted comprehensive income for the year	24	31,588	26,122	(18,940)	(28,528)
		32,088	26,622	(18,572)	(28,160)

All items of income and expenditure relate to continuing activities

The notes form part of these financial statements

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

CONSOLIDATED

	Endowment £'000	Unrestricted £'000	Total £'000
AS AT 1 AUGUST 2015	5,308	216,930	222,238
Surplus from the income and expenditure statement	368	17,864	18,232
Actuarial loss in respect of pension schemes	-	(36,804)	(36,804)
AS AT 31 JULY 2016	5,676	197,990	203,666

CHANGES IN RESERVES

Surplus from the income and expenditure statement	500	8,765	9,265
Actuarial gain in respect of pension schemes	-	22,823	22,823
AS AT 31 JULY 2017	6,176	229,578	235,754

UNIVERSITY

	Endowment £'000	Unrestricted £'000	Total £'000
AS AT 1 AUGUST 2015	5,308	214,478	219,786
Surplus from the income and expenditure statement	368	8,276	8,644
Actuarial loss in respect of pension schemes	-	(36,804)	(36,804)
AS AT 31 JULY 2016	5,676	185,950	191,626

CHANGES IN RESERVES

Surplus from the income and expenditure statement	500	3,299	3,799
Actuarial gain in respect of pension schemes	-	22,823	22,823
AS AT 31 JULY 2017	6,176	212,072	218,248


The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED AND UNIVERSITY BALANCE SHEET
AS AT 31 JULY 2017

	Note	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
NON-CURRENT ASSETS					
Intangible assets	12	708	708	625	625
Fixed assets	13	400,657	392,970	313,918	305,910
Heritage assets	14	690	690	1,224	1,224
Investments	15	5,811	10,111	5,421	9,721
		407,866	404,479	321,188	317,480
CURRENT ASSETS					
Stocks	16	260	260	248	248
Debtors	17	23,052	21,890	27,648	29,113
Investments	18	-	-	20,000	20,000
Cash at bank and in hand		22,962	22,188	52,797	52,479
		46,274	44,338	100,693	101,840
CREDITORS - amounts falling due within one year	19	(47,598)	(60,184)	(36,390)	(46,290)
NET CURRENT (LIABILITIES)/ASSETS		(1,324)	(15,846)	64,303	55,550
TOTAL ASSETS LESS CURRENT LIABILITIES		406,542	388,633	385,491	373,030
Creditors – amounts falling due after more than one year	20	(74,712)	(74,326)	(68,145)	(67,743)
PROVISIONS					
Pension provisions	22	(94,481)	(94,481)	(111,604)	(111,604)
Other provisions	22	(1,595)	(1,578)	(2,076)	(2,057)
NET ASSETS		235,754	218,248	203,666	191,626
RESTRICTED RESERVES					
Income and expenditure reserve - endowment reserves	23	6,176	6,176	5,676	5,676
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted	24	229,578	212,072	197,990	185,950
TOTAL RESERVES		235,754	218,248	203,666	191,626

The financial statements were approved by the Board of Governors on 23 November 2017 and signed on its behalf by:


M Hopton, Chairman of the Board of Governors


P Plowden, Vice-Chancellor

The notes form part of these financial statements

BIRMINGHAM CITY UNIVERSITY
CONSOLIDATED CASHFLOW
FOR THE YEAR ENDED 31 JULY 2017

	Note	2017 £'000	2016 £'000
OPERATING ACTIVITIES			
Net cash flows from operations	25	32,917	32,317
Corporation tax paid		(11)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		32,906	32,317
INVESTING ACTIVITIES			
Investment Income		303	-
Interest received		281	558
Interest paid		(125)	(184)
Endowment income		90	129
Donation Income		159	-
Purchase of intangible fixed assets		(185)	(149)
Purchase of tangible fixed assets		(96,047)	(37,776)
Proceeds on disposal of tangible fixed assets		5,516	190
Proceeds in disposal of heritage assets		48	-
Purchase of current asset investments		-	(5,000)
Proceeds on disposal of current asset investments		20,000	-
Capital grant receipts		8,575	4,933
NET CASH FLOWS FROM INVESTING ACTIVITIES		(61,385)	(37,299)
FINANCING ACTIVITIES			
New endowments received		161	310
Repayment of loans		(1,517)	(1,478)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,356)	(1,168)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(29,835)	(6,150)
CASH AND CASH EQUIVALENTS AT 1 AUGUST		52,797	58,947
CASH AND CASH EQUIVALENTS AT 31 JULY		22,962	52,797
CASH AND CASH EQUIVALENTS CONSIST OF:			
CASH AT BANK AND IN HAND		22,962	52,797
CASH AND CASH EQUIVALENTS		22,962	52,797

The notes form part of these financial statements

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 Accounting convention

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

1.2 HEFCE Accounts Direction

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, including HEFCE'S Accounts Direction to Higher Education Institutions for 2016-17 and in accordance with Financial Reporting Standard FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

1.3 Lease Incentives

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

1.4 Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

1.5 Recognition of Income

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

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

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

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

1.5 Recognition of Income (continued)

The University acts as agent in the collection and payment of training bursaries from the Teaching Agency for Schools and of access funds and bursaries from HEFCE. Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in note 29 to the accounts.

1.6 Leasing Costs

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

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

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

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

1.7 Post-Retirement Benefits

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

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

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

1.7 Post-Retirement Benefits (continued)

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

1.8 Employment Benefits

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

1.9 Taxation

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

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

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

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

1.10 Foreign Currency

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

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

1.11 Intangible Assets

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

1.12 Tangible Fixed Assets and Depreciation

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

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

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

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

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

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

Existing freehold buildings	- up to 60 years
Leasehold land and buildings	- period of lease or useful economic life, if shorter
Newly completed buildings:	
Externals	- up to 60 years
Services	- 30 years
Finishes	- 20 years
Fixtures and fittings	- 30 years
Equipment	- between 3 and 10 years

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

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

1.13 Borrowing Costs

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

1.14 Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit for the year. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

1.15 Stocks

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

1.16 Cash Flows and Liquid Resources

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

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

1.17 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

1.18 Accounting for Donations and Endowments

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

Donations with no restrictions are recognised as income in the year of receipt.

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

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

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

1.19 Heritage Assets

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

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

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

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

1.20 Reserves

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

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

2. TUITION FEES AND EDUCATION CONTRACTS

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

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Tuition fees				
Full-time home and EU students	115,504	95,132	107,277	88,913
Full-time international students	24,883	20,563	21,603	18,068
Part-time students	6,188	4,513	6,561	5,151
Further education	146	146	137	137
Full cost course fees	3,146	2,954	3,192	3,025
	149,867	123,308	138,770	115,294
Education contracts				
Health professions education contracts	26,686	2,512	28,937	2,622
	176,553	125,820	167,707	117,916

Health professions education contracts include the training of nurses (pre and post registration), midwives, radiographers, radiotherapists, speech and language therapists and operating department practitioners for the NHS and Royal Centre for Defence Medicine.

3. FUNDING BODY GRANTS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Higher Education Funding Council				
Teaching funds	11,147	7,686	12,084	8,300
Research funds	2,142	2,142	2,153	2,153
Other specific grants	1,125	1,118	976	976
Deferred capital grants released	1,016	1,007	678	672
	15,430	11,953	15,891	12,101
Education and Skills Funding Agency	410	283	153	153
National College for Teaching and Leadership	308	308	192	192
	16,148	12,544	16,236	12,446

Funding Council student access funds and training bursaries are excluded from income and expenditure (see Note 29).

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

4. RESEARCH GRANTS AND CONTRACTS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Research councils	416	407	210	152
Research charities	218	218	194	192
Government (UK and overseas)	731	541	1,163	1,061
Industry and commerce	184	62	361	95
Other	137	74	68	45
	1,686	1,302	1,996	1,545

5. OTHER INCOME

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Residences, catering and conferences	9,659	9,620	6,618	6,529
Other revenue grants	736	629	813	813
Other capital grants	33	33	33	33
Other income	5,508	16,097	6,285	12,561
	15,936	26,379	13,749	19,936

6. INVESTMENT INCOME

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Investment income on endowments	252	252	129	129
Other investment income	51	51	-	-
Interest receivable	239	239	533	533
	542	542	662	662

7. DONATIONS AND ENDOWMENTS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
New endowments	162	162	310	310
Donations with restrictions	-	-	1	-
Unrestricted donations	158	251	87	175
	320	413	398	485

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

8. STAFF COSTS

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

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Wages and salaries	95,840	75,952	90,186	69,560
Social security costs	8,980	8,037	7,018	6,256
Movement on USS provision	(19)	(19)	430	430
Other pension costs	17,491	16,148	14,057	12,849
	122,292	100,118	111,691	89,095

Included within payroll costs above are restructuring costs amounting to £1.07 million (2016: £1.32 million).

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

	Consolidated 2017 £'000	Consolidated 2016 £'000
Universities Superannuation Scheme (USS)	747	637
Local Government Pension Scheme (LGPS)	9,387	6,844
Teachers' Pension Scheme (TPS)	7,357	6,576
	17,491	14,057

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

	2017 No.	2016 No.
Manager	326	273
Admin	818	825
Academic	967	857
Student	14	91
Visiting tutors	80	66
Other	85	44
	2,290	2,156

Number of higher paid staff (by range) who received emoluments above £100k in the year (including taxable benefits in kind, but excluding compensation for loss of office), during the year was:

	2017 No	2016 No
£100,000 to £109,999	1	6
£110,000 to £119,999	1	2
£120,000 to £129,999	7	3
£140,000 to £149,999	1	1
£150,000 to £159,999	-	1
£160,000 to £169,999	1	-
	11	13

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

8. STAFF COSTS (CONTINUED)

Key management personnel

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

	2017	2016
	£'000	£'000
Remuneration of key management personnel (Headcount of 13)	1,742	1,739
	2017	2016
	£'000	£'000
Compensation for loss of office paid to Higher paid personnel (excluding Vice Chancellor)	146	60

Emoluments of the Vice-Chancellors:

	2017	2016
	£	£
Cliff Allan (Vice Chancellor) (to 14th October 2016)		
Salary	33,301	245,663
Benefits	143	801
Pension Contributions	5,516	25,000
Total Emoluments	38,960	271,464
Compensation for loss of office	186,876	-
Graham Henderson (Acting Vice Chancellor) (17 October to 29 November 2016)		
Salary	41,372	-
Benefits	102	-
Total Emoluments	41,474	-
Graham Upton (Interim Vice Chancellor) (30 November 2016 to 31 July 2017)		
Salary	145,785	-
Benefits	303	-
Pension contributions	-	-
Total Emoluments	146,088	-

9. OTHER OPERATING EXPENSES

Other operating expenses include:

	2017	2016
	£'000	£'000
Auditor's remuneration:		
• in respect of audit services	85	72
• in respect of non-audit services	77	91
Operating lease rentals:		
• land and buildings	6,578	2,319
• Other	305	1,250

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

10. INTEREST AND OTHER FINANCE COSTS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Loan interest	125	125	183	183
Finance lease interest	1,464	1,464	1,491	1,491
Net expense on pension scheme	2,812	2,812	2,562	2,562
	4,401	4,401	4,236	4,236

11. TAXATION

Recognised in the statement of comprehensive income

	Consolidated 2017 £'000	2016 £'000
Current tax:		
UK Corporation tax	11	-
Over provision in respect of prior year	-	(305)
Current tax expense/(credit)	11	(305)
TOTAL TAX EXPENSE/(CREDIT)	11	(305)

12. INTANGIBLE ASSETS

CONSOLIDATED AND UNIVERSITY

	Total £'000
COST OR VALUATION	
AT 1 AUGUST 2016	1,783
Additions	185
Transfers	87
Disposals	(102)
At 31 JULY 2017	1,953
DEPRECIATION	
AT 1 AUGUST 2016	1,158
Expense for the year	189
Eliminated on disposals	(102)
AT 31 JULY 2016	1,245
NET BOOK VALUES	
AT 31 JULY 2017	708
AT 31 JULY 2016	625

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

13. FIXED ASSETS

CONSOLIDATED

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in the course of construction £'000	Total £'000
COST OR VALUATION					
AT 1 AUGUST 2016	94,955	277,023	41,475	39,887	453,340
Additions	239	2,771	2,796	95,689	101,495
Transfers	-	1,572	817	(2,476)	(87)
Disposals	(58,977)	(651)	(19,585)	-	(79,213)
At 31 JULY 2017	36,217	280,715	25,503	133,100	475,535
DEPRECIATION					
AT 1 AUGUST 2016	64,922	39,394	35,106	-	139,422
Expense for the year	575	6,520	2,967	-	10,062
Eliminated on disposals	(54,735)	(417)	(19,454)	-	(74,606)
AT 31 JULY 2017	10,762	45,497	18,619	-	74,878
NET BOOK VALUES					
AT 31 JULY 2017	25,455	235,218	6,884	133,100	400,657
AT 31 JULY 2016	30,033	237,629	6,369	39,887	313,918

UNIVERSITY

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in the course of construction £'000	Total £'000
COST OR VALUATION					
AT 1 AUGUST 2016	93,316	269,157	37,939	39,828	440,240
Additions	239	2,771	2,684	95,689	101,383
Transfers	-	1,572	817	(2,476)	(87)
Disposals	(58,977)	(651)	(19,582)	-	(79,210)
At 31 JULY 2017	34,578	272,849	21,858	133,041	462,326
DEPRECIATION					
AT 1 AUGUST 2016	64,922	37,589	31,820	-	134,331
Expense for the year	575	6,325	2,844	-	9,744
Eliminated on disposals	(54,735)	(417)	(19,567)	-	(74,719)
AT 31 JULY 2017	10,762	43,497	15,097	-	69,356
NET BOOK VALUES					
AT 31 JULY 2017	23,816	229,352	6,761	133,041	392,970
AT 31 JULY 2016	28,394	231,568	6,119	39,829	305,910

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

13. FIXED ASSETS (Continued)

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

	2017 £'000	2016 £'000
COST OR VALUATION		
AT 1 AUGUST AND 31 JULY	21,369	21,369
DEPRECIATION		
AT 1 AUGUST	930	465
Expense for the year	465	465
AT 31 JULY	1,395	930
NET BOOK VALUES	19,974	20,439

14. HERITAGE ASSETS

CONSOLIDATED AND UNIVERSITY

	2017 £'000	2016 £'000
COST OR VALUATION		
AT 1 AUGUST	1,224	1,224
Disposal	(534)	-
At 31 JULY	690	1,224

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

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

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

The collections were valued on conversion to FRS 102 by specialist external valuers. Information on the qualifications of the valuer can be found at <http://schoonantiquesandart.com/index.html>. Heritage assets that are

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

14. HERITAGE ASSETS (continued)

irreplaceable originals for which no reliable value can be attributed will not be capitalised in the financial statements.

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

15. INVESTMENTS

CONSOLIDATED

	Subsidiary undertakings £'000	Endowment funds £'000	Other fixed asset investments £'000	Total £'000
COST OR FAIR VALUE				
AT 1 AUGUST 2016	-	5,250	171	5,421
Change in Fair Value	-	390	-	390
AT 31 JULY 2017	-	5,640	171	5,811

UNIVERSITY

	Subsidiary undertakings £'000	Endowment funds £'000	Other fixed asset investments £'000	Total £'000
COST OR FAIR VALUE				
AT 1 AUGUST 2016	4,300	5,250	171	9,721
Change in Fair Value	-	390	-	390
AT 31 JULY 2017	4,300	5,640	171	10,111

The £4,300,000 subsidiary undertaking is an investment in BCU Property Ltd, a wholly owned subsidiary of Birmingham City University.

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

Endowment funds comprise:

	Total £'000
COIF Fixed Interest Fund	428
COIF Property Fund	4,725
COIF Investment Fund	487
	5,640

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

15. INVESTMENTS (Continued)

Other fixed asset investments consist of:

	Total £'000
CVCP Properties Limited	35
Advantage Growth Fund	95
Mercia Fund	41
AT 31 JULY 2017	171

16. STOCKS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Raw materials and consumables	210	210	225	225
Finished goods and goods for resale	50	50	23	23
	260	260	248	248

17. DEBTORS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Trade debtors	18,206	14,658	14,025	8,728
Amounts due from subsidiaries	-	2,783	-	7,189
Prepayments and accrued income	4,846	4,449	13,623	13,196
	23,052	21,890	27,648	29,113

18. CURRENT ASSET INVESTMENTS

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Short term deposits	-	-	20,000	20,000
	-	-	20,000	20,000

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Bank loans (Note 21)	1,524	1,524	1,517	1,517
Trade creditors	3,375	3,321	1,594	1,787
Other creditors	5,095	5,891	6,815	6,721
Capital Grants	1,469	1,469	1,059	1,056
Amounts due to subsidiaries	-	13,603	-	9,855
Corporation tax	50	45	-	-
Other taxation and social security	1,302	1,278	1,306	1,300
Accruals and deferred income	34,783	33,053	24,099	24,054
	47,598	60,184	36,390	46,290

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

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Donations	12	12	8	8
Research grants received on account	747	614	278	181
Grant income	1,458	1,359	1,536	1,517
	2,217	1,985	1,822	1,706

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

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Bank loans (Note 21)	15,853	15,853	17,377	17,377
Other creditors	84	84	97	97
Capital Grants	33,813	33,427	26,840	26,438
Finance Lease liabilities	24,962	24,962	23,831	23,831
	74,712	74,326	68,145	67,743

21. BANK LOANS AND FINANCE LEASES

Bank loans are repayable as follows:

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Within one year	1,524	1,524	1,517	1,517
Between two and five years	6,180	6,180	6,146	6,146
After more than five years	9,673	9,673	11,231	11,231
	17,377	17,377	18,894	18,894

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

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

21. BANK LOANS AND FINANCE LEASES (continued)

The loan facilities are scheduled for repayment by 19 August 2028; the interest rate payable on the loans is LIBOR + 0.40%.

Finance leases are repayable as follows:

	Consolidated 2017 £'000	University 2017 £'000	Consolidated 2016 £'000	University 2016 £'000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	24,962	24,962	23,831	23,831
	24,962	24,962	23,831	23,831

22. PROVISIONS

CONSOLIDATED

	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on LGPS Pension £'000	Total pension provisions £'000	Other provisions £'000	Total other provisions £'000
AT 1 AUGUST 2016	1,443	110,161	111,604	2,076	2,076
(Decrease)/increase in provisions	(19)	(17,104)	(17,123)	170	170
Utilised during the year	-	-	-	(24)	(24)
Unutilised amounts reversed in the year	-	-	-	(627)	(627)
At 31 JULY 2017	1,424	93,057	94,481	1,595	1,595

UNIVERSITY

	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on LGPS Pension £'000	Total pension provisions £'000	Other provisions £'000	Total other provisions £'000
AT 1 AUGUST 2016	1,443	110,161	111,604	2,057	2,057
(Decrease)/increase in provisions	(19)	(17,104)	(17,123)	170	170
Utilised during the year	-	-	-	(24)	(24)
Unutilised amounts reversed in the year	-	-	-	(625)	(625)
At 31 JULY 2017	1,424	93,057	94,481	1,578	1,578

Other provisions include: £1,031,000 provision against potential clawback on externally funded projects, £216k for anticipated clawback from HEFCE, £18,000 provision for Awarding Body of the Built Environment examination fees and £243,000 for business rates on the Sports Centre (awaiting valuation).

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

23. ENDOWMENT RESERVES

CONSOLIDATED AND UNIVERSITY

	Restricted permanent endowments 2017 £'000	Expendable endowments 2017 £'000	Total 2017 £'000	Total 2016 £'000
AT 1 AUGUST				
Capital	4,622	851	5,473	5,118
Accumulated income	170	33	203	190
	4,792	884	5,676	5,308
New endowments	1	161	162	311
Investment income	208	44	252	129
Expenditure	(202)	(102)	(304)	(297)
Increase in market value of investments	323	67	390	225
TOTAL ENDOWMENT COMPREHENSIVE INCOME FOR THE YEAR	330	170	500	368
AT 31 JULY	5,122	1,054	6,176	5,676

Capital	4,915	1,007	5,922	5,473
Accumulated income	208	46	254	203
	5,123	1,054	6,176	5,676

Analysis of endowments by assets:

	2017 £'000	2016 £'000
Fixed assets	15	15
Non-current asset investments	5,640	5,248
Current assets	50	-
Cash at bank and in hand	489	421
Current liabilities	(18)	(8)
	6,176	5,676

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

24. UNRESTRICTED RESERVES

CONSOLIDATED

	Total 2017 £'000	Total 2016 £'000
AT 1 AUGUST	197,990	216,930
Surplus for the year	8,765	17,864
Actuarial gain/(loss) in respect of pension schemes	22,823	(36,804)
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	31,588	(18,940)
AT 31 JULY	229,578	197,990

UNIVERSITY

	Total 2017 £'000	Total 2016 £'000
AT 1 AUGUST	185,950	214,478
Surplus for the year	3,299	8,276
Actuarial gain/(loss) in respect of pension schemes	22,823	(36,804)
TOTAL UNRESTRICTED COMPREHENSIVE INCOME FOR THE YEAR	26,122	(28,528)
AT 31 JULY	212,072	185,950

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

25. NOTES TO THE CASH FLOW STATEMENT

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

	2017	2016
	£'000	£'000
Surplus/(Deficit) for the financial year	32,088	(18,572)
Adjustment for non-cash items:		
Taxation	11	(305)
Depreciation of tangible fixed assets	10,062	9,372
Impairment of tangible fixed assets	-	1,701
Amortisation of intangibles	189	183
(Increase)/Decrease in stocks	(12)	20
Decrease in debtors	4,554	424
Increase in creditors	5,206	1,226
(Decrease)/increase in pension provision	(17,123)	36,804
Increase in other provisions	(481)	(782)
Endowment revaluation	(390)	(225)
Adjustment for investing or financing activities		
Investment income	(303)	-
Interest receivable	(239)	(533)
Interest payable	1,589	4,236
Endowment income	(252)	(439)
Profit on disposal of investments	(159)	-
Profit on the disposal of fixed assets	773	(79)
Capital grant release	(1,050)	(714)
NET CASH FLOWS FROM OPERATIONS	32,917	32,317

26. CAPITAL AND OTHER COMMITMENTS

Capital commitments

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

	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Commitments contracted for	30,055	30,055	123,639	123,639

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

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

26. CAPITAL AND OTHER COMMITMENTS (Continued)

Lease obligations

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

	2017	2016
	£000	£000
Within than one year	6,749	3,065
Between one and five years	26,020	12,261
After more than five years	27,097	23,756
	59,866	39,082

27. CONTINGENT LIABILITIES

The University has given a guarantee to Millennium Point Property Ltd to pay the property lease rental of its subsidiary, Technology Innovation Centre (TIC). The lease term is currently 30 years until 26 November 2029 and the current annual rental is £948,369 (2016: £938,497). On the expiration date of the current lease, a lease extension signed on 31 October 2011 will be entered into between Millennium Point Property Ltd, TIC and the University which extends the period of the guarantee and lease to 18 March 2149.

BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

28. SUBSIDIARY UNDERTAKINGS

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

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

29. STUDENT ACCESS FUNDS AND TRAINING BURSARIES

	NCTL Training Bursaries £'000	NHS Placement Bursaries £'000
Funding Council grants	2,635	126
Disbursed to students	(2,635)	(126)
BALANCE UNSPENT AT 31 JULY 2017	-	-

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

30. RELATED PARTY TRANSACTIONS

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

The following material related party transactions occurred during the year: £60,600 paid to Birmingham Chamber of Commerce & Industry to sponsor events and for GBCC Patronage (Cliff Allan – Vice President), £148,582 paid to Performances Birmingham Ltd for venue hire (Cliff Allan – Director), £1,089,285 paid to SCC as the University's main IT contractor (Tracy Westall – Director), £1,301,646 paid to Birmingham City Student Union as a block grant and for catering, materials and staff (Joanne Goodman – President, Molly Taylor Vice president and Jhaspreet Singh – President) and £285,099 to University Hospital Birmingham for staff secondments, occupational health supplies/services and lecture fees (Dame Julie Moor – Chief Executive)

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Assessment of impairment of Assets

An impairment assessment of the University's land and buildings has been undertaken and no impairments are required in the 2016/17 financial year. City North campus has been disposed of in 2016/17 on a sale and leaseback and will be vacated by the end of 2018.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 32, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

USS Pension Liability

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

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

31. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

Bad Debt Provision

A Bad debt provision has been made against expenditure based on the percentage recovery rates of the external debt recovery company used by the university. Management are satisfied these provide a reasonable approximation in light of historical recovery rates and post year end collection experience.

Risk Management

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

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

Credit Risk

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

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2017, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

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

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

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

31. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Liquidity Risk

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

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

Interest Rate Risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

Financial Instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet.

32. PENSION SCHEMES

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

	2017	2016
	£'000	£'000
Local Government Pension Scheme	93,057	110,161
Universities Superannuation Scheme	1,424	1,443
Teachers' Pension Scheme	-	-
	94,481	111,604

(i) Local Government Pension Scheme (LGPS)

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

- The results of the valuation as at March 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 July 2017;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 July 2016 and 30 June 2017, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 July 2017;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2017; and
- Details of any new early retirements for the period to 31 July 2017 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, the actuaries do not believe that they are likely to have a material effect on the results of this report. Further, they are not aware of any material changes or events since they received the data.

**BIRMINGHAM CITY UNIVERSITY
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32. PENSION SCHEMES (continued)

Employer membership statistics

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

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

The service cost for the year ending 31 July 2017 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £31,549,000.

Scheduled contributions

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

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

The deficit recovery period currently adopted for the University is 15 years with effect from the 2016 valuation.

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

Early retirements

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

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2017 is estimated to be 18%. The actual return on Fund assets over the year may be different.

**BIRMINGHAM CITY UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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32. PENSION SCHEMES (continued)

The estimated asset allocation for Birmingham City University as at 31 July 2017 is as follows:

	31 July 2017		31 July 2016	
	£'000	%	£'000	%
Equities	128,060	64%	96,349	59%
Government bonds	14,808	7%	11,264	7%
Other bonds	7,797	4%	13,898	9%
Property	14,797	7%	12,920	8%
Cash/liquidity	10,068	5%	10,421	6%
Other	26,885	13%	17,513	11%
Total	202,415	100%	162,365	100%

The actuaries have estimated the bid values where necessary based on the information provided by West Midlands Pension Fund. The individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 July 2017 is likely to be different from that shown due to estimation techniques.

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

Valuation approach

To assess the value of the University's liabilities at 31 July 2017, actuaries have rolled forward the value of the University's liabilities calculated for the funding valuation as at 31 March 2016 using financial assumptions that comply with FRS102.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 July 2017 without completing a full valuation. However, the scheme actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 July 2017 should not introduce any material distortions in the results provided that the actual experience of the University and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate. To calculate the asset share the actuaries have rolled forward the assets allocated to the University at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the University and its employees.

Demographic/Statistical assumptions

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

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32. PENSION SCHEMES (continued)

Assumed Life expectancy from age 65 (years)

		31 July 2017	31 July 2016
Retiring today	Males	21.8	23.0
	Females	24.3	25.7
Retiring in 20 years	Males	23.9	25.3
	Females	26.6	28.1

The actuaries have also assumed that:

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

Financial assumptions

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

Assumptions as at	31 July 2017 % p.a.	31 July 2016 % p.a.
Discount Rate	2.7%	2.6%
Pension increase	2.7%	2.0%
Salary increases	4.2%	3.75%

These assumptions are set with reference to market conditions at 31 July 2017.

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

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuaries have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. They believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a lower differential than last year as we are no longer allowing for an inflation risk premium, which is consistent with the 2016 valuation of the Fund.

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32. PENSION SCHEMES (continued)

Salaries are assumed to increase at 1.5% p.a. above CPI, in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. This assumption has been updated from last year's report and is consistent with the 2016 valuation of the Fund. Note that from 15 May 2017 to 3 July 2017 the Bank of England (BoE) temporarily suspended the publication of their implied inflation curve (on which the actuary RPI increase assumption, and so their CPI increase assumption, is based) while they carried out a review of their methodology. The BoE resumed publication of the implied inflation curve from 3 July 2017, however, they have also revised previous publications dating back to 1 January 2017. The assumptions below take into account the new methodology from 1 January 2017.

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

The actuaries are not aware of any additional benefits which were granted over the year ending 31 July 2017.

Curtailments

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

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

Settlements

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

Results and disclosures

The actuaries estimate that the value of the net liability as at 31 July 2017 is £93,057,000.

The results of this calculations for the year ended 31 July 2017 are set out below:

Statement of financial position as at 31 July 2017

	31 July 2017 £'000	31 July 2016 £'000
Net pension liability as at		
Present value of defined benefit obligation	295,343	272,494
Fair value of Fund assets (bid value)	(202,415)	(162,365)
Deficit	92,928	110,129
Present value of unfunded obligation	129	32
Unrecognised past service cost	-	-
Impact of asset ceiling	-	-

BIRMINGHAM CITY UNIVERSITY
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FOR THE YEAR ENDED 31 JULY 2017

Net defined benefit liability	93,057	110,161
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32. PENSION SCHEMES (continued)

Statement of profit or loss for the year to 31 July 2017

The amounts recognised in the profit and loss statement are:

	Year to 31 July 2017 £'000	As at 31 July 2016 £'000
Service cost	9,236	6,758
Net interest on defined benefit liability	2,787	2,534
Administration expenses	73	86
Total loss	12,096	9,378

Asset and benefit obligation reconciliation for the year to 31 July 2017

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

	Year to 31 July 2017 £'000	As at 31 July 2016 £'000
Opening defined benefit obligation	272,526	213,078
Current service cost	8,862	6,758
Interest Cost	7,057	8,035
Change in financial assumptions	29,757	47,920
Change in demographic assumptions	(7,790)	-
Experience gain on defined benefit obligation	(12,728)	-
Estimated benefits paid net of transfers in	(4,736)	(5,091)
Past service costs, including curtailments	374	-
Contributions by Scheme participants and other employers	2,163	1,829
Unfunded pension payments	(13)	(3)
Closing defined benefit obligation	295,472	272,526

BIRMINGHAM CITY UNIVERSITY
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32. PENSION SCHEMES (continued)

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

	Year to 31 July 2017 £'000	As at 31 July 2016 £'000
Opening fair value of Fund assets	162,365	143,718
Interest on assets	4,270	5,501
Return on assets less interest	25,138	11,116
Other actuarial gains	6,924	-
Administration expenses	(73)	(86)
Contributions by employer including unfunded	6,377	5,381
Contributions by Scheme participants and other employers	2,163	1,829
Estimated benefits paid plus unfunded net of transfers in	(4,749)	(5,094)
Closing fair value of Fund assets	202,415	162,365

The total return on the fund assets for the year to 31 July 2017 is £29,408,000.

Re-measurements in other comprehensive income

Re-measurement of the net defined liability	Year to 31 July 2017 £'000	As at 31 July 2016 £'000
Return on Fund assets in excess of interest	25,138	11,116
Other actuarial gains on assets	6,924	-
Changes in financial assumptions	(29,757)	(47,920)
Change in demographic assumptions	7,790	-
Experience gain on defined benefit obligation	12,728	-
Re-measurement of the net assets / (defined liability)	22,823	(36,804)

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32. PENSION SCHEMES (continued)

(ii) The Universities' Superannuation Scheme

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

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

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

Since the University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The total cost charged to the profit and loss account is £753,154 (2016: £1,013,000) as shown in note 8 £728k (pay element) and £25k within note 10 (interest charge).

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was

£46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2017	2016
Discount rate	4.2%	3.75%
Pensionable salary growth	2.7%	2.6%
Pension increases (CPI)	1.5%	1.15%



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