Birkbeck,
University of London

Financial Statements

for the year ended 31 July 2020

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OFFICERS OF THE COLLEGE AND SENIOR MANAGEMENT 2019/20

PRESIDENT
Baroness Joan Bakewell DBE

VICE-PRESIDENT
The Right Honourable the Lord Mayor of London

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

SENIOR MANAGEMENT OF THE COLLEGE

VICE-CHANCELLOR*
Professor David Latchman

DEPUTY VICE-CHANCELLOR
Professor Matthew Innes

PRO-VICE-CHANCELLORS
PVC Education: Professor Diane Houston
PVC Research: Professor Julian Swann
PVC International: Professor Kevin Ibeh

EXECUTIVE DEANS
School of Arts: Professor Anthony Bale
School of Business, Economics and Informatics: Dr Geoff Walters (from September 2019),
Professor Philip Powell (to August 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

***Change of Title effective from 3 July 2020**

In July 2020 Birkbeck Governors agreed that the Head of Institution should use the title Vice-Chancellor rather than Master.

MEMBERSHIP OF COMMITTEES 2019/20

THE GOVERNING BODY

Chair of Governors	Sir Andrew Cahn
Deputy Chair	Ms Liz Meek (to September 2020)
Academic Board governors:	Professor Alison Finlay (to September 2020) Dr Jennifer Baird (to September 2020)
Academic staff governors:	Dr Rebecca Darley (to September 2020) Dr Andy Fugard (to September 2020)
Non-teaching staff governor	Mr Simon Deville
Student governors:	Mr Nicholas Baker (to September 2019) Ms Sara Hurley (to September 2019) Mr Alexander Holmes (from October 2019 to September 2020) Mr Barney O'Connor (from October 2019 to September 2020)
Alumnus governor	Professor Rhona Stainthorp
Independent governors:	Mrs Julia Collins (to September 2020) Mr Hugh Ferrand (to September 2020) Mr Peter Zinkin (to September 2020) 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 Vice-Chancellor	Professor David Latchman
The Deputy Vice-Chancellor	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-Chancellor - Education	Professor Diane Houston
The Pro-Vice-Chancellor - Research	Professor Julian Swann

A number of governors reached the end of the maximum period allowable by College statutes. Nominations Committee worked with an external advisor to shortlist and recruit new lay governors. Staff and student governors were elected under existing standing orders. All new governors will take up their roles in 2020.

MEMBERSHIP OF COMMITTEES 2019/20 (continued)

FINANCE AND GENERAL PURPOSES COMMITTEE

Chair	Mr Hugh Ferrand
The Vice-Chancellor	Professor David Latchman
The Deputy Vice-Chancellor	Professor Matthew Innes
The Chair of Governors	Sir Andrew Cahn
Academic governors:	Professor Alison Finlay
	Professor Jennifer Baird
Non-teaching staff governor	Mr Simon Deville
Student governor	Mr Alexander Holmes
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 Andrew Cahn (Chair)
The Deputy Chair of Governors	Ms Liz Meek
The Vice-Chancellor	Professor David Latchman
Academic governors:	Professor Alison Finlay
	Professor Jennifer Baird
Student governor	Mr Alexander Holmes
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 Andrew Cahn (Chair),
The Deputy Chair of Governors	Ms Liz Meek
Independent governors:	Mr Clive Birch
	Mr Hugh Ferrand
	Mr Peter Zinkin
In attendance:	
The Director of Human Resources	Ms Charlotte Croffie

MEMBERSHIP OF COMMITTEES 2019/20 (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 Vice-Chancellor	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 (KPMG)	Mr Neil Thomas
The External Auditor (BDO)	Mr James Aston

STRATEGIC ESTATES AND INFRASTRUCTURE COMMITTEE

Chair	Mr Peter Zinkin
The Vice-Chancellor	Professor David Latchman
Independent governors:	Mr Hugh Ferrand
	Ms Gillian Broadley
Academic governors:	Professor Alison Finlay
	Professor Jennifer Baird
Student governor	Mr Alexander Holmes
External co-opted members:	Mr Daniel Peltz
	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 Estates	Mr Jeremy Tanner
The Director of IT Services	Mr James Smith

MEMBERSHIP OF COMMITTEES 2019/20 (continued)

STRATEGIC PLANNING COMMITTEE

Chair	Professor David Latchman
The Deputy Vice-Chancellor	Professor Matthew Innes
The Pro-Vice-Chancellors:	
Education	Professor Diane Houston
Research	Professor Julian Swann
International	Professor Kevin Ibeh
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 Nic Katona (from November 2019)
The Director of Estates	Mr Jeremy Tanner
The Director of IT Services	Mr James Smith
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	Dr Geoff Walters
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.

Vice Chancellor's Report

Operating environment – global pandemic and recovery plan

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 3,200 full time equivalent (FTE) full-time undergraduates including those studying a foundation year (from around zero in 2009) and 1,500 FTE part-time undergraduates (falling from 3,800 in 2011/12).

The coronavirus pandemic has hit all sectors of the UK economy in 2020 and changed the lives of billions of people worldwide. In late March we moved all teaching materials on-line and swiftly engaged with staff to ensure that they had the facilities to be able to work remotely. Although all UK universities ultimately took the same course of action we were very mindful that many of our students might be in groups at higher risk of contracting the virus, who were caring for vulnerable family members or who were experiencing challenges with their employment. The safety of our staff and students has been paramount as we implemented revised policies and ways of working.

Recognising that the Covid-19 outbreak was having an impact on everyone we were one of the first UK universities to introduce a no detriment assessment policy for our students. Where possible, assessments and examinations were moved on line and students were encouraged to complete them. The policy ensures that students who attempted assessment and submitted on time were not disadvantaged by completing assessment during the period of Covid-19 disruption and they did not need to submit a mitigating circumstances claim. The widespread stress and disruption is, therefore, automatically taken into account throughout the whole of our assessment and examining process. For students unable to complete an assessment, or who considered that their performance suffered as a direct result of significant personal or family illness, bereavement or serious personal, emotional or financial challenges, either related or unrelated to the outbreak of COVID-19, they could submit a mitigating circumstances claim for sympathetic consideration by assessment boards.

Having quickly dealt with the immediate issues brought about by lockdown we developed a Teaching Preparation Project (TPP) overseen by the Pro-Vice Chancellor (Education) with support from the Digital Education Team. It was clear to us that irrespective of how other universities approached the Autumn term we would need to consider the unique make up of our student body whilst being flexible enough to be able to quickly respond to changing government guidelines. Our objective for 2020/21 is to ensure that all students are able to complete the whole year of their studies remotely if they wish to or their circumstances require them to. Events on campus, essential access to teaching laboratories for students and access to the library would be made available when it was safe to do so.

STRATEGIC REVIEW (continued)

The move to on-line teaching in the Spring was a reactive move mainly delivered via recorded lectures. Over the summer, 500 academic colleagues transformed their modules to ensure that they would be more immersive for students during 2020/21. Elements of self-study remain a core part of the pedagogy for students at Birkbeck but remote study will be led by our research active staff. Rather than face-to-face teaching on campus, in-person teaching on-line will be the norm. The TPP will ensure that all students receive a quality of education that we are proud to deliver, that is consistent across all modules and which should ensure that our students are satisfied with the quality of their educational experience at Birkbeck.

Although the Library opened as a space for self-study at the start of the Autumn 2020 term safety measures and remote study will limit access to our book stock for students. To mitigate this, the Library has invested heavily in on-line e-books and digitisation to make sure that reading lists and course materials are available on student devices and computers.

We have also recognised that many of our students will not have access to suitable work spaces nor adequate digital hardware, software or skills. As well as opening up the self-study space in the Library we have made available funds to support students with financial hardship to purchase suitable IT equipment. To help transition new students to the world of on-line study and to maintain the services that current students need, a number of support mechanisms have been developed and quickly introduced this year including:

- A 3-day on-line Careers Summer Boot Camp was attended by 300 students. In previous face-to-face versions of these type of activities we would attract a few dozen students to campus at most. Students save travel time and money undertaking student support sessions at a time and place of their convenience;

- Careers & Employability services traditionally have a 30% attendance rate (from sign up) to their events but over the summer this attendance figure is more like 60-70%. Our reach via the on-line careers platform and a new bitesize podcast series has increased during lockdown;

- The Studiosity on-line writing and feedback pilot was extended to cover all taught students in 2019/20 and has retained over 90% student approval ratings with users. The service provides students with regular constructive comments on the style and content of their writing thereby helping them improve consistently during the year rather than having to await formal assessment feedback;

- On-line study skills workshops have attracted 1,558 students so far this summer with nine more sessions to go (at the time of writing). 80% of students gave the classes feedback scores of 4 out of 5 or above;

- Orientation will be fully online this year and comprehensively covers the whole of the student journey. It has been designed to be applicable to welcome new students and re-orientate continuing ones. At the time of writing the number of students working through the 4-5 hours of content is growing daily and forecast to far exceed the student numbers attending the traditional Saturday Orientation Day before term starts.

STRATEGIC REVIEW (continued)

The comprehensive programme of activities we have developed will ensure increasing numbers of students are study ready for the start of term which will then support retention and outcomes for students during a particularly challenging time. Although these interventions were developed to facilitate the move to on-line learning the rates of take-up may confirm that our busy commuter students are looking for on-demand services that wrap around work, caring and study time. Students at Birkbeck have consistently welcomed the learning opportunities that face-to-face interactions with tutors and other students bring and we will retain that, but we will also be analysing whether the move to in-person on-line study provides our unique type of student with additional flexibility that may be welcomed by them for the long term.

Birkbeck was very successful in the 2014 Research Assessment Exercise (REF) submitting 83% of eligible staff with approximately three-quarters of their research being rated either ‘world leading’ (4*) or ‘internationally excellent’ (3*). Although the pandemic has had a significant impact on colleagues’ ability to undertake much of their planned research we believe that all of our eligible staff have acquired the necessary outputs to be submitted to the next REF in 2021 where we are aiming for at least the same level of success as in 2014.

The pandemic has restricted movement within the UK and abroad and many of our portfolio of research projects have been placed on hold with funding bodies agreeing to no cost extensions. This has reduced the external research income recorded in our financial statements this year although the contribution to overheads is broadly similar to last year. With the majority of our research active staff concentrating on converting their teaching modules as part of the TPP research is recommencing gradually: we ensured that we re-opened our research laboratories as soon as it was safe to do so in a Covid-19 safe way; in September staff could access their offices once again (albeit in a way that followed our safety guidelines); and, although international travel is still heavily restricted at the start of term, other activities such as participant testing is taking place once again. We have also increased the size of our internal Research Innovation Fund as a way to support early career researchers. Academic colleagues will be able to access the fund for a range of needs, including the costs of childcare, to assist with their research during a potential second wave of coronavirus infections.

The immediate financial consequences of the pandemic and the possible impact on student recruitment in 2020/21 and beyond, will be discussed in the Financial Review alongside an assessment of the financial sustainability of the College. It is, however, worth reflecting on the fact that the pandemic also interrupted the second year of the College recovery plan.

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. We believe that this was a direct result of Brexit related uncertainty over employment and residency.

STRATEGIC REVIEW (continued)

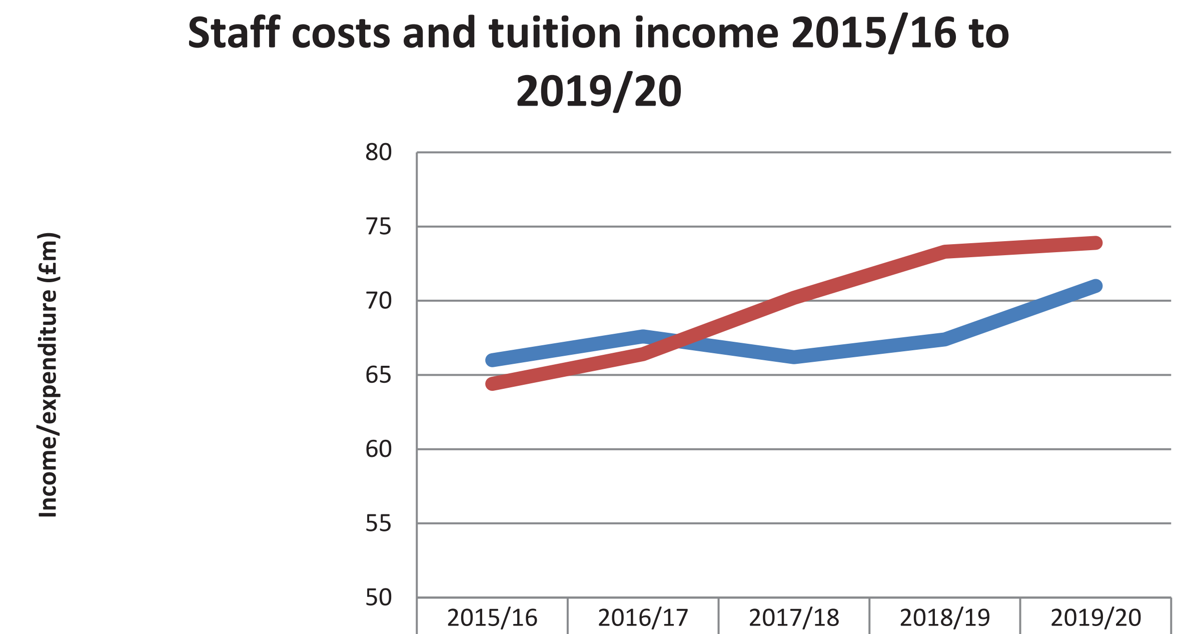
The trend continued into 2018/19 with enrolments of EU nationals falling a further 200 – a cumulative drop of 30.3% between 2015/16 (pre-Brexit) and 2018/19. In financial terms this equated to a reduction in income of £4.0 million. New enrolments for 2019/20 saw a year-on-year increase of 128 student FTEs (21% year-on-year) and based on application and offer numbers another rise is expected in 2020/21. This is likely to be a “dead cat bounce” effect as students from the EU rush to start their programmes before the UK Government removes their right to loan funding. 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. A range of post-Brexit scenarios are being considered as part of our financial planning.

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. The triennial scheme valuation in 2017 and the additional valuation in 2018 had the effect of raising employer contributions to the scheme by 3.1% of payroll to 21.1% with another rise of 2.6% scheduled to come in October 2021. Member contributions will have risen by 3% to 11.0% in the same period if the October 2021 increase is introduced. Across the sector it is now estimated that between 18 and 20% of eligible staff opt out of the pension scheme, largely on affordability grounds.

A Joint Expert Panel (JEP) was created with equal membership from the University and College Union (UCU) representing members and Universities UK (UUK) representing employers. The JEP made a number of recommendations aimed at re-building trust in the scheme valuation process as well as considering ways to ensure that the scheme was affordable, sustainable and inter-generationally fair. The 2020 triennial valuation (which unfortunately values the scheme at the low point of the pandemic economic downturn at the end of March 2020) will hopefully include some of the JEP recommendations. A consultation on the technical provisions which underpin the 2020 valuation has just been commenced by USS. It is quite likely that the latest USS valuation will place further pressure on the College finances and this risk has been included in our long term financial forecasts.

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.

STRATEGIC REVIEW (continued)



	2015/16	2016/17	2017/18	2018/19	2019/20
Tuition fees	66	68	66	67	71
Staff costs (excl pension provision and restructuring)	64	66	70	73	74

Chart 1: Staff costs and tuition income 2015/16 to 2019/20

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 long-standing 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.

STRATEGIC REVIEW (continued)

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 improving 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.

STRATEGIC REVIEW (continued)

In order to deliver the strategic objectives whilst returning to a sustainable financial position we agreed a recovery plan in 2018/19 which aimed 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);
- Reduce non-staff budgets by £2.0 million from a 2017/18 base and maintain levels at the same cash position year-on-year;
- Deliver recovery plan projects.

Our underlying budget (before restructuring and unusual costs) for 2019/20 was set at a deficit of £3.0 million and moved us from an underlying deficit before exceptional items of £5.0 million in 2018/19. The recovery plan assumed a break-even budget for 2020/21, with increasing surpluses thereafter.

The coronavirus outbreak at the beginning of 2020 impacted on our recovery plan in a number of ways but we have been clear throughout that both the rationale and strategy underpinning recovery remained valid. Although we would inevitably have to adapt our plans in the short, and possibly medium, term it was critical that we did not simply say that the required actions were on hold. As indicated by Chart 1, any delay in rebasing staff costs would simply widen the gap between costs and income and make resolution more complicated.

To facilitate financial planning conversations internally, we had already separated core business income and expenditure from unusual income and costs such as changes to pension liabilities, restructuring costs, new endowments etc. Although these items are all important, they can be quite volatile from year to year thereby masking the financial performance of the core business.

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 was scheduled to commence in 2020 backed by benchmark data from the Uniforum methodology (a process used by many Russell Group universities in recent years) although developing action plans to reduce costs has been delayed until the start of 2021 due to the pandemic.

During 2019/20 we had also planned to continue to work with departments with low staff student ratios (SSR) and non-sustainable financial contributions with a view to addressing inefficiencies in costs whilst identifying opportunities to grow income. Similarly, market research had identified departments which could be reshaped to take advantage of the ever-changing needs of employers and students. Although many of the planned interventions could not be progressed as we wished due to the re-focus on responding to the pandemic and the challenges associated with remote working, we have still made progress towards the objectives laid out in our recovery plan.

In particular, with support from the College trade unions, a redeployment scheme was agreed to limit the risk of redundancies. Not all optional modules were converted to on-line mode so some staff, particularly those on hourly paid contracts, had their teaching loads reduced. These staff have been put into a redeployment pool and offered the opportunity to apply for any vacancies that arose across the College. This process of restricting replacements whilst also trying to protect jobs is nevertheless delivering financial savings.

STRATEGIC REVIEW (continued)

By continuing to focus on recovery whilst also dealing with the exceptional circumstances of the pandemic it was pleasing to note that we delivered an outturn before exceptional items which was significantly better than budget. Even if estimates are made to reflect the direct financial impact of Covid-19, we still delivered a small surplus compared with a budget deficit of £3.0 million. The financial position, along with the potential impact of the virus on future years, is discussed in detail in the Financial Review section of this report.

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. At the beginning of October 2020 we welcomed the Government's announcement that it is to create a new four-year lifelong learning allowance and to provide loans for students to cover the fees of studying on short courses. Whilst we are still waiting for the details of these new initiatives to be published, they are promising moves that reflect changes which we have been pressing the Government to introduce. On the back of this government proposal we will once more reinforce the need to abolish the rule that prevents someone from doing a higher education qualification that is at the same level or lower than those that they already have (ELQ).

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.

Birkbeck Professor of Mathematics **Professor Sarah Hart** will take up the position of Professor of Geometry at Gresham College in 2020/21, a position thought to be the oldest mathematics professorship in the UK. This follows Professor Joanna Bourke's appointment as Professor of Rhetoric at the college last year. By gaining the role, Professor Hart joins a number of major figures in mathematics who have been appointed Gresham Geometry Professors in the past, including Henry Briggs, Robert Hooke, Karl Pearson, Sir Roger Penrose, and John D Barrow.

Professor Hart is an active researcher, publishing mainly in the area of pure mathematics known as group theory, which has many applications both inside and outside of mathematics, for example in coding theory and cryptography. Professor Hart is also Vice-President of the British Society for the History of Mathematics and a keen mathematics communicator, speaking to a wide variety of audiences at numerous public lectures and talks in schools on topics such as mathematics and art.

STRATEGIC REVIEW (continued)

Dr Dionyssis Dimitrakopoulos, Senior Lecturer in Politics and Programme Director of the MSc European Politics and Policy, has been awarded a Jean Monnet Chair in Parliamentary Democracy and European Integration. The corresponding funding will cover teaching and research activities in the field of European integration over the next three academic years. Dr Dimitrakopoulos is an active researcher, with research interests in the politics of European integration at the European as well as the domestic levels. He is currently researching the EU's reaction to the Covid-19 pandemic.

Jean Monnet Chairs are awarded through a highly competitive process by the European Commission through the European Union's Erasmus+ programme. The position is awarded based on promoting excellence in teaching and research on EU studies, fostering debate around European issues, encouraging active citizenship, and disseminating knowledge to the wider public, in a critical and objective manner. The Chairs are named after French diplomat Jean Monnet (1888-1979), a key figure in the founding of the European Union.

Professor Bonnie Wallace, Professor of Molecular Biophysics, has been named the winner of the Royal Society of Chemistry's Khorana Prize. Professor Wallace won the award for the pioneering development of biophysical methods and bioinformatics tools to enable the characterisation of ion channel-drug molecule complexes. Professor Wallace's lab was the first to determine the three-dimensional (crystal) structure of an open, active, full-length sodium channel, and to identify the locations of the three sodium ions within the channel selectivity filter, and the features that define their unique specificity for sodium versus other types of ions. This information is helping guide the development of new pharmaceutical drugs.

The **Open Library of Humanities** project (OLH) was recognised as a 'force of nature' in the Open Publishing Awards, with the judges noting that their open access economic model is 'comprehensive and inspiring.' The Open Publishing Awards were set up by the Coko Foundation, an organisation that facilitates the scholarly communications sector to take control of their infrastructure.

The OLH is an online publishing platform founded by Dr Caroline Edwards and Professor Martin Eve from the Department of English, Theatre and Creative Writing. It was created to address the issue of high subscription costs for academic journals and the 'serials crises' in the sector, as library budgets struggle to keep up with the prices set by the publishers. The platform recognises that humanities subjects are not afforded the same level of funding as STEM subjects and seeks to redress this disadvantage by getting funding through a model of Library Partnership Subsidies, instead of Article Processing Charges, to fund a number of journals and its own multidisciplinary journal. Since its conception, the platform has gained a number of supporters throughout the world, ensuring its success as a sustainable platform.

Professor Sir Roger Penrose OM was awarded the Nobel Prize for Physics for his work carried out at Birkbeck in the 1960s that demonstrated that black holes were an inevitable consequence of Einstein's General Theory of Relativity. The award is shared with Professors Rheinhard Genzel and Andrea Ghez for their experimental discovery of a supermassive black hole at the centre of the Milky Way.

Penrose was appointed Reader of Applied Mathematics at Birkbeck in 1964 and made Professor two years later. In between these events, in 1965, he published a seminal mathematical proof that a singularity in space-time will occur in a gravitational collapse of a massive star. It is for this work that he has been awarded the Nobel Prize.

Dr Mark Williams, Director of the Institute of Structural and Molecular Biology's Biophysics Centre at Birkbeck reflected that: "It's always an honour as a present member of staff to reflect on the long and continuing tradition of outstanding science here at Birkbeck. This is the fourth Birkbeck scientist to receive the Nobel Prize and I believe the first where all the work for the Prize was done here at Birkbeck. Penrose tells the story that he was crossing the road walking into Birkbeck, talking to a colleague, when he suddenly had an inspiration of how to solve the gravitational collapse problem. He was then able to write his Nobel prize winning article in just a few months. We can all hope for such inspirations!"

Birkbeck's first female professor, Dame Helen Gwynne-Vaughan has been commemorated with a blue plaque at Flat 93, Bedford Court Mansions in Bloomsbury – her London home near the College for almost 50 years. Professor Gwynne-Vaughan was a prominent English botanist and is recognised for her significant contributions to military and public service. After becoming Head of the Botany Department at Birkbeck in 1909 she gained her professorship in 1921. Across the capital, over 900 plaques on buildings- humble and grand- honour the notable men and women who have lived or worked in them. Only 14 per cent of London's blue plaques celebrate women, a matter which English Heritage is seeking to address.

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 facilities. Governors approved an Estates 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 & Infrastructure 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. A purpose built ToddlerLab to extend the research of CBCD to older children is scheduled to open in late 2020.

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.

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 in early 2021.

STRATEGIC REVIEW (continued)

In the last couple of years significant structural works to some of our Georgian buildings have been identified. Design works were commenced in 2019 to repair and improve the terrace in Gordon Square to ensure that it provided suitable space for staff and students for the foreseeable future. Although Governors have allocated budget to conclude the current phase of design it is likely that the impact of the global pandemic on our cash flow will result in a delay to the construction phase. The position will be reviewed in the Spring of 2021 when the cash position is better understood. We will also need to consider whether building projects identified pre-pandemic still provide the most effective solutions to support our post-pandemic strategy. Short term interventions to ensure that Gordon Square remains safe to occupy may need to be developed.

In addition, we need to continue to invest in long term maintenance, infrastructure and capital equipment. Improvements were made during the summer of 2020 to the College IT system to facilitate the move to remote working and teaching. Aspects of network security were also improved to reduce the increased external risks likely from remote working. Critical projects to replace the roof, windows and heating at our main building in Malet Street are also being prioritised over the next 24 months.

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 original Estates Strategy remain valid, and Governors are keen to invest in the estate where it benefits teaching and research. However, the timing and scale of estates projects will continue to be measured against affordability criteria by the Strategic Estates & Infrastructure Committee.

Gender pay gap

Birkbeck supports the principle of equal pay for work of equal value and is 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 commitment to equality and diversity. The Gender Pay Gap report is produced each year as part of our ongoing commitment to monitor gender equality and diversity pay issues in our workforce. We have been publishing equal pay audits since 2009 and continue this practice in response to our responsibilities under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 which require us to report on certain metrics annually. Despite the UK Government suspending formal reporting in March 2020 due to the pandemic we still completed our report on this important matter.

In addition to the mandatory annual Gender Pay Gap report, Birkbeck also undertakes a full pay audit periodically (most recent 2018) to provide analysis and recommendations in relation to reward and related management strategies, policies and practices across the institution. This report considers the pay of staff with other protected characteristics.

The gender pay data published in March 2020 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
23.44	25.63	21.33	23.74	1,013	879
Gender pay gap 8.6% lower		Gender pay gap 10.2% lower		Total employees 1,892	

Table 1: Gender pay gap – hourly pay

The 2019 figures show no change in the gender pay gap compared to 2018.

STRATEGIC REVIEW (continued)

Birkbeck first reported gender pay in 2003 when the mean gender pay gap was 16.9%. This has halved to its current level through a combination of policy intervention and raising awareness. The Universities & Colleges Employers Association compiled and published the 2018 gender pay data for the sector in June 2019. Using this benchmark we were ranked 18th of 131 employers for most equitable mean gender pay gap and 41st of 131 employers for most equitable median gender pay gap. We remain committed to further progress on equal pay and have set out both an action plan and monitoring targets.

Publication date	Mean bonus pay		Median bonus pay		Total receiving bonus	
	Female (£)	Male (£)	Female (£)	Male (£)	Female	Male
March 2019	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	
March 2020	1,156	835	1,163	689	3.0%	1.8%
	Gender pay gap 38.3% higher		Gender pay gap 68.8% higher		Total receiving bonus 46	

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 2.4%. We operate a number of contribution related schemes which are tailored to reflect the different conditions required to accumulate the skills, knowledge and experience necessary to demonstrate excellence within a role. All schemes formally take account of personal circumstances and all committee members undertake both formal equality & diversity and unconscious bias training. Reward scheme data is annually reviewed by the College for equality & diversity issues in application and success rates.

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 2019 to 31 March 2020

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 below.

STRATEGIC REVIEW (continued)

Relevant union officials:

Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
2019	2020	2019	2020
32	37	25.11	27.29

Percentage of time spent on facility time:

Percentage of time	Number of employees	
	2019	2020
0%	4	11
1 - 50%	28	26
51 - 99%	-	-
100%	-	-

Percentage of pay bill spent on facility time:

	2018/19	2019/20
Total cost of facility time	£79,857.85	£74,953.68
Total pay bill	£73,315,000.00	£72,401,000.00
Percentage of the total pay bill spent on facility time	0.11%	0.10%

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	2019/20
Time spent on paid trade union activities as a percentage of total paid facility time hours	11.11%	5.66%

Alumni and friends of the College

The generosity of alumni, friends, corporate partners, charitable trusts and foundations allows the College to amplify its commitment to ensuring access to education, enables us to best support our students to succeed and helps 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, over £3 million of new philanthropic income was committed to Birkbeck. This included hundreds of donors making regular monthly gifts, several legacies and multiple six-figure gifts from individuals, corporates and charitable foundations.

STRATEGIC REVIEW (continued)

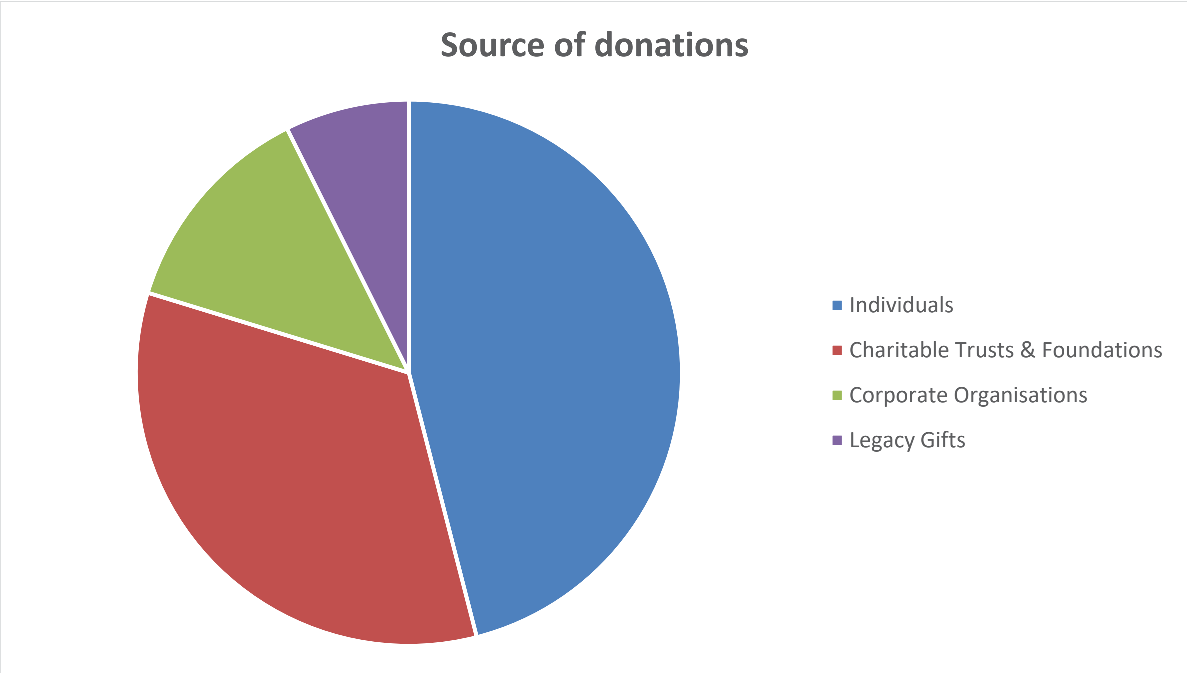


Chart 2: Breakdown of entities that supported Birkbeck with donations in 2019/20

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

- **widening access to education and enhancing student support** by providing financial support initiatives such as bursaries, scholarships and hardship funding and enabling programmes that support mental health provisions, careers advice and community outreach;

- **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 projects, facilities and equipment** by enhancing our provision of technology enhanced learning, supporting state of the art equipment for our researchers and contributing to new buildings such as our Euston Road teaching facility;

- **funding for areas of greatest need** where our donors understand the importance of flexible funding to respond to the changing needs of our community and to enable us to move quickly on innovative new projects.

STRATEGIC REVIEW (continued)

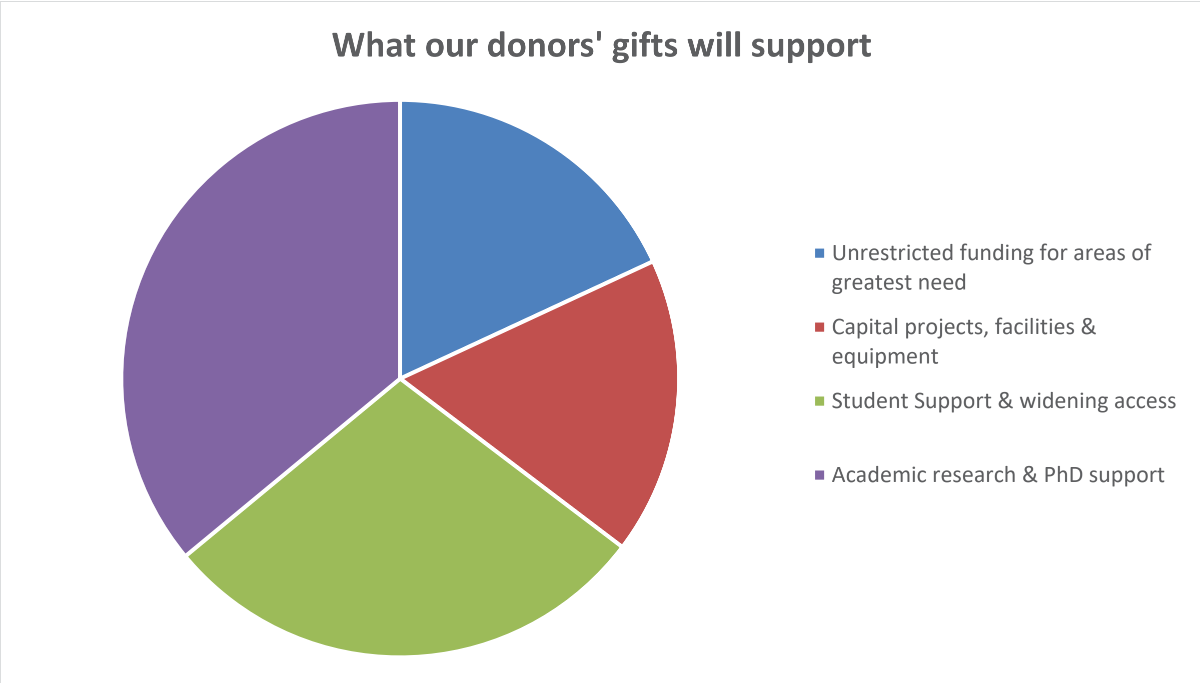


Chart 3: Summary of activities to be supported by donations

In addition to supporting the College financially, every year our alumni and friends play an important role in aiding student recruitment, retention and employability initiatives. Last year 515 students benefitted from the support, guidance and advice given by our 324 volunteers who gave a total of 5,050 hours of time (a 36% increase from 2018/19).

Whilst the pandemic has caused adverse circumstances and uncertainty for so many of our students, staff, alumni and donors, it has shown the real and pressing need for flexible support. We are confident that our community will continue to come together to provide vital funding and expertise to ensure that Birkbeck students and researchers continue to have access to the tools, support and services that enable them to thrive.

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 to support these ambitions.

As the new academic year begins I am pleased to reflect on the remarkable ways in which the College community has worked together to support each other to address and overcome the unprecedented and unpredictable challenges that Covid-19 has presented over the past six months. There will undoubtedly continue to be many more challenges ahead. It would be remarkable if everything were to run smoothly without any hiccups this term but by continuing to work together, I am sure that we will be able to overcome them. After months of hard work by staff across the College, we should all be extremely proud of the largely virtual university that we have launched. The high-quality online platform that we have developed, backed up with in-person sessions where they are required, such as for laboratory practical sessions, complemented by bookable campus facilities, will allow our students to continue to benefit safely from the full Birkbeck learning experience during the pandemic.

Birkbeck, like other Universities up and down the country, has been through a tumultuous period in the unprecedented situation caused by the pandemic. It is testimony to the collective effort of all our staff that we are emerging in a much better position than many other Universities, having

STRATEGIC REVIEW (continued)

managed to respond with agility and at pace to a wide range of challenges, in a manner that has allowed us to grow student numbers whilst controlling costs. It must be recognised that this would not have been possible without the commitment to Birkbeck and its unique mission which is shared right through the staff community. Academic and professional staff have had to work in new ways as in an emergency we have shifted to largely remote working and online teaching delivery, and the levels of flexibility that we have shown in adjusting workloads and workstreams to cope with new needs has not been easy, Nevertheless, it has been vital in our reaching the position that we are ending 2021 in. There clearly are challenges ahead as we progress through the next stages of the pandemic and emerge into a new demographic and economic context shaped by Brexit and Covid-19 impacts on London. However, in our emergency response we have learned about the potential of operating in different ways and now is the moment for us to be bold, to think through which aspects of our pandemic response could bring lasting benefits in embedding flexibility for students and staff and to develop a new Birkbeck model that meets the future needs of our city and country.

A number of lay governors as well as staff and student members of our governing body stood down this year after reaching the end of their terms. They have all given freely of their time, experience and energy and have shown real support and commitment to the College and the unique services it provides. I thank each and every one of them for their roles in moving the College forward. Replacement lay governors have been identified with the assistance of an independent search consultant and will join incoming staff and student representatives chosen by relevant standing orders. We look forward to welcoming them all in the autumn.

Following a range of discussions across the College it has been agreed that the historic title of Master of Birkbeck will be changed with immediate effect to Vice-Chancellor. All colleagues agreed that Vice-Chancellor more appropriately reflected the role being undertaken by the head of institution at a university in the 21st Century. Birkbeck is a member of the University of London and the role of Vice-Chancellor has previously been reserved to the head of the university and was not available to the member colleges. Draft legislation has been prepared to allow constituent colleges to also use the Vice-Chancellor title if they wished but passage through Parliament has been delayed due to the virus. We are grateful to the current Vice-Chancellor for agreeing to the use of the title whilst we await the formal approval.

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. As we move into a post-pandemic, post-Brexit world and approach 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. We will shortly commence cross-College discussions to update our strategy for the next five years to both build on the remarkable on-line developments of the summer and to ensure that we are positioned to meet the needs of our future students. We will work closely with employers and government to assist with the up-skilling and re-skilling of individuals which will be vital to the recovery of the regional and national economy. 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.

D.S. Latchman.

Professor David S. Latchman, CBE
Vice Chancellor

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 2019 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).

The Covid-19 pandemic has had a significant effect on families, businesses and economies across the world. Education has been curtailed during the period of lockdown and examinations have been severely disrupted. This has led to direct and indirect financial consequences for UK universities including Birkbeck and increased risks as we try and assess an uncertain future.

At the beginning of the year we acknowledged that the virus would create disruption and uncertainty so adapted both the management accounts for the year and the future forecasts. Having returned an underlying deficit (before pension and other adjustments) in 2018/19 the College had developed a plan to return to surpluses within three years. Although focus would need to be shifted to dealing with the immediate issues thrown up by the pandemic it was also important to maintain progress towards recovery. Estimates for the direct financial impact of the pandemic during both 2019/20 and 2020/21 were separated from the underlying “business as usual” position to facilitate discussion and decision making. This Financial Review will comment on the business as usual position and the financial impact of the pandemic. Comment will also be provided on pension and other adjustments which contribute to the Statement of Comprehensive Income and capital expenditure.

STRATEGIC REVIEW (continued)

Results for the Year

Chart 4 compares the main income streams for the last five years whilst Chart 5 summarises the total income for 2019/20.

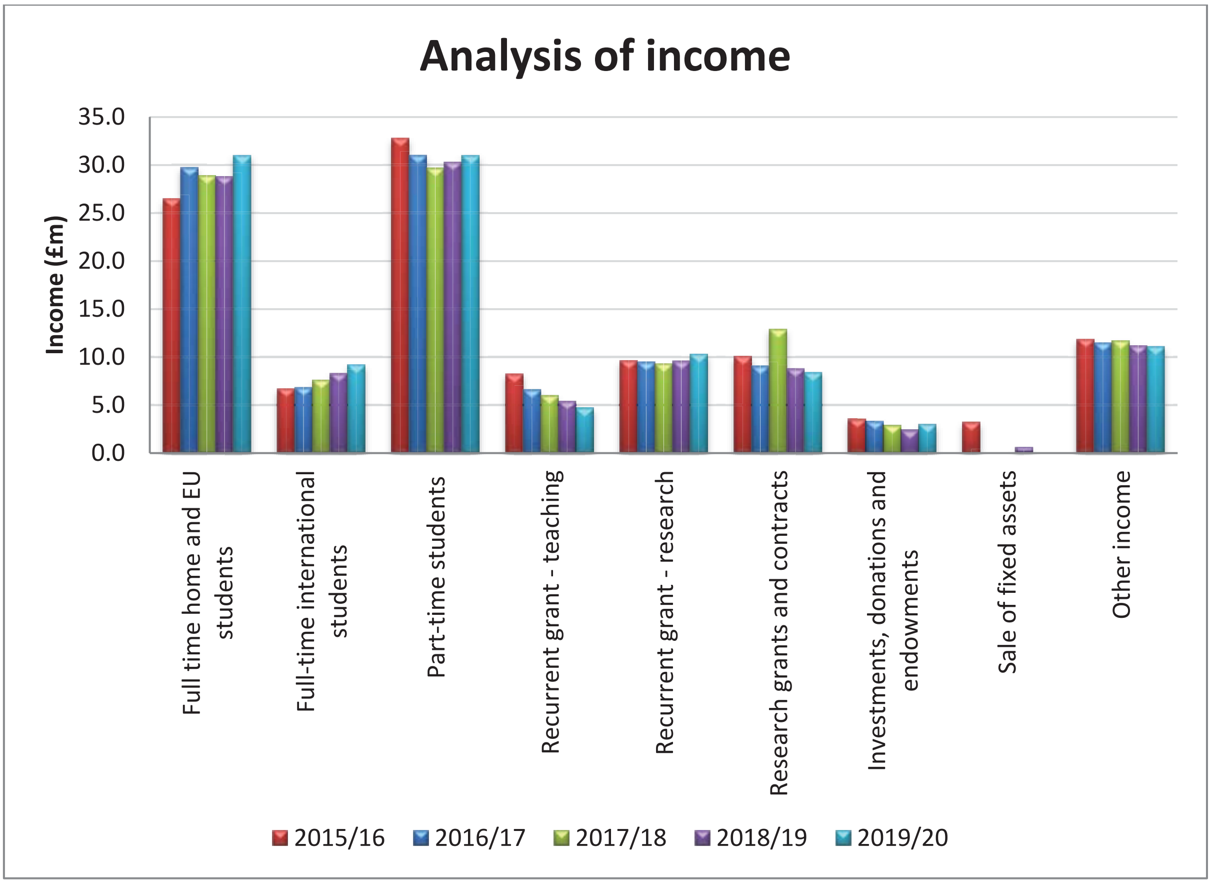


Chart 4: Income by category 2015/16 to 2019/20

STRATEGIC REVIEW (continued)

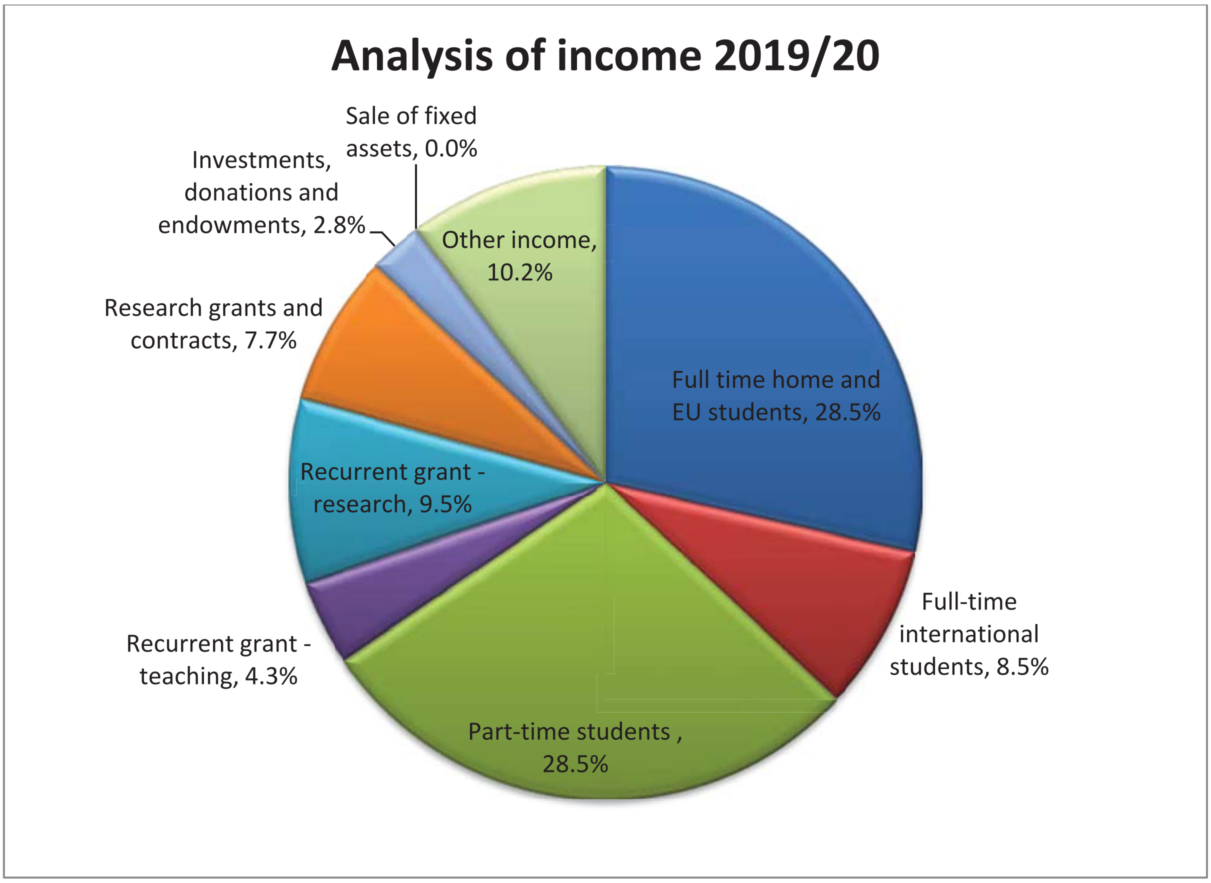


Chart 5: Analysis of income 2019/20

The recurrent teaching grant from the government has been falling steadily since undergraduate tuition fees were increased in 2012 and fell by a further £0.7 million in 2019/20 (a reduction of 13.0% year-on-year). Teaching grant now represents only 4.3% 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 65.5% in 2019/20 (up by £3.8 million on 2018/19).

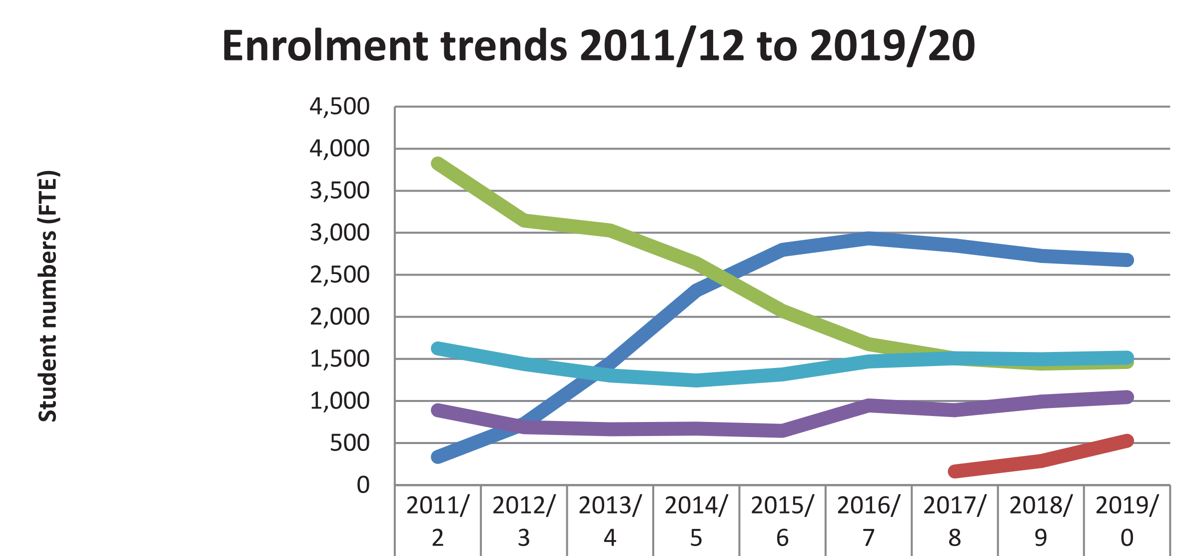
Recurrent grant from Research England rose by £0.7 million in 2019/20, an increase of 7.3%. In part this related to an additional £138,000 for research support and a one-off additional payment of £274,000. External research activity was affected by the lockdown during the latter part of 2019/20 and a number of projects needed to be suspended. Zero cost extensions have been agreed with most funders in recognition of the enforced delay in delivering outputs. As a consequence, we were unable to recognise income from research grants and contracts to the same extent as in previous years with a fall of £0.4 million compared with 2018/19.

Whilst the majority of academic and professional support staff across the College were able to work from home successfully a small number of research, nursery, cleaning and facilities staff could not. These staff were furloughed but continued to receive full salary. In line with the guidelines for universities £350,000 was claimed from the Coronavirus Job Retention Scheme as a contribution towards the salaries of the furloughed staff. This is included in Other Income.

As an evening provider of higher education Birkbeck rents much of its space to other universities during the daytime and rents space from them in the evening to support the teaching of its own students. With lockdown preventing any activity on campus in the summer term a net loss of rental income of around £0.3 million resulted. Catering income was also impacted falling £0.7 million below our budget expectations.

STRATEGIC REVIEW (continued)

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	2019/0
UG Degree (Full time)	335	729	1,451	2,315	2,798	2,934	2,849	2,726	2,675
UG Degree + FY (full time)							162	286	527
UG Degree (Part time)	3,824	3,146	3,027	2,637	2,072	1,676	1,507	1,445	1,464
PG Masters (Full time)	891	688	664	671	645	948	891	992	1,046
PG Masters (Part time)	1,625	1,440	1,302	1,244	1,316	1,470	1,508	1,496	1,516

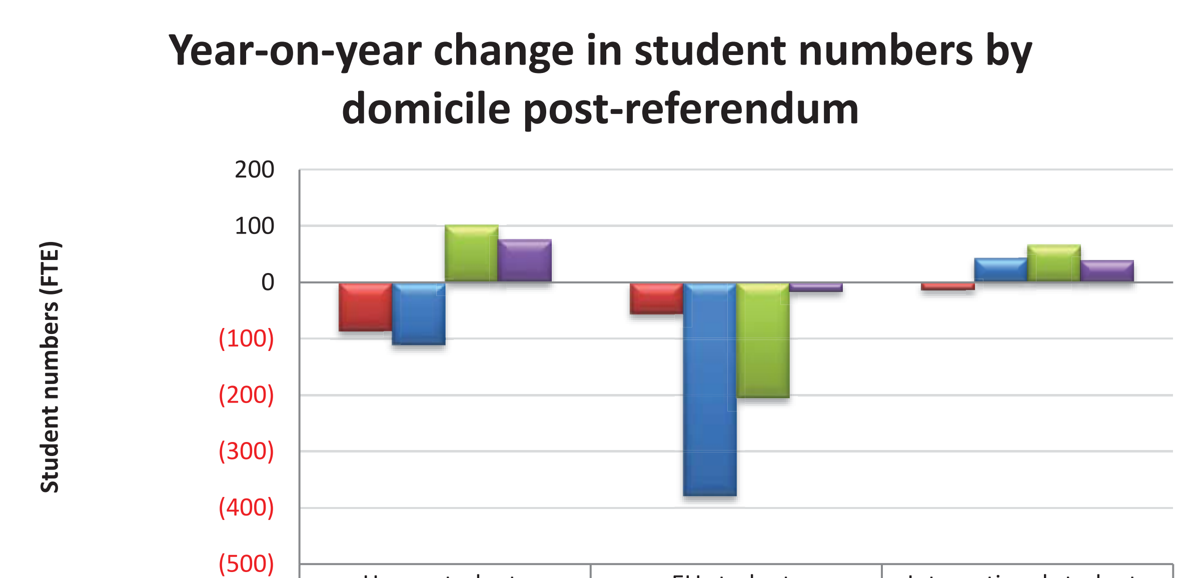
Chart 6: Main levels of study enrolment trends 2011/12 to 2019/20

The dramatic decline in part-time undergraduate students since 2011/12 appears to have plateaued. After much lobbying by the College since the undergraduate fee was increased in 2012, we welcomed the Government's announcement in October 2020 that it is to create a new four-year lifelong learning allowance and to provide loans for students to cover the fees of studying on short courses. Whilst we are still waiting for the details of these new initiatives to be published, they are promising moves that reflect changes which we have been pressing the Government to introduce. On the back of this proposal we will once more reinforce the need to abolish the rule that prevents someone from studying a higher education qualification that is at the same level or lower than those that they already have (ELQ). Re-skilling and up-skilling of the UK workforce will be critical for post-pandemic, post-Brexit economic recovery.

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.

More recently, we enhanced our access routes to higher education for students without traditional qualifications by introducing a degree with foundation year route. Recruitment has increased dramatically each year giving students an opportunity to commence a university programme which might otherwise have been denied to them.

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
2018/19 to 2019/20	76	(16)	39

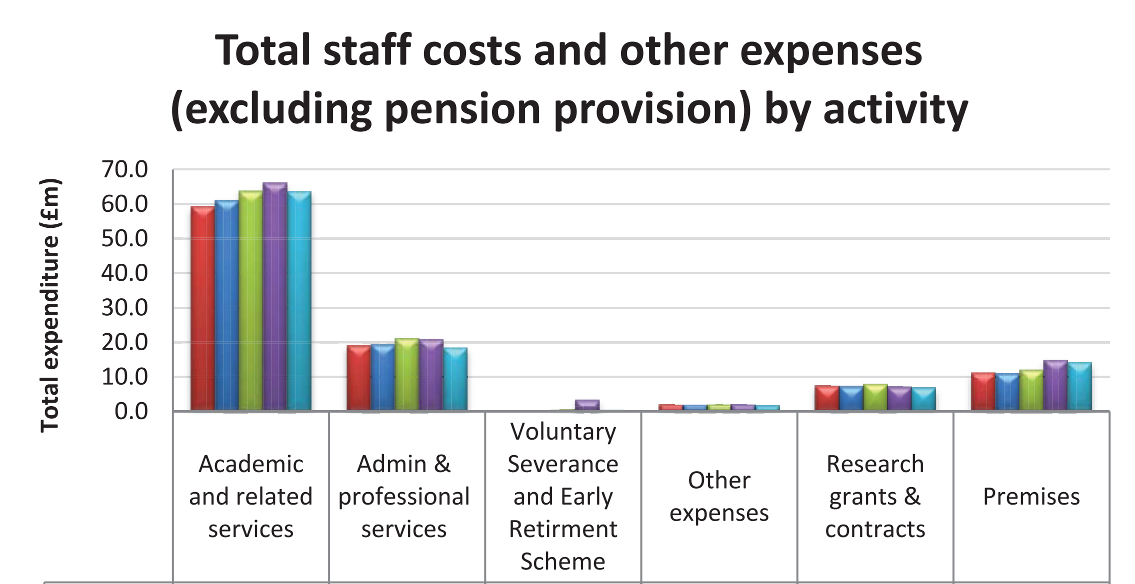
Chart 7: Impact of Brexit referendum on recruitment of students from the EU

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 due 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 has increased steadily since then with postgraduate masters students representing 28.9% of total enrolments. Postgraduate enrolments in 2019/20 represent an increase of 30.6% over 2015/16 which was the final year pre-loans.

Income from full-time Home and EU students increased by £2.2 million arresting the declines of previous years due to the reduction in EU student numbers. Income from international students rose by £0.9 million (an increase of 10.8%) and now represents 8.5% of total income (2018/19: 7.9% of total income). International student income has steadily grown over the last five years as we have placed more emphasis on international brand management and awareness. We believe that there is scope for further increases, particularly with the re-introduction of the post-study work visa. Income from full time international students has now increased 37.1% in five years. Income from part-time students rose by £0.7 million – the second year-on-year increase since the dramatic fall in numbers from 2012. It is hoped that developing Government policy with the extension of student loans to short courses will provide the part-time market with overdue reinvigoration.

STRATEGIC REVIEW (continued)

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



	Academic and related services	Admin & professional services	Voluntary Severance and Early Retirment Scheme	Other expenses	Research grants & contracts	Premises
2015/16	59.4	19.1	0.0	1.9	7.4	11.2
2016/17	61.1	19.3	0.0	1.8	7.2	10.9
2017/18	63.8	21.1	0.4	1.9	7.9	12.0
2018/19	66.2	20.8	3.3	1.9	7.1	14.8
2019/20	63.7	18.4	0.3	1.6	6.8	14.2

Chart 8: Expenditure by activity 2015/16 to 2019/20

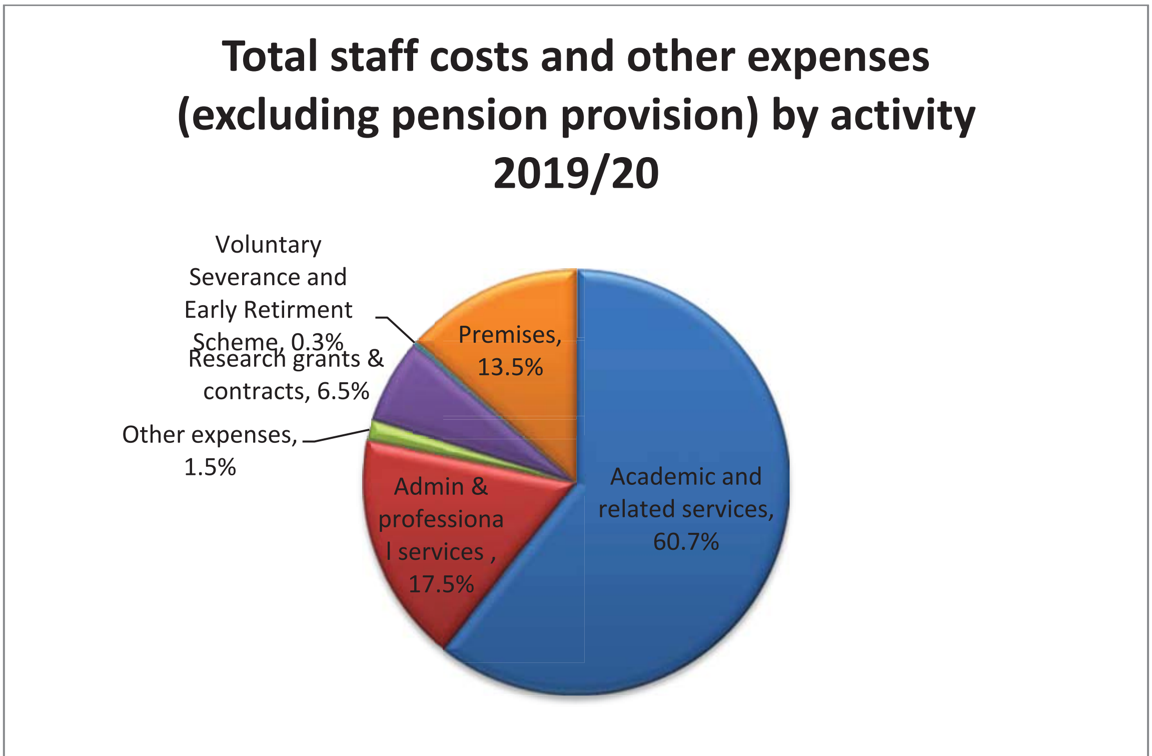


Chart 9: Analysis of expenditure 2019/20

STRATEGIC REVIEW (continued)

The analysis of expenditure confirms that the College continues to invest heavily in education and research with only 17.5% of total expenditure (2018/19: 18.2%) spent on administration and other professional services.

In 2020 we insourced cleaning and night security staff to recognise their long-standing commitment to the College. The staff now have access to the SAUL pension scheme alongside other benefits associated with being a member of staff at the College. The part year effect of this was to reduce other operating expenditure by £0.5 million with a corresponding increase in staff costs. A review of whether the College can also insource catering staff will continue in 2021.

Staff costs as a percentage of total income (excluding movements in the pension provision and restructuring costs) has been rising consistently over a number of years and has become unsustainable. A Voluntary Severance and Early Retirement scheme was introduced in 2018/19 and contributed to the reduction as a percentage of total income in 2019/20 (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.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Gross salaries	66,369	70,226	73,313	73,942
Movement on pension provision	(181)	(660)	20,481	(14,884)
Restructuring costs	-	401	3,308	299
Total expenditure on salaries	**66,188**	**69,967**	**97,102**	**59,357**
Gross salaries (excluding movement on pension provision and restructuring costs) as a percentage of total income	61.1%	64.4%	69.5%	68.0%

Table 3: Change in underlying staff costs 2016/17 to 2019/20

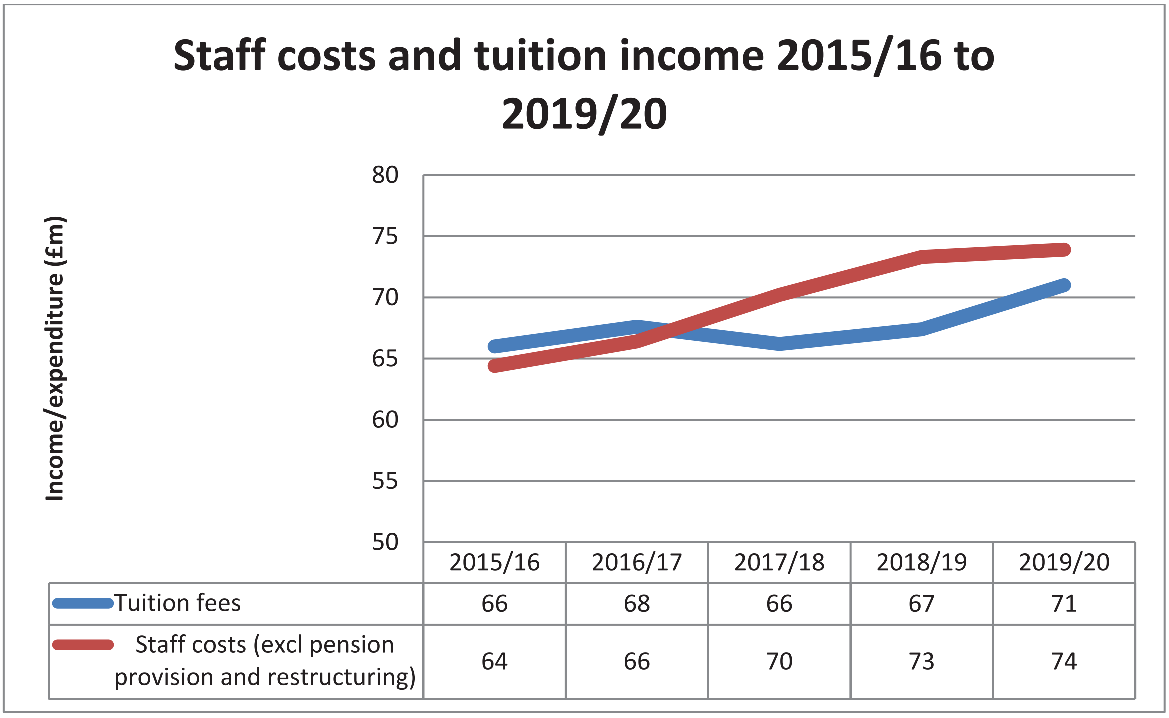


Chart 10: Staff costs and tuition income 2015/16 to 2019/20

STRATEGIC REVIEW (continued)

Tuition fees and education contracts provided 66.6% of total income in 2019/20 (2018/19: 65.1%) whilst staff costs represent 68.0% of total income. With undergraduate fees fixed by the UK government there is a mismatch between the inflationary increase in income and the additional staff costs. 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 and directly led to the underlying deficit in 2018/19. In 2019/20, lower staff costs following the VSER scheme coupled with increased student income brought the two lines closer together. We still have some way to go to return a financially sustainable position which delivers underlying surpluses of 5% of income.

The coronavirus pandemic closed our campus in April 2020 and required us to quickly move activity on-line for both staff and students. Inevitably, additional costs were incurred as we moved to change the way we worked and delivered education. At the same time, income was affected through the closure of buildings but costs were also saved from a number of sources. It is difficult to ascertain exactly what the financial impact in 2019/20 has been but a comparison of performance from April 2020 against the phased budget can provide some indicators. Table 4 summarises the main headings.

	2019/20 £'m
Income:	
Loss of catering income	(0.7)
Loss of external room booking income	(0.3)
Delay in recognition of external research income	(1.4)
Income from Coronavirus Job Retention Scheme	0.3
Expenditure:	
Increase in non-cash staff leave accrual	(0.8)
Estimate of staff cost savings	0.4
Delay in externally funded research	1.5
Expenditure saved due to not providing catering facilities	0.8
Reduction in long term maintenance activity	0.3
Lower energy consumption due to closed buildings	0.1
Estimated saving on conference attendance, travel etc	1.0
Estimated savings on consumables and other costs	0.3
Increased IT spend	(0.1)
Estimated net saving against budget expectations	**1.4**

Table 4: Estimate of financial impact of coronavirus pandemic in 2019/20

In addition to the net saving estimated above the pandemic impacted upon the way we were able to proceed with our recovery plan. With remote working affecting our ability to work with certain academic departments to improve their financial position in the way that we had planned, we needed to revise our approach. In large part progress towards further staff cost savings was achieved not through an additional cost reduction scheme but through a freeze on new and replacement posts coupled with a redeployment scheme agreed with our trade union representatives. This had the effect of increasing staff savings during the year by £0.4 million.

Due to the restrictions on travel imposed this year and to recognise the hard work put in by staff to cope with the move to remote working and teaching, our annual leave rules were adjusted for the year. 10 days of leave rather than the usual 5 were allowed to be carried forward. At the end of each financial year we are required to assess the accrued costs associated with untaken leave entitlement. With an assumption that most staff would have taken less leave this year the accrual was increased by £0.8 million in comparison with previous years. This non-cash adjustment will reverse in 2020/21.

Our budget for 2019/20 for the College (rather than the Group) aimed for us to move from an underlying deficit of £5.9 million in 2018/19 to a deficit of £3.0 million in 2019/20 (where the underlying position is before: adjustment to pension liabilities; restructuring costs; endowments; profit on sale of fixed assets and gain/loss on investments). The outturn for the year was a surplus of £1.9 million. With an estimated direct pandemic impact of around £1.4 million this meant that the indirect effect, coupled with tighter budgetary control and receipt of income above budget, led to a positive underlying variance of £3.4 million.

In summary, it is likely that even without the pandemic affecting us from the start of 2020 we would have achieved a break-even underlying outturn for the year.

The University Superannuation Scheme (USS) was revalued at 31 March 2017 with the effect that the scheme deficit increased. A repayment plan was agreed in 2018/19 and the College recognised the increase in its share of the pension liability. This had the effect of reducing total comprehensive income for the year by £20.7 million. A joint Expert Panel (JEP) was set up with members representing employers and members to review the assumptions used in the valuation. A follow up valuation was undertaken at 31 March 2018 using slightly amended assumptions recommended by the JEP. These assumptions led to a reduction in the scheme deficit and a recovery plan with a slightly extended repayment period. The resulting impact on the College total comprehensive income was an increase of £14.9 million. Although the pension schemes have a material impact on the financial position of the College, the valuations create volatile changes to the reported staff cost figures and are, therefore, excluded when we consider underlying performance. A third valuation of the pension scheme is currently being undertaken and is likely to have an impact in the 2021/22 financial year.

STRATEGIC REVIEW (continued)

Financial sustainability

Table 5 brings together some key pieces of financial data for the Group from the last four years.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total income	108,596	108,984	105,422	108,707
Total comprehensive income / (expenditure) for the year	7,483	2,822	(27,236)	18,977
Total comprehensive income / (expenditure) as a percentage of total income	6.9%	2.6%	(25.8%)	17.5%
Total income	108,595	108,984	105,422	108,707
Adjust for material one-off equipment grant	-	(3,430)	-	-
Adjusted total income **A**	108,595	105,554	105,422	108,707
Total expenditure	100,172	106,155	134,454	90,127
Adjust for restructuring costs	-	(401)	(3,308)	(299)
Adjust for change in pension liability	(16)	724	(20,718)	14,884
Adjusted total expenditure **B**	100,156	106,478	110,428	104,712
Adjusted surplus/(deficit) before other gains and losses **A-B**	8,439	(924)	(5,006)	3,995
Adjusted surplus/(deficit) as a percentage of adjusted total income	7.8%	(0.9%)	(4.8%)	3.7%
Non-current assets	86,144	96,916	102,905	112,628
Cash plus current investments	63,820	57,682	48,717	40,618
Payments to acquire fixed assets	2,251	8,496	11,505	12,224
Net cash inflow/(outflow) from operating activities	6,957	1,309	(777)	2,403
Operating cash as a percentage of total income	6.4%	1.2%	(0.7%)	2.2%
Net liquidity days	238	203	161	146
Net pension liability	(11,851)	(11,127)	(31,845)	(16,792)
Total net assets	94,539	97,088	69,852	88,829

Table 5: Key financial data for the College and its subsidiary 2016/17 to 2019/20

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 (note that the adjusted deficit summarised in Table 5 is a slightly different calculation than that used in the management accounts referred to earlier).

STRATEGIC REVIEW (continued)

In June 2019, Governors agreed a recovery plan which aimed 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 recovery plan forecasts were set on modest student number growth to 9,000 FTE. Although the forecasts prudently capped student numbers against our existing portfolio we believe that there are opportunities and a number of recovery projects were identified to grow and diversify income. At the same time, the recovery plan required tight control over costs and a rebalancing of staff costs, both academic and administrative.

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 arrival of Covid-19 at the start of 2020 and the quick move to lockdown and remote working in April 2020 placed a significant strain on the UK and world economy and all businesses were required to adapt quickly. The College quickly moved to remote working and teaching and then began to develop and introduce plans to provide high quality on-line solutions for our students, not just as a reactionary measure to the coronavirus, but as a longer term solution.

During the Spring of 2020 not only did we look at our operational plans we also developed financial models to try and understand the short and medium term impact of the pandemic on our finances. A number of underlying principles were agreed with Governors:

- We would need to invest to properly develop our response plans, particularly in respect of delivering high quality education and support to our students;

- The pandemic would not alter our underlying structural challenges and we would need to retain a focus on the outcomes articulated in our recovery plan;

- The cash reserves we had built up would provide us with a level of cover although any substantial loss of income would require a reassessment of, and likely delays to, our recovery plans;

- Although there was likely to be a significant negative impact on our financial position due to the pandemic we would not seek to mitigate losses in a single year given the likelihood of a general bounce-back in demand within the next few years.

As a consequence, our financial forecasts were adapted to try and split the direct and indirect impact of the pandemic on income and expenditure from our underlying “business as normal” position. This enabled us to determine how to remain on track against the critical recovery plan we had already agreed whilst overlaying the financial cost of the virus. Using this model, financial forecasts under a range of scenarios were developed for the following 10 years.

In addition to pessimistic, mid-case and optimistic student recruitment scenarios, a fourth scenario was also developed which acted as a stress test of our continuing solvency ie how many students would we need to lose before we required a significant response to remain solvent and how might we deal with such a scenario. We felt that although this had a low probability it indicated that preparing the ground for an application to the government backed Coronavirus Large Business Interruption Loan Scheme (CLBILS) would be a sensible risk mitigation strategy.

STRATEGIC REVIEW (continued)

Additional committee meetings were introduced at the outset of the pandemic to help to develop plans, monitor progress and provide appropriate governance. They included:

- More regular meetings of the College Health & Safety Committee;
- The creation of a coronavirus response group;
- A move to weekly meetings of the Recruitment Strategy and Planning Group;
- Weekly rather than monthly meetings of the Academic Executive Team (AET);
- The introduction of briefings for senior Governors between formal meetings (the group included the Chair, Deputy Chair and the Chairs of Audit, Finance & General Purposes and Strategic Estates & Infrastructure Committees).

From a financial perspective, the single most important contributing factor to our financial forecasts was student recruitment. A range of operational interventions were introduced to ensure that applicants and current students were aware of the College strategy for teaching in the Autumn. In simple terms, our messaging from the outset was that you could study the whole of the 2020/21 academic year on-line if you wished through a combination of in-person academic delivery (i.e. live lectures and tutorials) supported by self-study. On-campus activities would be introduced where it was safe to do so but, with the exception of laboratory teaching, these would not be compulsory to attend.

Our messaging to applicants and returning students was successful and enrolments exceeded all the scenarios we had been modelling. Table 6 summarises enrolment data for our main categories of student in comparison with 2019/20.

	2019/20	2020/21	Change
Undergraduate degree full time	2,675	2,816	-2%
Undergraduate degree plus foundation year	527	811	+54%
Undergraduate degree part time	1,464	1,449	-1%
Postgraduate Masters degree full time	1,046	1,319	+26%
Postgraduate Masters degree part time	1,516	1,563	+3%

Table 6: Student enrolments (FTE) for main categories

Table 7 summarises enrolment data for all students by domicile.

	2019/20	2020/21	Change
Home students	6,501	6,637	2%
EU students	1,456	1,580	+9%
International students	833	759	-9%

Table 7: Student enrolments (FTE) for all categories

Although the number of students on full time undergraduate programmes has fallen by 2% year on year, this drop has been more than offset by the increase in numbers choosing to take an additional foundation year to prepare for their studies. Total undergraduate enrolments across the three modes of study has risen by 4.5%.

Our current forecasts for the year now assume that the negative direct and indirect impact of the pandemic will be around £2.9 million but there will be no shortfall in tuition income. As a consequence, we will be able to set a revised break-even budget *inclusive* of the pandemic costs.

STRATEGIC REVIEW (continued)

From a cash flow perspective we need to take note of further risks such as recruitment patterns for 2021/22 after both Brexit and the pandemic. We expect the number of students from the EU to fall and increases in pension contributions are also being estimated. Once again, a range of scenarios has been considered. Capital plans will be reviewed in the Spring term as the forecasts continue to evolve and at present it is only assumed that critical long-term maintenance will take place. Due to the better than expected performance of both 2019/20 and 2020/21 we do not currently anticipate any going concern issues and will not need to apply for CLBILS support. As such the governors are satisfied that the accounts should be prepared on a going concern basis.

The pandemic has been a jolt to the system but our quick and collegial response has led to strong recruitment. We need to continue to work on our recovery plan to return to surpluses of 5% of turnover and need to be very mindful that there are further uncertainties on the horizon. We have a healthy cash balance, no loan debt to service and no student residences to worry about so are likely to be in a more comfortable position than a number of higher education institutions. We have a unique business model which has proved to be resilient during the pandemic and which is well suited to take advantage of Government plans to upskill and reskill the workforce to help strengthen the economy. Having rapidly developed a high quality on-line teaching model delivered by research intensive academic staff we believe that we are in good shape to continue to weather uncertainty and develop strategies to take advantage of future 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 2019/20 was presented to the Audit Committee in May 2020.

In the Spring of 2020, KPMG undertook a scheduled review of strategic risk management at the College as part of their internal audit plan for the year. The work to be undertaken was summarised in their report as follows:

“We will undertake deep dives into a sample of the strategic risks recorded on the risk register in order to assess the effectiveness of their management to achieve a tolerable level of risk. We will consider whether mitigations implemented are appropriate to address the nature of the risk identified, whether actions identified have been implemented as planned and whether they have been effective in reducing the level of risk to an acceptable level.

STRATEGIC REVIEW (continued)

We will also review the governance structures in place for the oversight and monitoring of the risks identified to consider whether they are sufficient to provide assurance to the Governors that risks are being effectively managed."

A number of areas of good practice were identified in their May 2020 report and an assurance rating of "significant assurance with minor improvement opportunities" was determined. College management agreed to implement a number of recommendations during 2020/21.

KPMG also presented a Reflections on Risk Management paper to the May 2020 Audit Committee meeting as a direct response to the risk environment created by the pandemic. The paper identified four stages of response to the pandemic: Reaction, Resilience, Recovery and New Reality. The paper provided a helpful framework for the Committee and College management to consider the heightened risks and develop plans to manage a period of extended uncertainty.

Rather than add a wide-ranging (and possibly unmanageable) single Covid-19 risk to our risk register we added a number of new columns to each of the separate risks in the risk register to reflect the impact of the pandemic. The columns reflected the risks and our actions across the four phases of response outlined by KPMG. The Resilience phase (the period during lockdown) was also split into financial, operational and academic risk.

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 pandemic has naturally increased the scores for many of the existing risks in the register and added some addition ones. The top risks for the College for 2020/21 outlined in the annual report are:

- Student recruitment

  Gross risk 22.50, residual risk 15.00 (2019/20: gross risk 18.00; residual risk 14.00)

  Our financial sustainability is heavily linked to student recruitment reflecting our reliance on tuition fees as our main source of income. At the start of the 2019/20 student recruitment cycle we put sustained and considerable effort into marketing and recruitment with a new branding and advertising campaign. Centralised management of routine admissions work which had been done in Schools and Departments was introduced to improve efficiency and speed up the turnaround time of responses to students. Monitoring of applications and offers was undertaken by the new Recruitment Strategy and Management Group with action taken where improvement was needed.

  There is still fierce competition for students among HE institutions, with private and alternative providers joining universities on the OFS register. Coupled with a continuing decline in the number of 18 year-olds many institutions that have not previously been competitors have begun to edge into the more mature student market to maintain their numbers. Despite the increased risks our mitigating actions allowed us to increase numbers slightly in 2019/20 albeit that tuition income ended the year below budget (but within the range allowed for by a contingency).

  At the time of updating the risk register, the level of risk for 2020/21 recruitment had been exacerbated by the pandemic: international students may not be able, or wish to, travel; students, particularly mature students, may choose to delay or defer their studies; and competition for UK students, particularly in London, may increase as institutions look to recoup income shortfalls from lower international student numbers. A second wave of coronavirus infections looks likely in the autumn which may negatively impact student intention.

The improvements introduced the previous year alongside a web site refresh, TV and radio marketing campaigns and country and programme specific advertising have resulted in us receiving the highest number of applications ever. From early in the lock down we sent out a clear message to students that it would be possible to study the whole year on-line with academic led lectures and seminars supplemented by optional on-site activity where circumstances allowed. Recent activities have focussed on conversion to enrolments.

Enrolment for 2020/21 has been strong and the risk will be reduced at the next review point. However, it is likely that student recruitment will remain our highest risk for a number of years to come.

- Financial sustainability

Gross risk 20.25, residual risk 12.25 (2019/20: gross risk 18.00; residual risk 12.25)

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 were developed which aimed 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 (before the impact of the pandemic) 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 focused on efforts to rebuild through the Recovery Programme projects including Degree with Foundation Year, Access to postgraduate taught programmes, digital provision, international programmes and short courses/CPD, and the recommendations of the Student Experience Review.

Our strategy for reducing costs has led to a revised budget setting process based on centrally agreed instructions rather than relying on amalgamating local plans. Around £3.0 million in staff costs were saved following a Voluntary Severance and Early Retirement scheme in the first half of 2019.

The pandemic has of course impacted on our recovery plans – student income in 2020/21 was uncertain when the risk was reviewed and our ability to continue to reduce staff costs during a period of enforced remote working has been curtailed. Despite this, we have continued to focus on recovery as well as the immediate issues associated with dealing with the virus. Our management accounts have been adapted to separate underlying business from the financial impact of the virus. Our financial forecasts will be reviewed over the coming months and no doubt our plans will need to be adapted to reflect the changed circumstances. We will ensure, however, that the principles behind our recovery plan will remain to ensure that the College can quickly return to a financially sustainable position in a post-Covid 19, post-Brexit environment.

- Cyber and data security

  Gross risk 18.00, residual risk 12.25 (2019/20: gross risk 18.00; residual risk 14.00)

  The score for this risk was raised in 2019/20 due to increased malicious activity seen elsewhere during lockdown. Audit Committee have been focussing on both cyber security and data protection and a number of projects were commenced prior to the pandemic. These included working towards implementing recommendations to improve compliance under GDPR legislation following an internal audit. An experienced IT Security Manager has been appointed. This is likely to remain a significant risk indefinitely due to the adaptability of those looking to breach security arrangements.

To recognise the highly uncertain period we are in due to the pandemic a number of additional groups have been set up to monitor the developing situation and agree on mitigating actions including: a new Covid-19 operations group meets weekly chaired by the College Secretary, The Vice-Chancellor chairs weekly meetings of the Academic Executive Team (which previously met monthly) and senior College staff brief the Chairs of the governing body committees on a regular basis between formal meetings. Other College committees such as the Health & Safety Committee have also been meeting more frequently. Formal reports on our pandemic responses, future plans and the possible impact on our financial, academic and research position are reported through the Strategic Planning Committee to Governors.

Brexit, the fluid political environment and the affordability/sustainability of the Universities Superannuation Scheme are each risks with significantly uncertain outcomes which could have a detrimental impact on the College in the future. We are unable to actively mitigate these risks and can only lobby government or contribute to sector-wide consultations. Nevertheless, reports

on the possible impact on the College and associated risks are routinely prepared and discussed at Strategic Planning Committee and with Governors.

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.

STRATEGIC REVIEW (continued)

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:

	2017/18	2018/19	2019/20
Research income (£’000)	12,941	8,839	8,411
Income as a percentage of total income	11.9%	8.4%	7.7%

Table 8: 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.

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 predominantly delivers 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 introduced a foundation year in 2017/18 to provide non-traditional students with a route into our undergraduate programmes – an outcome that they may not previously have been able to achieve. We remain committed to driving this agenda in the higher education sector.

STRATEGIC REVIEW (continued)

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).

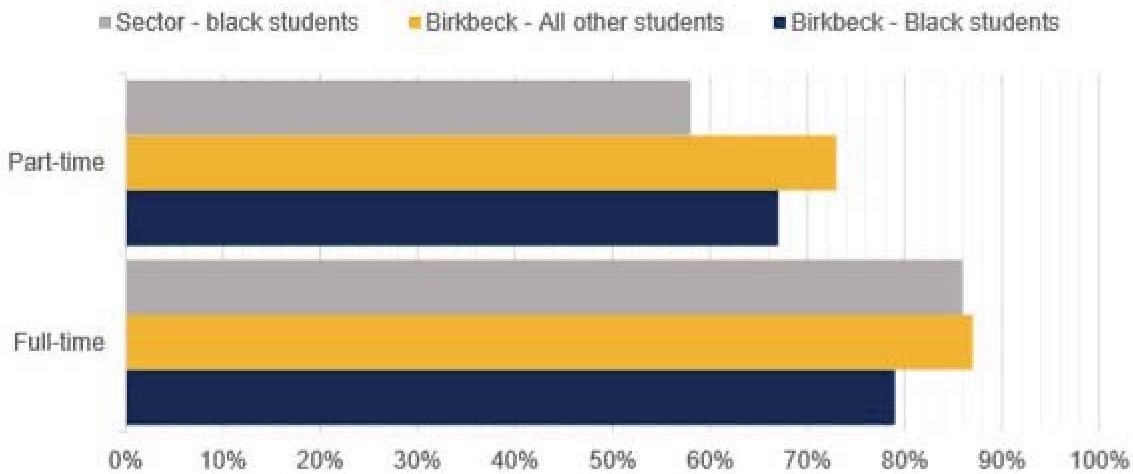


Chart 11: Continuation rates

STRATEGIC REVIEW (continued)

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

According to a report and database recently published by Birkbeck and funded by the Arts and Humanities Research Council, the museum sector in the UK has more than tripled in size since 1960, with numbers increasing from 1,052 in 1960 to 3,314 in 2015. The large-scale research project documented and analysed the growth and development of the UK museum sector between 1960 and 2020.

Expansion was mainly driven by the foundation of independent museums: since 1960, their numbers have more than quadrupled and, as of 2017, independent museums made up 71.5% of the sector. The majority of the new museums are also small (defined as having fewer than 10,000 annual visits), and now make up 56% of the sector. The rising numbers of small independent museums point to the role of community and special interest groups in driving the museums boom. These groups set up their own museums that address topics important to them. The surge of local history museums is notable in this respect as they now account for almost a quarter of the UK sector.

In 2016 the number of closures outpaced the number of openings for the first time and since then the sector has contracted. In total, 758 museums closed between 1960 and 2017, which is 18.7% of the museums open during this period. In particular, the growth in the number of local authority museums slowed from the 1990s onwards. The assumption that museums survive and that they keep collections for posterity is misplaced. The project director, Professor Fiona Candlin, Professor of Museology at Birkbeck, hopes that the research will shape the design of policy and how we set about further research on the sector in the future

A free to use database containing information on over 4,000 museums, resources linked to the project and links to the project publications can be found on the Mapping Museums website.

The advancement of environmental protection or improvement

Research led by Birkbeck’s Dr James Hammond indicates the presence of molten rock beneath the Changbaishan/Mt. Paektu volcano, which was responsible for one of the largest volcanic eruptions in known history - the ‘Millenium Eruption’ of 946 CE. The volcano sits in the China/Korean peninsula. This study was the first cross-border study of the region, and therefore represents a unique scholarly collaboration between the UK, China and the Democratic People’s Republic of Korea (DPRK). Using data from both China and DPRK, Dr Hammond and his colleagues from Beijing, Pyongyang and Cambridge examined the crustal structure underneath the volcano. They found a sharp velocity reduction approximately 7km beneath the volcano, extending approximately 30km from the volcano’s base. This suggests the presence of molten rock beneath the base of the mountain showing the volcano to still be active.

This new evidence of an active magmatic system highlights the importance of sustained operational surveillance going forward. Monitoring the volcano and the surrounding region together with detailed study of past eruptions is vital in order to understand and predict its activity, including the risk of future eruptions.

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

A report authored by Catherine Heard, Director of Birkbeck's Institute for Crime & Justice Policy Research (ICPR)'s World Prison Research Programme, and Research Fellow Helen Fair has found that the misuse of pre-trial imprisonment is a major, but preventable, cause of prison overcrowding; and a severe infringement of fundamental rights. It causes economic and social harm, puts pressure on prison conditions and increases the risk of crime. Pre-trial detention statistics held on ICPR's World Prison Brief database showed that, since 2000, pre-trial prison populations had grown substantially across much of the world. This is despite increased availability of cheaper, less restrictive measures like electronic monitoring. The research included analysis of national legal systems followed by interviews with 60 experienced criminal defence lawyers across ten countries.

The research identified a number of issues including that people from backgrounds of disadvantage are more likely to be arrested, often don't have money to pay bail, are less likely to have good legal representation – and for these reasons, are more likely to be detained pre-trial. Aspects of the wider criminal justice 'machinery' are also part of the picture: under-resourced police and prosecution services that can't investigate quickly and effectively; inadequate legal aid; lack of judges and court staff; unmodernised court infrastructure and technology; too few alternatives to custody. All these factors lead to misuse and prolongation of pre-trial imprisonment.

The authors hope that governments will address the issues including using cheaper and less restrictive means to ensure that someone turns up to court.

The advancement of health or the saving of lives

Supported by funding from the Wellcome Trust a seven-year, multi-centre research study has shed new light on how a painkiller commonly used by vets for cats and dogs could be repurposed to fight drug resistant tuberculosis (TB). The drug, Carprofen, is a non-steroidal anti-inflammatory drug (NSAID) in the same group of painkillers as ibuprofen and aspirin and was first found to kill the bacteria responsible for TB in research led by Professor Sanjib Bhakta, Professor of

Molecular Microbiology and Biochemistry, at Birkbeck in 2013. The new study, which has seen Professor Bhakta working alongside scientists from five different research centres, has revealed that the drug most likely works by inhibiting the 'efflux mechanisms' that protect bacteria from substances that harm them.

The research also found that it is not possible to generate bacteria that are resistant to Carprofen and that it most likely kills Mycobacterium tuberculosis through multiple routes. In addition, it found that Carprofen can reverse antimicrobial drug resistance in TB. These important findings offer the promise that, when used in combination with other drugs, Carprofen may prove effective in the fight against both TB and importantly, drug-resistant TB, which can occur when the bacteria become resistant to the two most powerful antibiotics used to treat it.

Every year worldwide over 10 million people are diagnosed with TB, and 1.6 million die of the disease, mainly because they cannot get the drugs that would make them better.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

This Statement of Corporate Governance and Internal Control relates to the financial year ending 31 July 2020 and the period leading up to the approval of the financial statements on 26 November 2020.

Birkbeck College is a chartered Higher Education institution and a College of the University of London. Its legal status derives from a Royal Charter granted in 1926. It is an educational charity with exempt status, regulated by the Office for Students. The College has charitable purposes and applies them for the public benefit. Its objectives, powers and governance framework are set out in its Charter and Statutes and Standing Orders.

The College has a public interest duty to conduct its affairs in a transparent and responsible way, in accordance with the Nolan principles, to meet the regulatory requirements of relevant statutory bodies. Birkbeck complies with the Higher Education Code of Governance published by the Committee for University Chairs.

In accordance with the Charter and Statutes, the governing body is responsible for exercising the powers of the College. The governing body has oversight of the College's affairs and is responsible for ensuring effective operation, management and internal control. Governors review this statement of corporate governance and internal control arrangements annually and it is published as part of the Financial Statements.

Leadership

The Vice-Chancellor is the College’s Chief Executive and principal academic officer. The Vice-Chancellor is also the Accountable Officer for the purposes of the Higher Education and Research Act 2017.

The governing body has delegated authority to the Vice-Chancellor for the academic, corporate, strategic and financial management of the College. The Vice-Chancellor is a member of the governing body and chair of the Academic Board. The Vice-Chancellor also chairs the College Strategic Planning Committee, comprising senior academic and professional service members, which functions as the College’s Executive Board.

Governance

Governing body

The governing body of the College, known as Governors, is also its board of charitable trustees, and is responsible for the strategic development and overall achievement of Birkbeck’s mission and purposes and for all areas of its operation. It comprises independent members, students, alumni and employees appointed under the Statutes of the College, the majority of whom are non-executive. The Vice-Chancellor and Deputy Vice-Chancellor are Governors ex officio. Students, staff and alumni are elected. There is a majority of independent members appointed by the Nominations Committee, which includes the Chair and Deputy Chair of the Governing Body.

Governors provide a register of interests and a declaration that they are fit and proper persons.

The Clerk to the Governors is appointed by, and responsible to, the Governors for the operation and conduct of Birkbeck’s governance structures, ensuring effective processes are in place to provide assurance and to ensure compliance with the Charter and Statutes and external regulatory and legal requirements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The powers and functions of the Governors are set out in the Charter and Statutes. The matters specially reserved to the Governors for decision are set out in the Charter and Statutes and the Governors' Statement of Primary Responsibility. They include:

- approval and monitoring of major strategic initiatives;
- approval of the annual budget, financial forecasts and the annual audited accounts;
- compliance with the Office for Students' ongoing conditions of registration and terms and conditions of funding;
- confirming assurance of regularity and propriety in the use of public funding;
- appointment of the Vice-Chancellor, Clerk to the Governors, internal and external auditors and independent governors;
- review of governing body effectiveness.

Powers delegated by Governors to other bodies and individuals are also defined in the Governors' Statement of Primary Responsibility.

Governors' Committees

The Governing Body has several Governors' committees, including Finance and General Purposes Committee, Audit Committee, Nominations Committee and Strategic Estates and Infrastructure Committee. All of these committees make formal reports to Governors and have terms of reference approved by Governors.

Finance and General Purposes Committee

The Finance and General Purposes Committee (F&GPC) is responsible for advising Governors on all matters relating to the finances of the College. It reviews and recommends to the Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews and recommends to Governors the financial regulations and financial policies that are applied to management. It reviews the annual financial statements and considers financial strategy.

F&GPC has established an Investment Committee to be responsible for the College investments on behalf of F&GPC.

Currently four further committees report to F&GPC with Terms of Reference which are approved by F&GPC. They are:

- Human Resources and Strategy Committee;
- (Student) Recruitment, Outreach and Access Committee;
- Equality and Diversity Committee;
- Health and Safety Committee.

Audit Committee

The Audit Committee is constituted in line with guidance issued by the Committee of University Chairs and comprises wholly independent members namely independent Governors and an external co-optee with special expertise. Senior College executives attend meetings but are not members. The External and Internal Auditors have independent access to the Audit Committee, and vice versa.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The remit of the Audit Committee includes:

- Making recommendations to the governing body on the appointment of the External and Internal Auditors;
- Meeting with the External Auditors to discuss their audit findings, and reviewing and approving the audit aspects of the annual financial statements, providing Governors with its own opinions based on the information available to it;
- Approving and keeping under review the annual internal audit plan;
- Considering internal audit reports and their recommendations for improvement of the College's systems of internal control, reviewing management responses to internal audit reports and monitoring implementation of their recommendations;
- Satisfying itself and assuring the Governors that satisfactory arrangements are in place to promote economy, efficiency and effectiveness thereby securing value for money;
- Assessing compliance with external funding and regulatory bodies.

The Audit Committee's role in relation to risk oversight and assurance is set out below.

Nominations Committee

The Nominations Committee considers nominations for independent governor vacancies and the membership of the Governors' 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. Nominations Committee also considers issues of succession planning and diversity within the Governing Body, and confirms the appointment of the Chair and Deputy Chair of Governors annually.

Strategic Estates and Infrastructure Committee

The Strategic Estates and Infrastructure Committee (SEIC) is responsible for overseeing and advising Governors on the development and ongoing review of the College's estates and infrastructure strategy, in the context of the College's overall plan and strategic objectives, It advises Governors, in conjunction with F&GPC, on the College's property portfolio and the acquisition and disposal of property and leases; and on proposals for, and subsequent monitoring of, major and College-level estates, infrastructure and equipment projects. SEIC reports to Governors, but for business with budget or financial strategy implications, it does so via F&GPC.

Remuneration Committee

Remuneration Committee develops and has oversight of an overall framework to cover the remuneration, benefits and conditions of employment of the staff of the College. It considers the remuneration, benefits and conditions of employment of the College's senior academic executive team and the remuneration, benefits and conditions of employment of other members of staff with senior management roles on salaries of more than £100,000 (full time equivalent), making an annual report to the Governors. The Committee's terms of reference have been reviewed to ensure compliance with the CUC's Remuneration Code. The Committee's membership is wholly independent and does not include any College staff.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Strategic Planning Committee

The Strategic Planning Committee (SPC) is chaired by the Vice-Chancellor and consists of College officers with strategic management responsibility. Its remit is to act as the College's Executive Committee responsible for its effective and successful operation. SPC considers College-wide strategic issues and priorities and advises 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.

Academic Board and Academic Board Executive Committee

Under the College Statutes Governors have oversight and responsibility for all the College's activities, but must consider the advice of the Academic Board on all academic matters. Academic Board is responsible to the Governing Body for the academic work of the College and reports termly on the business it has considered. The Academic Board is chaired by the Vice-Chancellor and has a membership of more than 150 drawn from academic and Library staff and the students of the College. To increase the effectiveness of its decision making, it has established the Academic Board Executive Committee (ABExCo) as its steering committee. ABExCo is also chaired by the Vice-Chancellor, whose members include the Deputy and Pro Vice-Chancellors, the Executive Deans of the academic Schools and the academic staff and student Governors, all of whom are also members of the full Academic Board.

The membership of all of the above committees during the year is shown on pages 4-7

Statement of internal control

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of Birkbeck's strategies, policies, aims and objectives whilst safeguarding the public and external funds for which we are responsible, in accordance with the responsibilities assigned to the governing body in the College Charter and Statutes and the public interest governance principles set out in the regulatory framework for Higher Education in England.

The system of internal control includes arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities. It is designed to manage rather than eliminate the risk of failure to fulfil strategies, policies, aims and objectives and safeguard public funds, and can provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically. The process is regularly reviewed by Governors and accords with the principles in the Committee of University Chairs' HE Code of Governance.

Birkbeck manages risks through a Risk Register, which is reviewed each term by the College Risk Management Group reporting to Strategic Planning Committee, and the Audit Committee reporting to Governors. The College's Risk Management Policy is reviewed annually by the Risk Management Group and Audit Committee reporting to Governors.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The following processes have been established:

- The performance and strategic direction of Birkbeck is specifically considered each year by the Strategic Planning Committee and the Governors at annual extended strategic meetings;

- Governors agree and annually review Key Performance Indicators linked to strategic objectives and risks;

- Governors receive termly and annual reports from the Audit Committee concerning internal control and risk management;

- Audit Committee receives regular reports from the Internal Auditor, which include an independent opinion on the adequacy and effectiveness of Birkbeck's system of internal control, together with recommendations for improvement. Audit Committee may also request additional reports to gain assurance from other parties on areas of concern;

- A risk prioritisation methodology based on assessment of likelihood and impact has been established. The Risk Register covers corporate level risks, including ability to fulfil Birkbeck's aims and objectives and ability to continue to comply with its conditions of registration with the Office for Students;

- Audit Committee receives regular reports from the College Risk Management Group, on action taken to mitigate the risks and the impact of that action and on changes to the risk profile including new risks;

- The College Ethics Committee makes an annual report to Audit Committee on its operation, and also reports and provides assurance to Academic Board on ethical matters related to research activities;

- There are comprehensive Financial Regulations, detailing financial controls and procedures, approved by Governors on the advice of the Audit Committee and Finance and General Purposes Committee;

- 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. 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 reviewed its effectiveness in 2013/14. 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 had started his term of office. Due to the unexpected global pandemic and the impact of the national lockdown on the College's student services and operations, the review was postponed temporarily. A decision will be made on taking this forward in the new academic session 2020/21;

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

- Institution level collaborations are overseen by the College Collaborations Approval Panel which reports to Strategic Planning Committee;

- Governors review annually their Statement of Primary Responsibility which covers responsibilities reserved to Governors and responsibilities delegated to committees or to the Vice-Chancellor.

There have been no significant internal control weaknesses or failures during this reporting period. This statement is based on the information provided to Governors in the regular reports on internal audit and risk management.

Governors have appointed a professional independent Internal Audit Service whose annual programme is approved by the Audit Committee. The 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.

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.

Governors have appointed a professional external audit service to assess and report on whether:

- the financial statements of the College give a true and fair picture of the state of its affairs and of its income and expenditure, gains and losses and cashflow for the financial year;
- the financial statements have been prepared in accordance with relevant accounting standards including the Office for Students' Accounts Direction;
- external grants and income for specific purposes have been properly applied to those purposes and managed appropriately;
- Income has been applied in accordance with the Office for Students' Terms and Conditions and the College Financial Regulations.

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

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 2020 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 2020 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; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 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 Annual Report and Financial Statements, 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 Report and Statement of Corporate Governance and Internal

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

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

We have nothing to report in 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 high education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS, UK Research and Innovation (including Research England), have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- The College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the governors'

As explained more fully in the governors' responsibilities statement set out on page 46-51 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.

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

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 University have been properly applied only for the purposes for which they were received and whether income has 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 and 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

Date: 30 November 2020

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

Consolidated and College Statement of Comprehensive Income and Expenditure for the year ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated	College	Consolidated	College
		£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	72,424	72,424	68,650	68,650
Funding body grants	2	16,522	16,522	16,514	16,514
Research grants and contracts	3	8,412	8,412	8,839	8,839
Other income	4	8,357	8,357	9,083	9,083
Investment income	5	673	1,039	836	919
Total income before donations and endowments		106,388	106,754	103,922	104,006
Donations and endowments	6	2,319	2,319	1,500	1,500
Total income		108,707	109,073	105,422	105,506
Expenditure					
Staff costs - Annual remuneration	7	73,942	73,942	73,313	73,313
Staff costs - Restructuring	7	299	299	3,308	3,308
Staff costs - (Decrease)/increase in pension liability	7	(14,884)	(14,884)	20,481	20,481
Other operating expenses		26,982	26,958	33,872	33,503
Depreciation & amortisation	11	3,285	3,285	3,237	3,237
Interest and other finance costs	8	503	503	243	243
Total expenditure	9	90,127	90,103	134,454	134,085
Surplus/(deficit) before other gains and losses		18,580	18,970	(29,032)	(28,579)
Gain on disposal of tangible fixed assets	11	-	-	598	598
Gain on investments	13	397	397	1,198	1,198
Surplus/(deficit) before tax		18,977	19,367	(27,236)	(26,783)
Total comprehensive income/(expenditure) for the year		18,977	19,367	(27,236)	(26,783)
Represented by:					
Endowment comprehensive income for year		601	601	277	278
Restricted comprehensive expenditure for year		25	25	(361)	(361)
Unrestricted comprehensive income/(expenditure) for year		18,072	18,462	(28,117)	(27,665)
Revaluation reserve comprehensive income for year		279	279	965	965
		18,977	19,367	(27,236)	(26,783)

All items of income and expenditure relate to continuing activities.

Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2020

Consolidated	Income and expenditure account				
	Endowment	Restricted	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2018	**8,162**	**1,845**	**84,423**	**2,657**	**97,088**
Deficit from the income and expenditure statement	1,001	102	(29,304)	965	**(27,236)**
Release of restricted funds spent during the year	(724)	(463)	1,187	-	**-**
Total comprehensive expenditure for the year	277	(361)	(28,117)	965	**(27,236)**
Balance at 1 August 2019	**8,440**	**1,484**	**56,306**	**3,622**	**69,852**
Surplus from the income and expenditure statement	1,371	164	17,163	279	**18,977**
Release of restricted funds spent during the year	(770)	(139)	909	-	**-**
Total comprehensive income for the year	601	25	18,072	279	**18,977**
Balance at 31 July 2020	**9,041**	**1,509**	**74,378**	**3,901**	**88,829**

Consolidated and College Statement of Changes in Reserves (continued)
for the year ended 31 July 2020

College	Income and expenditure account				
	Endowment	Restricted	Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2018	**8,162**	**1,845**	**84,423**	**2,657**	**97,088**
Deficit 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 expenditure for the year	278	(361)	(27,665)	965	**(26,783)**
Balance at 1 August 2019	**8,440**	**1,484**	**56,758**	**3,622**	**70,304**
Surplus from the income and expenditure statement	1,371	164	17,553	279	**19,367**
Release of restricted funds spent during the year	(770)	(139)	909	-	-
Total comprehensive income for the year	601	25	18,462	279	**19,367**
Balance at 31 July 2020	**9,041**	**1,509**	**75,220**	**3,901**	**89,671**

Consolidated and College Statement of Financial Position for the year ended 31 July 2020

	Notes	As at 31 July 2020 Consolidated £'000	As at 31 July 2020 College £'000	As at 31 July 2019 Consolidated £'000	As at 31 July 2019 College £'000
Non-current assets					
Intangible assets	10	1,587	1,587	1,867	1,867
Fixed assets	11	90,998	64,417	81,675	60,498
Heritage assets	12	353	353	352	352
Investments	13	19,692	35,309	19,011	34,629
		112,630	101,666	102,905	97,346
Current assets					
Trade and other receivables	14	17,757	29,239	16,833	22,588
Investments	20	1,051	1,051	25,407	25,407
Cash and cash equivalents	21	39,567	39,567	23,310	23,307
		58,375	69,857	65,550	71,302
Creditors: amounts falling due within one year	15	(32,512)	(32,188)	(30,875)	(30,616)
Net current assets		25,863	37,669	34,675	40,686
Total assets less current liabilities		138,493	139,335	137,580	138,032
Creditors: amounts falling due after one year	16	(32,709)	(32,709)	(33,252)	(33,252)
Provisions					
Pension provision	17	(16,792)	(16,792)	(31,845)	(31,845)
Other provisions	17	(163)	(163)	(2,631)	(2,631)
Total net assets		88,829	89,671	69,852	70,304
Restricted reserves					
Income and expenditure reserve - endowments	18	9,041	9,041	8,440	8,440
Income and expenditure reserve - restricted	19	1,509	1,509	1,484	1,484
Unrestricted reserves					
Income and expenditure reserve - unrestricted		74,378	75,220	56,306	56,758
Revaluation reserve		3,901	3,901	3,622	3,622
Total reserves		88,829	89,671	69,852	70,304

The financial statements were approved by Governors on 26 November 2020 and were signed on its behalf by:

Sir Andrew Cahn	Professor David Latchman	Mr Keith Willett
Chair of Governors	Vice Chancellor	Director of Finance

Consolidated Statement of Cash Flows
for the year ended 31 July 2020

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		18,977	(27,236)
Adjustment for non-cash items			
Depreciation and amortisation	10, 11	3,285	3,237
Gain on investments	13	(397)	(1,198)
Decrease in stock		-	23
(Increase)/decrease in debtors	14	(923)	101
(Decrease)/increase in creditors	15	157	3,059
(Decrease)/increase in pension provision	17	(15,054)	20,718
(Decrease)/increase in other provisions	17	(2,468)	2,240
Adjustment for investing or financing activities			
Investment income	5	(499)	(664)
Interest payable	8	503	238
Endowment income	6	(1,178)	(697)
Gain on the sale of tangible fixed assets		-	(598)
Net cash inflow/(outflow) from operating activities		2,403	(777)
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	680
Withdrawal of deposits		24,356	9,848
Investment income		499	664
Payments made to acquire fixed assets		(12,225)	(11,505)
New non-current asset investments		(284)	(264)
Non-current asset investment disposals		-	153
		12,346	(424)
Cash flows from financing activities			
Endowment cash received		1,178	697
Restricted donation cash received		833	1,625
Interest paid		(503)	(238)
		1,508	2,084
Increase in cash and cash equivalents in the year		16,257	883
Cash and cash equivalents at beginning of the year	21	23,310	22,427
Cash and cash equivalents at end of the year	21	39,567	23,310

Statement of Accounting Policies
for the year ended 31 July 2020

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 2019 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).

The College's activities, together with the factors likely to affect future development, performance and position are set out in the Financial Sustainability section of the Strategic Review.

Going Concern

The challenges faced as a result of Covid-19 have been considered in detail through stress testing and consideration of key risks. During the Spring of 2020 not only did we look at our operational plans we also developed financial models to try to understand the short and medium term impact of the pandemic on our finances and our financial sustainability. We developed three scenarios chiefly based on the outcome of recruitment for the academic year 2020/21 and the impact on cash reserves, the details of which are presented on pages 35-37 of the Annual Report.

Due to the better than expected performance of 2019/20, and 2020/21 recruitment to date we do not currently anticipate any going concern issues. Our current forecasts for the year 2020/21 now assume that the negative direct and indirect impact of the pandemic will be around the £2.9 million. We have adjusted our budget to accommodate this and will deliver a breakeven budget as planned prior to the outset of the pandemic.

The College does not have any loans or student residences and having recruited to target there are no material risks. As a consequence, the Governors have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Basis of consolidation

The consolidated financial statements include the College and its subsidiary for the financial year to 31 July 2020. 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 2020 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.

Statement of Accounting Policies (continued)
for the year ended 31 July 2020

3. Income recognition (continued)

Grant funding

Government revenue grants, including OfS teaching and RE research 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.

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 2020

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 2020

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 2020

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. Cash and cash equivalents

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

Statement of Accounting Policies (continued)
for the year ended 31 July 2020

15. 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.

16. 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.

17. 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.

18. 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 based on the USS deficit recovery plan agreed in the 2018 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 2020

		Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
1	**Tuition fees and education contracts**		
	Full-time home and EU students	31,020	28,812
	Full-time international students	9,227	8,280
	Part-time students	30,982	30,264
	Research Training Support Grant	1,195	1,294
		72,424	68,650
2	**Funding body grants - OfS**		
	Recurrent grant		
	Teaching	4,743	5,413
	Research	10,298	9,592
	Specific grants		
	Global Challenges	411	396
	Release of capital grant (Note 17)	1,070	1,114
		16,522	16,514
3	**Research grants and contracts**		
	Research councils	2,839	2,822
	Research charities	3,146	3,538
	UK government	178	28
	Industry and commerce	21	39
	EU government	1,666	1,440
	Other	562	972
		8,412	8,839

The source of grant and fee income, included in notes 1 to 3 is as follows:

Grant and Fee income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Grant income from the OfS	6,225	6,922
Grant income from other bodies	18,710	18,431
Fee income for taught awards (exclusive of Vat)	68,117	64,313
Fee income for research awards (exclusive of Vat)	2,587	2,958
Fee income from non-qualifying courses (exclusive of Vat)	1,609	1,394
	97,248	94,018

Notes to the Accounts (continued)
for the year ended 31 July 2020

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
4 Other income				
Lettings	2,936	2,936	3,437	3,437
Catering and conferences	899	899	1,404	1,404
Other revenue grants	941	941	816	816
Other income	3,581	3,581	3,426	3,426
	8,357	8,357	9,083	9,083

Other income above includes £350,000 of income from the government Coronavirus Job Retention Scheme (CJRS).

5 Investment income

Investment income on endowments	98	98	120	120
Other investment income	575	941	716	799
	673	1,039	836	919

6 Donations and endowments

New endowments	1,178	1,178	697	697
Donations with restrictions	164	164	102	102
Unrestricted donations	977	977	701	701
	2,319	2,319	1,500	1,500

Notes to the Accounts (continued)
for the year ended 31 July 2020

7 Staff costs

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Salaries - annual remuneration	58,260	58,428
Social security costs	5,559	5,610
Other pension costs	10,123	9,277
Sub-total	73,942	73,315
VSER restructuring	299	3,308
Movement on pension provision	(14,884)	20,481
	59,357	97,104

Average staff numbers by category :

	Number	Number
Academic	464	467
Research	102	105
Technical	19	19
Professional and Support	598	595
	1,183	1,186

	£	£
Emoluments of the Vice Chancellor of the College:		
Salary	348,552	342,389
Pension contributions to USS	7,029	7,190
Alternate pension contribution	30,289	29,754
	385,870	379,333

Along with all other staff of the College, the Vice Chancellor received the national pay award of 1.8% from August 2019. The cost of living salary increases for all staff are determined by national pay negotiations for all universities. The governing body have no involvement in determining staff salaries.

The Governors agreed alternate pension arrangements for the Vice Chancellor in 2016/17. The College contributes 2.0% (2.1% to August 2019) of salary towards the USS pension deficit - the same percentage as for all members of the scheme.

The Vice Chancellor's basic salary is 9.0 times (2018/19: 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 Vice Chancellor's total remuneration is 8.3 times (2018/19: 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.

Notes to the Accounts (continued)
for the year ended 31 July 2020

7 Staff costs (continued)

Remuneration of the Vice Chancellor

The Vice Chancellor'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 Vice Chancellor'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 Vice Chancellor 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

Process

The panel reviews the remuneration of the Vice Chancellor 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 Vice Chancellor'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 Vice Chancellor 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. It was noted that the Vice-Chancellor had not made an application for any increase in remuneration in respect of the academic year 2018/19. The Vice Chancellor'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 Vice Chancellor's role in delivering this change, operating in a long-standing, collegial environment and building the widest base of support amongst students, staff, stakeholders and funders, has been vital to the viability and success of the College.

Notes to the Accounts (continued)
for the year ended 31 July 2020

7 Staff costs (continued)

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

	Number	Number
£100,000 to £104,999	**6**	3
£105,000 to £109,999	**3**	
£110,000 to £114,999	**1**	2
£115,000 to £119,999	**4**	2
£120,000 to £124,999	**1**	3
£130,000 to £134,999	**1**	
£135,000 to £139,999		2
£140,000 to £144,999	**1**	
£150,000 to £154,999	**1**	1
£170,000 to £174,999		1
£175,000 to £179,999	**1**	
£275,000 to £279,000	**1**	
£280,000 to £284,999		1
	20	15

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 2020 £'000	Year ended 31 July 2019 £'000
Key management personnel pay plus employer's pension	**2,107**	2,075

Key management personnel compensation

The Remuneration Committee took the decision that the 2019/20 pay review processes for: Senior College post holders – the Vice Chancellor, Deputy Vice Chancellor, Pro Vice Chancellors, College Secretary and Executive Deans; and, Professorial and Director level Professional Services staff would not run during the 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.

Notes to the Accounts (continued)
for the year ended 31 July 2020

7 Staff costs (continued)

Severance Payments

During the year the Institution undertook further restructuring for 10 employees, £246,000. (2018/19: 91 employees, £3,308 thousand).

All compensation for loss of office in respect of higher paid staff is 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.

Governors

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. Such transactions have been declared under note 26 Related Parties.

No governors received any remuneration or waived payments from the group during the year (2018/19: Nil). Governors who are employees of the College receive no additional remuneration for their services as Governors.

No governors received reimbursement of travel expenses incurred in attending meetings and events in their official capacity during the year (2018/19: Nil).

Notes to the Accounts (continued)
for the year ended 31 July 2020

8 Interest and other finance costs

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Exchange differences	-	-	5	5
Net charge on pension scheme	503	503	238	238
	503	503	243	243

9 Analysis of total expenditure by activity

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Academic and related expenditure	64,006	64,006	68,484	68,484
Administration and professional services	18,368	18,368	21,796	22,341
Premises	14,196	14,172	14,681	13,767
Catering and conferences	1,110	1,110	1,693	1,693
Research grants and contracts	6,828	6,828	7,076	7,076
Change in pension provision (Note 7)	(14,884)	(14,884)	20,481	20,481
Other expenses	503	503	243	243
	90,127	90,103	134,455	134,085

	2020 Group		2019 Group	
Other operating expenses include:				
External auditor - audit services	65		59	
External auditor - non-audit services	-		-	
Internal auditor - audit services	77		28	
Internal auditor - non-audit services	-		9	
Operating lease rentals:				
Land and buildings	691		657	
Other	28		31	
Grant to Birkbeck Students' Union	340		340	

Both internal and external audit service provision was re-tendered at the end of 2018/19. The increase in internal audit fee is as a result of an increased number of days contracted for by Audit Committee.

9a Access and Participation

	Year ended 31 July 2020	
	Group	College
	£'000	£'000
Access investment	532	532
Financial support	821	821
Disability support	632	632
Research and evaluation	150	150
	2,135	2,135

£1,258 thousand of these costs are already included in the overall staff costs figures, see note 7.

Notes to the Accounts (continued)
for the year ended 31 July 2020

9a Access and Particpation (continued)

The Student Experience Review (SER) completed in 2018/19 informs all aspects of our Access and Participation Plan delivery and implementation of the SER enhances the experience of our students to promote student success. This is a multi-year enhancement programme, accelerated in 2019/20, with a strategic focus of reallocating expenditure from financial support to student success as noted in section four of the 2019/20 access and participation plan. The focus of new activities and resources is on improving student retention and student success.

In the 2018/19 academic year we reviewed our student financial support package and replaced the Birkbeck undergraduate bursary scheme with the Birkbeck Needs Based Assessment (BNBA). The Birkbeck undergraduate bursary scheme was a fixed amount given to all students who met the eligibility criteria whereas the BNBA provides support based on need, on a student's application. This review was part of the wider move to invest more in student success and outcomes, and less in student financial support.

The rationale for this change is that:

- the introduction of the student maintenance loan for part-time students meant for the first time most of Birkbeck's undergraduate students had access to funding for living costs. As a result, the blanket application of a bursary to disadvantaged students was no longer appropriate;
- internal research demonstrated financial support had no measurable impact on the retention of students from disadvantaged backgrounds;
- our expenditure on student financial support was significantly above benchmark for the sector. In 2017/18 over half of our access agreement expenditure was on financial support, and our expenditure was 28.4% of additional fee income (benchmark: 22.5%);
- in the context of the SER - a major review of Birkbeck's approach to education for all students – the College decided to invest significantly in student success – i.e. support services for students and interventions to support better outcomes.

The fundamental shift in financial support available (maintenance loans and the introduction of BNBA) introduced considerable uncertainty into modelling both the uptake of BNBA, and the spend per student. The model was based on the Birkbeck bursary scheme and the expectation that most eligible students would apply for the support however the uptake was much lower. This is not linked to eligibility as 90% of students who applied for the support received it.

We see a similar underspend in 2019/20, chiefly due to:

- the access and participation plan for 2019/20 being submitted in May 2018, before the 2018/19 uptake of the BNBA was known;
- recruitment of undergraduate students in 2019/20 being 8% lower than expected;
- the introduction of the part-time maintenance loan by the Government for 2018/19 being significantly delayed (students were only able to apply for the scheme from summer 2018) and the availability of the new loans was not widely publicised by government. This meant that the impact of maintenance loans on demand for the BNBA was not properly understood in 2018/19, and using the 2018/19 experience to model 2019/20 was not appropriate;

Notes to the Accounts (continued)
for the year ended 31 July 2020

9a Access and Particpation (continued)

- the actual access agreement expenditure reported in the Access Agreement 2018/19 Monitoring being 25.67% of higher fee income. Whilst below our predicted access agreement-countable expenditure, this is again above the sector benchmark of 22.5%. As outlined in the 2019/20 Access and Participation Plan, and in line with our strategic focus, the proportion of expenditure directed towards student success has increased and financial support has reduced.

The 2019/20 Access and Participation Plan can be found here

(https://apis.officeforstudents.org.uk/accessplansdownloads/1920/BirkbeckCollege_APP_2019-20_V3_10007760.pdf)

10 Intangible Assets

	Software
	£'000
Cost or valuation	
At 1 August 2019	2,238
Additions	-
At 31 July 2020	**2,238**
Amortisation	
At 1 August 2019	(371)
Charge for the year	(280)
At 31 July 2020	**(651)**
Net book value	
At 31 July 2020	**1,587**
At 31 July 2019	1,867

Notes to the Accounts (continued)
for the year ended 31 July 2020

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 2019	55,259	27,305	16,937	22,926	122,427
Additions	-	11,860	-	467	12,327
Transfers	-	(2,242)	-	2,242	-
At 31 July 2020	**55,259**	**36,923**	**16,937**	**25,635**	**134,754**
Consisting of valuation as at 1 July 2019					-
Cost	55,259	36,923	16,937	25,635	134,754
	55,259	**36,923**	**16,937**	**25,635**	**134,754**
Depreciation					
At 1 August 2019	(19,106)	-	(9,090)	(12,556)	(40,752)
Charge for the year	(596)	-	(726)	(1,683)	(3,005)
At 31 July 2020	**(19,702)**	-	**(9,816)**	**(14,239)**	**(43,757)**
Net book value					
At 31 July 2020	**35,557**	**36,923**	**7,121**	**11,396**	**90,998**
At 31 July 2019	36,152	27,305	7,847	10,370	81,675

Notes to the Accounts (continued)
for the year ended 31 July 2020

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 2019	55,259	6,129	16,937	22,927	101,252
Additions	-	6,455	-	467	6,922
Transfers	-	(2,242)	-	2,242	0
At 31 July 2020	**55,259**	**10,342**	**16,937**	**25,636**	**108,174**
Consisting of valuation as at					
1 July 2019					-
Cost	55,259	10,342	16,937	25,636	108,174
	55,259	**10,342**	**16,937**	**25,636**	**108,174**
Depreciation					
At 1 August 2019	(19,106)	-	(9,090)	(12,556)	(40,752)
Charge for the year	(596)	-	(726)	(1,683)	(3,005)
At 31 July 2020	**(19,702)**	-	**(9,816)**	**(14,239)**	**(43,757)**
Net book value					
At 31 July 2020	**35,557**	**10,342**	**7,121**	**11,397**	**64,417**
At 31 July 2019	36,152	6,129	7,847	10,371	60,500

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 2020 of £7,336,000 (31 July 2019: £7,464,000). 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.

During the year it was decided that two projects at the feasibility stage would not be progressed further. Costs totalling £225,000 have been written back to income and expediture in the year.

Notes to the Accounts (continued)
for the year ended 31 July 2020

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 2020 £'000	Number of Items	Year ended 31 July 2019 £'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	353	162	353

The items with the highest valuation are:

	Year ended 31 July 2020 £'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 2020

13 Non-current investments

	Subsidiary company £'000	Other fixed assets investments £'000	Total £'000
Group			
At 1 August 2019	-	19,011	19,011
Additions	-	284	284
Revaluation	-	397	397
At 31 July 2020	-	19,692	19,692
College			
At 1 August 2019	15,617	19,011	34,628
Additions	-	284	284
Revaluation	-	397	397
At 31 July 2020	15,617	19,692	35,309

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	19,412
Other Listed UK equities	214
CAF Trust Fund	66
At 31 July 2020	19,692

Notes to the Accounts (continued)
for the year ended 31 July 2020

14 Trade and other receivables

Amounts falling due within one year	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Research grants receivables	2,545	2,545	2,543	2,543
Other trade receivables	10,438	10,438	10,153	10,153
Other receivables	128	128	31	31
Prepayments and accrued income	4,506	4,473	3,946	3,946
Amounts owed by subsidiary	-	11,515	-	5,755
Loan to Students' Union	25	25	20	20
	17,642	29,124	16,693	22,448

Amounts falling due after one year	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Loan to Students' Union		
Due between one and two years	25	25
Due between two and five years	90	85
Due in five years or more	-	30
	115	140

15 Creditors : amounts falling due within one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Trade payables	1,437	1,437	1,303	1,303
Social security and other taxation payable	1,518	1,518	1,733	1,574
Accruals and deferred income	29,557	29,233	30,471	30,371
	32,512	32,188	33,507	33,248

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

Research grants received on account	4,163	4,163	4,180	4,180
Grant income	2,302	2,302	1,261	1,261
Other income	11,916	11,916	11,905	11,905
	18,381	18,381	17,346	17,346

Notes to the Accounts (continued)
for the year ended 31 July 2020

16 Creditors : amounts falling due after more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income	32,709	32,709	33,252	33,252
	32,709	32,709	33,252	33,252

The deferred income relates to government capital grants which are transferred to income over the useful economic life of the assets funded.

17 Provisions for liabilities

	Obligation to fund deficit USS pension	Other Provisions	Total Provisions
	£'000	£'000	£'000
Group and College			
At 1 August 2019	31,845	2,631	34,476
Utilised in year	(672)	(2,631)	(3,303)
Additions in 2019/20	(14,381)	163	(14,218)
At 31 July 2020	**16,792**	**163**	**16,955**

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 28.

The adoption of the deficit recovery plan following the 2017 actuarial valuation gave rise to an increase of £11.1 million in the deficit provision at the last year-end. The 2018 actuarial valuation, completed shortly after the 2018/19 year-end, agreed a new deficit recovery plan. This has reduced the provision from £31.9 million to £14.4 million.

See also note 7 in respect of significant one-off pension costs. More details on the 2018 actuarial valuation are set out in note 28.

Other provisions

A provision has been recognised for amounts which may become due to be paid after the year-end. This provision relates to restructuring that took place before the year-end.

Notes to the Accounts (continued)
for the year ended 31 July 2020

18 Endowment Reserves

	Restricted permanent £'000	Unrestricted permanent £'000	Expendable £'000	2020 total £'000	2019 total £'000
Group and College					
Balance at 1 August					
Capital	3,208	1,405	-	**4,613**	4,422
Accumulated income	788	26	3,013	**3,827**	3,740
	3,996	1,431	3,013	**8,440**	8,163
New endowments	18	-	1,160	**1,178**	697
Investment income	60	-	16	**76**	72
Expenditure	(11)	-	(759)	**(770)**	(724)
Increase in market value	68	28	21	**117**	233
Total comprehensive income for the year from endowments	135	28	438	**601**	278
Balance at 31 July	**4,131**	**1,459**	**3,451**	**9,041**	8,440
Represented by					
Capital	3,294	1,433	-	**4,727**	4,613
Accumulated income	837	26	3,451	**4,314**	3,827
	4,131	**1,459**	**3,451**	**9,041**	**8,440**
Analysis by purpose					
Lectureships	67	-	-	**67**	224
Scholarships and bursaries	2,215	-	776	**2,991**	3,417
Research support	-	-	1,960	**1,960**	1,455
Prize funds	248	-	29	**277**	668
General	1,601	1,459	686	**3,746**	2,677
	4,131	**1,459**	**3,451**	**9,041**	8,440
Analysis by asset					
Current and non-current asset investments				**4,505**	4,355
Cash & cash equivalents				**4,536**	4,085
				9,041	**8,440**

Notes to the Accounts (continued)
for the year ended 31 July 2020

19 Restricted reserves

	Unspent capital grants £'000	Donations £'000	**2020 total £'000**	2019 total £'000
Group and College				
New donations	-	164	**164**	102
Expenditure	-	(139)	**(139)**	(463)
Total comprehensive income for the year from restricted reserves	- 2	25	**25**	(361)
Balance at 1 August	100	271	**1,484**	1,845
Balance at 31 July	**100**	**296**	**1,509**	1,484
Analysis by purpose				
Scholarships and bursaries			**460**	464
Research support			**64**	101
Prize funds			**-**	-
Buildings Fund			**681**	681
General			**304**	238
			1,509	1,484

20 Current investments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	**College £'000**	Group £'000	College £'000
Short term deposits	1,051	1,051	25,407	25,407
	1,051	**1,051**	25,407	25,407

During the year funds invested in short term deposits matured. The funds were re-invested shortly after the year-end.

21 Cash and cash equivalents

	Balance at 1 August 2019 £'000	Cash Flows £'000	**Balance at 31 July 2020 £'000**
Group			
Cash and cash equivalents	23,310	16,257	**39,567**
	23,310	16,257	**39,567**
College			
Cash and cash equivalents	23,307	16,260	**39,567**
	23,307	16,260	**39,567**

Notes to the Accounts (continued)
for the year ended 31 July 2020

22 Capital and other commitments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Capital commitments contracted for but not provided for in the accounts	4,464	579	12,168	4,042
Capital commitments not contracted for and not provided for in the accounts	2,049	1,396	8,601	5,264
	6,513	1,975	20,770	9,306

23 Lease obligations

Total rentals payable under operating leases:

	Year ended 31 July 2020			Year ended
	Land & buildings	Other leases	Total	31 July 2019
	£'000	£'000	£'000	£'000
Payable during the year	691	28	719	699
Future minimum lease payments due:				
Not later than 1 year	562	13	575	715
Between 1 and 5 years	324	3	327	1,091
Total future lease payments due	**886**	**16**	**903**	1,806

At the year-end two building leases had expired and renewals were under negotation. Both leases are expected to be renewed shortly after the year-end.

24 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 2020

25 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.

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.

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 2020 are as follows:

Name of related party and relationship	Nature of transaction	Income 2020	Expenditure 2020	Income 2019	Expenditure 2019
		£'000	£'000	£'000	£'000
University of Reading	Research funding	27	-	1	-
Association for Psychosocial Studies	Other Income	-	-	3	-
Health and Care Professionals Council	Other Income	2	-	25	-
The Labour Party	Other Income	25	-	25	-
UCL	Research funding/ Other Income	3,358	977	3,408	1,383

Balances at the year-end were:

Name of related party	Balance due to/(from) Birkbeck at 31 July 2020	Balance due to/(from) Birkbeck at 31 July 2020	Balance due to/(from) Birkbeck at 31 July 2019	Balance due to/(from) Birkbeck at 31 July 2019
The Labour Party	-	-	-	25
UCL	435	-	-	(40)

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 (2018/19: £340,000) was provided to the Union.

In 2018/19 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. The loan outstanding as at 31 July 2020 was £140,000.

At the year-end there was no balance due to the Students' Union (2018/19: £83,000). As at 31 July 2020 a balance of £53,000 was due from the Students' Union (2018/19: Nil)

Notes to the Accounts (continued)
for the year ended 31 July 2020

26 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 2020 £'000	Year ended 31 July 2019 £'000
USS	8,401	7,608
SAUL	1,722	1,669
	10,123	9,277

(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.

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.

Notes to the Accounts (continued)
for the year ended 31 July 2020

26 Pension schemes (continued)

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway. As the valuation has only recently commenced there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit and the level of deficit contribtions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However it is generally anticipated that there will be a significant increase in the deficit provision.

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

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 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

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

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

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

Notes to the Accounts (continued)
for the year ended 31 July 2020

26 Pension schemes (continued)

The current life expectancies on retirement at age 65 are:

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

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%

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%.

The provision figures have been produced using the following assumptions.

	2020	2019
Discount rate	0.73%	1.58%
Pensionable salary growth	0.79%	1.02%

The 2020 deficit recovery liability reflects this plan. 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.

The reduction in the term of the deficit recovery plan agreed in the 2018 valuation has given rise to a substantial reduction in the deficit provision which has decreased from £31.8 million to £16.9 million for this year-end as set out in note 17. £14.9 million of this decrease is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant one-off pension costs/gains.

Employer and employee contribution rates for the scheme during the last two years were:

	Employer	**Employee**
From October 2019	21.1%	9.6%
April - September 2019	19.5%	8.8%
To March 2019	18.0%	8.0%

Notes to the Accounts (continued)
for the year ended 31 July 2020

26 Pension schemes (continued)

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

The College participates in SAUL, which is an independently managed pension scheme for the non academic staff of over 50 colleges and institutions with links to higher education in London. Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings ("CARE") basis. Following a consultation with members the final salary section closed from 31 March 2016 and all members build up benefits on a CARE basis. At the same time that benefits changed, SAUL's employers agreed to increase their ongoing contributions to 16% while the member rate remained at 6%. These rates remain unchanged.

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.

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 actuarial method used in the calculation of Technical Provisions is the Projected Unit Method and is based on pensionable service. 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 funding principles were agreed by the Trustee and employers in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020.

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 valuation carried out as at 31 March 2017 showed that SAUL had assets of £3.2 billion against liabilities of £3.1 billion, representing a funding level of 102% on a Technical Provisions basis. SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. The cost of accrual was 28.7% versus member and employer contributions of 22%, the difference being known as the contribution strain.

SAUL's most recent review undertaken as at 31 March 2019 indicates the scheme's surplus was £104m: equivalent to a funding level of 103% and representing an improvement in the scheme's funding position compared to both the 31 March 2017 valuation and the expected position at 31 March 2019.

The 2020 valuation is underway with the final outcomes to be agreed by 30 June 2021.

Details of the scheme and the 2017 valuation can be found at www.saul.org.uk.