



UNIVERSITY OF  
BIRMINGHAM

2019

ANNUAL  
REPORT AND  
ACCOUNTS

20



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## Vice-Chancellor's Report



### **The University of Birmingham has a long and distinguished history of resilience and action in the face of fundamental social change.**

Through world wars, outbreaks of deadly disease, and industrial and technological evolution, we have not only endured but embraced the challenges such major events present for humanity.

Our pioneering research heralded the development of aspirin, vitamin C, cancer treatments and pacemakers. Our academics conceived microwaves, mass spectrometry, wireless telegraphy, and hydrogen fuel technology. Such Nobel Prize-winning ingenuity and determination has made – and continues to make – us the scientifically, technologically and culturally advanced institution that we are today, with a global reputation for original thinking.

As we confront the challenges of the COVID-19 pandemic this year, our institutional motto: *Per Ardua Ad Alta (Through Efforts to High Achievements)* has seemed more pertinent than ever. As the human, social, and economic consequences of the new coronavirus began to emerge, we were positioned at the forefront of worldwide collaborative research efforts to understand COVID-19 and to overcome it.

In March in a matter of days, the University was able to reduce campus operations to safeguard our students, personnel, local community, and region. We closed buildings, protected key facilities – including those conducting life-saving virus research – enabled essential work to continue, and ensured that those

students who needed to stay had a home in their university, while also supporting the large number of our people who began working remotely. The commitment, resilience, flexibility, and ingenuity demonstrated by colleagues across the institution was exceptional. Cleaning, Security and Estates staff, particularly, played a pivotal role in ensuring we were able to continue to operate in a safe and effective manner. Having achieved all of this, and while developing an emergency progression framework for our students and moving quickly to online delivery of teaching, we engaged in what we at Birmingham do best: innovation and delivery.

Astute capital investment in our campus, infrastructure, and facilities over the last five years meant we joined the national and international response to the virus immediately via our outstanding academic minds, research, and science facilities. Professor Alan McNally, Director of the Institute of Microbiology and Infection, was chosen by the Government to be Infectious Disease Lead at the country's flagship COVID-19 testing facility. We joined the COVID-19 Genomics UK Consortium, our expertise enabling us to sequence genomes of the virus from West

## Vice-Chancellor's Report (continued)

Midland patients in less than 24 hours. Professor Alex Richter and her team have developed perhaps the most sensitive antibody test available, and this is being commercialised in partnership with a Birmingham company.

The CATALYST trial, led by the Cancer Research UK Clinical Trials Unit, opened in May, rapidly testing new therapies for patients hospitalised due to the virus. We also repurposed University laboratories to support University Hospitals Birmingham in scaling up their testing capacity, enabling same-day testing for staff at UHB, the West Midlands Ambulance Service and the Birmingham Women's and Children's hospitals. Another of our laboratories was converted to produce much-needed hand sanitiser for Birmingham City Council frontline workers, and we donated Personal Protective Equipment to local NHS trusts. The Edgbaston Park Hotel provided vital accommodation for frontline NHS staff, while one of our nurseries supported key workers, caring for up to 30 children daily. More than 1,000 of our medical students volunteered to support NHS workers by carrying out duties such as delivering food and running errands, and over 600 medical students were allocated in hospitals, GP surgeries and the urgent care ambulance service to offer valuable support to frontline staff. In Selly Oak, students set up the 'Selly Oak Community Response', co-ordinating a food bank and delivery service for students and vulnerable members of the local community. Students from the University's Medical Society teamed up with doctors on the COVID-19 frontline as part of a sports competition that saw more than £25,000 raised for charitable causes. In India, our 'Clean-Cold' scientists joined a major new research project to help to engineer an efficient and sustainable delivery mechanism to eventually take a COVID-19 vaccine to billions of people around the globe.

In the shadow of the pandemic, it would be easy to overlook the many other significant achievements we made as an institution during the last academic year. Our research grants put us in a very healthy position with awards overall totalling £220.3 million, which exceeded our annual awards target and is, by some margin, a record for the University. A remarkable achievement at any time: an outstanding achievement given the exceptional circumstances of our times. We maintained our position amongst the best performing research-intensive universities in the world, being placed in the top 100 of three global rankings and holding our UK top 15 place in the *Complete University Guide* league tables. Our preparations for the forthcoming Research Excellence Framework (REF) progressed well and we are on track for a strong submission.

Autumn 2019 saw the launch of our major new philanthropic campaign, *Birmingham In Action*, with launch events in Birmingham, London, New York, San Francisco, and Hong Kong. The campaign aims to raise £400 million and achieve a million hours of volunteering in priority areas that include youth mental health, personally tailored cancer treatments, and environmental research. The campaign was boosted in May with a complementary *Birmingham in This Together* COVID-19 initiative, to support the provision of essential clinical equipment, enhance the University's virus-testing capacity and drugs trials, and fund emergency hardship grants to students.

Our international profile continued to grow. The University's Institute for Global Innovation (IGI) secured more than £23 million in grant income over the year. Established two years ago, the IGI inspires, supports and delivers world-leading multidisciplinary research that addresses some of the world's most pressing challenges, from international ethics and global justice to environmental pollution. Shortly before

## Vice-Chancellor's Report (continued)

the known emergence of COVID-19, I visited Delhi to sign agreements with Indian railways, the health ministry, to meet with ministers including the health and sports ministers, and to open a health workshop on the prevention of post-surgical infection. We now have some 20 joint research collaborations to tackle both Indian and global challenges.

We continued to strengthen our partnerships with our friends and colleagues in Europe. In June, experts from Birmingham joined other top European universities to launch a Policy Commission aiming to improve the well-being of people across Europe and beyond living with the pandemic, and we received £5 million along with other universities as part of a project to establish a joint, virtual European University of Well-being (EUniWell). Our strategic partnership with Trinity College Dublin, established in early 2019, is developing research and educational opportunities in healthcare technology, exploring the relationship between textual editing, trust and authority in digital culture, and exchanging best practice across our clinical research facilities. A joint Professional Services Symposium held in January 2020 established close links between senior leadership teams.

Elsewhere, our longstanding Universitas 21 connection with the University of Amsterdam was enhanced via a new strategic framework focused on Equality, Diversity and Inclusion (EDI); and medical training and research. Together, we shared research and best practice to embed EDI across institutional policy and governance, research, and education. Collaborative projects and research include: the student experience, inclusive education, the role of ageing in organisations, and issues of consent on campus.

The University of Birmingham Dubai continued to go from strength to strength with a number of new

undergraduate and postgraduate programmes launched in the last year. We signed an agreement with RATP Dev Middle East to support and train the region's next generation of urban transportation and mobility professionals, and are exploring research opportunities with Dubai Health Authority, the Roads & Transport Authority and others as we continue to build our research base in the UAE. We were accredited as a UAE Ministry of Education university, in addition to our accreditation with the Dubai Knowledge Human Development Agency, and look forward to opening our landmark second-phase campus in 2021.

On our Edgbaston Campus, the opening of our vanguard Teaching and Learning Building was celebrated in late January with a special event, UoBe Enlightened. Part of our commitment to providing the best facilities for undergraduate and postgraduate students, the building was among the first campus buildings to reopen post-lockdown. We also marked the completion of our Business School expansion project undertaken by Morgan Sindell through the Constructing West Midlands Framework. The new four-storey, 34,000sq ft building is connected to the grade-two listed University House on Edgbaston Park Road and enables staff to co-locate rather than be spread across five buildings.

Our first undergraduate virtual Open Week took place in June. Across the week, we engaged with 9,200 potential students; had more than 21,000 session 'check-ins' to our talks and 43,000 page views across our event hub web pages. For the first time in the University's history, the summer graduation ceremonies moved online, and were enthusiastically received by students around the world who watched and engaged, sharing photographs and videos of their unique celebrations. Other events that translated effectively to the new virtual format included the Vice-Chancellor's Great Debate, which

## Vice-Chancellor's Report (continued)

was broadcast live on YouTube in May to more than 16,000 people across the world. As we began our careful phased reopening of campus, we looked forward to welcoming as many of our students back to campus as possible for the Autumn Term. This involved adopting a system of bi-modal lectures, on-campus and online. We also finalised our Framework for Educational Resilience 2020–21, focusing on each of our academic courses with input from Student Representatives and the Guild of Students. We are committed to ensuring that students can continue to access a high-quality teaching experience as well as a wide range of campus support services, such as the Library, including access to study spaces and PC clusters, Careers Network and Student Wellbeing teams, both in person and at a distance as appropriate.

Our commitment to safeguarding the mental health and well-being of our students, and our investment in this key area, was highlighted with the launch of Pause, an early intervention student mental health service run by a team of professional therapists. Run in partnership with the Children's Society and local NHS services, the drop-in service moved to an online and phone support service during lockdown and, by teaming up with partners, expanded to seven days a week.

Our strong commitment to the education, economic development, and civic life of Birmingham and the wider West Midlands remains undimmed. A fifth cohort of students brought the University of Birmingham School to its full complement last September. A non-selective secondary school reflecting the city's diverse and vibrant population, some 33 per cent of its pupils qualify for Pupil Premium funding and over 23 per cent of the intake has English as an additional language. A good OFSTED report reinforced our commitment to

improving access to high-quality education for young people from all backgrounds, nurturing pupils to their full potential both academically and in character and virtues.

In a record-breaking year, more than 470 students who benefited from the University's flagship regional Access to Birmingham (A2B) programme were welcomed to campus last autumn. This included a number of students who participated in the institution's five-day Academic Enrichment Programme. We also continued to be a key player in the AimHigher collaboration between six Midland universities, helping to ensure that young people with the potential to benefit from higher education have the opportunity to do so, regardless of their background.

The launch of a new research institute, the West Midlands Regional Economic Development Institute (WM-REDI), to support inclusive economic growth in our city-region and across the UK, further strengthened our role and impact regionally. A collaboration with local and regional stakeholders involving a major award from the Research England Development Fund, together with matched funding from the University and regional stakeholders amounting to over £11 million, it promises to help the city of Birmingham to recover post-COVID by transforming national and regional policy and practice, and harnessing leadership and entrepreneurial innovation. It will be located in the new Exchange building in the city centre when it opens next September.

Birmingham City Council granted planning approval for the flagship new University railway station. Due for completion in time for the Commonwealth Games in summer 2022, it is due to increase passenger capacity from the present 3.5 million a year to 7.2 million and provide a modern and fitting gateway

## Vice-Chancellor's Report (continued)

to world-class hospitals and campus. We also continued to partner the city council in the 'Everything to Everybody' project to reconnect local communities with the city's Shakespearean heritage and resurrect the long-lost Birmingham Shakespeare Memorial Library.

Looking ahead, our forthcoming projects and initiatives will be even more important in the post-COVID economic recovery. We anticipate beginning operations next summer at The Exchange, the University's new Birmingham city-centre hub in the grade two-listed former Municipal Bank in Centenary Square. Bringing together communities and the public, private, and third sectors, this development promises to be even more significant for the University in the post-COVID era. By leading and sharing city and community-focused research, offering a brand new venue for conferences and events, and providing a contemporary city-based alternative to those on campus, it will help to make Birmingham an even better place to live, work, and learn.

We are one of only six sites in the country to have been awarded Life Sciences Opportunity Zone status by the Government, highlighting the world-class research infrastructure that brings together academics from the University, clinicians from University Hospitals Birmingham and Birmingham Women's and Children's NHS Foundation Trusts, and industry. To make our pioneering plan a reality, we are working in collaboration with investor-developer Bruntwood SciTech and the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP). The new Birmingham Health Innovation Campus will harness academic and clinical strengths and be crucial in delivering key themes of the Life Sciences Industrial Strategy, such as improving UK clinical trials capability and delivering data-enabled healthcare innovation. It is also expected to bring new commercial power

to the region to accelerate life sciences research, create up to 3,000 jobs, and achieve more than £180 million Gross Value Added (GVA) in the first ten years. Construction also began on the University's £7 million sustainable energy research and innovation centre at Tyseley Energy Park. Funded by GBSLEP, it will promote innovation in waste, energy, and low-carbon vehicle systems across the West Midlands. It follows our £3 million GBSLEP-funded Quantum Technology Innovation Hub project, which provides facilities to raise awareness and demand for advanced metrology services as well as scientific instruments and other products involved in quantum technologies.

Already a venue for the Birmingham 2022 Commonwealth Games, the University was named as the principal village for athletes and officials. The Vale will now host 2,800 athletes and officials and the University will deliver an experience that will go far beyond rooms, providing a home-from-home experience, ten minutes from the city centre, but in a relaxing environment. The University was already confirmed to host the hockey and the squash on our state-of-the-art sports facilities and hosting the principal athletes' village for the Games places us at the heart of the 12-day event and provides an opportunity to showcase campus to an international audience.

Along with the rest of the higher education sector, the COVID-19 crisis leaves us facing a challenging period financially. But we do this from the strong financial foundations that we have built over several years. There are likely to be difficult decisions ahead, and decisions that will need to be made in an uncertain environment. We may face a reduction in international student numbers, changes to our home student population, new forms of (and priorities for) research funding, short-term losses in commercial income, and a more astringent regulatory environment.

## Vice-Chancellor's Report (continued)

We will continue to respond in a proportionate and measured way to these risks, to ensure we not only survive the short-term financial challenges but ensure the University is well placed to thrive in the longer term. Exciting future developments and ventures include the new Exchange Building, our brand new School of Engineering, which harnesses the expertise of multiple engineering disciplines; and being a venue for key events in the 2022 Commonwealth Games. Changes to our working practices may remain in place for some time, and the wisdom derived from the new approaches we have taken will undoubtedly be of great value as we continue to adapt and reshape our education, research, and campus operations.

Above the doors to the Great Hall, there is a tablet commemorating its time as a field hospital, and those who gave their lives in war. It exhorts those who come after to enter the Hall 'in that same spirit of service'. In a way that is truly humbling, that is what we have done this year. There may be difficult times ahead, but we can be confident that we are well prepared for change; and with our recovery programme underway, we are ready to adapt to whatever challenges we encounter.

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

## Treasurer's Report



I am pleased to present my report on the University's financial affairs for 2019/20.

So much of our time and attention since March has been dominated by the challenges of the COVID-19 pandemic that it would be easy to lose sight of what has been accomplished in this financial year. Let me begin my report by recognising the immense achievements of our academic and professional services staff. Despite the pandemic restrictions, they continued to deliver our core teaching and research activities while still producing a strong financial performance despite the many hurdles they have had to overcome. I know I speak on behalf of my fellow Council members when I say that we acknowledge the great debt of gratitude we owe to the leadership and staff of this university. Their commitment and dedication have been second-to-none.

Notwithstanding the COVID-19 pandemic, it has been another record year for income generation. For the first time, our income came close to £750 million. This is based on our continued success in student recruitment at home and abroad, the latter seeing increased income from overseas tuition fees of 24 per cent over last year which, in a ferociously competitive marketplace, was a particularly notable achievement. There was also continued success in the year relating to research income, which was tracking to be over £150 million again but was, in the end, lower due to COVID-19 impacts; and research awards exceeded

£200 million for the third year in a row. This income level was achieved despite some pandemic-related reductions: research income deferrals of c£13 million; a fall of £8 million in student residence fees following the release of students from final-term contracts; and a reduction in catering and hospitality income of £4 million.

To offset these falls in income and to fund the additional costs of dealing with the effects of the pandemic, operating costs were tightly controlled and efficiency savings, coming from our investment in systems, were identified and implemented. Overall, we generated £72 million of cash from our operating activities which, despite everything, was only £4 million short of our budget and consistent with what we achieved in 2018/19. Our financial strategy is based on achieving a cash surplus of at least ten per cent of income to fund our strategic objectives, so it was particularly gratifying that we remained on track in 2019/20 despite the financial headwinds and were able to continue to invest for the future. During the year, we utilised a net £53 million from our University Investment Fund to finance further capital investment as part of our capital programme and we also continued to invest significantly in academic staff as part of our broader growth strategy. During the year, this investment in people resulted in an increase in

## Treasurer's Report (continued)

academic staff FTE ('Full Time Equivalent') of 153 or three per cent from 5,422 FTE at the end of 2018/19 to 5,575 at the end of this financial year.

Last year, we incurred a very substantial adverse adjustment to our reported surplus as a result of changes to the valuation of the USS ('University Superannuation Scheme') pension deficit. There has been a reverse adjustment this year to reflect a fall in the provision for deficit recovery of some £67 million. Such substantial swings in the value of the provision demonstrate the high level of volatility and subjectivity involved in its calculation. The USS scheme is a defined benefits multi-employer scheme for the HE sector and most of our academic staff are members. Throughout this financial year, the USS Trustee has consulted with employers on a wide range of critical valuation and contribution issues. In our responses, we have consistently advocated the need for fundamental benefit reform for a scheme which is increasingly unaffordable. The cost of pension provision represents a major financial risk for the sector as a whole. Only the sector acting in concert, and not an individual university, can resolve this situation. Pension provision is modelled in the financial scenarios we use to stress test our financial forecasts as I discuss further in this report. The financial risk, exacerbated by the impact of the pandemic, is of such a magnitude for the HE sector, that I believe only benefit reform can significantly mitigate the risk.

Our financial strategy has two key objectives. The first is the generation of sufficient cash resources to fund the University's operations and to provide funding to invest in strategic initiatives. Significant strategic initiatives funded this year are discussed fully in the Vice-Chancellor's Report and I will not repeat them here. I would like to give more emphasis in my report this year to the second objective of our financial strategy – ensuring the University's long-term

financial sustainability. In this regard, our financial strategy has been scrutinised, as never before, because of the unprecedented demands of the COVID-19 pandemic.

Much remains uncertain, not only as regards the virus and its progress but also on the changes it will make to the way we live our lives in the future. For universities, those changes will inevitably impact on how we deliver our core purposes of teaching and research, but just what the long-term impact will be remains unclear.

I have been pleased to report in previous years our growing capabilities in scenario planning and this has stood us in good stead this year. When faced with significant levels of uncertainty, scenario planning comes into its own and since March, we have modelled a range of different scenarios with varying degrees of optimism and pessimism and used them to guide our decision making since the onset of the pandemic restrictions. When considering our financial plans for the next five years, we have continued to model different scenarios reflecting major variables in, for example, student numbers and the cost of pension provision. This work has enabled us to stress test situations and determine the cash headroom available to us under the more pessimistic scenarios. While we remain very confident of the University's financial sustainability, we decided to boost our financial resilience in the short term to manage potentially difficult scenarios should they arise. To that end we have secured access to additional finance from our bankers in the form of a £50 million revolving credit facility which will allow us to augment our cash resources in the event we need to draw upon the facility. We also took the opportunity, in response to the Brexit risk, to refinance our loan with the European Investment Bank with our UK bankers.

## Treasurer's Report (continued)

The University is in the process of developing its next five-year strategic framework and we will take the opportunity to revisit our financial strategy as part of that process. The financial strands of the current strategy remain good practice and will guide us in the coming months and years, they are:

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

The accompanying financial report gives information on key financial performance indicators for the 2019/20 financial year. It shows a strong performance and I commend it to you.

**Mrs Caragh Merrick**

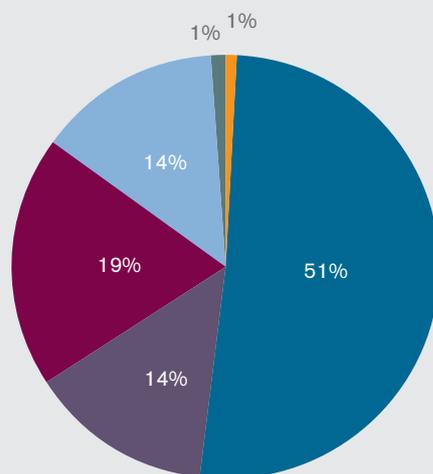
Treasurer



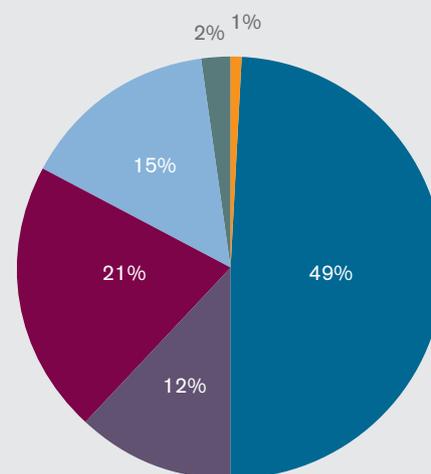
# Financial Report

<i>Consolidated</i>	2019/20	2018/19	2017/18	2016/17
	£m	£m	£m	£m
Income and expenditure				
Total income	748	716	681	641
Total expenditure	(680)	(835)	(671)	(604)
Surplus/(deficit) before other gains and losses and tax	<b>68</b>	<b>(119)</b>	<b>10</b>	<b>37</b>
Cash flow generated from operations	72	78	75	94
Capital investment	109	163	196	102
Fixed, intangible and heritage assets	1,453	1,414	1,322	1,191
Borrowings	(263)	(262)	(265)	(69)
Cash and cash equivalents	145	126	123	209
Investments	194	255	332	139
Net assets at year end	1,225	1,179	1,288	1,261

## Income Analysis



2019/20 Total income



2018/19 Total income



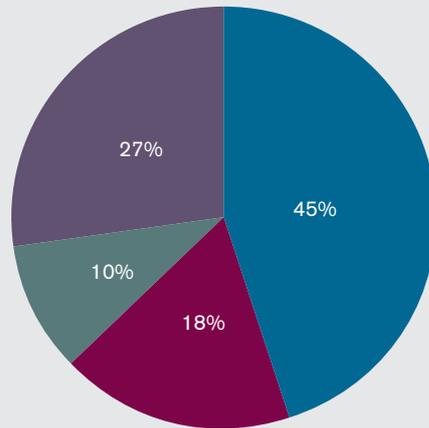
# Financial Report (continued)

## Financial Performance 2019/20

The underlying performance in 2019/20 adjusted for the impact of USS valuation reflects another positive out-turn. Overall income saw growth of five per cent. Tuition fee income increased by eight per cent, a large proportion of this being overseas. Student fees represent 51 per cent of total income (2018/19: 49 per cent). Other significant income to the University is from research grants and contracts, this income reduced by seven per cent and represents 19 per cent of the total income (2018/19: 21 per cent). This reduced income is due to the reduced level of research activity as a result of the COVID-19

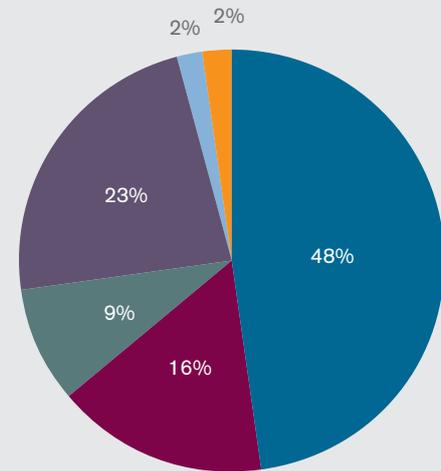
pandemic. Scholarships, bursaries and student support totalled £48 million (2018/19: £44 million), reflecting our continued commitment to widening participation. Research awards recorded a third year of record highs, with awards reaching £220 million (2018/19: £215 million). This continues to drive high income levels with three successful years of awards which are profiled over a number of years. Unfortunately, the second half of the year was impacted by COVID-19-related delays and some income has been deferred to later years as a result. Despite the ongoing impact of COVID-19, we anticipate further growth in research income over the coming years.

### Tuition Fee Analysis



2019/20 Tuition fee

- Undergraduate Home/EU **£169 million**
- Undergraduate Other **£69 million**
- Postgraduate Home/EU **£38 million**
- Postgraduate Other **£103 million**
- Other courses **£1 million**



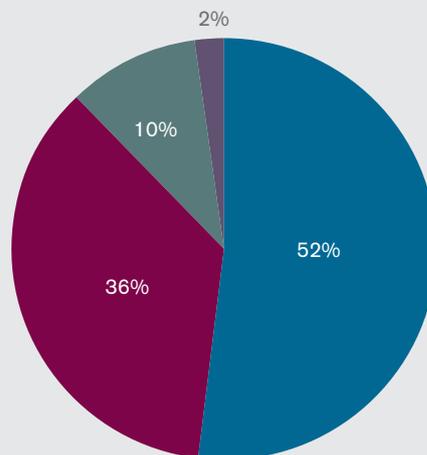
2018/19 Tuition fee

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

## Financial Report (continued)

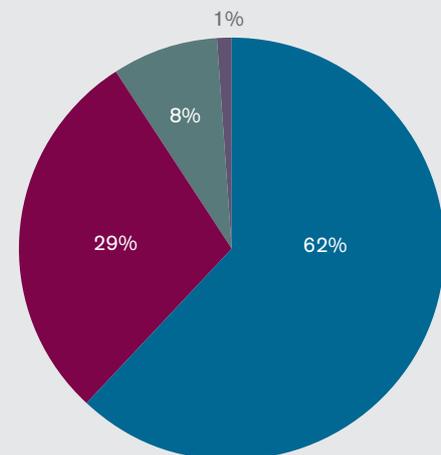
The financial ratios in the table expressed as a percentage of income, shows the impact the USS provision movement has had on financial performance. The large decrease in staff costs is a result of the 2018 valuation reversing some of last year's increase. This reduces the provision by £67 million (2019: £120 million increase) and the resulting impact on surplus and comprehensive income.

### Expenditure Analysis



2019/20 Total expenditure

■ Staff costs	<b>£353 million</b>
■ Other operating expenses	<b>£242 million</b>
■ Depreciation and amortisation	<b>£68 million</b>
■ Interest and other finance costs	<b>£17 million</b>



2018/19 Total expenditure

■ Staff costs	<b>£519 million</b>
■ Other operating expenses	<b>£241 million</b>
■ Depreciation and amortisation	<b>£65 million</b>
■ Interest and other finance costs	<b>£10 million</b>

## Financial Report (continued)

### Capital Investment Programme

Capital spending in 2019/20 totalled £109 million (2018/19: £163 million). This included £32 million on the School of Engineering; £13 million on the Exchange; £7 million on the new Teaching and Learning Building; £9 million on IT infrastructure projects.

### Cashflow

Cash generated from operations during the year was £72 million (2018/19: £78 million). This cash generation is essential to continued investment in the infrastructure projects highlighted above. This cash generation has been consistent year-on-year, with spend being targeted in areas of greatest return ensuring there is robust control over the financial position. During the year, the collection of debts has been challenging due to the impact of the pandemic. However, we continue to apply strong financial disciplines over the basics of working capital management, making sure we collect debts on time to enable payments to suppliers in accordance with contractual terms, a discipline that is important for us. This has resulted in only small increases (c£87k) in bad debt provisions at year-end.

### Treasury management

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

The University has established a University Investment Fund (UIF) alongside its existing Long Term Endowment Fund (LTEF). Based on cash-flow

projections, estimates are made of when cash required for investment would most likely need to be drawn down. From this, we allocate cash to short-, medium- and long-term portfolios within the UIF, and develop tailored investment strategies for each.

A number of external investment managers oversee the investment funds, working to agreed investment mandates. In developing these mandates, the University sets a fundamental guiding principle that managers must apply investment criteria based on environmental, social and governance (ESG) standards. The University has recently published an updated Responsible Investment Policy on the University's website: [www.birmingham.ac.uk/documents/environment/uob-responsible-investment-policy.pdf](http://www.birmingham.ac.uk/documents/environment/uob-responsible-investment-policy.pdf). The Policy defines the commitment of the University to responsible investment. Its purpose is to detail the approach that the University aims to follow in integrating environmental, social and governance ('ESG') issues in its investments and the Policy applies to the full scope of the investments held by the University. The Policy is also intended to be entirely consistent with the University's duty to yield the best financial return within the level of risk considered to be acceptable by the University.

The Responsible Investment Policy details three sets of principles which accord with the University's values as a socially responsible institution. Firstly, the stewardship of the operations of its external fund managers, secondly environmental, social and governance (ESG) integration into its investment operations and governance practices and thirdly, setting appropriate standards for all its investments through exclusions criteria that the University's external investment managers are required to take into consideration when investing the University's funds.

The University Investment Fund in aggregate returned 1.9 per cent in 2019/20 (three per cent since inception) and provided £3.6 million of investment income in the year.

## Financial Report (continued)

### Donations and endowments

The University holds the following types of donations:

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

The Long Term Endowment Fund provided £3.8 million of investment income and an investment return of -2.8 per cent in 2019/20 (2018/19 4.1 per cent). The Fund underperformed its benchmark return of -1.0 per cent due to returns achieved from its equities investments. The Fund's strategic asset allocation is reviewed annually with the next review in November 2020.

### Pensions

Pension provisions (note 18) continue to be a significant area of judgement 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 2018 valuation of the University's own closed defined benefit scheme (BPAS) was concluded and increased the deficit provision in the balance sheet at the year-end to £31 million (2018/19: £21 million). The annual cost has increased by £1 million as a result of the revised schedule of contributions.

Involvement in the multi-employer Universities Superannuation Scheme (USS) continues to be a large cost to the University and the scheme's members. The 2018 valuation of this scheme concluded and the impact was a reduction in provision of £67 million.

### Financial Strategy and future prospects

The future financial prospects of the University are evaluated over a period of five years and comprise a one-year budget plus four years' forecasts. A ten-year outlook and strategic direction is also in place to drive the longer-term direction of the University. We believe these timeframes give a reasonable planning horizon for decision-making. The five-year planning process includes the preparation of income and expenditure statements, cash flows, capital budgets and summarised balance sheets. These budgets and forecasts are subjected to sensitivity assessments that flex the main assumptions. This forms the basis of our assessment of the long-term financial sustainability of the University.

## Financial 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 in the following table.

	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"> <li>■ New framework for education resilience developed and implemented to respond to COVID-19 and enable bi-modal delivery</li> <li>■ Action plans at School level to deliver improved Student Satisfaction outcomes whilst sustaining current high scores</li> <li>■ Enhanced alumni engagement in supporting student employability</li> <li>■ Continued significant capital investment in teaching spaces and residences</li> <li>■ Investment in digital resources and lecture capture to support learning outcomes</li> <li>■ Delivering high-quality teaching as evidenced by TEF Gold status</li> </ul>
	Failure to achieve growth ambitions in relation to student recruitment	<ul style="list-style-type: none"> <li>■ Diversification of recruitment channels to attract the best students from a global market</li> <li>■ Developing new admission support and offer-making eg, the Offer Calculator</li> <li>■ Continued development of the Dubai campus and joint degree partnerships outside the UK</li> </ul>
Research	Failure to achieve enhanced performance and growth in relation to research awards and income	<ul style="list-style-type: none"> <li>■ Active engagement with government and research councils to inform strategy and ensure we are well placed to respond to funding calls</li> <li>■ Investment in new early-career researchers and professors in areas of strength</li> <li>■ Development of key performance indicators to drive awards, income and citation performance</li> <li>■ New and enhanced partnership arrangements to deliver collaborations</li> </ul>
	Failure to maintain research excellence and achieve our ambitions	<ul style="list-style-type: none"> <li>■ Concluding the oversight process for preparing and responding to the next Research Excellence Framework (REF) in 2021</li> <li>■ Delivery of impact and strategies to build into applications and full project cycles</li> <li>■ Seeking new opportunities to extend research activity and outcomes, new funder sources and international reach</li> </ul>

## Financial Report (continued)

	Description of risk/uncertainty	Examples of mitigating actions
Influence	Failure to sustain existing and develop new partnerships to deliver research impact and influence	<ul style="list-style-type: none"> <li>■ Regional engagement group which oversees activity and ensures key relationships are sustained locally, nationally and globally</li> <li>■ Continued investments made into Research Support and Business Engagement</li> <li>■ New partnership arrangements for influence</li> <li>■ National and international strategies and activities are actively managed</li> </ul>
	Failure to strengthen and protect the brand and reputation of the University in all aspects of our activity	<ul style="list-style-type: none"> <li>■ Diversified marketing activities based on market, content and reach</li> <li>■ Diversification of engagement and influence, for example, the University School and the Commonwealth Games</li> <li>■ Ensuring quality of delivery is maintained, particularly in relation to partnership activities</li> <li>■ Reputation and due diligence undertaken prior to entering into any new arrangements</li> </ul>
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"> <li>■ Introduction of new leaders training and support programmes</li> <li>■ Recruitment of additional staff in areas of academic and professional services enhancement</li> </ul>
	Failure to meet future demands to fund the deficit on USS Pension Scheme	<ul style="list-style-type: none"> <li>■ Lobby and influence USS to manage long-term liabilities of the scheme</li> <li>■ Effective financial modelling to reflect USS changes</li> </ul>
	Failure to deliver financial performance, which limits investment and impacts achievement of ambitions	<ul style="list-style-type: none"> <li>■ Financial monitoring and management to deliver annual surpluses for future investment</li> <li>■ Delegation of budgetary control with enhanced reporting to support financial management</li> <li>■ Effective working capital management</li> <li>■ Seeking new opportunities to deliver cash returns, provide financial flexibility</li> </ul>
	Failure to have/deliver suitable systems and processes to deliver our ambitions	<ul style="list-style-type: none"> <li>■ Significant investment in new systems and processes</li> <li>■ Adoption of new legislation on a timely basis</li> <li>■ Vice-Chancellor's reviews of Schools and services consider operational and strategic areas for commendation and recommendation</li> <li>■ Additional investment in IT to support operations</li> </ul>



## Our Community

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

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

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

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

### Educational benefit

In 2019/20, the University taught over 35,000 students, offering the highest quality academic experience at both undergraduate and postgraduate level. Our subject range is one of the broadest of any UK university, and our students form part of a vibrant academic community, studying and working alongside some of the finest academic minds in the world.

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

We consistently rank highly in national and international employability rankings, having achieved seventh in the UK for employability in the *Guardian University Guide 2020* and being placed high in the Top 100 in the world for employer reputation by the *QS World University Rankings 2021*. The University was the second most targeted by top employers in 2019/20 in the *High Fliers Graduate Market in 2020* report. The report identifies that graduate recruiters have put more emphasis on social media, university careers fairs, recruitment presentations, and skills training events during this year's recruitment campaigns, and less emphasis on campus brand managers and advertising in career sector guides. On average, 92 per cent of our students are in graduate-level jobs or further study within six months of graduating – one of the highest levels in the country, and well above comparable institutions.

These educational benefits spill over into the region. We are a net importer of graduates, with 48 per cent of our graduates choosing to stay and work in the West Midlands, and we develop young entrepreneurs – in one year, our students and graduates started more than 50 new businesses. We have over 6,000 students studying towards professions in the healthcare sector, on 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. Four in five of our students come from state schools and more than 19 per cent from lower socio-economic backgrounds. Our pioneering Pathways to Birmingham widening participation initiative continues to deliver excellent outcomes.

## Our Community (continued)

Meanwhile, our students volunteer in the local community (for example, Medical students provide Basic Life Saving training in local secondary schools), and our academics offer over 2,000 hours to supporting activities such as school mentoring and classroom-based engagement. Our investment in the University of Birmingham School spreads this education benefit more widely within the city, as it enhances the ambition and opportunities for a genuinely diverse range of young people from across the city. The School is already the most popular non-selective school in the city for applications and has been awarded Good ratings by Ofsted, the highest a new school can achieve. The School continues to attract high-profile visitors keen to learn more about its innovative nodal approach and last year saw the first group of students take advantage of work experience placements at the University.

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

### Research benefit

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

Recent research highlights include mapping the spread of COVID-19 via our expertise in genetic sequencing. Our scientists, led by microbial genomics and bioinformatics expert Professor Nick Loman, joined the COVID-19 Genomics UK Consortium to deliver large-scale rapid sequencing of the virus causing the disease and to share intelligence on how it spreads and evolves

with hospitals, regional NHS centres and the Government. The team deployed the University's real-time sequencing facility to sequence genomes of the virus from West Midland patients in under 24 hours.

The University and Birmingham City Council worked together to examine the implications of the national shutdown for schools, teachers, pupils and parents during the pandemic. The Birmingham Education and COVID-19 initiative studied the transition from classes in schools to a wide range of socially distanced learning measures for children and young people across Birmingham and beyond, as well as the return to school-based learning for some pupils. It examined steps to secure education provision and support education systems and other agencies as they moved from emergency improvisation to sustained innovation for learning.

Our 'Clean-Cold' scientists joined a major new research project in India to help to engineer an efficient and sustainable delivery mechanism to eventually take a COVID-19 vaccine to billions of people around the globe. Backed by the Shakti Sustainable Energy Foundation, experts from Birmingham and Heriot-Watt University, Edinburgh, linked with non-profit commercial and academic partners to begin investigating the scale of the challenge involved in distributing a potentially temperature-sensitive vaccine. Universal vaccine access is a major challenge, particularly in low-income countries across the global South, partly due to the lack of robust cold-chains.

Our astronomers led an international scientific collaboration which identified a supernova at least twice as bright and energetic, and likely much more massive, than any yet recorded. The team, which included experts from Harvard, Northwestern University and Ohio University, believe the supernova, dubbed SN2016aps, could be an example of an extremely rare 'pulsational pair-instability' supernova, possibly formed from two massive stars that merged before the explosion. The findings were published in *Nature Astronomy*. Such an event so far only exists in theory and has never been confirmed through astronomical observations.

## Our Community (continued)

We also joined a £1.7 million project to reconnect Birmingham's communities with the city's Shakespearean heritage. 'Everything to Everybody' is a collaboration between the University and Birmingham City Council to revive the fortunes of the city's almost-forgotten Birmingham Shakespeare Memorial Library (BSML), now held in the iconic Library of Birmingham.

### Engaging local and international communities

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

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

- As part of the Vice-Chancellor's Distinguished Lecture Series, we welcomed Professor Churchwell, Professorial Fellow in American Literature and Chair of Public Understanding of the Humanities at the School of Advanced Study, University of London, and one of the UK's most prominent public intellectuals and cultural critics, who presented on the theme of America's place in the world, historically and to the present day.
- In February, we were joined by Dr Tristram Hunt, Director of the Victoria and Albert Museum

and Former Shadow Secretary of State for Education, who spoke so passionately on 'The Civic and the Global: The V&A and the cultural mission of museums'.

- A regular date in the calendar for many, the 41st annual Baggs' Memorial Happiness Lecture was held in November with journalist, presenter and broadcaster, Eve Pollard OBE as she reflected on 'Happiness – what it is and how it can be achieved by individuals as well as nations'.
- As circumstances changed worldwide, the University moved to restricted access to campus and moved many events online. In May, the University hosted the Vice-Chancellor's Great Debate online with a full panel debating: 'Trolls, flat-earthers and fake news purveyors: What are the challenges we face in trusting social media?' Chaired by Journalist Ritula Shah, the panel included Professor Alice Roberts, Professor of Public Engagement in Science, University of Birmingham; Anne McElvoy, Senior Editor of *The Economist*; Will Moy, Chief Executive of Full Fact; and political journalist and commentator, Isabel Oakeshott.

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

- The Aston Webb Building.
- The Barber Institute of Fine Arts.
- Winterbourne House and Gardens, which secured Museum status from Arts Council England in March 2017.

## Our Community (continued)

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

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

### Fellowships and scholarships

The University provides scholarships and bursaries on a targeted basis to encourage entry to and continuation of higher education from as wide a cross-section of the community as possible. In 2019/20, financial support amounted to £48 million (2018/19: £44 million).

We actively encourage widening participation through our Pathways to Birmingham scheme. This is funded in part by our alumni and involves targeted engagement with young people who have little or no experience of university, to assist them in understanding what it involves and supporting them from application through to graduation.

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

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

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

### Fundraising

In 2019/20, 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 2019/20, the University received pledges of £14.4 million (2018/19: £12.3 million).

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

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

Fundraisers are recruited as permanent staff or student workers and all are trained to focus upon our relationship with our supporters as the highest priority. We do not employ commercial fundraisers or external call centres and do not use commission-based incentives for our team. Regular monitoring takes

## Our Community (continued)

place to ensure local performance reaches our expectations including 1:1 feedback, team meetings and monthly senior management reviews. We commit to our high standards via our Donor Promise, Ethical Guidelines for Fundraising and the University Code of Ethics.

All our supporters are treated fairly and without discrimination and we adhere to the recommendations from the Institute of Fundraising, particularly the protection of vulnerable supporters. Four complaints in relation to fundraising were assessed and resolved in year with Senior Management advised of the outcomes. Our transparent dialogue with all members of our donor and non-donor community represents our commitment to a lifelong relationship with all friends of the University. We encourage everyone to engage in the full range of the University life whether donating, volunteering,

attending events, or reading the latest academic and alumni news in *Old Joe* [www.birmingham.ac.uk/alumni/news/old-joe/index.aspx](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 Statement

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



*Members of University of Birmingham Council 2019/20*

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

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

## **Status of the University**

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

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

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

# Corporate Governance Statement

## (continued)

### Council

The governing body of the University is the Council and is chaired by the Pro-Chancellor. Council 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, recognising the benefits to the University of having members from a range of different backgrounds.

Mr Ed Smith, Pro-Chancellor and Chair of Council, completed his term of office on 31 July 2020 having completed the maximum term permitted under the Statutes of the University. We would like to place on record our significant appreciation of the tremendous contribution made to the University by Ed during his past ten years as Pro-Chancellor. After a comprehensive search process, Mr Mervyn Walker commenced his term of office as Pro-Chancellor and Chair of Council on 1 August 2020 and will lead the Council for the next five years.

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

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

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

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

# Corporate Governance Statement

## (continued)

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

Council undertakes regular reviews of its effectiveness. The most recent effectiveness review of Council and its Committees reported to Council in June 2020. The Effectiveness Review Panel was chaired by the Deputy Pro-Chancellor, Richard Haywood, and benefitted from external scrutiny and advice provided by Mr Will Spinks, former Registrar, Secretary and Chief Operating Officer at the University of Manchester. 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 a valuable opportunity to reflect and make further enhancements to what is already a high performing Council and effective governance at the University. The next Effectiveness Review of Council will be scheduled in accordance with the timescale for effectiveness reviews set out in the CUC Higher Education Code of Governance.

### Senate

The Senate is chaired by the Vice-Chancellor and consists of up to 60 members drawn from the leadership team of the University, academic staff and the student community. It is the principal academic body of the University and is responsible to the Council for regulating and directing the academic work of the University in teaching, examining and research and for award of all degrees, diplomas, certificates and other academic distinctions of the University. Senate oversees quality assurance and standards of the education provided by the University and provides an annual assurance report to Council on academic quality, standards and the student

experience. Council also considers a report from each meeting of Senate covering key aspects of teaching and learning, student experience and quality matters (eg, admissions, progression, degree classification, external examiners report, employability, etc).

### University Executive Board

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

### Committees of Council

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

The attendance at meetings of Council and its Committees for 2019/20 is shown on pages 29 and 30.

# Corporate Governance Statement

## (continued)

Members of the Council, who are also trustees of the University as an exempt charity, who served throughout the year ended 31 July 2020 and to the date of approval of these accounts, except where indicated otherwise are set out in the table. Their attendance at meetings is set out in the table.

Members	Council membership dates	Meeting Attendance 2019/20				
		Council 6 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 2 in year
<b>Lay Members appointed by the Council</b>						
Mr Ed Smith CBE, Pro-Chancellor	Term ended July 2020	6/6	5/6	–	2/2	2/2
Mr Richard Haywood, Deputy Pro-Chancellor		5/6	4/6	–	2/2	2/2
Mrs Caragh Merrick, Treasurer		6/6	5/6	–	1/2	2/2
Mr Derrick Anderson CBE	Term ended July 2020	6/6	5/6	–	2/2	–
Ms Deborah Cadman OBE		4/6	–	–	–	1/2
Mr Alan Davey CBE		4/6	–	1/4	–	–
Mr Malcolm Harbour CBE		6/6	–	4/4	–	–
Dame Lin Homer DCB		5/6	6/6	–	–	–
Mr Harjinder Kang		4/6	–	1/4	–	–
Mr Mick Laverty		5/6	–	3/4	–	–
Dame Una O'Brien DCB	Term ended May 2020	0/5	–	–	1/2	–
Mr Richard Swann		6/6	–	–	–	–
Ms Jacqueline Taylor		6/6	–	4/4	–	–
Mr Mervyn Walker	Term commenced April 2020	2/2	2/2	–	1/1	1/1
Ms Rosemary Harris	Term commenced August 2020	N/A	N/A	N/A	N/A	N/A
Mr Steve Hollis	Term commenced August 2020	N/A	N/A	N/A	N/A	N/A

# Corporate Governance Statement

(continued)

Members	Council membership dates	Meeting Attendance 2019/20				
		Council 6 in year	SPRC 6 in year	Audit 4 in year	Remuneration 2 in year	Membership 2 in year
<b>Appointed by Guild of Students</b>						
Ms Joanne Parks, International Officer of the Guild of Students	Term ended July 2020	6/6	–	–	–	–
Mr Josh Williams, President of the Guild of Students	Term ended July 2020	5/6	4/6	–	–	–
Ms Tobiloba Adeyemi, President of the Guild of Students	Term commenced July 2020	N/A	N/A	N/A	N/A	N/A
Ms Rebecca Cutler, Postgraduate Officer	Term commenced July 2020	N/A	N/A	N/A	N/A	N/A
<b>Ex Officio Members</b>						
Professor Sir David Eastwood, the Vice-Chancellor and Principal		6/6	6/6	–	2/2	2/2
Professor Tim Jones, the Provost and Vice-Principal		6/6	5/6	–	–	2/2
<b>Academic Members Appointed by Senate</b>						
Professor Una Martin		5/6	–	–	–	–
Professor Corey Ross	Term ended July 2020	5/6	6/6	–	–	–
Professor Karen Rowlingson	Term ended July 2020	5/6	–	–	–	1/2
Professor Nicola Wilkin		5/6	–	–	–	–
Professor Helen Abbott	Term commenced September 2020	N/A	N/A	N/A	N/A	N/A
Professor David Hannah	Term commenced September 2020	N/A	N/A	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
	Eversheds

# Corporate Governance Statement

## (continued)

### Strategy, Planning and Resources Committee (SPRC)

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

The key responsibilities of SPRC are:

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

### Audit Committee

The Audit Committee meets four times per year and consists of five lay members of Council who are not members of SPRC. It also has three external co-opted members (Mr James Hunt, Mr Les Krepa and Ms Tiffany Lathe during 2019/20).

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

### Membership Committee

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

### Remuneration Committee

The Remuneration Committee is responsible for setting the framework for remuneration of all senior staff, namely the Vice-Chancellor, members of the University Executive Board, Professors and senior Professional Services staff, for setting an annual budget for discretionary pay and agreeing any distribution in relation to performance and for governance of senior pay in line with the CUC code and OfS requirements.

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 – the Deputy Pro-Chancellor – chairs the Committee. The Committee comprises five lay members of University Council. The Vice-Chancellor is not a member of the Committee but attends its meetings to discuss the remuneration of other senior staff. The Registrar and Secretary is also in attendance. The Director of Human Resources is Secretary to the Committee and provides professional support to the remuneration process. No member of staff, including the Vice-Chancellor and Registrar and

# Corporate Governance Statement

## (continued)

Secretary, is present for discussion of their own remuneration. The Remuneration Committee meets at least twice a year and its terms of reference are:

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

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

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

# Corporate Governance Statement

## (continued)

3. There is a parallel process for senior Professional Services staff, under which the Registrar and Secretary recommends remuneration increases reflecting individuals' performance, informed by the appraisal process, and taking account of comparative, market and equality data. The Vice-Chancellor meets with the Registrar and Secretary to scrutinise these recommendations, determine any changes, and then presents his plan for the remuneration of Professional Services 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. In considering recommendations, review meetings are informed by data relating to equality and to the gender pay gap.
6. Remuneration Committee takes into account a range of indicators in considering whether reward proposals for senior staff are justified. These include, but are not limited to:
  - (a) performance in support of the University's strategic objectives in areas such as:
    - (i) teaching (eg, TEF, NSS, student feedback, recruitment and admission, student outcomes and employability, teaching awards, programme leadership, etc);
    - (ii) research (eg, publications, citations, grants, impact, research leadership, major initiatives including with industry and external partners, etc);
    - (iii) management and administration (eg, professorial and academic leadership, service enhancement and delivery, policy development and delivery, income generation, improving performance of School or Service, etc);
    - (iv) leadership of staff (eg, development and performance of staff, quality of hires, etc);
    - (v) partnerships and external relations internationally, nationally and locally (eg, leadership in external networks and communities, external policy work); and
    - (vi) major initiatives and projects (eg, international campus, capital projects, etc);
  - (b) the size and complexity of the University;
  - (c) the level of pay increases for all staff;
  - (d) the global nature of the HE market and issues of recruitment and retention;
  - (e) the University's objectives in relation to the diversity of the workforce;
  - (f) that some staff are on NHS salaries and reward structures not determined by the University.
7. The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are considered and endorsed by the Remuneration Committee. The Pro-Chancellor undertakes six- and 12-month appraisal discussions with the Vice-Chancellor and obtains feedback from selected individuals both within the University and its external stakeholders and reports these to Remuneration Committee.
8. The Pro-Chancellor makes a recommendation to the Remuneration Committee's second meeting on the Vice-Chancellor's remuneration, informed by his assessment of the Vice-Chancellor's performance and a range of data and comparative information on the Vice-Chancellor's remuneration.

# Corporate Governance Statement

## (continued)

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-Chancellor's across the Russell Group and the sector more broadly, taking account of the comparative size and complexity of the University and including data collected by the Committee of University Chairs, Korn Ferry Hay, the Universities and Colleges Employers' Association, the Office for Students, and the Russell Group Secretariat;
  - (c) how the Vice-Chancellor's current salary compares to that of other staff at the University. This includes data on the Vice-Chancellor's remuneration (including pension) as a percentage of turnover 0.063 per cent for 2018/19 compared with 0.227 per cent for the higher education sector. It also includes information on the pay multiples of the Vice-Chancellor's basic salary compared with median earnings of the University's whole staff, of academic staff and of professorial staff. The pay ratio data reported to Remuneration Committee used the same data methodology as that used in preparation of the annual accounts. The Vice-Chancellor's remuneration increased by two per cent between 2018/19 and 2019/20. The pay ratios are set out in Note 7 to the Accounts.
  - (d) the Vice-Chancellor's and University performance over the review period.
9. Having considered performance for the previous academic year, the decisions of the Remuneration Committee on reward proposals for senior staff, including the Vice-Chancellor, are taken and implemented each October. This means that the remuneration information provided in these Accounts reflects the decisions taken by the Committee in October 2019 in relation to 2018/19 performance, and which were then implemented in 2019/20.
  10. Having considered the range of factors detailed previously and the Pro-Chancellor's appraisal of the Vice-Chancellor's performance for the previous academic year, the Committee concluded in October 2019 that 2018/19 had been another outstanding year in all respects including: exceptional research performance and growth of research reputation, academic performance and enhancement of the educational experience, 2018/19 student recruitment, sustained strong financial performance in a challenging sector environment, league table performance and the strong position and reputation of the University amongst its peer group, the development of the leadership team and progress on key projects, such as the University of Birmingham Dubai;
  11. The Vice-Chancellor's total remuneration paid in 2019/20 is set out in Note 7 to these Accounts. It comprises four elements: base salary; payments in lieu of Pension; a performance-related payment of up to 20 per cent of salary; and a long-term incentive plan. The Pro-Chancellor proposes targets for payout to the Remuneration Committee, which determines the level of award.
  12. An annual report is presented from Remuneration Committee to Council on completion of this process on the Committee's work during the year, together with the outcomes.

### Annual declarations return

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

### Outside activities

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

# Corporate Governance Statement

## (continued)

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

### Statement of Internal Control

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

The system of internal control is designed to manage rather than eliminate risk. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The internal control system has been in place for the year ended 31 July 2020 and up to the date of approval of the financial statements, and accords with Office for Students guidance.

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

- Council meets a minimum of four times a year to consider the plans and strategic direction of the institution.
- Council reviews an annual report on teaching quality and standards (from the Senate which has responsibility for this under the University's legislation) and then signs off an assurance statement on teaching quality and standards as part of its Annual Accountability Return.
- Council receives, as a standing item, a report from each meeting of the Audit Committee concerning internal control, and requires 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. 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 report to University Executive Board (UEB) and are 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. Specific sub-groups of Council

# Corporate Governance Statement

## (continued)

are set-up as appropriate to provide high-level governance and oversight of other projects of significant strategic or reputational importance.

- A new finance, HR and research grant management system went live in June 2019, and provides a more efficient approach to internal control by strengthening the detective controls within the framework.
- The University has an Internal Audit function comprising an in-house team supported by an external co-source arrangement which provides additional expertise and resourcing. Internal Audit delivers a range of audits covering financial, operational, compliance, IT and data risks which constructively challenge management to operate an efficient and effective control environment. Recommendations are made to management where the control environment can be developed, and progress on their completion within agreed timescales is reported to Audit Committee. Internal Audit works with Procurement to compile an annual Value for Money report that is approved by Audit Committee.

- The role of External Audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and report their opinion to Council. The external auditor does this by assessing the risk of material misstatement in the University's financial statements, understanding the relevant internal controls which mitigate these risks, and devising procedures and tests to enable them to provide their opinion. External Audit also reviews accounting policies, the presentation of financial statements and disclosures to ensure the financial statements are 'true and fair'. They provide management with recommendations to improve the control environment.

The above review processes are further informed by external good practice and guidance and the work of the executive managers of the institution, who have responsibility for the development and maintenance of the internal control framework.



## 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 funding for higher education institutions set by the Office for Students (OfS), 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 the OfS 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.

**Mr Mervyn Walker**

Pro-Chancellor

22 January 2021



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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the group's and the university's affairs as at 31 July 2020 and of the group's and the university's income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: Accounting for Further and Higher Education.

We have audited the financial statements which comprise:

- the Consolidated and Institution Statements of Comprehensive Income;
- the Consolidated and Institution Statements of Changes in Reserves;
- the Consolidated and Institution Statement of Financial Position;
- the Consolidated Statement of Cash Flows;
- Statement of Accounting Policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019).

### Basis for opinion

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

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

### Conclusions relating to going concern

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

- the Council's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Council 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 is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

(continued)

In preparing the financial statements, the Council 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 either intends to liquidate the group or the university or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

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

## Report on other legal and regulatory requirements

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

In our opinion, in all material respects:

- funds from whatever source administered by the university for specific purposes have been applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction have been met.

### Matters on which we are required to report by exception

Under the OfS Regulatory Advice 9: Accounts Direction, we are required to report in respect of the following matters if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes 2 and 3 to the accounts, has been materially misstated; or
- the provider's expenditure on access and participation activities for the financial year, as disclosed in the Operational Review to the accounts, has been materially misstated.

We have nothing to report in respect of these matters.

## Use of our report

This report is made solely to the Council in accordance with the Accounts Direction issued by the Office for Students dated 25 October 2019. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of the University as a body, for our audit work, for this report, or for the opinions we have formed.

**Deloitte LLP**  
Statutory Auditor  
St Albans, United Kingdom

22 January 2021

# Statement of Accounting Policies

Year Ended 31 July 2020

## 1. Basis of preparation

These financial statements have been prepared under the historical cost convention (modified by the revaluation of certain financial assets and liabilities at fair value). Also in accordance with the Statement of Recommended Practice (SORP) 2019: Accounting for Further and Higher Education, Financial and Reporting Standard (FRS) 102 and the Office for Students (OfS) Accounts Direction published in October 2019.

## 2. Going concern

The University's consolidated business activities and current financial position, together with the factors likely to affect its future development, performance and position are set out in the Financial 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, and as a consequence Council believes that the University is well placed to manage its group business risks successfully despite impacts of COVID-19, 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.

When faced with significant levels of uncertainty, we have modelled a range of different scenarios with varying degrees of optimism and pessimism and used them to guide our decision making since the onset of the pandemic restrictions.

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

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

## 3. Basis of consolidation

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

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

## 4. Income recognition

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

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

### Grant funding

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

# Statement of Accounting Policies (continued)

Year Ended 31 July 2020

## Donations and endowments

Non-exchange transactions without performance-related conditions are donations and endowments. The University holds the following types of donations:

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

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

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

## Capital grants

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

## 5. Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and for support staff the Group Personal Pension Scheme (GPPS). The University also operates the University of Birmingham Pension

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

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. This is amended each year to reflect the utilisation of the provision and an interest charge. When a valuation of the scheme results in an adjustment to the deficit liability, the provision is amended.

## Defined benefit plans

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

## Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the University pays fixed

# Statement of Accounting Policies (continued)

Year Ended 31 July 2020

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 five to 76 years based on independent professional advice. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet. Major refurbishments are capitalised at cost and depreciated on a straight-line basis over ten years where they substantially add to the total area of the building or prolong its useful life or enhance the economic benefits of the building.

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

## 10. Heritage assets

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

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. The University's practice in regards to heritage assets, in accordance with the national accreditation standards, is: to preserve, conserve and manage the objects in its care; to augment the collections where appropriate

# Statement of Accounting Policies (continued)

Year Ended 31 July 2020

and within the resources available; to enable and encourage access to and use of the collections for teaching and research, and to enable wide access to and engagement with the collections by members of the public.

## 11. Intangible assets

Intangible assets represent costs of significant software and development for use in the long term. Only costs relating to the development and implementation phases have been capitalised. Research phase and training costs involved with the project are expensed as incurred.

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

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

## 12. Investments

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

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

## 13. Investment properties

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

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

## 16. Provisions

Provisions are recognised in the financial statements when:

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

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

## 17. Taxation

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

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

# Statement of Accounting Policies (continued)

Year Ended 31 July 2020

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

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at

amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. With the exception of some hedging instruments, other debt instruments, held for trading, are measured at fair value through profit or loss.

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

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

### (b) Investments

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

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

### (c) Derivative financial instruments

The University uses derivative financial instruments to reduce exposure to interest rate and exchange rate movements. The University does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value

# Statement of Accounting Policies (continued)

Year Ended 31 July 2020

at each reporting date. The resulting gain or loss is recognised in the Statement of Comprehensive Income and Expenditure immediately unless the derivative is designated and effective as a hedging instrument.

## (d) Fair value measurement

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

## 19. Impairment of assets

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

### Non-financial assets

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

### Financial assets

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. Where indicators exist for a decrease in impairment loss, and the decrease can

be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## 20. Reserves

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

## 21. Agency arrangements

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

## 22. Critical accounting judgements and key sources of estimation uncertainty

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

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.

## Statement of Accounting Policies (continued)

Year Ended 31 July 2020

There are two significant judgements that have been identified:

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

Neither has resulted in a significant provision in 2019/20.

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

- (1) Assumptions underlying the calculation of the BPAS pension deficit liability have been informed by independent actuarial assessment. At 31 July 2020, there was a liability of £31.3 million. The increased liability from prior year reflects an updated valuation for 31 March 2019. Further details are shown in Notes 18 and 26.
- (2) Assumptions relating to USS provisions. The University recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2018 actuarial valuation requires employers to contribute two per cent of salaries up to 30 September 2021 and six per cent thereafter. Details of this provision are included in Notes 18 and 26. In calculating the University's USS pension liability of £120.1 million, a discount rate of 0.74 per cent has been used in line with higher education sector norms, (2018/19: 1.6 per cent) and salary inflation growth at 1.0 per cent in year 1 and 4.0 per cent thereafter (2018/19: three per cent) over the Recovery Plan period.
- (3) Research Income deferral due to COVID-19. During the year, a number of projects were impacted by COVID-19 and the progress was either halted or restricted. Based on impact assessments of the Principal Investigators, an estimation of the income impacts as a percentage of progress has been derived to defer income into future years. The total deferred income was £13.3 million (2018/19: nil).



# Consolidated and Institution Statement of Comprehensive Income

Year Ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Income</b>					
Tuition fees and education contracts	1	379,167	379,167	351,782	351,782
Funding body grants	2	106,152	106,152	84,822	84,822
Research grants and contracts	3	140,420	140,420	150,620	150,620
Other income	4	108,578	97,336	110,885	100,297
Investment income	5	7,449	7,433	10,992	10,978
<b>Total income before endowments and donations</b>		<b>741,766</b>	<b>730,508</b>	<b>709,101</b>	<b>698,499</b>
Donations and endowments	6	6,814	6,814	7,195	7,195
<b>Total income</b>		<b>748,580</b>	<b>737,322</b>	<b>716,296</b>	<b>705,694</b>
<b>Expenditure</b>					
Staff costs excluding movement in the USS provision*	7	427,292	418,745	392,020	384,508
USS provision movement	7	(74,751)	(74,751)	126,653	126,653
Total staff costs	7	352,541	343,994	518,673	511,161
Other operating expenses	9	242,244	238,289	240,353	237,570
Depreciation and amortisation	11,12	68,024	67,788	65,707	65,447
Interest and other finance costs	8	17,314	17,314	10,386	10,386
<b>Total expenditure</b>	9	<b>680,123</b>	<b>667,385</b>	<b>835,119</b>	<b>824,564</b>
<b>Surplus/(Deficit) before other gains and losses</b>		<b>68,457</b>	<b>69,937</b>	<b>(118,823)</b>	<b>(118,870)</b>
Gain/(Loss) on investments	13	(8,458)	(8,458)	3,425	3,425
<b>Surplus/(Deficit) before tax</b>		<b>59,999</b>	<b>61,479</b>	<b>(115,398)</b>	<b>(115,445)</b>
Corporation Tax	10	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		<b>59,999</b>	<b>61,479</b>	<b>(115,398)</b>	<b>(115,445)</b>

\*The University Superannuation Scheme provides defined benefits for members and the University contributes through a scheme-wide contribution rate. The University recognises a liability to contribute to the recovery plan put in place as a part of the 2018 valuation. The deficit provision movement has decreased staff costs by £74.8m (2018/19: £126.6m increase) as outlined in Note 18.

# Consolidated and Institution Statement of Comprehensive Income (continued)

Year Ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Surplus/(Deficit) after taxation</b>		<b>59,999</b>	<b>61,479</b>	(115,398)	(115,445)
Actuarial (loss)/gain in respect of pension schemes	26	(13,500)	(13,500)	6,300	6,300
<b>Total comprehensive income/(expense) for the year</b>		<b>46,499</b>	<b>47,979</b>	(109,098)	(109,145)
Represented by:					
Endowment comprehensive income for the year		<b>1,109</b>	<b>1,109</b>	1,272	1,272
Restricted comprehensive income for the year		<b>1,598</b>	<b>1,598</b>	1,993	1,993
Unrestricted comprehensive income/(expense) for the year		<b>43,792</b>	<b>45,272</b>	(112,363)	(112,410)
<b>Total comprehensive income for the year</b>		<b>46,499</b>	<b>47,979</b>	(109,098)	(109,145)

# Consolidated and Institution Statement of Changes in Reserves

Year Ended 31 July 2020

## Consolidated

	Income and Expenditure account			Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000	
<b>Balance at 1 August 2018</b>	<b>120,325</b>	<b>14,667</b>	<b>1,153,078</b>	<b>1,288,070</b>
Surplus/(Deficit) from the Statement of Comprehensive Income	6,266	4,276	(125,940)	(115,398)
Other comprehensive income	–	–	6,300	6,300
Release of restricted funds spent in year	(4,994)	(2,283)	7,277	–
<b>Total Comprehensive Income/(Expense) for the year</b>	<b>1,272</b>	<b>1,993</b>	<b>(112,363)</b>	<b>(109,098)</b>
Transactions with non-controlling interest	–	–	–	–
<b>Balance at 31 July 2019</b>	<b>121,597</b>	<b>16,660</b>	<b>1,040,715</b>	<b>1,178,972</b>
Surplus from the Statement of Comprehensive Income	4,287	6,004	49,708	59,999
Other comprehensive expense	–	–	(13,500)	(13,500)
Release of restricted funds spent in year	(3,178)	(4,406)	7,584	–
<b>Total Comprehensive Income for the year</b>	<b>1,109</b>	<b>1,598</b>	<b>43,792</b>	<b>46,499</b>
Other movements	(6,009)	(9,489)	15,498	–
<b>Balance at 31 July 2020</b>	<b>116,697</b>	<b>8,769</b>	<b>1,100,005</b>	<b>1,225,471</b>

# Consolidated and Institution Statement of Changes in Reserves (continued)

Year Ended 31 July 2020

Institution	Income and Expenditure account			Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>	
	£'000	£'000	£'000	
<b>Balance at 1 August 2018</b>	<b>120,325</b>	<b>14,667</b>	<b>1,122,488</b>	<b>1,257,480</b>
Surplus/(Deficit) from the Statement of Comprehensive Income	6,266	4,276	(125,987)	(115,445)
Other comprehensive income	–	–	6,300	6,300
Release of restricted funds spent in year	(4,994)	(2,283)	7,277	–
<b>Total Comprehensive Income for the year</b>	<b>1,272</b>	<b>1,993</b>	<b>(112,410)</b>	<b>(109,145)</b>
<b>Balance at 31 July 2019</b>	<b>121,597</b>	<b>16,660</b>	<b>1,010,078</b>	<b>1,148,335</b>
Surplus/(Deficit) from the Statement of Comprehensive Income	4,287	6,004	51,188	61,479
Other comprehensive income	–	–	(13,500)	(13,500)
Release of restricted funds spent in year	(3,178)	(4,406)	7,584	–
<b>Total Comprehensive Income for the year</b>	<b>1,109</b>	<b>1,598</b>	<b>45,272</b>	<b>47,979</b>
Other movements	(6,009)	(9,489)	15,498	–
<b>Balance at 31 July 2020</b>	<b>116,697</b>	<b>8,769</b>	<b>1,070,848</b>	<b>1,196,314</b>

# Consolidated and Institution Statement of Financial Position

As at 31 July 2020

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Non-current assets</b>					
Intangible assets	11	30,524	30,524	31,312	31,312
Fixed assets	12	1,422,399	1,390,005	1,381,964	1,348,147
Heritage assets	12	549	549	364	364
Investments	13	193,982	199,477	255,221	260,691
		<b>1,647,454</b>	<b>1,620,555</b>	1,668,861	1,640,514
<b>Current assets</b>					
Stocks for resale		354	334	342	312
Trade and other receivables	14	138,139	142,034	114,153	122,885
Cash and cash equivalents		145,279	132,818	126,144	118,691
		<b>283,772</b>	<b>275,186</b>	240,639	241,888
<b>Creditors</b>					
Amounts falling due within one year	15	(289,221)	(283,632)	(255,142)	(259,056)
<b>Net current liabilities</b>		<b>(5,449)</b>	<b>(8,446)</b>	(14,503)	(17,168)
<b>Total assets less current liabilities</b>		<b>1,642,005</b>	<b>1,612,109</b>	1,654,358	1,623,346
Creditors: amounts falling due after more than one year	16	(265,101)	(264,362)	(262,388)	(262,013)
<b>Provisions</b>					
Pension provisions	18	(151,433)	(151,433)	(212,998)	(212,998)
<b>Total net assets</b>		<b>1,225,471</b>	<b>1,196,314</b>	1,178,972	1,148,335

# Consolidated and Institution Statement of Financial Position (continued)

As at 31 July 2020

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserves	21	116,697	116,697	121,597	121,597
Income and expenditure reserve – restricted	22	8,769	8,769	16,660	16,660
<b>Unrestricted reserves</b>					
Income and expenditure reserve		1,100,005	1,070,848	1,040,715	1,010,078
<b>Total reserves</b>		<b>1,225,471</b>	<b>1,196,314</b>	<b>1,178,972</b>	<b>1,148,335</b>

The financial statements were approved by the Governing Body on 22 January 2021 and were signed on its behalf on that date by:

- **Professor Sir David Eastwood, Vice-Chancellor and Principal**
- **Mr Mervyn Walker, Chair**

# Consolidated Statement of Cash Flows

Year Ended 31 July 2020

	Notes	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		59,999	(115,398)
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation	12	68,024	65,707
Loss/(Gain) on investments	13	8,458	(3,425)
(Increase)/Decrease in stock		(12)	42
(Increase) in debtors	14	(25,009)	(37,595)
Increase in creditors	15	35,756	66,398
Increase in long-term creditors	16	1,834	(17,044)
(Decrease)/increase in pension provision	18	(75,066)	126,108
Adjustment for investing or financing activities	16	4,981	–
Investment income	5	(7,449)	(10,992)
Interest payable	8	7,773	8,173
Endowment income	21	(452)	(2,248)
Loss on the sale of fixed assets		–	6,077
Capital grant income		(6,447)	(8,093)
<b>Net cash inflow from operating activities</b>		<b>72,390</b>	<b>77,710</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		1,139	–
Capital grants receipts		6,447	8,093
Disposal of non-current asset investments	13	77,962	80,672
Withdrawal of deposits		–	–
Investment income		7,449	10,992
Payments made to acquire fixed assets		(103,551)	(152,412)
Payments made to acquire intangible assets		(5,795)	(11,555)
New non-current asset investments	13	(25,181)	(342)
<b>Net cash outflow from investing activities</b>		<b>(41,530)</b>	<b>(64,552)</b>

## Consolidated Statement of Cash Flows (continued)

Year Ended 31 July 2020

	<b>Year Ended</b>	Year Ended
	<b>31 July 2020</b>	31 July 2019
	<b>£'000</b>	£'000
<b>Cash flows from financing activities</b>		
Interest paid	<b>(7,773)</b>	(8,173)
Endowment cash received	<b>452</b>	2,248
Repayments of amounts borrowed	<b>(4,404)</b>	(3,759)
	16	
<b>Net cash outflow from financing activities</b>	<b>(11,725)</b>	(9,684)
<b>Increase in cash and cash equivalents in the year</b>	<b>19,135</b>	3,474
Cash and cash equivalents at beginning of the year	<b>126,144</b>	122,670
Cash and cash equivalents at end of the year	<b>145,279</b>	126,144



# Notes to the Financial Statements

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>1. Tuition fees and education contracts</b>				
Undergraduate tuition – home and EU students	169,063	169,063	168,595	168,595
Undergraduate tuition – other students	68,600	68,600	55,786	55,786
Postgraduate tuition – home and EU students	37,667	37,667	32,530	32,530
Postgraduate tuition – other students	102,714	102,714	82,312	82,312
Other courses	1,072	1,072	5,856	5,856
Research, training and support grants	51	51	6,703	6,703
	<b>379,167</b>	<b>379,167</b>	<b>351,782</b>	<b>351,782</b>
<b>2. Funding body grants</b>				
<b>Recurrent grant:</b>				
Office for Students (OfS)	28,550	28,550	29,323	29,323
Research England	42,236	42,236	41,392	41,392
OfS Capital grant	1,161	1,161	2,414	2,414
Research England Capital grant	5,247	5,247	4,930	4,930
<b>Specific grants:</b>				
Higher Education Innovation Fund	4,395	4,395	4,395	4,395
National College for Teaching and Leadership	36	36	71	71
Capital grant	15,476	15,476	–	–
OfS Other	276	276	866	866
Research England	8,775	8,775	1,431	1,431
	<b>106,152</b>	<b>106,152</b>	<b>84,822</b>	<b>84,822</b>
<b>2a. Grant and Fee Income</b>				
The source of grant and fee income included in Note 1 and Note 2 is as follows:				
Grant income from the OfS	29,987	29,987	32,603	32,603
Grant income from other bodies	76,165	76,165	52,219	52,219
Fee income for taught awards	378,044	378,044	339,223	339,223
Fee income for research awards	51	51	6,703	6,703
Fee income from non-qualifying courses	1,072	1,072	5,856	5,856
	<b>485,319</b>	<b>485,319</b>	<b>436,604</b>	<b>436,604</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	Institution	Consolidated	Institution
	£'000	£'000	£'000	£'000
<b>3. Research grants and contracts</b>				
Research councils	47,018	47,018	49,953	49,953
UK-based charities	26,021	26,021	26,744	26,744
UK central/local government, health and hospital authorities	29,233	29,233	33,307	33,307
UK industry, commerce and public corporations	9,995	9,995	7,646	7,646
EU government bodies	15,213	15,213	21,153	21,153
EU other	2,411	2,411	2,608	2,608
Other overseas	9,779	9,779	7,850	7,850
Other sources	750	750	1,359	1,359
	<b>140,420</b>	<b>140,420</b>	<b>150,620</b>	<b>150,620</b>
<b>4. Other income</b>				
Residences, catering and conferences	36,925	33,068	46,614	43,435
Other services rendered	10,812	7,369	8,543	6,363
Health Authority-funded external posts	14,004	14,004	13,969	13,969
Self-financing activities	1,780	1,780	2,480	2,480
Other capital grants	–	–	573	573
Student support	10,892	10,892	9,983	9,983
Sport	3,923	3,923	6,040	6,040
External funding	9,952	3,588	7,883	3,041
Day nurseries	2,524	2,524	2,548	2,548
Rental properties and University Centre lettings	1,219	1,219	1,207	1,207
Barber Trust grant	339	339	119	119
VAT refund	2,394	2,394	2,447	2,447
Other income	13,814	16,236	8,479	8,092
	<b>108,578</b>	<b>97,336</b>	<b>110,885</b>	<b>100,297</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>5. Investment income</b>				
Investment income on endowments	3,835	3,835	3,240	3,240
Other investment income	3,614	3,598	7,752	7,738
	<b>7,449</b>	<b>7,433</b>	<b>10,992</b>	<b>10,978</b>
<b>6. Donations and endowments</b>				
Capital grants	39	39	176	176
New endowments	452	452	2,248	2,248
Donations with restrictions	4,209	4,209	4,276	4,276
Heritage Asset Donation	185	185	–	–
Unrestricted donations	1,929	1,929	495	495
	<b>6,814</b>	<b>6,814</b>	<b>7,195</b>	<b>7,195</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	Institution	Consolidated	Institution
	£'000	£'000	£'000	£'000
<b>7. Staff costs</b>				
Salaries	338,420	331,579	316,321	308,976
Social security costs	32,075	31,323	29,780	29,676
Movement on USS pension provision	(74,751)	(74,751)	126,653	126,653
Other pension costs	56,797	55,843	45,919	45,856
<b>Total</b>	<b>352,541</b>	<b>343,994</b>	<b>518,673</b>	<b>511,161</b>

No payments were made in respect of compensation for loss of office to a senior post-holder in 2019/20 (2018/19 NIL).

Compensation for loss of office (including voluntary severance) of £1.5m was paid in 2019/20 (2018/19: £1.4m) and this number relates to 57 employees (2018/19: 56).

	2020	2019
Emoluments of the Vice-Chancellor:	£'000	£'000
Salary	348	339
Payments in lieu of pension	48	47
Performance-related award	61	61
Taxable benefit	3	3
	<b>460</b>	<b>450</b>

The process of Remuneration Committee to determine the remuneration of the Vice-Chancellor is set out in the Corporate Governance Statement on pages 31 to 35 of the annual accounts. As explained in that statement, as with all staff, the performance-related award was in respect of performance in 2018/19 and paid in 2019/20. The University made no performance awards to senior staff in respect of performance in the 2019/20 year due to uncertainties related to Covid and, since this affects payments in 2020/21, will be reflected in next year's annual accounts.

The Vice-Chancellor's basic salary is 10.7 times (2018/19: 10.5 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

The Vice-Chancellor's total remuneration is 12.8 times (2018/19: 11.5 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

The methodology for the calculation of the median pay was adopted in 2018/19, in line with OfS guidance, to exclude agency staff from the calculation. In 2019/20, staff included in real-time reporting to HMRC are included and all externally funded posts are excluded from the calculation. This has allowed for a more comprehensive set of casual staff to be included and as a result the pay multiple has increased. It is not possible to restate the 2018/19 comparatives.

A long-term incentive plan is in place for the Vice-Chancellor for an initial period of four years commencing 2015/16. This has been extended by a further three years. Any reward under that plan is contingent on the Vice-Chancellor meeting specific objectives in each year of the term. If these tests are met the total maximum value of the incentive plan would be £140,000. This is not included in the salary or median calculations above.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	Institution	consolidated re-stated	Institution
<b>Staff full-time equivalents (FTE) numbers by major category:</b>				
Academic, Clinical Academic and Administrative	5,575	5,460	5,422	5,335
Other, including Technical, Clerical and Manual	2,291	2,170	2,351	2,213
	<b>7,866</b>	<b>7,630</b>	<b>7,773</b>	<b>7,548</b>

### Trustees

The total expenses paid to or on behalf of 5 (2018/19 – 5) Council members was £1,632 (2018/19 – £5,149). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity as Council members. No payments and other benefits have been received by Council members, in respect of their services.

### Key management personnel

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

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

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
<b>Key management personnel compensation</b>	<b>2,552</b>	<b>2,447</b>

Some staff, who are not in the USS pension scheme and do not, therefore, receive the employer's contribution, receive instead as part of their salary a 13.7% cash payment in lieu of pension. The remuneration figures in the bands 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, 21.1% (2018/19: 18.5%) would need to be added to those staff for whom the University is making USS contributions and comparison figures adjusted for those staff who have opted out of USS during 2019/20.

In 2019/20, the allocation of all externally funded amounts has reduced the numbers of staff with a net cost to the University of over £100,000. This is in accordance with the OfS Accounts Direction. Adjustments of the prior year comparatives on the same bases have not been possible.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

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

	Year ended 31 July 2020	Year ended 31 July 2019
	No.	No.
£100,000.00 to £104,999.99	31	24
£105,000.00 to £109,999.99	18	21
£110,000.00 to £114,999.99	19	23
£115,000.00 to £119,999.99	7	9
£120,000.00 to £124,999.99	4	13
£125,000.00 to £129,999.99	5	8
£130,000.00 to £134,999.99	6	5
£135,000.00 to £139,999.99	3	9
£140,000.00 to £144,999.99	3	5
£145,000.00 to £149,999.99	8	8
£150,000.00 to £154,999.99	–	9
£155,000.00 to £159,999.99	1	6
£160,000.00 to £164,999.99	1	7
£165,000.00 to £169,999.99	–	5
£170,000.00 to £174,999.99	–	3
£175,000.00 to £179,999.99	1	3
£180,000.00 to £184,999.99	–	–
£185,000.00 to £189,999.99	–	2
£190,000.00 to £194,999.99	–	1
£195,000.00 to £199,999.99	–	1
£200,000.00 to £204,999.99	1	2
£205,000.00 to £209,999.99	–	–
£210,000.00 to £214,999.99	–	2
£215,000.00 to £219,999.99	–	2
£220,000.00 to £224,999.99	–	–
£225,000.00 to £229,999.99	1	–
£230,000.00 to £234,999.99	–	–
£235,000.00 to £239,999.99	–	–
£240,000.00 to £244,999.99	–	–
£245,000.00 to £249,999.99	1	1
£250,000.00 to £254,999.99	–	–
£255,000.00 to £259,999.99	–	–
£260,000.00 to £264,999.99	–	1
£265,000.00 to £269,999.99	–	–
	<b>110</b>	<b>170</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	Institution	Consolidated	Institution
	£'000	£'000	£'000	£'000
<b>8. Interest and other finance costs</b>				
Loan interest	7,209	7,209	7,566	7,566
Increase in fair value of derivatives	5,773	5,773	–	
Swap interest	564	564	607	607
BPAS interest charge	300	300	700	700
USS interest charge	3,069	3,069	1,384	1,384
Investment fees	399	399	129	129
	<b>17,314</b>	<b>17,314</b>	<b>10,386</b>	<b>10,386</b>
<b>9a. Analysis of total expenditure by activity</b>				
Academic and related expenditure	274,225	274,225	280,334	280,335
Administration and central services	174,524	168,393	155,209	150,069
Premises	80,752	80,490	76,165	75,905
Residences, catering and conferences	27,867	23,928	36,119	33,089
Research grants and contracts	156,792	156,792	150,914	150,914
Other operating expenses	40,714	38,308	9,725	7,599
USS Pension adjustments	(74,751)	(74,751)	126,653	126,653
	<b>680,123</b>	<b>667,385</b>	<b>835,119</b>	<b>824,564</b>
Other operating expenses include:				
External auditor's remuneration in respect of audit services	200	158	172	136
External auditor's remuneration in respect of non-audit services	17	17	–	–
Operating lease payments	1,732	1,732	1,559	1,559

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

	Year ended 31 July 2020	
	Consolidated	Institution
	£'000	£'000
<b>9b. Access and Participation</b>		
Access Investment	2,665	2,665
Financial Support	9,071	9,071
Disability Support	1,429	1,429
Research and Evaluation	214	214
	<b>13,379</b>	<b>13,379</b>

The costs for Access and Participation relate to the agreed OfS Access and Participation plan (the Plan) [www.birmingham.ac.uk/university/about/equality/widening-access.aspx](http://www.birmingham.ac.uk/university/about/equality/widening-access.aspx) agreed for the next five years and is part of enabling the University to charge higher fees for UK undergraduate courses. The plan commenced in 2019/20 and whilst activity and spend occurred in prior years it was on a different basis and, therefore, no comparatives are presented. Included in the above are staff costs of £1.9m which are included with the staff costs in note 7. These were spent on Access Investment (£1.2m), Disability Support (£0.5m) and Research and Evaluation (£0.2m). Access investment includes activity funded by higher fee income and other sources and relates to Outreach, Summer Schools and Scholarships. Financial Support includes Financial Packages (funded by higher fee income) and Hardship funds (funded by OfS Student Premium). Disability Support includes activity funded by Higher Fee Income and OfS Student Premium. In accordance with the plan, 20% overhead has been allocated to staff costs for Plan activity. 20% of recruitment and admission costs have been included, in line with the Plan.

### 10. Taxation

There are no tax charges for the University of Birmingham in 2019/20 (2018/19: NIL)

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 11. Intangible assets

Consolidated and University	Assets in the Course of Construction	Intangible asset	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2019	–	31,823	31,823
Additions	4,877	918	5,795
<b>At 31 July 2020</b>	<b>4,877</b>	<b>32,741</b>	<b>37,618</b>
<b>Amortisation</b>			
At 1 August 2019	–	511	511
Charge for the year	–	6,583	6,583
<b>At 31 July 2020</b>	<b>–</b>	<b>7,094</b>	<b>7,094</b>
<b>Carrying amount</b>			
<b>At 31 July 2020</b>	<b>4,877</b>	<b>25,647</b>	<b>30,524</b>
At 31 July 2019	–	31,312	31,312

Intangible assets represent costs incurred in relation to the redesigned Finance, HR, Payroll, and Research Grant Management processes through a cloud-based system. The Assets in the Course of Construction relate to the conversion of the student records system to a cloud-based provision, a significant enhancement and associated change.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

<b>12. Fixed assets</b>	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the Course of Construction	Heritage assets	<b>Total</b>
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>							
At 1 August 2019	1,187,835	118,411	119,538	64,202	111,906	364	<b>1,602,256</b>
Additions	5,930	–	6,198	8,982	92,332	185	<b>113,627</b>
Transfers	57,646	–	13,483	539	(71,668)	–	–
Other movements	214	(290)	(5,527)	–	(4,473)	–	<b>(10,076)</b>
Disposals	(1,137)	–	–	(21,185)	(2)	–	<b>(22,324)</b>
<b>At 31 July 2020</b>	<b>1,250,488</b>	<b>118,121</b>	<b>133,692</b>	<b>52,538</b>	<b>128,095</b>	<b>549</b>	<b>1,683,483</b>
<b>Depreciation</b>							
At 1 August 2019	121,678	19,052	34,315	44,882	–	–	<b>219,927</b>
Charge for the year	30,170	3,411	13,119	14,741	–	–	<b>61,441</b>
Other movements	397	–	–	(45)	–	–	<b>352</b>
Disposals	–	–	–	(21,185)	–	–	<b>(21,185)</b>
<b>At 31 July 2020</b>	<b>152,245</b>	<b>22,463</b>	<b>47,434</b>	<b>38,393</b>	<b>–</b>	<b>–</b>	<b>260,535</b>
<b>Net book value</b>							
<b>At 31 July 2020</b>	<b>1,098,243</b>	<b>95,658</b>	<b>86,258</b>	<b>14,145</b>	<b>128,095</b>	<b>549</b>	<b>1,422,948</b>
At 31 July 2019	1,066,157	99,359	85,223	19,320	111,906	364	1,382,329

At 31 July 2020, freehold land and buildings included £205.5m (2019: £205.5m) in respect of freehold land and is not depreciated. In the year to 31 July 2020, nil (2019: £0.9m) was written off from Assets in the Course of Construction in 2018/19 due to projects being cancelled after Feasibility Study.

There exists an exchequer interest in certain buildings. It is a condition of funding that no transaction involving these assets is entered into without prior approval from the OfS.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

12. Fixed assets (continued)	Freehold land and buildings	Leasehold land and buildings	Major refurbishment	Equipment	Assets in the Course of Construction	Heritage assets	Total
Institution	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 August 2019	1,149,719	118,411	119,538	64,144	111,904	364	<b>1,564,080</b>
Additions	5,930	–	6,198	8,603	92,332	185	<b>113,248</b>
Transfers	57,646	–	13,483	539	(71,668)	–	<b>–</b>
Other movements	290	(290)	(5,527)	–	(4,473)	–	<b>(10,000)</b>
Disposals	–	–	–	(21,185)	–	–	<b>(21,185)</b>
<b>At 31 July 2020</b>	<b>1,213,585</b>	<b>118,121</b>	<b>133,692</b>	<b>52,101</b>	<b>128,095</b>	<b>549</b>	<b>1,646,143</b>
<b>Depreciation</b>							
At 1 August 2019	117,376	19,052	34,315	44,826	–	–	<b>215,569</b>
Charge for the year	29,949	3,411	13,119	14,726	–	–	<b>61,205</b>
Disposals	–	–	–	(21,185)	–	–	<b>(21,185)</b>
<b>As at 31 July 2020</b>	<b>147,325</b>	<b>22,463</b>	<b>47,434</b>	<b>38,367</b>	<b>–</b>	<b>–</b>	<b>255,589</b>
<b>Net book value</b>							
<b>As at 31 July 2020</b>	<b>1,066,260</b>	<b>95,658</b>	<b>86,258</b>	<b>13,734</b>	<b>128,095</b>	<b>549</b>	<b>1,390,554</b>
At 31 July 2019	1,032,343	99,359	85,223	19,318	111,904	364	1,348,511

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 13. Non-current investments

	Subsidiary companies	Subsidiary Investment in spinouts	Other non- current asset investments	Endowment asset investments	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
<b>Consolidated</b>					
At 1 August 2019	–	1,680	141,266	112,275	<b>255,221</b>
Transfer	–	329	1,903	(2,232)	–
Additions	–	–	8,090	17,091	<b>25,181</b>
Disposals	–	(70)	(60,639)	(17,253)	<b>(77,962)</b>
Revaluation	–	(723)	33	(7,768)	<b>(8,458)</b>
<b>At 31 July 2020</b>	<b>–</b>	<b>1,216</b>	<b>90,653</b>	<b>102,113</b>	<b>193,982</b>
<b>Institution</b>					
At 1 August 2019	5,495	1,680	141,241	112,275	<b>260,691</b>
Transfer	–	329	1,903	(2,232)	–
Additions	–	–	8,090	17,091	<b>25,181</b>
Disposals	–	(70)	(60,614)	(17,253)	<b>(77,937)</b>
Revaluation	–	(723)	33	(7,768)	<b>(8,458)</b>
<b>At 31 July 2020</b>	<b>5,495</b>	<b>1,216</b>	<b>90,653</b>	<b>102,113</b>	<b>199,477</b>

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

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 14. Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
Amounts falling due within one year:				
Research grants receivables	82,921	82,921	69,778	69,778
Other trade receivables	35,397	34,074	17,672	16,482
Other receivables	4,526	3,563	3,555	3,408
Prepayments and accrued income	14,955	20,010	22,808	32,399
Amounts due from subsidiary companies	–	776	–	128
	<b>137,799</b>	<b>141,344</b>	<b>113,813</b>	<b>122,195</b>
Amounts falling due after one year:				
Other debtors and prepayments	340	690	340	690
	<b>138,139</b>	<b>142,034</b>	<b>114,153</b>	<b>122,885</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

15. Creditors: amounts falling due within one year	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	Institution	Consolidated	Institution
	£'000	£'000	£'000	£'000
Research grants and contracts in advance	143,252	143,252	109,487	109,487
Unsecured loans	5,044	5,044	4,554	4,554
Trade creditors	31,174	30,518	23,997	24,251
Social security and other taxation payable	12,459	11,968	10,575	10,040
Accruals	38,627	35,700	33,728	39,664
Deferred income	43,190	41,440	55,401	54,861
Derivatives	1,866	1,866	2,241	2,241
Other creditors	13,609	13,189	15,159	13,498
Amounts due from subsidiary companies	–	655	–	460
	<b>289,221</b>	<b>283,632</b>	255,142	259,056

Deferred income has been deferred until specific performance-related conditions have been met.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

16. Creditors: amounts falling due after more than one year	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	Institution	Consolidated	Institution
	£'000	£'000	£'000	£'000
Research grants and contracts in advance	6,512	6,512	5,042	5,042
Unsecured loans	257,850	257,850	256,971	256,971
Other creditors	739	–	375	–
	<b>265,101</b>	<b>264,362</b>	<b>262,388</b>	<b>262,013</b>
<b>Analysis of unsecured loans:</b>				
<b>Due within one year or on demand</b>	<b>5,044</b>	<b>5,044</b>	<b>4,554</b>	<b>4,554</b>
Due between one and two years	4,542	4,542	4,252	4,252
Due between two and five years	14,820	14,820	11,790	11,790
Due in five years or more	238,488	238,488	240,929	240,929
<b>Due after more than one year</b>	<b>257,850</b>	<b>257,850</b>	<b>256,971</b>	<b>256,971</b>
<b>Total unsecured loans</b>	<b>262,894</b>	<b>262,894</b>	<b>261,525</b>	<b>261,525</b>

Included in loans are the following:

Lender	2020	2019	Maturity	Interest rate %	Borrower
	Amount £'000	Amount £'000			
Private Placement – Barings	35,773	30,000	2042/43	2.64	University
Private Placement – M&G	20,000	20,000	2044/45	2.67	University
Private Placement – BAE	40,000	40,000	2050/51	2.58	University
Private Placement – Aviva	20,000	20,000	2057/58	2.51	University
Private Placement – PIC	90,000	90,000	2057/58	2.51	University
European Investment Bank	44,250	47,250	2034/35	4.04	University
European Investment Bank	11,063	11,813	2034/35	LIBOR + 1.401	University
HEFCE Revolving Green Fund	1,808	2,462	2022/23	NIL	University
<b>Total</b>	<b>262,894</b>	<b>261,525</b>			

In December 2020 the loan with the European Investment Bank was paid in full and a loan of the same value was entered into with Lloyds Bank. Also at the same time a revolving credit facility of £50m was entered into with Lloyds Bank which remains undrawn.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 17. Financial instruments

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

	Notes	2019/20		2018/19	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Financial assets</b>					
<b>Measured fair value through income and expenditure</b>					
Investments in common investment funds	13	169,376	169,376	249,262	249,262
<b>Debt instruments measured at amortised cost</b>					
Long-term loans receivable	14	340	690	340	690
<b>Measured at undiscounted amount receivable</b>					
Trade and other receivables	14	122,844	121,334	91,005	89,796
<b>Equity instruments measured at cost less impairment</b>					
Non-current asset investments in utilised equity instruments	13	5,440	10,935	5,935	11,430
		<b>298,000</b>	<b>302,335</b>	<b>346,542</b>	<b>351,178</b>
<b>Financial liabilities</b>					
<b>Measured at fair value through income and expenditure</b>					
Derivative financial liabilities	15	1,866	1,866	2,241	2,241
Loans payable	16	35,773	35,773	30,000	30,000
<b>Measured at amortised cost</b>					
Loans payable	16	227,121	227,121	231,525	231,525
<b>Measured at undiscounted amount receivable</b>					
Trade and other creditors	15	69,801	66,873	57,725	64,375
		<b>334,561</b>	<b>331,633</b>	<b>321,491</b>	<b>328,141</b>

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

The Private Placement Barings loans payable are deemed complex financial instruments, due to embedded cross-currency swaps, measured at fair value. The remaining loans payable are basic financial instruments measured at amortised cost.

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## 17. Financial instruments (continued)

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

	Notes	2019/20		2018/19	
		Consolidated £'000	Institution £'000	Consolidated £'000	Institution £'000
<b>Financial liabilities</b>					
<b>Interest income and (expense)</b>					
Total interest income for financial assets at amortised costs	5	7,449	7,433	10,992	10,978
Total interest expense for financial liabilities at amortised cost	8	(7,773)	(7,773)	(8,173)	(8,173)
		<b>(324)</b>	<b>(340)</b>	2,819	2,805
<b>Fair value gains and (losses)</b>					
On financial assets measured at fair value through income and expenditure	13	(8,458)	(8,458)	3,425	3,425
On derivative financial liabilities		375	375	172	172
		<b>(8,083)</b>	<b>(8,083)</b>	3,597	3,597

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

18. Provisions	Obligation to fund deficit on USS Pension	Defined Benefit Obligations on BPAS Pension	Total Pensions Provision
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2019	191,801	21,198	212,998
Utilised during the year	(3,805)	(6,300)	(10,105)
(Credited)/charged to the Statement of Comprehensive Income	(67,877)	16,416	(51,461)
<b>At 31 July 2020</b>	<b>120,119</b>	<b>31,314</b>	<b>151,433</b>

<b>University</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2019	191,800	21,198	212,998
Utilised during the year	(3,805)	(6,300)	(10,105)
(Credited)/charged to the Statement of Comprehensive Income	(67,877)	16,416	(51,461)
<b>At 31 July 2020</b>	<b>120,119</b>	<b>31,314</b>	<b>151,433</b>

### USS Pension

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

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As a consequence, the deficit provision has decreased significantly from the prior year of which £14.4m is due to the change in the deficit contributions contractual commitment.

The major assumptions used to calculate the obligations are:

	2020	2019
Discount rate	0.74%	1.60%
Salary growth year one	1.00%	3.00%
Salary growth future years	4.00%	3.00%

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## Sensitivity analysis

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

Changes in assumptions at 31 July 2020	Approximate impact £m
0.5% pa decrease in discount rate	3.0
0.5% pa increase in salary inflation over duration	2.9
0.5% pa increase in salary inflation year 1 only	0.6
0.5% increase in staff changes over duration	2.9
0.5% increase in staff changes year 1 only	0.6
1% increase in deficit contributions	21.7

## 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 2019 and revealed a funding shortfall. The Trustees have put a Recovery Plan in place to address the deficit.

## 19. Events after the Reporting Period

No such events have arisen.

## 20. Lease commitments

The University has lease commitments as follows:

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
	£'000	£'000	£'000
<b>Total 2019/20</b>	<b>1,639</b>	<b>53,736</b>	<b>53,046</b>
Total 2018/19	1,539	38,882	59,014



# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## 21. Endowment reserves (restricted)

<b>Consolidated and University</b>	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	<b>2020 Total</b>	2019 Total
	£'000	£'000	£'000	£'000	£'000
<b>Balances at 1 August 2019</b>					
Capital	72,941	33,277	10,032	<b>116,250</b>	113,224
Accumulated income	5,132	–	215	<b>5,347</b>	7,101
	<b>78,073</b>	<b>33,277</b>	<b>10,247</b>	<b>121,597</b>	<b>120,325</b>
New endowments	452	–	–	<b>452</b>	2,248
Investment income	2,555	1,022	258	<b>3,835</b>	3,240
Expenditure	(1,933)	(885)	(360)	<b>(3,178)</b>	(4,994)
(Decrease)/Increase in market value of investments	(2,974)	(741)	(2,294)	<b>(6,009)</b>	778
<b>Total endowment comprehensive income for the year</b>	<b>(1,900)</b>	<b>(604)</b>	<b>(2,396)</b>	<b>(4,900)</b>	1,272
<b>At 31 July 2020</b>	<b>76,173</b>	<b>32,673</b>	<b>7,851</b>	<b>116,697</b>	<b>121,597</b>
<b>Represented by:</b>					
Capital	70,419	32,536	7,738	<b>110,693</b>	116,250
Accumulated income	5,754	137	113	<b>6,004</b>	5,347
	<b>76,173</b>	<b>32,673</b>	<b>7,851</b>	<b>116,697</b>	<b>121,597</b>
<b>Analysis by type of purpose:</b>					
Lectureships	9,585	354	2,586	<b>12,525</b>	13,179
Scholarships and bursaries	23,976	7,715	177	<b>31,868</b>	34,698
Research support	6,708	2,787	–	<b>9,495</b>	9,758
Prize funds	2,814	1,401	–	<b>4,215</b>	23,571
Funded posts	21,629	415	1,199	<b>23,243</b>	3,452
General	11,461	20,001	3,889	<b>35,351</b>	36,939
	<b>76,173</b>	<b>32,673</b>	<b>7,851</b>	<b>116,697</b>	<b>121,597</b>
<b>Analysis by asset</b>					
Non-current asset investments				<b>102,113</b>	112,275
Cash and cash equivalents				<b>14,584</b>	9,322
				<b>116,697</b>	<b>121,597</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 21. Endowment reserves (restricted) (continued)

	<b>Consolidated and Institution 2020 Total £'000</b>	Consolidated and Institution 2019 Total £'000
<b>Endowment reserves</b>		
Represented by:		
Equities	64,822	74,205
Fixed interest securities and bonds	21,646	21,603
Property	15,645	16,467
Cash and cash equivalents	14,584	9,322
	<b>116,697</b>	<b>121,597</b>

### 22. Restricted reserves

#### Consolidated and University

	<b>2020 Total £'000</b>	2019 Total £'000
<b>Balances at 1 August 2019</b>	<b>16,660</b>	<b>14,667</b>
Income	6,004	4,276
Expenditure	(4,406)	(2,283)
Transfer to unrestricted reserves	(9,489)	–
<b>Total restricted comprehensive (expense)/income for the year</b>	<b>(7,891)</b>	<b>1,993</b>
<b>At 31 July 2020</b>	<b>8,769</b>	<b>16,660</b>

	<b>2020 Total £'000</b>	2019 Total £'000
<b>Analysis of other restricted funds by type of purpose:</b>		
Lectureships	54	25
Scholarships and bursaries	560	259
Research support	2,211	1,960
Prize funds	15	12
Funded posts	191	155
General	5,738	14,249
	<b>8,769</b>	<b>16,660</b>

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## 23. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020:

	Year ended 31 July 2020			Year ended 31 July 2019	
	Consolidated	Subsidiaries	University	Consolidated	University
	£'000	£'000	£'000	£'000	£'000
Commitments contracted for	79,885	–	79,885	74,358	74,358

Within commitments £26.8m relates to intangible assets (2018/19: £0.6m).

## 24. Subsidiary undertakings

The subsidiaries are all wholly owned or effectively controlled by the University and incorporated in and operate in Great Britain, other than Alta Birmingham China Limited which is incorporated in the UK but operates in the UK and China. Guangzhou ABC Education Information Consultancy Limited incorporated and operating within China, is a 100% subsidiary of Alta Birmingham China Limited. The operations and the assets of Birmingham Research Park were combined into University of Birmingham Enterprise Limited (UoBE Ltd) as of 31 July 2019. This involved transferring the assets (principally the leasehold interests in land at the Research Park and cash at bank) of Birmingham Research Park Limited to UoBE Ltd. The company Birmingham Research Park Limited changed its name to Birmingham Global Limited on 1 August 2019. The purpose of Birmingham Global Limited is to oversee global activities, in the year it set up an Indian Liaison Office to enable the University to access research funding and opportunities for education engagement.

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

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

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 25. Connected charitable institutions

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

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

	Opening balance	Income	Expenditure	Closing balance
	£'000	£'000	£'000	£'000
University of Birmingham Selly Oak Endowment Trust	6,165	27	(247)	5,945

### Not consolidated

Included within the balance sheet, held in endowments assets, is £2.6m (2018/19 £2.2m) 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 owns the Barber Institute of Fine Arts, which hosts one of the finest small collections of European Art in the United Kingdom. The collection of works and art belongs to the Trustees of the Henry Barber Trust.

### 26. Pension schemes

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

#### (i) The Universities Superannuation Scheme

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

Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee Benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

The total credited to the Consolidated Statement of Comprehensive Income is £71.7m (2019: charge of £163.7m).

Deficit recovery contributions due within one year for the University are £5m (2019: £3.8m).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method.

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## 26. Pension schemes (continued)

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme 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 £63.7bn and the value of the scheme's technical provisions was £67.3bn indicating a shortfall of £3.6bn and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	Years 1–10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11–20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.55%
Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>2018 valuation</b>
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females  Post-retirement: 97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## 26. Pension schemes (continued)

The funding position of the scheme has since been updated on an FRS 102 basis:

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	0.74%	2.44%
Pensionable salary growth year one	1.00%	1.00%
Pensionable salary growth subsequent years	3.00%	4.00%

In the year ended 31 July 2020, the liability was based on the previous deficit recovery plan, which required payment of 5% of salaries over the period 1 April 2020 to 30 June 2034.

The reduction in the term of the deficit recovery plan has given rise to a substantial reduction in the deficit provision which has decreased from £191.8m to £120.1m as set out in note 18. £14.4m of this decrease is attributable to the change in the deficit contributions contractual commitment.

A further full valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However, it is anticipated that there will be an increase in the deficit provision as at 31 July 2021 (assuming the valuation is completed by then).

### (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 2019 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 2.15%; RPI in line with gilt yields; and CPI (RPI less 0.7%). 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 2020 to 2034. In 2019/20, the University made a payment of £5.8m comprising employer contributions of £1.0m and a deficit recovery payment of £4.8m.

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 26. Pension schemes (continued)

#### Assumptions

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

	<b>At 31 July 2020</b>	At 31 July 2019
	%pa	%pa
Price Inflation (RPI)	<b>3.00%</b>	3.45%
Price Inflation (CPI)	<b>2.25%</b>	2.45%
Rate of increase in salaries to 31 March 2019	<b>2.00%</b>	2.00%
Rate of increase in salaries after 31 March 2019	<b>2.00%</b>	2.00%
Rate of increase in pensions in payment	<b>1.70% to 2.85%</b>	1.80% to 3.10%
Discount rate	<b>1.40%</b>	2.00%

Scheme assets and expected rate of return for BPAS.

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

The assets in the scheme were:

	<b>Fair value as at 31 July 2020</b>	Fair value as at 31 July 2019
	£m	£m
Equities	<b>72.1</b>	125.4
Bonds	<b>138.0</b>	89.1
Multi-Asset Growth	<b>98.8</b>	106.0
Liability-Driven Investments	<b>90.4</b>	84.2
Other	<b>17.5</b>	7.8
<b>Total</b>	<b>416.8</b>	<b>412.5</b>

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

### 26. Pension schemes (continued)

	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 August 2019	412.5	(433.7)	(21.2)
Employer contributions	6.3	–	6.3
Current service cost	–	(2.6)	(2.6)
Interest income (expense)	8.2	(8.5)	(0.3)
Benefits paid from scheme	(15.4)	15.4	–
Actuarial gains and losses	–	(18.7)	(18.7)
Return on plan assets	5.2	–	5.2
<b>Total at 31 July 2020</b>	<b>416.8</b>	<b>(448.1)</b>	<b>(31.3)</b>

	<b>2020</b>	<b>2019</b>
	<b>£m</b>	<b>£m</b>
Current service cost	(2.6)	(2.9)
Interest cost	(0.3)	(0.7)
Past service cost	–	–
Scheme introductions, changes, curtailments and settlements	–	(0.8)
	<b>(2.9)</b>	<b>(4.4)</b>

### 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 Legal and General. The value of employer contributions for the year ending 31 July 2020 was £3.9m (2018/19: £3.7m).

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## NHS Pension Scheme (NHSPS)

The University participates in the NHSPS. 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 and results for the year ended 31 July 2020 are as follows:

	<b>Year to 31 July 2020 £'000</b>	Year to 31 July 2019 £'000
Tangible fixed assets	<b>381</b>	394
Current assets	<b>2,991</b>	3,130
Creditors	<b>(895)</b>	(1,170)
Pension provision	<b>(5,058)</b>	(3,633)
Reserves	<b>(2,852)</b>	(1,278)
Deficit for the year	<b>(1,303)</b>	(52)

The University's Statement of Comprehensive Income and Expenditure reflects payment to the Guild of Students of a block grant of £2.6m (2018/19 £2.6m).

# Notes to the Financial Statements (continued)

for the year ended 31 July 2020

## 28. Related party transactions

The related party transactions for the Year ended 31 July 2020 are as follows:

Related Party	Relationship
Abbvie	Director of Institute of Cancer and Genomic Sciences is a Member of Data Monitoring Committee Director of Institute of Cancer and Genomic Sciences provides Academic Consultancy activities, through University of Birmingham Enterprise Ltd (now ended)
Academic Registrars' Council	An Academic Registrar is a Trustee
Academy of Medical Sciences Starter Grant Panel	A College Director is Chair (until 31 December 2019) A College Head is a Member of the Programmes Advisory Group
AHUA	A UEB Member is Chairman (until March 2020)
Alta Bioscience Ltd	A Subsidiary Director is a University representative Director
Alta Birmingham China Limited	A UEB Member is a Director
Alta Cyclotron Services Ltd	A Deputy Director of Finance is a Director
Arts and Humanities Research Council	A Council Member is a Board member A Council Member is a Trustee
AstraZeneca	Director of Institute of Cancer and Genomic Sciences provides Academic Consultancy activity, through a subsidiary
Barber Institute of Fine Arts	A Council Member is a Trustee
Bayer	Director of Institute of Cancer and Genomic Sciences provides Academic Consultancy activity, through a subsidiary
BBSRC	A UEB Member is a Member A UEB Member is Chair of Agriculture and Food Safety Advisory Panel (now ceased)
Binding Site	A College Director of Research and Knowledge Transfer is on the Medical Advisory Board
Birmingham Botanical Gardens (Enterprises) Limited	A Lay Member of Council is a Director
Birmingham Children's Trust	A Head of School is a Non-Executive Director
Birmingham City Council	A Director of HSMC has a Spouse Employed
Birmingham Hippodrome Theatre	A College Director is a Consultant
Birmingham Research Park Ltd	A Deputy Director of Finance was a Director A Senior Officer is a Director
Birmingham Women's and Children's Hospital	A UEB Member is a Non-Executive Director A Director of HSMC is a Non-Executive Director A UEB Member is a Director
Bournville Bookfest CIO	A Senior Officer is a Trustee
British Heart Foundation Programmes and Chairs Committee 2019	A UEB Member is Chair

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

2019/20		2019/20 Outstanding Balances		2018/19	
Income	Expenditure	Balance due to the University	Balance due from the University	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
73	0	20	0	0	0
0	0	0	0	0	1
513	7	0	135	142	1
0	1	0	0	0	1
1	2	0	0	3	22
61	843	51	21	77	549
283	3	183	0	188	0
560	0	0	204	112	0
833	0	1,293	0	0	0
0	0	0	0	1,150	0
25	0	2	0	0	0
6,270	0	359	0	0	4
9	364	9	1	0	0
0	0	0	1	0	0
43	60	26	0	40	46
146	2,396	98	814	176	1,344
0	3	0	0	0	0
382	119	118	21	184	0
129	451	123	101	3,742	330
0	3	0	0	0	0
0	0	0	0	3,464	0

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

Related Party	Relationship
Carillion plc	A Deputy Director of Finance worked at Carillion plc
Celentix Ltd	Liquidation
Chartered Association of Business Schools	A Deputy Pro-Vice-Chancellor is a Member
Concept Life Sciences	A College Board Member was a paid consultant
Credit Suisse	A Co-opted member of Inv Sub Committee is an employee
Edgbaston Park Hotel and Conference Centre Limited	A UEB Member is a Director
Engineering and Physical Sciences Research Council	A UEB Member is a Strategic Advisory Network Member
Financial Conduct Authority and the Payments Systems Regulator	A UEB Member is a Decision-Making Member
Food Standards Agency Science Council	A UEB Member is a Member
HMRC (Her Majesty's Revenue and Customs)	A Lay Member of Council is a Lead Non-Executive and Chair of Board
Institute of Physics UK	A Deputy Pro-Vice-Chancellor is a Trustee and Member of Council
Joseph Rowntree Foundation	A Council Member is a Trustee
King Edward VI Academy Trust	A UEB Member is a Director
Linear Diagnostics Ltd	A College Director is a Director
London School of Hygiene and Tropical Medicine (Health Services Research Unit)	Director of HSMC is an Honorary Professor
Loughborough University	A Head of College is in collaboration on a joint project with Loughborough University of whom the co-lead negotiating the sub-contract is his spouse A Council Member is a Board member
Macmillan Cancer	A Council Member is a Trustee
Manufacturing Technology Centre	A UEB Member is an Audit Committee Member A Head of School is a Non-Executive Director A UEB Member is a Member
Mercia Fund 1 and related funds	Director of Enterprise and Innovation is University LLP Representative Director
Newcastle University	A Deputy Head of College is an External Examiner
Nuffield Health	A Council Member is a Trustee and Governor A UEB Member is a Governor
Nuffield Trust	A Director is a Senior Associate
Open University	A Head of School was External Programme Advisor – remuneration was under £1,000
Oxford University Press	A Head of School is author to a textbook for which royalties is received
Pfizer	A College Board Member provides Academic Consultancy activities, through a subsidiary
Portsmouth University	A Deputy Head of College is an External Examiner and independent REF output assessor

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

2019/20		2019/20 Outstanding Balances		2018/19	
Income	Expenditure	Balance due to the University	Balance due from the University	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	675	0	0
66	0	93	0	173	0
0	0	0	0	0	12
3	0	0	4	0	0
9	0	0	0	0	0
1,763	1,048	1,512	14	750	1,680
31,191	0	767	0	494	0
0	0	0	0	1	0
0	0	0	0	1	0
1,595	5,081	0	4,082	0	0
0	0	0	0	1	0
0	2	0	0	35	0
15	0	0	0	12	7
67	150	7	0	17	50
20	0	9	0	0	0
233	718	105	163	0	0
0	0	0	0	32	0
556	150	770	3	748	2,447
4	0	2	0	0	0
487	0	90	0	0	0
0	0	0	0	2	0
13	1	13	0	15	25
14	117	0	65	0	0
0	108	0	7	0	0
286	0	71	0	0	0
0	1	0	0	0	0

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

Related Party	Relationship
Reynolds Porter Chamberlain LLP	A Council Member is a Partner
Royal Society of Medicine	Director of HSMC is a Fellow
Russell Group	A Council Member is a Board Member
Sandwell & West Birmingham NHS Trust	A Council Members is a Non-Executive Director
Sustainability in Geotechnical Engineering, ICSGE	A Deputy Head of College is a Member of International Scientific Committee
The Henry Barber Trust	A UEB Member is a Trustee
The Schools of King Edward VI in Birmingham	A UEB Member is a Trustee
Universitas 21	A Council Member is a Chairman and Non-Executive Director
Universities Superannuation Scheme	A Council Member is a Chair and Non-Executive Director
Universities UK	A Council Member is a Board Member A UEB Member is a Member
University College Birmingham	A Council Member is a Governor
University Hospitals Birmingham NHS Trust (formerly Heart of England)	A Head of School is a Non-Executive Director
University of Birmingham Enterprise Limited	A UEB Member is a Director
University of Birmingham Guild of Students	A Council Member is a Trustee A UEB Member is a Director A BPAS member is a Life Member
University of Birmingham School	Two UEB Members, a Head of School and two Senior Officers are Governors
University of Bristol	A Head of School is an External Examiner – remuneration is under £1,000
University of Glasgow (Board of Review for Academic Promotions)	A UEB Member is an External Assessor
University of Lincoln	A UEB Member is Member of the Board of Governors
University of London	A Head of School has a spouse employed
University of Loughborough	An Audit Committee Member is a Member of Audit Committee
University of Nottingham	A UEB Member has a spouse employed
University of Warwick	A UEB Member has a spouse employed A Head of School has a spouse employed
West Midlands Combined Authority	A Council Member is the Chair
West Midlands Growth Company	A Council Member is a Director

## Notes to the Financial Statements (continued)

for the year ended 31 July 2020

2019/20		2019/20 Outstanding Balances		2018/19	
Income	Expenditure	Balance due to the University	Balance due from the University	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	0	0	1
0	1	0	0	0	0
0	80	0	0	0	80
1,751	53	592	0	1,365	178
0	19	0	4	0	0
205	0	149	0	0	0
4	12	0	0	4	14
385	50	74	0	318	39
0	64,742	0	0	0	40,126
48	74	0	72	0	71
393	0	35	0	4	2
8,226	2,870	219	218	11,344	3,648
583	1,936	466	664	260	252
679	0	134	0	530	3,569
33	406	19	0	101	413
37	1,118	0	12	0	0
200	0	62	0	0	0
0	349	0	0	0	0
0	0	0	0	2	0
0	0	0	0	270	477
1,044	2,334	19	255	4,558	2,114
598	1,477	417	194	1,654	1,373
51	407	33	0	60	371
0	133	0	0	0	0

## Notes to the Financial Statements (continued)

*for the year ended 31 July 2020*

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

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

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

The organisations in which members of Council have an interest in and with which the University has had transactions during the financial year ended 31 July 2020 as set out in the table.



## Four-Year Summary Accounts

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

### Consolidated Statement of Comprehensive Income and Expenditure Summary

	2019/20	2018/19	2017/18	2016/17
	£'000	£'000	£'000	£'000
<b>Income</b>				
Tuition fees and education contracts	379,167	351,782	324,802	305,072
Research grants and contracts	140,420	150,620	134,237	124,031
Other	228,993	213,894	221,761	212,387
<b>Total income</b>	<b>748,580</b>	<b>716,296</b>	<b>680,800</b>	<b>641,490</b>
<b>Expenditure</b>				
Staff costs	352,541	518,673	354,630	320,664
Other – non-staff	327,582	316,446	315,824	283,321
<b>Total expenditure</b>	<b>680,123</b>	<b>835,119</b>	<b>670,454</b>	<b>603,985</b>
Surplus/(Deficit) before tax	59,999	(115,398)	15,448	45,721
<b>Total comprehensive income/(expense) for the year</b>	<b>46,499</b>	<b>(109,098)</b>	<b>29,520</b>	<b>97,113</b>

### Consolidated Balance Sheet Summary

	2019/20	2018/19	2017/18	2016/17
	£'000	£'000	£'000	£'000
Non-current assets	1,647,454	1,668,861	1,654,244	1,330,182
Current assets	283,772	240,639	199,612	283,392
<b>Total assets</b>	<b>1,931,226</b>	<b>1,909,500</b>	<b>1,853,856</b>	<b>1,613,574</b>
Current liabilities	(289,221)	(255,142)	(189,779)	(182,566)
Non-current liabilities	(265,101)	(262,388)	(282,816)	(64,459)
Pension provisions	(151,433)	(212,998)	(93,191)	(105,696)
<b>Total liabilities</b>	<b>(705,755)</b>	<b>(730,528)</b>	<b>(565,786)</b>	<b>(352,721)</b>
<b>Net Assets</b>	<b>1,225,471</b>	<b>1,178,972</b>	<b>1,288,070</b>	<b>1,260,853</b>

## Four-Year Summary Accounts (continued)

### Consolidated Cash Flow Statement Summary

	2019/20	2018/19	2017/18	2016/17
	£'000	£'000	£'000	£'000
Cash flow from operating activities	72,390	77,710	75,372	93,995
Cash flow used in investing activities	(41,530)	(64,552)	(353,131)	(45,685)
Cash flow (used in)/from financing activities	(11,725)	(9,684)	191,392	(4,393)
Increase/(Decrease) in cash and cash equivalents in the year	19,135	3,474	(86,367)	43,917
Cash and cash equivalents at beginning of the year	126,144	122,670	209,037	165,120
<b>Cash and cash equivalents at end of the year</b>	<b>145,279</b>	<b>126,144</b>	<b>122,670</b>	<b>209,037</b>

Key Financial Indicators as a Percentage of Income	2019/20	2018/19	2017/18	2016/17
Surplus/(deficit) before tax to income	8%	(16%)	2%	7%
Net cash inflow from operating activities to income	10%	10%	9%	15%
Staff costs (excl USS) as a proportion of income	57%	54%	51%	50%
Debt to unrestricted reserves ratio	24%	25%	23%	6%
Ratio of current assets to current liabilities	1.0	0.9	1.1	1.6





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BIRMINGHAM

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