Birkbeck,
University of London

Financial Statements

for the year ended 31 July 2019

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OFFICERS OF THE COLLEGE AND SENIOR MANAGEMENT 2018/19

PRESIDENT
Baroness Joan Bakewell DBE

VICE-PRESIDENT
The Right Honourable the Lord Mayor of London

CHAIR OF GOVERNORS
Sir Harvey McGrath (to September 2019)
Sir Andrew Cahn (from October 2019)

SENIOR MANAGEMENT OF THE COLLEGE

MASTER
Professor David Latchman

VICE-MASTER
Professor Matthew Innes

PRO-VICE MASTERS
PVM Education: Professor Diane Houston
PVM Research: Professor Julian Swann
PVM Enterprise and Innovation: Professor Philip Powell (to August 2019)
PVM International: Professor Kevin Ibeh

EXECUTIVE DEANS
School of Arts: Professor Anthony Bale
School of Business, Economics and Informatics: Professor Philip Powell (to August 2019), Dr Geoff Walters (from September 2019)
School of Law: Professor Stewart Motha
School of Science: Professor Nicholas Keep
School of Social Sciences, History and Philosophy: Professor Matthew Davies

SECRETARY AND CLERK TO THE GOVERNORS
Mr Keith Harrison

DIRECTOR OF FINANCE
Mr Keith Willett

ACADEMIC REGISTRAR
Mr Fraser Keir

DIRECTOR OF HUMAN RESOURCES
Ms Charlotte Croffie

MEMBERSHIP OF COMMITTEES 2018/19

THE GOVERNING BODY

Chair of Governors	Sir Harvey McGrath
	Sir Andrew Cahn
Deputy Chair	Ms Liz Meek
Academic Board governors:	Professor Alison Finlay
	Dr Jennifer Baird
Academic staff governors:	Dr Eddie Bruce-Jones (to September 2018)
	Dr Rebecca Darley (from October 2018)
	Professor Joanne Leal (to September 2018)
	Dr Andy Fugard (from October 2018)
Non-teaching staff governor	Mr Simon Deville (from October 2018)
Student governors:	Mr Nicholas Baker (to September 2019)
	Mr Eli Goldsobel (to September 2018)
	Ms Sara Hurley (from October 2018 to September 2019)
Alumnus governor	Professor Rhona Stainthorp (from October 2018)
Independent governors:	Mrs Julia Collins
	Mr Hugh Ferrand
	Mr Peter Zinkin
	Mr Robert Allison
	Mr Clive Birch
	Ms Gillian Broadley
	Ms Cindy Leslie
	Mr Simon Davis
	Mr Eric Salama (to September 2019)

Ex-Officio governors who are also officers of the College:

The Master	Professor David Latchman
The Vice-Master	Professor Matthew Innes

In attendance:

The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Deputy College Secretary (Governance)	Mrs Katharine Bock
The Pro Vice-Master - Research	Professor Julian Swann
The Pro Vice-Master - Education	Professor Diane Houston

FINANCE AND GENERAL PURPOSES COMMITTEE

Chair	Mr Hugh Ferrand
The Master	Professor David Latchman

MEMBERSHIP OF COMMITTEES 2018/19 (continued)

FINANCE AND GENERAL PURPOSES COMMITTEE (continued)

The Vice-Master	Professor Matthew Innes
The Chair of Governors	Sir Harvey McGrath
Academic governors:	Professor Joanne Leal
	Dr Eddie Bruce-Jones
	Professor Alison Finlay
	Dr Jennifer Baird
Non-teaching staff governor	Mr Simon Deville
Student governor	Mr Nicholas Baker
Independent governors:	Mr Peter Zinkin
	Mr Robert Allison
	Ms Gillian Broadley
Co-opted external member	Mr Rob McWilliam
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Director of Human Resources	Ms Charlotte Croffie
The Academic Registrar	Mr Fraser Keir
The Deputy College Secretary (Governance)	Mrs Katharine Bock
The Deputy College Secretary (Operations)	Ms Megan Reeves
The Director of Estates	Mr Jeremy Tanner

NOMINATIONS COMMITTEE

The Chair of Governors	Sir Harvey McGrath,
The Deputy Chair of Governors	Ms Liz Meek
The Master	Professor David Latchman
Academic governors:	Dr Eddie Bruce-Jones
	Professor Joanne Leal
	Professor Alison Finlay
	Dr Jennifer Baird
Student governor	Mr Nicholas Baker
Independent governors:	Mr Robert Allison
	Ms Cindy Leslie
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Deputy College Secretary (Governance)	Mrs Katharine Bock

REMUNERATION COMMITTEE

The Chair of Governors	Sir Harvey McGrath (Chair),
The Deputy Chair of Governors	Ms Liz Meek
Independent governors:	Mr Clive Birch
	Mr Peter Zinkin
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
In attendance:	
The Director of Human Resources	Ms Charlotte Croffie

MEMBERSHIP OF COMMITTEES 2018/19 (continued)

AUDIT COMMITTEE

Chair	Mrs Julia Collins
Independent governors:	Ms Cindy Leslie
	Mr Clive Birch
External co-opted member:	Mr Duncan Sankey
By invitation:	
The Master	Professor David Latchman
In attendance:	
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Director of Finance	Mr Keith Willett
The Deputy Director of Finance	Ms Aarti Rayrella
The Deputy College Secretary (Governance)	Mrs Katharine Bock
The Deputy College Secretary (Operations)	Ms Megan Reeves
The Internal Auditor (Knox Cropper)	Mr Kevin Lally (to July 2019)
The Internal Auditor(KPMG)	Mr Neil Thomas (from August 2019)
The External Auditor (KPMG)	Mr Neil Thomas (to July 2019)
The External Auditor	Mr James Aston (from August 2019)

STRATEGIC PLANNING COMMITTEE

Chair	Professor David Latchman
The Vice-Master	Professor Matthew Innes
The Pro-Vice-Masters:	
Education	Professor Diane Houston
Research	Professor Julian Swann
International	Professor Kevin Ibeh
Enterprise and Innovation	Professor Philip Powell
The College Secretary and Clerk to the Governors	Mr Keith Harrison
The Deputy College Secretary (Governance)	Mrs Katharine Bock
The Deputy College Secretary (Operations)	Ms Megan Reeves
The Director of Finance	Mr Keith Willett
The Director of Human Resources	Ms Charlotte Croffie
The Academic Registrar	Mr Fraser Keir
The Director of Planning	Mr Nick Head
The Director of External Relations	Ms Lynn Grimes
The Director of Development and Alumni	Mr Chris Murphy (to May 2019)
The Director of Estates	Mr Jeremy Tanner
The Director of Access and Engagement	Ms Caroline McDonald
The Policy Advisor	Mr Jonathan Woodhead
The Executive Deans:	
School of Arts	Professor Anthony Bale
School of Business, Economics & Informatics	Professor Philip Powell
School of Law	Professor Stewart Motha
School of Science	Professor Nicholas Keep
School of Social Sciences, History and Philosophy	Professor Matthew Davies

MISSION STATEMENT

The **principal aims** of Birkbeck are to:

- Provide flexible and part-time higher education courses which meet the changing educational, cultural, personal and career needs of students of all ages; in particular those who live or work in the London region;
- Enable adult students from diverse social and educational backgrounds to participate in our courses;
- Make available the results of research, and the expertise acquired, through teaching, publication, partnerships with other organisations and the promotion of civic and public debate;
- Maintain and develop excellence in research and provide the highest quality research training in all our subject areas.

The **key supporting objectives** are to:

- Offer our students an integrated range of flexible, research-led courses across all levels of provision;
- Achieve and maintain strong research cultures in support of interdisciplinary work in each school and faculty;
- Ensure the College provides an inclusive working and learning environment for its students and staff so that all may develop to their full potential;
- Develop the College's capacity to respond rapidly to new and changing opportunities in higher and further education;
- Develop sustainable partnerships within the London region and beyond.

Master's Report

Operating environment

Birkbeck is a unique institution providing access to degree education for working Londoners through the provision of teaching in the evening. As a consequence, most of our students are mature and have jobs, caring or other responsibilities during the day. The fact that we are different from the majority of higher education providers in the UK (who mostly teach young undergraduates during the day) often means that Government policy and other external factors have a different, and often unexpected, influence on Birkbeck. As an example, the advent of the Equivalent or Lower Qualification (ELQ) policy and the 2012 undergraduate funding changes, resulted in significant shifts in our student profile. As a specialist part-time study institution, we were forced to quickly develop and introduce full-time evening programmes in 2010 as a risk mitigating strategy against the policy changes which did not affect predominantly full-time universities. Our part-time undergraduate population contracted by over 60% with full-time evening degrees compensating for this decline. The College now has around 3,000 full time equivalent (FTE) full-time undergraduates (from around zero in 2009) and 1,400 FTE part-time undergraduates (falling from 3,800 in 2011/12).

Three external factors have impacted on the College over the last few years and are expected to influence our strategy over the next few years: Brexit; the Post-18 Review of Education and Funding chaired by Philip Augar (the Augar review); and the Universities' Superannuation Scheme (USS).

Following a number of years of healthy surpluses, exceeding 5% of turnover each year since 2010, the College made a deficit of £0.9 million in 2017/18 (after adjusting for a one-off equipment grant, restructuring costs and other gains and losses) and an underlying deficit of £5.0 million in 2018/19. The main cause of this was a significant fall in EU students in 2017/18, the first full recruitment cycle after the EU referendum on 23 June 2016. In 2017/18, we recruited nearly 400 fewer EU students than in 2016/17. Although many UK universities experienced a reduction in applicant numbers that year, the effect on Birkbeck was more marked. A high proportion of our students from the EU already live and work in London and it was from this group that we saw the highest fall in enrolments in 2017/18. We believe that this was a direct result of Brexit related uncertainty over employment and residency.

The trend continued into 2018/19 with enrolments of EU nationals falling a further 200 – a cumulative drop of 30.3% between 2015/16 (pre-Brexit) and 2018/19. In financial terms this equated to a reduction in income of £4.0 million. New enrolments for 2019/20 indicate an increase of 100 student FTEs (18% year-on-year). This is likely to be a "dead cat bounce" effect as students from the EU start their programmes before the UK Government removes their right to loan funding for the length of their study once the UK leaves the EU. It is likely that 2020/21 will be the final year that EU students will receive financial support for their studies and we fully expect numbers to fall drastically from 2021 onwards. Although a fall in numbers is likely, it is possible that charging EU students higher fees may compensate financially although this is a risky assumption. We continue to encourage students worldwide to study at Birkbeck and are carefully considering our options for when we finally depart from the EU.

The Universities' Superannuation Scheme (USS) has come under pressure financially over the last few years as mortality rates increased and market returns fell. The Pensions Act 2004 requires schemes to adopt a statutory funding objective which aims to have sufficient and appropriate assets to cover the technical provisions. At the most recent valuation date of 31 March 2017, the technical provisions exceeded the assets of the scheme by £7.5 billion – a funding ratio of 89%. This led to the pension trustee proposing a new deficit recovery plan which increased the College share of the pension liability from £11.1 million to £31.8 million.

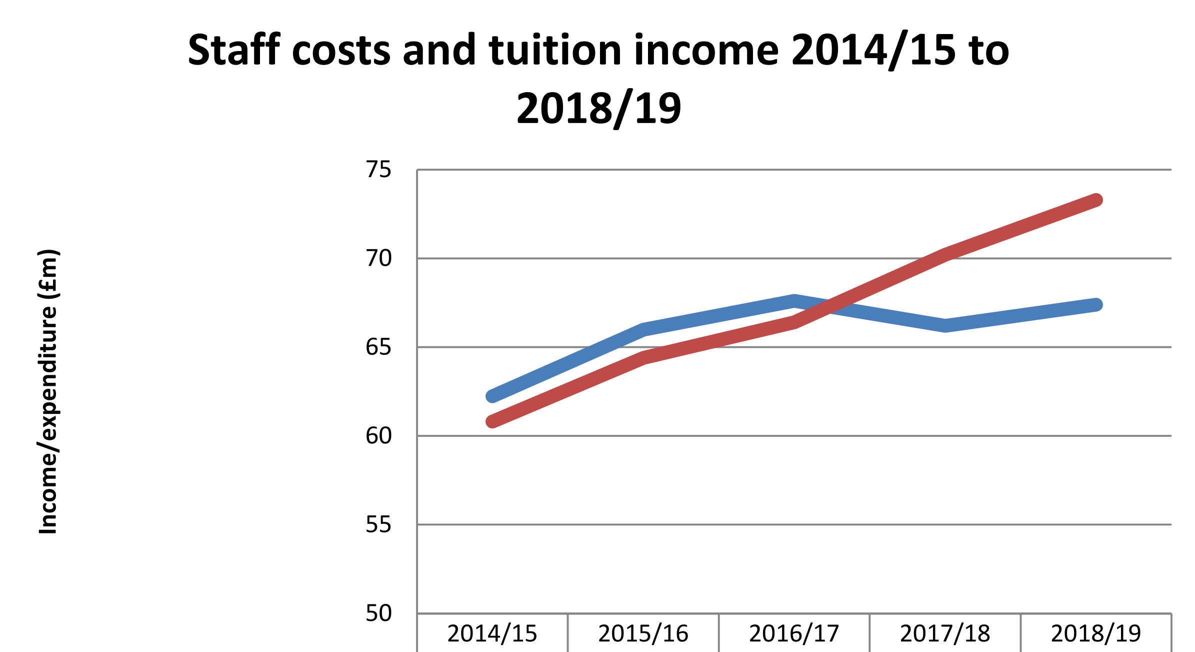
STRATEGIC REVIEW (continued)

More importantly, an initial proposal from USS recommended that the defined benefit aspect of the scheme be removed and that contribution rates would need to increase. This led to a period of strike action from academic staff in 2017. At the time, Birkbeck was vocal in its support for the creation of a Joint Expert Panel (JEP) made up of representatives from employers and members to review the valuation assumptions and propose alternate solutions which retained a defined pension benefit. As a result, the first report from the JEP led to the USS trustee retaining a defined benefit whilst also increasing employer and employee contributions to reduce the deficit.

The JEP is scheduled to provide a second report in the autumn of 2019 which looks at the long term position of the scheme. It was tasked with developing strategies which led to a financially sustainable, affordable and inter-generationally fair scheme. The USS trustee agreed to undertake an extra valuation as at 31 March 2018 in an effort to reduce further contribution increases which had been proposed by the 2017 valuation and to allow for a two-year period to consider the second report from the JEP. College Governors are concerned about the increasing costs of the scheme and the impact it has on both the College and employees in terms of affordability. They are supportive of the aims of the JEP and in particular wish to see a scheme developed which does not require future members to make increased contributions or suffer reduced benefits in order to fund decisions taken today. Inter-generational fairness along with affordability will be the key focus of any College response to consultations on the future of the scheme.

Although USS has required a fair amount of management focus over the last couple of years and remains a risk for the future, we are pleased to note that the Superannuation Arrangements of the University of London (SAUL) was fully funded at the most recent valuation. SAUL provides pension benefits for non-academic staff of over 50 colleges and institutions, including Birkbeck.

The impact on the financial position of the College following lower student income as a result of Brexit and higher staff costs, in part from the increasing contributions to USS, can be demonstrated in Chart 1.



	2014/15	2015/16	2016/17	2017/18	2018/19
Tuition fees	62	66	68	66	67
Staff costs (excl pension provision and restructuring)	61	64	66	70	73

Chart 1: Staff costs and tuition income 2014/15 to 2018/19

STRATEGIC REVIEW (continued)

Annual increases in staff costs (due to promotions, inflationary increases and increment advancement) exceeds the inflationary increase in in our main source of income (primarily due to the fee cap set by the government on undergraduate tuition fees). As a consequence, not only have we seen surpluses of 5% of income eroded post-Brexit but without significant remedial action these deficits will grow as the gap between staff costs and tuition income widens. We are also mindful that student recruitment in an increasingly competitive environment post-Brexit is challenging and that developing plans based on student number growth alone will be risky.

Our institutional strategy commits us to a series of investments designed to improve the quality of our core teaching and research activities and to modernise our material and organisational infrastructure. Cumulatively the goal is to ensure that we keep true to our unique mission and look and perform at a level in keeping with our reputation for excellence.

Crucial strands of this strategy are:

- Student experience review implementation, ensuring that our diverse student body is properly supported to succeed resulting in strong National Student Survey (NSS) and Teaching Excellence and Student Outcomes Framework (TEF) outcomes;
- Estates strategy for expansion and modernisation of the estate, addressing longstanding issues about teaching space and delivering appropriate research facilities;
- Improved research support infrastructure to cement our place in the top tranche of research intensive institutions at the REF.

None of our three key institutional goals are self-funding. All require upfront investment and the primary gains are in terms of depth and quality and in moving the experience of students and staff on to a par with the comparator institutions against which we benchmark ourselves. Whilst in the long term there will be financial gains - directly through improved retention and research funding and indirectly as a result of reputational impact – these will not be at a level that in and of itself sustains a higher equilibrium.

When we compare our financial profile to that of obvious comparators (medium institutions with turnover of £100 to £250 million, top quartile research ambitions and at or close to TEF gold) we are at the small end of such institutions. Owing to our London location we have higher cost pressures especially relating to estates and staff. Furthermore, our unique mode of delivery and student body adds major complexity and inflexibility to our underlying business model. Provision at the heart of a capital city, predominantly delivered in the evening to allow students to pursue other activities in the day, compresses our core income-generating teaching activity into 15 hours a week in term time. Our students also have more and more complex needs which must be addressed.

More fundamentally, in addition to tuition fee and income, our benchmark competitors currently have significant additional income streams, primarily through campus/facility related income and through knowledge transfer/spin off/commercialisation activities. As we have neither residences nor a science park/innovation hub, we lack these income streams.

These comparisons do indicate that in order to function effectively we need to generate additional income streams of our own. Whilst growth based on our existing portfolio is an important part of any recovery plan we also need to spread risk by investing in growth across a range of initiatives.

To do so, we have looked to our unique mission and unrivalled location and attempted to turn them to our advantage rather than see them solely as drivers of increased cost and complexity. As an institution embedded in the social fabric of a metropolis we are seeking to generate additional activity and income streams aligned with the needs of London's culture, economy and society.

In tandem with developing additional income streams and increasing student numbers we must also closely manage our staff cost base. We are committed to maintaining promotion and recruitment processes which develop and reward talent. We are also making interventions in relation to our equalities and diversity strategy and looking to integrate and support teaching and scholarship staff who are currently on sessional contracts (some on an open-ended basis as part of an ongoing role, others in response to specific and non-recurrent needs). In this context the adoption of an expectations and workload framework for academic staff, alongside appraisal/review, is a significant development which enables us to ensure that we are using our resources effectively.

The issues of complexity, and the incremental layering of new activities onto pre-existing structures as the College has sought to rapidly adapt, identified in relation to teaching is also true for the College's professional and support services and School-based administrations. Whilst elements of this have been and are being tackled with focused reviews of specific processes, the current situation requires a more holistic externally supported review that focuses additionally on organisation, capacity, capability and resource that will inform service planning and delivery in this new climate. Cumulatively both the development trajectory we are proposing, and these initiatives, do constitute a significant level of organisational change.

In order to deliver the strategic objectives whilst returning to a sustainable financial position we have agreed to focus on the following core building blocks:

- Rebase staff costs so that the College can return a break-even budget (before exceptional items) with 9,000 students (FTE):

  We successfully launched a voluntary severance and early retirement scheme in the autumn of 2018 and achieved recurrent savings of around £3.0 million in staff costs. A review of the efficiency and effectiveness of administration will commence in 2020 backed by benchmark data from the Uniforum methodology (a process used by many Russell Group universities in recent years) and it is assumed that further staff savings will be identified from this process. Further academic savings are also likely as we modernise our portfolio and delivery.

- Reduce non-staff budgets by £2.0 million from a 2017/18 base and maintain levels at the same cash position year-on-year:

  Governors approved a non-staff budget for 2019/20 which (before exceptional items) was £2.0 million lower than in 2017/18.

- Deliver recovery plan projects:

  A range of new activities and projects were identified in 2019 which aim to maximise returns from existing resources whilst developing income diversification initiatives which build on the unique nature of our position in the higher education sector in London. Each project has a senior member of staff tasked with delivery and all support the mission and values of the College.

Our prudent financial forecasts aim to move us from an underlying deficit before exceptional items of £5.0 million in 2018/19 to a break-even budget in 2020/21, with increasing surpluses thereafter.

STRATEGIC REVIEW (continued)

Although financial recovery will be challenging we are different to most multi-faculty, daytime-teaching, predominantly undergraduate universities. Having demonstrated our teaching quality by achieving a silver award in the Teaching Excellence Framework and our research quality from a highly successful Research Excellence Framework assessment, this coupled with our unique mode of delivery gives us strong encouragement that we will successfully achieve our ambitious plans.

We were pleased to see a recognition in the Augar report that falling part-time student numbers needed to be reversed. We have lobbied long and hard since 2012 and believe that a lifelong funding scheme that supports mature learners to upskill, change career or indeed to enter higher education for the first time is essential. Although the implementation of the recommendations in the Augar review is uncertain given current political turmoil we have noted the positive statements in the recent letter from the Minister to the Office for Students (OfS) which included part-time and flexible study as one of the governments priorities for the OfS for 2019/20. We look forward to helping to develop strategies.

Although there are positive recommendations for us in the Augar report there are also some uncertainties. A reduction in undergraduate fees where funding directly from students is not replaced by grant funding and the introduction of differential fees depending on subject area would set our recovery plan back. Whilst these two concerns are likely to affect most of the sector, one that could affect the College disproportionately could be the methodology used to monitor value for money (which is also a core objective for the OfS). Our students work during the day, often full time, and as a consequence are time poor in comparison with their daytime-study peers elsewhere. Birkbeck offers working Londoners a unique way to study whilst working and the imposition of contact time metrics without recognition of this uniqueness could be detrimental. We will continue to focus on the development of government policy to ensure that our current and future students are given the opportunities and support that they need.

In 2023 we will celebrate our 200th anniversary. In 1823 our philanthropist founder Dr George Birkbeck set out his vision:

> *'Now is the time for the universal benefits of the blessings of knowledge'*

This statement continues to underpin our mission and the connections we have made between, work, study, culture, research and society. In our third century we will continue to offer transforming educational opportunities, in the belief that there should be no barriers, financial, practical or otherwise, to the benefits of university education. Within an increasingly volatile operating environment, we will maintain and develop our distinctive research culture and contribution to science and society and we will create more and better space and facilities for all of our activities.

STRATEGIC REVIEW (continued)

Awards

Birkbeck provides its unique learning and teaching environment in the context of a research intensive, outward facing and publically engaged institution. It is pleasing to be able to report that Birkbeck staff, students and alumni continue to be acknowledged for their contribution in various fields and this year has been no exception. The following are examples of awards and honours received during the year.

Professor Joanna Bourke from Birkbeck's Department of History, Classics and Archaeology has been appointed as Professor of Rhetoric at Gresham College, London's oldest higher education institution. The Professorship of Rhetoric at Gresham dates back to the College's founding in 1597, in accordance with the will of Sir Thomas Gresham, builder of the Royal Exchange. In this role, Professor Bourke will continue a 422-year-old tradition of giving free educational lectures to the general public within the City of London and beyond. Past Gresham Professors of Rhetoric include the poets Stephen Spender and Cecil Day-Lewis, the historian Sir Richard Evans and the writer and literary scholar Sir Jonathan Bate.

Professor Bourke is a well-known social and cultural historian, a Fellow of the British Academy and outgoing Chair of its Modern History Section and a prizewinning author of thirteen books. She is a prolific public speaker and is College Orator at Birkbeck, as well as a frequent and award-winning contributor to TV and radio programmes.

Dr Antoine Bousquet, Reader in International Relations, was awarded the Science, Technology and Art in International Relations (STAIR) Book Award for his recent book, The Eye of War: Military Perception from the Telescope to the Drone. The Eye of War offers a timely and ground-breaking genealogy of military perception that elucidates the socio-technical foundations of the contemporary condition of "fatal visibility," in which anything that can be perceived can be targeted with lethal force. In addition to providing a history of global and increasingly granular practices of targeting, the book explores their wider implications for the landscape of international security in the twenty-first century and further reflects on the place of the human subjects within the late modern war machine.

In making the award, the judging committee highlighted "the creativity of conceptual and empirical work, the ways in which the book fractures established ways of reading targeting, including critical engagements" and its exemplary "transversal work across disciplinary boundaries." The STAIR Book Award is conferred annually for the best book that develops interdisciplinary advances to how science, technology and arts permeate international politics. The award recognises a book that advances innovative research agendas on the intersections between international relations and the politics of science, technology and art.

Dr Sarah Lloyd-Fox was awarded the Wiley Prize in Psychology from the British Academy in recognition of her outstanding contribution to the study of infants. Dr Lloyd-Fox recently led a project exploring the levels of brain activity in babies in response to social stimuli such as peek-a-boo and the sound of laughter, finding what could be the earliest marker of autism to date.

In July 2019, the British Academy also announced that three Birkbeck academics; **Professors Susan James, Esther Leslie and Julia Lovell** would be awarded fellowships for their achievements in the humanities and social sciences. The three professors will join a group of 1,400 academics who make up the UK's national academy for the humanities and social sciences.

Estates

The main thrust of our estates strategy is to improve the quality of teaching and ancillary space, to co-locate student activity on our main campus in Torrington Square and to improve research

STRATEGIC REVIEW (continued)

facilities. Governors approved an Estate Strategy which determined that a number of projects were required to improve the quality of our research and teaching space and also to increase the amount of teaching space that was under the direct, or shared, control of the College.

A governance structure has been set up to oversee the projects including Project Boards (membership: internal clients, Estates staff, representatives from the external design teams, senior College staff and independent Governors) which feed in to the Strategic Estates Committee (a sub-committee of Governors). The structure aims to ensure that all aspects of each project are appropriately managed thereby ensuring that value for money is obtained, the building meets the needs of the client and budgets are not exceeded. Reports on major projects are also provided to each meeting of the Finance & General Purposes and Audit committees to provide assurance that all risks are being appropriately managed.

For the past twenty years, the Centre for Brain and Cognitive Development's (CBCD) BabyLab has been investigating the psychological processes in infants' brains and they have uncovered major insights into child development. The BabyLab scientists have identified the earliest marker of autism in babies, examined the links between Down's syndrome and Alzheimer's disease and investigated the effects of screen time on babies as young as six-months-old. The first project to commence construction is a purpose built ToddlerLab to extend the research of CBCD to older children.

The ToddlerLab will be equipped with sophisticated wireless technology which allows toddlers to carry out normal activities while tracking their brain activity and monitoring their behaviour. An example of the cutting-edge technology is a virtual environment known as the "CAVE" which simulates real-world surroundings, such as a farm or a supermarket, and monitors how toddlers' brain activity changes depending on the world around them. Construction of the ToddlerLab is progressing and is scheduled to open in 2020.

In April 2018 the College received planning permission from the London Borough of Camden to renovate and extend a 1920's building, called Cambridge House, on Euston Road. London-based architect, Penoyre & Prasad, added a copper-clad two-storey lecture theatre to the top of the existing structure to create a flexible and high quality teaching space. The plans also include a café and active learning space on the ground floor and basement and teaching classrooms on the upper floors. The building will add around 440 square metres of additional teaching space to the College building portfolio providing capacity for over 600 students and staff. Construction commenced in 2019 with the building due to open for the start of the 2020/21 academic year.

In addition to the new building projects the original Estates Strategy identified two additional projects with an estimated cost of around £100 million – construction of a new multi-storey annex adjacent to our Bloomsbury headquarters and demolition/re-construction of an old extension block in the same vicinity. Further opportunities to improve the quality of our teaching space have since arisen and significant structural works to some of our Georgian buildings have been identified. We also need to continue to invest in long term maintenance, infrastructure and capital equipment. With many competing priorities and a financial plan that is based on consolidation and recovery, the College is carefully considering its position. The key objectives outlined in the Estates Strategy remain valid, and Governors are keen to invest in the estate where it benefits teaching and research, but the timing and scale of estates projects are currently being re-evaluated against affordability criteria. The Strategic Estates Committee will review existing and potential projects during the year.

Gender pay gap

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the College was required to report gender pay data to the government for the first time in March 2018. The metrics used were based on data to 31 March 2017 and updated 12 months later. As well as reporting on the gender pay gap. Birkbeck undertakes a full pay audit periodically to provide analysis and recommendations in relation to reward and related management strategies, policies and practices across the institution (most recent 2018). We support the principle of equal pay for work of equal value and are committed to operating a pay system that is transparent, based on objective criteria, free from bias and which rewards staff in line with the College's commitment to equality and diversity. These reviews analyse pay gaps by ethnicity, disability and sexual orientation as well as gender.

The gender pay data published in March 2019 for hourly pay and bonus pay is summarised in Tables 1 and 2:

Mean hourly pay		Median hourly pay		Total employees	
Female (£)	Male (£)	Female (£)	Male (£)	Female	Male
22.91	25.05	20.92	23.28	1,012	901
Gender pay gap 8.5% lower		Gender pay gap 10.2% lower		Total employees 1,913	

Table 1: Gender pay gap – hourly pay

The 2018 figures show an increase in both the mean and median gender pay gap compared to 2017, up 0.9% and 5.0% respectively.

The changes are due in part to the upgrading of the College HR and payroll databases which have allowed better contractual management of seasonal and casual workers. This has reduced the total number of employees who were active at the census point. The population change accounts for a small proportion of the mean gender pay gap but is more significant to the median gender pay gap increase. Another factor was the difference in the average increase of the hourly rates. In the year preceding the census date 40% of female staff did not receive the incremental pay increase because they were at the top of the pay scale, a proportion that is double that of male colleagues. The result was that the mean hourly rate increased by 5.0% for men and 3.9% for women.

Whilst the 2018 figures are not as positive as the previous year, Birkbeck remains committed to further progress on equal pay and has set out both an action plan and monitoring targets.

Mean bonus pay		Median bonus pay		Total receiving bonus	
Female (£)	Male (£)	Female (£)	Male (£)	Female	Male
1,046	1,870	941	1,070	2.9%	2.2%
Gender pay gap 44.1% lower		Gender pay gap 12.1% lower		Total receiving bonus 49	

Table 2: Gender pay gap – bonus pay

Birkbeck makes a relatively low number of bonus payments in comparison to the wider sector - the sector average is 8.4% of staff receiving a bonus payment, at Birkbeck it is 2.6%. A consequence of this is that outlier payments distort gender bonus pay gap. This can be seen in the 32% difference between the mean and the median bonus gender pay gap. Removing two outlier payments, one female and one male, brings the mean bonus pay gap to 1.2% which is more representative of the recognition practices at the College.

STRATEGIC REVIEW (continued)

The distribution of men and women across the highest to lowest paid staff groups inverts in favour of men and is not uncommon in the Higher Education sector. Our commitment to equal pay for work of equal value minimises the horizontal pay gap within grades meaning the population distribution is the most significant factor in the overall gender pay gap. Targeted actions from previous pay reviews and other gender analysis activities, such as Athena Swan, have been identified and put in place to address population imbalances. For example, the academic promotion schemes were modified and this has resulted in an increased application and promotion rate of women to more senior academic roles. Work continues on this issue.

The College Equal Pay Audit 2018 examines gender but also includes analyses of pay gaps by ethnicity, disability and sexual orientation. The full report, which includes actions and benchmark data, can be found at http://www.bbk.ac.uk/about-us/equality/equal-pay-audit

Facility time under the Trade Union Regulations 2017 for the relevant period from 1 April 2018 to 31 March 2019

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and require public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a union representative. Trade unions play an important role in the modern workplace and there are significant benefits to both employers and employees when organisations and unions work together effectively. The regulations provide a framework for open and transparent monitoring of this. The facility time data for the relevant period is shown on the next page.

Relevant union officials:

Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
2019	2018	2019	2018
32	20	25.11	17.27

Percentage of time spent on facility time:

Percentage of time	Number of employees	
	2019	2018
0%	4	-
1 - 50%	28	20
51 - 99%	-	-
100%	-	-

Percentage of pay bill spent on facility time:

	2018/19	2017/18
Total cost of facility time	£79,857.85	£49,858.70
Total pay bill	£73,315,000.00	£69,761,000.00
Percentage of the total pay bill spent on facility time	0.109%	0.071%

STRATEGIC REVIEW (continued)

Paid trade union activities:

Number of hours spent by employees (who were relevant union officials during the relevant period) on paid trade union activities as a percentage of total paid facility time hours.

	2018/19	2017/18
Time spent on paid trade union activities as a percentage of total paid facility time hours	11.11%	10.22%

Alumni and friends of the College

The generosity of alumni, friends, corporate partners, charitable trusts and foundations allows Birkbeck to amplify our commitments to students and widen the impact of our world leading research. Our alumni and friends play an important role in advocating, supporting and volunteering for the College.

Last year, we raised nearly £4.0 million of new philanthropic income (2017/18: 2.4 million). This included over 500 donors making regular monthly gifts, several legacies and multiple six-figure gifts from individuals, corporates and charitable foundations.

Chart 2 summarises where funding originated:

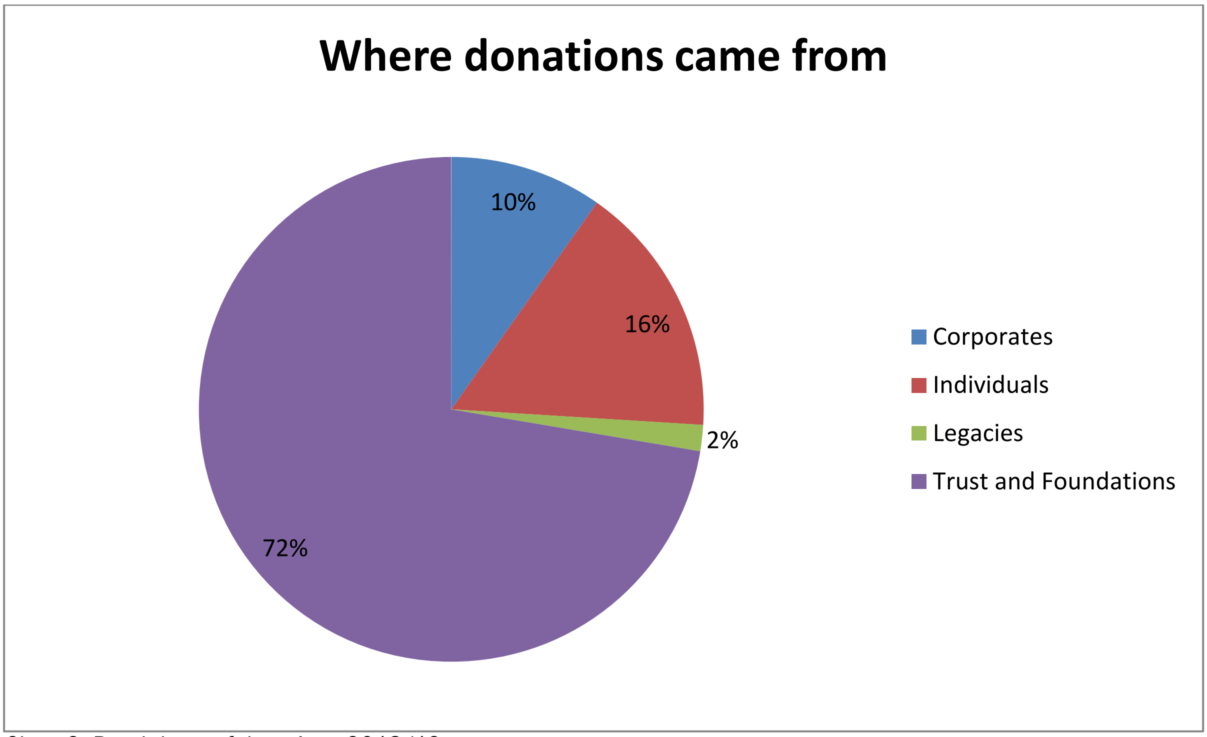


Chart 2: Breakdown of donations 2018/19

STRATEGIC REVIEW (continued)

These donations will support a range of priority areas across the college such as:

- **widening access and student support**, for example, through student bursaries, mental health support programmes and award winning programmes such as our Compass Project;

- **academic research and PhD studentships** through initiatives like the Research Innovation Fund which provides seed funding for new research ideas, post-doctoral awards for emerging academics and PhD scholarships for the next generation of academic thinkers;

- **capital developments, facilities and equipment** by catalysing projects like technology enhanced learning, supporting state of the art equipment for our researchers and contributing to new capital builds like the College's new flagship teaching building, Cambridge House.

- **unrestricted funding for areas of greatest need** - our donors support Birkbeck and our mission and many of them are comfortable knowing that the College will direct their philanthropy to the areas of greatest need, be it students, infrastructure or research.

Chart 3 summarises the proportion in which donations will be allocated to projects.

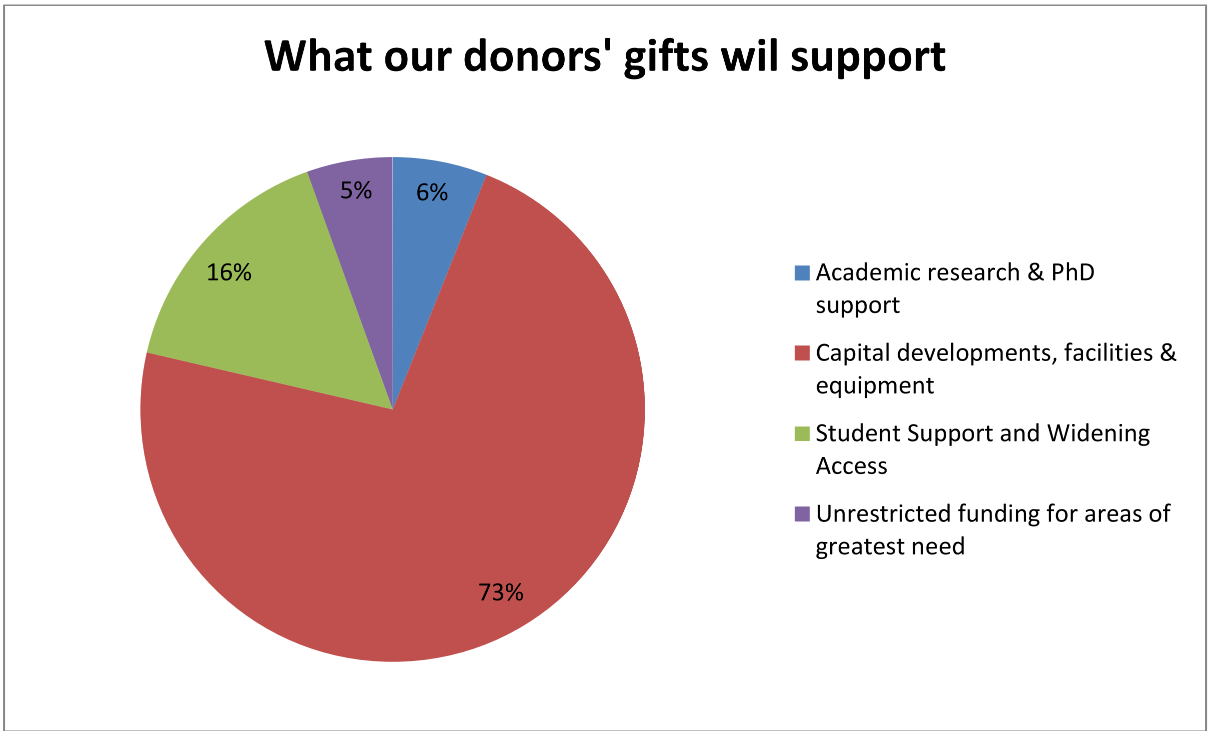


Chart 3: Summary of activities to be supported by donations

Last year, 285 volunteers donated over 3,800 hours of their time to help enhance the student experience and support learners across the College. By giving their time our volunteers directly helped nearly 550 students. These volunteers continue to play an important role in aiding student recruitment, retention and employability initiatives.

Birkbeck exists to provide life changing educational opportunities for its students and undertake cutting-edge research for the public good. In order to carry out this mission, it is necessary to

STRATEGIC REVIEW (continued)

process personal data. We continue to invest significant time into ensuring that we process data transparently, fairly, lawfully, safely and securely.

As we move towards our 200th anniversary in 2023, our alumni and supporters will be vital in helping us to achieve our ambitious strategic priorities. Over the coming year we will broaden our fundraising activity; deepen our relationships with current supporters and attract new donors and volunteers to support these ambitions.

Despite a very strong performance in the 2014 Research Excellence Framework (REF), the award of a Silver grade in the 2017 Teaching Excellence Framework (TEF) and strong financial performance over a number of years we were disappointed to find that EU student recruitment fell following the Brexit referendum and for the first time since 2009 the College posted a deficit (after adjusting for one-off equipment grants) in 2017/18. The deficit increased in 2018/19 as we developed a plan for recovery which will see us return to surpluses from 2021/22. Although there are an unprecedented number of significant uncertainties in the higher education sector at the moment the external reviews (TEF and REF) validate our strategic objective to deliver high quality teaching and research. As we enter a period of recovery we are still confidently defining our ambitions and vision for Birkbeck in its third century.

I would like to thank all staff for their dedication and support in ensuring the success of Birkbeck and its unique mission as a research-led teaching institution with a strong commitment to flexible patterns of teaching. It is this commitment which will see us achieve our ambitious recovery plan.

Finally, I would like to record my thanks to our Chair of Governors who is standing down in the Autumn of 2019 after reaching the maximum length of service allowable for Governors at the College. Sir Harvey McGrath chaired the governing body for nine years during a period of major transformation when the College significantly refocused its offering, driving the move towards attracting a bigger and more diverse body of students. Sir Harvey will be replaced by Sir Andrew Cahn who has had a long and distinguished career at the highest levels of Whitehall, the private sector and the European Union.

Professor David S. Latchman, CBE
Master

Financial Review

The Financial Statements presented to the Governors comprise the consolidated results of the College and its subsidiary. The principal activities undertaken by the Group are teaching and research together with ancillary activities necessary to facilitate this. Additional activities include rendering academic services to a variety of educational, commercial and other organisations.

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102: The financial reporting standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and, therefore, has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

Results for the Year

Chart 4 compares the main income streams for the last five years whilst Chart 5 summarises the total income for 2018/19.

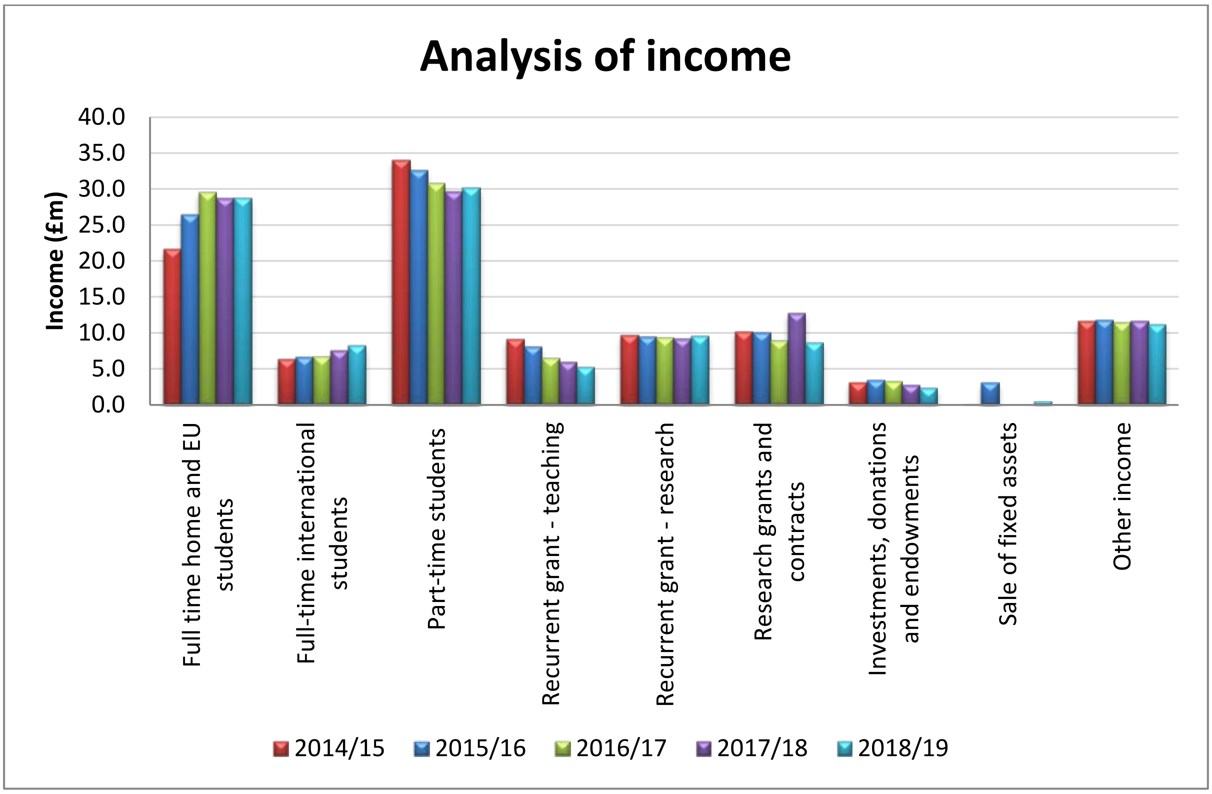


Chart 4: Income by category 2014/15 to 2018/19

STRATEGIC REVIEW (continued)

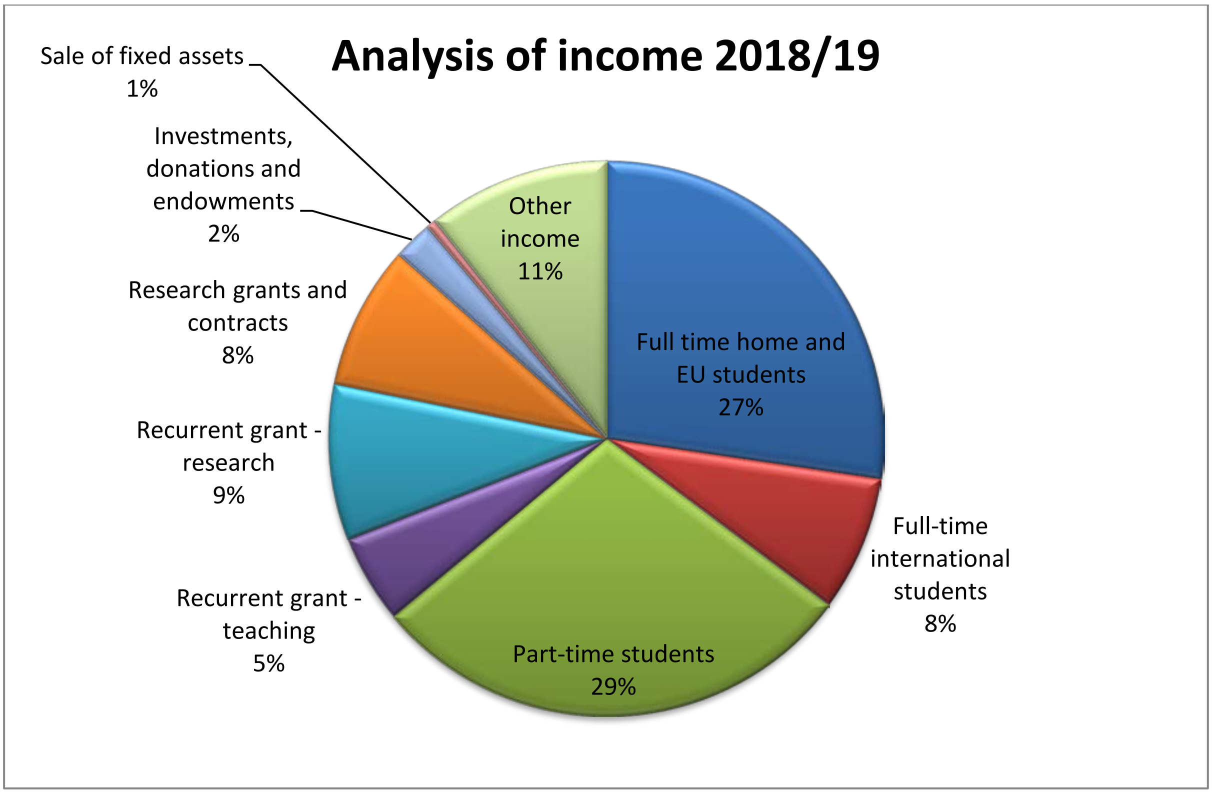


Chart 5: Analysis of income 2018/19

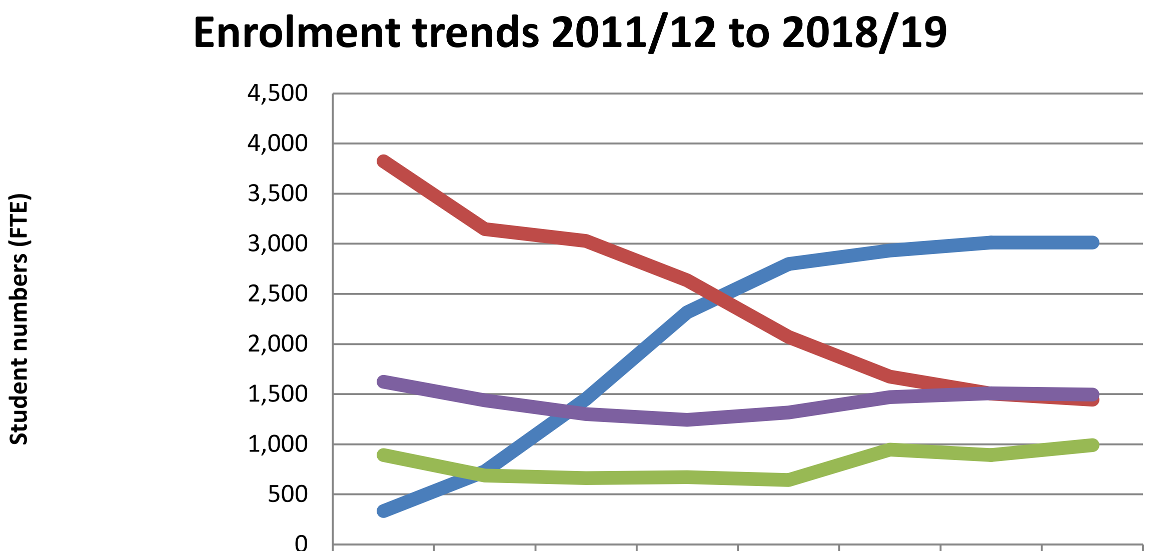
The recurrent teaching grant from the government has been falling steadily since undergraduate tuition fees were increased in 2012 and fell by a further £0.6 million in 2018/19 (a reduction of 9.5% year-on-year). Teaching grant now represents only 5.1% of College income in comparison with 47.5% in 2005/06. In contrast, income from academic fees has risen from 25.7% in 2005/06 to 63.9% in 2018/19 (up by £1.1 million on 2017/18).

Income from research grants and contracts is £4.1 million lower than the previous year largely due to the recognition as income of a non-government funded equipment grant of £3.3 million in 2017/18. Although the electron microscope that was purchased was capitalised with depreciation being charged over a ten-year period, FRS102 required that the non-government grant was released in full.

A consortium of Bloomsbury Colleges which included Birkbeck, agreed to sell their shared interest in a property to one of the members of the consortium. The property had originally been purchased in part using capital funding from the Higher Education Funding Council for England (HEFCE) as a base in which to undertake joint international development projects. The activity became less strategically important over time resulting in agreement to dispose. The property was independently valued and resulted in a profit on sale for the College of £0.6 million once the deferred capital grant and accumulated depreciation had been accounted for. Sale proceeds of £0.7 million were received.

Other income has remained broadly static over the last few years.

Chart 6 highlights enrolment trends for our main categories of student since 2011/12.



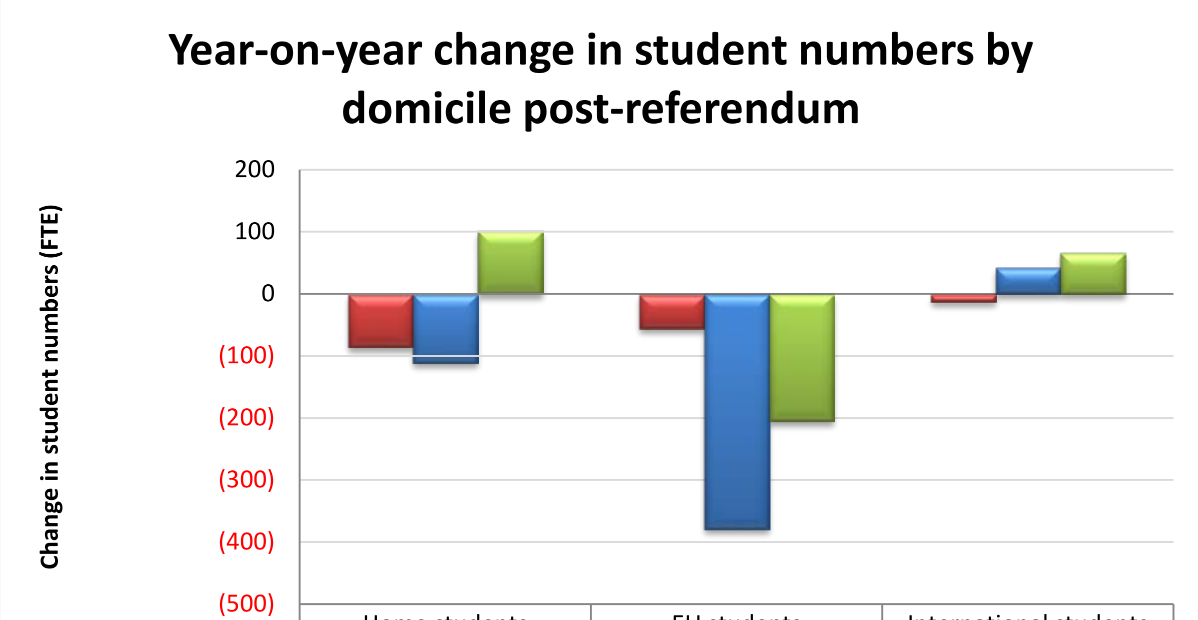
	2011/2	2012/3	2013/4	2014/5	2015/6	2016/7	2017/8	2018/9
UG Degree (Full time)	335	729	1,451	2,315	2,798	2,934	3,011	3,012
UG Degree (Part time)	3,824	3,146	3,027	2,637	2,072	1,676	1,507	1,445
PG Masters (Full time)	891	688	664	671	645	948	891	992
PG Masters (Part time)	1,625	1,440	1,302	1,244	1,316	1,470	1,508	1,496

Chart 6: Main levels of study enrolment trends 2011/12 to 2018/19

The dramatic decline in part-time undergraduate students since 2011/12 continues but appears to be slowing. After much lobbying by the College since the undergraduate fee was increased in 2012, we are pleased to see "innovative and flexible provision" outlined as one of the Secretary of State for Education's strategic priorities for the Office for Students (letter from Rt Hon Gavin Williamson CBE MP to Sir Michael Barber, Chair of the OfS. dated 16 September 2019). In particular, the minister states that he "would like to see the OfS continue to focus on part-time and flexible learning through a set of ambitious plans to deliver real choice and flexibility throughout working lives, and in response to the needs of business." This of course chimes with our own mission. Further emphasis is placed on the importance of providing lifelong learning opportunities for mature students and for developing funding arrangements which increase student choice. An interim report is expected in March 2020 and we hope that policy decisions quickly follow which reverse the declines in mature and part-time numbers following previous Government decisions.

Our strategy to introduce full-time programmes has compensated for the part-time fall as can be seen in Chart 6. We continue to recruit well in a competitive undergraduate market in London despite enrolments being affected by a reduction in EU nationals. Chart 7 starkly demonstrates the significant impact the Brexit referendum in June 2016 had on recruitment of EU nationals with numbers falling by 18.4% in 2017/18 (the first full recruitment cycle after the referendum) and a further 12.2% in 2018/19.

STRATEGIC REVIEW (continued)



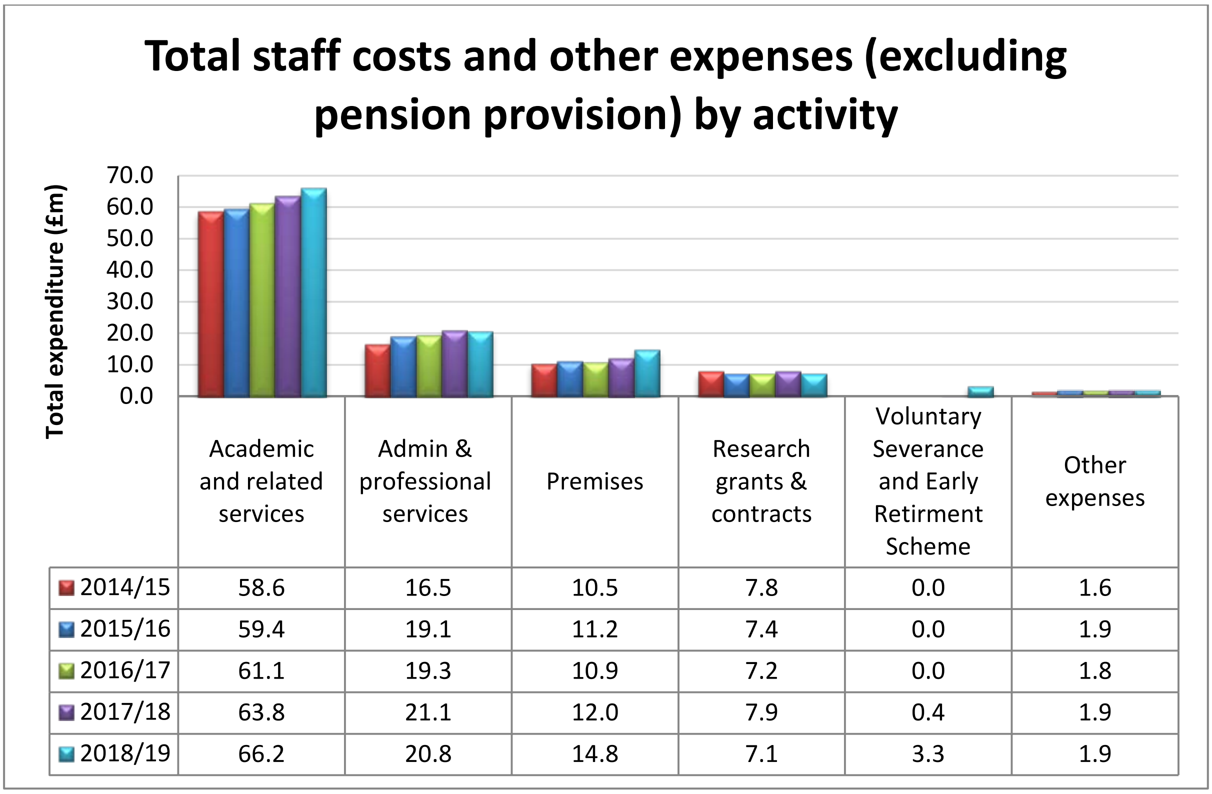
	Home students	EU students	International students
2015/16 to 2016/17	(86)	(56)	(13)
2016/17 to 2017/18	(111)	(379)	43
2017/18 to 2018/19	102	(205)	67

Chart 7: Impact of Brexit referendum on recruitment of students from the EU

In 2016/17, postgraduate recruitment showed a marked increase (Chart 6) due to the introduction of the postgraduate loan. Full-time numbers then fell slightly in 2017/18, partly due to the fall in EU students but also to increased competition as more institutions advertised the new student loan which had originally been announced close to the start of the 2016/17 academic year. Recruitment picked up again in 2018/19 with postgraduate masters students representing 28.5% of total enrolments (2017/18: 27.4%).

Income from full-time Home and EU students decreased by £0.1 million as greater numbers of home students offset the continuing fall of students from the EU. Income from international students rose by £0.7 million (an increase of 9.2%) and now represents 7.9% of total income (2017/18: 7.0% of total income). International student income has steadily grown over the last five years and we believe that there is scope for further increases, particularly with the re-introduction of the post-study work visa. Income from part-time students rose by £0.6 million – the first year-on-year increase since the dramatic fall in numbers from 2012.

Charts 8 and 9 summarise where our expenditure has been incurred.



	Academic and related services	Admin & professional services	Premises	Research grants & contracts	Voluntary Severance and Early Retirment Scheme	Other expenses
2014/15	58.6	16.5	10.5	7.8	0.0	1.6
2015/16	59.4	19.1	11.2	7.4	0.0	1.9
2016/17	61.1	19.3	10.9	7.2	0.0	1.8
2017/18	63.8	21.1	12.0	7.9	0.4	1.9
2018/19	66.2	20.8	14.8	7.1	3.3	1.9

Chart 8: Expenditure by activity 2014/15 to 2018/19

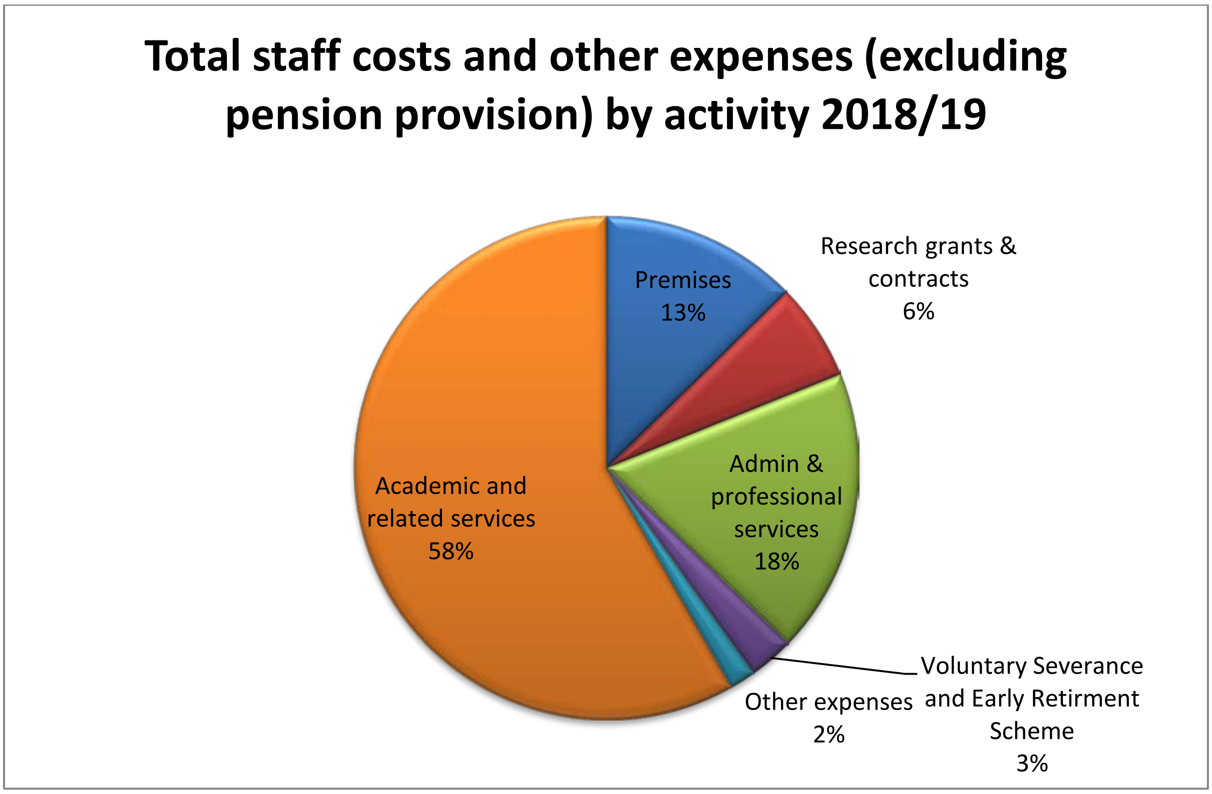


Chart 9: Analysis of expenditure 2018/19

STRATEGIC REVIEW (continued)

The analysis of expenditure confirms that the College continues to invest heavily in education and research with only 20.8% of total expenditure (2017/18: 21.1%) spent on administration and other professional services.

Staff costs as a percentage of total income (excluding movements in the pension provision and restructuring costs) has risen from 59.6% in 2015/16 to 69.5% in 2018/19 (see Table 3). The College does not own any student residences (which increase income without a corresponding increase in staff costs) so this percentage is one of the highest in the sector.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Gross salaries	64,436	66,369	70,226	73,315
Movement on pension provision	(464)	(181)	(660)	20,481
Restructuring costs	-	-	401	3,308
Total expenditure on salaries	**63,971**	**66,188**	**69,967**	**97,104**
Gross salaries (excluding movement on pension provision and restructuring costs) as a percentage of total income	59.6%	61.1%	64.4%	69.5%

Table 3: Change in underlying staff costs 2015/16 to 2018/19

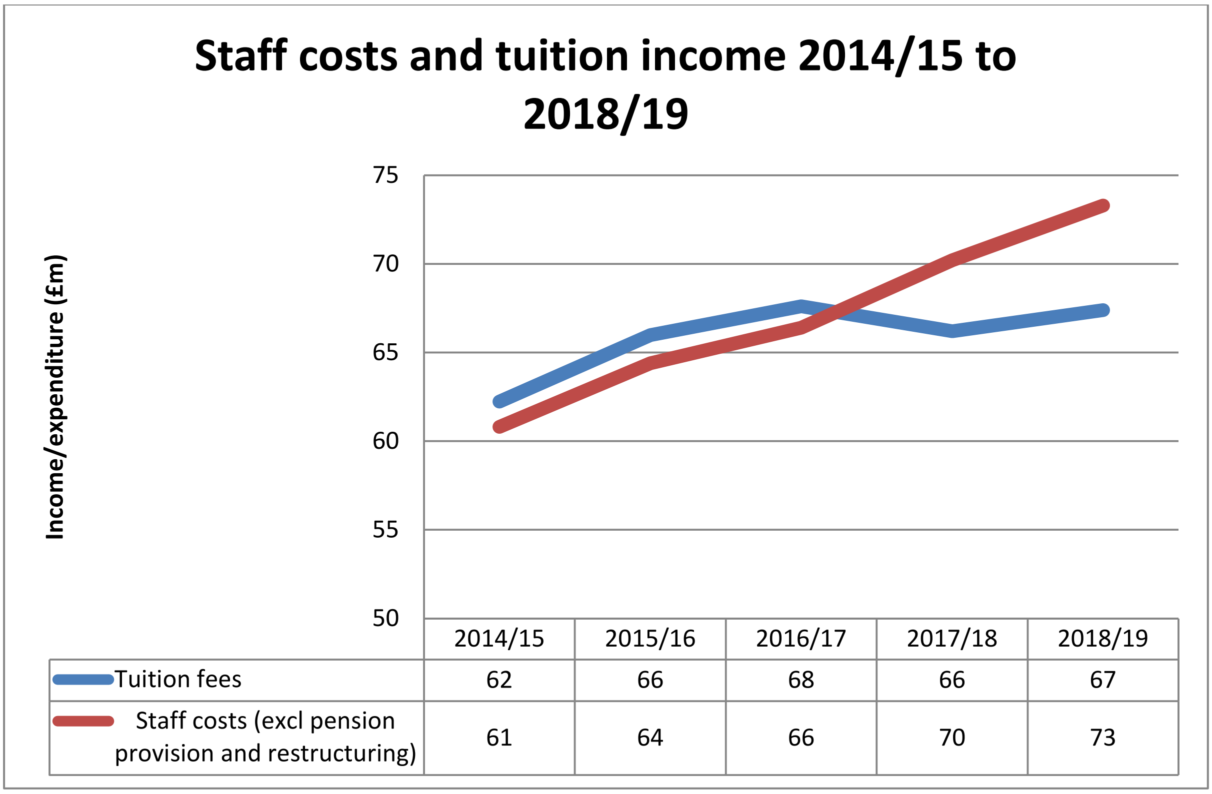


Chart 10: Staff costs and tuition income 2014/15 to 2018/19

Tuition fees and education contracts provided 65.1% of total income in 2018/19 (2017/18: 62.3%). Until 2017/18, the trajectory of our main source of income was tracking the rise in staff costs. A post-Brexit fall in students enrolling from the EU coupled with increasing pension costs switched this around as indicated in Chart 10. A Voluntary Severance and Early Retirement Scheme was launched in 2018 which will deliver around £3.0 million of annual savings from

STRATEGIC REVIEW (continued)

2019/20. This will go some way towards reducing the current deficit but further staff savings will be required. A staff costs as a percentage of total income ratio above 60% will not be sustainable and reducing costs still further along with increasing income through diversification are the two key objectives of our recovery plan.

Financial sustainability

Table 4 brings together some key pieces of financial data for the Group from the last four years.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Total income	108,087	108,596	108,984	105,422
Total comprehensive income / (expenditure) for the year	14,029	7,483	2,822	(27,236)
Total comprehensive income / (expenditure) as a percentage of total income	13.0%	6.9%	2.6%	(25.8%)
Total income	108,087	108,595	108,984	105,422
Adjust for material one-off equipment grant	-	-	(3,430)	-
Adjusted total income **A**	108,087	108,595	105,554	105,422
Total expenditure	98,426	100,172	106,155	134,454
Adjust for restructuring costs	-	-	(401)	(3,308)
Adjust for change in pension liability	121	(16)	724	(20,718)
Adjusted total expenditure **B**	98,547	100,156	106,478	110,428
Adjusted surplus/(deficit) before other gains and losses **A-B**	9,540	8,439	(924)	(5,006)
Adjusted surplus/(deficit) as a percentage of adjusted total income	8.8%	7.8%	(0.9%)	(4.8%)
Non-current assets	86,733	86,144	96,916	102,905
Cash plus current investments	57,648	63,820	57,682	48,717
Payments to acquire fixed assets	2,415	2,251	8,496	11,505
Net cash inflow/(outflow) from operating activities	10,842	6,957	1,309	(777)
Operating cash as a percentage of total income	10.0%	6.4%	1.2%	(0.7%)
Net liquidity days	219	238	203	161
Net pension liability	(11,835)	(11,851)	(11,127)	(31,845)
Total net assets	86,783	94,539	97,088	69,852

Table 4: Key financial data 2015/16 to 2018/19

STRATEGIC REVIEW (continued)

Following a number of years of income growth and the generation of surpluses, the impact on enrolments of the EU referendum in 2016 and increasing pressure on our budget due to staff costs, led to an adjusted deficit before other gains and losses of £0.9 million in 2017/18. This increased to an underlying deficit of £5.0 million in 2018/19 as the College developed plans for recovery.

In June 2019, Governors agreed a recovery plan which aims for an underlying budget deficit of £3.0 million in 2019/20 followed by break-even the year after. Recognising the increased competition for students as the UK leaves the EU, our forecasts have now been set on modest student number growth to 9,000 FTE in two years (2018/19: 8,738). Although our forecasts have prudently capped student numbers against our existing portfolio we believe that there are opportunities. A number of strands are currently being developed including: portfolio development; improved retention; increased application to enrolment conversion rates; introduction of access programmes to facilitate progression to postgraduate programmes; increased focus on international recruitment; development of additional on-line delivery etc. In addition, income diversification initiatives will be developed and we will ensure that all costs are efficiently and effectively managed. The College has a unique mode of delivery so we are confident that our plans will succeed and we will then return to generating annual surpluses.

The years of generating surpluses placed the College in a relatively strong position as it embarked on financial recovery. The level of cash accrued provided Governors with assurance that revenue recovery initiatives could be phased and that a couple of years of planned deficits could be supported. The cash reserves also allowed us to continue with the first two building projects in our estates strategy: a new teaching building and an annex to a research facility. Both projects are scheduled for completion in 2020 and in addition to capital equipment purchases, represented a cash investment of nearly £6.0 million in the year. The timing and scope of further building projects will need to be reconsidered in line with progress against our recovery plan.

The triennial valuation of the Universities' Superannuation Scheme (USS) as at 31 March 2017 led to increased contribution rates for both employees and employers and the adoption of a new deficit recovery plan. This resulted in an increase in the obligation for the College to fund its estimated share of the pension liability from £11.1 million to £31.8 million. The change in liability increased the charge to staff costs recognised in the Statement of Comprehensive Income & Expenditure by £21.0 million. As summarised in the analysis in Table 4, the College was already posting an underlying deficit before other gains and losses with the deficit increasing substantially following the inclusion of the change in pension liability. Pension liability increases of three times the 2018 position have been experienced by all members of USS.

Having completed the 2017 valuation, the USS Trustee agreed to undertake an additional valuation as at 31 March 2018 and to consider the proposals presented by the Joint Expert Panel (JEP) in their report published in September 2018. The JEP was set up in early 2018 with representatives from Universities UK (on behalf of scheme employers) and the University & Colleges Union (on behalf of scheme members) to review the assumptions used in the 2017 USS valuation.

The 2018 valuation of USS, which incorporated some of the JEP recommendations, was completed after the Balance Sheet date of 31 July 2019. This valuation proposed slightly lower contribution increases than those included in the 2017 valuation and outlined a two-year period in which employer and employee representatives could review the second report of the JEP which considers the long term sustainability of the pension fund (due to be published Autumn 2019). The valuation also outlined an amended deficit recovery plan which reduces the College share of the liability from £31.8 million to an estimated £18.2 million. This is to be accounted for as a non-adjusting post-Balance Sheet event in the 2018/19 financial statements with the positive adjustment being reflected next year.

STRATEGIC REVIEW (continued)

College Governors are concerned about the increasing costs of the scheme and the impact it has on both the College and employees in terms of affordability. They are supportive of the aims of the JEP and in particular wish to see a scheme developed which does not require future members to make increased contributions or suffer reduced benefits in order to fund decisions taken today. Inter-generational fairness along with affordability will be the key focus of any College response to consultations on the future of the scheme.

Posting underlying deficits and undertaking capital building projects is eroding our cash but this is currently manageable given the reserves we have accrued. The USS pension liability is an ongoing risk from an affordability perspective and has skewed the revenue outturn and total net assets posted for the year. Although we have a lot of work to do to overcome our financial challenges, and being mindful of the unprecedented uncertainty in the higher education sector and wider UK economy, we believe that the unique mode of delivery of the College will provide us with many opportunities.

Risk Management

An effective approach to risk management is seen by the College as an essential element of corporate governance. The College has adopted a financially prudent and conservative approach but is nevertheless committed to pursuing strategic opportunities linked to its core mission, provided that the potential benefits and risks are understood and that reasonable means to mitigate risks are put in place. Good progress has been made towards embedding risk management throughout the College. The College provided a full compliance statement on internal control last year and will continue to do so.

The College has a Risk Management Policy in place which explains the underlying approach to risk management and documents the roles and responsibilities of the governing body, the Audit Committee, the Strategic Planning Committee, the Risk Management Group and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. The policy is reviewed on an annual basis.

The Risk Register is compiled by the Risk Management Group consisting of senior academic and professional services staff. Significant current and potential future risks are identified and evaluated together with the controls in place to mitigate them. The risks are grouped by themes, for which Key Performance Indicators linked to strategic objectives have been established. The risks are monitored by Strategic Planning Committee, Audit Committee and Governors. An annual report on internal control and risk for 2018/19 was presented to the Audit Committee in May 2019.

Risks are assessed and scored using gross and net likelihood and impact scores. Gross scores indicate the magnitude of the risk without successful controls, and net scores take into account the impact of management interventions. Risk scores are divided into low/green (below 9), medium/amber (9-12.5) and high/red (12.5+). The maximum risk score which can be achieved (highest impact and likelihood) is 25.

The top risks for the College for 2019/20 outlined in the annual report are:

- **Student recruitment**

  Our financial sustainability is heavily linked to student recruitment reflecting our reliance on tuition fees as our main source of income. During the year the same trend as the previous year was apparent and although enrolments were 6% higher year on year we did not meet the recruitment targets needed to offset an underlying deficit. There is fierce competition for students among higher education institutions with private and alternative providers joining universities on the Office for Students' register. A continuing decline in the number of 18-year olds has prompted institutions that have not previously been competitors to edge into the more mature student market to maintain their numbers. Our recruitment of EU students fell following the referendum and although EU students can still obtain financial support to study in the UK they are choosing not to.

The level of risk is likely to stay high in 2019/20. We have controls in place which aim to maximise the efficiency and effectiveness of the application, offer and enrolment processes. The Vice Master chairs a recruitment monitoring group and is also leading an admissions and enrolment review. During the year we also introduced centralised admissions decision making for UCAS programmes to improve offer turnaround times.

Other measures aimed at recovering student numbers include developing new provision to attract new students. The Degree with Foundation Year has proved to be successful and we are putting more resource into international recruitment with a view to increasing numbers for 2020/21 and beyond. We are also working with partners to expand the range of on-line programmes we offer. With a high reliance on tuition income, this risk has been given a net risk score of 14.0 (red).

- Financial sustainability

Following a number of years in which the College returned significant surpluses as a percentage of income, post referendum we have seen staff costs exceeding tuition income for the first time as student numbers fell below our recruitment targets. A deficit budget was set for 2018/19 and recovery plans have been developed which aim to return us back to an underlying break-even position by 2020/21 (before exceptional adjustments such as changes to the pension liability).

In April 2019 the Office for Students published a report titled Financial Sustainability of Higher Education Providers in England which noted: “In a financially challenging environment for higher education providers, and with the UK 18-year old population continuing to decline in the short term, the OfS has particular concerns about the credibility of providers' student number forecasts. Our analysis suggests that over the next few years the sector in aggregate is assuming a level of growth in student numbers, and related fee income, which is not likely to be achievable.” Analysis of our own enrolment trends concluded that forecasting growth for the College in the current environment was risky and we based our financial forecasts on static student numbers.

Having rebased our student recruitment target to the current level with an aspiration for growth, rather than planning for growth, we have focused on efforts to rebuild through careful cost reduction and delivering a range of recovery programme projects. The projects are ambitious and will not produce increased student numbers or income immediately but their successful delivery is critical to planned financial recovery. To mitigate the risk of projects being delayed or not delivering the forecast returns, project leads have been appointed and progress is being monitored by a group chaired by the Vice Master. Regular reports are provided to the Strategic Planning Committee and Governors.

In light of our strategy not to plan for increased student numbers our need to reduce costs has strengthened. We introduced a Voluntary Severance and Early Retirement Scheme in 2018/19 which succeeded in reducing staff costs by around £3.0 million. The College has joined the Uniforum benchmarking programme undertaken by Russell Group institutions with the aim of improving the efficiency and effectiveness of administration. Costs savings are expected to be delivered from this review from 2020. Further reviews of the cost effectiveness of activities across the College are planned for 2019/20 overseen by the Vice Master and College Secretary.

The College has a unique position in the sector being the only evening provider of higher education. The recovery plan seeks to build on our unique selling point by maximising recruitment to existing programmes, diversifying income streams through the development of new modes of study or programmes and by reducing costs. Governors remain committed to the aspirations underpinning our Estates Strategy and improving the student experience so it is critical that we focus our attention on projects which return us to a position of financial sustainability.

School Executive Deans and key strategic staff regularly meet to consider areas for investment and to oversee the delivery of projects identified in the recovery plan. Strategic Planning Committee is the executive body responsible for returning the College to a sustainable financial position and reports on progress and risks are provided to Governors through the committee structure. Financial sustainability is inextricably linked to student recruitment and, therefore, has been given the same net risk score of 14.0 (red).

- **Estates Strategy**

A number of risks have been noted in relation to the Estates Strategy including: projects do not effectively meet the stated objectives; project budgets are not appropriately managed; and the impact of estates projects on our financial sustainability. The governance structure for overseeing major estates and infrastructure projects has changed slightly for 2019/20 with the Strategic Estates Committee (a majority Governor and Governor chaired committee) replacing the Estates Committee (a majority executive and executive chaired committee). With a range of aspirational and critical projects to consider in a financially tricky period, we believe that the new committee will provide the robust challenge and oversight required.

Project Boards (membership: internal clients, Estates staff, representatives from the external design teams, senior College staff and independent Governors) remain in place for the building projects under way and they will feed in to the Strategic Estates Committee. The Finance & General Purposes and Audit committees continue to oversee the financial and risk management aspects of building and infrastructure projects and the management of major projects is routinely reviewed by our internal auditor.

It is our aim that all Birkbeck students will be studying either in fully owned Birkbeck facilities or in buildings shared with other HE institutions. As a consequence, we are looking for further opportunities to increase the amount of space meeting this objective. Some of our Georgian buildings require major remedial works and we need to ensure that our space is appropriate for the continuing delivery of high quality research. The risks associated with the delivery (or non-delivery given the financial position of the College) of the Estates Strategy have been assigned an overall net score of 12.25 (amber).

Brexit, the fluid political environment and the long term impact of the Universities Superannuation Scheme on the College have not been included in our risk register as specific risks due to the uncertain outcomes and our inability to control them. Reports on the possible impact on the College and associated risks are routinely prepared and discussed at Strategic Planning Committee and with Governors.

Audit Committee was provided with an update in September of the main developments since they approved the College risk register in May. The net scores for each of the main risks remained unchanged.

Public Benefit Statement

The College Charter dated 17 March 1926 states:

"The objects of the College shall be to promote for the public benefit and to provide for persons who are engaged in earning their livelihood during the daytime and other persons, education, instruction and means for research and such facilities as may be deemed appropriate, in all or any of the subjects comprised in the faculties of the University into which the College has been or may be admitted and any other subjects as the Governors may from time to time determine."

As an exempt charity within the meaning of the Charities Act 2006 (updated 2011), we are required to demonstrate how our activities are of benefit to the public. The Act describes 13 broad areas of charitable activity. The Governing Body has regard to the Charity Commission's guidance on public benefit and meets these requirements in the following manner.

The advancement of education

The Charities Act 2006 (updated 2011) determines that for education to be a charitable aim for the public benefit it "must be capable of being 'advanced'. This means to promote, sustain and increase individual and collective knowledge and understanding of specific areas of study, skills and expertise." It goes on to note that education includes "formal education, training (including vocational training) and life-long learning, research and adding to collective knowledge and understanding of specific areas of study and expertise [and] the development of individual capabilities, competences, skills and understanding".

The College Charter and mission statement align with this charitable purpose which underpins everything we do.

In addition to our contribution to the advancement of education from teaching, our success in driving forward research directly contributes to a number of the public benefit criteria outlined in the Charities Act (see below for examples). The following table summarises our research income over the last three years:

	2016/17	2017/18	2018/19
Research income (£'000)	9,091	12,941	8,839
Income as a percentage of total income	8.4%	11.9%	8.4%

Table 5: Research income trends

Research income is released in line with progress on the projects. The College currently has a portfolio of live research projects linked to over £50 million in external grant funding.

STRATEGIC REVIEW (continued)

The prevention or relief of poverty

The Act notes that “in current social and economic circumstances, poverty includes many disadvantages and difficulties arising from, or which cause, the lack of financial or material resources … [and] can both create, and be created by, adverse social conditions, such as poor health and nutrition, and low achievement in education and other areas of human development.” It goes on to state that “the [Charity] commission recognises that many charities that are concerned with preventing or relieving poverty will do so by addressing both the causes (prevention) and the consequences (relief) of poverty.” This section explains how our mission contributes to the prevention or relief of poverty through the provision of education. It also describes our more widespread support for students with a wide range of characteristics.

Birkbeck is an evening university, predominantly delivering teaching in the evening, retaining our historic mission to educate working Londoners. We are proud to be a university that opens its doors to people who may otherwise not be able to study. We have maintained our commitment to enabling access for mature students, whilst also diversifying and increasing the number of younger students, through our full-time undergraduate evening degrees. We continue to be a widening access institution and a significant voice for the high proportion of our students coming from under-represented groups. We remain committed to driving this agenda in the higher education sector.

Our student body has a high proportion of part-time and mature students. Many of our students have non-traditional qualifications and high proportions of students have low income, are BAME or have a disability. The vast majority of students live and work in London. 93% of our part-time students and 67% of full-time students are over 21. We provide an opportunity for students who wish to combine evening university teaching with daytime work and, therefore, offer opportunities for students who otherwise would not be able to study.

In recent years, higher tuition fees, the absence of maintenance loans, and debt aversion have resulted in lower recruitment onto our part-time programmes. We are pleased to see that government policy is re-focussing on lifelong learning and increasing the range of study modes for mature students, including part-time study. Despite the challenges faced by the part-time sector our outcomes regarding access to higher education continue to be strong and demonstrate an institution-wide commitment to working with non-traditional students. We plan to continue with our current approach on access.

The following sections are taken from the College Access and Participation Plan 2020/21 to 2024/25 as examples which demonstrate our performance against various measures in recent years.

Higher education participation, household income, or socioeconomic status

We believe that providing part-time and flexible education can facilitate social and economic mobility and we have a long and proud history of enabling learners who may not have previously had the opportunity, to access degree-level study.

The standard measure of participation, POLAR3/4, does not work well in London, with very few postcodes falling into the lowest quintiles despite London having significant areas of deprivation. We, therefore, use the English Indices of Multiple Deprivation (IMD) as a more robust measure of the socio-economic backgrounds of our students. 61% of all undergraduate entrants come from the lowest two quintiles of IMD deprivation with our own survey data showing a significant proportion living in households with low annual income - 39% of full-time undergraduate students living in households with an annual income of less than £25,000 per annum and 46% of part-time students coming from a household with annual income below £40,000 per annum. These rates have been consistent over a number of years in both full-time and part-time student populations.

Attainment of a “good degree” can be a challenge for disadvantaged students. The gap between those from the lowest quintiles and those from the highest at Birkbeck has considerably improved amongst full-time students, from a gap of 17% in 2014/15 to 7% in 2017/18. This gap is smaller than the sector and London averages. The gap in our part-time degree student population is just above the sector average at 16% and is something we are developing strategies to address.

To ensure that finance is not a barrier to study we support government funding arrangements by providing our own bursaries and scholarships to students experiencing financial hardship. In addition, a number of scholarships are provided through donations from our alumni and friends. We also offer all self-financing students the option to pay for their tuition fees in interest free monthly instalments over the academic year.

Disability

Birkbeck admits a much larger proportion of students with disabilities than the sector as a whole: over 23% of our full-time entrants in 2016/17 disclosed a disability compared with 13% in the sector (HESA 2017/18 data). 16% of our students have a mental health condition, with two thirds of this group also having multiple disabilities. Our disabled students tell us that our evening provision is helpful to them as their conditions often prevent them from travelling during rush hour or attending morning lectures. It is not uncommon for a psychiatric care plan to encourage a patient to embark on studies at Birkbeck as part of their recovery. We welcome this client body and are committed to providing support to ensure a level playing field for such students, to attain further qualifications and change their lives.

When looking at the continuation rates of students with disabilities compared to those without, at Birkbeck they continue at the same rate as, or in the case of part-time, better than students with no disabilities. In fact part-time students with disabilities at Birkbeck continue at a 9% higher rate than their non-disabled peers (in the sector disabled students’ continuation is 6% poorer than non-disabled). This positive gap has been seen consistently over the last few years and is testament to the high levels of support they receive. Attainment of a good degree by disabled students is also higher when compared to their non-disabled peers:

Ethnicity

Our widening access provision predominantly targets students on low income rather than focusing on ethnicity but as our work is exclusively in London our approach means that we work with high numbers of students from BAME groups. Consequently, our student body is ethnically diverse. While the BAME proportion of London’s population is 40%, 56% of our full-time and 42% of our part-time undergraduate entrants identify as BAME

Continuation and attainment gaps between different ethnic groups at the College are being closely monitored and progress has been made over the last few years. As an example, whilst continuation rates for black students are better than the sector average there is still a gap when compared to all other students at the College, particularly for those studying part time (see Chart 11).

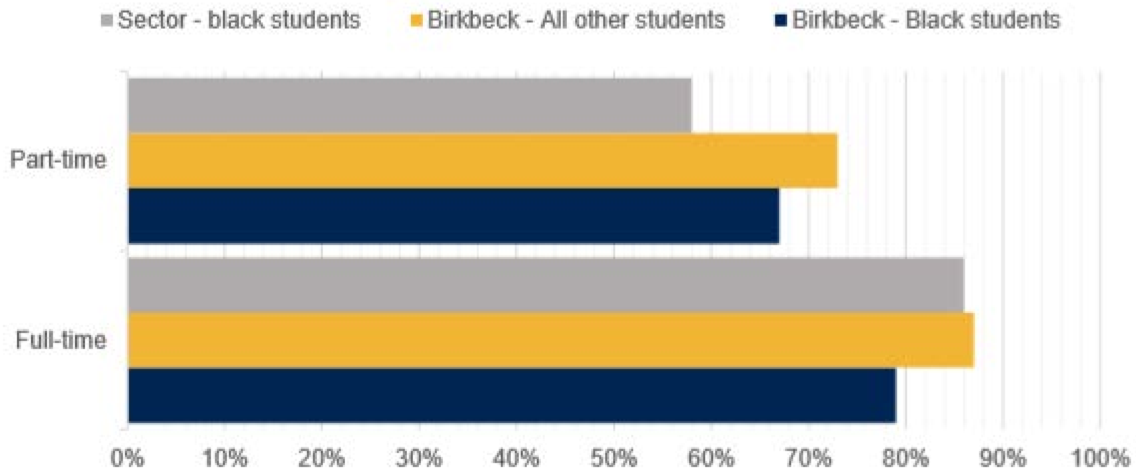


Chart 11: Continuation rates

The gap in attainment of a good degree in our black, compared to white, full-time student population has improved from a high of 50% in 2014/15 to 31% now. Despite this considerable improvement, the current gap, and the equivalent part-time gap of 39%, is concerning. We have undertaken data analysis in order to understand this issue better, looking at factors including the age and subject of study of black students. Through linear regression analysis we find these attributes do not have any significant impact on the attainment of black students at Birkbeck. We calculate that just under a third of the gaps in attainment are attributable to entry qualifications and other student characteristics and that there is an “unexplainable” gap of 18% for full-time and 24% for part-time students. Reducing these gaps in attainment is our main priority in the Access and Participation Plan cycle.

The advancement of the arts, culture, heritage or science

A unique interactive digital platform that allows users to visually peel back the layers of London’s history was launched during the year. The Layers of London project uses maps, films and personal memoirs to document how London has changed from Roman times to the present day.

Project Director Professor Matthew Davies (Executive Dean of Birkbeck's School of Social Sciences, History and Philosophy) worked with colleagues at the Centre for Metropolitan History at the Institute of Historical Research, the British Library, the Museum of London Archaeology (MOLA), Historic England, London Metropolitan Archives and The National Archives. Layers of London also includes contributions from the public, who show how Londoners have responded to events through history and adapted to their changing city.

The project is designed to be a treasure trove of fascinating and quirky information about life through the ages. Among details chronicled are how it was possible to barter a Christmas cake for a chicken in East London in 1954, how painting a white cross by your door would guarantee you would be woken up for work and how 17th century maps would have included ‘the Road to Oxford’ rather than what we now know as Oxford Street in central London.

The project is supported by the Heritage Lottery Fund, the Stavros Niarchos foundation, the Ford Britain Trust and the Institute of Historical Research Trust.

STRATEGIC REVIEW (continued)

The advancement of health or saving of lives

A study by researchers at Birkbeck has found evidence that regularly practising a tricky online memory game can improve mental well-being in teenagers. Compared to a control group, adolescents who trained their working memory using the game reported a significant reduction in depression and anxiety scores at the end of their training with symptom reduction even more pronounced one month later.

The findings, published in Developmental Science, found that adaptive training led to an 11% reduction in self-reported depression at the end of training and a 25% reduction at one-month follow-up. Depression scores in the control group were unchanged after training and had increased by 11% after one month. Anxiety ratings in the adaptive training group dropped by 13% at one-month follow-up, compared to a non-significant decrease (3.75%) in the control group. The adolescents participating in the study were not a clinically depressed or anxious group.

Similar positive effects of cognitive training have been seen in adults but this was the first study to show these training effects in typical adolescents. Patricia Beloe, a PhD student at Birkbeck who conducted the study noted that the findings are evidence of causal links between working memory and emotional vulnerability in teenagers and demonstrate that it may be possible to address vulnerability to anxiety and depression with easy-to-implement interventions that target cognitive factors.

The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity

The first national study of prejudice in over a decade revealed widespread experiences of prejudice affecting different groups in Britain. The study, led by Professors Diane Houston (Birkbeck) and Dominic Abhrams (Kent) along with Dr Hannah Swift (Kent), sampled nearly 3,000 adults. An additional survey of minority groups to ensure sufficient numbers to provide confidence in findings was also completed. Published by the Equality and Human Rights Commission (EHRC), the research found that in the last year: 70% of Muslims surveyed experienced religion-based prejudice; 64% of people from a black ethnic background experienced race-based prejudice; 61% of people with a mental health condition experienced impairment-based prejudice; and 46% of lesbian, gay or bisexual people experienced sexual orientation-based prejudice.

David Isaac, Chair of the EHRC, said: “It’s very clear that some people are still conflicted about equality and that prejudices still risk fostering discrimination in Britain. It’s disturbing that some people feel comfortable expressing negative views about others – especially members of the Gypsy, Roma and Traveller, Muslim and transgender communities. Openly voicing negative attitudes can hinder constructive debate about the barriers people face and creates divisions and mistrust in society. Understanding people’s attitudes and the extent of prejudice in all its forms is key to unlocking the barriers that may hold many people back. This report sets out a workable model that we believe the government should build on to understand the current state of prejudice and discrimination in Britain. One person's gain does not mean that others lose out. If everyone gets a fair chance in life, we all thrive.”

By bringing together a set of measures of people’s experiences of prejudice and of people’s attitudes, the survey provides the most comprehensive picture available of prejudice and discrimination in Britain, and helps us to understand the impact of prejudice on people’s lives.

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES

In accordance with the Charter and Statutes of the College, the Governors are responsible for exercising the powers of the College. Governors have oversight of the College's affairs and are responsible for ensuring effective administration, management and internal control. The Governing Body is required to present audited financial statements for each financial year.

The Governors act as the trustees of the College and are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the College; and to enable them to ensure that the financial statements are prepared in accordance with the College’s Charter and Statutes and the Statement of Recommended Practice on Accounting for Further and Higher Education and FRS102: The financial reporting standard applicable in the UK and Republic of Ireland. In addition, within the Terms and Conditions of Funding for Higher Education Institutions set out by the Office for Students (successor to the Higher Education Funding Council), the Governors, through the Master as the accountable officer, are required to submit an annual accountability return including financial statements which comply with the Office for Students’ Accounts Direction and give a true and fair view of the College's state of affairs and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year.

In causing the financial statements to be prepared, the Governors have ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation; and
- they are satisfied that the College has adequate resources to continue in operation for the foreseeable future (for this reason the going concern basis continues to be adopted in the preparation of the financial statements).

The Governors have taken reasonable steps to:

- ensure that funds from the Office for Students and Research England are used only for the purposes for which they have been given and in accordance with the Terms and Conditions of Funding for Higher Education Institutions and any other terms and conditions which the OfS and Research England 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 College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College’s resources and expenditure.

STATEMENT OF THE COLLEGE GOVERNORS' RESPONSIBILITIES (continued)

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, Executive Deans, Directors of Operation (Schools), Assistant Deans and Directors of Professional Services;

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and forecasts;

- regular reviews of key performance indicators and business, operational, compliance and sustainability risks and reports of variance from the annual income and expenditure budget;

- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee; and

- a professional Internal Audit Service whose annual programme is approved by the Audit Committee. The Audit Committee receives reports on internal audit activity within the College. The Chair of Audit Committee provides the Governors with reports on internal audit activity and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

CORPORATE GOVERNANCE STATEMENT

Corporate governance and accountability arrangements

Birkbeck College is a body incorporated by Royal Charter. Although the College does not have shareholders, and is not a listed company, the Governing Body is committed to achieving high standards of corporate governance in line with accepted best practice. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code insofar as they relate to universities. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Governing Body

The Governing Body ("Governors") comprises independent members, students, alumni and employees appointed under the Statutes of the College, the majority of whom are non-executive. There is a majority of independent members and the roles of Chair and Deputy Chair of the Governing Body are separate from the role of the College's Chief Executive, the Master.

The matters specially reserved to the Governors for decision are set out in the Charter and Statutes of the College and the Governors' Statement of Primary Responsibilities. The Governing Body is responsible for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from Senior Management on the day to day operations of its business.

The Governing Body is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body met four times during the year and has several committees, including Finance and General Purposes Committee, Audit Committee, Nominations Committee and Remuneration Committee. All of these committees are formally constituted with terms of reference. All independent members of the Governing Body are appointed to committees by the Governors on the recommendation of the Nominations Committee.

The Governing Body reviewed its effectiveness in 2013/14 in line with the expectations of HEFCE (now the Office for Students) and the Committee for University Chairs (CUC) for regular effectiveness reviews. The review concluded that the Governing Body, individually and collectively, is effective. The review put in place measures to improve new Governor selection and induction and to give Governors more opportunities for engagement with the College outside formal Governors' meetings. The diversity of the Governing Body has increased following the appointment of new independent governors through an open call for expressions of interest.

The Governing Body agreed to carry out a proportionate review of its effectiveness, based on the CUC HE Code of Governance, in 2019/20 once the new Chair of Governors has started his term of office.

The Governing Body has reviewed Birkbeck's governance system against the CUC's HE Code of Governance and concluded that the College is compliant with the principles of the Code. In 2018 the Governing Body agreed changes to the Remuneration Committee's Terms of Reference and reporting protocol, to increase transparency and accountability in line with new guidance from the CUC. The Governing Body has asked Audit Committee to keep under review Birkbeck's processes and practices in line with the provisions of the Code. The Governing Body has approved, and annually reviews, a set of Key Performance Indicators linked to College strategic objectives.

CORPORATE GOVERNANCE STATEMENT (continued)

The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, linked to the achievement of strategic objectives, that the process has been in place for the year ended 31 July 2019 and up to the date of approval of the annual accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors in the UK Corporate Governance Code and the principles in the Committee of University Chairs' HE Code of Governance.

Academic Board and Academic Board Executive Committee

On all academic matters the Governors must consider, but not necessarily follow, the advice of the Academic Board, which is responsible to the Governing Body for the academic work of the College. The Academic Board has a membership of around 150 drawn almost entirely from academic staff and the students of the College and chaired by the Master. It delegates some of its powers to its Executive Committee.

Finance and General Purposes Committee

The Finance and General Purposes Committee (F&GPC) reviews and then recommends to the Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and then recommends to Governors the financial regulations and financial policies that are applied to management. It reviews the annual financial statements and considers financial strategy. In addition, the Investment Committee is responsible for the College investments on behalf of F&GPC.

The Finance and General Purposes Committee met three times during the year.

Nominations Committee

The Nominations Committee considers nominations for independent member vacancies in the Governing Body membership under the relevant Statute and for Governing Body appointed vacancies on College Committees. Recommendations to the Governors take into account the balance of skills, knowledge and experience of members and are based on assessment against objective criteria. It also considers issues of succession planning and diversity within the Governing Body.

The Nominations Committee met once during the year and also held a Special Meeting to consider the appointment of a new Chair of Governors (to be in post from 1 October 2019).

Remuneration Committee

In 2018/19 the Remuneration Committee determined the annual remuneration of the Master and of professorial and senior administrative staff. Independent members of Governing Body receive no remuneration for their services although expenses incurred in attending meetings are met by the College. Members of the Governing Body who are employees of the College receive no additional remuneration for their services to the Governing Body. The cost of living salary increases for all staff are determined by national pay negotiations for all universities. The employee members have no involvement in determining their own salaries.

The Remuneration Committee met two (2017/18: three) times during the year to consider the annual remuneration of professorial and senior professional services postholders; and the remuneration of the Master. It was noted that the Master had not made an application for any increase in remuneration for the academic year 2018/19.

CORPORATE GOVERNANCE STATEMENT (continued)

Further to the Committee for University Chairs' new guidance on remuneration committees (published in 2018), and in response to its recommendations, the College Remuneration Committee revised its terms of reference. The revisions include confirmation that the Committee's membership is wholly independent and does not include any College staff, a focus on remuneration of the core senior team, a stronger link between remuneration and individual and institutional performance, and more extensive and transparent reporting of the Committee's decisions.

These were approved by the Governing Body and the revised terms of reference are in operation from 2018/19.

Remuneration Committee also considered the requirements in the OfS Accounts Direction for these financial statements to include a justification for the total remuneration package for the Master and a pay multiple ratio expressing the relationship between the Master's remuneration and that for all other employees. It has agreed these elements, which are in note 7 of the financial statements, noting that they have been produced retrospectively and relate to decisions made during the reporting period.

Audit Committee

The Audit Committee comprises wholly independent members drawn from the Governing Body and includes a co-opted member so has no executive responsibility. Members have recent, relevant financial and other appropriate experience. The Audit Committee met four times during the year.

The Audit Committee relies substantially on the work of the internal and external auditors, on the information provided by management and the response of management to the questions it raises.

The remit of the Audit Committee includes:

- reviewing the effectiveness of the College's systems of internal control and risk management;
- satisfying itself and assuring the Governors that satisfactory arrangements are in place to promote economy, efficiency and effectiveness thereby securing value for money;
- reviewing and approving the remit of the internal audit function;
- advising the Governors, as necessary, on the appointment and remuneration of the internal and external auditors, and their quality, reliability and effectiveness;
- reviewing with the external auditors the scope and nature of the audit, including the report to Audit Committee written by the external auditors; and
- assessing compliance with the HE regulatory framework.

The external and internal auditors have a standing arrangement to meet with the Audit Committee regularly without senior officers present. The auditors also attend meetings with senior officers to consider the items listed above and to review plans for the audit process.

The College's internal audit function provides, by undertaking review, independent objective assurance to the Governing Body, through the Audit Committee, on the effectiveness of the risk management framework and the design and effectiveness of the operation of internal controls that are intended to control critical business application risks. Internal audit also helps the College accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes and, by working with management, adding value through advice and guidance. All reviews undertaken by internal audit are considered with the management in the relevant operational unit. The reviews are also considered by the Master, College Secretary and Director of Finance and appropriate

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

action confirmed to the Audit Committee. The head of the internal audit has unfettered access to the Audit Committee.

The internal audit work programme is drawn down from a risk-focused audit plan, which remains dynamic and is updated regularly to reflect changes in the College's risk profile. Internal audit monitors the progress made by operational units in implementing recommendations to ensure that they are addressed in a timely and effective manner, and reports progress regularly to the Audit Committee.

The senior management team and the Audit Committee receive regular reports, including value for money reports, from internal audit which include recommendations for improvement. The Audit Committee's role in this area is to carry out a high level review of the arrangements for internal financial control. The Audit Committee and the Strategic Planning Committee review risk and control during the annual compilation of the risk register and report to the Governing Body. The Audit Committee also reports on the effectiveness of the College's management of risks to the Governing Body each term. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its summer 2019 meeting, the Governing Body approved the risk management report for 2018/19 and the risk register for 2019/20, taking into account reports from College management and the Audit Committee. In November 2019 the Governing Body considered and approved the annual report of the Audit Committee on its work during 2018/19, including a report from the internal auditor.

Strategic Planning Committee

The Strategic Planning Committee consists of College officers with strategic management responsibility. Its remit is to consider College-wide strategic issues and priorities and to advise Governors accordingly. It is responsible for internal planning and resource allocation policy and procedures. It oversees the annual planning and budgeting process, giving feedback to Schools and Professional Services on developing plans and co-ordinates and integrates budget plans for presentation to Finance and General Purposes Committee.

The Strategic Planning Committee met nine times during the year.

The membership of all of the above committees during the year is shown on pages 4-6.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK, UNIVERSITY OF LONDON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Birkbeck, University of London ("the College") and its subsidiary ("the Group") for the year ended 31 July 2019 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2019 and of the Group's and the College's income and expenditure, gains and losses, changes in reserves and of the group's and the College's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board of governors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board of governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the College'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.

Other information

The board of governors are responsible for the other information. Other information comprises the information included in the Strategic Report and Corporate Governance Statement, 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 including the Strategic Review and Corporate Governance Statement and, in doing so, consider whether the other information is materially inconsistent with the financial

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK, UNIVERSITY OF LONDON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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 this regard.

Opinion on other matters required by the Office for Students ("OfS") and Research England

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them.
- The requirements of the OfS's accounts direction have been met.

Responsibilities of the governors'

As explained more fully in the governors' responsibilities statement set out on page 32, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governors are responsible for assessing the Group and the College'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 governors either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF BIRKBECK, UNIVERSITY OF LONDON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

Use of our report

This report is made solely to the College board of governors, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the College's board of governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick

28 November 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2019

	Notes	Year ended 31 July 2019 Consolidated £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Consolidated £'000	Year ended 31 July 2018 College £'000
Income					
Tuition fees and education contracts	1	68,650	68,650	67,844	67,844
Funding body grants	2	16,514	16,514	16,851	16,851
Research grants and contracts	3	8,839	8,839	12,941	12,941
Other income	4	9,083	9,083	8,411	8,411
Investment income	5	836	919	641	641
Total income before donations and endowments		103,922	104,006	106,688	106,688
Donations and endowments	6	1,500	1,500	2,296	2,296
Total income		105,422	105,506	108,984	108,984
Expenditure					
Staff costs - Annual remuneration	7	73,313	73,313	70,493	70,493
Staff costs - Restructuring	7	3,308	3,308	401	401
Staff costs - Increase /(decrease) in pension liability	7	20,481	20,481	(927)	(927)
Other operating expenses		33,872	33,503	33,717	33,717
Depreciation & amortisation	11	3,237	3,237	2,274	2,274
Interest and other finance costs	8	243	243	197	197
Total expenditure	9	134,454	134,085	106,155	106,155
(Deficit)/Surplus before other gains and losses		(29,032)	(28,579)	2,829	2,829
Gain on disposal of tangible fixed assets	11	598	598	-	-
Gain/(Loss) on investments	13	1,198	1,198	(7)	(7)
(Deficit)/Surplus before tax		(27,236)	(26,783)	2,822	2,822
Total comprehensive (expenditure)/income for the year		(27,236)	(26,783)	2,822	2,822
Represented by:					
Endowment comprehensive income for year		277	278	798	798
Restricted comprehensive (expenditure)/income for year		(361)	(361)	528	528
Unrestricted comprehensive (expenditure)/income for year		(28,117)	(27,665)	1,467	1,467
Revaluation reserve comprehensive income for year		965	965	29	29
		(27,236)	(26,783)	2,822	2,822

All items of income and expenditure relate to continuing activities.

Consolidated and College Statement of Changes in Reserves
for the year ended 31 July 2019

Consolidated	Income and expenditure account				
	Endowment	Restricted	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2017	**7,365**	**1,317**	**82,956**	**2,628**	**94,266**
Surplus from the income and expenditure statement	991	936	866	29	**2,822**
Release of restricted funds spent during the year	(194)	(408)	602	-	-
Total comprehensive income for the year	798	528	1,467	29	**2,822**
Balance at 1 August 2018	**8,162**	**1,845**	**84,423**	**2,657**	**97,088**
Surplus from the income and expenditure statement	1,001	102	(29,305)	965	**(27,236)**
Release of restricted funds spent during the year	(724)	(463)	1,187	-	-
Total comprehensive income/(expenditure) for the year	277	(361)	(28,118)	965	(27,236)
Balance at 31 July 2019	**8,440**	**1,484**	**56,306**	**3,622**	**69,852**

Consolidated and College Statement of Changes in Reserves (continued)
for the year ended 31 July 2019

College	Income and expenditure account				
	Endowment	Restricted	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2017	7,365	1,317	82,956	2,628	94,266
Surplus from the income and expenditure statement	991	936	866	29	2,822
Release of restricted funds spent during the year	(194)	(408)	602	-	-
Total comprehensive income for the year	798	528	1,467	29	2,822
Balance at 1 August 2018	8,162	1,845	84,423	2,657	97,088
Surplus from the income and expenditure statement	1,001	102	(28,852)	965	(26,783)
Release of restricted funds spent during the year	(724)	(463)	1,187	-	-
Total comprehensive income/(expenditure) for the year	278	(361)	(27,666)	965	(26,783)
Balance at 31 July 2019	8,440	1,484	56,758	3,622	70,304

Consolidated and College Balance Sheet
for the year ended 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated	College	Consolidated	College
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	10	1,867	1,867	2,165	2,165
Fixed assets	11	81,675	60,498	76,697	57,490
Heritage assets	12	352	352	352	352
Investments	13	19,011	34,629	17,702	33,319
		102,905	97,346	96,916	93,326
Current assets					
Stock	14	-	-	23	23
Trade and other receivables	15	16,833	22,588	16,934	18,054
Investments	21	25,407	25,407	35,255	35,255
Cash and cash equivalents	22	23,310	23,307	22,427	22,148
		65,550	71,302	74,639	75,480
Creditors: amounts falling due within one year	16	(30,875)	(30,616)	(29,271)	(26,522)
Net current assets		34,675	40,686	45,368	48,958
Total assets less current liabilities		137,580	138,032	142,284	142,284
Creditors: amounts falling due after one year	17	(33,252)	(33,252)	(33,677)	(33,677)
Provisions					
Pension provision	18	(31,845)	(31,845)	(11,127)	(11,127)
Other provisions	18	(2,631)	(2,631)	(391)	(391)
Total net assets		69,852	70,304	97,088	97,088
Restricted reserves					
Income and expenditure reserve - endowments	19	8,440	8,440	8,163	8,163
Income and expenditure reserve - restricted	20	1,484	1,484	1,845	1,845
Unrestricted reserves					
Income and expenditure reserve - unrestricted		56,306	56,758	84,423	84,423
Revaluation reserve		3,622	3,622	2,657	2,657
Total reserves		69,852	70,304	97,088	97,088

The financial statements were approved by Governors on 26 November 2019 and were signed on its behalf by:

Sir Andrew Cahn
Chair of Governors

Professor David Latchman
Master

Mr Keith Willett
Director of Finance

Consolidated and College Cash Flow
for the year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flow from operating activities			
(Deficit) /Surplus for the year		(27,236)	2,822
Adjustment for non-cash items			
Depreciation and amortisation	10, 11	3,237	2,274
(Gain) /loss on investments	13	(1,198)	7
Decrease /(Increase) in stock	14	23	(1)
Decrease /(Increase) in debtors	15	101	(4,022)
Increase in creditors	16	3,059	1,880
Increase /(Decrease) in pension provision	18	20,718	(724)
Increase in other provisions		2,240	391
Adjustment for investing or financing activities			
Investment income	5	(664)	(641)
Interest payable	8	238	204
Endowment income		(697)	(881)
(Gain) /Loss on the sale of tangible fixed assets		(598)	-
Net cash (outflow)/ inflow from operating activities		(777)	1,309
Cash flows from investing activities			
Proceeds from sale of fixed assets		680	-
Withdrawal of deposits		9,848	5,853
Investment income		664	641
Payments made to acquire fixed assets		(11,505)	(8,496)
New non-current asset investments		(264)	(269)
Non-current asset investment disposals		153	-
		(424)	(2,271)
Cash flows from financing activities			
Endowment cash received		697	881
Restricted donation cash received		1,625	-
Interest paid		(238)	(204)
Repayments of amounts borrowed		-	-
		2,084	677
Increase/ (decrease) in cash and cash equivalents in the year		883	(285)
Cash and cash equivalents at beginning of the year	22	22,427	22,712
Cash and cash equivalents at end of the year	22	23,310	22,427

Statement of Accounting Policies
for the year ended 31 July 2019

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102: The financial reporting standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and, therefore, has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

2. Basis of consolidation

The consolidated financial statements include the College and its subsidiary for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation.

The financial year-end of the College's subsidiary, Cambridge House Ltd, is 31 October. Transactions to 31 July 2019 are included in the consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

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

Grant funding

Government revenue grants, including funding council teaching and research grants, are recognised as income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants, including research grants, from non-government sources, are recognised as income when the College 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 and released to income as the conditions are met.

Statement of Accounting Policies (continued)
for the year ended 31 July 2019

3. Income recognition (continued)

Donations and endowments

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

Donations with no restrictions are recognised as income when the College is entitled to the funds.

Investment income from endowments and appreciation of endowment funds are recorded as income during the year in which the growth arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

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

a) Restricted donations - the donor has specified that the donation must be used for a particular objective;
b) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College; and
c) 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.

Capital grants

Government capital grants are recognised as income over the expected useful life of the asset the funds were used to purchase/construct. Other capital grants are recognised as income when the College has satisfied any performance related conditions associated with the grant.

4. Accounting for retirement benefits

College staff are members of two principal pension schemes - the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). The schemes are primarily defined benefit schemes which are externally managed. Each fund is valued every three years by professionally qualified independent actuaries.

Both schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities of the College due to the mutual nature of the schemes. The schemes 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 schemes.

Statement of Accounting Policies (continued)
for the year ended 31 July 2019

4. **Accounting for retirement benefits (continued)**

Defined contribution plan
A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have 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 periods during which services are rendered by employees.

Defined benefit plan
Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College'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 College. The College should recognise 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 College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

5. **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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

6. **Finance leases**
Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest of the remaining balance of the liability.

Statement of Accounting Policies (continued)
for the year ended 31 July 2019

7. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

8. Operating leases

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

9. Foreign currency

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

10. Fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are stated at cost (deemed cost). Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the College. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line.

The useful lives of land and buildings are assessed on a building by building basis and the cost is depreciated as follows:

Buildings: 40 to 100 years

Refurbishments: 5 to 20 years

Plant and machinery: 10 to 30 years

Leasehold land: the life of the lease

Assets in the course of construction: no depreciation until asset is brought into use.

Statement of Accounting Policies (continued)
for the year ended 31 July 2019

10. Fixed assets (continued)

Equipment

Equipment costing less than £10,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life. Indicative useful lives are as follows:

- Computer hardware: 3 years
- Equipment acquired for specific research projects is depreciated over the life of the project
- Other equipment: 3 to 5 years

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

11. Heritage assets

Works of art and other valuable artefacts have been capitalised and recognised at the cost or value of the acquisition where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated as their long economic life means that any depreciation would not be material.

12. Intangible assets

Intangible assets are amortised over the remaining estimated economic life of the assets. Large value software implementations are treated as intangible assets with amortisation commencing once the initial phase of development is complete. The rate of amortisation for the current intangible asset is 8 years.

13. Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment. Investments in subsidiaries are carried at cost less impairment in the College's accounts. Current asset investments are held at fair value with movements recognised in the Total Comprehensive Income for the year.

14. Stock

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

Statement of Accounting Policies (continued)
for the year ended 31 July 2019

15. Cash and cash equivalents

Cash includes cash in hand, short term deposits which have a maturity date of less than three months and overdrafts.

16. Provisions

Provisions are recognised in the financial statements when:

a) The College 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 risks specific to the liability.

17. Taxation

The College 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 of the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 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 College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College's subsidiary is liable to Corporation Tax in the same way as any other commercial organisation.

18. Reserves

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

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

19. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements the College has made the following judgements:

a) As the Institution is contractually bound to make deficit recovery payments to USS, this is recognised as a liability on the balance sheet. The provision is currently based on the USS deficit recovery plan agreed after the 2017 actuarial valuation, which defines the deficit payment required as a percentage of future salaries between 1 April 2020 and 30 June 3034. The contributions will be reassessed within each triennial valuation of the scheme. The provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount. Further details are set out in note 28.

Notes to the Accounts
for the year ended 31 July 2019

		Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
1	**Tuition fees and education contracts**		
	Full-time home and EU students	28,812	28,943
	Full-time international students	8,280	7,582
	Part-time students	30,264	29,705
	Research Training Support Grant	1,294	1,614
		68,650	67,844

2	**Funding body grants - OfS**		
	Recurrent grant		
	Teaching	5,413	5,981
	Research	9,592	9,300
	Specific grants		
	Higher Education Innovation Fund	-	160
	Catalyst Fund	-	47
	Global Challenges	396	326
	Release of capital grant (Note 17)	1,114	1,037
		16,514	16,851

3	**Research grants and contracts**		
	Research councils	2,822	3,381
	Research charities	3,538	6,794
	UK government	28	208
	Industry and commerce	39	72
	EU government	1,440	1,553
	Other	972	933
		8,839	12,941

Notes to the Accounts (continued)
for the year ended 31 July 2019

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
4 Other income				
Lettings	3,437	3,437	3,261	3,261
Catering and conferences	1,404	1,404	1,318	1,318
Other revenue grants	816	816	1,324	1,324
Other income	3,426	3,426	2,509	2,509
	9,083	9,083	8,411	8,411
5 Investment income				
Investment income on endowments	120	120	147	147
Other investment income	716	799	494	494
	836	919	641	641
6 Donations and endowments				
New endowments	697	697	881	881
Donations with restrictions	102	102	936	936
Unrestricted donations	701	701	479	479
	1,500	1,500	2,296	2,296

Notes to the Accounts (continued)
for the year ended 31 July 2019

7 Staff costs

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Salaries - annual remuneration	58,428	56,317
Social security costs	5,610	5,389
Other pension costs	9,277	8,787
Sub-total	73,315	70,493
VSER restructuring	3,308	401
Movement on pension provision	20,481	(927)
	97,104	69,967

Average staff numbers by category :

	Number	Number
Academic	467	474
Research	105	110
Technical	19	17
Professional and Support	595	591
	1,186	1,192

	£	£
Emoluments of the Master of the College:		
Salary	342,389	335,675
Pension contributions to USS	7,190	7,049
Alternate pension contribution	29,754	29,170
	379,333	371,894

Along with all other staff of the College, the Master received the national pay award of 2.0% from August 2018.

The Governors agreed alternate pension arrangements for the Master in 2016/17. The College continues to contribute 2.1% of salary towards the USS pension deficit - the same percentage as for all members of the scheme.

The Master's basic salary is 9.0 times (2017/18: 9.0) the median pay of staff, where the median basic salary is calculated on a full-time equivalent basis for the basic pay of all staff.

The Master's total remuneration is 8.4 times (2017/18: 8.4) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of all staff.

In calculating the basic salary and total remuneration ratios we have excluded agency and atypical workers' salaries as permitted under the 2019 accounts direction (OfS 2019.41).

Notes to the Accounts (continued)
for the year ended 31 July 2019

7 Staff costs (continued)

Remuneration of the Master

The Master's remuneration has been determined and reviewed through appropriate and robust processes in terms of independence, objectivity, and assessment of individual and overall institutional performance.

Remuneration Committee

The Master's remuneration has been set and reviewed by a remuneration panel comprised of independent Governors. The panel includes the Chair of Governors, but in accordance with good practice, is chaired by another independent Governor. The Master is not a member of this panel and does not attend or participate in its meetings or business. The panel is supported by the College Secretary & Clerk to the Governors and, additionally, advice is provided, or commissioned, by the Director of Human Resources.

Process

- The panel reviews the remuneration of the Master annually in the light of the following information:
- Sector remuneration benchmarking information provided by the CUC and other sources for a range of relevant comparator institutions.
- Retention and continuity of senior leadership through a period of profound challenge and transformation for the College has been a priority, thus additional institutions have been added to the benchmarking profile to support objective consideration of retention issues.
- The outcome of the Master's annual appraisal conducted by the Chair of Governors. This is a formal documented process in which annual objectives are set and performance against those objectives are reviewed.
- The broader context provided by institutional performance information and institutional KPIs agreed by Governors.

Outcomes

The Master last received an increase in base salary, over and above the level of the national pay award, in 2012. He last received a bonus payment in 2016/17. The Master's current salary reflects sustained quality and continuity of leadership over a 15 year period which has had transformational impact. The College has met, managed and overcome major strategic threats - the loss of 40% of core teaching funding due to government policy change in 2007 and the fundamental 60% decline in traditional part-time study post 2012. The College's distinct mission stands out in the sector: widening access, opportunity and flexibility for students in an environment informed by the best research. Birkbeck is one of only twenty UK institutions that rate highly in both REF and TEF. Delivering successfully on its mission in this environment has required the College to restructure, reposition, re-invent and innovate. The Master's role in delivering this change, operating in a long-standing, collegial environment, building the widest base of support amongst students, staff, stakeholders and funders, has been vital to the viability and success of the College.

7 **Staff costs (continued)**

Remuneration of other higher paid staff, excluding employer's pension contributions:

	Number	Number
£100,000 to £104,999	**5**	3
£105,000 to £109,999	**1**	-
£110,000 to £114,999	**1**	2
£115,000 to £119,999	**-**	2
£120,000 to £124,999	**2**	-
£130,000 to £134,999	**-**	1
£135,000 to £139,999	**2**	1
£140,000 to £144,999	**1**	-
£165,000 to £169,999	**-**	1
£170,000 to £174,999	**1**	-
	13	10

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Below are the pay costs including employer's pension contributions for staff listed as senior management of the College on page 3.

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Key management personnel pay plus employer's pension	**2,075**	2,009

During the year the Remuneration Committee took the decision that the 2019/20 pay review processes for: Senior College post holders – the Master, Vice Master, Pro Vice Masters, College Secretary and Executive Deans; and, Professorial and Director level Professional Services staff will not run this year.

The Committee recognise the ongoing contribution from senior staff but equally view it as important that there is visible leadership from the College's senior management and the senior members of the College community in the current climate. In reaching this decision the Committee was mindful both of the position of the College and the broader guidance from the Office for Students in relation to pay restraint when considering the pay of senior staff.

Severance Payments

During the year the Institution undertook significant restructuring which resulted in £3,308k in compensation, 91 employees. (2017/18: £401k, 20 employees).

All compensation for loss of office in respect of higher paid staff are approved by the College's Remuneration Committee. Amounts for compensation for loss of office and redundancy for all other staff are approved in line with the scheme and in accordance with delegated authority.

Notes to the Accounts (continued)
for the year ended 31 July 2019

7 Staff costs (continued)

Governing Body

The College governors are the trustees for charitable law purposes. Due to the nature of the College's operations and the compositions of the Council, being drawn from local public and private sector organisations, transactions may take place with organisations in which a governor may have an interest. No such transactions have taken place during the year (2017/18: none).

No governors received any remuneration or waived payments from the group during the year (2017/18: none).

No governors received reimbursement of travel expenses incurred in attending meetings and events in their official capacity during the year (2017/18: £576, three governors).

8 Interest and other finance costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Exchange differences	5	5	(7)	(7)
Net charge on pension scheme	238	238	204	204
	243	243	197	197

9 Analysis of total expenditure by activity

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Academic and related expenditure	68,484	68,484	64,124	64,124
Administration and professional services	21,796	22,341	21,198	21,198
Premises	14,681	13,767	12,043	12,043
Catering and conferences	1,693	1,693	1,577	1,577
Research grants and contracts	7,076	7,076	7,943	7,943
Change in pension provision (Note 7)	20,481	20,481	(927)	(927)
Other expenses	243	243	197	197
	134,454	134,085	106,155	106,155
Other operating expenses include:				
External auditor - audit services	59		66	
External auditor - non-audit services	-		7	
Internal auditor - audit services	28		46	
Internal auditor - non-audit services	9		8	
Operating lease rentals:				
Land and buildings	657		364	
Other	31		24	
Grant to the Students' Union	340		360	

Notes to the Accounts (continued)
for the year ended 31 July 2019

10 Intangible Assets	Year ended 31 July 2019
	Software
	£'000
Cost or valuation	
At 1 August 2018	2,256
Additions	(18)
At 31 July 2019	**2,238**
Amortisation	
At 1 August 2018	(91)
Charge for the year	(280)
At 31 July 2019	**(371)**
Net book value	
At 31 July 2019	**1,867**
At 31 July 2018	**2,165**

The additions during the year relate to credit notes in respect of the largescale software project.

Notes to the Accounts (continued)
for the year ended 31 July 2019

11 Fixed assets

	Land & buildings	Assets in the course of construction	Plant & machinery	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Cost or valuation					
At 1 August 2018	55,508	20,915	17,023	21,100	**114,546**
Additions	-	6,389	-	1,864	**8,253**
Disposals	(249)	-	(86)	(37)	**(372)**
At 31 July 2019	**55,259**	**27,305**	**16,937**	**22,927**	**122,427**
Consisting of valuation as at					
1 July 2018				344	**344**
Cost	55,259	27,305	16,937	22,583	**122,083**
	55,259	**27,305**	**16,937**	**22,927**	**122,427**
Depreciation					
At 1 August 2018	(18,549)	-	(8,375)	(10,925)	**(37,849)**
Charge for the year	(596)	-	(726)	(1,635)	**(2,957)**
Disposals	38	-	10	4	**53**
At 31 July 2019	**(19,106)**	-	**(9,090)**	**(12,556)**	**(40,753)**
Net book value					
At 31 July 2019	**36,152**	**27,305**	**7,847**	**10,371**	**81,674**
At 31 July 2018	36,959	20,915	8,648	10,175	76,697

Notes to the Accounts (continued)
for the year ended 31 July 2019

11 Fixed assets

	Land & buildings	Assets in the course of construction	Plant & machinery	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000	£'000	£'000
College					
Cost or valuation					
At 1 August 2018	55,508	1,707	17,023	21,100	**95,338**
Additions	-	4,422	-	1,864	**6,286**
Disposals	(249)	-	(86)	(37)	**(372)**
At 31 July 2019	**55,259**	**6,129**	**16,937**	**22,927**	**101,251**
Consisting of valuation as at					
1 July 2016				344	**344**
Cost	55,259	6,129	16,937	22,583	**100,907**
	55,259	**6,129**	**16,937**	**22,927**	**101,251**
Depreciation					
At 1 August 2018	(18,549)	-	(8,375)	(10,925)	**(37,849)**
Charge for the year	(596)	-	(726)	(1,635)	**(2,957)**
Disposals	38	-	10	4	**53**
At 31 July 2019	**(19,106)**	-	**(9,090)**	**(12,556)**	**(40,753)**
Net book value					
At 31 July 2019	**36,152**	**6,129**	**7,847**	**10,371**	**60,498**
At 31 July 2018	36,959	1,707	8,648	10,175	57,490

The fixed assets for the Group and College can be further analysed as follows:

Within land & buildings are freehold buildings with a net book value at 31 July 2019 of £7,464,000 (31 July 2018: £7,591,000). There were no additions to freehold land & buildings during the year. The remaining assets within the land & buildings asset class are held on a leasehold basis.

Notes to the Accounts (continued)
for the year ended 31 July 2019

12 Heritage assets

The College holds a number of assets of historical or artistic interest. The assets were donated to the College over a number of years with nil cost. They were last valued by Bonham and Sons Ltd in 1998.

Heritage assets are not depreciated.

The heritage assets can be summarised as follows:

	Number of Items	Year ended 31 July 2019 £'000	Number of Items	Year ended 31 July 2018 £'000
Furniture and works of art	34	66	34	66
Pictures and wall hangings	67	230	67	230
Sculptures	6	17	6	17
Silver and silver plate	50	37	50	37
Other items	5	3	5	3
	162	352	162	352

The items with the highest valuation are:

	Year ended 31 July 2019 £'000
Paintings by Vanessa Bell	65
Painting by Duncan Grant	40
Portrait of Lord Denning by John Stanton	20
Portrait of Dame Helen Gwynne-Vaughan by De Lazlo	15
Portrait of George Birkbeck by S Lane	10

There were no additions during the year.

Notes to the Accounts (continued)
for the year ended 31 July 2019

13 Non-current investments

	Subsidiary company £'000	Other fixed assets investments £'000	Total £'000
Group			
At 1 August 2018	-	17,702	**17,702**
Additions	-	264	**264**
Disposals	-	(153)	**(153)**
Revaluation	-	1,198	**1,198**
At 31 July 2019	**-**	**19,011**	**19,011**
College			
At 1 August 2018	15,617	17,702	**33,319**
Additions	-	264	**264**
Disposals	-	(153)	**(153)**
Revaluation	-	1,198	**1,198**
At 31 July 2019	**15,617**	**19,011**	**34,628**

Note 25 provides further information on the subsidiary, Birkbeck College (Cambridge House Ltd).

The other fixed asset investments have been valued at market value as follows:

	Group and College £'000
Newton Real Return Fund	18,762
Other Listed UK equities	182
CAF Trust Fund	66
At 31 July 2019	**19,011**

14 Stock

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £'000	**College £'000**	Group £'000	College £'000
General consumables	-	-	23	23

Notes to the Accounts (continued)
for the year ended 31 July 2019

15 Trade and other receivables

Amounts falling due within one year

Research grants receivables	2,543	2,543	3,320	3,320
Other trade receivables	10,153	10,153	10,532	10,532
Other receivables	31	31	91	1,211
Prepayments and accrued income	3,946	3,946	2,991	1,871
Amounts owed by subsidiary	-	5,755	-	1,120
Loan to Students' Union	20	20	-	-
	16,693	22,448	16,934	18,054

Amounts falling due after one year	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Loan to Students' Union		
Due between one and two years	25	-
Due between two and five years	85	-
Due in five years or more	30	-
	140	-

16 Creditors : amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Trade payables	1,303	1,303	467	307
Social security and other taxation payable	1,733	1,574	4,015	1,469
Accruals and deferred income	27,840	27,740	24,789	25,137
	30,875	30,616	29,271	26,913

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

Research grants received on account	4,180	4,180	2,213	2,213
Grant income	1,261	1,261	1,399	1,399
Other income	11,905	11,905	9,803	9,803
	17,346	17,346	13,414	13,414

Notes to the Accounts (continued)
for the year ended 31 July 2019

17 Creditors : amounts falling due after more than one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income	33,252	33,252	33,677	33,677
	33,252	33,252	33,677	33,677

The deferred income relates to OfS capital grant which is transferred to income over the useful economic life of the assets funded.

18 Provisions for liabilities

	Obligation to fund deficit USS pension	Other Provisions Restructuring	Total Provisions
	£'000	£'000	£'000
Group and College			
At 1 August 2018	11,127	391	11,518
Utilised in year	(576)	(391)	(967)
Additions in 2018/19	21,294	2,631	23,926
At 31 July 2019	**31,845**	**2,631**	**34,477**

Pension provision

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to make deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out in note 29.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £11.1 million to £31.9 million. See also note 7 in respect of significant one-off pension costs. More details on the 2017 actuarial valuation are set out in note 28.

Since the year-end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to September 2021 and then 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £18.2 million, a decrease of £13.6 million from the current year-end provision. The decrease in provision would result in a lower charge to the Statement of Comprehensive Income of £7.5 million giving a revised total deficit of £13.2 million.

Other provisions - restructuring

During the year the Institution undertook significant restructuring which resulted in £3,308 thousand in compensation, 91 employees. (2017/18: £401 thousand, 20 employees). A provision has been recognised for amounts agreed due to be paid after the year-end.

Notes to the Accounts (continued)
for the year ended 31 July 2019

19 Endowment Reserves

	Restricted permanent £'000	Unrestricted permanent £'000	Expendable £'000	2019 total £'000	2018 total £'000
Group and College					
Balance at 1 August					
Capital	3,074	1,349	-	**4,422**	3,981
Accumulated income	777	26	2,937	**3,740**	3,384
	3,850	1,375	2,937	**8,163**	7,365
New endowments	-	-	697	**697**	881
Investment income	57	-	15	**72**	146
Expenditure	(45)	-	(679)	**(724)**	(194)
Increase/(Decrease) in market value	135	56	42	**233**	(36)
Total comprehensive income for the year from endowments	146	56	75	**278**	798
Balance at 31 July	**3,997**	**1,431**	**3,013**	**8,440**	8,163
Represented by					
Capital	3,208	1,405	-	**4,613**	4,422
Accumulated income	788	26	3,013	**3,827**	3,740
	3,997	**1,431**	**3,013**	**8,440**	8,163
Analysis by purpose					
Lectureships	224	-	-	**224**	215
Scholarships and bursaries	2,600	-	816	**3,417**	3,384
Research support	-	-	1,455	**1,455**	1,323
Prize funds	631	-	37	**668**	655
General	542	1,431	704	**2,677**	2,586
	3,997	**1,431**	**3,013**	**8,440**	8,163
Analysis by asset					
Current and non-current asset investments				**4,355**	4,093
Cash & cash equivalents				**4,085**	4,069
				8,440	8,163

Notes to the Accounts (continued)
for the year ended 31 July 2019

20 Restricted reserves

	Unspent capital grants £'000	Donations £'000	2019 total £'000	2018 total £'000
Group and College				
New donations	-	102	102	936
Expenditure	-	(463)	(463)	(408)
Total comprehensive income for the year from restricted reserves	-	(361)	(361)	528
Balance at 1 August	100	632	1,845	1,317
Balance at 31 July	100	271	1,484	1,845
Analysis by purpose				
Scholarships and bursaries			464	724
Research support			101	101
Prize funds			-	-
Buildings Fund			681	681
General			238	339
			1,484	1,845

21 Current investments

	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000	Year ended 31 July 2018 Group £'000	Year ended 31 July 2018 College £'000
Short term deposits	25,407	25,407	35,255	35,255
	25,407	25,407	35,255	35,255

22 Cash and cash equivalents

	Balance at 1 August 2018 £'000	Cash Flows £'000	Balance at 31 July 2019 £'000
Group			
Cash and cash equivalents	22,427	883	23,310
	22,427	883	23,310
College			
Cash and cash equivalents	22,148	1,159	23,307
	22,148	1,159	23,307

Notes to the Accounts (continued)
for the year ended 31 July 2019

23 Capital and other commitments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Capital commitments contracted for but not provided for in the accounts	12,168	4,042	8,021	7,841
Capital commitments not contracted for and not provided for in the accounts	8,601	5,264	1,714	1,564
	20,770	9,306	9,735	9,405

24 Lease obligations

Total rentals payable under operating leases:

	Year ended 31 July 2019			Year ended
	Land & buildings	Other leases	Total	31 July 2018
	£'000	£'000	£'000	£'000
Payable during the year	668	31	699	388
Future minimum lease payments due:				
Not later than 1 year	687	28	715	302
Between 1 and 5 years	1,080	11	1,091	726
Total future lease payments due	1,767	39	1,806	1,028

25 Subsidiary undertakings

The College owns 100% of the shares of its subsidiary, Birkbeck College (Cambridge House) Ltd. The principal activity of the company is to own and develop a building on the Euston Road. The company is registered in England.

Notes to the Accounts (continued)
for the year ended 31 July 2019

26 Related party transactions

All Governors and senior staff of the College are required to complete an annual statement detailing any significant personal links they have with other organisations. Due to the nature of our business and the composition of the Board of Governors (being drawn from a range of private and public sector organisations) it is inevitable that transactions will take place with organisations in which a Governor or senior member of staff may have an interest.

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and balances outstanding at 31 July 2019 are as follows:

The College has taken advantage of the exemption within FRS 102 and has not disclosed transactions with its wholly owned subsidiary, Birkbeck College (Cambridge House) Limited.

Name of related party and relationship	**Nature of transaction**	**Income 2019 £'000**	**Expenditure 2019 £'000**	**Income 2018 £'000**	**Expenditure 2018 £'000**
University of Reading	Research funding	1	-	-	-
Association for Psychosocial Studies	Other Income	3	-	-	-
The Labour Party	Other Income	24,500	-	-	-
UCL	Research funding/ Other Income	3,408	1,383	2,438	769

Balances at the year-end were:

Name of related party	Balance due to/(from) Birkbeck at 31 July 2019	Balance due to/(from) Birkbeck at 31 July 2018
The Labour Party	25	-
UCL	(40)	1,328

Notes to the Accounts (continued)
for the year ended 31 July 2019

26 Related party transactions (continued)

The consolidated financial statements do not include the income and expenditure of Birkbeck Students' Union as the College does not exert control or dominant influence over policy decisions. A grant of £340,000 (2017/18: £360,000) was provided to the Union.

During the year a loan of £175,000 was issued to the Students' Union. The loan was issued to support the Students' Union return to a position of financial sustainability. The loan is repayable over seven years, no interest is due.

At the year-end a balance of £83,000 was due to the Students' Union (2017/18: £21,000)

27 Events after the reporting period

As set out in Note 28 in respect of the USS pension scheme, a new schedule of contributions based on the 2018 actuarial valuation has been agreed. Using the adjusted discount rate of 1.3%, this results in a decrease of £13.6 million in the provision for the obligation to fund the deficit on the USS pension which would instead be £18.3 million. This adjustment will be reflected in the College's financial statements for the year ended 31 July 2020.

28 Pension schemes

Different categories of staff were eligible to join one of two pension schemes:
• Universities' Superannuation Scheme (USS); and
• The Superannuation Arrangements of the University of London (SAUL).

Both schemes are defined benefit schemes, the assets of which are held in separate trustee administered funds.

The total cost charged to the Statement of Comprehensive Income and Expenditure was:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
USS	**7,608**	7,237
SAUL	**1,669**	1,550
	9,277	8,787

(i) The Universities' Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme. 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 profit and loss account 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) and therefore an expense is recognised.

Notes to the Accounts (continued)
for the year ended 31 July 2019

28 Pension schemes (continued)

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. College Governors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 was underway but not complete. Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for USS prepared under the scheme-specific funding regime introduced by the Pensions Act 2004. The Act requires schemes to adopt a statutory funding objective to have sufficient and appropriate assets to cover the technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

In accordance with the requirements of the SORP, the College currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS).

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

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

Notes to the Accounts (continued)
for the year ended 31 July 2019

28 Pension schemes (continued)

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

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

The current life expectancies on retirement at age 65 are:

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

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

	2019	2018
Total scheme assets	**£67.4bn**	£63.6bn
Total scheme liabilities	**£79.2bn**	£72.0bn
FRS 102 total scheme deficit	**£11.8bn**	£8.4bn
FRS 102 total funding level	**85.0%**	88.0%

The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

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

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

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £11.1 million to £31.8 million as set out in note 19.

The 2018 actuarial valuation was finalised after the year-end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

28 Pension schemes (continued)

Since the year-end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to September 2021 and then 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £18.2 million, a decrease of £13.6 million from the current year-end provision and a lower charge to the Statement of Comprehensive Income of £7.5 million.

(ii) The Superannuation Arrangements of the University of London (SAUL)

The scheme is a centralised defined benefit scheme which, until 31 March 2016, was contracted out of the State Second Pension (S2P). From 1 April 2016 defined benefit schemes could no longer opt out of the S2P.

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a final salary basis or a career average revalued earnings (“CARE”) basis. Following a consultation with members, it was agreed that the final salary section would close from 31 March 2016 and all members would subsequently build up benefits on a CARE basis.

The College is not expected to be liable to SAUL for any other current participating employer’s obligations under the rules of the scheme, but in the event of an insolvency event of any participating employer, the amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the subsequent actuarial valuation.

SAUL’s statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the trustees in paying SAUL’s benefits as they fall due (the “Technical Provisions”). The trustees adopt assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from members’ accrued pension rights to be met.

The assumptions used to calculate the Technical Provisions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL’s position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were reviewed at SAUL’s next formal valuation in 2017. The valuation confirmed that there is no deficit to correct and as a result no further recovery plan contributions or provision is required.

The trustees and employers agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). As a result the overall level of the employers’ contributions increased from 13% of salaries to 16% of salaries with effect from 1 April 2016.