



UNIVERSITY OF
BIRMINGHAM

2016 17

ANNUAL REPORT
AND ACCOUNTS

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Vice-Chancellor's Report



At Birmingham, we are well known for doing things first; a philosophy that has underpinned many of our achievements and high-profile initiatives during the last 12 months.

For example: in announcing plans to open our first international campus in Dubai, we became the first Russell Group and top 100 global university to do so; in opening our major new facility to study the impact of climate and environmental change on woodlands we established the first facility of its kind in Europe; in opening our £55 million Sports & Fitness centre we gave the city its first 50-metre swimming pool; and in welcoming our three 2016 Nobel Prize recipients back to campus we celebrated something few could match.

League tables indicated once again that we are a university recognised around the world for our research and teaching; we were ranked as a top 100 university in the QS World University rankings and rose in every domestic University League Table. We also achieved gold – the highest rating in the new Teaching Excellence Framework (TEF), and one of the highest levels of student satisfaction in the Russell Group.

While our performance reinforces our reputation, what these outstanding results do not show is the context in which these achievements were made – a period of unprecedented challenge and change, not only for the sector but nationally and internationally. Nationally, the passing of the Higher Education and Research Bill established a new regulatory environment for the sector

with the establishment of the Office for Students and UK Research and Innovation (UKRI). Locally, the devolution agenda is building momentum with the establishment of the West Midlands Combined Authority and election of the region's first Elected Mayor. Internationally, the uncertainty around the shape of Brexit has continued to be challenging, but we remain unwavering in the value we place on the free exchange of ideas, in being open and outward facing in our approach, and in supporting our valued EU and international staff and students and their free movement.

Our local impact

As Britain's first civic university and Birmingham's first university, we are proud of our role and contribution as an anchor institution in our home city. This is clearly demonstrated by the results of the latest independent study assessing the economic impact of the University, which showed that almost one in 50 jobs in Birmingham is dependent on us. It also showed that our contribution to the UK economy has increased by 59 per cent in the last ten years, with our economic impact now totalling £3.5 billion. Put another way, it is the equivalent of building seven flagship hospitals or 140 state-of-the-art secondary schools.

Vice-Chancellor's Report (continued)

We continued to build bridges that allow our discoveries and advances to be translated rapidly into a range of settings for the benefit of the city and the country. Earlier this year, we purchased land adjacent to the University in Selly Oak to create Birmingham Life Sciences Park; an innovative and globally significant place that will bring together outstanding researchers, clinicians, policy makers, and industry to rapidly translate scientific and clinical insights into patient benefit and economic growth. We also strengthened further our civic roots through the purchase of a landmark city-centre building, the former Municipal Bank, in Centenary Square, which will become our university in the heart of the city: a thought-provoking space uniting government, industry, culture, and academia. This news was followed by the announcement of a pioneering new collaboration with University College Birmingham, which builds on 22 years of partnership to create new routes from further education to higher education, joint Degree Apprenticeships, and new overseas opportunities.

Our groundbreaking University of Birmingham School continued to be highly popular during its second year of operation, becoming the most over-subscribed comprehensive school in the city. We also celebrated the success of its first A level students as they embarked on the next stage of their study at universities across the UK. A fundamental part of our civic vision, the school is providing an outstanding academic education for the city's young people and serving as a centre of teacher education in the region.

We also continued to play an important role as a convenor of debate. Hustings for the Mayoral Elections and the General Election were held on campus and we hosted visits by a number of senior political figures, including the Secretary of State for Business, Energy and Industrial Strategy, who chose the University to launch the Energy and Life Sciences elements of the government's Industrial Strategy on campus.

Our global impact

Internationally, our signature partnerships have continued to develop, stretching from Chicago to Melbourne and San Paulo to Chandigarh, and last year saw further new and beneficial links with overseas institutions.

In May, we announced plans to expand our activity abroad with the opening of our first international campus in Dubai, which will begin teaching in September 2018.

This is the next step in our global aspirations and demonstrates our ambitions as an outward-looking institution. As the first global top 100 and Russell Group university in Dubai, our degree courses will be taught, examined, and accredited to the same high standards as at home.

In the same week, we celebrated forging a partnership with Jinan University to teach more than 1,000 mathematics students on joint programmes. Also in China, we signed an agreement to set up a primary care training centre at Sun-Yat Sen First Hospital, and the beginning of a collaboration with the Guangdong Academy of Sciences in metallurgy and materials as well as mechanical engineering.

We continued to welcome students from across the world to Birmingham. They not only enhance our vibrant multicultural community but bring significant economic benefits regionally and nationally. Our Economic Impact research found that every eight international undergraduate students who come to Birmingham contribute £1 million to the economy during the three years of their studies.

In addition to our educational collaborations, we have strengthened our international research partnerships. For example, we established a joint energy storage research project with the Global Energy Interconnection Research Institute Europe (GEIRIEU) of the State Grid Corporation of China (SGCC) to address scientific and technological challenges in thermal and cryogenic energy storage and their integration and application in energy networks.

Another key development was the signing of an agreement between our world-leading Birmingham Centre for Railway Research and Education (BCCRE) and Beijing Jiaotong University (BJTU) for research experts to work together on developing technology to help to make railways safer and more efficient. Both universities will continue their successful partnership and strengthen education links that will allow Chinese rail engineering students to study at Birmingham, benefiting from the University's expertise – particularly in railway control and safety.

World-changing research

Here in the UK we were among a consortium of eight universities which secured £92 million to fund research aimed at establishing the UK as a world-leading centre

Vice-Chancellor's Report (continued)

of railway excellence. The partnership – which is part of the newly created UK Railway Research and Innovation Partnership (UKRRIN) – received £28 million from the UK Research Partnership Investment Fund (RPIF), managed by the Higher Education Funding Council for England (HEFCE), following a bid led by the University. The money will be used to create one of three linked world-class centres of excellence. Digital Systems, based at Birmingham, will focus on railway control and simulation, data integration and cybersecurity, condition monitoring and sensing, and improved methods for technology introduction.

In June, we officially opened a unique, decade-long series of experiments to study the impact of climate and environmental change on woodlands, made possible by a remarkable £15 million gift from an inspired donor. The Birmingham Institute of Forest Research (BIFoR) experiment, known as the Free Air Carbon Dioxide Enrichment (FACE) facility, in Staffordshire will assess the impact of rising carbon dioxide (CO₂) levels on whole forest ecosystems. This will be achieved by artificially raising the CO₂ level around patches of mature woodland without enclosing or damaging the woodland. The results will help scientists to predict the effects of the atmospheric changes expected by 2050, and to measure the capacity of the forest to lock away carbon released by fossil fuel burning.

Among other research breakthroughs which made global headlines, a University of Birmingham study found that 'healthy' obese people were still at higher risk of heart failure or stroke than the general population. The largest study of its kind to date involved analysis of the GP records of 3.5 million people from across the UK from 1995 to 2015. Our health researchers also found that prescriptions of adrenaline auto-injectors (epipens) for children with allergies had increased markedly in the last decade, with nearly four devices a year provided per child. With little existing guidance for GPs, the team hopes these findings will help to inform future prescriptions policy. Meanwhile, Birmingham archaeologists, led by Dr Martin Bommas, found 'compelling evidence' of new pharaonic tombs at Qubbet el-Hawa in Aswan. A two-metre-high ancient encroachment wall was discovered below a visitors' pathway in the northern part of the West Aswan cemetery at Qubbet el-Hawa. Researchers from Birmingham also found that fears of inter-generational tension between young and old were unfounded. A study led by Professor Karen Rawlingson, of the Centre on

Household Assets and Savings Management, reported that social, economic and demographic factors were generally pushing UK families together rather than driving them apart along generational lines. Our academics continued to provide expert commentary on global issues, frequently appearing in the national and international press to discuss world affairs ranging from elections in the US, UK and Africa to global conflict and nuclear proliferation.

Our world-changing research continues to be underpinned by outstanding researchers and we were delighted to welcome our latest cohort of Birmingham Fellows, who now number more than 100. Currently in its fifth year, this sector-leading initiative has enabled us to recruit and develop some of the brightest young researchers from across the globe, who are pushing the frontiers of knowledge in a diverse range of disciplines.

Putting students first

As well as attracting outstanding researchers, we continue to attract outstanding students and received almost 90,000 applications for our academic programmes, ensuring that we were one of only a handful of institutions who did not enter Clearing for home students. Birmingham was also one of a handful of leading UK universities to be awarded a gold ranking in the Teaching Excellence Framework 2017 (TEF), the government's fledgling assessment tool for UK Higher Education teaching quality. Our TEF submission was a reflection of our research-intensive ethos in teaching, learning, and education, which underpins our commitment to nurture independent learners and outstanding graduates who are analytical and critical in their thinking, as well as evidence-based and ethics-aware in their actions.

We were extremely pleased to be commended for our students' excellent outcomes, their satisfaction with teaching quality at Birmingham, and the success they enjoy in the graduate jobs market. The TEF rating followed the outstanding review we received from the Quality Assurance Agency for Higher Education: the most positive performance of any UK university with the highest rating possible in areas such as the quality of learning opportunities for our students.

In June, we announced an innovative new joint Degree Apprenticeship with PwC, due to start in September next year and also celebrated the achievements of our

Vice-Chancellor's Report (continued)

own first cohort of apprentices. This is part of growing our offer and working to create new and different opportunities to open up the benefits of studying at the University of Birmingham to an even wider range of students.

Building for the future

Our bold campus development strategy continued to flourish with the successful completion of several major building projects aimed at enhancing the experience for our students, researchers and wider community. These form part of a capital programme that will see £606 million invested in the next few years. Financed using a mixed model of funding, including cash from our reserves, cash generated from ongoing operations, and additional loan finance via a private placement, our ability to make this level of investment reflects our strong financial position.

In addition to opening one new academic building a year for the next five years – including the £40 million Collaborative Teaching Laboratory scheduled to open next year – this investment includes the development of a new Hotel and Conference Park and our ambitious Green Heart project. Due to be completed in 2019, the striking new 12-acre parkland area at the centre of the Edgbaston campus will be a unique space for students, staff and the community to enjoy; incorporating space for performances, socialising, meeting and studying while opening up the views across campus.

A particular campus highlight was the opening last September of our stunning £60 million new library, filled with state-of-the-art technology and contemporary study space plus, of course, our large and important collection of books. During its first term of operation we saw a 40 per cent increase in use by students. This milestone was closely followed by the opening of the Alan Walters postgraduate teaching centre, a £10 million space dedicated for Business School postgraduate students. The University's Lapworth Museum of Geology, home to one of the UK's most outstanding geological collections, also reopened after a transformational £2.7 million redevelopment and was runner-up for the prestigious Art Fund Museum of the Year 2017.

With great pride we opened the doors of the new University of Birmingham Sport & Fitness centre. This outstanding £55 million development is a major investment in the student experience, as well as

benefiting the local community, and is home to the city's only 50-metre swimming pool, which sits alongside a first-class gym, squash complex, and multi-sports arena. In June, the Jamaican Track and Field Team returned to the University for their World Championship final preparation camp. Following the highly successful pre-Olympic camp before London 2012, the team of 50 athletes arrived to make use of our outstanding sports facilities ahead of the IAAF World Athletics Championships in London. The quality of our facilities also ensured that the University was integral to Birmingham's bid to host the Commonwealth Games in 2022.

Welcoming community

Over the last year, more than 262,000 people attended public events at the University. Almost 10,000 people gathered on the Edgbaston campus on Sunday 11 June for our free Community Festival, a flamboyant and colourful event embracing arts and crafts, cultural attractions, and hands-on research-based exhibits. The Barber Institute was recognised by The Times as one of the country's best university galleries, holding special exhibitions of loaned artworks by Francis Bacon and Monet, in addition to its own enviable collection.

We also welcomed three 2016 Nobel Prize-winners back to campus. University of Birmingham alumnus and recipient of the 2016 Nobel Prize in Chemistry Professor Sir J. Fraser Stoddart delivered a special lecture at Birmingham on his groundbreaking work while working as head of the School of Chemistry in the 1990s. Professor Mike Kosterlitz and Professor David Thouless, who were jointly awarded the Nobel Prize in Physics 2016, joined five fellow honorary graduates and more than 5,000 students who collected their degrees in July in the University's iconic Great Hall.

Our successes this year reflect our pioneering approach and burgeoning reputation as one of the world's great universities: a place that enjoys being the first to try bold initiatives; a place that invests prudently in its students, staff and estate; a place that breaks down barriers and brings to fruition highly successful regional, national and international collaborations. In short, a place that acts as a gateway to the world for our city and its people.

Treasurer's Report



Introduction

I am pleased to present my report on the University's financial affairs for 2016/17.

If I were to choose one word to characterise the year from a financial perspective, that word would be "investment" – investment to realise the ambitions we set ourselves in our strategic framework:

- to give all of our students the best education we can **"our education"**;
- to deliver the best research which benefits our students and our society **"our research"**;
- to have an impact on a local, national and international level whilst fulfilling our social responsibility to the communities we engage with **"our influence"**;
- to ensure we invest sensibly to deliver financial sustainability **"our resources"**.

As I will explain later in my report, that investment has been made in our student services; our people and estates; in new ventures to expand our reach; and in diversifying our activities and sources of income to mitigate not only the risks of a ferociously competitive national and international market for Higher Education but also the potential impact on our finances of major uncertainties such as Brexit with its implications for European recruitment of students and staff.

In overview, we generated £94m in cash from operations in 2016/17 compared to £87m last year. This is an outstanding performance given we also invested £102m (£115m in 2015/16) in our estate for the long term benefit of our students and researchers and £20m in the continuous development of our teaching and research staff.

We finished 2016/17 with a positive net cash position of £140m (2015/16 £94m). In addition, during the year we secured £200m of loan funding through a private placing. We decided to take advantage of unprecedentedly low interest rates and give ourselves the funding flexibility to accelerate our investment plans. We drew down these funds in August and so they are not reflected in these accounts.

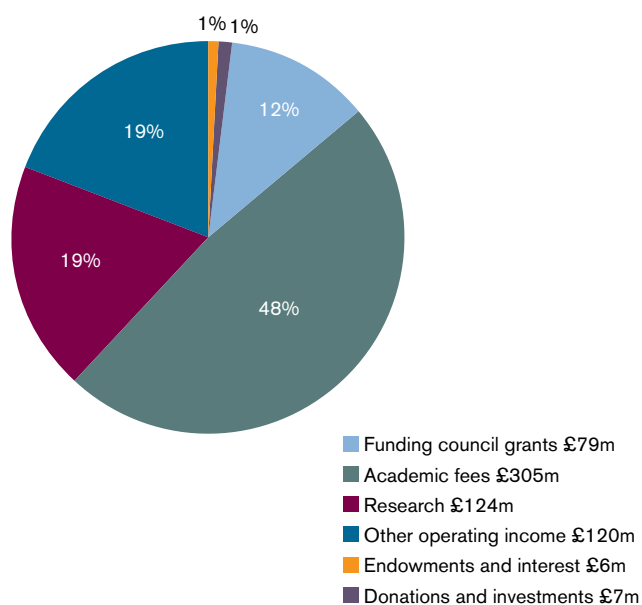
Treasurer's Report (continued)

Key financial facts

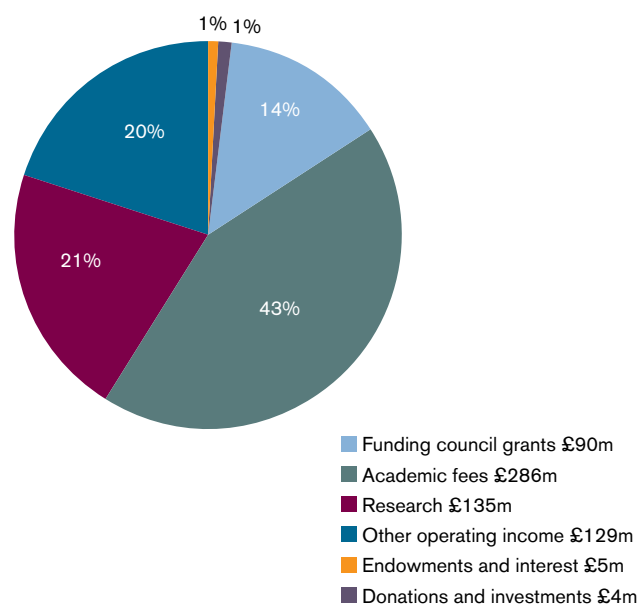
<i>Consolidated</i>	2016/17	2015/16	2014/15
	£m	£m	£m
Income and Expenditure			
Total income	641	650	597
Total expenditure	(604)	(566)	(555)
Surplus before other gains and losses and tax	37	84	42
Cash flow generated from operations	94	87	82
Capital investment	102	115	153
Borrowings	(69)	(71)	(74)
Cash and cash equivalents	209	165	190
Net cash	140	94	116
Net assets at year end	1,261	1,173	1,137

Total Income and % of income

2016/17

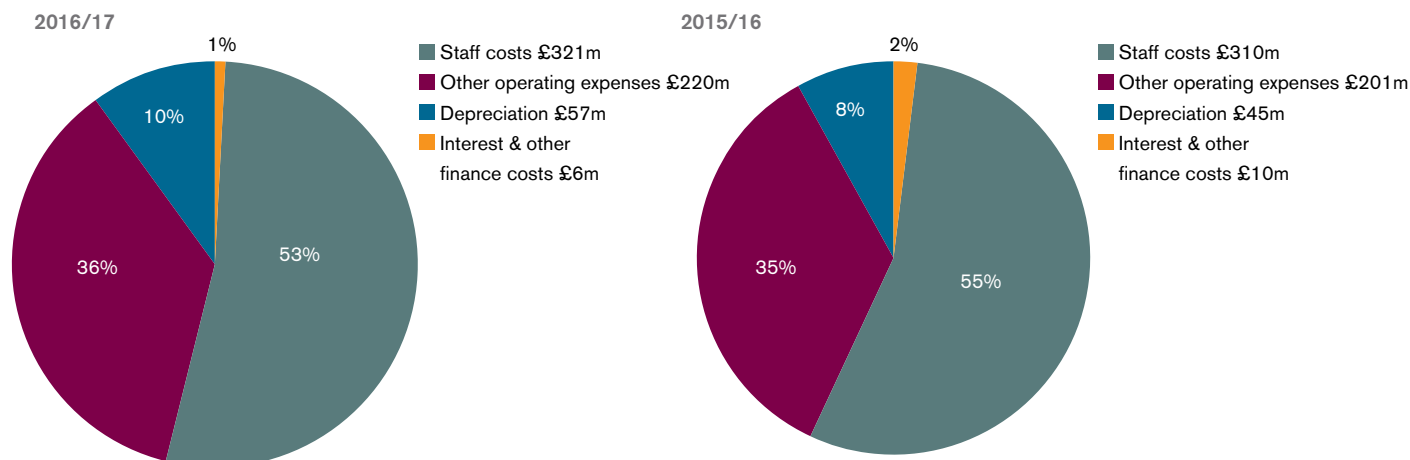


2015/16

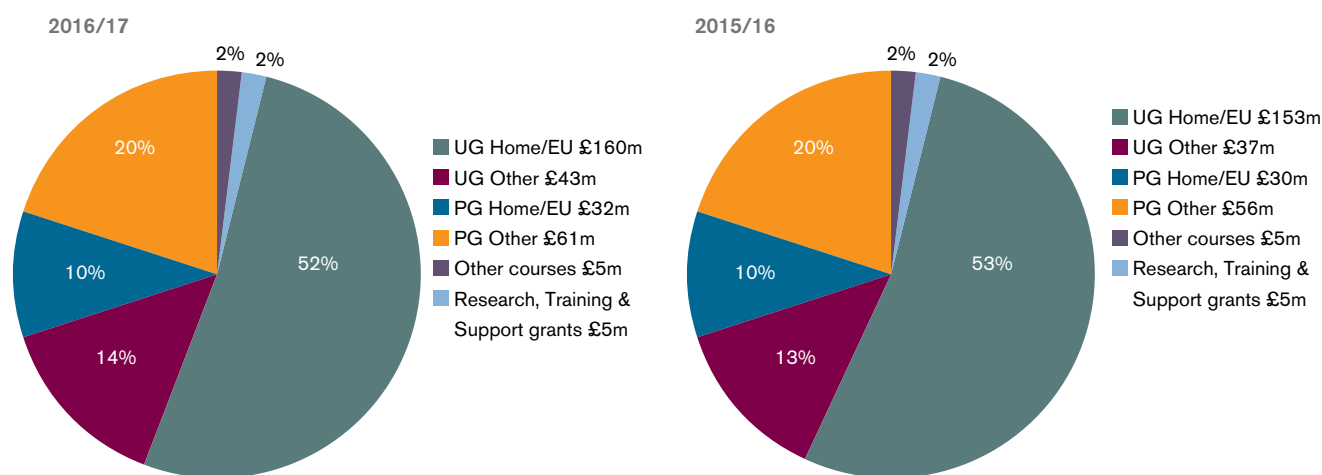


Treasurer's Report (continued)

Total Expenditure and % of costs



Tuition fee and % of fees



Financial performance 2016/17

The performance in 2016/17 reflects another positive outturn with a £37m surplus before other gains and losses and tax and £98m earnings before interest, taxation, depreciation and amortisation (EBITDA). Overall income was slightly down at 1.4%. Growth in tuition fees reflected another successful round of student recruitment in the UK undergraduate market. We also saw some improvement growth in recruitment from overseas students and at post graduate level. Student fees represent 46% of total income (2015/16 43%) and continue to grow in line with enhanced student recruitment. Scholarships, bursaries and student support totalled £41m (2015/16 £41m) reflecting our continued commitment to widening participation.

The financing and regulation of the Home and EU undergraduate market introduced in 2012/13 is now applicable to all students and the fee we have been able to charge has been £9,000 per annum. In the same timeline, we have seen the funds to support teaching from the UK government significantly reduced to a level of £78m this year as compared to £121m in 2012/13. The need for us to provide an attractive package to students where teaching fees are combined with affordable accommodation supported by selective bursaries and scholarships, remains a key priority for us.

Treasurer’s Report (continued)

In the overseas market where fees are more market driven, the current weakening of Sterling is making the UK seem a more cost effective option. The University continues to be successful in growing student numbers from all of its active markets.

The growth in home and overseas students is supported by investments in our facilities and staff to ensure that the quality of the teaching is enhanced. Spending levels in academic schools was £265m, growing from £244m in the prior year to reflect higher levels of staff and support to match the increased student numbers.

Research awards in the year reached the highest levels ever, at £170m (2015/16 £137m). Income levels were however down on the prior year in part as the result of the exceptional benefit from research and development expenditure tax credits (£6m in 2015/16) which have now ceased. Research funding continues to be a competitive area and I am especially pleased by the sustained levels of income from EU sources as post-Brexit there continues to be a concern that this will start to decline.

Investments this year to support research include the appointment of Professorial Fellows; start up funding for a number of research areas such as sustainable cities,

global maternal health, and railway revolution; post-graduate admissions processes and support; IT equipment and technical services; and preparation for our Dubai Campus and Chinese joint degree programmes.

Following the implementation of Financial Reporting Standard 102 (FRS102), the accounting of certain items has resulted in greater volatility when comparing one year to the next in the Consolidated Statement of Comprehensive Income and Expenditure (SOCIE). For example, other income is lower than in 2015/16 because a £20m capital grant received from the Department for Education to fund the University of Birmingham school was released to income on the completion of the school building. Movements in provisions for pensions are in part reflected in the staff costs and can have a significant impact in one year.

The financial ratios in the table below, expressed as a percentage of income, show how successful we have been in achieving returns and sustainable funding levels over the last 3 years.

	2016/17	2015/16	2014/15
% of total income	%	%	%
Surplus before tax	7	14	7
Total comprehensive income	15	6	5
Net cash inflow from operating activities	15	14	14
Staff costs	50	48	53

Treasurer's Report (continued)

Capital investment programme

Capital spending in 2016/17 included £15m on new student residences, which opened in September 2017; £15m on the new conference and hotel facility opening in 2018; £8m on the collaborative teaching laboratory available from 2019; and £7m on major projects improving teaching and research facilities across campus. The total spend in the year was £102m.

In the year a number of large building projects were completed, with over £300m spent in the last three years and plans for a further £600m over the next five years. The next phase of schemes includes a further extension to the Business School, a molecular sciences building and a new home for the School of Engineering. All of these will improve facilities for both students and staff. The Green Heart project to open the centre of campus will also enhance the area for the local community and create a new green space that will be open to all.

Cash flow and Treasury Management

Cash generated from operations in the year was £94m (2015/16 £87m) which was after making the significant investments discussed above. The surplus reflects the benefits of increased contribution from teaching as a result of higher student numbers while keeping fixed costs firmly under control. We also continued to apply strong financial disciplines over the basics of working capital management by making sure we were collecting our debts on time. This also allows us to make payments to our suppliers in accordance with our contract terms which is an important principle for us.

Treasury Management

Management of the University's surplus funds is overseen by the Investment Sub-Committee (a Sub-committee of SPRC) which I chair. The University is highly cash generative and while funds are earmarked for specific investments we can find we are holding very large sums of cash for anything up to 5 years mainly because capital projects extend over several years and timings have to be balanced against other building work on the campus. SPRC was concerned that we needed to do more to ensure the University was earning a fair return on this cash given that the interest rates on bank deposits were so low.

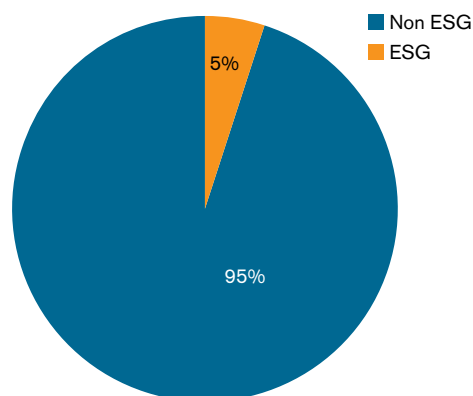
During the year, the University established a University Investment Fund (UIF) alongside its existing Endowment Investment Fund (EIF). Based on our cash flow projections, estimates are made of when cash required for investment would most likely need to be drawn down. From this we allocate cash to short,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

A number of external investment managers oversee the investment funds, working to agreed investment mandates. In developing these mandates the University sets a fundamental guiding principle that managers must apply investment criteria based on environmental, social and governance (ESG) standards. As part of our selection process we require fund managers to confirm that they have robust ESG policies in place. During our regular performance review of our fund managers, we consider their application of ESG policies in making investment decisions.

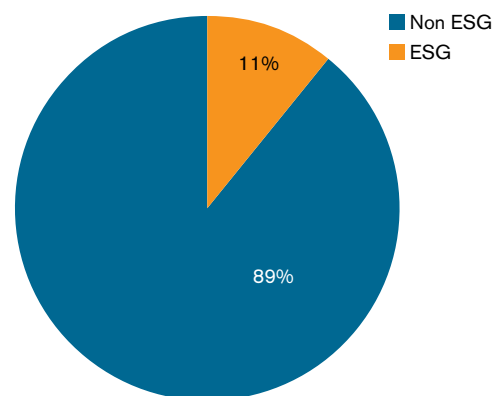
Treasurer's Report (continued)

A decision was taken to disinvest in hedge funds in the year, due to ESG concerns and a lack of transparency in relation to returns and holdings. The following charts show the first reporting of non ESG elements of the portfolios based on sectors. This reporting will be refined further during 2017/18.

2017



2016



The investment return across the portfolio in 2016/17 was 12.4% (2015/16 6.9%) against a benchmark return of 12.9%. Investment income in the year was £6.3m (2015/16 £4.9m).

The year-end borrowing position of £69m reflects an existing loan which is repaid annually until 2034. During the year, the financial covenant of the University was confirmed with a new private placing being oversubscribed and £200m being raised with repayments in the long term at an average of 35.5 years. The funds are to support the next phase of the capital plan on the UK Campus. The deal closed in year, with the draw down of funds occurring after the year-end. The additional funds will be invested in the University Investment Fund. The combined borrowing of £269m is well below the newly published HEFCE limits of six times adjusted operating cash flow, which for the University is over £400m.

Treasurer's Report (continued)

Pensions

Pension provisions continue to be a significant area of judgement in our 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. The March 2016 valuation of the University's own closed defined benefit scheme showed a lower deficit than in 2013 but the contribution levels by the University and members have remained unchanged thereby reducing more quickly the fund deficit. The impact of this valuation and the changes in the financial markets which have affected it significantly, has resulted in a net credit to the SOCIE and a reduced balance sheet value at the year-end of £46m (2015/16 £98m).

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 is in progress and the outcomes will affect the recovery costs in future years. The discounted cash flow of the recovery plan is the basis of the University's USS provision. The provision is largely unchanged from last year at £59m.

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	<ul style="list-style-type: none"> ■ Major consultation "The Big Conversation" launched in year to gather thoughts in relation to the future curriculum ■ Action plans at School level to deliver improved Student Satisfaction outcomes whilst sustaining current high scores ■ Enhanced alumni engagement in supporting student employability ■ Continued significant capital investment in teaching spaces and residences ■ Investment in digital resources and lecture capture to support learning outcomes ■ Delivering high quality teaching as evidenced by TEF Gold status
	Failure to achieve growth ambitions in relation to student recruitment	<ul style="list-style-type: none"> ■ Diversification of recruitment channels to attract the best students from a global market ■ Developing new admission support and offer making e.g. 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.	<ul style="list-style-type: none"> ■ Active engagement with government and Research Councils to inform strategy and ensure we are well placed to respond to funding calls ■ Investment in new early career researchers and professors in areas of strength ■ Development of key performance indicators to drive awards, income and citation performance ■ New and enhanced partnership arrangements with partners to deliver collaborations
	Failure to maintain research excellence and achieve our ambitions	<ul style="list-style-type: none"> ■ Implementing a plan and oversight process for preparing and responding to the next Research Excellence Framework (REF) in 2021 ■ Identification of impact opportunities and making investment to support the delivery of these ■ Operating as national coordinator for the Centre for Public Engagement

Treasurer's Report (continued)

Principal risks and uncertainties (continued)

	Description of risk/uncertainty	Examples of mitigating actions
Influence	Failure to sustain existing and develop new partnerships to deliver research impact and influence	<ul style="list-style-type: none"> ■ Regional engagement group set up which oversees activity and ensures key relationships are sustained locally, nationally and globally ■ New senior Executive roles created for Industrial Partnerships and Regional Economic Engagement ■ Additional investments made into Research Support and Business Engagement
	Failure to strengthen and protect the brand and reputation of the University in all aspects of our activity	<ul style="list-style-type: none"> ■ Diversified marketing activities based on market, content and reach ■ Continue to host a number of external high profile events ■ Ensuring quality of delivery is maintained, particularly in relation to partnership activities ■ Reputation and due diligence undertaken prior to entering into any new arrangements
Operations	Failure to recruit, develop and retain excellent staff in all our endeavours to deliver the quality of teaching, research and professional support required.	<ul style="list-style-type: none"> ■ Introduction of a new research leaders training and support programme ■ Recruitment of additional staff in areas of academic and professional services enhancement ■ 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.	<ul style="list-style-type: none"> ■ Successful private placing in the year raised £200m 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	<ul style="list-style-type: none"> ■ Significant investment in new systems and processes for HR and Finance ■ Adoption of new legislation on a timely basis ■ Vice-Chancellor's review of Schools and services consider operational and strategic area for commendation and recommendation ■ Additional investment in IT to support operations

Treasurer's Report (continued)

Financial Strategy and future prospects

The future financial prospects of the University are evaluated over a period of four years, and comprise a one-year budget plus three years' forecasts. We believe this timeframe gives a reasonable planning horizon for decision-making. The four-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 three most significant financial risks, namely cuts in government teaching grants and/or student funding mechanisms; inability to achieve our targets on student recruitment; and reductions in research funding by governments in both the UK and Europe. This scenario modelling enables the University to explore the actions it might take in response.

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

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

Conclusions

Ensuring the long term financial sustainability of the University underpins all of the work of Council, is a particular focus of mine as Treasurer. We saw this year the high quality of the University's financial stewardship of its assets to deliver investment funding for the future with £94m of cash generated from operations. However, the competitive, political and regulatory environment will create headwinds and challenges ahead and we must be prepared.

In addition to all the things I have discussed above in the areas of education, research and influence, our financial strategy is clear:

- Deliver an annual surplus
- Continue to invest in securing different sources of income to avoid over reliance on one source or one market.
- Optimise the return on our assets
- Continue to invest in administrative systems to streamline processes and improve productivity.

I finish my report by thanking all of the University's staff for their immense contribution to the success of the University in 2016/17 and to its prospects for future success in the years to come.

Mrs Caragh Merrick

Treasurer

29 November 2017



Our Community

The University is an exempt charity by virtue of Schedule 3 of the Charities Act 2011 and since 2010; HEFCE has been the University's principal regulator under the Charities Act 2006. In April 2018, HEFCE's functions will be taken over by the Office for Students, which will then become the principal regulator. 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 HEFCE 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 2016/17, the University taught over 34,000 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 affirmed in June 2017 when we were awarded Gold in the Government's Teaching Excellence Framework. 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. The Gold award sits alongside the Higher Education Review undertaken in 2016 by the Quality Assurance Agency for Higher Education, which awarded the University the highest possible rating and particularly in nine areas of good practice, including the high value placed on teaching and sustained engagement with employers.

Our students gain significantly from studying here. Having invested £5 million in supporting student employability, 86.4% 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. Data produced by High Fliers Research in 2017 show our university rising from 11th to 6th in the table of universities targeted by employers. We are 10th in the UK for 'added value' in the Guardian (2017) analysis of the relationship between tariff and outcomes.

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 A2B widening participation initiative continues to deliver excellent outcomes. Meanwhile, over 6,000 of our students volunteer in the local community each year (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, which opened September 2015, 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.

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 (<http://www.birmingham.ac.uk/news/thebirminghambrief/index.aspx>)

Recent examples of our research success include the remarkable work of academics in the School of Physics and Astronomy who played a substantial role in the detection of gravitational waves, proving the final element of Einstein's Theory of General Relativity. Our role as a curator was highlighted in the discovery of one of the oldest Qur'anic manuscripts in the Mingana Collection of Middle Eastern manuscripts, held in the Cadbury Research Library. News of this reached around the world and the manuscript has continued to attract very high-profile visitors to Birmingham.

Our Regional Economic Development Institute (City-REDI) draws on international expertise and experience to analyse regional economic growth, and works closely with West Midlands Combined Authority to support policy and practice.

In the last year we have also launched a decade-long experiment to study the impact of climate and environmental change on woodlands, discovered a type of protein which may suppress the growth of breast cancer tumours and, collaborated with Chinese companies to tackle global power problems. As well as hosting one of the UK's largest clinical trials centres, we continue to undertake major research in areas as diverse as digital rail (where we led a consortium which secured £92 million of Government and industry funding), cold energy storage, quantum technology (where we lead the UK Hub for

Sensors and Metrology), Shakespeare, miscarriage, and superdiversity.

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.

The benefits of the academic quality of the University are also available to our community. We provide a number of activities and events which are open to staff, students and the local community. In 2016/17 these have included:

- A Community Festival which attracted thousands of visitors to campus.
- The BBC's Planet Earth Creative Director, Mike Gunton shared his experience of using technology to showcase curiosity in the natural world.
- Publication of a sleep guide for parents of children with neuro-development disorders which gives guidance on what can be done to help them.
- Re-opening the Lapworth Museum of Geology which was runner-up in the Art Fund Museum of the year, 2017 competition.
- Dr Kevin Fong delivered a lecture on his research and its applications combining medicine and space travel under the Pioneer Lecture Series banner.

- 2016 Nobel Prize winner in Chemistry, Professor Sir J Fraser Stoddard talked about his ground breaking work.

Our programme of Massive Open Online Courses (MOOCs) enables our teaching to reach a much broader audience. The catalogue of courses continues to expand and is available at

<http://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 by the public. These include:

- Winterbourne House and Gardens, which secured Museum status from Arts Council England in March 2017.

- The Lapworth Museum of Geology was refurbished in 2016 and came second 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 Danfold 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

Examples of the University of Birmingham contributions to the local community in 2016/17

**ALMOST 1 IN 50 JOBS
IN BIRMINGHAM
DEPEND ON THE UNIVERSITY**

**ALMOST 48 PER CENT OF
OUR STUDENTS STAY IN THE
REGION AFTER GRADUATION**

**OUR TEACHING
CONTRIBUTES £1.34 BN
TO THE ECONOMY**

**OUR STUDENT VOLUNTEERING
GROUPS RAISED OVER
£250,000 IN 2016/17**

**OUR STUDENTS TAUGHT
LIFE-SAVING CPR TECHNIQUES
TO 2,000 V-FESTIVAL VISITORS**

**MORE THAN 22,000 PUPILS PARTICIPATED
IN OUR SCHOOLS OUTREACH ACTIVITY**

**14 AWARD-WINNING
PROJECTS PROVIDING PROBONO
LEGAL SERVICES**

**BRAZIL WEEK 2017
CELEBRATED
BRAZILIAN
CULTURE; IDEAS
AND RESEARCH**

**OUR NEW £55M
SPORTS CLUB CATERS
FOR THOUSANDS
OF COMMUNITY
MEMBERS**

**WE HOSTED A
NEW YEAR CONCERT
FOR THE LOCAL
CHINESE COMMUNITY**

community as possible. In 2016/17 financial support amounted to £41m (2015/16 £41m). 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 GuildAdvice, 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 multi-disciplinary areas. These focus on postgraduate opportunities and links with businesses through the programmes ensure the activities are dealing with issues which matter in the world around us.

Fundraising

In 2016/17 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 2016/17, the University received pledges of almost £9m.

We work within HEFCE 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.

30 ACTIVE
UNIVERSITY SPIN-OUT COMPANIES

ALMOST 10,000
PEOPLE VISITED THE
CAMPUS FOR OUR FREE
COMMUNITY FESTIVAL

GREEN FLAG AWARD
FOR EDGBASTON
CAMPUS IN 2017

**THE UNIVERSITY OF
BIRMINGHAM SCHOOL IS THE
MOST OVER SUBSCRIBED
SCHOOL IN THE CITY**

ACADEMICS GAVE OVER
2,000 DAYS
SUPPORTING CULTURAL ACTIVITIES

**OUR RESEARCH AND KNOWLEDGE
TRANSFER ACTIVITY IS WORTH £885m**

**THE LAPWORTH MUSEUM OF GEOLOGY
OPENED AFTER A £2.7M REFURBISHMENT**

**OUR NEW £60M LIBRARY IS
BENEFITING STAFF, STUDENTS,
RESEARCHERS AND
THE LOCAL COMMUNITY**

**THREE MUSEUMS, AN ART GALLERY, A BOTANIC GARDEN
AND TWO CONCERT HALLS ARE OPEN TO THE PUBLIC**

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 life-long 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 <http://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

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:

- (i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- (ii) in accordance with 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.

Status of the University

The University is an independent corporation whose legal status derives from its Royal Charter granted in 1900. The University's objects, 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 Higher Education Funding Council for England (HEFCE). 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.

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.

Corporate Governance (continued)

3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To delegate authority to the Vice-Chancellor and Principal, as head of the University, for the academic, corporate, financial, estate and human resource management of the University and to keep under regular review how such management functions are undertaken by and under the authority of the Vice-Chancellor and Principal.
5. To safeguard the good name and values of the University.
6. To be the employing authority for all staff in the University and to be responsible for regular review of its human resources strategy.
7. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
8. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
9. To receive assurance that adequate provision has been made for the general welfare of students.

Council meets five times per year. The formal meetings of Council are supplemented by briefing sessions to explore key issues, strategy days, visits to departments, external speakers on major issues in higher education and attendance at key University events such as the 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, 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.



Corporate Governance (continued)

Members of the Council, who are also trustees of the University as an exempt charity, who served throughout the year ended 31 July 2017 and to the date of approval of these accounts, except where indicated otherwise are set out in the table. Their attendance at meetings, except where indicated otherwise, are set out in the table. Their attendance at meetings as members of Council, Strategy, Planning and Resources (SPRC), Audit, Remuneration and Membership Committees is shown below.

Members	Council membership dates	Meeting Attendance 2016/17				
		Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 1 in year
Lay Members appointed by the Council						
Mr Ed Smith CBE, Pro-Chancellor		5/5	6/6	-	2/2	1/1
Mr Richard Haywood, Deputy Pro-Chancellor		4/5	5/6	-	2/2	1/1
Mrs Caragh Merrick, Treasurer		4/5	6/6	2/4*	2/2	1/1
Mr Derrick Anderson CBE		5/5	5/6	-	2/2	-
Dame Christine Braddock DBE		4/5	-	1/4	-	-
Mr Alan Davey CBE		4/5	-	2/4	-	-
Mr David Davies OBE		5/5	5/6	-	-	-
Mr Martin Devenish		3/5	-	-	-	-
Mr Malcolm Harbour CBE		5/5	-	-	-	-
Dame Lin Homer DCB		3/5	-	2/4	-	-
Sir Terry Morgan		2/5	-	-	-	-
Dame Una O'Brien DCB		4/5	-	-	1/2	-
Dr Ranjit Sondhi CBE		4/5	-	-	-	0/1
Mr David Stead		5/5	-	4/4	-	-
Mr Mick Lavery	Term Commenced August 2017	N/A	N/A	N/A	-	-

* In attendance

There is one lay member vacancy as at August 2017.

Corporate Governance (continued)

Members		Council membership dates	Meeting Attendance 2016/17				Member-ship 1 in year
			Council 5 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	
Appointed by Guild of Students							
Ms Rose Bennett, Postgraduate Officer			4/5	-	-	-	-
Ms Ellie Keiller, President of the Guild of Students			4/5	6/6	-	-	-
Ex Officio Members							
Professor Sir David Eastwood, The Vice-Chancellor and Principal			5/5	6/6	-	2/2	1/1
Professor Tim Jones, The Provost and Vice-Principal			5/5	6/6	-	-	1/1
Academic Members Elected by Senate							
Professor Peter Fryer		Term ended July 2017	3/5	-	-	-	1/1
Professor Hisham Mehanna			4/5	6/6	-	-	-
Professor Corey Ross			5/5	3/6	-	-	-
Professor Karen Rowlingson			4/5	-	-	-	-
Professor Nicola Wilkin		Term commenced August 2017	N/A	N/A	N/A	-	-
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 (continued)

Committees of Council

There are five Committees of Council: University Executive Board (UEB), Strategy, Planning and Resources Committee (SPRC), Audit Committee, Membership Committee and Remuneration Committee. All except UEB 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 its Committees or senior members of staff.

The attendance at meetings of Council and its Committees for 2016/17 is shown on pages 28 and 29.

Strategy, Planning and Resources Committee

SPRC is responsible for oversight of the strategic planning of the University. It brings together academic, financial and physical planning and scrutinises business plans for major activities. The Committee also recommends the annual budget and forward look to the Council and monitors the performance of the University. SPRC is comprised of the Vice-Chancellor, the Pro-Chancellor and Deputy Pro-Chancellor, The Treasurer, Provost and Vice-Principal the three thematic Pro-Vice-Chancellors, two academic members of Council, three lay members of Council and the President of the Guild of Students.

Audit Committee

The Audit Committee consists of five lay members of Council who are not members of SPRC. There is also provision for up to two co-opted members. The co-opted member is Mr James Hunt 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.

Membership Committee

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

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 comprised of five lay members of University Council and the Vice-Chancellor. The Registrar and Secretary is in attendance. No member of staff, including the Vice-Chancellor, is present for discussion of their own remuneration. 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 Director of Human Resources services the Committee and supports the remuneration process.

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 (i.e. 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 any major changes to Council.
- (c) to review and determine senior staff remuneration.
- (d) to review senior staff equal pay issues.
- (e) to review and determine pay and reward for the Vice-Chancellor's direct reports on UEB; review reports on the Vice-Chancellor's objectives and performance, and review and determine the Vice-Chancellor's remuneration.
- (f) to agree severance packages for staff earning in excess of £100k per annum:
 - where the severance payment is up to 12 months' salary (and so within the University's long-standing

Corporate Governance (continued)

arrangements for Voluntary Severance), the payment will be approved by the Chair on behalf of the Committee and reported to the next meeting of the Committee;

- where the severance payment is above 12 months' salary, the payment will be considered by the Committee, which can be by circulation if the case needs agreement between Committee meetings.
- (g) to monitor strategic risks relevant to the work of the Committee as determined by the Strategic Risk Register.
- (h) to monitor the extent to which value for money is achieved within the areas under the Committee's oversight.
- (i) to monitor relevant Key Performance Targets and to ensure that any concerns with performance against these KPTs are addressed.

The Committee ensures that it complies with the HEFCE Accounts Direction and other HEFCE guidance on senior staff remuneration, including severance arrangements that are issued from time to time and most recently in July 2017. The annual process for setting senior staff remuneration is as follows:

1. At its first meeting, 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, when it sets senior staff remuneration. The Vice-Chancellor is responsible for overseeing the annual process for senior staff (other than himself, which falls to the Pro-Chancellor) working within the approach agreed by the Committee.
2. In the case of senior academic staff, professors are invited to submit a statement describing their achievements over the previous 12 months, which is reviewed by their Head of School. These are then considered alongside market, comparative, and equality data by their Head of College, who is responsible for ensuring consistency and equality of treatment, and for making recommendations regarding proposed remuneration increases reflecting individuals' performances in their College. The Vice-Chancellor considers these recommendations, and then formally reviews, where appropriate revises, and then confirms

the proposals at a formal meeting with the Provost and Vice-Principal, thematic Pro-Vice-Chancellors and Heads of College. The Vice-Chancellor then presents the recommendations to the second meeting of Remuneration Committee for consideration and approval.

3. There is a parallel process for senior professional staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative, market and equality data. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations and then presents his plan for the remuneration of professional staff to the second meeting of Remuneration Committee for consideration and approval.
4. Those members of University Executive Board who report directly to the Vice-Chancellor agree a series of collective and individual performance objectives at the start of the year, which are reviewed at least twice during the year. This provides the Vice-Chancellor with an assessment of performance, which, along with market, comparative and other relevant inputs, are used by him to prepare proposals for the 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 (e.g. TEF, NSS, student feedback, recruitment and admission, student outcomes and employability, teaching awards, programme leadership etc.)
 - (ii) research (e.g. publications, citations, grants, impact, research leadership, major initiatives including with industry and external partners etc.);
 - (iii) management and administration (e.g. professorial and academic leadership, service enhancement and delivery, policy development and delivery, income generation, improving performance of School or Service etc.);

Corporate Governance (continued)

- (iv) leadership of staff (e.g. development and performance of staff, quality of hires etc.);
 - (v) partnerships and external relations internationally, nationally and locally (e.g. leadership in external networks and communities, external policy work); and,
 - (vi) major initiatives and projects (e.g. international campus, capital projects etc.);
 - (b) the size and complexity of the University;
 - (c) the global nature of the HE market and issues of recruitment and retention;
 - (d) the University's objectives in relation to the diversity of the workforce;
 - (e) that some staff are on NHS salaries and their reward structures are not entirely determined by the University.
6. The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are considered and endorsed by the Remuneration Committee. The Pro-Chancellor undertakes six and twelve-month appraisal discussions with the Vice-Chancellor and obtains feedback from selected individuals both within the University and its external stakeholders and reports these to Remuneration Committee.
7. The Pro-Chancellor makes a recommendation to the Remuneration Committee's second meeting on the Vice-Chancellor's remuneration, informed by his assessment of the Vice-Chancellor's performance and a range of data and 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, including data collected by the University and College 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, including data on the Vice-Chancellor's total salary (including pension) as a percentage of turnover (0.065% for 2015/16

compared with 0.135% for the Higher Education Sector), average pay increases for University staff and pay ratios between the Vice-Chancellor and other groups of staff; and,

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

8. The Vice-Chancellor's total remuneration 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.
9. 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.

University Executive Board

The University Executive Board is the senior management team of the University. 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 Director of Finance. 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.

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 responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research. It oversees quality assurance and standards of the education provided by the University.

Register of Interests

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

Corporate Governance (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 Financial Memorandum with HEFCE.

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 2017 and up to the date of approval of the financial statements, and accords with HEFCE 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 to HEFCE.
- 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 which 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; the Internal Audit Service, which operates to standards defined in the HEFCE Audit Code of Practice; the work of the executive managers of the institution, who have responsibility for the development and maintenance of the internal control framework; and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the Council

The University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the University, 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 Teaching Agency are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with these bodies and any other conditions which these bodies may from time to time prescribe;
- 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

29 November 2017

Report on the audit of the financial statements

Independent auditor's report to the Council of Members of the University of Birmingham

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2017 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and group cash flows for the year then ended;
- 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 of the University of Birmingham (the 'university') and its subsidiaries (the 'group') which comprise:

- the Statement of Accounting Policies;
- the Consolidated and University Statements of Comprehensive Income;
- the Consolidated and University Statements of Changes in Reserves
- the Consolidated and University Balance Sheets
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 28.

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

Basis for opinion

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

We are independent of the group and the university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council of Members has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the (group's and the) university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

Report of the Auditor (continued)

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 memorandum of assurance and accountability effective August 2016. 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 board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice (HEFCE)

In our opinion, in all material respects:

- funds from HEFCE, grants and income for specific purposes and from other restricted funds administered by the university during the year ended 31 July 2017 have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them during the year ended 31 July 2017; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP

Statutory Auditor
St Albans, United Kingdom

29 November 2017

Statement of Accounting Policies

Year Ended 31 July 2017

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 20. 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.

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, three-year forecast, and five to 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. 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.

The University has submitted claims under the Research and Development Expenditure Credit Scheme for large companies. Claims submitted were recognised in the year that the claim was submitted as research income with a notional tax charge.

Materially all of the University's income and surplus relates to its principal activities and originated in the United Kingdom and, as a result, no segmental reporting is presented.

Statement of Accounting Policies (continued)

Year Ended 31 July 2017

Grant funding

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

Donations and endowments

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

The University holds the following types of donations:

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

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.

Statement of Accounting Policies (continued)

Year Ended 31 July 2017

This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the year during which services are rendered by employees.

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 (in excess of £500,000) are capitalised at cost and depreciated on a straight-line basis over 10 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) over £25,000 is capitalised at cost and is depreciated over three years on a straight-line basis.

Statement of Accounting Policies (continued)

Year Ended 31 July 2017

Assets under construction are not depreciated until they are ready for use and are represented as costs incurred to date.

10. Heritage assets

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

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

The University's practice in regards to heritage assets, in accordance with the national accreditation standards, is: to preserve, conserve and manage the objects in its care; to augment the collections where appropriate and within the resources available; to enable and encourage access to and use of the collections for teaching and research; and to enable wide access to and engagement with the collections by members of the public. Further details of the University's heritage assets are referenced on page 22.

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 5 and 10 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.

Statement of Accounting Policies (continued)

Year Ended 31 July 2017

17. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para. 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

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 following 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 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.

Statement of Accounting Policies (continued)

Year Ended 31 July 2017

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,
i) the contractual rights to the cash flows from the financial asset expire or are settled,

(ii) the University transfers to another party substantially all of the risks and rewards of ownership of the financial asset,

or (iii) the University, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(b) Investments

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

(c) Derivative financial instruments

The University uses derivative financial instruments to reduce exposure to interest rate and cashflow 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 remeasured 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.

Statement of Accounting Policies (continued)

Year Ended 31 July 2017

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

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

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

The University does have one critical judgement regarding the Sport's Centre as identified in note 19, no provision has been made for final account settlement with the contractor.

There are also two 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 £98.4m. At 31 July 2017 there was a liability of £45.8m. The liability reflected the outcome of the 2016 triennial valuation which was finalised during 2017. Further details are shown in the Pension note.

(2) Assumptions relating to USS provisions. In calculating the University's USS pension liability of £59.9m we have used for the current year a discount rate of 1.86% in line with HE sector norms, (2015/16 1.75%) and salary inflation growth at 2.5% (2.5%) over the Recovery Plan period, with assumed staff number increases of 4% ,3% ,2% ,1% over the next four years (1%). The salary inflation and staff increases are based on the University's budget and forecasts.

Consolidated and University Statements of Comprehensive Income and Expenditure

Year Ended 31 July 2017

		Year ended 31 July 2017		Year ended 31 July 2016	
	Notes	Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	305,072	305,072	286,338	286,338
Funding body grants	2	78,680	78,680	90,438	90,438
Research grants and contracts	3	124,031	124,031	135,465	135,465
Other income	4	120,278	114,179	129,006	103,982
Investment income	5	6,319	6,543	4,977	5,157
Total income before endowments and donations		634,380	628,505	646,224	621,380
Donations and endowments	6	7,110	7,110	4,202	4,202
Total income		641,490	635,615	650,426	625,582
Expenditure					
Staff costs	7	320,664	316,993	310,381	308,049
Other operating expenses		219,639	217,895	200,713	199,290
Depreciation	12	57,505	56,187	44,761	44,527
Interest and other finance costs	8	6,177	6,177	10,260	10,260
Total expenditure	9	603,985	597,252	566,115	562,126
Surplus before other gains and losses					
Gain on investments	13	8,216	7,656	8,440	8,440
Surplus before tax		45,721	46,019	92,751	71,896
Corporation Tax	10	(108)	-	(1,332)	(1,238)
Surplus after taxation		45,613	46,019	91,419	70,658

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

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Surplus after taxation		45,613	46,019	91,419	70,658
Actuarial gain/(loss) in respect of pension schemes	26	51,500	51,500	(54,200)	(54,200)
Total comprehensive income for the year		97,113	97,519	37,219	16,458
Represented by:					
Endowment comprehensive income for the year		8,731	8,731	6,789	6,789
Restricted comprehensive income for the year		1,568	1,568	952	952
Unrestricted comprehensive income for the year		86,814	87,220	29,478	8,717
Total comprehensive income for the year		97,113	97,519	37,219	16,458

In the year £321k (2015/2016 £278k) was attributable to the non-controlling interest in regard of the Surplus and the Total comprehensive income.

Consolidated and University Statements of Changes in Reserves

Year ended 31 July 2017

Consolidated	Income and Expenditure account			Total excluding Non Controlling Interest	Non Controlling Interest	Total
	Endowment	Restricted	Unrestricted			
		£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	97,037	12,131	1,023,602	1,132,770	2,719	1,135,489
Surplus from the Statement of Comprehensive Income	9,600	2,462	79,079	91,141	278	91,419
Other comprehensive income	-	-	(54,200)	(54,200)	-	(54,200)
Release of restricted funds spent in year	(2,811)	(1,510)	4,321	-	-	-
Total movement for the year	6,789	952	29,200	36,941	278	37,219
Balance at 31 July 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 movement 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

Consolidated and University Statements of Changes in Reserves (continued)

Year ended 31 July 2017

University	Income and Expenditure account			Total excluding Non Controlling Interest	Non Controlling Interest	Total
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	97,037	12,131	1,011,329	1,120,497	-	1,120,497
Surplus from the Statement of Comprehensive Income	9,600	2,462	58,596	70,658	-	70,658
Other comprehensive income	-	-	(54,200)	(54,200)	-	(54,200)
Release of restricted funds spent in year	(2,811)	(1,510)	4,321	-	-	-
Total movement for the year	6,789	952	8,717	16,458	-	16,458
Balance at 31 July 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 movement 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

Consolidated and University Balance Sheets

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	11	7,052	7,052	-	-
Fixed assets	12	1,183,996	1,156,163	1,158,087	1,127,443
Heritage assets		364	364	364	364
Investments	13	138,770	135,958	147,824	145,572
		1,330,182	1,299,537	1,306,275	1,273,379
Current assets					
Stocks for resale		259	259	233	233
Trade and other receivables	14	69,096	68,854	71,728	71,635
Investments	15	5,000	5,000	20,000	20,000
Cash and cash equivalents		209,037	203,950	165,120	160,283
		283,392	278,063	257,081	252,151
Creditors: amounts falling due within one year	16	(182,566)	(179,803)	(165,935)	(163,862)
Net current assets		100,826	98,260	91,146	88,289
Total assets less current liabilities		1,431,008	1,397,797	1,397,421	1,361,668
Creditors: amounts falling due after more than one year	17	(64,459)	(64,459)	(66,995)	(66,995)
Pension provisions	20	(105,696)	(105,696)	(157,718)	(157,718)
Total net assets		1,260,853	1,227,642	1,172,708	1,136,955

Consolidated and University Balance Sheets

(continued)

	<i>Notes</i>	As at 31 July 2017		As at 31 July 2016	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Restricted reserves					
Income and expenditure reserve – endowment reserves	21	112,557	112,557	103,826	103,826
Income and expenditure reserve – restricted	22	14,651	14,651	13,083	13,083
Unrestricted reserves					
Income and expenditure reserve		1,130,327	1,100,434	1,052,802	1,020,046
		1,257,535	1,227,642	1,169,711	1,136,955
Non-controlling interest		3,318	-	2,997	-
Total reserves		1,260,853	1,227,642	1,172,708	1,136,955

The financial statements were approved by Council on 29 November 2017 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 2017

	Notes	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		45,613	91,419
Adjustment for non-cash items			
Depreciation	12	57,505	44,761
Gain on investments	13	(8,216)	(8,440)
Increase in stock		(26)	(56)
Decrease in debtors	14	2,632	2,332
Increase/(decrease) in creditors	16	16,631	(5,686)
Adjustment for pension funding		(522)	3,546
Adjustment for investing or financing activities			
Investment income	5	(6,319)	(4,977)
Interest payable	8	3,139	3,280
Endowment income		(1,282)	(986)
Profit on the sale of fixed assets		(526)	(2,100)
Capital grant income		(14,634)	(35,921)
Net cash inflow from operating activities		93,995	87,172
Cash flows from investing activities			
Proceeds from sale of fixed assets		3,163	4,700
Capital grants receipts		14,634	16,407
Disposal of non-current asset investments	13	42,674	1,182
Withdrawal of deposits	15	15,000	10,000
Investment income		6,319	4,977
Payments made to acquire fixed assets		(102,071)	(115,138)
New non-current asset investments	13	(25,404)	(28,627)
Net cash (outflow) from investing activities		(45,685)	(106,499)

Consolidated Cash Flow Statement (continued)

Year ended 31 July 2017

	Year Ended 31 July 2017 £'000	Year Ended 31 July 2016 £'000
Cash flows from financing activities		
Interest paid	(3,139)	(3,280)
Endowment cash received	1,282	986
Repayments of amounts borrowed	(2,536)	(3,750)
Net cash (outflow) from financing activities	(4,393)	(6,044)
Increase/(decrease) in cash and cash equivalents in the year	43,917	(25,371)
Cash and cash equivalents at beginning of the year	165,120	190,491
Cash and cash equivalents at end of the year	209,037	165,120

Notes to the Accounts

For the Year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Tuition fees and education contracts				
Undergraduate tuition – home and EU students	159,595	159,595	152,692	152,692
Undergraduate tuition – other students	42,653	42,653	37,147	37,147
Postgraduate tuition – home and EU students	31,522	31,522	30,185	30,185
Postgraduate tuition – other students	60,791	60,791	56,404	56,404
Other courses	5,499	5,499	5,218	5,218
Research, training and support grants	5,012	5,012	4,692	4,692
	305,072	305,072	286,338	286,338
2. Funding body grants				
Recurrent grant:				
Higher Education Funding Council	68,744	68,744	71,930	71,930
Capital grant	5,672	5,672	13,206	13,206
Specific grants:				
Higher Education Innovation Fund	3,350	3,350	3,350	3,350
National College for Teaching and Leadership	98	98	211	211
HEFCE other	816	816	1,741	1,741
	78,680	78,680	90,438	90,438
3. Research grants and contracts				
Research Councils	40,551	40,551	45,796	45,796
UK-based charities	23,391	23,391	21,714	21,714
UK Central/Local Government, Health and Hospital Authorities	26,051	26,051	34,115	34,115
UK industry, commerce and public corporations	6,481	6,481	7,587	7,587
EU government bodies	17,546	17,546	16,984	16,984
EU other	2,084	2,084	2,462	2,462
Other overseas	7,178	7,178	6,109	6,109
Other sources	749	749	698	698
	124,031	124,031	135,465	135,465

Notes to the Accounts (continued)

For the Year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
4. Other income				
Residences, catering and conferences	43,395	43,395	41,995	41,995
Other services rendered	9,166	6,830	9,526	7,254
Health Authority funded external posts	13,613	13,613	14,726	14,726
Self-financing activities	3,887	3,887	2,995	2,995
Other capital grants	6,017	2,808	21,961	2,447
Day nursery and Health centre	2,808	2,808	2,682	2,682
Rental Properties and University Centre lettings	1,174	1,174	1,188	1,188
Barber Trust Grant	1,160	1,160	1,101	1,101
VAT refund	1,694	1,694	1,388	1,388
Other income	37,364	36,810	31,444	28,206
	120,278	114,179	129,006	103,982
5. Investment income				
Investment income on endowments	3,132	3,132	2,889	2,889
Other investment income	3,187	3,411	2,088	2,268
	6,319	6,543	4,977	5,157
6. Donations and endowments				
Capital grants	2,945	2,945	754	754
New endowments	1,282	1,282	986	986
Donations with restrictions	2,610	2,610	2,462	2,462
Unrestricted donations	273	273	-	-
	7,110	7,110	4,202	4,202

Notes to the Accounts (continued)

For the Year ended 31 July 2017

7. Staff costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	254,197	251,174	247,095	245,486
Social security costs	25,425	25,166	22,077	21,914
Movement on USS pension provision	3,479	3,479	6,730	6,730
Other pension costs	37,563	37,174	34,479	33,919
Total	320,664	316,993	310,381	308,049

There was no compensation for loss of office paid to a senior post-holder in 2016/17 (2015/16 £125k).

	2017	2016
	£'000	£'000
Emoluments of the Vice-Chancellor:		
Salary	386	378
Performance related award	50	45
Taxable benefit	3	3
	439	426

A long term incentive plan is in place for the Vice Chancellor for an initial period of 4 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.

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	FTE	FTE	FTE	FTE
Staff full time equivalents (FTE) numbers by major category:				
Academic, Clinical Academic and Administrative	4,540	4,504	4,403	4,368
Other, including Technical, Clerical and Manual	2,098	2,078	2,050	2,028
	6,638	6,582	6,453	6,396

Trustees

The total expenses paid to or on behalf of 6 (2015/16: 6) Council members was £3,635 (2014/15: £4,385). 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.

Notes to the Accounts (continued)

For the Year ended 31 July 2017

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, Registrar and Secretary and Director of Finance.

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Key management personnel remuneration	2,398	2,373

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

A significant number of staff in the table below are on NHS contracts not determined by the University. Amounts paid on behalf of the NHS are included in 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 below are presented in line with the requirements of accounting standards and therefore do not include any employer pension contributions, but do include cash payments in lieu of pension. To make a meaningful comparison 18% 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 2016/17.

	Year ended 31 July 2017	Year ended 31 July 2016
	No.	No.
£100,001 to £110,000	41	27
£110,001 to £120,000	18	24
£120,001 to £130,000	15	19
£130,001 to £140,000	11	11
£140,001 to £150,000	9	6
£150,001 to £160,000	12	11
£160,001 to £170,000	9	4
£170,001 to £180,000	11	11
£180,001 to £190,000	5	8
£190,001 to £200,000	2	4
£200,001 to £210,000	3	3
£210,001 to £220,000	3	1
£220,001 to £230,000	2	3
£230,001 to £240,000	1	-
£240,001 to £250,000	1	-
£250,001 to £260,000	1	-
	144	132

Notes to the Accounts (continued)

For the Year ended 31 July 2017

8. Interest and other finance costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	2,474	2,474	2,637	2,637
Swap interest	665	665	643	643
BPAS interest charge	2,000	2,000	1,500	1,500
USS interest charge	1,038	1,038	1,588	1,588
Change in fair value of derivative financial instruments	-	-	3,892	3,892
	6,177	6,177	10,260	10,260

9. Analysis of total expenditure by activity

Academic and related expenditure	264,831	264,831	244,179	244,179
Administration and central services	124,097	119,540	108,689	107,151
Premises	67,021	66,858	56,362	55,734
Residences, catering and conferences	31,948	31,948	30,386	30,386
Research grants and contracts	97,022	97,022	99,906	99,906
Other operating expenses	19,066	17,053	26,593	24,770
	603,985	597,252	566,115	562,126

Other operating expenses include:

External auditor's remuneration in respect of audit services	106	83	148	131
External auditor's remuneration in respect of non-audit services	307	307	59	58
Leases payments	1,078	1,078	662	662

Notes to the Accounts (continued)

For the Year ended 31 July 2017

	Year ended 31 July 2017 Consolidated £'000	Year ended 31 July 2016 Consolidated £'000
10. Taxation		
Recognised in the statement of comprehensive income		
Current tax		
UK Corporation Tax at 20.67%		
Subsidiary companies	110	71
Research and Development Credit	-	1,238
Tax expense	110	1,309
Deferred tax		
Origination and reversal of timing differences	(2)	21
Reduction in tax rate	-	1
Recognition of previously unrecognised tax losses	-	1
Deferred tax expense	(2)	23
Total tax expense	108	1,332

Notes to the Accounts (continued)

For the Year ended 31 July 2017

11. Intangible assets

	Assets in the course of construction	Total
Consolidated and University	£'000	£'000
Cost		
As at 1 August 2016	-	-
Additions	7,052	7,052
At 31 July 2017	7,052	7,052

Intangible Assets represents costs incurred in relation to new software development. No amortisation has not yet been charged as the project is yet to be completed.

Notes to the Accounts (continued)

For the Year ended 31 July 2017

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 2016	909,317	129,280	46,020	55,657	111,555	1,251,829
Additions	12,834	-	18,865	21,232	42,088	95,019
Transfers	106,122	400	-	-	(106,522)	-
Other movements	(11,800)	-	-	-	-	(11,800)
Disposals	(2,661)	-	-	(18,542)	-	(21,203)
At 31 July 2017	1,013,812	129,680	64,885	58,347	47,121	1,313,845
Depreciation						
At 1 August 2016	41,307	8,072	6,947	37,416	-	93,742
Charge for the year	27,457	4,161	6,488	19,399	-	57,505
Other movements	(2,832)	-	-	-	-	(2,832)
Disposals	(24)	-	-	(18,542)	-	(18,566)
At 31 July 2017	65,908	12,233	13,435	38,273	-	129,849
Net book value						
At 31 July 2017	947,904	117,447	51,450	20,074	47,121	1,183,996
At 31 July 2016	868,010	121,208	39,073	18,241	111,555	1,158,087

At 31 July 2017, freehold land and buildings included £191.1m (2016: £191.4m) in respect of freehold land which is not depreciated.

Notes to the Accounts (continued)

For the Year ended 31 July 2017

12. Fixed assets (continued)	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
University						
Cost						
At 1 August 2016	875,944	129,280	46,020	55,232	111,555	1,218,031
Additions	12,238	-	18,865	21,185	42,088	94,376
Transfers	106,122	400	-	-	(106,522)	-
Other movements	(7,270)	-	-	-	-	(7,270)
Disposals	(2,661)	-	-	(18,542)	-	(21,203)
At 31 July 2017	984,373	129,680	64,885	57,875	47,121	1,283,934
Depreciation						
At 1 August 2016	38,475	8,072	6,947	37,094	-	90,588
Charge for the year	26,205	4,161	6,488	19,333	-	56,187
Other movements	(437)	-	-	-	-	(437)
Disposals	(25)	-	-	(18,542)	-	(18,567)
As at 31 July 2017	64,218	12,233	13,435	37,885	-	127,771
Net book value						
At 31 July 2017	920,155	117,447	51,450	19,990	47,121	1,156,163
At 31 July 2016	837,469	121,208	39,073	18,138	111,555	1,127,443

At 31 July 2017, freehold land and buildings included £191.1m (2016: £191.4m) in respect of freehold land which is not depreciated.

The leasehold land and buildings category includes a number of leases including the Medical School site from Birmingham City Council on a long lease 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 Higher Education Funding Council for England.

Notes to the Accounts (continued)

For the Year ended 31 July 2017

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 2016	-	263	49,332	98,229	147,824
Additions	-	423	21,470	3,511	25,404
Disposals	-	-	(39,230)	(3,444)	(42,674)
Revaluation	-	612	74	7,530	8,216
At 31 July 2017	-	1,298	31,646	105,826	138,770
University					
At 1 August 2016	3,192	263	43,888	98,229	145,572
Additions	-	423	21,470	3,511	25,404
Disposals	-	-	(39,230)	(3,444)	(42,674)
Revaluation	-	612	(486)	7,530	7,656
At 31 July 2017	3,192	1,298	25,642	105,826	135,958

Notes to the Accounts (continued)

For the Year ended 31 July 2017

14. Trade and other receivables

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:	-	-	-	-
Accrued income on research grants	31,870	31,870	35,010	35,010
Trade receivables	12,801	12,154	10,067	9,448
Other receivables	1,331	1,303	1,508	1,475
Prepayments and accrued income	22,379	22,143	24,428	24,153
Amounts due from subsidiary companies	-	669	-	834
	68,381	68,139	71,013	70,920
Amounts falling due after one year:				
Other debtors and prepayments	715	715	715	715
	69,096	68,854	71,728	71,635

15. Current asset investments

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term deposits	5,000	5,000	20,000	20,000

Deposits are held with banks and other organisations licensed by the Financial Services Authority with more than three months maturity from the date of acquisition. 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 2017

16. Creditors: amounts falling due within one year	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research grants and contracts in advance	80,605	80,605	66,160	66,160
Corporation tax	39	-	1,263	1,238
Unsecured loans	4,681	4,681	4,057	4,057
Trade creditors	15,426	14,908	9,375	8,952
Social security and other taxation payable	8,495	8,356	7,889	7,802
Accruals	23,482	23,113	23,164	22,676
Deferred income	23,585	22,633	22,355	21,586
Derivatives	3,275	3,275	7,237	7,237
Other creditors	22,978	21,727	24,435	23,654
Amounts due from subsidiary companies	-	505	-	500
	182,566	179,803	165,935	163,862

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 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Grant income	2,720	2,720	2,009	2,009
Other income	20,865	19,913	20,346	19,577
Total deferred income	23,585	22,633	22,355	21,586

Notes to the Accounts (continued)

For the Year ended 31 July 2017

17. Creditors: amounts falling due after more than one year	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Unsecured loans	64,459	64,459	66,995	66,995
Analysis of unsecured loans:				
Due within one year or on demand	4,681	4,681	4,057	4,057
Due between one and two years	4,492	4,492	4,057	4,057
Due between two and five years	12,154	12,154	11,375	11,375
Due in five years or more	47,813	47,813	51,563	51,563
Due after more than one year	64,459	64,459	66,995	66,995
Total secured and unsecured loans	69,140	69,140	71,052	71,052

Included in loans are the following:

Lender	Amount £'000	Term	Interest rate %	Borrower
European Investment Bank	53,250	2034/35	4	University
European Investment Bank	13,313	2034/35	LIBOR + 1.401%	University
HEFCE Revolving Green Fund	2,577	2022/23		University
Total	69,140			

Private placement

In May 2017 the University concluded a process to issue £200m of loan notes through a private placement facility to five lenders. The draw down occurred in August 2017. All of the notes have fixed interest payments due twice each year, commencing in February 2018 with no repayments due until the end of the term. The loan terms vary from 25 to 40 years with an average interest rate of 2.56%.

Notes to the Accounts (continued)

For the Year ended 31 July 2017

18. Financial instruments

18. Financial instruments		2016/17		2015/16	
		Consolidated	University	Consolidated	University
	Notes	£'000	£'000	£'000	£'000
The carrying values of the Consolidated and University financial assets and liabilities are summarised by category below					
Financial assets					
Measured fair value through income and expenditure					
Investment in listed ordinary shares		-	-	-	-
Investments in common investment funds	13	128,193	128,193	132,258	132,258
Debt instruments measured at amortised cost					
Long-term loans receivable	15	715	715	715	715
Measured at undiscounted amount receivable					
Trade and other receivables	15	46,002	45,996	46,585	46,767
Equity instruments measured at cost less impairment					
Non-current asset investments in utilised equity instruments	13	10,577	7,765	15,566	13,314
		185,487	182,669	195,124	193,054
Financial liabilities					
Measured fair value through income and expenditure					
Derivative financial liabilities	16	3,275	3,275	7,237	7,237
Measured at amortised cost					
Loans payable	17	69,140	69,140	71,052	71,052
Measured at undiscounted amount payable					
Trade and other creditors	16	61,886	60,253	57,004	55,812
		134,301	132,668	135,293	134,101

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 3 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 2017

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

		2016/17		2015/16	
		Consolidated	University	Consolidated	University
	Notes	£'000	£'000	£'000	£'000
Financial liabilities					
Interest income and (expense)					
Total interest income for financial assets at amortised costs	5	6,319	6,543	4,977	5,157
Total interest expense for financial liabilities at amortised cost	8	(3,139)	(3,139)	(3,280)	(3,280)
		3,180	3,404	1,697	1,877
Fair value gains and (losses)					
On financial assets measured at fair value through income and expenditure	13	8,216	7,656	8,440	8,440
On derivative financial liabilities		970	970	(3,892)	(3,892)
		9,186	8,626	4,548	4,548

Notes to the Accounts (continued)

For the Year ended 31 July 2017

19. Contingent liability

During the year the construction of the Sports Centre was completed and it was opened to students and the local community in May 2017. The contractor has indicated to the University that it believes it is owed funds over and above the contract value because of delays, change requests and other circumstances which they allege were the responsibility of the University. The value of the claim is £28m. Based on independent expert advice, the University strongly refutes this claim and accordingly has made no provision for this amount in the financial statements.

20. Provisions	Obligation to fund deficit on USS Pension	Defined Benefit Obligations on BPAS Pension	Total Pensions Provided
	£'000	£'000	£'000
Consolidated and University			
At 1 August 2016	59,318	98,400	157,718
Charged to income and expenditure	4,517	5,200	9,717
Charged to comprehensive income	-	(51,500)	(51,500)
Utilised	(3,939)	(6,300)	(10,239)
At 31 July 2017	59,896	45,800	105,696

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.

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.

Notes to the Accounts (continued)

For the Year ended 31 July 2017

21. Endowment reserves (restricted)

Consolidated and University	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2016					
Capital	63,691	29,835	6,935	100,461	94,819
Accumulated income	3,365	-	-	3,365	2,218
	67,056	29,835	6,935	103,826	97,037
New endowments	-	-	1,282	1,282	986
Investment income	2,427	541	164	3,132	2,889
Expenditure	(1,488)	(541)	(1,184)	(3,213)	(2,811)
Increase in market value of investments	4,984	2,172	374	7,530	5,725
Total endowment comprehensive income for the year	5,923	2,172	636	8,731	6,789
At 31 July 2017	72,979	32,007	7,571	112,557	103,826
Represented by:					
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
Analysis by type of purpose:					
Lectureships	9,458	346	2,461	12,265	11,363
Scholarships and bursaries	22,674	7,539	2,251	32,464	29,890
Research support	6,272	2,724	50	9,046	8,415
Prize Funds	1,506	1,369	33	2,908	2,690
Funded Posts	20,905	405	1,202	22,512	20,734
General	12,164	19,624	1,574	33,362	30,734
	72,979	32,007	7,571	112,557	103,826
Analysis by asset					
Non-current asset investments				105,826	98,229
Cash and cash equivalents				6,731	5,597
				112,557	103,826

Notes to the Accounts (continued)

For the Year ended 31 July 2017

21. Endowment reserves (restricted) continued

	Consolidated 2016 Total £'000	Consolidated 2015 Total £'000
Enowment reserves		
Represented by:		
Equities	70,718	60,756
Fixed interest securities and bonds	20,704	23,316
Property	14,404	14,157
Cash and cash equivalents	6,731	5,597
	112,557	103,826

22. Restricted reserves

Consolidated and University

	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016	13,083	12,131
Income	3,619	2,462
Expenditure	(1,956)	(1,510)
Transfer from unrestricted reserves	(95)	-
Total restricted comprehensive income for the year	1,568	952
At 31 July 2017	14,651	13,083

	2017 Total £'000	2016 Total £'000
Analysis of other restricted funds/donations by type of purpose:	£'000	£'000
Lectureships	66	213
Scholarships and bursaries	193	186
Research support	1,478	1,165
Prize funds	15	6
Funded Posts	227	323
General	12,672	11,190
	14,651	13,083

23. Capital and other commitments

Provision has not been made for the following capital commitments:

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	91,159	91,159	31,312	30,958

Notes to the Accounts (continued)

For the Year ended 31 July 2017

24. Subsidiary undertakings

The subsidiaries are all wholly owned or effectively controlled by the University and incorporated in and operate in the UK, other than Alta Birmingham China Limited (ABC Limited) which is incorporated in the UK but operates in the UK and China. ABC Limited has a subsidiary company, Guangzhou ABC Education Information Consultancy Limited, which is consolidated in the financial statements.

Name of company	Percentage holding	Nature of business
Alta Birmingham China Limited	100%	Management of activities in China
Alta Cyclotron Services Limited	100%	Preparation and sale of chemicals for clinical use
Birmingham Research Park Limited	51%	Provision of accommodation to high technology companies
Alta Innovations Limited	100%	Technology transfer
University of Birmingham Selly Oak Educational Trust	100%	Management of land and buildings on the Selly Oak campus
University of Birmingham School (Company Limited by Guarantee)	Member	Operating the University School and Sixth Form

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	Closing balance
	£'000	£'000	£'000	£'000
Consolidated				
University of Birmingham Selly Oak Endowment Trust (UoBSOET)	8,968	19	(196)	8,791

Not consolidated:

Included within the balance sheet, held in endowments assets, is £2.5m (2015/16 £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 2017

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), and 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 2017	Year ended 31 July 2016
	£m	£m
USS	28,786	26,845
BPAS	3,200	2,500
Other pension schemes (GPPS and NHS)	5,577	5,134
Movement on USS Provision	3,479	6,730
Pension costs included in staff costs (note 7)	41,042	41,209
Interest cost - BPAS	2,000	1,500
Interest cost - USS	1,038	1,588
Pension costs included in interest costs (note 8)	3,038	3,088
BPAS actuarial (gain)/loss included in comprehensive income	(51,500)	54,200
Total pension costs included in comprehensive income	(7,420)	98,497

(i) The Universities Superannuation Scheme

The total cost charged to staff costs is £32m (2016: £34m), comprising £29m regular contributions (2016: £27m) and £3m movement in the provision for recovery plan commitments (2016: £7m).

Notes to the Accounts (continued)

For the Year ended 31 July 2017

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 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's liabilities based on the projected unit method was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2017	2016
Discount rate	2.57%	3.6%
Pension increases (CPI)	2.41%	2.2%

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 1 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)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

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

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total scheme level	77%	85%

Notes to the Accounts (continued)

For the Year ended 31 July 2017

26. Pension schemes (continued)

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

	31 July 2017	31 July 2016
	%	%
Deficit contribution rate	2.1	2.1
Discount rate	1.86	1.75

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 FRS102 are:

	At 31 July 2017 %pa	At 31 July 2016 %pa
Price Inflation (RPI)	3.35%	2.9%
Price Inflation (CPI)	2.35%	1.9%
Rate of increase in salaries	2.35% to 31/03/2019 then 3.35%	1.90% to 31/03/2019 then 2.90%
Rate of increase of pensions in payment	1.75% to 3.10%	1.55% to 2.75%
Discount rate	2.45%	2.1%
Mortality base table	107%/98% SAPS 2	112%/101% SAPS
Mortality future improvements	CMI 2016 1.5% trend	CMI 2014 1.5% trend

Notes to the Accounts (continued)

For the Year ended 31 July 2017

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 (i.e. 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 2017 £m	Fair value as at 31 July 2016 £m
Equities	115.8	153.1
Bonds	101.5	96.0
Other	158.6	102.8
Total	375.9	351.9

	Assets £m	Liabilities £m	Total £m
At 1 August 2016	351.9	(450.3)	(98.4)
Employer contributions	6.3	-	6.3
Current service cost	-	(3.2)	(3.2)
Interest income (expense)	7.3	(9.3)	(2.0)
Benefits paid from scheme	(13.6)	13.6	-
Actuarial losses	-	27.5	27.5
Return on plan assets	24.0	-	24.0
Total at 31 July 2017	375.9	(421.7)	(45.8)

	2017 £m	2016 £m
Current service cost	(3.2)	(2.5)
Interest cost	(2.0)	(1.5)
	(5.2)	(4.0)

Notes to the Accounts (continued)

For the Year ended 31 July 2017

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 2017 was £2.9m (2015/16: £2.5m).

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 2017 are as follows:

	Year to 31 July 2017	Year to 31 July 2016
	£000	£000
Tangible Fixed Assets	607	520
Current Assets	2,634	2,406
Creditors	(811)	(500)
Pension provision	(3,920)	(2,745)
Reserves	(1,490)	(319)
(Deficit)/surplus for the year	(1,171)	160

The University's Statement of Comprehensive Income and Expenditure reflects payment to the Guild of Students of a block grant of £2.3m (2015/16 £2.2m). The deficit in the year is wholly due to the liability of the Students' Union Superannuation Scheme (SUSS).

Notes to the Accounts (continued)

For the Year ended 31 July 2017

28. Related party transactions

The related party transactions for the Year ended 31 July 2017 are as follows:

Name	University role	Related Party	Nature of transaction/ relationship
Professor Sir David Eastwood	Council Member	Russell Group	Director (September 2012 to August 2015)
		Universities Superannuation Scheme	Chair and Non Executive Director (from 1 April 2015 and Director since January 2007)
		Arts and Humanities Research Council	Board member
		Barber Institute of Fine Arts	Trustee
		Universities UK	Board member
		Universitas 21	Chairman and Non Executive Director
Richard Haywood	Council Member	Reynolds Porter Chamberlain LLP	Partner
Ellie Keiller	Council Member	Guild of Students	President
		NUS Services	Board Member
Mr Ed Smith CBE	Council member	Department of Transport	Lead Non-executive Director
Dr Ranjit Sondhi	Council member	Women's and Children's Hospital Birmingham	Wife is non-executive director
Professor David Adams	UEB Member	Wellcome Trust Clinical Interview Panel	Member
		Faron Pharmaceuticals	Consultant (since 2017)
Chris Granger	UEB Member	Birmingham Research Park Ltd	Director
		Alta Cyclotron Services Ltd	Director
		Guild of Students	Trustee
Tim Jones	UEB Member	Engineering and Physical Sciences Research Council	Strategic Advisory Network Member (since September 2016)
Professor Myra Nimmo	UEB Member	England Athletics	Chairman
		Veritas Forum Organising Committee	Member (since March 2016)
Lee Sanders	UEB Member	AHUA	Chairman (January 2017)
		University of Birmingham School	Governor
Professor Tim Softley	UEB Member	Engineering and Physical Sciences Research Council	Strategic Advisory Network Member (September 2016)
Professor Michael Whitby	UEB Member	Birmingham REP	Board member
Professor Jon Binner	College Directors & Deputies	National College of High Speed Rail	Member
Professor Paul Moss	College Directors & Deputies	Palleon Pharma	Shareholder
Professor Paul Flavell	Heads of School	University of Nottingham	External Examiner
Professor Jon Glasby	Head of School	Heart of England NHS Foundation Trust	Non-Executive Director
Robert Halton	BPAS member	Burges Salmon Company Ltd	Chief People Officer & Director
Professor Simon Collinson	DPVC	Chartered Association of Business Schools	Chairman
James Hunt	Audit Committee	University of Loughborough	Member of Audit Committee
		University of Gloucestershire	Member of Audit Committee
Dr James Wilkie	Subsidiary Director	Abingdon Health Ltd	Univerisity representative Director and Chair Audit Committee
		Alta Bioscience Ltd	Univerisity representative Director

Notes to the Accounts (continued)

For the Year ended 31 July 2017

2016/17		2016/17 Outstanding balances		2015/16	
Receipts	Payments	Debtors	Creditors	Receipts	Payments
£000	£000	£000	£000	£000	£000
1,313	69	-	-	1,522	69
-	32,724	-	-	-	29,116
1,873	-	20	-	1,800	-
1,120	-	-	-	1,135	-
-	-	-	-	54	-
236	-	30	-	403	-
1	-	-	-	-	-
2,224	424	-	169	2,178	-
4	-	-	-	-	-
16	-	-	-	-	-
2,087	341	472	115	1,460	206
526	-	158	-	-	-
25	-	25	-	-	-
198	91	52	1	-	144
174	-	197	-	225	-
2,224	424	-	169	2,178	-
15,706	71	-	-	14,957	-
1	-	-	-	2	-
1	-	-	-	-	-
-	1	-	-	-	-
109	22	87	-	89	-
15,706	71	-	-	14,957	-
-	3	-	-	1	-
87	-	-	-	-	-
17	-	-	-	-	-
248	-	23	-	-	-
-	224	-	17	-	-
1	-	-	-	1	-
9	10	-	-	-	-
6	196	-	-	39	-
-	-	-	-	243	-
124	2	7	-	-	-
34	35	3	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 2017 as set out in the table.

It should be noted that when compiling the income and expenditure for NHS England, Primary Care trusts have been excluded on the basis that Mr Ed Smith CBE does not engage with the Trusts that the University contracts with.

Three Year Summary Accounts

Summary Consolidated Statement of Comprehensive Income and Expenditure

	2016/17	2015/16	2014/15
	£'000	£'000	£'000
Income			
Tuition fees and education contracts	305,072	286,338	248,442
Research grants and contracts	78,680	90,438	100,593
Other	257,738	273,650	248,463
Total Income	641,490	650,426	597,498
Expenditure			
Staff costs	320,664	310,381	314,686
Other – non-staff	283,321	255,734	240,534
Total Expenditure	603,985	566,115	555,220
Surplus before tax	45,721	92,751	42,278
Total comprehensive income for the year	97,113	37,219	28,378

Summary Consolidated Balance Sheet

	2016/17	2015/16	2014/15
	£'000	£'000	£'000
Non-current assets	1,330,182	1,306,275	1,201,106
Current assets	283,392	257,081	294,728
Total Assets	1,622,365	1,563,356	1,495,834
Current liabilities	(182,566)	(165,935)	(189,184)
Non-current liabilities	(64,459)	(66,995)	(71,189)
Pension provisions	(105,696)	(157,718)	(99,972)
Total Liabilities	(352,721)	(390,648)	(360,345)
Net Assets	1,260,853	1,172,708	1,135,489

Three Year Summary Accounts (continued)

Consolidated Cash Flow Statement Summary

	2016/17	2015/16	2014/15
	£'000	£'000	£'000
Cash flow from operating activities	93,995	87,172	82,007
Cash flow from investing activities	(45,685)	(106,499)	(118,368)
Cash flow from financing activities	(4,393)	(6,044)	(2,867)
Increase/(decrease) in cash and cash equivalents in the year	43,917	(25,371)	(39,228)
Cash and cash equivalents at beginning of the year	165,120	190,491	229,719
Cash and cash equivalents at end of the year	209,037	165,120	190,491

Key financial indicators as a percentage income

	2016/17	2015/16	2014/15
Surplus before total comprehensive income	7%	13%	7%
Net cash inflow from operating activities	15%	13%	14%
Staff costs	50%	48%	53%
Gearing	6%	7%	7%
Ratio of current assets to current liabilities	1.6	1.6	1.6



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