



**Bournemouth
University**

**Bournemouth University,
Higher Education Corporation**

**Report and Financial Statements
for the year ended 31 July 2018**

Board members and advisers

Board Members (External)

Prof Richard Conder (Chair)
 Mr Nicholas Beal
 Mr Alistair Brien
 Mr Jonathan Clark
 Mrs Sheila Collins
 Ms Annette D'Abreo
 Mr David Furniss
 Prof Timothy Irish (to 30 June 2018)
 Mr Stuart Jones
 Mr David Kane
 Mrs Jean Lang (Deputy Chair)
 Mrs Adetola Oloyede
 Mr Des Pullen (from 7 July 2018)
 Dr Chris Shaw
 Mr David Skinner
 Ms Caroline Troy

External Auditors

BDO LLP

Arcadia House
 Maritime Walk
 Ocean Village
 Southampton
 Hants
 SO14 3TL

Board Members (Internal)

Mr Jim Andrews (Chief Operating Officer)
 Mr Daniel Asaya (President Students' Union at Bournemouth University) (to 6 July 2018)
 Mr Graham Beards (Finance Director)
 Mr Abdurasheed Adeyinka Balogun (President Students' Union at Bournemouth University) (from 7 July 2018)
 Prof Jens Hölscher (to 17 October 2018)
 Prof Tim McIntyre-Bhatty (Deputy Vice-Chancellor)
 Ms Paula Peckham (from 1 December 2017)
 Prof Tim Rees (Senate Member) (from 1 August 2018)
 Prof Elizabeth Rosser (Senate Member) (to 31 July 2018)
 Ms Amanda Stevens (Professional & Support Staff) (to 30 November 2017)
 Prof John Vinney (Vice-Chancellor)

Internal Auditors

Kingston City Group (to 31 July 2018)

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

PricewaterhouseCoopers LLP (from 1 August 2018)

Savannah House
 3 Ocean Way
 Southampton
 SO14 3TJ

Report of the Board of Governors

Scope and format of the financial statements

We are pleased to present the financial statements for Bournemouth University (BU) for 2018. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited and The Bournemouth University Foundation.

Summary of the Group financial performance for the year

The University's consolidated income, expenditure and surplus for the year ended 31 July 2018 are summarised as follows:

	2018	2017
	£'000	£'000
Income	159,491	155,130
Expenditure	150,851	146,816
Operating surplus for year excluding pension adjustment	8,640	8,314
Gain on disposal of fixed assets	11,875	-
Pension provision cost adjustment	9,491	6,678
Surplus for the year including exceptional gain and pension adjustment	11,024	1,636

The underlying financial performance, after adjusting for the impact of significant items, remained strong in 2017-18. Total income increased by 3% to £159.5m whilst expenditure also increased by 3% to £150.9m. The underlying operating surplus of £8.6m represents 5.4% of income. In September 2017, the University disposed of a 497 bed accommodation building to a third party accommodation provider, generating an exceptional gain of £11.9m.

The pension provision arises 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).

Operating and Financial Review

Introduction

2017-18 was the final year of the BU2018 strategic plan and another year of success. Financial performance remained strong with the University achieving an underlying operating surplus of £8.6m. BU continued to improve facilities on our campus with construction commencing on two new buildings. The Bournemouth Gateway Building which will accommodate our Faculty of Health & Social Sciences and the Poole Gateway Building, providing high-quality technical facilities that support undergraduate and postgraduate courses as well as research.

Our vision

The University's vision is to be recognised worldwide as a leading university for inspiring learning, advancing knowledge and enriching society through the Fusion of education, research and practice. Our values are creativity, inclusivity, responsibility and excellence. BU2025 is the next step in BU's development, building on our success. We have retained the core of what makes BU different, including our Fusion approach. Through Fusion, which was introduced at the start of the BU2018 plan period, we bring together research, education and practice

to create something that is greater than the sum of its parts. As part of our BU2025 strategic plan, we have defined our purpose, to inspire learning, advance knowledge and enrich society.

Strategic Plan

We have defined what BU will be like in 2025, and developed a strategic plan to enable us to achieve those outcomes and our BU2025 vision.

We will focus on our ongoing implementation of Fusion across BU, and our investment in areas of academic excellence. We have identified a number of areas which we intend to invest in over the next plan period, to build academic excellence that builds on our existing strengths, for example in medical science, and animation, visualisation and simulation.

We will build our impact in education, research and practice, to enrich society, and enhance our position as a sustainable organisation. We are proud of our work in this area, which is described in more detail below. We will continue to develop our networks externally and build our reputation worldwide.

In order to achieve these objectives, we have put in place plans to ensure that we continue to attract, develop and retain the right people and teams, embedding our values and delivering on our commitment to equality, diversity and inclusivity. We will measure ourselves against a set of metrics and performance indicators that we have developed using external benchmarks, and we will continue to focus on maintaining financial resilience.

Financial Strategy

The Financial Strategy has been developed to support the delivery of the University's Strategic Plan. 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 investment is focused on delivering our Vision. The University manages financial stability within a financial risk model which defines the controls in which it operates.



Financial Performance Indicators

Financial Performance Indicators 2017-18	2017-18 Actual	BU 2018 Target
Current Ratio (current assets: current liabilities)	2.2:1	1.1:1
Annual contribution as a % of income (excluding pension adjustment and exceptional gain)	5.4%	5.0%
Gearing (bank borrowings as a % of total assets less current liabilities)	28.5%	41.0%

In the final year of the BU2018 plan period, the University exceeded the BU2018 target contribution (excluding pension adjustment) by 0.4%. The surplus target has been designed to ensure that sufficient cash is generated to support capital investment. The University had a healthy current ratio of 2.2:1 whilst new borrowings of £25.0m to fund capital investment increased gearing to 28.5%, still below the BU2018 target of 41.0%.

Financial highlights of the year

Five-year financial summary excluding pension adjustment and gain on disposal of fixed assets	2017-18 £000	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
Total income	159,491	155,130	150,485	134,984	128,687
Total expenditure	150,851	146,816	143,857	129,760	125,428
Operating surplus excluding pension adjustment and exceptional gains	8,640	8,314	6,628	5,224	3,259
Operating surplus as a % of income	5.4%	5.4%	4.4%	3.9%	2.5%
Net assets excluding pension reserve	118,786	98,353	90,121	84,062	76,965

In the year, income increased by £4.4m to £159.5m, whilst expenditure increased by £4.0m to £150.8m. The underlying operating surplus was maintained at 5.4% of income. Balance sheet net assets, excluding the pension reserve, increased by £20.4m from £98.4m in 2017 to £118.8m in 2018.

Student numbers (excluding Partner Colleges):

	2017-18			2016-17			
	Undergraduate	Postgraduate	TOTAL	Undergraduate	Postgraduate	TOTAL	
Full-time	13,020	1,521	14,541	Full-time	12,695	1,494	14,189
Part-time	2,093	1,841	3,934	Part-time	2,428	2,121	4,549
TOTAL	15,113	3,362	18,475	TOTAL	15,123	3,615	18,738

In 2017-18 our full time student population increased by 2.5%. Undergraduate students totalled 81.8% of our overall student population, an increase of 1.1% from the previous year.

Income:

	2017-18 £'000	2016-17 £'000	Increase/ (decrease) £'000	Increase/ (decrease) %
Funding body grants	11,989	11,954	35	0%
Tuition fees and education contracts	127,081	124,169	2,912	2%
Research grants and contracts	5,041	4,040	1,001	25%
Other operating income	15,104	14,682	422	3%
Endowment and investment income	276	285	(9)	(3%)
Total income	159,491	155,130	4,361	3%

Tuition fees and education contracts increased by 2.3%, representing 79.7% of total income. Research income reported 24.8% growth in 2017-18, the greatest percentage increase across all income streams. Other operating income increased by £0.4m from £14.7m to £15.1m and remained at 9.5% of total income.

Expenditure:

	2017-18 £'000	2016-17 £'000	Increase/ (decrease) £'000	Increase/ (decrease) %
Staff costs	80,664	76,554	4,110	5%
Staff cost relating to pension provision	7,100	4,514	2,586	57%
Depreciation	10,129	10,850	(721)	(7%)
Other operating expenses	58,587	58,220	367	1%
Interest payable	1,471	1,192	279	23%
Pension provision finance cost	2,391	2,164	227	10%
Total expenditure	160,342	153,494	6,848	4%

Total staff costs increased by £6.7m of which £2.6m related to the pension adjustment. Excluding the pension adjustment, staff costs increased by £4.1m or 5.4%. The increase in interest payable was predominately due to the interest charged on an additional £25.0m term loan drawn in December 2017 to support capital investment.

Balance sheet

Net assets increased by £35.4m from £6.8m in 2016-17 to £42.2m in 2017-18. Fixed assets additions of £27.4m were offset by a disposal of fixed assets, predominately one accommodation building, with a net book value of £14.9m and depreciation of £10.1m, resulting in an increase in fixed assets of £2.4m. The pension provision reduced from £91.6m in 2016-17 to £76.6m in 2017-18.

Cash flow and borrowings

The University generated a strong net cash inflow from operating activities of £21.7m (2016-17: £16.4m). Cash and cash equivalents increased by £40.6m to £44.3m, representing 115 days of liquid reserves. Borrowings increased by £18.9m with a new term loan of £25.0m drawn in December 2017.

Capital investment

Capital expenditure amounted to £27.4m in the year reflecting the ongoing investment in the University's estate and IT systems. Construction commenced on two new buildings:

- The Bournemouth Gateway building, budgeted to cost £46.5m, will accommodate our Faculty of Health & Social Sciences, and will deliver a unified base for the Faculty education, research and office activities. The building will provide 10,000 square meters of space and is set for completion in spring 2020.
- The Poole Gateway Building, budgeted to cost £27.0m, will provide high-quality technical facilities that support undergraduate and postgraduate courses as well as research. The new facilities will be predominately used by the Faculty of Science & Technology and the Faculty of Media & Communication.

Other significant expenditure in 2017-18 included a £2.7m investment to create a new Talbot Campus link road and travel exchange and a £3.0m investment in IT to refresh the University network and WiFi capability.

Principal risks and uncertainties

The University's Board has identified a number of high level risks which it monitors on a regular basis. The University's Risk Register is maintained by the University Leadership Team who identify and prioritise significant risks. The Risk Register is scrutinised by the Audit, Risk and Governance Committee.

The University Board also receives the Risk Register as part of the report from each Audit, Risk and Governance Committee meeting.

The University has identified the following significant risks:

- The inability to achieve all business functions if it fails to demonstrate its policies, processes and actions comply with new data protection laws and regulations which impose higher standards and more severe penalties.
- Any breach to information security.
- The failure to capitalise on the opportunity to re-profile and exploit the University's reputation under changing student market conditions.

Environmental and sustainability

Sustainability is at the heart of life at BU and is embedded in our BU2025 strategy and our Sustainability Policy.

BU is committed to minimising its impact on the environment, whilst also maximising its positive environmental and social impacts. We continue to invest to save energy and in December 2017, BU's Environment Management System was externally audited and certified to the ISO14001:2015 and Eco Campus Platinum standard. In 2017-18, BU recycled 70% of its waste, 10% above our July 2018 target of 60%. The remaining waste was sent for energy recovery and no waste was sent to landfill.

Our students have opportunities to develop their sustainability knowledge and skills through the curriculum and volunteering, enhancing both the quality of life in the local community and their employability. In 2017-18, the University introduced a sustainability module as part of the PGCert programme and delivered sustainability workshops to student representatives. Our students also took part in many activities to support the environment and sustainability. Activities included Green Week, Fairtrade Fortnight, NUS student switch-off energy saving competition and beach cleans.

In 2017-18, we delivered many awareness/engagement activities including Green Impact. Green Impact involves teams completing a series of activities to improve sustainability. Thirteen teams took part, achieving four gold, one silver and eight bronze awards.

Our Estates team continue to work with academic colleagues to enhance the biodiversity of the campus. This includes the 'Living Lab' concept where plants are

used in research projects and referred to as part of the student curriculum. The BU UNIBUS service provided 1,040,000 passenger journeys in 2017-18, up 2% compared to the previous year. The opening of a new bus hub on our Talbot Campus will facilitate even greater use of the UNIBUS service.

Diversity and equality

The University is committed to ensuring it is open and accessible to all and values people for what they bring as individuals. The University 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.

The University has achieved 'Disability Confident Status', a quality mark awarded by the Department of Work and Pensions for our positive commitment to the employment, retention and career development of disabled employees. The University is an active participant in the Mindful Employer Charter, DisabledGO, Athena SWAN and Time to Change programmes, and is a member of five national equality schemes which reflect sector best practice and our commitment to making the University a welcoming place to work and study.

Our people

Since the BU2018 Strategic Plan was launched in 2012, the University has embedded its Fusion model in its structures, including performance management and progression, workload planning and reward and recognition. BU's academic staff are expected to engage in research and education and professional practice in order to ensure that the BU student experience benefits from the fusion of these three elements. This was recognised when BU achieved a Silver award in the Teaching Excellence Framework 2017.

Developing capability, supporting staff, embedding our values and providing a positive working environment that enables staff across BU to deliver the BU2025 objectives remains a priority in the BU2025 strategic plan.

Bournemouth University and public benefit

The University is required to demonstrate how it meets its responsibilities as a charity and show that its activities are of 'public benefit'. University Board members are charity 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.

Our students are key beneficiaries of our teaching and research activities. 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.

Legal status

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.

Education and widening access

The University is committed to working with students and our ambition is to enable achievement for all our students in a diverse and inclusive environment. We continue to invest in financial support for those for whom affordability may be an obstacle to studying at BU. We focus our outreach investment in activity that raises aspirations to engage in higher education and we seek ways to ensure that the benefits of this activity are clearly visible and quantifiable.

The University spent £6.2m on provider specific scholarships and bursaries in 2017-18, and financial support through hardship funding continued with £0.4m committed.

The University works hard to ensure graduates have the best employment opportunities regardless of background. We offer a number of study abroad programmes and help students find overseas placements. This gives our

students the chance to experience new cultures, develop employability skills and enhance their career prospects through a range of networks and contacts around the globe.

Our partnerships with employers are key and it is widely acknowledged that the inclusion of a placement to prepare students for the workplace within a programme of study is a huge advantage in gaining graduate employment. All students at BU have the option of a placement as well as other opportunities to gain relevant industry knowledge and experience, as part of our Fusion approach to learning.

Research

The University's new BU2025 strategy has a clear vision: we are a university which inspires learning, advances knowledge and enriches society. Working with our partners enables us to shape research that helps to tackle some of the pressing issues facing our society, while also ensuring that our graduates have the skills they need to succeed in their chosen careers. We currently have around 800 academic staff and over 30 research centres exploring areas as diverse as orthopaedics, journalism, animation and ecology. As well as working with external partners, we also ensure that our students have the opportunity to engage in research through initiatives such as the Student Research Assistantship programme and Student Project Bank. Students also have the opportunity to share their research successes at SURE, our annual undergraduate research conference.

Our research continues to have tangible economic and societal benefits, for example:

- In our Faculty of Health and Social Sciences, researchers have worked to develop an emotional processing scale which helps clinical practitioners to identify clients' potential problems with emotional processing. This builds on decades of work which demonstrated that the ways in which we process stressful events can have a negative impact on our physical health.
- In our Faculty of Media and Communication, research into media history has not only helped to better understand media broadcasts of the past, but is also influencing the education of future broadcasters.

- Researchers in our Faculty of Science and Technology have been working to ensure that the endangered hump-back Mahseer fish is given a scientific name. This crucial first step will enable the species to be recognised on the International Union for Conservation of Nature and Natural Resources' (IUCN) Red List of endangered species. This will mean that conservation efforts to protect it can soon begin in earnest.
- Staff from the Faculty of Management have been working with governments to improve their crisis response and disaster management. Most recently, the Centre for Disaster Management have been working in the British Virgin Islands, an area which faced huge devastation following Hurricanes Irma and Maria.
- BU's Orthopaedic Research Institute is engaged in a range of impactful projects that fuse research, education and practice. One of these focuses on robot-assisted hip replacement surgery. The project hopes to demonstrate the benefits of the technology, and help make it available to everyone.

Community engagement

The wider community benefits from our ability to attract high quality, engaged students. Working in close partnership with the Students' Union, we offer a wide range of opportunities for personal development, including volunteering. Our students took part in many activities including the 'Stour Barn' project which has been shortlisted for an EAUC 'Green Gowns Award' in the Community category. The project aimed to connect the local community with the wildlife on their doorstep.

We held our sixth annual Festival of Learning in the year. This brings learning to life and shares the University's research and expertise in engaging and accessible ways. This year the festival included off campus events, taking our research and expertise into the community.

Our BFX festival celebrates the visual effects, animation and gaming industries and takes place over a week-long period, incorporating a range of speakers, workshops, exhibitions, and a career fair and film screenings.



Our Festival of Design & Engineering is an annual exhibition of final-year projects by Design and Engineering students. Visited by industry, friends and family, schools and colleges, the festival is the go-to event for talent scouts to spot tomorrow's designers and for teachers and career advisers to inspire the next generation.

At the strategic level, the University plays its part in helping shape and deliver economic growth in the region. We are a member of the Dorset Local Enterprise Partnership, set up to help boost business in the area through investment, lobbying and uniting stakeholders.

In conclusion

The 2017-18 financial year was the final year of the University's strategic plan, BU2018. Our financial performance was strong, and we have delivered on an ambitious programme of investment. The University Board and leadership team have developed the BU2025 Strategic Plan and this is the next step in the University's development, which builds on the many successes achieved under BU2018.

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
23 November 2018

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 (Revised June 2018).

This year the University's application for registration with the Office for Students (OfS) was accepted in accordance with the Higher Education & Research Act 2017 (HERA). On the basis of its assessment, the OfS decided that the initial conditions of registration were satisfied and no specific ongoing conditions were imposed. The University is now responsible for ensuring that it satisfies all ongoing general conditions of registration.

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. The University has adopted and applied the CUC Code in full. This year the CUC also published its Higher Education Senior Staff Remuneration Code to which the University has had due regard, and is compliant with, the Code. In accordance with the OfS Accounts Direction, additional disclosures regarding senior remuneration have been provided in the notes to this year's accounts.

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. The Board's Nominations Committee is responsible for monitoring skills gaps and making recommendations to the Board in respect of the recruitment and appointment of new Members. Board Members are charitable trustees. As such, they ensure that the University carries out its activities for the public benefit; complies with its governing documents and the law; manages its resources responsibly and is accountable. As trustees, the Board Members must always act with reasonable care and skill and in the best interests of the University as a charity. The University must comply with the reporting and other requirements of the Office for Students (OfS) 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 key performance indicators, academic governance, risk management and strategic planning.

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 Advance HE, 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 Chair and Vice-Chancellor are separate.

Independent members of the Board are appointed for an initial three year term of office. Re-appointment is not automatic and is subject to the approval of the Board on the recommendation of its Nominations Committee. Independent members do not normally serve more than two consecutive terms. Four members of the University Executive are appointed to the Board – the Vice-Chancellor, Deputy Vice-Chancellor, Chief Operating Officer and Finance Director. 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.

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:

1. 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 CUC Higher Education Code of Governance.
2. 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 the Financial Regulations remain subject to regular review by the Board.

3. The Articles of Government at the University require the institution to have a Board of Governors (the University Board) and a 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 normally elected from among those independent members, although there is provision for the Board to seek external candidates for the Chair role in the exceptional event that an appointment cannot be made from amongst the existing membership. 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. It is particularly concerned with general issues relating to research, education and professional practice.
4. The Vice-Chancellor is the Accountable 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 and Conditions of Funding for Higher Education between the institution and the OfS, 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.

5. Although the University Board normally 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. Membership is comprised exclusively of Independent Members. 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 the OfS 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 financial statements 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 considers, on behalf of the University Board, matters concerning the effective and efficient use of physical and human resources and provides assurance, advice, and makes recommendations to the Board as appropriate. It advises the Board on the University's overall financial strategy, financial sustainability and financial forecasting.
- 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 and Resources Committee. The Remuneration Committee has regard to, and is compliant with, the CUC Higher Education Senior Staff Remuneration Code (June 2018) and Guidance on decisions taken about severance payments in HEIs. An annual report to the Board from the Remuneration Committee is published separately alongside these Financial Statements.
- 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 the 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.

6. 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.
7. 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.
8. 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.
9. 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.
10. 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 2017-18, a total of £6,643 (2016-17 £6,000) was paid in respect of claims for travel and subsistence expenses incurred in connection with their duties as trustees by 9 Board members. A record of expenses paid to members of the University Executive is also published on the University's website quarterly.

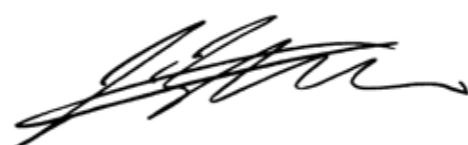
Statement of Internal Control

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 Auditors
2. The University Leadership Team has delegated responsibility for performance monitoring and management across the University, including the management of risk, and regularly reviews the University Risk Register. The Risk Register covers business, operation and compliance risk as well as financial risk. 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 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 reviews and approves the University's Financial Regulations annually. The Board and the Audit, Risk and Governance Committee also regularly review the University's policies and procedures in respect of internal control measures including 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 most recently did so during 2016-17. A similar independent review of the Senate and its committees was also undertaken during 2016-17 and the Board receives assurances in respect of academic governance through detailed Senate reports. In addition, the Board's committees periodically review their own effectiveness. Board members are subject to an ongoing cycle of individual reviews and the Chair's review is informed by an anonymous 360° survey.
7. There have been no material internal control issues to report during the year to 31 July 2018 (31 July 2017 no material internal controls issues).



Professor Richard Conder
Chair of the Board



Professor John 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, ensures that:

- a. suitable accounting policies are selected and applied consistently;
- b. judgements and estimates are made that are reasonable and prudent;
- c. applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 Office for Students (OfS) are used only for the purposes for which they have been given and in accordance with the OfS Terms and Conditions of Funding for Higher Education (and any other conditions which the OfS 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, and 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 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
23 November 2018



Independent auditors' report to the Governors of Bournemouth University

Opinion

We have audited the financial statements of Bournemouth University ("the University") and its subsidiaries (the 'Group') for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) "ISAs (UK)" and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board are responsible for the other information. Other information comprises the information included in the report of the Board of Governors other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information (including the Report of the Board of Governors, Statement of Corporate Governance and Responsibilities of the University Board) and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Opinion on other matters required by the Office for Students ("OfS") and Research 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 managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them;
- the requirements of the OfS accounts direction have been met.

Responsibilities of the Board of Governors

As explained more fully in the Board members' responsibilities statement set out on page 13, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

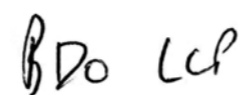
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding from the Office for Students and Research England.

Use of our report

This report is made solely to the University Board, as a body, in accordance with Paragraph 124B of the Education Reform Act 1988 Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the University's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board members as a body, for our audit work, for this report, or for the opinions we have formed



David I'Anson (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Southampton

Date: 29 November 2018

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

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 2014 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.

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 2018. Intra-group sales and profits are eliminated on consolidation. 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. 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 Dorset 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.

4. Investments

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

5. 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.

6. Stocks and work in progress

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

7. 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.

8 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.

9. 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.

10. Maintenance of premises

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

11. 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:

- a. Restricted donations: the donor has specified that the donation must be used for a particular objective.

- b. Unrestricted permanent endowments: the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- c. 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.
- d. 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.

12. 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.

13. Capital grants

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

14. 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.

15. 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. 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.

16. 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.

17. Borrowing costs

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

18. 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.

Consolidated statement of comprehensive income and expenditure

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.

19. Research & Development

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

20. 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.

21. 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.

22. Financial assets

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

23. 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.

24. 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 University 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 University'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.
- Tangible fixed assets are depreciated over their useful lives considering 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 considered. 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.

	Note	2018 Consolidated £'000	2018 University £'000	2017 Consolidated £'000	2017 University £'000
Income					
Funding body grants	1	11,989	11,989	11,954	11,954
Tuition fees and education contracts	2	127,081	127,081	124,169	124,169
Research grants and contracts	3	5,041	5,041	4,040	4,040
Other operating income	4	15,104	15,093	14,682	14,661
Endowment and investment income		276	276	285	285
Total income		159,491	159,480	155,130	155,109
Expenditure					
Staff costs	5	87,764	87,764	81,068	81,068
Depreciation	8	10,129	10,129	10,850	10,850
Other operating expenses	6	58,585	58,585	58,220	58,220
Interest and other finance costs	7	3,862	3,862	3,356	3,356
Total expenditure		160,340	160,340	153,494	153,494
(Deficit)/Surplus before other gains		(849)	(860)	1,636	1,615
Gain on disposal of fixed assets	19	11,875	11,875	-	-
Surplus before tax		11,026	11,015	1,636	1,615
Taxation	2	-	-	-	-
Surplus for year		11,024	11,015	1,636	1,636
Actuarial gain/(loss) in respect of pension scheme	17	24,380	24,380	978	978
Total comprehensive gain for year		35,404	35,395	2,614	2,593

All amounts relate to continuing activities.

The notes on pages 25 to 40 form part of these accounts.

Changes in equity for the year ended 31 July 2018

Consolidated	Income and expenditure reserve		
	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 1 August 2016	1,500	2,679	4,179
Surplus from the income and expenditure statement	-	1,636	1,636
Other comprehensive income	-	978	978
Balance at 31 July 2017	1,500	5,293	6,793
Balance at 1 August 2017	1,500	5,293	6,793
Surplus from the income and expenditure statement	-	11,024	11,024
Other comprehensive income	-	24,380	24,380
Balance at 31 July 2018	1,500	40,697	42,197

University	Income and expenditure reserve		
	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 1 August 2016	1,500	2,663	4,163
Surplus from the income and expenditure statement	-	1,615	1,615
Other comprehensive income	-	978	978
Balance at 31 July 2017	1,500	5,256	6,756
Balance at 1 August 2017	1,500	5,256	6,756
Surplus from the income and expenditure statement	-	11,015	11,015
Other comprehensive income	-	24,380	24,380
Balance at 31 July 2018	1,500	40,651	42,151

The notes on pages 25 to 40 form part of these accounts.

Consolidated and University balance sheet as at 31 July 2018

	Note	2018 £'000		2017 £'000	
		Consolidated	University	Consolidated	University
Fixed assets					
Tangible assets	8	133,592	133,592	131,220	131,220
Investments	8	28	28	28	28
		133,620	133,620	131,248	131,248
Current assets					
Stocks	9	5	5	6	6
Investments		49	49	49	49
Trade and other receivables	10	9,897	9,897	9,146	9,146
Cash and cash equivalents		44,951	44,904	5,805	5,767
		54,902	54,855	15,006	14,968
Creditors: Amounts falling due within one year	11	(24,488)	(24,487)	(25,258)	(25,257)
Net current (liabilities)/assets		30,414	30,368	(10,252)	(10,289)
Total assets less current liabilities		164,034	163,988	120,996	120,959
Creditors: Amounts falling due after more than one year	12	(45,248)	(45,248)	(22,643)	(22,643)
Pension liability	17	(76,589)	(76,589)	(91,560)	(91,560)
TOTAL NET ASSETS		42,197	42,151	6,793	6,756
Reserves					
Restricted reserve		1,500	1,500	1,500	1,500
Unrestricted excluding pension reserve		117,286	117,240	96,853	96,816
Pension reserve		(76,589)	(76,589)	(91,560)	(91,560)
TOTAL RESERVES		42,197	42,151	6,793	6,756

The notes on pages 25 to 40 form part of these accounts.

Approved and authorised for issue by the University Board on 23 November 2018



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 2018

	2018 £'000	2017 £'000
Cash flow from operating activities		
Surplus for year	11,024	1,636
Adjustment for non-cash items		
Depreciation	10,129	10,850
Decrease/(increase in stock)	1	(2)
(Increase)/decrease in debtors	(751)	833
Increase/(decrease in creditors)	4,435	(3,205)
Pension costs less contributions payable	9,409	6,597
	<u>34,247</u>	<u>16,709</u>
Adjustment for investing or finance activities		
Investment income	(276)	(285)
Financial expenses	1,471	1,192
Profit on sale of fixed assets	(11,875)	-
Capital grant income	(1,910)	(1,259)
Net cash from operating activity	<u>21,657</u>	<u>16,357</u>
Cashflows from investing activities		
Proceeds from sale of fixed assets	26,799	39
Investment income	276	285
Purchase of fixed assets	(27,425)	(16,009)
Capital grant income	1,910	1,259
	<u>1,560</u>	<u>(14,426)</u>
Cashflows from financing activities		
Interest paid	(1,471)	(1,192)
New secured loans	30,000	5,000
Loans repaid	(11,140)	(10,495)
Net cash	<u>17,389</u>	<u>(6,687)</u>
Increase/(Decrease) in cash equivalents in year	<u>40,606</u>	<u>(4,756)</u>
Cash and cash equivalents at beginning of year	3,712	8,468
Cash and cash equivalents at end of year	<u>44,318</u>	<u>3,712</u>
Cash and cash equivalents comprise:		
Cash and cash equivalent	44,950	5,805
Bank overdrafts	(632)	(2,093)
	<u>44,318</u>	<u>3,712</u>

The notes on pages 25 to 40 form part of these accounts.

Notes to the accounts

	2018 Consolidated £'000	2018 University £'000	2017 Consolidated £'000	2017 University £'000
1. Funding body grants				
HEFCE recurrent grant	6,705	6,705	10,050	10,050
OfS recurrent grant	1,676	1,676	-	-
Research England recurrent grant	1,091	1,091	-	-
Non-recurrent specific grant	607	607	645	645
Capital grant release	1,910	1,910	1,259	1,259
	<u>11,989</u>	<u>11,989</u>	<u>11,954</u>	<u>11,954</u>
2. Tuition fees and education contracts				
Full-time students	96,744	96,744	91,582	91,582
Full-time students charged overseas fees	13,593	13,593	13,115	13,115
Part-time fees	2,598	2,598	2,370	2,370
Short course fees	2,377	2,377	2,337	2,337
Other teaching contract course fees	11,809	11,809	14,725	14,725
	<u>127,081</u>	<u>127,081</u>	<u>124,169</u>	<u>124,169</u>
3. Research grants and contracts				
Research Council	1,293	1,293	791	791
UK based charities	855	855	550	550
European commission	1,016	1,016	1,024	1,024
Other grants and contracts	1,877	1,877	1,675	1,675
	<u>5,041</u>	<u>5,041</u>	<u>4,040</u>	<u>4,040</u>
4. Other operating income				
Residences	9,420	9,420	9,222	9,222
Other services rendered	61	61	57	57
Other income	5,623	5,612	5,403	5,382
	<u>15,104</u>	<u>15,093</u>	<u>14,682</u>	<u>14,661</u>
5. Staff				
Staff costs:				
Salaries and wages	64,120	64,120	60,764	60,764
Social security costs	6,722	6,722	6,384	6,384
The financial effects of LGPS pension scheme	7,100	7,100	4,514	4,514
Other pension costs	9,451	9,451	8,778	8,778
Redundancy and associated pension costs	371	371	628	628
	<u>87,764</u>	<u>87,764</u>	<u>81,068</u>	<u>81,068</u>

	2018 £'000	2017 £'000
a) Emoluments of the Vice-Chancellor:		
Remuneration	260	249
Performance related pay	6	9
Benefits in kind	3	3
	<u>269</u>	<u>261</u>
Pension contributions	44	43
	<u>313</u>	<u>304</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.

The head of the provider's basic salary is 7.1 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The head of the provider's total remuneration is 7.7 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

The strategic plan for BU (2012-18) delivered strong growth in academic strength, turnover, student numbers, new estates developments, research and knowledge exchange funding and international league table performance.

Under the Vice-Chancellor's leadership, a new strategic plan has been developed during 2017/18 that builds on the successful outcomes of BU2018. This plan sets out an ambitious programme of strategic development for BU through to 2025.

The University operates in a highly competitive national and international market and retention of leadership is key to the University's continued success and the University has benefited from the Vice-Chancellor's leadership throughout the delivery of BU2018 and the development of BU2025.

The Vice-Chancellor is experienced in post and high-performing in his leadership of BU's development. His remuneration package is set by the Remuneration Committee of the Board which is chaired by an independent Board member who is not the Chair of the Board. All members of the Remuneration Committee are independent members of the Board or independent members co-opted for their specific remuneration expertise.

The Committee complies with the Higher Education Senior Staff Remuneration Code published by the Committee of University Chairs (CUC). Detailed salary benchmarking information regarding the remuneration of Vice-Chancellors is considered from both CUC and the Universities and Colleges Employers Association. The Vice-Chancellor is entitled to be a member of the Teachers' Pension Scheme, as are all academic staff, and the rate of employer contributions made by the University is fixed by the scheme and not the University.

The Vice-Chancellor's performance is assessed annually against objectives based on delivering the strategy (and the relevant KPIs) and include both short (one year) and long term (multiple year) objectives.

To ensure transparency of process and decisions, the University publishes on its website the terms of reference and operating framework for the Remuneration Committee, its principles for determining the remuneration of senior post holders and the minutes of the Committee. The University will also publish the Committee's Annual Remuneration Report to the Board once approved at its November meeting.

	2018 Number	2017 Number
b) Remuneration of other higher paid staff		
£100,000 to £104,999	1	-
£130,000 to £134,999	2	2
£135,000 to £139,999	-	1
£140,000 to £144,999	-	-
£145,000 to £149,999	1	-
£150,000 to £154,999	-	2
£155,000 to £159,999	1	-
£160,000 to £164,999	1	-

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.

c) 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 £1.303m (2017: £1.257m). Total compensation includes basic salary, performance bonuses, all taxable benefits, employer's national insurance and employer's pension costs.

d) Average staff numbers employed:

Academic staff (excluding part-time visiting lecturers)	729	715
Administrative, professional, technical and clerical staff	820	828
Manual and maintenance staff	27	30
	<u>1,576</u>	<u>1,573</u>

e) Trade Union Facility Time reporting for the period 01 April 2017 to 31 March 2018:

Relevant Union Officials:

The number of employees who were relevant union officials during the relevant period was 23. This equates to 3.4 FTE.

Percentage of time spent on facility time:

Percentage of time	Number of employees
0%	0
1-50%	23
51-99%	0
100%	0

Percentage of pay bill spent on facility time:

Total cost of facility time:	£188,000
Total pay bill:	£78.49M
Percentage of the total pay bill spent on facility time, calculated as: (total costs of facility time / total pay bill) x 100:	0.24%

Paid trade union activities:

The amount of time spent on paid trade union activities as a percentage of total paid facility time was 100% (calculated as total hours spent on paid trade union activities by relevant union officials during the relevant period / total paid facility time hours x 100).

	2018 Consolidated £'000	2018 University £'000	2017 Consolidated £'000	2017 University £'000
6. Other operating expenses				
Staff development	847	847	1,149	1,149
External Agencies and staff secondments	3,763	3,763	4,074	4,074
Other staff costs	147	147	302	302
Travel costs	2,012	2,012	1,965	1,965
Consumables and laboratory costs	666	666	787	787
Franchise costs paid to partner colleges	2,380	2,380	4,278	4,278
Student union grant	1,190	1,190	1,190	1,190
Student welfare	3,051	3,051	3,222	3,222
Office expenses	425	425	362	362
Books, periodicals and information services	2,106	2,106	2,165	2,165
Non capitalised equipment and software Audit:	5,129	5,129	5,582	5,582
- External auditors remuneration – audit fees	40	40	33	33
- Auditors remuneration – other fees	5	5	3	3

6. Other operating expenses (continued)	2018	2018	2017	2017
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
- Taxation advisory services	-	-	7	7
- Internal Auditors remuneration	65	65	65	65
Legal and professional	2,159	2,159	1,674	1,674
Bursaries and scholarships	6,513	6,513	5,938	5,938
Promotions costs	2,172	2,172	2,030	2,030
Rent and rates	10,781	10,781	8,197	8,197
Heat, light, water and power	1,947	1,947	2,019	2,019
Repairs, refurbishment and scheduled maintenance	2,162	2,162	1,765	1,765
Insurance	408	408	380	380
Research and Development	3,893	3,893	3,870	3,870
Other expenses	6,724	6,724	7,163	7,163
	58,585	58,585	58,220	58,220

Other operating expenses include	2018	2018	2017	2017
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Independent governors' expenses	8	8	6	6
Hire of other assets – operating leases	38	38	53	53

7. Interest and other finance costs	2018	2018	2017	2017
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Pension scheme finance costs	2,391	2,391	2,164	2,164
Loan interest	1,471	1,471	1,192	1,192
	3,862	3,862	3,356	3,356

8. Tangible assets: University and its Subsidiary Company

Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings	Leasehold Improvements	Equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost/valuation					
At 1 August 2017	166,224	1,891	71,587	13,630	253,332
Additions	4,267	-	2,094	21,064	27,425
Transfers	5,876	-	1,798	(7,674)	-
Disposals	(22,550)	-	(332)	(842)	(23,724)
31 July 2018	153,817	1,891	75,147	26,178	257,033

	Freehold and Leasehold Land and Buildings	Leasehold Improvements	Equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation					
At 1 August 2017	63,328	909	57,875	-	122,112
Charge for the year	5,354	76	4,699	-	10,129
Disposals	(8,490)	-	(310)	-	(8,800)
31 July 2018	60,192	985	62,264	-	123,441
Net book value					
31 July 2018	93,625	906	12,883	26,178	133,592
31 July 2017	102,896	982	13,712	13,630	131,220

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 1 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:	2018 £'000	2017 £'000
Freeholds		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	17,292	17,292
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	136,375	148,782
	153,817	166,224

Investment	Cost at 31 July 2018	Cost at 31 July 2017
Investments - University	£	£
Shares in subsidiary company	2	2
Shares in CVCP Properties plc	28,097	28,091
	28,099	28,093
Subsidiary Company	Cost at 31 July 2017	Cost at 31 July 2016
BU Innovations Limited	2	2
	2	2

8. Tangible assets: Group and University (continued)

The University is the beneficial owner of the entire issued share capital of the subsidiary 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.

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

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.

9. Stocks	2018		2017	
	Group £'000	University £'000	Group £'000	University £'000
Stock	5	5	6	6

10. Debtors	2018		2017	
	Group £'000	University £'000	Group £'000	University £'000
Other trade receivables	3,101	3,101	2,919	2,919
Prepayments and accrued income	6,796	6,796	6,227	6,227
	9,897	9,897	9,146	9,146

11. Creditors: amounts falling due within one year

	2018		2017	
	Group £'000	University £'000	Group £'000	University £'000
Bank loans	1,786	1,786	5,531	5,531
Bank overdraft	631	631	2,093	2,093
Trade payables	962	962	1,800	1,800
Other creditors	1,684	1,684	1,810	1,810
Amounts owed to Funding Body	453	453	-	-
Social security and other taxation payable	1,815	1,815	1,838	1,838
Accruals and deferred income	17,157	17,156	12,186	12,185
	24,488	24,487	25,258	25,257

Accruals and deferred income include £5.8m (2017: £6.4m) of income received in advance in connection with teaching and consultancy work.

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

Group and University	2018 £'000	2017 £'000
Bank loans	45,048	22,443
Other creditor	200	200
	45,248	22,643

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	25,000	2.9	2037

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

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

	2018 £'000	2017 £'000
Repayable within 1 year	1,786	5,531
Repayable within 2-5 years	7,376	2,281
Repayable after 5 years	37,672	20,162
	46,834	27,974

13. Financial Instruments

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost	50,245	11,095	50,198	11,057
Financial liabilities measured at amortised cost	(60,508)	(38,900)	(60,508)	(38,900)

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

	Bank loans £'000
At 1 August	27,974
New loans	30,000
Capital repayments	(11,140)
At 31 July	<u>46,834</u>

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 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 (CLV) for the supply of student accommodation in four buildings, Okeford House a 94 bed facility, Lyme Regis House, a 400 bed facility, Chesil House, a 210 bed facility and Cranborne House a 497 bed facility. The buildings are owned and managed by CLV 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, to date, this has not been called upon.

16. Operating lease and Capital commitments

At 31 July 2018, the University was committed to making the following payments during the next year in respect of operating leases:

	2018		2017	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases:				
Expiring within one year	9,049	34	5,934	46
Expiring within two and five years	7,177	26	8,912	47
Expiring within six and thirty years	232	–	600	–
	<u>16,458</u>	<u>60</u>	<u>15,446</u>	<u>93</u>

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.

In 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.

In 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 bed facility purpose built student accommodation block. The lease has a break clause in 2019.

In 2017 the University entered into a 3-year operating lease on Home Park, a purpose built student accommodation block.

Capital commitments	2018 £'000	2017 £'000
Commitments contracted at 31 July	51,757	27,957
Authorised but not contracted at 31 July	18,165	63,047
	<u>69,922</u>	<u>91,004</u>

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 2018 was £13.3m (2017: £11.2m).

Reconciliation to balance sheet	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
DCSS LGPS pension liability	75,248	90,092
USS Pension liability	343	388
Pension enhancement pension liability	998	1,080
	<u>76,589</u>	<u>91,560</u>

Teachers' Pension Scheme (TPS)

Under the definitions set out in Financial Reporting Standard 102 - Retirement Benefits, the 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 2017 to 31 July 2018.

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 is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

17. Pensions (Continued)

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

Pension Costs

The total cost charged to the income and expenditure account is £260,396 (2017: £275,218)

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section 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. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	N/A	N/A
Price inflation (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

Existing benefits

	2017	2016
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

DCSS

The LGPS 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.

The administering authority for the Fund is Dorset County Council. The Pension Fund Committee oversees the management of the Fund whilst day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Dorset County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The valuation has been updated to 31 July 2018 by qualified independent actuaries who estimate that the net liability as at 31 July 2018 is £75.25m (2017: £90.09m).

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 2018	31 July 2017	31 July 2016
	% p.a.	% p.a.	% p.a.
Salary increases	3.3%	3.5%	3.7%
Pension increases	2.4%	2.7%	2.2%
Discount rate	2.7%	2.7%	2.6%

Life expectancy from age 65 (years)

	2018	2017
Retiring today		
Males	23.7	23.9
Females	25.7	26.0
Retiring in 20 years		
Males	25.5	26.1
Females	27.7	28.3

17. Pensions (Continued)**Expected return on assets and estimated asset allocation**

The return on the Fund (on a bid to bid value basis) for the year to 31 July 2018 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Bournemouth University as at 31 July 2018 is as follows.

Asset class	Asset allocation 31 July 2018 £'000	%	Asset allocation 31 July 2017 £'000	%
Equities	63,062	55%	58,154	55%
Other Bonds	7,981	7%	11,945	11%
Diversified Growth Fund	-			
Fund	6,910	6%	4,582	4%
Property	11,708	10%	9,283	9%
Cash	1,078	1%	2,834	3%
Liability Driven Investment	14,459	13%	14,036	13%
Infrastructure	4,911	4%	4,637	4%
Hedge Fund	0	n/a	15	0%
Multi Asset Credit	5,343	5%	n/a	n/a
Total	115,452	100%	105,486	100%

Based on the above, the Employer's share of the assets of the Fund is approximately 4%.

Reconciliation of DCSS LGPS pension liability recognised in balance sheet

	31 July 2018 £'000	31 July 2017 £'000
Net pension deficit as at		
Present value of funded obligation	(190,542)	(195,405)
Fair value of scheme assets	115,452	105,486
Net liability	(75,090)	(89,919)
Present value of unfunded obligation	(158)	(173)
Pension liability in balance sheet	(75,248)	(90,092)

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Service cost:	11,398	8,453
Net interest on the defined liability (asset)	2,376	2,147
Administration expenses	86	69
Total loss	13,860	10,669

Asset and benefit obligation reconciliations for the year to 31 July 2018

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Opening defined benefit obligation	195,578	171,605
Current service cost	11,339	8,164
Interest cost	5,281	4,470
Change in financial assumptions	(16,329)	12,694
Change in demographic assumptions	(5,123)	4,018
Experience loss/(gain) on defined benefit obligation	-	(5,943)
Estimated benefits paid net of transfers in	(2,032)	(1,518)
Past service costs, including curtailments	59	289
Contributions by Scheme participants and other employers	1,939	1,812
Unfunded pension payments	(12)	(13)
Closing defined benefit obligation	190,700	195,578

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Opening fair value of Fund assets	105,486	87,250
Interest on assets	2,905	2,323
Return on assets less interest	2,928	11,208
Other actuarial gains	-	539
Administration expenses	(86)	(69)
Contributions by employer including unfunded	4,324	3,954
Contributions by Scheme participants and other employers	1,939	1,812
Estimated benefits paid plus unfunded net of transfers in	(2,044)	(1,531)
Closing fair value of Fund assets	115,452	105,486

Composition of defined benefit obligation

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Unfunded	158	173
Funded obligations	190,542	195,405
	190,700	195,578

17. Pensions (Continued)**Reconciliation of opening & closing balances of the net pension deficit**

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Deficit at beginning of the year	(90,092)	(84,355)
Service cost	(11,339)	(8,164)
Employer contributions	4,312	3,941
Unfunded pension payments	12	13
Past Service Costs	(59)	(289)
Other finance costs	(2,376)	(2,147)
Actuarial gain	24,380	978
Administration expenses	(86)	(69)
Deficit at end of the year	<u>(75,248)</u>	<u>(90,092)</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 life expectancy assumption.

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	186,169	190,700	195,346
Projected service cost	9,505	9,775	10,053
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	191,226	190,700	190,179
Projected service cost	9,775	9,775	9,775
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	194,831	190,700	186,670
Projected service cost	10,053	9,775	9,504
Adjustment to life expectancy assumption	+ 1 year	None	- 1 year
Present value of total obligation	197,327	190,700	184,301
Project service cost	10,087	9,775	9,473

5 Year history

Amounts for the current and previous four periods	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Defined benefit obligation	(190,700)	(195,578)	(171,605)	(132,254)	(110,863)
Scheme assets	115,452	105,486	87,250	81,016	69,614
Deficit	<u>(75,248)</u>	<u>(90,092)</u>	<u>(84,355)</u>	<u>(51,238)</u>	<u>(41,249)</u>

Re-measurements in other comprehensive income

	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000
Re-measurement of the net defined liability		
Return on Fund assets in excess of interest	2,928	11,208
Other actuarial gains/(losses) on assets	-	539
Change in financial assumptions	16,329	(12,694)
Change in demographic assumptions	5,123	(4,018)
Experience gain/(loss) on defined benefit obligation	-	5,943
Re-measurement of the net defined liability	<u>24,380</u>	<u>978</u>

Projected pension expense for the year to 31 July 2019

	Year to 31 July 2018 £'000
Service cost	9,775
Net interest on the defined liability (asset)	1,975
Administration expenses	94
Total loss (profit)	<u>11,844</u>
Employer contributions	4,187

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 (2017: £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	<u>(24)</u>
Reserves brought forward	70
Loss for year	(24)
Reserves carried forward	<u>46</u>

18. Related Party Transactions (Continued)**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 2018, the University paid a block grant of £1,190,000 to the Union (2017: £1,190,000).

19. Gain on disposal of fixed assets

In September 2017, the University disposed of a 497 bed accommodation building on a long lease. The University received an upfront payment of £23.6m and the net book value of the building at the time of disposal was £13.0m and the associated sale costs were £1.1m. The University retained the freehold of the land. The overall gain recognised on disposal was £9.5m.

In October 2017, the University disposed of a building and area of land for £3.1m. The net book value of the building at the time of disposal was £0.8m resulting in a gain on disposal of £2.3m

