



Bournemouth
University

**Bournemouth University
Higher Education Corporation**



**Report and Financial Statements
for the year ended 31 July 2016**

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Board Members and Advisers

Board Membership at 25 November 2016 (date of formal approval)

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Mr Alistair Brien
Mr Jonathan Clark
Mrs Sheila Collins
Prof Richard Conder (appointed Chair from 9th July 2016)
Ms Annette D'Abreo
Mr Timothy Irish
Mr Stuart Jones (from 1st March 2016)
Mr David Kane (from 1st August 2016)
Mrs Jean Lang
Mr Tim Lee (Deputy Chair)
Dr Fiona McMillan (to 29th February 2016)
Dr Peter Rawlinson
Dr Chris Shaw
Mr David Skinner
Ms Caroline Troy

External auditors

BDO LLP
Arcadia House,
Maritime Walk,
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Hants,
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Board members (internal)

Mr Jim Andrews (Chief Operating Officer)
Mr Daniel Asaya (President Students' Union at Bournemouth University (from 1st August 2016)
Mr Graham Beards (Director of Finance & Performance)
Prof Tim McIntyre-Bhatty (Deputy Vice-Chancellor)
Prof Elizabeth Rosser (Senate Representative)
Ms Chloe Schendel-Wilson (President, Students' Union at Bournemouth University) (to 8th July 2016)
Dr Richard Scullion (Academic Staff) (to 31st July 2016)
Ms Amanda Stevens (Professional & Support Staff)
Prof John Vinney (Vice-Chancellor)

Internal auditors

Kingston City Group
Kingston University
Room 62, Kenry House,
Kingston Hill Campus,
Kingston upon Thames,
KT2 7LB

Report of the Board of Governors

Scope and format of the financial statements

We are pleased to present the University's financial statements for 2016. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited (BUIL), BU Enterprise Ltd and The Bournemouth University Foundation.

Summary of the group financial performance for the year

The University's consolidated income, expenditure and results for the year ended 31 July 2016 are summarised as follows:

	2016	2015
	£'000	£'000
Income	150,485	134,984
Expenditure	148,931	133,666
Surplus for the year	1,554	1,318
Pension adjustment	5,074	3,906
Surplus for the year excluding FRS17 adjustment	6,628	5,224

The new Statement of Recommended Practice (SORP) was approved in 2014 and introduced significant changes to the way the sector reports its financial performance. The changes stem from new accounting principles and reporting formats introduced by the Financial Reporting Council in Financial Reporting Standard 102 (FRS102). The transition arrangements in FRS102 also required institutions to restate their 2014-15 audited financial statements and the opening balance sheet for that year. The restated information appears and has been audited as part of the 2015-16 financial statements.

Bournemouth University (BU) income increased by £15.5m; from £135.0 in 2015, to £150.5 in 2016 whilst expenditure increased by £15.2m; from £133.7m in 2015, to £148.9m in 2016. The surplus excluding the pension adjustment increased from £5.2m in 2015 to £6.6m in 2016.

The pension adjustments arise from those members of staff who are members of the Dorset County Superannuation Scheme (DCSS); essentially the non-academic staff of the University or previous members of staff who receive pension enhancement payments and payments due under the deficit agreement for the Universities Superannuation Scheme (USS). The actuarial deficits on both pension funds increased by a total of £28.2m during the year as detailed in note 17 of the financial statements.

Operating and Financial Review

Introduction

It was a very successful year at BU which saw BU rise in two major university league tables. BU was also recognised in the *Times Higher Education* as one of the world's best young universities. This followed BU's inclusion in the *Times Higher Education* list of the 200 most international universities in the world.

BU was also awarded four stars in the latest worldwide QS University Ranking 2016. The QS Stars audit evaluates an institution against over 50 different indicators and provides students with a wider picture of an institution's qualities, looking at everything from employability of graduates, to sports facilities and internationalisation.

BU attracted record numbers of undergraduate students and welcomed international students to the University and the region with BU's first ever International Commencement Ceremony. The ceremony was attended by 500 students from over 120 different countries.

The overriding financial imperative once again was to strengthen the financial position of the University by generating a surplus, which is essential for ongoing investment in both intellectual capital and the Estates Development Framework (EDF). The EDF is incorporated into the 5 year Financial Plan and has approved capital expenditure of £180.0m.

As part of the on-going EDF, two new buildings have now been completed, the Student Centre which opened in 2015 and a new £22.0m academic building Fusion 1, which was officially opened on our Talbot Campus in September 2016. The state-of-the-art facility includes 27 new seminar rooms, three lecture theatres, research space, a 24 station PC laboratory, rooftop terraces and numerous catering facilities.

Legal status

Bournemouth University is a Higher Education Corporation set up under the Higher & Further Education Act 1992. It was created by an order of the Privy Council dated 26 April 1993 and derives its powers from section 124 of the Education Reform Act 1988. The University is an exempt charity under the terms of Schedule 3 of the Charities Act 2011. Since 1 June 2010 the Higher Education Funding Council for England (HEFCE) has been the 'principal regulator' for Higher Education Institutions (HEIs) in England which are exempt charities.

Mission

Creating the most stimulating, challenging and rewarding university experience in a world-class learning community by sharing our unique fusion of excellent education, research and professional practice and inspiring our students, graduates and staff to enrich the world.



Strategic plan

BU's Vision & Values, "BU2018: Creating, Sharing, Inspiring" is based around six key themes: Creating, Sharing, Inspiring; Finance; People; and Environment. BU's Strategic Plan is innovative and responsive and builds on Bournemouth University's current success, to create a distinctive offer based on academic excellence, underpinned by service excellence. The strategic plan puts students at the heart of the University and encourages them to become co-creators and co-producers of knowledge.

At the heart of the strategic plan is the powerful fusion of research, education and professional practice, creating a unique academic experience where the sum is greater than the component parts. Fusion will be the key differentiator of BU.

The University continues to measure progress against the Strategic Plan 2012-18 through a Performance Management Framework consisting of 14 Key Performance Indicators (KPIs).

Future developments

The Government published the Green Paper "Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice" in November 2015. The paper was designed to boost teaching standards, support more people from disadvantaged backgrounds, and ensure better value for money and employment prospects for students. The paper's proposals included the introduction of a Teaching Excellence Framework (TEF) which would allow universities to increase their tuition fees in line with inflation, based on their awarded level of the TEF, as well as the creation of an Office for Students which would see the merging of HEFCE and the Office for Fair Access.

In May 2016 the Department of Business Innovation and Skills (BIS) issued their White Paper. The White Paper reflected the Green Paper proposals with some important changes.

There is more clarity about the dual funding structure for research and steps to ensure the independence of the new research body - UK Research and Innovation. TEF implementation has been phased so that appropriate metrics can be developed and to allow for a test and learn period.

Under TEF, Government policy is that fee changes linked to teaching excellence, will not be higher than inflation and must not exceed the maximum agreed by Parliament. The Minister of State for Universities and Science announced in June 2016 that the cap will be increased by inflation from 2017-18. However, only institutions that demonstrate high quality teaching by achieving a "meets expectations" rating in the new TEF will be able to increase their fees up to the new cap. The inflation increase on the cap will be 2.8 per cent in 2017-18,



increasing fees to a maximum of £9,250 with associated maximum fee loans also increasing by 2.8% to £9,250 for all new and eligible continuing students. It is also proposed that if a TEF award is reduced, the institution will have to reduce its fees to reflect its reduced TEF status.

In 2016 Britain voted to leave the European Union in an EU Referendum. It will be some time before we have clarity on all the many questions arising from this and BU will continue to review the risks that are raised by these changes. BU has confirmed that we will not change our fees mid-course for our current students or those starting in September 2016. In addition, the Student Loans Company and the Minister for Universities, have now confirmed that EU citizens currently studying in the UK, or starting their courses in September 2016, will continue to receive loans until they finish their courses. The Government has also confirmed that there are no immediate changes to immigration rules affecting EU staff and students working or studying in the UK. The University will be reviewing future developments closely, working with the UK HE sector to ensure that our views are raised with Government over the coming months.

In 2016 BU was pleased to announce plans to develop a Bournemouth Gateway Building for our Faculty of Health & Social Sciences (HSS) at our Lansdowne Campus and a Poole Gateway Building at our Talbot Campus.

The Bournemouth Gateway Building will be developed at the main entrance into Bournemouth and will provide a strong visual gateway to the Lansdowne campus. The new

building will create modern academic accommodation for our students and staff in the Faculty of Health & Social Sciences, which is a major regional training provider for the NHS. It will also be open and accessible to all BU staff, students and the community. The building will provide just under 10,000 square metres of space for the Faculty and the wider BU population and will include a library, catering facilities, social collaborative learning space as well as staff offices, lecture theatres and research facilities.

The proposed Poole Gateway Building will be located at the eastern end of our Talbot Campus, creating a visual gateway to the Campus. It will provide high-quality technical facilities that support undergraduate and postgraduate courses, as well as research. It will include facilities for TV (live and post production), audio studios, sound editing labs, media production spaces, green screen with motion capture suite, PC and Mac laboratories and cross-faculty collaboration spaces. These facilities will be predominately used by the Faculty of Science & Technology and the Faculty of Media & Communication. They will also be used by the Faculty of Management and the wider student body.

The plans also include a new bus hub to serve the campus and wider community, an extension to the park and stride car park to maintain current parking provision for people coming to the University and the creation of a new link road.



Financial strategy

The University Financial Strategy has been developed to help and support the delivery of the University's overall strategic goals and aims as outlined in our Vision and Values BU 2018 strategy. The main aims of the Financial Strategy are the efficient use of resources to secure key and strategic priorities and ensuring overall financial sustainability by embedding value for money, increasing productive capacity and ensuring that development and investment is focused on delivering our Vision. BU will ensure the financial stability of the University within an agreed financial risk model which defines the controls that the University will operate within.



Financial performance indicators

Financial Performance Indicators 2015-16	2015-16 Actual	BU 2018 Target
Current Ratio (current assets/current liabilities)	0.6:1	1.1:1
Annual contribution as a % of income (excluding pension adjustment)	4.4%	5.0%
Gearing (bank borrowings as a % of total assets less current liabilities)	29.5%	41.0%

The University is on track to reach the BU2018 target contribution. The current ratio for 2016 includes a £10.0m short term loan draw down (see note 12). Excluding the £10.0m loan draw down the current ratio was 0.9:1.

Financial highlights of the year

The University 5 Year Financial Plan was constructed to move the operating surplus upwards to a sustainable +5% rate as a percentage of income. The primary reason for the uplift in the operating surplus was the need to generate additional cash to fund higher levels of capital investment.

Excluding the pension adjustment, the University achieved a surplus of £6.6m. This includes a £5.0m release of capital STEM grant funding to support the construction of a new academic building and a £4.5m cost on the repayment of a finance lease. The STEM grant funding has been released under the Funding Body Grants and the finance lease termination cost has been treated as an exceptional finance cost.

The increase in fees and education contracts of 11% is mainly due to the benefit of increased student numbers and all home and EU students paying the £9k fee. Total student numbers increased from 17,073 in 2015 to 18,338 in 2016.

The University's student numbers can be analysed by undergraduate (UG), postgraduate taught (PGT) and postgraduate research (PGR) as follows.

	2016				2015				
	UG	PGT	PGR	TOTAL	UG	PGT	PGR	TOTAL	
Full-time	12,426	1,212	371	14,009	Full-time	11,820	1,078	311	13,209
Part-time	2,322	1,797	210	4,329	Part-time	2,471	1,222	171	3,864
TOTAL	14,748	3,009	581	18,338	TOTAL	14,291	2,300	482	17,073

Research income increased by 28% whilst other operating income increased by 3%.

The University's income can be analysed as follows.

	2016 £'000	2015 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Funding Body Grants	16,608	14,388	2,220	15%
Tuition fees and education contracts	113,616	102,025	11,591	11%
Research grants and education contracts	4,647	3,639	1,008	28%
Other operating income	15,205	14,710	495	3%
Endowment and investment income	409	222	187	84%
Total income	150,485	134,984	15,501	11%

The increase in staff costs of 12% is predominately due to the full year effect of the investment in academic staff in 2014-15 and an increase in the income and expenditure pension adjustment charge. Depreciation increased by 7% due to the capital investment programme whilst other operating expenses increased by 5%. The termination of a finance lease in August 2015 resulted in a reduction in interest payable of 15%. The exceptional item relates to an early termination cost on the repayment of a finance lease.

The University's expenditure can be analysed as follows

	2016 £'000	2015 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Staff costs	76,207	68,006	8,201	12%
Depreciation	9,323	8,686	637	7%
Other operating expenses	55,574	53,081	2,493	5%
Interest payable	3,307	3,893	(586)	(15%)
Exceptional item (note 20)	4,520	-	4,520	-
Total expenditure	148,931	133,666	15,265	11%



Balance sheet

BU continued to invest in refreshing, renewing and expanding estate and equipment resulting in an increase in fixed assets of £12.8m and a reduction in cash and cash equivalents of £7.7m. The University's LGPS pension scheme recorded a significant deficit increase with actuarial losses of £28.1m. The actuarial loss was due to a fall in corporate bond yields over the period, particularly following Britain's decision to leave the EU. The increase in creditors due within one year is predominately due to a £10.0m draw down on the University's revolving credit facility on a three month interest rate period. The reduction in creditors falling due in more than one year is the result of the repayment of a finance lease in year of £8.5m.

Cash flow, liquidity and treasury management

Cash and cash equivalents decreased by £7.7m due to continued investment in capital projects. Capital expenditure in year was £22.4m. Long term debt reduced by £8.5m due to the capital repayment on the finance lease.

Capital investment

In HEFCE's latest annual review of university and college finances, the sector invested substantially in its capital infrastructure in 2014-15. At £3.6 billion, this investment represents an increase of 9 per cent compared with the previous year. To fund this level of investment, the sector used £1.1 billion from its own cash reserves and borrowed an additional £1.4 billion.

At BU the University continued to invest in buildings and equipment with £22.4m invested in capital projects during 2015-16. Highlights include:

- A £3.2m land purchase to enable the development of a Bournemouth Gateway Building for our Faculty of Health & Social Sciences (HSS) at our Lansdowne Campus
- The completion of our £22.0m new academic building on our Talbot Campus, The Fusion Building
- Continued investment to standardise audio visual equipment across the University
- Continued investment in communication service enhancements.

Principal risks and uncertainties

The University Board has identified a number of high level risks that it monitors on a regular basis. The BU Risk Register is reviewed by the Risk Management Steering Group and the University Leadership Team before submission to the Audit, Risk and Governance Committee. The University Board also receives the Risk Register, including details of mitigating action, as part of the report from each Audit, Risk and Governance Committee meeting. Significant risks are prioritised for action by the University Executive Team and that action and progress against it is reported.

The University has identified the following significant risks:

- The impact of the UK withdrawing from the European Union may result in a reduction in student recruitment and EU research funding. Academic and industrial partnerships could decline and have a potential negative impact on staff recruitment.

- The University fails to capitalise on the opportunity to re-profile and exploit the BU reputation under changing student market conditions as per BU2018. This may result in the University being unable to attract high quality applicants and failure to deliver on the BU2018 vision.

Stakeholder relationships

The University recognises the importance of stakeholder relationships and adopts a strategic approach to service excellence, recognising the varied nature of our stakeholder groups and their needs. The University aims to deliver excellent service to all stakeholders, through all our activities at all times.

Research

Research grants and contract income increased by 28% in 2015-16. Research is at the heart of what we do at Bournemouth University and we support our students to get involved as much as possible. Research influences our teaching and professional practice, which enriches our students' learning experiences and means they get to learn about new research as it emerges. We provide many opportunities for students to learn about and get involved in research as we believe it enhances their experience of university, helps shape career choices and gives people a chance to develop valuable skills.

Research from our eight societally driven themes contributes to some of the world's leading academic journals. Co-creation with industry and policy makers, as well as public engagement with other research users, means outputs deliver impact where it is most needed. Whether at a community, national or international level, work from each theme helps a wide range of beneficiaries.

In the Research Excellence Framework (REF) 2014 assessment exercise, 96% of Bournemouth University's research was rated at an international level, with 18% of that deemed to be world leading. This recognised BU's achievement in creating a culture where research can flourish and grow.



The assessment recognised BU as a leading university in both the UK and the South West Region. Tourism was rated as first in the UK based on internationally recognised research. In the South West, Art and Design was ranked first based on world leading research, and Communication, Cultural and Media Studies was rated first based on the impact of research.

Looking to the future, BU will continue to ensure that its focus is on delivering research which makes a difference to the world, be it at community, national or international level. We will endeavour to ensure that our research builds on a legacy of excellence.

Environmental responsibility

The University is aware of the responsibility we have to the world around us and we take it seriously. We are proud of our work to minimise our impact on the environment and we lead initiatives to make our staff and students more aware of the ways they can help us reduce, reuse and recycle. The University has retained Fairtrade Status for 10 years and was ranked 'first class' in the 2015 Green League.

We have implemented an Environmental Management System (EMS) to ensure we manage our significant environmental risks including energy and water use, waste management, transport, building maintenance, construction and refurbishment. This also helps us highlight the positive impacts we make through educating our students about sustainable development and enhancing the biodiversity of our estate. In December 2015, we achieved ISO14001 certification and EcoCampus Platinum. The external audit validated the actions we have taken to manage our activities and ensure continual environmental improvement.

The University's Carbon Management Plan sets out how we are reducing our carbon footprint. Our new buildings: Student Centre and Fusion 1 Building, incorporate many sustainability features, such as photovoltaics, green roofs and LED lighting. Both have achieved the BREEAM (Building Research Establishment Environment Assessment Methodology) 'Excellent' standard and Energy Performance Certificates (EPC) of A, demonstrating an energy efficient design.

The implementation of our Travel Plan has influenced a shift in the commuting habits of our staff and students away from single car occupancy to more sustainable modes of transport, in particular walking and cycling. Our BU Bus service continues to go from strength to strength and we have successfully procured a 10 year contract with 'More' buses which started on 1st August 2016. This will deliver new additional environmentally friendly buses and more services to access our Bournemouth and Poole campuses.

In 2015-16, we introduced a food waste recycling scheme across all academic buildings to increase the proportion of waste we send for recycling. This builds on our Reduce-Reuse-Recycle approach to waste management, where we send zero waste to landfill. Our sustainable procurement policy encourages staff to consider sustainability throughout the purchasing cycle, from purchasing an item through to thinking about its disposal.

We are also concerned about our wider impact on society and have updated our Ethical Investment Policy, taking the decision to divest businesses engaged in fossil fuels. We have signed up to Electronics Watch and the Workers' Rights Consortium to help us make more informed purchasing decisions about who we do business with and how they treat their employees.



At BU, we are implementing a Biodiversity Policy and action plan to maintain and where possible, enhance, habitats on our campuses for our staff, students and wildlife to enjoy. We are using our academic staff expertise to help inform our decisions on grounds maintenance and planting.

As well as making changes to our facilities and infrastructure, we educate our staff and students about ways they can help us to minimise impact on the environment. We have a team of Staff Sustainability Ambassadors as well as a Green Student Taskforce, who help spread these messages across the University. In 2015-16, we teamed up with the National Union of Students to encourage staff (Green Impact) and students (Student Switch-Off in halls) to adopt more sustainable habits.

Diversity and equality

The University is committed to ensuring Bournemouth University is an institution that is open and accessible to all and values people for what they bring as individuals. BU will seek to uphold and, where possible, exceed the provision of equality legislation to reflect sector best practice. All staff and students have a duty to comply with this policy and so will need to be aware of their personal obligations in eliminating all forms of what the University considers to be unacceptable behaviour.

BU has signed up to five national equality schemes, which reflect sector practice and our commitment to making BU a welcoming place to work and study. These schemes are Disability Two Ticks, Mindful Employer Charter, DisabledGO, Athena SWAN and Time to Change. BU's hard work in this area was recognised with the award of the prestigious Athena SWAN Bronze award in 2015, the Charter recognises commitment to tackling gender inequality in higher education.

BU has a Diversity and Equality Steering Group which meets regularly to discuss BU's work and policies in these areas and to look for ways to continually improve, both as an employer and a higher education institution. Employees from every Professional Service and Academic Faculty are represented at these meetings, ensuring the group covers balanced and varied views. The team helps to increase knowledge and understanding of diversity and equality issues, and embeds diversity and equality into areas of the working and learning environment.

Staff

Having the right staff, in the right numbers, in the right roles, is critical to BU's success in delivering an exceptional student and staff experience. We have ensured that our staff have the capability to deliver on our strategy, both now and in the future. We have ensured they have the skills and competence to fulfil the

requirements of their role in a way that is aligned to our organisational values.

We have supported and developed our staff so they are able to flourish in their roles, develop their careers and maximise their potential. Through investment in staff and resource, we have created a high performing academic institution with a reputation for excellence. We have ensured that high performance is embedded at all levels in the organisation so individuals and teams are performing at an optimum level, to effectively contribute to the delivery of BU's Vision.

We have continued to ensure that staff are recognised and rewarded through open, fair and consistent policies, which emphasise and support the delivery of individual and team objectives and further encourage high performance. This will include focus on a flexible total reward that both enhances staff engagement and satisfaction and acts as a catalyst to enable high performance.

We have delivered satisfaction levels that are benchmarked as comparable to the best employers in the UK which ensures that BU is widely regarded in the HE sector and beyond as being an excellent place to work.

Bournemouth University and public benefit

Bournemouth University is an exempt charity under the terms of Schedule 3 of the Charities Act 2011 and is responsible to HEFCE as its principal regulator. The University is required to demonstrate how it meets its responsibilities as a charity and show that activities are of 'public benefit'. University Board Members are trustees. The trustees are aware of their duties with regard to acting for the public benefit and have had regard to the Charity Commission's guidance on public benefit in exercising their duties.

The University was created as a higher education corporation by an order of the Privy Council dated 26 April 1993 and derives its powers from section 124 of the Education Reform Act 1988. Under this section, a higher education corporation has the power to provide higher and further education, to carry out research and to publish the results of the research or any other material arising out of or connected with it in such manner as the corporation thinks fit. These are also the charitable objects of the University.

The beneficiaries of the objects are the undergraduate and postgraduate students of the University. Including partner colleges, in 2015-16 the University had 18,338 registered students (2014-2015 17,073). The education and research undertaken at the University also benefits other wider groups of the public; including for example, those accessing health services who are cared for by staff educated at the University. However, these wider groups are not direct beneficiaries of the charity.

Education and widening access

BU is committed to working with students and our ambition for student success is to support learners from underrepresented groups to maximise their success. We will continue to invest in financial support for those for whom affordability may be an obstacle to studying at BU. We will focus our investment in activity that raises aspirations in society to engage in higher education and seek ways to ensure that the benefits are clearly visible and quantifiable.

We will continue to invest in outreach activity with schools and colleges; including amongst young people at an early stage in their secondary education, where interventions have been proven to be effective in raising aspirations.

The University recognises the importance of excellence in its provision of education and monitors its academic strength through its KPIs. For example, 2015-16 saw an increase in the number of staff who hold teaching qualifications and/or are Fellows of the Higher Education Academy to 63%.

Our pioneering Fair Access Research (FAR) project sees academics from a variety of disciplines working with groups across the University to support students across the whole learning journey. These groups include students, the Students' Union at Bournemouth University (SUBU), Student Support Services and Professional Services widening participation (WP) practitioners. This research project has created a vibrant research culture focusing on partnership and co-creation and the embedding of research and evaluation across our portfolio of fair access activity. We are sharing our way of working together for widening participation with the sector, emphasising the importance of building partnerships for research to improve practice, opportunities and achievement for WP students.

BU's partnership with SUBU in developing and implementing the Fair Access Agreement was established



from the outset, with sabbatical officers and permanent SUBU staff sitting on the Fair Access Agreement Management Group (FAAMG). This is an extension of the shared values both BU and SUBU have in terms of the student experience.

BU is committed to student success and recognises this is impacted by many factors. Knowing for certain which of our activities are making the most impact is complex and although many activities are already embedded within Faculties and Student Services, we are committed to developing a better understanding of what is most useful to our students. The University is partway through a research project to understand:

- The impact of the financial support provided by BU
- How BU can provide holistic student support to ensure the success of niche groups, such as student carers
- The reasons why students, and particularly WP students, leave BU
- Which support services provided by BU are of most benefit to students from our WP target groups
- Which areas our students perceive as 'successful'.

The project is due to report in 2016-17. As a result of this research (and other FAR projects) we ran our first WP showcase in July 2016, to raise the profile and understanding of WP at BU and to highlight the outcomes of WP innovation funded projects. Further actions will form part of the Operational Plan. By 2017-18 we will have a much better understanding of where funding should be focused to make the most impact for our WP students.

BU works hard to ensure graduates have the best employment opportunities regardless of background.

Sector research demonstrates that nationally there are very different outcomes for certain student groups post-employment; for example black and minority ethnic (BME) graduates and graduates with a disability. We will continue our work to understand whether this is also the case at BU and to determine what further actions can be taken to level the playing field; this will form part of the Operational Plan.

BU research demonstrates that placements are highly attractive to potential WP students. 100% of students at BU have the option of a sandwich course or placement and there is great emphasis on student mobility internationally. A high proportion of our students opt to take up a long term placement. Our partnerships with employers are key and it is widely acknowledged that the inclusion of a placement within a programme of study

is a huge advantage in gaining graduate employment by preparing students for the workplace. We will continue to develop our placement provision and to address any identified barriers that our WP students face in obtaining a good placement to enhance their career prospects and build social capital for future mobility.

We will also continue to promote the benefits of further study and understand what additional support might encourage WP students to continue with Masters level study following completion of their undergraduate degree.

We retain our commitment to a suitable financial support package for under-represented groups for whom affordability may be an obstacle to studying at BU. There is currently limited and inconclusive research into the impact bursaries have on an individual's propensity to study and there is none in the context of current fees and university costs. BU expectation is for bursaries to have a more significant impact than previously for large numbers of students given the abolition of maintenance grants for 2016-17.

In 2015, the University's Fees Board approved a change to BU Bursaries for 2015-16 entry moving to unlimited, multi-year bursaries for all eligible students, due to the removal of the maintenance grant and in recognition of the proportion of our students who received that grant. For 2017-18, the implications of NHS students becoming eligible for our bursaries have been factored in.

The financial support offer was designed in conjunction with our SUBU sabbatical officers and has been further refined based on student feedback.

The University spent £5.0m in provider specific bursaries in 2015-16 and financial support through hardship funding continued with £0.3m committed for 2015-16. In particular, we will ensure provision of support to students with mental health problems and Specific Learning Disabilities (SpLD) as the changes to Disabled Students Allowance (DSA) and other funding for this group take effect.

A BU Care Leavers' Bursary is available to all eligible care leavers who have spent 3 months or more in care within the last 5 years. They will receive £6,000 to support learning and living costs in the first year at university, and £5,000 in the second and final years of study.

In addition, a limited number of bursaries of an additional £600 per annum are offered to students who are carers. At BU, a carer is defined as anyone who cares, unpaid, for a family member who, due to illness, disability, a mental health problem or an addiction, cannot cope without their support. The student carer bursary is payable on top of the BU Maintenance Bursary.



Research

Our research shapes and changes the world around us, providing solutions to real-world problems and informing the education we deliver. Our students are a key part of the research we conduct, co-creating knowledge with us and playing a crucial role in everything that we do.

For the first time in 2014, the Research Excellence Framework (REF) measured the impact of research on society. BU's results show that 70% of our research has been deemed to have an outstanding or very considerable impact on society. Research that makes a difference to the world is at the heart of BU's ethos and our results acknowledge that commitment.

Our contractual approval processes ensure that any private benefit of research is incidental and does not adversely impact on the public benefit. The University's Research Ethics Code of Practice is overseen by the University's Research Ethics Committee. This code sets out a framework within which any risks to research participants must be addressed and defines the principle of "do no harm".

The driving force behind our research is to advance knowledge and benefit society. BU research is making a difference at a local, national and international level; solving problems brought to us by industry, influencing public policy and tackling some of the most important issues faced by society. Our researchers' work contributes to our eight societally driven themes. Examples of their research and how it is making a difference to the world can be found below.

Living well in older age is increasingly becoming a concern for our society. A key priority for our health services is to enable people to stay healthy and independent for as long as possible. BU's newly established Orthopaedic Research Institute (ORI) is addressing this need by carrying out research to improve orthopaedic practices and patient care, thus supporting people to improve their activity levels and mobility as they age.

The Wates Foundation awarded a £5,000 grant towards the cost of an eye tracker device for research into prosopagnosia in newborns.

As the population ages and demography changes, the UK is facing an unprecedented challenge of how to care for and support its older people. While the fact that people are living longer should be celebrated, the flip side is that age-related illnesses such as dementia are on the rise and it's important for us to find solutions and alleviate the difficulties people may face as a result. One of BU's PhD students has been exploring the issue of how people with dementia learn to navigate unfamiliar environments and what consequences this could have for dementia care home building guidelines.

Researchers at BU have developed new software to uncover 'lost' tracks hidden at the world's oldest human footprint site in Laetoli (Tanzania). The software has revealed new information about the shape of the tracks and has found hints of a previously undiscovered fourth footprint at the site. The software was developed as part of a Natural Environments Research Council Innovation Project.

As the world's population continues to grow, so does our consumption of natural resources. Many of these resources are non-renewable and so research into renewable sources of energy is vital. Research at BU is tackling this issue through reducing corrosion, improving heat transfer and fluid dynamics, and using nano coatings to enhance surface efficiencies in renewable energy systems.

Community engagement

Bournemouth University is an integral part of the local community. We work hard to ensure that the knowledge and expertise available at the University benefits people and organisations across our region.

In 2015-16 the BU Festival of Learning ran for the fourth year in a row. The festival programme is designed to encourage the general public to engage with the University through different types of activities that highlight the wide range of research taking place at BU. In 2015-16, for the first year ever, BU introduced the Global Festival of Learning with festival events running simultaneously in China and Malaysia, with BU staff and students taking part in an international celebration of learning. The festival includes a Family Day with guest speakers and numerous events.

BU's Festival of Enterprise was a free event for local business owners and students to develop their skills and to connect them with successful entrepreneurs and practitioners. The event offered 16-17 year old students the opportunity to create a new business venture with the input of local business professionals, academics and BU students and offered a prize to the winning team.

The Café Scientifique is a place where, for the price of a cup of coffee, anyone can come and explore the latest ideas in science and technology. Monthly meetings take place in cafes, restaurants and even theatres, but always outside a traditional academic context.

The Wessex Portal has been set up as an online community to promote a better understanding of our region's unique natural heritage assets.

BU also plays its part in helping to shape and deliver economic growth in the county. BU is one of 15 members of the Dorset Local Enterprise Partnership, set up to help boost business in the area through investment, lobbying and uniting stakeholders.

In conclusion

It was a very successful and productive year for Bournemouth University. Our new academic building, Fusion Building 1, was completed on our Talbot Campus and we achieved our highest ever student satisfaction percentage in the National Student Survey. Looking ahead we have two more academic years to achieve our ambitious BU2018 vision (Creating, Sharing, Inspiring) and our strategic plan to 2018. The BU Board and executive leadership teams will continue to focus on our priorities for the next phase of this 6-year plan and we are starting to plan the development of what will come next and our vision for BU2025.

Disclosure of information to auditors

The University Board Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each University Board Member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.



PROFESSOR RICHARD CONDER
Chair of the Board

25 November 2016

Corporate governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Committee of University Chairs (CUC) Higher Education Code of Governance (December 2014).

The University maps its current practice against all its obligations under the CUC Code and the Audit, Risk and Governance Committee annually reviews that compliance report, including every element at every level of the CUC Code (the “should” and “could”) not just the mandatory “must” elements. The University has adopted and applied the CUC Code in full. In addition to that detailed mapping in 2016 the University’s corporate governance arrangements have been scrutinised and reviewed via three separate exercises. Firstly, in accordance with the CUC Code’s recommended best practice, the Board itself commissioned an independent review of its own effectiveness, with a particular focus on best practice and benchmarking the Board’s role in academic governance; the appropriateness of delegations and financial authority limits; and best practice in the presentation of information to the Board and committees. The resulting recommendations have been reviewed by the Board and, where appropriate, will be implemented over the coming year. Secondly, the University’s own internal auditors conducted a review of Corporate Governance as part of their rolling programme of reviews, and in terms of CUC compliance found existing controls to be sufficiently robust. Finally, HEFCE undertook its own Assurance Review visit which validated the University’s accountability processes and concluded that HEFCE was able to place reliance on the University’s accountability information. The Board was pleased to note the outcomes from these reviews and will continue to refine its governance processes over the coming year.

The members who served on the Board during the year and up to the date of signature of this report are listed on page 1. In order to aid succession planning and ensure that the Board continues to have the necessary mix of skills to achieve its aims, a further recruitment exercise was conducted in 2016 to ensure that successors were in place to take up the three vacancies that were due to arise as the result of existing members coming to the end of their terms of office. Under the oversight of the Nominations Committee an analysis of skills gaps, linked to strategic objectives, was undertaken and a targeted advertising campaign was implemented nationally to identify candidates for the roles. This resulted in the recruitment of three new independent members whose appointments to the Board have been phased over several months and into 2016/17 as terms of office of outgoing members will end. Most notable amongst the membership changes during the year were the departure of the

Board’s Chair of the past 6 years, Mrs Sue Sutherland, and the appointment of her successor Professor Richard Conder. Richard was elected to the role of Chair by the membership and his appointment took effect from 9th July 2016.

Board Members are charitable trustees. As such they are responsible for ensuring that the University is compliant with charity legislation. The University must comply with the reporting and other requirements of the Higher Education Council for England (HEFCE) as principal regulator under the Charities Act 2011.

It is the Board’s responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues.

All University Board Members are able to take independent professional advice in furtherance of their duties at the University’s expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, and removal of the Clerk are matters for the Board as a whole. Formal agendas, papers and reports are supplied to Board Members in a timely manner, prior to Board meetings. Briefings on topics of interest are also routinely provided and Continuing Professional Development opportunities, such as events run by the HE Leadership Foundation, are available to Board Members at the University’s expense.

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Board Members are required to declare interests and to comply with the University’s Conflicts of Interest Policy and Procedures. The Board’s Register of Interests is published annually on the University’s website, together with details of any Board Members’ other trusteeships. There is a clear division of responsibility in that the roles of the Chairman and Vice-Chancellor are separate.

Independent members of the Board are appointed for an initial three year term of office. Independent members do not normally serve more than two consecutive terms.

Elected staff members serve three year terms subject to remaining in an appropriate post at the University and may be elected for a maximum of two terms. The elected President of the Students’ Union is an ex officio member of the Board and may serve a maximum of two, one-year terms.

1. Further to the above the following statements are provided to enable readers of the annual financial statements to obtain a better understanding of the University’s specific governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and in compliance with the Committee of University Chairs Higher Education Code of Governance.
3. The institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects and powers and framework of governance are set out in section 124 of the Education Reform Act 1988 and the Instrument and Articles of Government. Both the Instrument and Articles of Government were reviewed by the Board in 2014-15 to ensure that they remain fit for purpose and reflect best practice. The amended Instrument and Articles were approved by the Privy Council in February 2016. Key institutional policies and procedures, including the Scheme of Delegation and committee policies and procedures were reviewed in parallel and implemented in 2015-16.
4. The Articles of Government at the University require the institution to have a Board of Governors (the University Board) and an Academic Board (Senate), each with clearly defined functions and responsibilities, to oversee and manage its activities.
 - a. The University Board is the governing body responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

The Instrument of Government requires that at least half of all the members of the Board are independent members. The University Board has determined that a majority of its members shall be independent members. The Chair is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body.

- b. Subject to the overall responsibility of the governing body and to responsibilities of the

Vice-Chancellor, Senate has oversight of the academic activities of the institution and draws its membership from the staff and the students of the institution plus the Principal of the Anglo-European College of Chiropractic (a partner institution of the University). It is particularly concerned with general issues relating to research, education and professional practice.

5. The Vice-Chancellor is the Chief Executive Officer and is the head of the institution with a general responsibility to the University Board for the organisation, direction and management of the institution. Under the terms of the Memorandum of Assurance and Accountability between the institution and HEFCE, the Vice-Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
6. Although the University Board meets at least five times each academic year, much of its detailed work is initially handled by sub-committees. The activities of these committees are formally reported to the governing body.
 - a. Audit, Risk and Governance Committee is responsible for overseeing the University’s management of risk: monitoring the effectiveness of the University’s governance arrangements; value for money; internal control and advising the Board on the University’s audit strategy. The Committee meets, at least three times a year, and internal and external audit representatives are in attendance at each meeting. At every meeting Committee Members have the opportunity to meet with audit representatives without members of the Executive present and do so at least once every year. External auditors undertake the audit of the financial statements of the University and its subsidiaries; and the internal auditors provide detailed internal audit reports and recommendations for the improvement of the University’s system of internal control, together with management’s response and implementation plans. The Committee also receives and considers reports from HEFCE and other external bodies as they affect the University’s business and monitors adherence with regulatory requirements. It also has oversight of Health & Safety on behalf of the University Board. Audit, Risk and Governance Committee considers in detail the University’s annual accounts and makes appropriate recommendations to the Board. The Committee also gains assurance over the quality of data submitted within institutional returns via the established data optimisation review process. University senior executives attend meetings of Audit, Risk and Governance Committee but are not members of the Committee.

- b. Finance and Resources Committee takes a long term view of the University's overall development and advises the Board on the development of the Strategic Plan and major projects. It considers in detail the University's budget, financial forecasts and the financial statements before they are submitted to the Board for approval. It receives the management accounts of the University and additional performance reports. The Committee also advises the Board on the effectiveness and efficiency of estates and physical resource provision within the University as well as matters relating to Human Resources.
 - c. Remuneration Committee determines the pay and conditions of service of the holders of senior posts. The holders of senior posts are members of the University Executive Team and the Clerk to the Board. Pay and conditions of service of all other staff are determined by the Vice-Chancellor within a framework approved by the Finance & Resources Committee.
 - d. The Nominations Committee is responsible to the University Board for agreeing, and subsequently overseeing, the process for the appointment of all Board members, the Chancellor, the Pro-Chancellors, the Vice-Chancellor and other holders of senior posts. It is responsible for ensuring that the Board has the necessary skills available to it and for deploying those effectively.
 - e. The Development Funding Committee is responsible on behalf of the University Board for the stewardship of funds donated to Bournemouth University (including assets and liabilities transferred from the BU Foundation) and any related policies and procedures.
 - f. The Honorary Awards Committee is a joint Senate and University Board Committee which makes annual recommendations to the Board on the Honorary Awards to be conferred at the University's awards ceremonies.
 - g. Members of the University Board are also entitled to attend, as observers, meetings of Senate and its standing committees.
7. The membership of these Board committees consists of a majority of independent members of the University Board. The Board is entitled to co-opt members to Committees who are not Board members and has done so where particular skills and experience are required.
8. As chief executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The other members of the University Executive Team and members of the University Leadership Team

all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the University Board.

- 9. The institution maintains a register of interests of members of the University Board and University Leadership Team which is published on the University's website annually. A hospitality register is also maintained in accordance with anti-bribery legislation.
- 10. In accordance with the Articles of Government the Board has appointed a Clerk to the University Board. The Clerk provides independent advice on matters of governance to all members of the University Board.
- 11. No independent member of the University Board receives payment for being on the Board or for the work they do as trustees but reasonable expenses incurred as part of their duties are reimbursed. In 2015-16 a total of £7,000 was paid in respect of claims for travel and subsistence expenses incurred in connection with their duties as trustees by 8 Board members.

Statement of internal control


- 1. The University Board is responsible for the establishment and monitoring of systems of internal control. These control systems are firmly embedded in the process of identifying and managing risks, and risk management is a key element of the operational, financial and project management systems within the University. They are subject to review by Internal Audit which is carried out by the Internal Audit Consortium, Kingston City Group (KCG). The University is a member institution of the KCG Consortium – a Higher Education Cost Sharing Group for the provision of Internal Audit services to member institutions.
- 2. The University Executive delegates the detailed assessment of risk to the Risk Management Steering Group which reports to the University Leadership Team. The Group maintains a comprehensive Risk Register which encompasses all risk types, including financial, operational, reputational and other risks. The review of the Risk Register is an ongoing process and risks are rated and prioritised according to probability and possible impact alongside the prescribed control measures to address the risk.
- 3. The University Risk Register (as discussed and agreed with the University Leadership Team) is presented for discussion and review to the Audit, Risk and Governance Committee at each of its meetings with new or changing risks highlighted. It is a key element in informing the Internal Auditor's work programme. The Deputy Vice-Chancellor chairs the Risk Management Steering Group and attends Audit, Risk and Governance Committee meetings. The Risk Register is submitted to the Board along with the minutes of the Audit, Risk

and Governance Committee meeting. In addition, the Audit, Risk and Governance Committee annually review the risk management process to ensure its ongoing effectiveness. The Board, on the recommendation of the Committee, has approved a set of Risk Appetite Statements for the University's key business areas, to help inform risk management processes.

- 4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and Vice-Chancellor on the effectiveness of the University's wider systems of governance which it does through its consideration of the University's accounts, risk management, data quality, internal and external audit reports, emergency planning and other internal control processes.
- 5. The Board approved a revised version of the University's Financial Regulations in May 2016 and these are reviewed regularly. The Board and the Audit, Risk and Governance Committee also regularly review the University's policies and procedures in respect of Conflicts of Interest, Fraud, Anti-Bribery, Freedom of Speech, Prevent, Modern Slavery and Public Interest Disclosure. The Audit, Risk and Governance Committee has a standing agenda item under which it receives reports of any incidents arising under these, or any other, policies relating to serious incidents.
- 6. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements and has done so during 2015-16. An internal audit review of Corporate Governance also took place in 2015-16.
- 7. There have been no material internal control issues to report during the year to 31 July 2016.



PROFESSOR RICHARD CONDER
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

Responsibilities of the University Board

The University Board are required to present audited financial statements for each financial year.

In preparing the financial statements, the University Board, ensure that:-

- Suitable accounting policies are selected and applied consistently
- Judgements and estimates are made that are reasonable and prudent
- Applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- The going concern basis is used unless it is inappropriate to presume that University will continue in operation for the foreseeable future.

The University Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the University and to prevent and detect fraud and other irregularities.

The University Board is responsible for ensuring that funds from the HEFCE for England are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE (and any other conditions which HEFCE may from time to time prescribe). The University Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, the University Board is responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

Further to this the University Board has adopted this Statement as a summary of its responsibilities. The Statement conforms to the model Statement of Responsibilities published by the Committee of University Chairs.

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
3. To delegate authority to the head of the institution (known as the Vice-Chancellor), as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
4. To promote equality and diversity throughout the institution, including in relation to its own operation.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
6. To establish processes to monitor and evaluate the performance and effectiveness of the University Board itself. To receive assurance that appropriate processes are in place to monitor and evaluate the performance and effectiveness of the Senate.
7. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the institution.

9. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
10. To appoint a Clerk to the University Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
11. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
12. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
13. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
14. To receive assurance that adequate provision has been made for the general welfare of students.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
16. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.



PROFESSOR RICHARD CONDER
Chair of the Board

25 November 2016

Independent Auditors' Report to the Governors of Bournemouth University

We have audited the financial statements of Bournemouth University for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated Statement of Changes in Reserves, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's 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 University and the University's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's governing body and auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group and University's income and expenditure, gains and losses, reserves and the Group's cash flows for the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters required by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the requirements of the HEFCE's Accounts Direction have been met.



Kim Hayward, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 29 November, 2016

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

Statement of principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31 July 2016. Intra-group sales and profits are eliminated on consolidation and relate to external transactions only. The consolidated financial statements do not include those of the Bournemouth University Students' Union as it is separately constituted and the University does not exercise control or significant influence over the Union.

3. Transition to 2015 SORP

The University has prepared its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 19.

4. Fixed assets

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from the local County Council with effect from 1 April 1989. On 1 April 1989 the inherited property was valued at £17.2m, by a firm of chartered surveyors, using the depreciated replacement cost basis. The land was valued at transferred debt. The property is

recorded in the financial statements at these values, as adjusted for subsequent disposals.

The de minimis threshold for the capitalisation of fixed assets is £5,000.

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition.

Assets under construction are accounted for at cost, based on the value of direct costs incurred to 31 July. As these assets become complete and operational they are transferred to the appropriate asset category. They are not depreciated until the accounting period in which they are brought into use. Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated useful life of the assets. The rates of depreciation are as follows:

Freehold buildings	Between 15 and 50 years
Leasehold improvements	25 years (or period of lease if shorter)
Computers	5 years
Other equipment	5 years

Where fixed assets are acquired with the aid of specific grants they are capitalised and depreciated as above.

5. Investments

Listed investments held as fixed assets or endowment assets are stated at market value or cost where no market value is available.

6. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

7. Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

8. Finance leases and operating leases

Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of the lease payments over the recorded obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to the Consolidated Statement of Comprehensive Income and Expenditure in equal annual amounts over the periods of the leases.

9. Taxation

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 Institution 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 tangible fixed assets is included in their cost.

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

10. Foreign currencies

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities

are translated at the rates ruling at the balance sheet dates. Any differences are taken to the Consolidated Statement of Comprehensive Income and Expenditure.

11. Maintenance of premises

The University charges long-term maintenance costs to the Consolidated Statement of Comprehensive Income and Expenditure as they are incurred.

12. Donations

Non exchange transactions without performance conditions are 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 the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

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

13. Grant funding

Government revenue grants, including funding council block grant and research grants are recognised in income over the period in which the University 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 in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

14. Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

15. Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. Any bursaries granted by the University are included as expenditure in note 6.

Income from contracts and other services rendered is included to the extent of the completion of the contract or services rendered.

All income from short-term deposits is credited to the Consolidated Statement of Comprehensive Income and Expenditure in the period in which it is earned.

16. Pension schemes

Retirement schemes to employees of the University are provided by the Teachers Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) – Dorset County Council Pension Fund. These are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified actuaries.

The USS is a multi-employer scheme which it is not possible to identify the assets and liabilities to University members, due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded in provisions for any contractual commitment to fund past deficits within the USS scheme.

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 University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University 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 University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

17. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement. Redundancy costs paid to employees predominately represent cash redundancy payments, pension contributions and payments in lieu of notice which are charged to the Income and Expenditure Account when the redundancy is confirmed with the employee.

18. Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

19. Provision

A provision is recognised in the financial statements when a present legal or constructive obligation arising from past events exists and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent

liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

20. Research & Development

Research & development expenditure is written off in the year incurred.

21. Agency arrangements

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

22. Reserves

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

23. Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

24. Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

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

In preparing these financial statements, the University has made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an

assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the funding deficit plan for the USS pension scheme such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 8)
- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Compensated absences accrual (see note 11)

An estimate is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured as the undiscounted salary cost of the future holiday entitlement as accrued at the balance sheet date.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Note	2016 Consolidated £'000	2016 University £'000	2015 Consolidated £'000	2015 University £'000
Income					
Funding body grants	1	16,608	16,608	14,388	14,388
Tuition fees and education contracts	2	113,616	113,616	102,025	102,025
Research grants and contracts	3	4,647	4,647	3,639	3,639
Other operating income	4	15,205	15,196	14,710	14,671
Endowment and investment income		409	409	222	222
		<u>150,485</u>	<u>150,476</u>	<u>134,984</u>	<u>134,945</u>
Expenditure					
Staff costs	5	76,207	76,207	68,006	68,006
Depreciation	8	9,323	9,323	8,686	8,686
Other operating expenses	6	55,574	55,574	53,081	53,109
Interest and other finance costs	7	3,307	3,290	3,893	3,893
Exceptional finance lease cost	20	4,520	4,520	-	-
		<u>148,931</u>	<u>148,914</u>	<u>133,666</u>	<u>133,694</u>
Surplus for the year after depreciation of assets at valuation and taxation		1,554	1,562	1,318	1,251
Actuarial loss in respect of pension scheme	17	(28,231)	(28,231)	(6,281)	(6,281)
Total comprehensive loss for year		<u>(26,677)</u>	<u>(26,669)</u>	<u>(4,963)</u>	<u>(5,030)</u>

All amounts relate to continuing activities.

The notes on pages 33 to 49 form part of these accounts.

CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2016

Consolidated	Income and expenditure reserve		Total
	Restricted £'000	Unrestricted £'000	
Balance at 01 August 2014	1,400	34,419	35,819
Surplus from the income and expenditure statement	-	1,318	1,318
Other comprehensive income	-	(6,281)	(6,281)
Release of restricted capital funds spent in year	-	-	-
Balance at 31 July 2015	<u>1,400</u>	<u>29,456</u>	<u>30,856</u>
Balance at 01 August 2015	1,400	29,456	30,856
Surplus from the income and expenditure statement	-	1,554	1,554
Other comprehensive income	-	(28,231)	(28,231)
Release of restricted capital funds spent in year	100	(100)	0
Balance at 31 July 2016	<u>1,500</u>	<u>2,679</u>	<u>4,179</u>
University			
	Restricted £'000	Unrestricted £'000	Total
Balance at 01 August 2014	1,400	34,462	35,862
Surplus from the income and expenditure statement	-	1,251	1,251
Other comprehensive income	-	(6,281)	(6,281)
Release of restricted capital funds spent in year	-	-	0
Balance at 31 July 2015	<u>1,400</u>	<u>29,432</u>	<u>30,832</u>
Balance at 01 August 2015	1,400	29,432	30,832
Surplus from the income and expenditure statement	-	1,562	1,562
Other comprehensive income	-	(28,231)	(28,231)
Release of restricted capital funds spent in year	100	(100)	0
Balance at 31 July 2016	<u>1,500</u>	<u>2,663</u>	<u>4,163</u>

The notes on pages 33 to 49 form part of these accounts

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	8	126,097	113,255
Investments	8	28	28
		<u>126,125</u>	<u>113,283</u>
Current assets			
Stocks	9	4	14
Investments		52	52
Trade and other receivables	10	9,979	7,260
Cash and cash equivalents		10,708	16,308
		<u>20,743</u>	<u>23,634</u>
Creditors: Amounts falling due within one year	11	<u>(33,574)</u>	<u>(21,727)</u>
Net current (liabilities)/assets		<u>(12,831)</u>	<u>1,907</u>
Total assets less current liabilities		113,294	115,190
Creditors: Amounts falling due after more than one year	12	(23,173)	(31,613)
Pension liability	17	(85,942)	(52,721)
TOTAL NET ASSETS		<u>4,179</u>	<u>30,856</u>
Reserves			
Restricted reserve		1,500	1,400
Unrestricted reserve		2,679	29,456
TOTAL RESERVES		<u>4,179</u>	<u>30,856</u>

The notes on pages 33 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 25 November 2016



PROFESSOR RICHARD CONDER
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

UNIVERSITY BALANCE SHEET AS AT 31 JULY 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	8	126,097	113,255
Investments	8	28	28
		<u>126,125</u>	<u>113,283</u>
Current assets			
Stocks	9	4	14
Investments		52	52
Debtors	10	9,979	7,259
Cash and cash equivalents		10,691	16,286
		<u>20,726</u>	<u>23,611</u>
Creditors: Amounts falling due within one year	11	<u>(33,573)</u>	<u>(21,728)</u>
Net current (liabilities)/assets		<u>(12,847)</u>	<u>1,883</u>
Total assets less current liabilities		113,278	115,166
Creditors: Amounts falling due after more than one year	12	(23,173)	(31,613)
Pension liability	17	(85,942)	(52,721)
NET ASSETS		<u>4,163</u>	<u>30,832</u>
Reserves			
Restricted reserve		1,500	1,400
Unrestricted reserve		2,663	29,432
TOTAL RESERVES		<u>4,163</u>	<u>30,832</u>

The notes on pages 33 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 25 November 2016



PROFESSOR RICHARD CONDER
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2016

	2016 £'000	2015 £'000
Cash flow from operating activities		
Surplus for year	1,554	1,318
Adjustment for non-cash items		
Depreciation	9,323	8,686
Decrease/(increase in stock)	10	(13)
(Increase)/decrease in debtors	(2,719)	1,390
Increase/(decrease in creditors)	272	(196)
Pension costs less contributions payable	4,990	3,887
	<u>13,430</u>	<u>15,072</u>
Adjustment for investing or finance activities		
Investment income	(409)	(222)
Financial expenses	5,839	2,023
Profit on sale of fixed assets	(105)	-
	<u>18,755</u>	<u>16,873</u>
Net cash from operating activity		
Cashflows from investing activities		
Proceeds from sale of fixed assets	339	-
Investment income	409	222
Purchase of fixed assets	(22,399)	(20,801)
	<u>(21,651)</u>	<u>(20,579)</u>
Cashflows from financing activities		
Interest paid	(5,839)	(2,023)
New secured loans	10,000	-
Loans repaid	(467)	(516)
Capital element of finance lease	(8,522)	(473)
Net cash	<u>(4,828)</u>	<u>(3,012)</u>

Decrease in cash equivalents in year	<u>7,724</u>	<u>6,718</u>
Cash and cash equivalents at beginning of year	16,192	22,910
Cash and cash equivalents at end of year	8,468	16,192
Cash and cash equivalents comprise:		
Cash and cash equivalent	10,708	16,308
Bank overdrafts	(2,240)	(116)
	<u>8,468</u>	<u>16,192</u>

The notes on pages 33 to 49 form part of these accounts.

NOTES TO THE ACCOUNTS

	2016 Consolidated £'000	2016 University £'000	2015 Consolidated £'000	2015 University £'000
1. Funding body grants				
HEFCE recurrent grant	10,010	10,010	12,033	12,033
HEFCE non-recurrent specific grant	655	655	1,433	1,433
Capital grant release	5,943	5,943	922	922
	<u>16,608</u>	<u>16,608</u>	<u>14,388</u>	<u>14,388</u>
2. Tuition fees and education contracts				
Full-time students	83,242	83,242	72,821	72,821
Full-time students charged overseas fees	12,031	12,031	11,324	11,324
Part-time fees	2,920	2,920	2,604	2,604
Short course fees	1,643	1,643	1,401	1,401
Other teaching contract course fees	13,780	13,780	13,875	13,875
	<u>113,616</u>	<u>113,616</u>	<u>102,025</u>	<u>102,025</u>
3. Research grants and contracts				
Research Council	1,210	1,210	1,277	1,277
UK based charities	388	388	267	267
European commission	1,029	1,029	689	689
Other grants and contracts	2,020	2,020	1,406	1,406
	<u>4,647</u>	<u>4,647</u>	<u>3,639</u>	<u>3,639</u>
4. Other operating income				
Residences	8,802	8,802	8,729	8,729
Other services rendered	36	36	53	53
Other income including conferences	6,367	6,358	5,928	5,889
	<u>15,205</u>	<u>15,196</u>	<u>14,710</u>	<u>14,671</u>
5. Staff				
Staff costs:				
Salaries and wages	58,576	58,576	54,370	54,370
Social security costs	5,351	5,351	4,565	4,565
Other pension costs	11,196	11,196	8,877	8,877
Redundancy and associated pension costs	1,084	1,084	194	194
	<u>76,207</u>	<u>76,207</u>	<u>68,006</u>	<u>68,006</u>
		2016		2015
Emoluments of the Vice-Chancellor:		£'000		£'000
Remuneration		242		221
Performance related pay		18		-
Benefits in kind		3		3
		<u>263</u>		<u>224</u>
Pension contributions		42		31
		<u>305</u>		<u>255</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions on behalf of the Vice-Chancellor are paid at the same rate as for other academic staff. No independent governors received remuneration apart from reimbursement of expenses incurred in the course of their duties.

	2016 Number	2015 Number
• Remuneration of other higher paid staff		
£100,000 to £110,000	-	2
£110,000 to £120,000	-	-
£120,000 to £130,000	-	3
£130,000 to £140,000	3	1
£140,000 to £150,000	-	1
£150,000 to £160,000	2	-
	<u>2</u>	<u>-</u>

Remuneration of other higher paid staff includes basic salary, performance bonuses and all taxable benefits in kind but excludes employer's national insurance and employer's pension costs.

- Key management personnel include a number of senior managers across the institution who together have authority and responsibility for planning, directing and controlling activities of the institution. The total compensation paid to key management personnel for services provided to the group was £1,254,000 (2015 £1,081,000). Total compensation includes basic salary, performance bonuses, all taxable benefits, employer's national insurance and employer's pension costs.

	2016	2015
• Average staff numbers employed:		
Academic staff (excluding part-time visiting lecturers)	677	644
Administrative, professional, technical and clerical staff	802	808
Manual and maintenance staff	12	17
	<u>1,491</u>	<u>1,469</u>

	2016 Consolidated £'000	2016 University £'000	2015 Consolidated £'000	2015 University £'000
6. Other operating expenses				
Staff development	1,426	1,426	1,472	1,472
External Agencies and staff secondments	3,040	3,040	2,801	2,770
Other staff costs	516	516	550	550
Travel costs	2,066	2,066	1,808	1,808
Consumables and laboratory costs	778	778	726	726
Franchise costs paid to partner colleges	4,072	4,072	4,969	4,969
Student union grant	944	944	690	690
Student welfare	3,510	3,510	3,356	3,356
Office expenses	434	434	438	438
Books, periodicals and information services	2,331	2,331	2,102	2,102
Non-capitalised equipment	5,968	5,968	4,881	4,874
Audit:				
- External auditors remuneration – audit fees	32	32	33	33
- Auditors remuneration – other fees	3	3	6	6
- Taxation advisory services	5	5	9	9
- Internal auditors remuneration	64	64	60	60

6. Other operating expenses (continued)

Legal and professional	1,924	1,924	1,951	1,951
Bursaries and scholarships	5,329	5,329	5,122	5,122
Promotions costs	2,129	2,129	1,750	1,750
Rent and rates	7,847	7,847	7,599	7,530
Heat, light, water and power	1,921	1,921	2,090	2,090
Repairs, refurbishment and scheduled maintenance	1,873	1,873	1,947	1,947
Insurance	412	412	407	407
Research and Development	3,002	3,002	2,602	2,602
Other expenses	5,948	5,948	5,712	5,847
	<u>55,574</u>	<u>55,574</u>	<u>53,081</u>	<u>53,109</u>

Other operating expenses include	2016 Consolidated £'000	2016 University £'000	2015 Consolidated £'000	2015 University £'000
Independent governors expenses	7	7	6	6
Hire of other assets – operating leases	43	43	36	35

7. Interest and other finance costs

	2016 Consolidated £'000	2016 University £'000	2015 Consolidated £'000	2015 University £'000
On finance leases	58	58	916	916
Pension finance costs	1,988	1,988	1,870	1,870
Interest payable on bank loans:				
Repayable wholly or partly >5 years	1,261	1,244	1,107	1,107
	<u>3,307</u>	<u>3,290</u>	<u>3,893</u>	<u>3,893</u>

8. Tangible assets: Group and University

Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings £'000	Leasehold Improvements £'000	Equipment £'000	Assets in course of construction £'000	Total £'000
Cost/valuation					
At 1 August 2015	133,423	1,891	59,888	20,379	215,581
Additions	4,614	–	2,392	15,393	22,399
Disposals	(68)	–	(441)	–	(509)
Transfers	2,232	–	35	(2,267)	–
31 July 2016	<u>140,201</u>	<u>1,891</u>	<u>61,874</u>	<u>33,505</u>	<u>237,471</u>

Depreciation

At 1 August 2015	51,707	757	49,862	–	102,326
Charge for the year	5,458	76	3,789	–	9,323
Disposals	(15)	–	(260)	–	(275)

31 July 2016	<u>57,150</u>	<u>833</u>	<u>53,391</u>	<u>–</u>	<u>111,374</u>
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Net book value

31 July 2016	<u>83,051</u>	<u>1,058</u>	<u>8,483</u>	<u>33,505</u>	<u>126,097</u>
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31 July 2015	<u>81,716</u>	<u>1,134</u>	<u>10,026</u>	<u>20,379</u>	<u>113,255</u>
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As a result of the Education Reform Act 1988 the interests in properties occupied by the University, previously held by Dorset County Council (DCC), were formally transferred, under the direction of the Education Assets Board (EAB), to the University itself with effect from 1st April 1989. Similarly, the University also acquired unrestricted title to those moveable assets acquired from funds previously paid by the DCC.

The cost/valuation of Land and Buildings comprises:

	2016 £'000	2015 £'000
Freeholds		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	<u>17,292</u>	<u>17,292</u>
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	122,759	106,781
Assets held under finance leases (short leaseholds)	–	9,200
	<u>140,201</u>	<u>133,423</u>

Investment

	Cost at 31 July 2016	Cost at 31 July 2015
Investments - University	£	£
Shares in group companies	2	33
Shares in CVCP Properties plc	28,091	28,091
Shares in Odstock Medical Ltd	–	1
	<u>28,093</u>	<u>28,125</u>

Group Companies

	Cost at 31 July 2016	Cost at 31 July 2015
BU Innovations Limited	2	2
BU Residences Limited	–	30
BU Enterprise Limited	–	1
	<u>2</u>	<u>33</u>

8. Tangible assets: Group and University (continued)

Group companies

The University is the beneficial owner of the entire issued share capital of the group company BU Innovations Ltd which is registered in England. The subsidiary company undertakes activities which, for legal and commercial reasons, are more appropriately channelled through limited companies.

BU Enterprise Limited was incorporated on 1 February 2012, the company provided business incubation services up to 31 March 2015 and was dissolved on 5 Jan 2016.

BU Residences Ltd was incorporated on 5 August 2013, there was no activity during the financial year and the company was dissolved on 15 March 2016.

The consolidated accounts also include the results of the Bournemouth University Foundation as the University is able to exercise control over its operating policies. The results of the Bournemouth University Foundation are set out in note 18. During 2012 it was decided that the work of the Foundation could be carried out more effectively as an integral part of the University. It was resolved that the assets and liabilities of the Foundation be transferred to the University but that the Foundation would remain a wholly owned subsidiary of the University to receive future legacies.

CVCP Properties plc £28,091

The University is a shareholder in CVCP Properties plc together with other University members of Universities UK, CVCP Properties plc's principal asset is Universities UK's headquarters, Woburn House. The total issued ordinary share capital of CVCP Properties plc is £4.3m.

9. Stocks

	2016		2015	
	Group £'000	University £'000	Group £'000	University £'000
Stock	4	4	14	14

10. Debtors

	2016		2015	
	Group £'000	University £'000	Group £'000	University £'000
Debtors	3,523	3,523	2,474	2,473
Prepayments and accrued income	6,456	6,456	4,786	4,786
	9,979	9,979	7,260	7,259

11. Creditors: amounts falling due within one year

	2016		2015	
	Group £'000	University £'000	Group £'000	University £'000
Bank loans and overdrafts	12,736	12,736	590	590
Obligations under finance leases	-	-	571	571

Trade creditors	2,334	2,333	3,459	3,459
Other creditors	2,048	2,048	2,355	2,356
Social security and other taxation payable	1,689	1,689	1,488	1,488
Accruals and deferred income	14,767	14,767	13,264	13,264
	33,574	33,573	21,727	21,728

Accruals and deferred income include £7.5m (2015: £7.1m) of income received in advance in connection with teaching and consultancy work.

12. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Group and University		
Bank loans	22,973	23,462
Finance leases	-	7,951
Other creditor	200	200
	23,173	31,613

Loan Summary

Bank loans are represented in the below table, the loan amount represents the original amount drawn.

Loan Type	Loan amount £'000	Interest Rate %	Repayable
Fixed	5,000	5.3	2043
Fixed	5,000	4.9	2043
Fixed	3,000	4.2	2043
Fixed	6,400	3.6	2043
Fixed	5,700	3.5	2043
Fixed	10,000	2.0	2016

The other creditor is represented by a repayable grant received for the Revolving Green Fund and a carbon reduction initiative of £0.2m.

In 1998 the University entered into a twenty six year finance lease on Cranborne House, a 499 bed student accommodation facility. The finance lease was fully repaid on 25 August 2015 and the freehold interest in the building was transferred to the University.

An analysis of the capital debt by due date of repayment on the finance lease is set out below:

	2016 £'000	2015 £'000
Repayable within 1 year	-	571
Repayable within 2-5 years	-	3,533
Repayable after 5 years	-	4,418
	-	8,522

12. Creditors: amounts falling due after more than one year (continued)

An analysis of the capital debt by due date of repayment on the bank loan is set out below:

	2016 £'000	2015 £'000
Repayable within 1 year	10,495	474
Repayable within 2-5 years	2,184	2,124
Repayable after 5 years	20,790	21,338
	33,469	23,936

13. Financial instruments

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost	17,312	20,368	17,295	20,345
Financial liabilities measured at amortised cost	(47,419)	(44,781)	(47,418)	(44,782)

Financial assets measured at amortised cost comprise cash, trade receivables, research grant receivables and other receivables.

Financial liabilities measured at amortised cost comprise secured loans, unsecured loans, finance leases, trade payables, salaries and wages, accruals and other payables.

14. Analysis of changes in consolidated financing during the year

	Finance leases £'000	Bank loans £'000	Total £'000
At 1 August	8,522	23,936	32,458
New leases/loans	-	10,000	10,000
Capital repayments	(8,522)	(467)	(8,989)
At 31 July	-	33,469	33,469

15. Contingent liabilities

Nomination agreements

The University has entered into an arrangement with UNITE for the supply of additional student accommodation in two buildings, Purbeck House a 519 bed accommodation facility and Corfe House, a 308 bed facility. The buildings are owned and managed by UNITE but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students (for which they pay full costs). If there were insufficient occupants the University would be liable to pay up to the guaranteed amount. To date no such claims have been made.

The University has entered into an arrangement with Campus Living Villages for the supply of additional student accommodation in three buildings, Okeford House a 94 bed accommodation facility, Lyme Regis House, a 400 bed facility and Chesil House, a 210 bed facility. The buildings are owned and managed by

Campus Living Villages but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students. The nominations agreement provides a minimum income guarantee for the provider in circumstances where there are too few students nominated; and that, to date, this has not been called upon.

16. Operating lease and Capital commitments

At 31 July 2016 the group was committed to making the following payments during the next year in respect of operating leases:

	2016		2015	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases:				
Expiring within 1 year	4,799	40	4,929	19
Expiring within 2-5 years	12,033	75	16,113	30
Expiring within 6-30 years	960	-	1,680	-
	17,792	115	22,722	49

In 1990 the University entered into a 30 year operating lease on the Talbot Student Village, a 278 room student accommodation facility. The rental is subject to triennial review. The Talbot Student Village remains the property of the Talbot Village Trust and at no time can the University take title to it.

On 1 September 2005 the University fitted out and occupied Melbury House which is held under a 25 year operating lease ending on 31 August 2030. The fit out costs are shown in the leasehold improvements section in Note 8. The operating lease has a break clause after 15 years which includes a 12 month notice period.

On 22 October 2008 the University entered into a 16 year operating lease on the Executive Business Centre which is home to the Faculty of Management. The lease had a break clause in October 2014 and has a further break clause in October 2019. The rental is subject to review in 2019.

In 2012 the University entered into a 7 year operating lease on Dorchester House, a 540 room purpose built student accommodation block. The lease has a break clause in years 2016, 2017 and 2018.

Capital commitments

	2016 £'000	2015 £'000
Commitments contracted at 31 July	6,135	10,765
Authorised but not contracted at 31 July	24,680	24,653
	30,815	35,418

17. Pensions

The University's employees belong to three principal pension schemes, the Teachers' Pensions Scheme (TPS), the Universities Superannuation Scheme (USS) and the DCSS Local Government Pension Scheme (LGPS). All are defined benefit schemes. The total pension cost for the year ended 31 July 2016 was £11.2m (2015: £8.9m).

Reconciliation to balance sheet	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
DCSS LGPS pension liability	84,355	51,238
USS Pension liability	425	339
Pension enhancement pension liability	1,162	1,144
	85,942	52,721

The Teachers' Pension Scheme (TPS)

Under the definitions set out in Financial Reporting Standard 102 - Retirement benefits, the Teacher's Pension Scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employers' contribution rates for the University's academic staff were 16.5% of pensionable salaries from 1 August 2015 to 31 July 2016.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2004 to 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6 billion. The assumed real rate of return is 3% in excess of prices and 1.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

USS

The institution participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. 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 the resulting expense in the income and expenditure account.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

FRS 102 liability numbers have been produced using the following assumptions:

	2016	2015
Discount rate	3.3%	3.3%
Pensionable salary growth	N/A	3.5% in the first year and 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

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

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.3
Males currently aged 45 (years)	26.4	26.2
Females currently aged 45 (years)	28.8	28.6

Existing benefits	2016	2015
Scheme assets	£49.8bn	£49.0bn
FRS17 liabilities	£58.3bn	£67.6bn
FRS17 deficit	£8.5bn	£18.6bn
FRS17 Funding level	85%	72%

The total pension cost for the institution was £266,264 (2015: £175,531). This includes £23,961 (2015: £19,289) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16.5% of pensionable salaries.

17. Pensions (continued)

Pension Enhancements

The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation. An amount of £1,162,000 is included in provision for pension liabilities representing the extent to which capital costs charged exceed actual payments made. The provision will be released against the cost to the University of enhanced entitlements over the estimated life expectancy of each relevant scheme member. The value of the liability calculated by the actuaries was based on FRS102 assumptions used for the DCSS LGPS. The scheme is now closed and no new members have been added since the late 1990's.

DCSS

This is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Contributions payable are held in a trust separately from the University. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

The valuation has been updated to 31 July 2016 by qualified independent actuaries who estimate that the net liability as at 31 July 2016 is £84,355,000.

The main results of, and assumptions for, the valuation of the scheme based on the projected unit method as prepared by the qualified independent actuaries are as follows:

Assumptions as at	31 July 2016	31 July 2015	31 July 2014
	% p.a.	% p.a.	% p.a.
Salary increases	3.7%	4.2%	4.2%
Pension increases	2.2%	2.7%	2.7%
Discount rate	2.6%	3.9%	4.3%

Life expectancy from age 65 (years)

	2016	2015
Retiring today		
Males	22.9	22.8
Females	25.3	25.2
Retiring in 20 years		
Males	25.2	25.1
Females	27.7	27.6

Expected return on assets and estimated asset allocation

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Therefore the actuaries are not required to disclose an expected return assumption for the year to 31 July 2016. For the year to 31 July 2015, the expected return was 5.9% per annum, which has been used to determine the income and expenditure charge for the year ended 31 July 2015.

The following expected returns have been adopted.

Asset class	Asset allocation 31 July 2016 £'000	%	Asset allocation 31 July 2015 £'000	%
Equities	50,385	58%	44,800	55%
Other Bonds	11,147	13%	10,255	13%
Diversified Growth Fund	4,089	5%	3,926	5%
Property	8,861	10%	8,232	10%
Cash	914	1%	3,132	4%
Gilts	9,589	11%	9,617	12%
Infrastructure	2,237	3%	942	1%
Hedge Fund	28	0%	112	0%
Total	87,250	100%	81,016	100%

Reconciliation of DCSS LGPS pension liability recognised in balance sheet

	31 July 2016 £'000	31 July 2015 £'000
Net pension deficit as at		
Present value of funded obligation	(171,431)	(132,085)
Fair value of scheme assets	87,250	81,016
Net liability	(84,181)	(51,069)
Present value of unfunded obligation	(174)	(169)
Pension liability in balance sheet	(84,355)	(51,238)

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Charged to staff costs:	6,567	5,207
Net interest on the defined liability (asset)	1,932	1,813
Administration expenses	63	58
Total loss	8,562	7,078

17. Pensions (continued)

Asset and benefit obligation reconciliations for the year to 31 July 2016

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Opening defined benefit obligation	132,254	110,863
Current service cost	6,438	5,201
Interest cost	5,148	4,878
Change in financial assumptions	28,356	11,288
Experience loss/(gain) on defined benefit obligation	(1)	(6)
Estimated benefits paid net of transfers in	(2,433)	(1,586)
Past service costs, including curtailments	129	6
Contributions by Scheme participants and other employers	1,727	1,617
Unfunded pension payments	(13)	(13)
Closing defined benefit obligation	171,605	132,254

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Opening fair value of Fund assets	81,016	69,614
Interest on assets	3,216	3,065
Return on assets less interest	183	5,041
Administration expenses	(63)	(58)
Contributions by employer including unfunded	3,617	3,336
Contributions by Scheme participants and other employers	1,727	1,617
Estimated benefits paid plus unfunded net of transfers in	(2,446)	(1,599)
Closing fair value of Fund assets	87,250	81,016

Composition of defined benefit obligation

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Unfunded	174	169
Funded obligations	171,431	132,085
	<u>171,605</u>	<u>132,254</u>

Reconciliation of opening & closing balances of the net pension deficit

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Deficit at beginning of the year	(51,238)	(41,249)
Service cost	(6,438)	(5,201)
Employer contributions	3,604	3,323
Unfunded pension payments	13	13
Past Service Costs	(129)	(6)
Other finance costs	(1,932)	(1,819)
Curtailments	(28,172)	(6,241)
Actuarial loss	(63)	(58)
Deficit at end of the year	<u>(84,355)</u>	<u>(51,238)</u>

Sensitivity analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	167,797	171,605	175,503
Projected service cost	8,016	8,224	8,438
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	172,205	171,605	171,009
Projected service cost	8,228	8,224	8,220
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	174,915	171,605	168,374
Projected service cost	8,434	8,224	8,019
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	176,348	171,605	166,993
Project service cost	8,434	8,224	8,019

5 Year history

Amounts for the current and previous four periods	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000
Defined benefit obligation	(171,605)	(132,254)	(110,863)	(91,782)	(85,376)
Scheme assets	87,250	81,016	69,614	62,879	49,762
Deficit	<u>(84,355)</u>	<u>(51,238)</u>	<u>(41,249)</u>	<u>(28,903)</u>	<u>(35,614)</u>

17. Pensions (continued)

Re-measurements in other comprehensive income

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Re-measurement of the net defined liability		
Return on Fund assets in excess of interest	183	5,041
Change in financial assumptions	(28,356)	(11,288)
Experience gain/(loss) on defined benefit obligation	1	6
Re-measurement of the net defined liability	(28,172)	(6,241)

Projected pension expense for the year to 31 July 2017

	Year to 31 July 2017 £'000
Projections for the year to 31 July 2017	
Service cost	8,224
Net interest on the defined liability (asset)	2,146
Administration expenses	68
Total loss (profit)	10,438
Employer contributions	3,618

The Groups best estimate of the contributions expected to be paid in the year beginning on the 1 August 2016 is £3,267,000. (2015: £3,055,000).

18. Related party transactions

The Board has taken advantage of the exemptions provided by FRS102 not to disclose transactions with wholly owned subsidiary companies.

No independent governors received payment for their services as a governor. Independent governors expenses are disclosed in note 6.

During the year The Bournemouth University Foundation did not award any grants to Bournemouth University (2015: £0). No amounts were outstanding at the end of the year.

Bournemouth University Foundation	£
Turnover including interest received	6
Expenditure	30
Loss on ordinary activities	24
Reserves brought forward	118
Loss for year	(24)
Reserves carried forward	94

Students Union

Bournemouth University considers the Students' Union at Bournemouth University to be a related party due to the level and nature of the transactions between organisations. During the year to 31 July 2016, the University paid a grant of £940,000 to the Union (2015: £690,000).

19. First time adoption of FRS102

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in the Statement of Principal Accounting Policies have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2015. In preparing its FRS 102 SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Consolidated	Note	Net assets at 1 August 2014	Loss for the year ending 31 July 2015	Deferred capital grants reserve for year ending 31 July 2015	Net assets at 31 July 2015
As previously stated under UK GAAP		34,575	(4,360)	1,489	31,704
Revaluation to fair value of fixed asset	1	3,093	(129)	-	2,964
Provision for outstanding holiday	2	(1,685)	(95)	-	(1,780)
Transfer of deferred capital grant to creditors	3	-	-	(1,693)	(1,693)
Reduction in deferred capital grant	3	-	(204)	204	-
USS pensions deficit recovery provision	4	(164)	(175)	-	(339)
As restated (new UK GAAP)		35,819	(4,963)	-	30,856

University	Note	Net assets at 1 August 2014	Loss for the year ending 31 July 2015	Deferred capital grants reserve for year ending 31 July 2015	Net assets at 31 July 2015
As previously stated under UK GAAP		34,618	(4,427)	1,489	31,680
Revaluation to fair value of fixed asset	1	3,093	(129)	-	2,964
Provision for outstanding holiday	2	(1,685)	(95)	-	(1,780)
Transfer of deferred capital grant to creditors	3	-	-	(1,693)	(1,693)
Reduction in deferred capital grant	3	-	(204)	204	-
USS pensions deficit recovery provision	4	(164)	(175)	-	(339)
As restated (new UK GAAP)		35,862	(5,030)	-	30,832

1. Tangible Fixed Assets

The University took advantage of the transitional option to revalue an accommodation building at the date of transition, without having to adopt the revaluation model going forward. This resulted in an increase in tangible fixed assets of £3.1m and an additional depreciation charge in 2014-15 of £0.1m. The credit entry for the revaluation was recorded in revenue reserves rather than being held in a separate revaluation reserve.

19. First time adoption of FRS102 (continued)

2. Holiday Pay

Following FRS102, where the employees' holiday period is not co-terminus with the financial year end, there is a requirement to accrue for holidays based on entitlement earned to the year end but not yet taken by the employees. The University academic holiday period runs from the 1 September to 31 August and the administration holiday period runs from 1 April to 31 March. As the University holiday period is not co-terminus with the financial year end, this has resulted in an additional accrual of £1.8m at the date of transition and an increase in staff costs of £0.3m in the comparative 2014-15 statement of comprehensive income and expenditure.

3. Government Grants

The new SORP allows the accounting policy choice of applying the accruals model or the performance model when accounting for government grants, except capital grants for land where the performance model must be used. An institution must apply the chosen policy consistently to each class of grant, which the SORP identifies as capital grants for land, other capital grants and revenue grants.

The University has applied the performance model for capital grants and the accruals model for revenue grants. Under the performance model, unrestricted HEFCE deferred capital grants (excluding STEM funding which is restricted) have been transferred to reserves at the date of transition. This has not impacted on the net asset position of the balance sheet but has resulted in the transfer of £22.3m from deferred capital grants to the unrestricted income and expenditure reserve. Under the performance model the University will only recognise future capital grants as income as they are received. In addition £1.3m restricted STEM capital grant funding and £0.4m accelerated capital grant funding relating to 2015-16 have been transferred to deferred income and there has been a reduction in funding body grants of £0.2m in the comparative 2014-15 statement of comprehensive income and expenditure.

Non-Exchange Transactions

Non-Exchange Transactions are those transactions whereby an entity receives (or gives) value from/to another entity without directly giving/receiving approximately equal value in exchange.

Non-exchange transactions include, but are not limited to, donations of cash, goods and services and endowments. At the date of transition the University has transferred £0.9m donations from deferred capital grants to the income and expenditure reserve

4. Multi-employer pension schemes

FRS102 requires the recognition of a liability for payments which are due to fund a scheme's deficit under a funding agreement. This will be the first time such a liability will need to be measured, recognised and disclosed in institutions' balance sheets.

An annual liability has been calculated for the USS pension scheme for the period of the deficit recovery. At the date of transition, the 16% contribution rate included a 4% cost that is specifically earmarked as funding the deficit. The increase in the pension liability for the University is relatively low at £0.3m as the majority of BU academics are included in the Teachers' pension scheme.

The Teachers' Pension Scheme (TPS) and NHS pension schemes do not have an agreed funding plan and there is, therefore, no additional liability to recognise for these schemes. Full FRS17 liabilities are already recognised in the balance sheet for the Local Government Pension Scheme (LGPS).

20. Exceptional item

In August 2015 the University bought itself out of a finance lease for a student accommodation building; the lease break payment was £13.6m. £4.5m of the £13.6m break payment related to an exceptional finance lease cost payment which was written off to the statement of comprehensive income and expenditure in year.