



UNIVERSITY OF
BIRMINGHAM

2017 18

ANNUAL REPORT
AND ACCOUNTS



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Vice-Chancellor's Report



Our ability to transform lives and society underpins who we are and what we do. We have built our reputation on delivering remarkable research that changes the world, the highest quality teaching that transforms lives, and powerful partnerships that create new possibilities, transforming the way we approach and tackle the challenges that face us locally and globally.

So, it is always rewarding when others recognise the remarkable work and achievements of this great university and its people. In addition to continuing to enhance our national and international league table positions, the last 12 months saw the outstanding impact of our research recognised by the Queen's Anniversary Prize awarded to our Centre for Rail Research and Education. Likewise, the quality of our teaching and student experience was recognised with a Gold rating in the Teaching Excellence Framework, and our pioneering University of Birmingham School achieved a 'Good' OFSTED rating – the highest level awarded for a new school.

Our recent campus developments and investments also gained royal recognition, with HRH The Princess Royal formally opening the new £51 million Sports & Fitness Centre, HRH The Prince of Wales visiting the £30 million Birmingham Institute of Forest Research (BIFoR) facility in Staffordshire, and HRH the Duke of Cambridge visiting in connection with our Jubilee Centre's work on character education. In a first for a Russell Group and Global 100 university, the year also saw the official opening of our Dubai campus and the arrival of our first cohort of students there.

These and many other successes were delivered against a challenging political and economic backdrop, and in these times of uncertainty our ability to chart our own course is more important than ever. This is why we launched 'Birmingham 2026', our ambitious plan for growing our research activity, increasing and diversifying our student body, and rebalancing our income.

Research that changes the world

I am delighted that across the University the quality and reputation of our research has continued to grow, with almost a quarter of our research output amongst the top 10% most cited academic publications in the world. The last year has been our most successful for attracting research income from funders, including government, charitable organisations, and business. Our research grant capture exceeded £200 million, a testament to the quality and significance of our research.

The influence and real-world impact of our research is exemplified in the work of the Birmingham Centre for Railway Research and Education. In addition to its Queen's Anniversary Prize which recognised its longstanding work as a leader in railway innovation

Vice-Chancellor's Report (continued)

and teaching, the Centre also secured £92 million of industry and government funding to create the UK Rail Research and Innovation Network. Led by the University of Birmingham, the Network will create a powerful collaboration between academia and industry.

Energy and the environment remain vital areas of research. The Birmingham Energy Institute published extensively about sustainable clean cooling across the globe, and regionally is leading our investment in the Tyseley Energy Park. At the Birmingham Institute of Forest Research (BIFoR), we are three years into a world-leading 'big science' project.

Elsewhere, our School of Physics and Astronomy continues its high-profile research in frontier science, leading work with NASA on the Transiting Exoplanet Survey Satellite (TESS), which will survey the brightest stars across the sky – another powerful partnership that will open up new possibilities.

We are also transforming healthcare. We opened the NIHR Birmingham Biomedical Research Centre with the aim of using cutting-edge, experimental medicine to accelerate access to, and adoption of, drugs, devices and diagnostics tests for patients with chronic inflammatory diseases; and established the Centre for Conflict Wound Research to achieve scar-free healing within a generation. Through Birmingham Health Partners, which brings together the University and two leading NHS Trusts, we were chosen to lead one of six new sites to address challenging healthcare issues using data science, while our plans to transform a brownfield site at the edge of campus into the Birmingham Life Sciences Park are rapidly taking shape. Our strengths in life sciences and the impact of Birmingham Health Partners also gained national recognition, with the government choosing Birmingham as the place to launch its UK Life Sciences Industrial Strategy.

Through University of Birmingham Enterprise, we have supported more than 300 innovators working on ideas as far-reaching as eye drops for age-related macular degeneration and a test to predict who will develop Alzheimer's disease.

Our academic colleagues also continue to inform and influence policy. For example, our new Institute for Mental Health published an influential policy commission on youth mental health in July 2018, recommending a radical new preventative approach to mental healthcare, which is already informing policy and practice. The last year also saw the launch of the Birmingham Institute for Global Innovation focused on exploiting our interdisciplinary research strengths to produce practical solutions to some of the greatest challenges facing humanity, such as pollution, climate action, and access to healthcare.

We know that a strong foundation is central to any transformation, and we have continued to focus on recruiting the very best academic staff. In fact, the last three years have seen our staff numbers grow by over 14% to more than 8,000. We have also celebrated the achievements of academic colleagues whose work to advance their academic disciplines has been nationally or internationally recognised; Professors Alison Davenport, Julian Bion, and James Arthur were all awarded OBEs, and Professor Tim Softley, Pro-Vice-Chancellor for Research and Knowledge Transfer, was elected a Fellow of the Royal Society, one of the highest accolades a scientist can achieve. Professor Ewa Dabrowska was also awarded Germany's most prestigious research award, the Alexander von Humboldt Professorship.

Vice-Chancellor's Report (continued)

Teaching that transforms lives

The quality of our teaching was also recognised last year, with a Gold rating in the Teaching Excellence Framework, which commended as 'outstanding' student satisfaction with the quality of teaching, and the progression of our graduates to highly skilled employment or further study. We also received a Spotlight Award in the Global Teaching Excellence Award 2018 – which recognised our 'exemplary vision for achieving teaching excellence across the whole institution'. This reflected our renewed focus on teaching under the leadership of Professor Kathy Armour, Pro-Vice-Chancellor for Education, and the establishment of the Higher Education Futures institute (HEFi), which supports academic staff to deliver ever more effective and innovative research-led teaching.

Our graduate employment remains among the best in the sector, and we continue to innovate to make sure that our students have the very best prospects when they move into their careers. The launch of two degree apprenticeship programmes in collaboration with business continued our tradition of offering students innovative options for study. Working with PwC and Vodafone we launched two, four-year, fully funded technology degree apprenticeships to develop the UK's next generation of technology talent. We also launched a Public Management and Leadership degree apprenticeship in our Institute of Local Government Studies.

It is not just on our Edgbaston campus where we have innovated, explored, and developed new opportunities for students to benefit from a University of Birmingham degree. Last year also saw the first students graduate from our online MBA and MSc programmes, developed in partnership with Wiley Education Services. We also launched a new partnership with Jinan University to deliver joint Maths degrees in China and opened our

Phase 1 campus in Dubai. In bringing Birmingham to Dubai, we have become the first global top 100 and Russell Group university to establish a campus in the international education hub of Dubai.

Our students have a major, positive impact on the places they live and study. We are a net importer of talent into Birmingham and the West Midlands, with almost half of our students choosing to stay here after they graduate compared to the quarter of students that come from the region. While they are here, nearly 8,000 students volunteer through the Guild of Students, giving their time to thousands of projects every year. They also use their specialist skills to help others; our medical students deliver free CPR training in the community, and our Law students undertake a range of pro-bono work supporting local residents – work that was recognised by the Attorney General.

Partnerships that create new possibilities

Our commitment to the region is also demonstrated by our latest philanthropic campaign – 10,000 Lives – which is focused on transforming the lives of young people across the West Midlands by supporting them to enter higher education.

In July 2017, we signed an innovative new partnership with University College Birmingham (UCB) to work together to strengthen Further Education (FE) to Higher Education (HE) pathways for young people in the city and beyond. This builds on our existing relationship, which has seen the University of Birmingham accredit and award 20,000 University College Birmingham degrees over the past 22 years.

We have also entered into an innovative partnership with Lloyds Banking Group to transform responsible business practice and launched the £2.5 million Lloyds Banking Group Centre for Responsible Businesses.

Vice-Chancellor's Report (continued)

Internationally, our partnerships in research, education, and cultural engagement with the University of Melbourne and University of Illinois continue to flourish, and our partnerships in China have become yet broader and deeper. In addition to the joint Maths degrees offered with Jinan University, we signed an agreement with the prestigious Chinese Academy of Sciences to launch a joint research centre into energy storage, committed to develop new biomedical technologies with Southeast University, and signed a memorandum of understanding with the Nanjing Municipal Government to work on a range of research, innovation and cultural projects. We cemented our commitment to India with the launch of our India Institute and we celebrated the impact of this work when our Chancellor, Lord Bilimoria of Chelsea, and Pro-Vice-Chancellor (International) Professor Robin Mason, were named as two of the most influential figures in UK-India relations.

Campus transformation

Closer to home, the transformation of our campus, as part of our £1 billion investment programme, has gathered pace and new buildings have opened to widespread acclaim – both architecturally and from those who use the space to research, teach, and study.

Our new Sports & Fitness Centre has already hosted a number of national and international events, including the British Transplant Games and the World University Squash Championships. Preparations have also begun for the pivotal role we will play in the 2022 Commonwealth Games in Birmingham.

Our Collaborative Teaching Laboratory (CTL) opened in autumn 2018, bringing together practical teaching activities and transforming the way we teach STEM programmes to undergraduate students. We are also extending our Business School and have broken

ground on two significant new academic buildings – a School of Engineering, which will sit alongside a rail innovation centre being created in partnership with industry, and a new Teaching and Learning building. Perhaps the biggest transformation is at the heart of campus, where significant progress has been made on a major project to restore the original vision of campus and create 12 acres of parkland. Due for completion in early 2019, the Green Heart project is already transforming the way staff, students and visitors use campus.

Strong performance in challenging times

The last few years have been challenging for the sector and the coming year is likely to see further uncertainty affecting higher education. The government's review into post-18 education will report, with expected far-reaching change and reform, and the effects of Brexit on the sector remain to be seen.

But we are used to change and challenge and against this backdrop have continued to thrive, consolidating our strong position in domestic and international league tables where we moved up to 79th in the world in the 2019 *QS World University Rankings*. Indeed, we are in the best possible position to face those challenges with resilience and tenacity. It is by remaining resolute in our purpose – delivering research that changes the world, teaching that transform lives, and partnerships that create new possibilities – that we will continue to reach new heights of achievement and discovery.

Professor Sir David Eastwood
Vice-Chancellor

Treasurer's Report



I am pleased to present my report on the University's financial affairs for 2017/18.

It has been a record year for income generation. We continued to build on our successes in recruitment both at home and abroad by increasing our income from tuition fees by 6.5% over last year which, in a ferociously competitive marketplace, was a great achievement and the result of our commitment to continuous improvement in our approach to recruitment and to enhancing student experience. Perhaps though, the most significant success story for us in 2017/18 has been the record levels we achieved in research awards, which exceeded £200 million for the first time.

In my report last year, I talked about the importance of investment and these successes could not have been achieved without significant investment in people, facilities and support services. In the absence of government funding, we must provide the cash from our own efforts to deliver the funding needed for our strategic investments. Generating at least 10% of our income as cash from operating activities to fund these investments is one of the key aims of our financial strategy and I am pleased to say we met that challenge in 2017/18.

Last year, we carried forward some £94 million of our operating cash into 2017/18. We also successfully raised £200 million of cash in August 2017 through a private placing at very advantageous rates of interest.

This financial year we were able to generate some £75 million of cash from our operating activities through a combination of growth coupled with effective cost control over our overhead base. As a result of these cash resources, we were able to achieve in 2017/18 our highest ever level of investment in our estate, in our people and in our services. Before capital grants we invested £160 million in our buildings, both new build and refurbishment. We recruited some 200 academic staff to build our research capability and to provide increased teaching resource for our growth in student numbers. The Vice-Chancellor, in his report, has given examples of some of the major projects we have and are undertaking, however, not all our investments are 'big ticket' projects. Very importantly, we delivered on our commitment to provide an enhanced Wi-Fi coverage throughout our campus, allowing students and staff to connect multiple devices to the internet. We also continued to invest in lecture and whiteboard capture to make it as easy as possible for our students to access the information they need, and we are rolling out PebblePad across the University, which is an IT tool allowing enhanced personal academic tutoring.

As the University's Treasurer, I am particularly concerned with ensuring the long-term financial stability of our institution and the importance of this

Treasurer's Report (continued)

was an important driver in developing a vision for the University in 2026. The resulting strategy, 'Birmingham 2026' is ambitious. We seek to grow research by 10% per annum to £350 million and increase our student numbers by 11,000, supported by investment in over 1,400 academic and research-focused staff to become among the UK's top five research-intensive universities. This year's research award performance was ahead of the 2026 target for this financial year so, while challenging, we remain confident we can deliver on this strategy.

I do not forget that we are operating in a marketplace of significant uncertainty and challenge be it Brexit, unprecedented national and global competition or the demands of a changing regulatory and funding environment. Our decision to expand into Dubai, which we announced this year, is an important development in allowing us to respond to those uncertainties and reduce income dependency on the UK while opening up access to students from other territories.

There are many potential headwinds we could face and therefore the cash focus of the financial strategy remains essential. We will continue to direct our financial strategy to deliver in the following areas:

- Actively managing financial risks and opportunities on new ventures such as Dubai
- Maximising returns on investments in new systems and processes to improve efficiency and cost-effectiveness
- Looking to commercialise our activities where appropriate, for example, in building the success of our new hotel and conference facility
- Funding capital investment by optimising the balance between in-house cash generation, loan finance and partnerships
- Keeping our liquidity and debt ratios under close review to ensure we are managing our working capital efficiently

- Managing our cash and our medium-term University Investment Fund to support our ambitious capital programmes
- Monitoring the scale of our commitment to pensions for our employees, taking note of both current and future cash requirements as well as the scale of provisions for pension fund deficits

Above all in uncertain times, we continue to develop our expertise in scenario planning to ensure we are alert to changes in the risk profile and can develop long- and short-term measures to mitigate risk and protect against major adversity in market situations. Much has been going on and much still remains to be done but we have a strong leadership team with a proven track record and I remain confident of the future.

The accompanying financial report gives more detailed information on the various key financial performance indicators for the 2017/18 financial year. It shows a strong financial performance and I commend it to you.

Throughout last year, our staff have risen to the challenges of major capital projects, implementing innovation in teaching, winning record-breaking research awards and expanding overseas. I would like to finish by thanking them for all their hard work, dedication and determination.

Treasurer's Report (continued)

Key financial facts

During the year the balance sheet recognised some key movements as the University delivers its ambitious growth strategy towards 2026. The table below recognises some of these key financial facts:

- Increase in capital investments to £196 million (2017: £102 million) a 92% increase on 2016/17.
- The private placement of £200 million, increased borrowings.
- A reduction in cash and cash equivalents offset by an increase in long-term investments supported by a robust treasury policy. This led to a reduction in net cash in the year.
- An increase in Fixed and Intangible Assets as a result of the investment.

There was also a conscious increase in revenue investment to support growth. Increased research spend resulted in a £12 million increase in research income, there was also investment in high-profile academics to attract further research awards in advance of delivering the strategy to significantly grow research income.

Underlying all this, the University still exceeded its target of cash generation. The £75 million (11%) operating cash generation was against a budget of £70 million (10%).

Group Financial Performance 2017/18

	2015/16	2016/17	2017/18
Percentage of total income	%	%	%
Surplus before tax	14	7	2
Total comprehensive income	6	15	4
Net cash inflow from operating activities	13	15	11
Staff costs	48	50	52

The performance in 2017/18 reflects another positive outturn, with the University generating £10.7 million surplus before other gains and losses and tax (2016/17: £38.4 million). The fall in the accounts surplus reflects primarily the investment in academic staff to support teaching and research. In consequence, staff costs have risen as a percentage of total income and now account for over 50%. Upfront investment in recruiting academic research staff necessarily depressed returns but we expect the benefit to come through in improved research performance in the next financial year and those following.

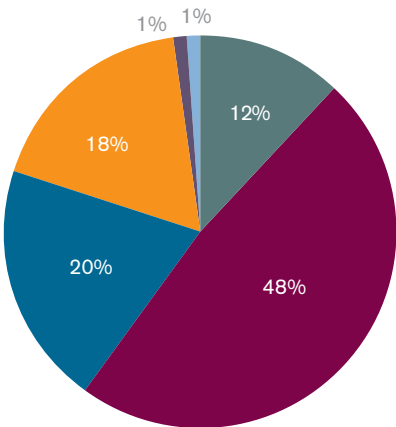
We did manage our overhead costs strongly, which allowed us still to continue to be highly cash generative. The net cash inflow from operating activities was down slightly on budget but at 11% of total income was still above our target of 10%. The strong cash generation during the year meant that we were able to accelerate spend on our capital programme by £8 million above what we had planned. University EBITDA (earnings before interest, taxation, depreciation and amortisation) was £82 million (2016/17: £101 million).

Treasurer’s Report (continued)

Income analysis

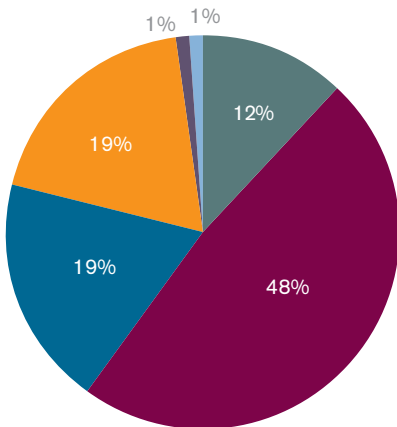
Overall income saw growth of 6.5%, of which tuition fee income increased by 19%. Student fees represented 48% of total income (2016/17: 48%), which has stayed static with last year but being the largest element of our income is the main driver of our overall financial performance. Fluctuations in the tuition fee, the volume of students and the mix between home and overseas can influence financial performance significantly.

2017/18 Total income



- Funding council grants **£83 million**
- Academic fees **£325 million**
- Research **£134 million**
- Other operating income **£122 million**
- Donations and endowments **£7 million**
- Investments income **£10 million**

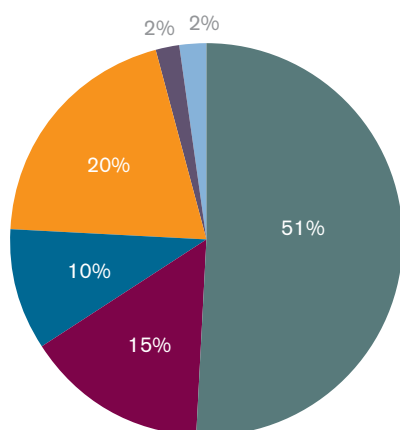
2016/17 Total income



- Funding council grants **£79 million**
- Academic fees **£305 million**
- Research **£124 million**
- Other operating income **£120 million**
- Donations and endowments **£7 million**
- Investments income **£6 million**

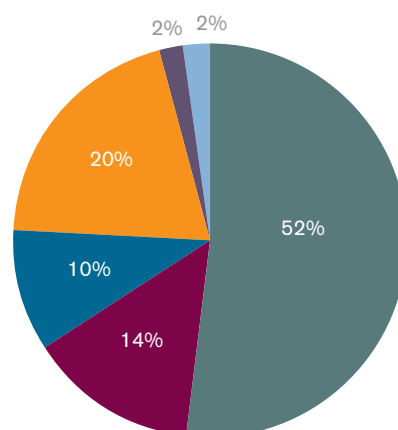
Treasurer's Report (continued)

2017/18 Tuition fee



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

2016/17 Tuition fee



■ Undergraduate Home/EU **£160 million**
 ■ Undergraduate Other **£43 million**
 ■ Postgraduate Home/EU **£32 million**
 ■ Postgraduate Other **£61 million**
 ■ Other courses **£5 million**
 ■ Research, training and support grants **£5 million**

Tuition fee analysis

The above analysis shows that a greater proportion of our students are now coming from overseas than previously. We had been below our Russell Group peers in the number of students we took from overseas and have targeted this as a growth area with success. Initiatives such as our expansion into Dubai we hope will continue this trend. I am pleased to report that we had a successful recruitment round for 2018/19 and are on target both at undergraduate and postgraduate levels and on the mix between home/EU and overseas.

Research

Another significant source of income for the University is income from research grants and contracts. This income increased by 8.2% and represents 20% of the total income (2016/17: 19%). Research awards recorded a second year of record highs, with awards reaching £204 million (2016/17: £170 million). With two successful years of awards now achieved, we can expect to see sustained growth in our research income over the next few years.

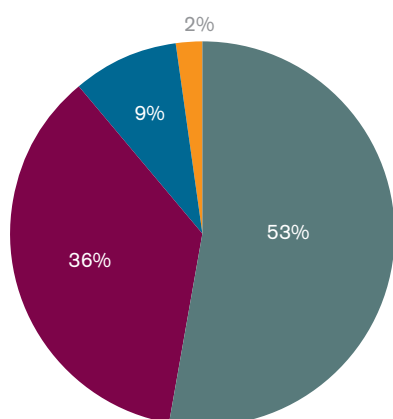
Treasurer's Report (continued)

Expenditure

The growth in home and overseas students plus the investment in academic staff engaged in research has increased our expenditure on staff costs and in student support services. Spending levels in academic schools grew to £394 million, from £356 million in the prior year. Scholarships, bursaries and student support totalled £43 million (2016/17: £41 million), reflecting our continued commitment to widening participation. General administration costs amounted to £32 million (2016/17: £30 million), showing the strength of our cost control over fixed overhead.

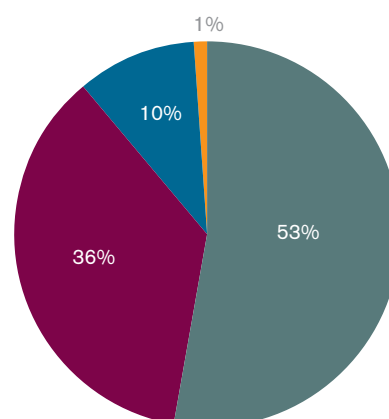
The depreciation charge will continue to increase as our capital programme advances. Interest and other finance costs have risen primarily due to the private placing we drew down during the year.

2017/18 Total expenditure



■ Staff costs **£355 million**
 ■ Other operating expenses **£242 million**
 ■ Depreciation **£62 million**
 ■ Interest and other finance costs **£11 million**

2016/17 Total expenditure



■ Staff costs **£321 million**
 ■ Other operating expenses **£220 million**
 ■ Depreciation **£57 million**
 ■ Interest and other finance costs **£6 million**

Treasurer's Report (continued)

Cashflow and balance sheet

<i>Consolidated</i>	2017/18	2016/17	2015/16	2014/15
	£m	£m	£m	£m
Cash flow generated from operations	75	94	87	82
Capital investment	196	102	115	153
Borrowings	(265)	(69)	(71)	(74)
Cash and cash equivalents	123	209	165	190
Net (debt)/cash	(143)	140	94	116
Fixed, Intangible and Heritage Assets	1,322	1,191	1,158	
Investments	332	139	148	
Net assets at year end	1,288	1,261	1,173	1,135

The University has a strong balance sheet with nearly £1.3 billion of net assets.

Cashflow

Cash generated from operations during the year was £75 million (2017/18: £94 million). With spend being targeted in areas of greatest return, there was robust oversight of the financial position at individual College level as well as for the University as a whole. We also continued to apply strong financial disciplines over our working capital management making sure we collected debts on time. This allowed us to make payments to our suppliers in accordance with contractual terms, a discipline that is important to us.

Capital investment programme

Capital spending in 2017/18 totalled £196 million (2016/17: £102 million). This included £26 million on the new conference and hotel facility; £23 million on the collaborative teaching laboratory; £9 million on Green Heart; £13 million on our IT infrastructure project, New Core, a replacement Finance and HR system; £11 million on other IT services, and over £114 million on major projects improving teaching and research facilities across the campus.

There were some significant construction projects that commenced during the year. The Teaching and Learning building (£36 million approval) and the School of Engineering (£94 million approval) being two of the key projects. With a capital programme of over £700 million from 2016/17 to 2020/21, nearly £300 million of which has been spent, there is still £400 million to be spent over the coming three years with £208 million phased in 2018/19. Along with the completion of the projects listed above, another key development is the Molecular Sciences building with an approval of £80 million. We are confident these new facilities, alongside the opening of the Green Heart, will inspire generations of students and academics.

Treasurer's Report (continued)

Treasury management

The borrowings increased by some £200 million in the year, reflecting the proceeds of the private placing. Management of the University's cash funds is overseen by the Investment Sub-Committee, which I chair. The University is highly cash generative and while funds are earmarked for specific investments we can find we are holding very large sums of cash for anything up to five years, mainly because capital projects extend over several years and timings have to be balanced against other building work on the campus. In an environment of low interest rates placing cash on deposit generates very little income and no capital increase to offset inflation. Consequently, we needed to do more to ensure the University was earning a fair return on the substantial cash balances it was holding.

The University has established a University Investment Fund (UIF) alongside its existing Long Term Endowment Fund (LTEF). This explains the fall, year on year, in cash and cash equivalents and the increase in investments. Based on cash flow projections, estimates are made of when cash will be required for investment and would need to be drawn down. From this, we allocate cash to short-, medium- and long-term portfolios within the UIF, and develop tailored investment strategies for each. As much of this money will be needed within five years, our risk appetite is low. We are less concerned about income and much more concerned with capital growth and capital preservation.

The LTEF is a fund where we invest in perpetuity as the use of these funds is restricted as to income, capital and often both. In most cases, we are unable to draw out capital. The Fund needs, therefore, to ensure it is generating income to support bursaries and professorial chairs but being an investment in perpetuity we have the opportunity to ride out market volatility and therefore can have a slightly higher risk appetite.

A number of external investment managers oversee the investment funds, working to agreed investment mandates. In developing these mandates the University sets a fundamental guiding principle that managers must apply investment criteria based on high environmental, social and governance (ESG) standards. As part of our selection process,

we require fund managers to confirm that they have robust ESG policies in place. During our regular performance review of our fund managers, we consider their application of ESG policies in making investment decisions. The investment managers vote against management on issues such as excessive remuneration policies and on concerns regarding directors' independence. The University is compliant with the UK Stewardship Code and the University's external investment managers are signatories to the United Nations Principles for Responsible Investment.

Since inception, the UIF in aggregate has returned 1.9% generating investment income in the year of £5.4 million. The return on the LTEF in 2017/18 was 8.5% (2016/17: 12.4%) against a benchmark return of 8.7%. LTEF investment income in the year was £4.3 million (2016/17: £3.6 million).

Pensions

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

March 2016's valuation of the University's own closed defined benefit scheme showed a lower deficit than in 2013 but the contribution levels remained unchanged thereby reducing the deficit quicker. The impact of this valuation and the changes in financial markets which have affected it significantly, has resulted in a net credit to the SOCIE and reduced the balance sheet value at the year-end to £29 million (2016/17: £46 million).

Involvement in the multi-employer Universities Superannuation Scheme (USS) continues to be a large cost to the University and the scheme's members. The 2017 valuation of this scheme continues and the outcomes will affect the recovery costs in future years. The year-end provision shows a slight increase in the year to £64 million (2016/17: £60 million, see Note 19).

Treasurer's Report (continued)

Principal risks and uncertainties

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

	Description of risk/uncertainty	Examples of mitigating actions
Education	Failure to meet student expectations and deliver an excellent student experience	■ Action plans at School level to deliver improved Student Satisfaction outcomes whilst sustaining current high scores ■ Enhanced alumni engagement in supporting student employability ■ Continued significant capital investment in teaching spaces and residences ■ Investment in digital resources and lecture capture to support learning outcomes ■ Delivering high-quality teaching as evidenced by TEF Gold status
	Failure to achieve growth ambitions in relation to student recruitment	■ Diversification of recruitment channels to attract the best students from a global market ■ Developing new admission support and offer making eg, the Offer Calculator ■ Establishment of Dubai campus and joint degree partnerships outside the UK
Research	Failure to achieve enhanced performance and growth in relation to research awards and income	■ Active engagement with government and research councils to inform strategy and ensure we are well placed to respond to funding calls ■ Investment in new early-career researchers and professors in areas of strength ■ Development of key performance indicators to drive awards, income and citation performance ■ New and enhanced partnership arrangements with partners to deliver collaborations
	Failure to maintain research excellence and achieve our ambitions	■ Implementing a plan and oversight process for preparing and responding to the next Research Excellence Framework (REF) in 2021 ■ Identification of impact opportunities and making investment to support the delivery of these ■ Operating as national coordinator for the Centre for Public Engagement
Influence	Failure to sustain existing and develop new partnerships to deliver research impact and influence	■ Regional engagement group that oversees activity and ensures key relationships are sustained locally, nationally and globally ■ Continued investments made into Research Support and Business Engagement
	Failure to strengthen and protect the brand and reputation of the University in all aspects of our activity	■ Diversified marketing activities based on market, content and reach ■ Continue to host a number of external high-profile events ■ Ensuring quality of delivery is maintained, particularly in relation to partnership activities ■ Reputation and due diligence undertaken prior to entering into any new arrangements

Treasurer's Report (continued)

	Description of risk/uncertainty	Examples of mitigating actions
Operations	Failure to recruit, develop and retain excellent staff in all our endeavours to deliver the quality of teaching, research and professional support required	■ Introduction of a new research leaders training and support programme ■ Recruitment of additional staff in areas of academic and professional services enhancement ■ Lobbying government to confirm the status of EU nationals in the light of Brexit
	Failure to deliver financial performance, which limits investment and impacts achievement of ambitions	■ Successful private placing in the year raised £200 million for capital investment ■ Financial monitoring and management to deliver annual surpluses for future investment ■ Delegation of budgetary control with enhanced reporting to support financial management
	Failure to have/deliver suitable systems and processes to deliver our ambitions	■ Significant investment in new systems and processes for HR and Finance ■ Adoption of new legislation on a timely basis ■ Vice-Chancellor's review of Schools and services consider operational and strategic area for commendation and recommendation ■ Additional investment in IT to support operations

Financial strategy and future prospects

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

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

Mrs Caragh Merrick
Treasurer

28 November 2018



Our Community

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

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

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

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

Educational benefit

In 2017/18, the University taught over 31,000 students, offering the highest quality academic experience at both undergraduate and postgraduate level. Our subject range is one of the broadest of any UK university, and our students form part of a vibrant academic community, studying and working alongside some of the finest academic minds in the world.

Our emphasis on high-quality teaching was recognised in July 2018 when we won a Spotlight Award in the Global Teaching Excellence Award (GTEA) 2018 – recognising 'exemplary vision for achieving teaching excellence across the whole institution'. Making the award, judges noted that the University 'shows outstanding vision for achieving excellence in teaching with clear KPIs, targets, processes, and evidence. The institution provides impressive evidence regarding challenges that stretch students' learning experiences and embed research within the curricula.'

In June 2017, we were awarded Gold in the government's Teaching Excellence Framework, where the panel particularly highlighted the University's

embedded culture of personalised learning, our sustained investment into the student learning environment, and our focus on research-informed teaching and in 2016 the Higher Education Review awarded the University the highest possible rating, particularly in nine areas of good practice, including the high value placed on teaching and sustained engagement with employers.

We consistently rank highly in national and international employability rankings, having achieved seventh in UK for employability in the *Guardian University Guide 2018* and 64th in the world for employer reputation by the *QS World University Rankings 2018*. The University was the second most targeted by top employers in 2017/18 in the High Fliers *Graduate Market in 2018* report. The report identifies that graduate recruiters have put more emphasis on social media, university recruitment presentations, skills training events and campus brand managers during this year's recruitment campaigns, and less emphasis on advertising in career sector guides. On average, 92% of our students are in graduate-level jobs or further study within six months of graduating – one of the highest levels in the country, and well above comparable institutions.

These educational benefits spill over into the region. We are a net importer of graduates, with 48% of our graduates choosing to stay and work in the West Midlands, and we develop young entrepreneurs – in one year our students and graduates started more than 50 new businesses. We train 1,700 graduates for the healthcare sector each year, from courses including Medicine (our Medical School is the second largest in the UK), Nursing, Physiotherapy, Psychology, and Healthcare Leadership. We offer these benefits to a diverse student population. More than four in five of our students come from state schools and 19.5% from lower socio-economic backgrounds. Our pioneering Access to Birmingham (A2B) widening participation initiative continues to deliver excellent outcomes.

Our Community (continued)

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

Our investment in the University of Birmingham School spreads this education benefit more widely within the city, as it enhances the ambition and opportunities for a genuinely diverse range of young people from across the city. The School is already the most popular non-selective school in the city for applications and has recently been awarded Good ratings by Ofsted, the highest a new school can achieve.

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

Research benefit

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

Recent examples of our research success include an unprecedented digital mapping project, led by the University, which discovered a host of previously unknown archaeological monuments around Stonehenge, creating the most detailed archaeological digital map of the ancient site ever produced. Birmingham scientists have uncovered a new method to identify and test women with polycystic ovary syndrome (PCOS) who are at high risk of going on to develop type 2 diabetes, paving the way for a more personalised approach to the

treatment and management of PCOS and Birmingham will play a key role in the training of engineers working on the HS2 rail link, with the National College for High Speed Rail – to be based in the city – making use of the University's Birmingham Centre for Railway Research and Education (BCRRE).

We continue to undertake major research in areas as diverse as immunology – currently exploring how Vitamin D could be used in rheumatoid arthritis treatments, computer science – building autonomous intelligent robots to be deployed in real-world working environments, such as prisons and care homes. Our Centre on Household Assets and Savings Management (CHASM) is investigating the ways in which people manage their finances and the potential for financial education to change behaviour and improve individual financial stability. Civil Engineering researchers are exploring how to make transport systems more resilient to climate change by 2050 and Geography researchers have calculated that there has been a 0.65 degree rise in global temperatures over the last 500 years using data from stalagmite growth.

Engaging local and international communities

The University is one of a small number of large global organisations in Birmingham. The public and private benefit we attract, our operational expenditure and capital investment mean we have a significant beneficial impact on the region's economy. The University is an international gateway attracting students and staff from around the world. We contribute £3.5 billion to the UK economy each year – enough to build seven flagship hospitals or 140 new secondary schools. We support nearly 16,000 jobs in the West Midlands, including 1 in every 50 jobs in Birmingham.

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

Our Community (continued)

We provide a number of activities and events that are open to staff, students and the local community. In 2017/18, these have included:

- Black History Month, where the University celebrates the culture and histories of black communities with a comprehensive programme of events
- Professor Neena Modi discussing her research, which addresses the clinical care of newborn babies and the impact of perinatal influences upon long-term health
- Sir Mark Walport, who delivered his lecture on charting a course for how Britain can lead the world in research and innovation

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

Heritage assets

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

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

Collection, the University Heritage Collection, and the Campus Collection of Fine and Decorative Art.

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

Fellowships and scholarships

The University provides scholarships and bursaries on a targeted basis to encourage entry to and continuation of higher education from as wide a cross section of the community as possible. In 2017/18, financial support amounted to £43 million (2016/17: £41 million). We actively encourage widening participation through our Access to Birmingham scheme. This is funded in part by our alumni and involves targeted engagement with young people who have little or no experience of university, to assist them in understanding what it involves and supporting them from application through to graduation.

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

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

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

Our Community (continued)

Fundraising

In 2017/18, our fundraising activities included face-to-face applications to Trusts and Foundations, legacy stewardship, direct mail and a telephone calling campaign to our alumni delivered by our students. Over the course of 2017/18, the University received pledges of almost £10.6 million.

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

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

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

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

Conclusion

The University contributes directly to the public benefit through the outcomes of our teaching and research.

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



Corporate Governance Statement

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

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

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

Status of the University

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

The University is an exempt charity and is subject to regulation by the Office for Students (OfS). The members of the University Council are the charity trustees and are responsible for ensuring compliance with charity law.

Council

The governing body of the University is the Council. It is chaired by the Pro-Chancellor, Mr Ed Smith CBE, and consists of 24 lay, academic and student members, the majority of whom are external to the University. The Council continues to take opportunities to broaden the diversity and skills profile of its membership, with a particular focus on increasing the number of women on Council (currently, one-third of the membership).

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

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



Corporate Governance Statement

(continued)

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

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

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

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

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

Senate

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

Corporate Governance Statement

(continued)

University Executive Board

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

Committees of Council

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

The attendance at meetings of Council and its Committees for 2017/18 is shown on pages 27 and 28.

Strategy, Planning and Resources Committee (SPRC)

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

The key responsibilities of SPRC are:

- (a) oversight of the strategic planning of the University, bringing together academic, financial and physical planning;
- (b) oversight and development of the University's financial strategy for institutional sustainability.

This includes consideration of the University's annual budget and forward look, financial scenarios and long-term financial projections and monitoring financial performance. The Committee also recommends the University's Annual Report and Accounts to the Council each November;

- (c) oversight, development and implementation of systems of institutional performance monitoring and review of progress towards achievement of institutional targets. The Committee undertakes detailed scrutiny of the University's Key Performance Targets, aligned with the Strategic Framework, to monitor the University's progress against its most important indicators of success and sustainability;
- (d) keeping under review the policies of the University as an employer of staff and making recommendations to Council for change in matters of substance or principle.

Audit Committee

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

The Committee reviews the effectiveness of the University's financial and other internal control systems, satisfies itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and advises the Council on risk management. It reviews the reports of the External Auditor and the scope and effectiveness of the work of the Internal Auditor and advises the Council on their appointment. It reviews regulatory requirements and the University's annual financial statements and accounting policies. The lay members of the Audit Committee meet with the Internal and External Auditors for independent discussions.

Corporate Governance Statement

(continued)

Members of the Council, who are also trustees of the University as an exempt charity, who served throughout the year ended 31 July 2018 and to the date of approval of these accounts, except where indicated otherwise are set out in the table. Their attendance at meetings as members of Council; Strategy, Planning and Resources (SPRC); Audit; Remuneration, and Membership Committees is shown below.

Members	Council membership dates	Meeting Attendance 2017/18				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 3 in year
Lay Members appointed by the Council						
Mr Ed Smith CBE, Pro-Chancellor		5/5	6/6	-	2/2	3/3
Mr Richard Haywood, Deputy Pro-Chancellor		5/5	5/6	-	2/2	2/3
Mrs Caragh Merrick, Treasurer		5/5	6/6	-	2/2	3/3
Mr Derrick Anderson CBE		5/5	4/6	-	2/2	-
Dame Christine Braddock DBE	Resigned August 2018	4/5	-	3/4	-	-
Mr Alan Davey CBE		5/5	-	1/4	-	-
Mr David Davies OBE		5/5	6/6	-	-	-
Mr Martin Devenish	Term Ended July 2018	4/5	-	-	-	-
Mr Malcolm Harbour CBE		5/5	-	-	-	-
Dame Lin Homer DCB		5/5	-	4/4	-	-
Mr Mick Lavery		5/5	-	4/4	-	-
Sir Terry Morgan	Resigned August 2018	3/5	-	-	-	-
Dame Una O'Brien DCB		2/5	-	-	1/2	-
Dr Ranjit Sondhi CBE	Term Ended July 2018	3/5	-	-	-	2/3
Mr David Stead		5/5	-	4/4	-	-
Ms Deborah Cadman OBE	Term commenced August 2018	N/A	N/A	N/A	N/A	N/A
Mr Harjinder Kang	Term commenced August 2018	N/A	N/A	N/A	N/A	N/A
Mr Richard Swann	Term commenced August 2018	N/A	N/A	N/A	N/A	N/A
Ms Jacqueline Taylor	Term commenced October 2018	N/A	N/A	N/A	N/A	N/A

There is one lay member vacancy as at November 2018.

Corporate Governance Statement

(continued)

		Meeting Attendance 2017/18				
Members	Council membership dates	Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Member- ship 3 in year
Appointed by Guild of Students						
Ms Rose Bennett, Postgraduate Officer		5/5	-	-	-	-
Ms Ellie Keiller, President of the Guild of Students		5/5	5/6	-	-	-
Ms Reece Roberts, President of the Guild of Students	Term commenced August 2018	N/A	N/A	N/A	N/A	N/A
Ms Joanne Parks, International Officer of the Guild of Students	Term commenced August 2018	N/A	N/A	N/A	N/A	N/A
Ex Officio Members						
Professor Sir David Eastwood, The Vice-Chancellor and Principal		5/5	6/6	-	2/2	3/3
Professor Tim Jones, The Provost and Vice-Principal		5/5	6/6	-	-	3/3
Academic Members Elected by Senate						
Professor Hisham Mehanna		5/5	5/6	-	-	-
Professor Corey Ross		5/5	5/6	-	-	-
Professor Karen Rowlingson		4/5	-	-	-	3/3
Professor Nicola Wilkin		5/5	-	-	-	-
Secretary to Council						
Mr Lee Sanders, The Registrar and Secretary						
Advisors						
External Auditor	Deloitte LLP					
Bankers	Lloyds Bank					
Solicitors	Shakespeare Martineau					
(from Panel of)	Mills & Reeve LLP					
	Pinsent Masons LLP					
	Freeths					

Corporate Governance Statement

(continued)

Membership Committee

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

Remuneration Committee

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

The Committee is chaired by the Deputy Pro-Chancellor. The Pro-Chancellor is a member of the Committee, but since he reports to the Committee on the Vice-Chancellor's performance and recommends to the Committee the Vice-Chancellor's remuneration, the University believes it is appropriate that a different senior lay officer chairs the Committee. The Committee was comprised of five lay members of University Council and the Vice-Chancellor for the majority of the 2017/18 financial year. However, in accordance with the CUC Higher Education Senior Staff Remuneration Code and following the necessary amendment of the University's Statutes with effect from 27 June 2018, the Vice-Chancellor is not a member of the Committee but will continue to attend its meetings to discuss the remuneration of other senior staff. The Registrar and Secretary is also in attendance. The Director of Human Resources services the Committee and supports the remuneration process. No member of staff, including the Vice-Chancellor and Registrar and Secretary, is present for discussion of their own remuneration. The Remuneration Committee meets at least twice a year and its terms of reference are:

- (a) to agree and oversee the annual remuneration process for senior staff (ie, grade 10 and above) (noting that performance is assessed for the academic year and the reward payments made in October following the second meeting of the Committee);
- (b) to review and agree the University's reward policy for senior staff, designed to support a high performance culture and taking account of pay data, market factors and the financial position of the University and recommend major changes to Council;
- (c) to review and determine senior staff remuneration;
- (d) to review senior staff equal pay issues;
- (e) to review and determine pay and reward for the Vice-Chancellor's direct reports on UEB; review reports on the Vice-Chancellor's objectives and performance, and review and determine the Vice-Chancellor's remuneration;
- (f) to agree severance packages for staff earning in excess of £100,000 per annum:
 - where the severance payment is up to 12 months' salary (and so within the University's longstanding arrangements for Voluntary Severance), the payment will be approved by the Chair on behalf of the Committee and reported to the next meeting of the Committee
 - where the severance payment is above 12 months' salary, the payment will be considered by the Committee, which can be by circulation if the case needs agreement between Committee meetings;
- (g) to monitor strategic risks relevant to the work of the Committee as determined by the Strategic Risk Register;
- (h) to monitor the extent to which value for money is achieved within the areas under the Committee's oversight;
- (i) to monitor relevant Key Performance Targets and to ensure that any concerns with performance against these KPTs are addressed.

Corporate Governance Statement

(continued)

The Committee ensures that it complies with the HEFCE (and from April 2018 OfS) Accounts Direction and other guidance on senior staff remuneration, including the CUC Higher Education Senior Staff Remuneration Code issued in June 2018. The annual process for setting senior staff remuneration is as follows:

1. At its first meeting each May, the Remuneration Committee considers and agrees the parameters and principles that will apply to that year's process and the information and market, comparative and other benchmarking data it wishes to consider at its second meeting in October, when it sets senior staff remuneration. The Vice-Chancellor is responsible for overseeing the annual process for senior staff (other than himself, which falls to the Pro-Chancellor) working within the approach agreed by the Committee.
2. In the case of senior academic staff, professors are invited to submit a statement describing their achievements over the previous 12 months, which is reviewed by their Head of School. These are then considered alongside market, comparative, and equality data by their Head of College, who is responsible for ensuring consistency and equality of treatment, and for making recommendations regarding proposed remuneration increases reflecting individuals' performances in their College. The Vice-Chancellor considers these recommendations, and then formally reviews, where appropriate revises, and then confirms the proposals at a formal meeting with the Provost and Vice-Principal, thematic Pro-Vice-Chancellors and Heads of College. The Vice-Chancellor then presents the recommendations to the second meeting of the Remuneration Committee for consideration and approval.
3. There is a parallel process for senior professional staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative, market and equality data. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations, determine any changes, and then presents his plan for the remuneration of professional staff to the second meeting of the Remuneration Committee for consideration and approval.
4. Those members of University Executive Board who report directly to the Vice-Chancellor agree a series of collective and individual performance objectives at the start of the year, which are reviewed at least twice during the year. This provides the Vice-Chancellor with an assessment of performance, which, along with market, comparative and other relevant inputs, are used by him to prepare proposals for the remuneration of those staff, which he presents to the second meeting of the Remuneration Committee for consideration and for approval.
5. Remuneration Committee takes into account a range of indicators in considering whether reward proposals for senior staff are justified. These include, but are not limited to:
 - (a) performance in support of the University's strategic objectives in areas such as:
 - (i) teaching (eg, TEF, NSS, student feedback, recruitment and admission, student outcomes and employability, teaching awards, programme leadership etc,)
 - (ii) research (eg, publications, citations, grants, impact, research leadership, major initiatives including with industry and external partners etc,)
 - (iii) management and administration (eg, professorial and academic leadership, service enhancement and delivery, policy development and delivery, income generation, improving performance of School or Service etc,)
 - (iv) leadership of staff (eg, development and performance of staff, quality of hires etc,)
 - (v) partnerships and external relations internationally, nationally and locally (eg, leadership in external networks and communities, external policy work) and,
 - (vi) major initiatives and projects (eg, international campus, capital projects etc,);

Corporate Governance Statement

(continued)

- (b) the size and complexity of the University;
- (c) the level of pay increases for all staff;
- (d) the global nature of the higher education market and issues of recruitment and retention;
- (e) the University's objectives in relation to the diversity of the workforce;
- (f) that some staff are on NHS salaries and reward structures not determined by the University.

6. The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are considered and endorsed by the Remuneration Committee. The Pro-Chancellor undertakes six- and 12-month appraisal discussions with the Vice-Chancellor and obtains feedback from selected individuals both within the University and its external stakeholders and reports these to the Remuneration Committee.

7. The Pro-Chancellor makes a recommendation to the Remuneration Committee's second meeting on the Vice-Chancellor's remuneration, informed by his assessment of the Vice-Chancellor's performance and a range of data and comparative information on the Vice-Chancellor's remuneration. In considering the Pro-Chancellor's recommendation to the Committee and whether it is justified, the Committee reviews a range of data and information on the Vice-Chancellor's remuneration, including:

- (a) the Vice-Chancellor's salary history;
- (b) how the Vice-Chancellor's remuneration compares to that of other vice-chancellors across the Russell Group and the sector more broadly, taking account of the comparative size and complexity of the University and including data collected by the Universities and Colleges Employers Association, the *Times Higher Education Supplement* and the Committee of University Chairs;
- (c) how the Vice-Chancellor's current salary compares to that of other staff at the University. This includes data on the Vice-Chancellor's remuneration (including pension) as a percentage of turnover (0.068% for 2016/17, compared

with 0.126% for the higher education sector). It also includes information on the pay multiples of the Vice-Chancellor's basic salary compared with median earnings of the University's whole staff, of academic staff and of professorial staff. The pay ratio data reported to the Remuneration Committee uses the data methodology devised by the Universities and Colleges Employers Association (UCEA) and widely used in the higher education sector. The Vice-Chancellor's basic salary and performance-related award, increased by 1.3% between 2016/17 and 2017/18.

The OfS recently introduced a methodology for calculating pay ratios which is different to the UCEA methodology. The main differences relate to the inclusion in the OfS methodology of casual staff, including students, and pension contributions. These ratios are disclosed in Note 7 to the Accounts. In future years agency staff will also be included in calculating the pay ratio; this has not been possible this year as sufficient data has not been available.

From 2018/19, reports to the Remuneration Committee will present pay ratio information based on the OfS and UCEA methodologies;

(d) the Vice-Chancellor's and University performance over the review period.

8. Having considered performance for the previous academic year, the decisions of the Remuneration Committee on reward proposals for senior staff, including the Vice-Chancellor, are taken and implemented each October. This means that the remuneration information provided in these Accounts reflects the decisions taken by the Committee in October 2017 (and therefore implemented during the 2017/18 financial year), having considered performance for the 2016/17 academic year.

Corporate Governance Statement

(continued)

9. Having considered the range of factors above and the Pro-Chancellor's appraisal of the Vice-Chancellor's performance for the previous academic year, the Committee concluded in October 2017 that 2016/17 had been another outstanding academic year for the Vice-Chancellor. Under the Vice-Chancellor's leadership during 2016/17, amongst other things:
- (a) financial performance substantially out-performed budget and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was amongst the strongest in the Russell Group (when the impact of the Oxbridge commercial press income was excluded from calculations);
 - (b) there had been enhanced investment in the academic base, key support services and the capital programme;
 - (c) major capital projects had been delivered on time and in budget, with the exception of the Sports Centre where valuable lessons had been learnt;
 - (d) the Dubai campus had been initiated successfully;
 - (e) student recruitment had met or exceeded targets;
 - (f) National Student Satisfaction Survey performance had been strong;
 - (g) the University had been awarded a Gold rating in the 2016/17 Teaching Excellence Framework (TEF) and student satisfaction with the quality of teaching and progression of graduates to highly skilled employment or further study were both commended as 'outstanding';
 - (h) research grant capture had been very strong, at just over £170 million awards against a target of £154 million and a previous record of £145 million;
 - (i) the quality of senior hires, and the number, had risen markedly;
 - (j) the University's vision for the future, Birmingham 2026, had been signed off and would be the overlay to key business decisions; and,
 - (k) the University Executive Board had performed well and had been very effective.

10. The Vice-Chancellor's total remuneration paid in 2017/18 is set out in Note 7 to these Accounts. It is comprised of three elements, base salary; a performance-related payment of up to 20% of salary; and a long-term incentive plan. The Pro-Chancellor proposes targets for payout of the performance-related elements to the Remuneration Committee, which determine the level of award.

11. An annual report is presented from Remuneration Committee to Council on completion of this process on the Committee's work during the year, together with the outcomes.

Annual Declarations Return

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

Outside activities

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

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

Corporate Governance Statement

(continued)

Statement of Internal Control

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Governing Body in Article 7 of the Charter of Incorporation, Section 9 of the Statutes of the University and the Office for Students Terms and conditions of funding for higher education institutions.

The system of internal control is designed to manage rather than eliminate risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. The internal control system has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with Office for Students guidance.

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

- Council meet a minimum of four times a year to consider the plans and strategic direction of the institution.
- Council reviews an annual report on teaching quality and standards (from the Senate which has responsibility for this under the University's legislation) and then signs off an assurance statement on teaching quality and standards as part of its Annual Accountability Return.
- Council receive periodic reports from the Audit Committee concerning internal control, and require regular reports from managers, either directly or through the SPRC, on the steps they are taking to manage strategic risks in their area of responsibility, including progress reports on key projects.
- Council has requested the Audit Committee to provide oversight of the risk management process. This provides a formal reporting and appraisal mechanism, in addition to the reports noted above.
- The Audit Committee receives regular reports from the Head of Internal Audit, which include an independent opinion on the adequacy and effectiveness of the institution's systems of governance, risk management and internal control, together with recommendations for improvement.
- A risk management process has been established that includes a risk register which is fully aligned to the University's strategic goals set out in the University's strategic framework, which was approved by Council in 2015. Heads of Budget Centres seek to manage the risks in their own areas and embed this within their normal management processes. Audit Committee receives presentations, on a cyclical basis, from the Heads of College on their risk registers to supplement the work of Internal Audit in relation to effectiveness of risk management.
- A system of key performance indicators has been developed for the risks contained in the risk register, and residual risks are monitored against these regularly by UEB, SPRC and Council.
- Regular formal reviews take place to identify and, where necessary, revise and update the record of risks facing the institution.
- Reports are received from budget holders, department heads and project managers on internal control activities via committees of Council.
- A framework is in place to raise the profile of significant risks throughout the institution in a timely manner outside of the normal risk management cycle.
- Systematic and comprehensive independent peer reviews of Schools and Professional Services have been introduced for UEB aimed at enhancing performance in line with the strategic framework.
- All major investment projects undertaken by the University are subject to rigorous governance procedures, including objective post-investment learning reviews.

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

Responsibilities of the Council

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

In preparation of the financial statements, the University Council has to ensure that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;

- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- It is satisfied that the University has adequate resources to continue in operation for the foreseeable future; and
- The going concern basis is appropriate for the preparation of the financial statements.

The University Council has taken reasonable steps to:

- Ensure that funds from HEFCE and the OfS are used only for the purposes for which they have been given and in accordance with the terms and conditions set by these bodies;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and to prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University's resources and expenditure.

Ed Smith CBE

Pro-Chancellor

28 November 2018



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

Opinion

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

- Give a true and fair view of the state of the group's and the University's affairs as at 31 July 2018 and of the group's and the University's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements, which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- The Council of Members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The Council of Members' has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the University's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

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

(continued)

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

We have nothing to report in respect of these matters.

Responsibilities of the Council of Members

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

In preparing the financial statements, the Council of Members is responsible for assessing the group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council of Members either intends to liquidate the group or the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

In our opinion, in all material respects:

- Funds from whatever source administered by the University for specific purposes during the year ended 31 July 2018 have been applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by the OfS and Research England have been applied in accordance with the terms and conditions of the Accounts Direction and any other terms and conditions attached to them during the year ended 31 July 2018; and
- The requirements of the OfS's accounts direction have been met.

Use of our report

This report is made solely to the Council of Members in accordance with the charter and statutes of the University and the Accounts Direction issued by the Office for Students dated 19 June 2018. Our audit work has been undertaken so that we might state to the Council of Members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor
St Albans, United Kingdom

28 November 2018

Statement of Accounting Policies

Year Ended 31 July 2018

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: Accounting for Further and Higher Education and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. Information regarding the legal status and principal place of the business of the University is referred to on page 19. The financial statements are prepared in accordance with the historical cost convention, modified for the revaluation of certain fixed assets, derivative financial instruments and certain fixed asset investments. The University has taken advantage of an exemption in FRS 102; from preparing a statement of cash flows for the University, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the University's cash flows.

2. Going concern

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

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

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

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

3. Basis of consolidation

The consolidated financial statements combine the financial statements of the University and its subsidiary undertakings, all of which have 31 July year ends, except the University of Birmingham School with its financial year end being 31 August and Guangzhou ABC Education Information Consultancy Limited, which has its financial year end at 31 December. Intra-group transactions are eliminated on consolidation.

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

4. Income recognition

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

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

Grant funding

Grant funding including HEFCE and OfS block grant, research grants from government sources and grants (including research grants) from non-governmental sources are recognised as income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as conditions are met.

Statement of Accounting Policies (continued)

Year Ended 31 July 2018

Donations and endowments

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

The University holds the following types of donations:

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

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

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

Capital grants

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

5. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and for support staff the Group Personal Pension Scheme (GPPS). The University also operates the University of Birmingham Pension and Assurance Scheme (BPAS) for some support staff, which was closed to new members in 2002. Both the USS and BPAS schemes are defined benefit schemes. The GPPS is a defined contribution pension scheme. The University additionally participates in the NHS pension scheme (NHSPS). The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities of each University due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. Please refer to Note 19 for greater detail regarding USS deficit. The NHSPS is accounted for as if it were a defined contribution scheme.

Defined benefit plans

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

Statement of Accounting Policies (continued)

Year Ended 31 July 2018

Defined contribution plans

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

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

6. Employment benefits

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

7. Leases

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

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

8. Foreign currency

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

9. Tangible fixed assets

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

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

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

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

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

10. Heritage assets

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

Statement of Accounting Policies (continued)

Year Ended 31 July 2018

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

11. Intangible assets

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

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

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

12. Investments

Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

13. Investment properties

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

14. Stock

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

15. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible (within 90 days) to known amounts of cash with insignificant risk of change in value.

16. Provisions

Provisions are recognised in the financial statements when:

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

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

17. Taxation

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

Statement of Accounting Policies (continued)

Year Ended 31 July 2018

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

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

18. Financial instruments

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

(a) Financial assets and liabilities

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

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

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

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

(b) Investments

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

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

Statement of Accounting Policies (continued)

Year Ended 31 July 2018

(c) Derivative financial instruments

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

(d) Fair value measurement

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

19. Impairment of assets

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

Non-financial assets

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

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

20. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

21. Agency arrangements

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

22. Critical accounting judgements and key sources of estimation uncertainty

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

Statement of Accounting Policies (continued)

Year Ended 31 July 2018

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

There are two significant judgements that have been identified:

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

There are two key sources of estimation uncertainty that are shown below:

- (1) Assumptions underlying the calculation of the BPAS pension deficit liability have been informed by independent actuarial assessment. The brought forward provision was a liability of £45.8 million. At 31 July 2018, there was a liability of £29.4 million. The liability reflects payments made towards the liability and changes in assumptions during the year. Further details are shown in Note 19.
- (2) Assumptions relating to USS provisions. In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision are included in note 19 to the financial statements. In calculating the University's USS pension liability of £63.8 million, we have used for the current year a discount rate of 2.17% in line with higher education sector norms, (2016/17: 1.86%) and salary inflation growth at 2.5% (2016/17: 2.5%) over the Recovery Plan

period, with assumed staff number increases of 4%, 3%, 2% and 1% over the next four years. The salary inflation and staff increases are based on the University's budget and forecasts. A 1% decrease in the discount rate results in an increase of the USS provision of £4.7 million, while an increase of 1% results in a £4.3 million decrease in the provision.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risks that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £63.8 million (assuming the same discount rate of 2.17%).

The impact of the 1% increase in the deficit contribution rate results in an increase in the liability of £30.3 million while a 6% deficit contribution rate leads to an increase of £118.4 million in the liability.

Consolidated and University Statements of Comprehensive Income and Expenditure

Year Ended 31 July 2018

		Year ended 31 July 2018		Year ended 31 July 2017	
	Notes	Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	324,802	324,802	305,072	305,072
Funding body grants	2	83,063	83,063	78,680	78,680
Research grants and contracts	3	134,237	134,237	124,031	124,031
Other income	4	121,531	114,577	120,278	114,179
Investment income	5	10,502	10,491	6,319	6,543
Total income before endowments and donations		674,135	667,170	634,380	628,505
Donations and endowments	6	6,665	6,665	7,110	7,110
Total income		680,800	673,835	641,490	635,615
Expenditure					
Staff costs	7	354,630	349,939	320,664	316,993
Other operating expenses		242,357	242,183	219,639	217,895
Depreciation	12	62,316	59,898	57,505	56,187
Interest and other finance costs	8	11,151	11,151	6,177	6,177
Total expenditure	9	670,454	663,171	603,985	597,252
Surplus before other gains and losses		10,346	10,664	37,505	38,363
Gain on investments	13	5,102	5,102	8,216	7,656
Surplus before tax		15,448	15,766	45,721	46,019
Corporation Tax	10	-	-	(108)	-
Surplus after taxation		15,448	15,766	45,613	46,019

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

Year Ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Surplus after taxation		15,448	15,766	45,613	46,019
Actuarial gain in respect of pension schemes	26	14,072	14,072	51,500	51,500
Total comprehensive income for the year		29,520	29,838	97,113	97,519
Represented by:					
Endowment comprehensive income for the year		7,768	7,768	8,731	8,731
Restricted comprehensive income for the year		16	16	1,568	1,568
Unrestricted comprehensive income for the year		21,736	22,054	86,814	87,220
Total comprehensive income for the year		29,520	29,838	97,113	97,519

Consolidated and University Statements of Changes in Reserves

Year ended 31 July 2018

Consolidated	Income and Expenditure account			Total excluding Non-Controlling	Non- Controlling	Total
	Endowment	Restricted	Unrestricted	Interest	Interest	
	£'000	£'000	£'000	£'000	£'000	
Balance at 1 August 2016	103,826	13,083	1,052,802	1,169,711	2,997	1,172,708
Surplus from the Statement of Comprehensive Income	11,944	3,524	29,824	45,292	321	45,613
Other comprehensive income	-	-	51,500	51,500	-	51,500
Release of restricted funds spent in year	(3,213)	(1,956)	5,169	-	-	-
Total Comprehensive Income for the year	8,731	1,568	86,493	96,792	321	97,113
Other movements	-	-	(8,968)	(8,968)	-	(8,968)
Balance at 31 July 2017	112,557	14,651	1,130,327	1,257,535	3,318	1,260,853
Surplus from the Statement of Comprehensive Income	11,791	1,268	2,389	15,448	-	15,448
Other comprehensive income	-	-	14,072	14,072	-	14,072
Release of restricted funds spent in year	(4,023)	(1,252)	5,275	-	-	-
Total Comprehensive Income for the year	7,768	16	21,736	29,520	-	29,520
Transactions with non-controlling interest	-	-	1,015	1,015	(3,318)	(2,303)
Balance at 31 July 2018	120,325	14,667	1,153,078	1,288,070	-	1,288,070

Consolidated and University Statements of Changes in Reserves (continued)

Year ended 31 July 2018

University	Income and Expenditure account			Total excluding Non-Controlling Interest	Non- Controlling Interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	103,826	13,083	1,020,046	1,136,955	-	1,136,955
Surplus from the Statement of Comprehensive Income	11,944	3,524	30,551	46,019	-	46,019
Other comprehensive income	-	-	51,500	51,500	-	51,500
Release of restricted funds spent in year	(3,213)	(1,956)	5,169	-	-	-
Total Comprehensive Income for the year	8,731	1,568	87,220	97,519	-	97,519
Other movements	-	-	(6,832)	(6,832)	-	(6,832)
Balance at 31 July 2017	112,557	14,651	1,100,434	1,227,642	-	1,227,642
Surplus from the Statement of Comprehensive Income	11,791	1,268	2,707	15,766	-	15,766
Other comprehensive income	-	-	14,072	14,072	-	14,072
Release of restricted funds spent in year	(4,023)	(1,252)	5,275	-	-	-
Other movements	-	-	-	-	-	-
Total Comprehensive Income for the year	7,768	16	22,054	29,838	-	29,837
Balance at 31 July 2018	120,325	14,667	1,122,488	1,257,480	-	1,257,480

Consolidated and University Balance Sheets

Year ended 31 July 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11	20,268	20,268	7,052	7,052
Fixed assets	12	1,301,486	1,267,710	1,183,996	1,156,163
Heritage assets		364	364	364	364
Investments	13	332,126	337,596	138,770	135,958
		1,654,244	1,625,938	1,330,182	1,299,537
Current assets					
Stocks for resale		384	376	259	259
Trade and other receivables	14	76,558	77,203	69,096	68,854
Investments	15	-	-	5,000	5,000
Cash and cash equivalents		122,670	117,383	209,037	203,950
		199,612	194,962	283,392	278,063
Creditors: amounts falling due within one year	16	(189,779)	(187,413)	(182,566)	(179,803)
Net current assets		9,833	7,549	100,826	98,260
Total assets less current liabilities		1,664,077	1,633,487	1,431,008	1,397,797
Creditors: amounts falling due after more than one year	17	(282,816)	(282,816)	(64,459)	(64,459)
Pension provisions	19	(93,191)	(93,191)	(105,696)	(105,696)
Total net assets		1,288,070	1,257,480	1,260,853	1,227,642

Consolidated and University Balance Sheets (continued)

Year ended 31 July 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Restricted reserves					
Income and expenditure reserve – endowment reserves	21	120,325	120,325	112,557	112,557
Income and expenditure reserve – restricted	22	14,667	14,667	14,651	14,651
Unrestricted reserves					
Income and expenditure reserve		1,153,078	1,122,488	1,130,327	1,100,434
		1,288,070	1,257,480	1,257,535	1,227,642
Non-controlling interest		-	-	3,318	-
Total reserves		1,288,070	1,257,480	1,260,853	1,227,642

The financial statements were approved by Council on 28 November 2018 and were signed on its behalf on that date by:

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

■ **Mrs Caragh Merrick, Treasurer**

Consolidated Cash Flow Statement

Year ended 31 July 2018

		Year Ended	Year Ended
	<i>Notes</i>	31 July 2018	31 July 2017
		£'000	£'000
Cash flow from operating activities			
Surplus for the year		15,448	45,613
Adjustment for non-cash items			
Depreciation	12	62,316	57,505
Gain on investments	13	(5,102)	(8,216)
Increase in stock		(125)	(26)
(Increase)/decrease in debtors	14	(9,927)	2,632
Increase in creditors	16	7,375	16,631
Increase in long-term Creditors		22,086	-
Increase/(decrease) in pension provision		1,567	(522)
Adjustment for investing or financing activities			
Investment income	5	(10,502)	(6,319)
Interest payable	8	8,134	3,139
Endowment income		(3,255)	(1,282)
Loss/(Profit) on the sale of fixed assets		2,843	(526)
Capital grant income		(15,486)	(14,634)
Net cash inflow from operating activities		75,372	93,995
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	3,163
Capital grants receipts		15,486	14,634
Disposal of non-current asset investments	13	16,159	42,674
Withdrawal of deposits	15	5,000	15,000
Investment income		10,502	6,319
Payments made to acquire fixed assets	11, 12	(195,865)	(102,071)
New non-current asset investments	13	(204,413)	(25,404)
Net cash (outflow) from investing activities		(353,131)	(45,685)

Consolidated Cash Flow Statement (continued)

Year ended 31 July 2018

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£'000	£'000
Cash flows from financing activities		
Interest paid	(8,134)	(3,139)
Endowment cash received	3,255	1,282
New unsecured loans	200,000	-
Repayments of amounts borrowed	(3,729)	(2,536)
Net cash inflow/(outflow) from financing activities	191,392	(4,393)
(Decrease)/Increase in cash and cash equivalents in the year	(86,367)	43,917
Cash and cash equivalents at beginning of the year	209,037	165,120
Cash and cash equivalents at end of the year	122,670	209,037

Notes to the Accounts

For the Year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Undergraduate tuition – home and EU students	164,427	164,427	159,595	159,595
Undergraduate tuition – other students	49,037	49,037	42,653	42,653
Postgraduate tuition – home and EU students	32,482	32,482	31,522	31,522
Postgraduate tuition – other students	65,789	65,789	60,791	60,791
Other courses	6,341	6,341	5,499	5,499
Research, training and support grants	6,726	6,726	5,012	5,012
	324,802	324,802	305,072	305,072
2. Funding body grants				
Recurrent grant:				
Higher Education Funding Council	47,629	47,629	68,744	68,744
Office for Students	6,879	6,879	-	-
Research England	13,950	13,950	-	-
HEFCE Capital grant	9,006	9,006	5,672	5,672
Specific grants:				
Higher Education Innovation Fund	3,350	3,350	3,350	3,350
National College for Teaching and Leadership	46	46	98	98
HEFCE other	2,055	2,055	816	816
Office for Students Other	20	20	-	-
Research England	128	128	-	-
	83,063	83,063	78,680	78,680
In the year, HEFCE was dissolved and replaced by OfS and Research England as the primary funders				
3. Research grants and contracts				
Research Councils	43,756	43,756	40,551	40,551
UK-based charities	24,265	24,265	23,391	23,391
UK Central/Local Government, Health and Hospital Authorities	27,504	27,504	26,051	26,051
UK industry, commerce and public corporations	9,457	9,457	6,481	6,481
EU government bodies	17,384	17,384	17,546	17,546
EU other	2,475	2,475	2,084	2,084
Other overseas	8,717	8,717	7,178	7,178
Other sources	679	679	749	749
	134,237	134,237	124,031	124,031

Notes to the Accounts (continued)

For the Year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
4. Other income				
Residences, catering and conferences	46,264	46,185	43,395	43,395
Other services rendered	9,046	6,861	9,166	6,830
Health Authority-funded external posts	15,541	15,541	13,613	13,613
Self-Financing Activities	4,577	4,577	3,887	3,887
Other capital grants	4,506	-	6,017	2,808
Student Support	8,736	8,736	8,537	8,537
Sport	5,812	5,812	3,652	3,652
External funding	3,372	3,372	4,185	4,185
Day nursery and health centre	2,818	2,818	2,808	2,808
Rental properties and University Centre lettings	1,160	1,160	1,174	1,174
Barber Trust Grant	1,103	1,103	1,160	1,160
VAT refund	1,642	1,642	1,694	1,694
Other income	16,954	16,770	20,990	20,436
	121,531	114,577	120,278	114,179
5. Investment income				
Investment income on endowments	3,961	3,961	3,132	3,132
Other investment income	6,541	6,530	3,187	3,411
	10,502	10,491	6,319	6,543
6. Donations and endowments				
Capital grants	1,974	1,974	2,945	2,945
New endowments	3,255	3,255	1,282	1,282
Donations with restrictions	1,315	1,315	2,610	2,610
Unrestricted donations	121	121	273	273
	6,665	6,665	7,110	7,110

Notes to the Accounts (continued)

For the Year ended 31 July 2018

7. Staff costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	280,125	276,146	254,197	251,174
Social security costs	27,849	27,521	25,425	25,166
Movement on USS pension provision	6,928	6,928	3,479	3,479
Other pension costs	39,728	39,344	37,563	37,174
Total	354,630	349,939	320,664	316,993

No payments were made in respect of compensation for loss of office to a senior post-holder in 2017/18 (2016/17: Nil).

Compensation for loss of office (including voluntary severance) of £1.8m was paid in 2017/18 (2016/17: £1.4m) and this number relates to 67 employees (2016/17: 65).

	2018	2017
	£'000	£'000
Emoluments of the Vice-Chancellor:		
Salary	386	386
Performance-related award	55	50
Taxable benefit	3	3
	444	439

The Vice-Chancellor's basic salary is 10.8 times (2016/17: 10.9 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice-Chancellor's total remuneration is 11.9 times (2016/17: 11.9 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

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

A long-term incentive plan is in place for the Vice-Chancellor for an initial period of four years commencing 2015/16. Any reward under that plan is contingent on the Vice-Chancellor meeting specific objectives in each of the four years of the term and still being in post at the end of the term. If these tests are met, the total maximum value of the incentive plan is £80,000.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
Staff full-time equivalents (FTE) numbers by major category:	FTE	FTE	FTE	FTE
Academic, Clinical Academic and Administrative	5,075	5,014	4,540	4,504
Other, including Technical, Clerical and Manual	2,195	2,154	2,098	2,078
	7,270	7,168	6,638	6,582

Trustees

The total expenses paid to or on behalf of five (2016/17: six) Council members was £3,456 (2016/17: £3,635). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity as Council members. No payments and other benefits have been received by Council members, in respect of their services.

Key management personnel

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

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

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Key management personnel remuneration	2,544	2,398

Remuneration of higher paid staff (including members of UEB) accounted for in the Comprehensive Statement of Income and Expenditure is set out overleaf.

A number of staff are on NHS contracts not determined by the University. Amounts paid on behalf of the NHS are excluded from the remuneration of the relevant staff.

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

Notes to the Accounts (continued)

For the Year ended 31 July 2018

	Year ended 31 July 2018	Year ended 31 July 2017
	No.	No.
£100,000.00 to £104,999.99	19	32
£105,000.00 to £109,999.99	19	12
£110,000.00 to £114,999.99	16	5
£115,000.00 to £119,999.99	8	11
£120,000.00 to £124,999.99	7	5
£125,000.00 to £129,999.99	3	4
£130,000.00 to £134,999.99	7	5
£135,000.00 to £139,999.99	3	5
£140,000.00 to £144,999.99	6	5
£145,000.00 to £149,999.99	2	3
£150,000.00 to £154,999.99	3	2
£155,000.00 to £159,999.99	6	1
£160,000.00 to £165,999.99	1	1
£165,000.00 to £169,999.99	-	1
£170,000.00 to £174,999.99	1	-
£175,000.00 to £179,999.99	1	1
£180,000.00 to £184,999.99	1	-
£185,000.00 to £189,999.99	-	-
£190,000.00 to £194,999.99	-	-
£195,000.00 to £199,999.99	-	-
£200,000.00 to £204,999.99	-	-
£205,000.00 to £209,999.99	1	-
£210,000.00 to £214,999.99	1	1
£215,000.00 to £219,999.99	-	-
£220,000.00 to £224,999.99	-	-
£225,000.00 to £229,999.99	-	-
£230,000.00 to £234,999.99	1	1
£235,000.00 to £239,999.99	-	-
£240,000.00 to £244,999.99	-	1
£245,000.00 to £249,999.99	-	-
£250,000.00 to £254,999.99	1	1
£255,000.00 to £259,999.99	-	-
£260,000.00 to £264,999.99	-	-
£265,000.00 to £269,999.99	1	-
	108	97

Notes to the Accounts (continued)

For the Year ended 31 July 2018

8. Interest and other finance costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loan interest	7,471	7,471	2,474	2,474
Swap interest	663	663	665	665
BPAS interest charge	1,000	1,000	2,000	2,000
USS interest charge	1,114	1,114	1,038	1,038
Investment fees	903	903	-	-
	11,151	11,151	6,177	6,177

9. Analysis of total expenditure by activity

Academic and related expenditure	297,657	297,657	264,831	264,831
Administration and central services	131,813	127,302	124,097	119,540
Premises	74,744	72,325	67,021	66,858
Residences, catering and conferences	35,644	35,644	31,948	31,948
Research grants and contracts	105,011	105,011	97,022	97,022
Other operating expenses	25,585	25,232	19,066	17,053
	670,454	663,171	603,985	597,252

Other operating expenses include:

External auditor's remuneration in respect of audit services	172	136	106	83
External auditor's remuneration in respect of non-audit services	203	203	307	307
Leases payments	2,029	2,029	1,078	1,078

Notes to the Accounts (continued)

For the Year ended 31 July 2018

10. Taxation

	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2017 Consolidated £'000
Recognised in the statement of comprehensive income		
Current tax		
UK Corporation Tax at 20.67%		
Subsidiary companies	-	110
Research and Development Credit	-	-
Tax expense	-	110
Deferred tax		
Origination and reversal of timing differences	-	(2)
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Deferred tax expense	-	(2)
Total tax expense	-	108

Notes to the Accounts (continued)

For the Year ended 31 July 2018

11. Intangible assets

	Assets in the course of construction	Total
Consolidated and University	£'000	£'000
Cost as at 1 August 2017	7,052	7,052
Additions	13,216	13,216
At 31 July 2018	20,268	20,268

Intangible assets represent costs incurred in relation to the New Core system, which is redesigning core Finance, HR, Payroll, and Research Grant Management processes through a cloud-based system. It will provide all staff with a new online system for more robust management, tracking and reporting of personal, project and team tasks and requests. No amortisation has been charged in the year as the system remains in the build phase.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

12. Fixed assets	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	Total
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 August 2017	1,013,812	129,680	64,885	58,347	47,121	1,313,845
Additions	49,909	-	30,757	32,213	69,770	182,649
Transfers	34,214	-	-	-	(34,214)	-
Other movements	6,730	(6,730)	-	-	-	-
Disposals	(3,031)	-	-	(19,089)	-	(22,120)
At 31 July 2018	1,101,634	122,950	95,642	71,471	82,677	1,474,374
Depreciation						
At 1 August 2017	65,908	12,233	13,435	38,273	-	129,849
Charge for the year	27,086	3,733	9,564	21,933	-	62,316
Other movements	663	(663)	-	-	-	-
Disposals	(188)	-	-	(19,089)	-	(19,277)
At 31 July 2018	93,469	15,303	22,999	41,117	-	172,888
Net book value						
At 31 July 2018	1,008,165	107,647	72,643	30,354	82,677	1,301,486
At 31 July 2017	947,904	117,447	51,450	20,074	47,121	1,183,996

At 31 July 2018, freehold land and buildings included £189.9m (2017: £191.1m) in respect of freehold land which is not depreciated.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

12. Fixed assets (continued)	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	Total
University	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 August 2017	984,373	129,680	64,885	57,875	47,121	1,283,934
Additions	47,460	-	30,757	26,302	69,769	174,288
Transfers	34,214	-	-	-	(34,214)	-
Other movements	6,730	(6,730)				
Disposals	(3,031)	-	-	(19,089)	-	(22,120)
At 31 July 2018	1,069,746	122,950	95,642	65,088	82,676	1,436,102
Depreciation						
At 1 August 2017	64,218	12,233	13,435	37,885	-	127,771
Charge for the year	24,695	3,733	9,564	21,906	-	59,898
Other movements	663	(663)	-	-	-	-
Disposals	(188)	-	-	(19,089)	-	(19,277)
As at 31 July 2018	89,388	15,303	22,999	40,702	-	168,392
Net book value						
At 31 July 2018	980,358	107,647	72,643	24,386	82,676	1,267,710
At 31 July 2017	920,155	117,447	51,450	19,990	47,121	1,156,163

At 31 July 2018, freehold land and buildings included £189.9m (2016: £191.1m) in respect of freehold land which is not depreciated.

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

Exchequer funded assets

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

Notes to the Accounts (continued)

For the Year ended 31 July 2018

13. Non-current investments

	Subsidiary companies	Subsidiary investment in spinouts	Other non- current asset investments	Endowment asset investments	Total
Consolidated	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	-	1,298	31,646	105,826	138,770
Additions	-	317	203,000	1,096	204,413
Disposals	-	(180)	(15,979)	-	(16,159)
Revaluation	-	-	527	4,575	5,102
At 31 July 2018	-	1,435	219,194	111,497	332,126
University					
At 1 August 2017	3,192	1,298	25,642	105,826	135,958
Additions	2,303	317	203,000	1,096	206,716
Disposals	-	(180)	(10,000)	-	(10,180)
Revaluation	-	-	527	4,575	5,102
At 31 July 2018	5,495	1,435	219,169	111,497	337,596

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

In the year, a share conversion with market value of £20.5m took place to convert shares in the Absolute Return Fund from share class 'C' Accumulation to share class 'C' Income. The purpose of the share conversion was to redirect income distributions to the University instead of reinvestment within the Absolute Return Fund. This has not been reflected as a disposal and a new investment in the table above due to the change being a conversion rather than a sale and purchase of share class units.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

14. Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Loans	535	535	-	-
Research Grant receivables	42,146	42,146	31,870	31,870
Other trade receivables	11,683	10,808	12,801	12,154
Other receivables	1,526	1,431	1,331	1,303
Prepayments and accrued income	20,332	21,744	22,379	22,143
Amounts due from subsidiary companies	-	203	-	669
	76,222	76,867	68,381	68,139
Amounts falling due after one year:				
Other debtors and prepayments	336	336	715	715
	76,558	77,203	69,096	68,854

15. Current asset investments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short-term deposits	-	-	5,000	5,000

Current asset investments were deposits held with banks and other organisations licensed by the Financial Services Authority with more than three months maturity from the date of acquisition and have matured during the year. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

16. Creditors: amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research grants and contracts in advance	83,047	83,047	80,605	80,605
Corporation Tax	-	-	39	-
Unsecured loans	4,519	4,519	4,681	4,681
Trade creditors	16,102	15,839	15,426	14,908
Social security and other taxation payable	9,243	9,130	8,495	8,356
Accruals	33,828	33,620	23,482	23,113
Deferred income	19,852	19,403	23,585	22,633
Derivatives	2,414	2,414	3,275	3,275
Other creditors	20,774	19,250	22,978	21,727
Amounts due from subsidiary companies	-	191	-	505
	189,779	187,413	182,566	179,803

Deferred income

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Grant income	-	-	2,720	2,270
Other income	19,852	19,403	20,865	20,363
Total deferred income	19,852	19,403	23,585	22,633

Notes to the Accounts (continued)

For the Year ended 31 July 2018

17. Creditors: amounts falling due after more than one year	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research Grants and contracts in advance	22,086	22,086	-	-
Unsecured loans	260,730	260,730	64,459	64,459
	282,816	282,816	64,459	64,459
Analysis of unsecured loans:				
Due within one year or on demand	4,519	4,519	4,681	4,681
Due between one and two years	4,738	4,738	4,492	4,492
Due between two and five years	11,929	11,929	12,154	12,154
Due in five years or more	244,063	244,063	47,813	47,813
Due after more than one year	260,730	260,730	64,459	64,459
Total secured and unsecured loans	265,249	265,249	69,140	69,140

Included in loans are the following:

Lender	Amount £'000	Maturity	Interest rate %	Borrower
Private Placement – Barings	30,000	2042/23	2.64	University
Private Placement – M&G	20,000	2044/45	2.67	University
Private Placement – BAE	40,000	2050/51	2.58	University
Private Placement – Aviva	20,000	2057/58	2.51	University
Private Placement – PIC	90,000	2057/58	2.51	University
European Investment Bank	50,250	2034/35	4.04	University
European Investment Bank	12,563	2034/35	LIBOR+1.401	University
HEFCE Revolving Green Fund	2,436	2022/23	Nil	University
Total	265,249			

Notes to the Accounts (continued)

For the Year ended 31 July 2018

18. Financial instruments

	Notes	2017/18		2016/17	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000

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

Financial assets

Measured at fair value through income and expenditure					
Investments in common investment funds	13	334,766	334,766	128,193	128,193
Debt instruments measured at amortised cost					
Long-term loans receivable	14	336	336	715	715
Measured at undiscounted amount receivable					
Trade and other receivables	14	55,890	55,123	46,002	45,996
Equity instruments measured at cost less impairment					
Non-current asset investments in utilised equity instruments	13	4,360	9,831	10,577	7,765
		395,352	400,056	185,487	182,669

Financial liabilities

Measured at fair value through income and expenditure					
Derivative financial liabilities	16	2,414	2,414	3,275	3,275
Loans payable		200,000	200,000	-	-
Measured at amortised cost					
Loans payable	17	65,249	65,249	69,140	69,140
Measured at undiscounted amount payable					
Trade and other creditors		48,196	47,916	61,886	60,253
		315,859	315,579	134,301	132,668

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

Notes to the Accounts (continued)

For the Year ended 31 July 2018

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

	Notes	2017/18		2016/17	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Financial liabilities					
Interest income and (expense)					
Total interest income for financial assets at amortised costs	5	10,502	10,491	6,319	6,543
Total interest expense for financial liabilities at amortised cost	8	(8,134)	(8,134)	(3,139)	(3,139)
		2,368	2,357	3,180	3,404
Fair value gains and (losses)					
On financial assets measured at fair value through income and expenditure	13	5,102	5,102	8,216	7,656
On derivative financial liabilities		862	862	970	970
On Liquid Funds	8	(903)	(903)	--	
		5,061	5,061	9,186	8,626

Notes to the Accounts (continued)

For the Year ended 31 July 2018

19. Provisions	Obligation to fund deficit on USS Pension	Defined Benefit Obligations on BPAS Pension	Total Pensions Provision
Consolidated and University	£'000	£'000	£'000
At 1 August 2017	59,896	45,800	105,696
Charged to income and expenditure	8,043	4,100	12,143
Credited to comprehensive income	-	(14,072)	(14,072)
Utilised	(4,176)	(6,400)	(10,576)
At 31 July 2018	63,763	29,428	93,191

USS Pension

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision, which will be utilised by 2031. The USS 2017 valuation is currently underway. The USS accounts for year ended 31 March 2018 identified an estimated deficit of £12.1bn. At the last triennial valuation in 2014 the deficit was £5.3bn. Discussions between employers and USS are underway to finalise the 2017 actuarial valuation and to revise the current benefit structure.

BPAS Pension

The University operates the University of Birmingham Pension and Assurance Scheme (BPAS) for the University's qualifying support staff. The scheme is a funded scheme. The latest actuarial valuation of the scheme was at the 31 March 2016 and revealed a funding shortfall. The Trustees have put a Recovery Plan in place to address the deficit. The next BPAS valuation date is 31 March 2019.

20. Events after the Reporting Period

Following a High Court judgment after the balance sheet date in October 2018, it is understood that the BPAS defined benefit pension scheme will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension provisions. The method of equalisation may ultimately increase the University's pension liabilities in respect of the BPAS Pension Fund and, in so doing, increase the pension deficit carried on the balance sheet. As both the final legal position and the method of equalisation are still unclear, it is not currently possible to estimate the amount of any potential increase in pension liabilities with any degree of certainty.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

21. Endowment reserves (restricted)

Consolidated and University	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2017					
Capital	68,675	32,007	7,302	107,984	100,461
Accumulated income	4,304	-	269	4,573	3,365
	72,979	32,007	7,571	112,557	103,826
New endowments	370	-	2,885	3,255	1,282
Investment income	3,226	541	194	3,961	3,132
Expenditure	(1,913)	(541)	(1,569)	(4,023)	(3,213)
Increase in market value of investments	3,143	1,103	329	4,575	7,530
Total endowment comprehensive income for the year	4,826	1,103	1,839	7,768	8,731
At 31 July 2018	77,805	33,110	9,410	120,325	112,557
Represented by:					
Capital	72,188	33,110	7,926	113,224	107,984
Accumulated income	5,617	-	1,484	7,101	4,573
	77,805	33,110	9,410	120,325	112,557
Analysis by type of purpose:					
Lectureships	9,935	362	2,600	12,897	12,265
Scholarships and bursaries	23,998	7,882	2,041	33,921	32,464
Research support	6,613	2,847	3	9,463	9,046
Prize Funds	21,860	424	1,229	23,513	2,908
Funded posts	1,578	1,432	44	3,054	22,512
General	13,821	20,163	3,493	37,477	33,362
	77,805	33,110	9,410	120,325	112,557
Analysis by asset					
Non-current asset investments				111,497	105,826
Cash and cash equivalents				8,828	6,731
				120,325	112,557

Notes to the Accounts (continued)

For the Year ended 31 July 2018

21. Endowment reserves (restricted) (continued)

	Consolidated and University 2018 Total £'000	Consolidated and University 2017 Total £'000
Endowment reserves		
Represented by:		
Equities	74,904	70,718
Fixed interest securities and bonds	21,182	20,704
Property	15,411	14,404
Cash and cash equivalents	8,828	6,731
	120,325	112,557

22. Restricted reserves

Consolidated and University

	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017	14,651	13,083
Income	1,277	3,619
Expenditure	(1,252)	(1,956)
Transfer from unrestricted reserves	(9)	(95)
Total restricted comprehensive income for the year	16	1,568
At 31 July 2018	14,667	14,651

	2018 Total £'000	2017 Total £'000
Analysis of other restricted funds by type of purpose:	£'000	£'000
Lectureships	25	66
Scholarships and bursaries	283	193
Research support	1,441	1,478
Prize funds	13	15
Funded posts	199	227
General	12,706	12,672
	14,667	14,651

Notes to the Accounts (continued)

For the Year ended 31 July 2018

23. Capital and other commitments

Provision has not been made for the following capital commitments:

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	68,891	68,891	91,159	91,159

Within commitments £1.6m relates to intangible assets (2016/17: £10.2m)

24. Subsidiary undertakings

The subsidiaries are all wholly owned or effectively controlled by the University and incorporated in and operate in Great Britain, other than Alta Birmingham China Limited, which is incorporated in the UK but operates in the UK and China and Guangzhou ABC Education Information consultancy Limited which is incorporated in China and is a 100% subsidiary of Alta Birmingham China Limited.

During the year, Birmingham City Council agreed to sell its shares in Birmingham Research Park Limited to the University. The sale was completed in December 2017. Birmingham Research Park Limited is now a wholly owned subsidiary of the University.

During the year, the University set up a hotel and conference business as a wholly owned subsidiary called the Edgbaston Park Hotel and Conference Limited. Trading commenced on 1 July 2018.

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

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

Notes to the Accounts (continued)

For the Year ended 31 July 2018

25. Connected charitable institutions

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

	Opening balance	Income	Expenditure	Revaluation	Closing balance
	£'000	£'000	£'000	£'000	£'000
Consolidated					
University of Birmingham Selly Oak Endowment Trust (UoBSOET)	8,791	26	(247)	(2,183)	6,387

Not consolidated

Included within the balance sheet, held in endowments assets, is £2.5m (2016/17: £2.5m), which represents the University's shareholding via the Samuel Hanson Rowbotham Trust, which holds a minority shareholding of Waterloo House, a private limited company.

The University has strong links with the Henry Barber Trust, which is a separate registered charity incorporated under the Charitable Trustees Incorporation Act of 1872. The Barber Institute of Fine Arts, which is owned by the Henry Barber Trust, is hosted in the University of Birmingham's site and holds one of the finest small collections of European art in the United Kingdom.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

26. Pension schemes

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

The total pension-related costs included in the Consolidated Statement of Comprehensive Income are analysed as:

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
USS	31,619	28,786
BPAS	2,100	3,200
Other pension schemes (GPPS and NHS)	6,009	5,577
Movement on USS Provision	6,928	3,479
Pension costs included in staff costs (note 7)	46,656	41,042
Interest cost – BPAS	1,000	2,000
Interest cost – USS	1,114	1,038
Pension costs included in interest costs (note 8)	2,114	3,038
BPAS actuarial gain included in comprehensive income	(14,072)	(51,500)
Total pension costs included in comprehensive income	34,698	(7,420)

(i) The Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary.

The total cost charged to staff costs is £38m (2017: £32m), comprising £32m regular contributions (2017: £29m) and £7m movement in the provision for recovery plan commitments (2017: £3m).

Notes to the Accounts (continued)

For the Year ended 31 July 2018

26. Pension schemes (continued)

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 latest complete actuarial valuation of the Scheme is 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 but not yet completed.

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 £41.6bn and the value of the scheme's liabilities based on the projected unit method was £46.9bn indicating a shortfall of £5.3bn.

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

	2018	2017
Discount rate	2.64%	2.57%
Pension increases (CPI)	2.02%	2.41%

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

Male members' mortality 98% of S1NA ['light'] YoB tables – No age rating

Female members' mortality 99% of S1NA ['light'] YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long-term rate were also adopted. The current life expectancies on retirement at age 65 are:

Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

The FRS 102 basis of the deficit at the year end is:

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total scheme level	88%	77%

Notes to the Accounts (continued)

For the Year ended 31 July 2018

26. Pension schemes (continued)

The financial assumption used to calculate the deficit repayment liability within these financial statements are:

	31 July 2018	31 July 2017
	%	%
Deficit contribution rate	2.10	2.10
Discount rate	2.17	1.86

In the situation of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

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

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

Actuarial valuation

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

In addition, standard mortality assumptions were used.

The Trustees of the scheme have put a Recovery Plan in place to address the shortfall. The Recovery Plan provides for the University making payments per annum on the 1 August each year from 2013 to 2030. In 2017, the University made a payment of £5.7m comprising of employer contributions of £1.3m and a deficit recovery payment of £4.4m.

Assumptions

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

	At 31 July 2018	At 31 July 2017
	%pa	%pa
Price Inflation (RPI)	3.35%	3.35%
Price Inflation (CPI)	2.35%	2.35%
Rate of increase in salaries	2.35% to 31/03/2019 then 3.35%	2.35% to 31/03/2019 then 3.35%
Rate of increase of pensions in payment	1.75% to 3.10%	1.75% to 3.10%
Discount rate	2.55%	2.45%

Notes to the Accounts (continued)

For the Year ended 31 July 2018

26. Pension schemes (continued)

Scheme assets and expected rate of return for BPAS

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

The assets in the scheme were:

	Fair value as at 31 July 2018 £m	Fair value as at 31 July 2017 £m
Equities	121.6	115.8
Bonds	84.3	101.5
Other	175.4	158.6
Total	381.3	375.9

	Assets £m	Liabilities £m	Total £m
At 1 August 2017	375.9	(421.7)	(45.8)
Employer contributions	6.4	–	6.4
Current service cost	–	(3.1)	(3.1)
Interest income (expense)	9.1	(10.1)	(1.0)
Benefits paid from scheme	(16.6)	16.6	0.0
Actuarial losses	–	7.6	7.6
Return on plan assets	6.5	–	6.5
Total at 31 July 2018	381.3	(410.7)	(29.4)

	2018 £m	2017 £m
Current service cost	(3.1)	(3.2)
Interest cost	(1.0)	(2.0)
	(4.1)	(5.2)

Notes to the Accounts (continued)

For the Year ended 31 July 2018

26. Pension schemes (continued)

Group Personal Pension Scheme (GPPS)

The University introduced from 1 April 2008 a new defined contribution pension scheme for its support staff who are not members of BPAS. The scheme will enable staff to build a fund that can be used to provide a pension on retirement in addition to the normal state pension. The University contributes 10% in addition to an agreed percentage paid by the individual. The scheme operates as a Group Personal Pension Scheme and is run on the University's behalf by Friends Life. The value of employer contributions for the year ending 31 July 2018 was £3.3m (2016/17: £2.9m).

NHS Pension Scheme (NHSPS)

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

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

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

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

27. Guild of Students

The University has not consolidated the financial statements of the Guild of Students because the University has no control or dominant influence. The summarised balance sheet of the Guild and its subsidiaries and results for the Year ended 31 July 2018 are as follows:

	Year to 31 July 2018	Year to 31 July 2017
	£'000	£'000
Tangible fixed assets	472	607
Current assets	2,894	2,634
Creditors	(786)	(811)
Pension provision	(3,678)	(3,920)
Reserves	(1,098)	(1,490)
Surplus/(deficit) for the year	392	(1,171)

The University's Statement of Comprehensive Income and Expenditure reflects payment to the Guild of Students of a block grant of £2.4m (2016/17: £2.3m).

Notes to the Accounts (continued)

For the Year ended 31 July 2018

28. Related party transactions

The related party transactions for the year ended 31 July 2018 are as follows:

Name	University role	Related Party	Nature of transaction/relationship
David Davies	Council Member	University of Birmingham School	Governor (Since 2017)
Professor Sir David Eastwood	Council Member	Arts and Humanities Research Council	Board Member
		Barber Institute of Fine Arts	Trustee
		Russell Group	Director (September 2012 to August 2015)
		Universitas 21	Chairman and Non-Executive Director
		Universities Superannuation Scheme	Chair and Non-Executive Director (from 1 April 2015 and Director since January 2007)
		Universities UK	Board Member
Richard Haywood	Council Member	Reynolds Porter Chamberlain LLP	Partner
Ellie Keiller	Council Member	University of Birmingham Guild of Students	President
		NUS Services	Board Member
Mick Lavery	Council Member	Birmingham Hippodrome Theatre	Trustee
Dame Una O'Brien	Council Member	Macmillan Cancer	Trustee
Joanne Parks	Council Member	University of Birmingham Guild of Students	Trustee
Ed Smith CBE	Council Member	Department of Transport	Non-Executive Director
Dr Ranjit Sondhi	Council Member	Birmingham Women's and Children's Hospital	Wife is Non-Executive Director
Professor David Adams	UEB Member	Birmingham Women's and Children's Hospital	Non-executive Director
		Faron Pharmaceuticals	Consultant (Since 2017)
		Wellcome Trust Clinical Interview Panel	Member
Erica Conway	UEB Member	Alta Birmingham China Limited	Director
		Edgbaston Park Hotel and Conference Centre Limited	Director
		Manufacturing Technology Centre	Audit Committee Member
		The Schools of King Edward VI in Birmingham	Trustee
		University of Birmingham Guild of Students	Director
Chris Granger	UEB Member	Alta Cyclotron Services Ltd	Director
		Birmingham Research Park Ltd	Director
		University of Birmingham Guild of Students	Director
Professor Tim Jones	UEB Member	Engineering and Physical Sciences Research Council	Strategic Advisory Network Member (Since September 2016)
Professor Robin Mason	UEB Member	Financial Conduct Authority	Decision-Making Member
Professor Myra Nimmo	UEB Member	England Athletics	Chairman
		Veritas Forum Organising Committee	Member (Since March 2016)

Notes to the Accounts (continued)

For the Year ended 31 July 2018

2017/18		2017/18 Outstanding balances		2016/17	
Receipts	Payments	Debtors	Creditors	Receipts	Payments
£'000	£'000	£'000	£'000	£'000	£'000
95	2,788	97	48	109	22
1,658	-	-	-	1,873	-
1,149	-	-	-	1,120	-
808	75	-	-	1,313	69
233	-	52	-	236	-
-	32,733	-	-	-	-
-	63	-	-	-	32,724
1	-	-	-	1	-
620	2,337	175	-	424	2,224
-	-	-	-	4	-
-	1	-	-	-	-
58	-	-	-	-	-
620	2,337	175	-	424	2,224
-	-	-	-	16	-
3,218	495	143	15	2,087	341
3,218	495	143	15	2,087	341
25	-	-	-	25	-
637	-	246	-	526	-
138	497	70	107	-	-
39	38	203	191	-	-
4	-	-	-	-	-
1	-	-	-	-	-
620	2,337	175	-	424	2,224
217	-	176	-	174	-
138	-	228	44	198	91
620	2,337	175	-	424	2,224
20,344	393	403	-	15,706	71
1	-	-	-	-	-
13	-	-	-	1	-
-	-	-	-	1	-

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

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

All members of Council are required to declare any such relationships in the Register of Interest return on an annual basis.

The organisations in which members of Council have an interest in and with which the University has had transactions during the financial year ended 31 July 2018 are set out in the table.

Notes to the Accounts (continued)

For the Year ended 31 July 2018

28. Related party transactions (continued)

The related party transactions for the year ended 31 July 2018 are as follows:

Name	University Role	Related Party	Nature of transaction/relationship
Reece Roberts	UEB Member	University of Birmingham Guild of Students	Trustee
Lee Sanders	UEB Member	AHUA	Chairman (Since January 2017)
		University of Birmingham School	Governor
Professor Tim Softley	UEB Member	Engineering and Physical Sciences Research Council	Strategic Advisory Network Member (Since September 2016)
Professor Michael Whitby	UEB Member	Birmingham Repertory Theatre	Board Member
Stephen Cutler	Deputy Director of Finance	Alta Cyclotron Services Limited	Director
		Birmingham Research Park Limited	Director
Dr Tariq Ali	Deputy Pro-Vice-Chancellor	Institute of Physics UK	Trustee and Member of Council
Professor Wiebke Arlt	College Directors and Deputies	Society for Endocrinology UK	Council Member
Professor Richard Black	College Directors and Deputies	University of Birmingham School	Governor
Professor Jon Binner	College Directors and Deputies	National College of High Speed Rail	Member
Professor Pamela Kearns	College Directors and Deputies	University of Birmingham Enterprise Limited	Academic Consultancy
Professor Paul Moss	College Directors and Deputies	Palleon Pharma	Shareholder
Professor Julie Allan	Heads of School	University of Birmingham School	Governor and Trustee (Since 1 June 2017)
Professor Paul Flavell	Heads of School	University of Nottingham	External Examiner
Martin Freer	Heads of School	Alta Cyclotron Services Limited	Board Member
Professor Jon Glasby	Heads of School	Heart of England NHS Foundation Trust	Non-executive Director
Robert Halton	BPAS Member	Burges Salmon Company Limited	Chief People Officer & Director
Professor Colin Rickwood	BPAS Member	University of Birmingham Guild of Students	Life Member
Professor Simon Collinson	DPVC	Chartered Association of Business Schools	Chairman
Trevor Payne	Senior Officers	Ascent Events	Retained Estates & Facilities Advisor
James Hunt	Audit Committee	University of Loughborough	Member of Audit Committee
Dr James Wilkie	Subsidiary Director	Abingdon Health Ltd	University representative Director
		Alta Bioscience Ltd	University representative Director

Notes to the Accounts (continued)

For the Year ended 31 July 2018

2017/18		2017/18 Outstanding balances		2016/17	
Receipts	Payments	Debtors	Creditors	Receipts	Payments
£'000	£'000	£'000	£'000	£'000	£'000
620	2,337	175	-	424	2,224
-	1	-	-	-	1
95	2,788	97	48	109	22
20,344	393	403	-	15,706	71
-	11	-	-	-	3
217	-	176	-	-	-
138	-	228	44	-	-
1	5	-	-	-	-
4	-	-	-	-	-
95	2,788	97	48	109	22
1	-	-	-	87	-
-	-	-	-	-	-
83	-	17	-	17	-
95	2,788	97	48	109	22
694	378	59	-	248	-
217	-	176	-	174	-
-	285	17	-	-	224
1	-	-	-	1	-
620	2,337	175	-	424	2,224
-	33	-	-	9	10
17	1	-	-	-	-
9	9	-	-	6	196
75	-	3	-	124	2
17	210	-	3	34	35

Three Year Summary Accounts

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

Consolidated Statement of Comprehensive Income and Expenditure Summary

	2017/18	2016/17	2015/16
	£'000	£'000	£'000
Income			
Tuition fees and education contracts	324,802	305,072	286,338
Research grants and contracts	134,237	124,031	90,438
Other	221,779	257,738	273,650
Total income	680,800	641,490	650,426
Expenditure			
Staff costs	354,630	320,664	310,381
Other – non-staff	315,824	283,321	255,734
Total expenditure	670,454	603,985	566,115
Surplus before tax	15,448	45,721	92,751
Total comprehensive income for the year	29,520	97,113	37,219

Consolidated Balance Sheet Summary

	2017/18	2016/17	2015/16
	£'000	£'000	£'000
Non-current assets	1,654,244	1,330,182	1,306,275
Current assets	199,612	283,392	257,081
Total assets	1,853,856	1,613,574	1,563,356
Current liabilities	(189,779)	(182,566)	(165,935)
Non-current liabilities	(282,816)	(64,459)	(66,995)
Pension provisions	(93,191)	(105,696)	(157,718)
Total liabilities	(565,786)	(352,721)	(390,648)
Net Assets	1,288,070	1,260,853	1,172,708

Three Year Summary Accounts (continued)

Consolidated Cash Flow Statement Summary

	2017/18	2016/17	2015/16
	£'000	£'000	£'000
Cash flow from operating activities	75,372	93,995	87,172
Cash flow from investing activities	(353,131)	(45,685)	(106,499)
Cash flow from financing activities	191,392	(4,393)	(6,044)
(Decrease)/increase in cash and cash equivalents in the year	(86,367)	43,917	(25,371)
Cash and cash equivalents at beginning of the year	209,037	165,120	190,491
Cash and cash equivalents at end of the year	122,670	209,037	165,120

Key Financial Indicators as a Percentage of Income

	2017/18	2016/17	2015/16
Surplus before tax to income	2%	7%	14%
Net cash inflow from operating activities to income	9%	15%	13%
Staff costs as a proportion of income	52%	50%	48%
Debt to equity ratio	23%	6%	7%
Ratio of current assets to current liabilities	1.1	1.6	1.5



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