



**Bournemouth
University**

**Bournemouth University,
Higher Education Corporation**



Report and Financial Statements for the year ended 31 July 2019

Board members and advisers

Board Membership at 29 November 2019 (date of formal approval)

Board Members (External)

Prof Richard Conder (Chair)
 Mr Nicholas Beal
 Mr John Beswick (from 1 March 2019)
 Mr Alistair Brien
 Mr Jonathan Clark (to 28 February 2019)
 Mrs Sheila Collins (to 28 February 2019)
 Ms Annette D'Abreo
 Ms Karima Fahmy (from 1 July 2019)
 Mr David Furniss
 Mr Karl Hoods (from 21 March 2019)
 Mr Stuart Jones
 Mr David Kane
 Mrs Jean Lang (Deputy Chair)
 Ms Sara Luder (from 1 July 2019)
 Mrs Adetola Oloyede
 Mr Des Pullen
 Dr Chris Shaw (to 30 June 2019)
 Mr David Skinner (to 20 March 2019)
 Ms Caroline Troy (to 30 June 2019)
 Ms Deborah Ward (from 1 March 2019)

External Auditors

BDO LLP

Arcadia House
 Maritime Walk
 Ocean Village
 Southampton
 Hants
 SO14 3TL

Board Members (Internal)

Mrs Paula Alliston (Professional & Support Staff Member)
 Mr Jim Andrews (Chief Operating Officer)
 Mr Graham Beards (Finance Director)
 Mr Abdurasheed Adeyinka Balogun (President Students' Union at Bournemouth University)
 Dr Lois Farquharson (Academic Staff Member) (from 9 October 2019)
 Prof Tim McIntyre-Bhatty (Deputy Vice-Chancellor)
 Prof Tim Rees (Senate Member)
 Prof John Vinney (Vice-Chancellor)

Internal Auditors

PricewaterhouseCoopers LLP

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 2019. 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 results for the year ended 31 July 2019 are summarised as follows:

| | 2019 | 2018 |
|---|---------|---------|
| | £'000 | £'000 |
| Income | 160,188 | 159,491 |
| Expenditure | 151,722 | 150,851 |
| Operating surplus for year excluding pension adjustment and restructuring charge | 8,466 | 8,640 |
| Gain on disposal of fixed assets | - | 11,875 |
| Less Pension provision cost adjustment | 9,858 | 9,491 |
| Less Restructuring charge | 2,404 | - |
| Actuarial gain on pension scheme | 3,389 | 24,380 |
| Total comprehensive (loss)/gain for year | (407) | 35,404 |

The University's operating surplus before the pension provision cost adjustment and restructuring charge was £8.5m, which represents 5.3% of income. The pension cost provision and restructuring charge reduced the £8.5m surplus to a deficit before other gains of £3.8m. The actuarial gain on the Local Government Pension Scheme (LGPS) of £3.4m resulted in a total comprehensive loss for the year of £0.4m.

The University generated net cash from operating activity of £20.2m. Capital investment of £49.7m focused on developing and enhancing our estate and facilities with the continued construction on two new academic buildings, the Bournemouth Gateway Building and the Poole Gateway building. Both buildings are scheduled to open in the next financial year.

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

2018-19 was the first year of the BU2025 strategic plan and another year of successful delivery. The University achieved a surplus excluding the pension adjustment and restructuring charge of £8.5m. BU continued to improve facilities on our campus and construction is approaching completion on 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. In July 2019 BU completed the purchase of the Chapel Gate sports site from Bournemouth and District Recreational Charity. Chapel Gate houses a wide range of sporting facilities and the site will continue to be used as a community facility as well as providing a continuing space for staff and student use.

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.

During the first year of BU2025, we have focussed on our ongoing implementation of Fusion across BU, and our investment in areas of academic excellence, including developing plans and making progress on the strategic investment areas that we identified. For example, this year, with financial support from the Dorset Local Enterprise Partnership and working closely with local health organisations, we have established an Institute of Medical Imaging. We have also launched a number of new academic programmes, including Medical Sciences, which will start in 2019-20.

We continue to work to develop 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 worked this year to develop our networks externally and build our reputation

worldwide and we are pleased with the progress we are making. For example, we were ranked 55th out of over 450 universities from across the world, and 13th in the UK, in the first Times Higher Education Impact Rankings.

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 were delighted to achieve an Athena Swan Bronze award and we are proud that three of our academic departments now also have Bronze awards. We continue to measure ourselves against a set of metrics and performance indicators that we have developed using external benchmarks, and to focus on maintaining financial resilience.

Financial Strategy

The Financial Strategy has been developed to support the delivery of the University's Strategic Plan and focuses on performance and resilience. We will fund our investments by targeting areas of growth in income from research and knowledge exchange, growing income from international students, and developing alternative sources of income. We will maintain financial resilience to fund our investments, by setting priorities, allocating resources and optimising value for money.



Financial Performance Indicators

| Financial Performance Indicators 2018-19 | 2018-19 Actual | BU2025 Target |
|--|----------------|---------------|
| Annual contribution as a % of income (excluding pension adjustment and restructuring charge) | 5% | 4-6% |
| Net cash from operating activity as % of income | 13% | 11% |
| Borrowing % of income | 37% | 36% |

In the first year of BU2025, the University was in line with the BU2025 target contribution of 4-6% (excluding the pension adjustment and the restructuring charge). The Net cash from operating activity target has been designed to ensure that sufficient cash is generated to support capital investment; in 2018-19 the University was 2% above the BU2025 target. The University's borrowing percentage to income was 37% which included a £15.0m term loan drawn in year to fund capital investment.

Financial highlights of the year

| Five-year financial summary excluding pension adjustment, gain on disposal of fixed assets and restructuring charges | 2018-19 £M | 2017-18 £M | 2016-17 £M | 2015-16 £M | 2014-15 £M |
|--|---------------|---------------|---------------|---------------|---------------|
| Total income | 160.2 | 159.5 | 155.1 | 150.5 | 135.0 |
| Total expenditure | 151.7 | 150.9 | 146.8 | 143.9 | 129.8 |
| Operating surplus excluding pension adjustment and restructuring charge | 8.5 | 8.6 | 8.3 | 6.6 | 5.2 |
| Pension provision cost adjustment | 9.9 | 9.5 | 6.7 | 5.1 | 3.9 |
| Restructuring charge | 2.4 | - | - | - | - |
| (Deficit)/Surplus before other gains | (3.8) | (0.9) | 1.6 | 1.5 | 1.3 |
| Operating surplus excluding pension adjustment and restructuring charge as a % of income | 5.30% | 5.40% | 5.40% | 4.40% | 3.90% |
| Net assets excluding pension reserve | 124.8 | 118.8 | 98.4 | 90.1 | 84.1 |

Bournemouth University's operating surplus as a percentage of income (excluding pension adjustment and restructuring charges) in 2018-19 was 5.3%. Total income for the year was £160.2m whilst total expenditure was £151.7m. It should be noted that total expenditure reported in the financial statements included an FRS102 accounting pension adjustment of £9.9m and a restructuring charge of £2.4m, reducing the reported £8.5m operating surplus to an overall deficit of £3.8m. An actuarial gain on the LGPS of £3.4m resulted in total comprehensive loss for the year of £0.4m.

Balance sheet net assets, excluding the pension reserve continued to report a healthy increase from £118.8m in 2017-18 to £124.8m in 2018-19.

Student numbers (excluding Partner Colleges):

| | 2018-19 | | | 2017-18 | | | |
|------------------|---------------|--------------|---------------|------------------|---------------|--------------|---------------|
| | Undergraduate | Postgraduate | TOTAL | Undergraduate | Postgraduate | TOTAL | |
| Full-time | 13,005 | 1,625 | 14,630 | Full-time | 13,020 | 1,521 | 14,541 |
| Part-time | 1,469 | 1,456 | 2,925 | Part-time | 2,093 | 1,841 | 3,934 |
| TOTAL | 14,474 | 3,081 | 17,555 | TOTAL | 15,113 | 3,362 | 18,475 |

2018-19 Undergraduate students totalled 82.5% of our overall student population, an increase of 0.7% from 2017-18. Our full-time student population increased by 89 students, an increase of 0.6% from 2017-18. The reduction in part-time students was predominately due to a reduction in CPD students. It should be noted that the full-time equivalent impact of the part-time student reduction is very low.

Income:

| | 2018-19 £M | 2017-18 £M | Increase/ (decrease) £M | Increase/ (decrease) % |
|--------------------------------------|---------------|---------------|-------------------------------|------------------------------|
| Funding body grants | 11.1 | 12.0 | (0.9) | (7.5%) |
| Tuition fees and education contracts | 127.1 | 127.1 | 0 | 0% |
| Research grants and contracts | 6.6 | 5.0 | 1.6 | 32.0% |
| Other operating income | 15.1 | 15.1 | 0 | 0% |
| Endowment and investment income | 0.3 | 0.3 | 0 | 0% |
| Total income | 160.2 | 159.5 | 0.7 | 0.4% |

Total income for the year reported a slight increase of £0.7m from £159.5m in 2017-18 to £160.2m in 2018-19. Funding body grants reduced by 7.5% as a result of a reduction in formula based teaching capital grant income. Total tuition fees and education contracts remained at £127.1m whilst research income continues to report strong growth, increasing by £1.6m or 32.0%.

Expenditure:

| | 2018-19 £M | 2017-18 £M | Increase/ (decrease) £M | Increase/ (decrease) % |
|---|---------------|---------------|-------------------------------|------------------------------|
| Staff costs | 82.4 | 80.3 | 2.1 | 2.6% |
| Staff cost relating to pension provision | 7.9 | 7.1 | 0.8 | 11.3% |
| Depreciation | 10.4 | 10.1 | 0.3 | 3.0% |
| Other operating expenses | 57.2 | 58.6 | (1.4) | (2.4%) |
| Interest payable on loans | 1.7 | 1.5 | 0.2 | 13.3% |
| Pension provision finance cost | 2.0 | 2.4 | (0.4) | (16.7%) |
| Total expenditure excluding restructuring charge | 161.6 | 160.0 | (1.6) | 1.0% |
| Restructuring charge | 2.4 | 0.4 | (2.0) | 500.0% |
| Total expenditure | 164.0 | 160.4 | (3.6) | 2.2% |

Total salary costs increased by £4.9m of which £0.8m of the increase related to the pension adjustment and £2.0m of the increase related to a restructuring charge. Excluding the pension adjustment and restructuring charge, salary costs increased by £2.1m, or 3%. Total operating expenses reduced by £1.4m, or 2%, whilst interest payable increased by £0.2m, or 13%.

Restructuring charge

Within the BU2025 action plan, amongst other key actions necessary for successful implementation, there is explicit reference to building critical mass, enhancing performance and reviewing our organisational structures. In June 2019, BU launched a voluntary severance scheme, the objective of the scheme was to enable BU to have a planned and consistent approach to facilitate organisational change, provide agility and, where appropriate, to create flexibility for growth, in addition to assisting with cost management and implementation of BU2025.

Balance sheet

Total net assets reduced by £0.4m from £42.2m in 2017-18, to £41.8m in 2018-19. Total capital expenditure of £49.7m was offset by depreciation of £10.4m and disposals of £0.2m, resulting in an increase in tangible fixed assets of £39.1m. The negative goodwill of £0.9m relates to the purchase of Chapel Gate; the site had a fair market value of £2.0m. The increase in creditors falling due within one year was predominately due to an increase in accruals relating to capital expenditure and an increase in deferred income relating to research projects. The pension provision increased from £76.6m to £83.0m (see note 18).

Cash flow and borrowings

In the financial year, the University net cash inflow from operating activities was £20.2m (2017-18: £21.7m). Borrowings increased by £13.2m with a new term loan of £15.0m drawn in July 2019, offset by capital repayments of £1.8m. BU invested £49.7m in capital during 2018-19, resulting in cash and cash equivalents reducing by £15.4m to £28.9m.

Capital investment

BU is continually striving to develop and enhance our estate to better reflect the innovative and collaborative way our students and staff work together and to ensure that we provide the environment and facilities to deliver BU2025. There were two significant construction projects in the year and capital investment totalled £49.7m, which included the following highlights:

- In 2018-19, BU invested £21.5m in the continued construction of the Bournemouth Gateway Building (BGB). BGB has a total budgeted cost of £46.5m and will accommodate our Faculty of Health & Social Sciences. BGB will deliver a unified base for the Faculty's education, research and office

activities and will provide 10,000 square meters of space. The building is set for completion in spring 2020.

- In 2018-19, BU invested £17.2m in the continued construction of the Poole Gateway Building (PGB) with a budgeted cost of £27.0m. PGB 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 and is set for completion in autumn 2019.

Purchase of Chapel Gate sports site

In July 2019, the University completed the freehold purchase of Chapel Gate for £0.8m. The site provides 65 acres of established sports facilities that BU will rely on for its extracurricular and inter-University competitive sports. The purchase is consistent with and supports the aspirations articulated in the University's sports vision. Chapel Gate will continue to be used as a community facility as well as providing a continuing space for staff and student use. As part of the purchase agreement, the University will invest a further £1.4m improving the facilities at the site.

Principal risks and uncertainties

The corporate Risk Register consists of 11 risks which have been categorised under BU2025 strategic plan headings of Fusion and Investment, Leadership and Impact, Reputation and Networks, People and Culture, and Performance and Resilience. The corporate 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:

- Failure to build research profile at sufficient speed to deliver on BU2025 research aspirations.
- Failure to manage and sustain research performance and activity.
- There is a risk that BU fails to have an appropriate course portfolio, not attracting prospective students or preparing them for their chosen profession.
- There is a risk that BU is unprepared for, or unable to respond to cyber security attacks.

Environmental and sustainability

Sustainability is at the heart of BU2025 and is based on embedding the UN Sustainable Development Goals (SDGs) in everything we do. BU was ranked in the top 15% of universities globally for social and economic impact in the first THE Impact Ranking based on the SDGs. BU was ranked 55th out of over 450 universities from across the world, and was placed 13th in the UK. BU also retained its First Class Degree in the 11th People & Planet University League.

We continue to make progress to embed the principles and values of sustainability, highlights include:

- 54% of staff are signed up to Green Rewards which rewards staff for taking positive steps for their own health and wellbeing and the environment.
- 69,907 positive actions completed by staff in 2018-19, such as recycling and switching off equipment.
- Finalist in the edie Sustainability Leaders Award in the Employee Engagement & Behaviour Change category.
- 6% reduction in energy used by students in halls, saving 6 tonnes of CO₂.
- Reducing carbon emissions by 45% compared to 2005/06 baseline against a target of 40% by 2020/21.
- 40% increased Campus energy generation compared to the previous year due to the installation of the Poole House photo voltaic array.
- Reducing water use by 9% by fixing leaks.
- Unibus - 8% rise in passenger journeys to 1.13M with a passenger satisfaction rating of 91.5% against a 90% target.
- Increased recycling to 75% against an 80% target by July 2020.

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. Our compliance with the Equality Act 2010 is fully embedded as set out in our Equality and Diversity Policy and supporting Equality Analysis Procedures, and promoted regularly to all staff and students. 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 BU a welcoming place to work and study.

Our people

BU 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.

BU has implemented consistent talent management and succession plans to effectively identify and retain high quality staff and will empower staff and provide flexibility when it will support effective delivery of the BU2025 outcomes.

BU will align our staff development opportunities with our BU2025 outcomes. 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.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the University to publish information on Trade Union facility time. The number of employees who were relevant union officials for the period 1 April 2018 to 31 March 2019 was 23 (3.4 FTE). The total cost of Trade Union facility time was £0.19M, or 0.24% of the University's total pay bill.

Percentage of time spent on facility time:

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0% | 2 |
| 1-50% | 21 |
| 51-99% | - |
| 100% | - |

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 due 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. The University is an exempt charity under the Charities Act 2011 and its principal regulator is the Office for Students.

Education and widening access

BU is committed to working with students and our ambition is to enable achievement for all our students in a diverse and inclusive environment. We retain our commitment to a suitable financial support package for under-represented groups for whom affordability may be an obstacle to studying at BU. 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.

In 2018-19, BU continued to offer three types of bursary to support Widening Participation (WP) groups.

- a. Means-tested maintenance bursary: unlimited number of multi-year bursaries for students who meet specific means-tested eligibility criteria – the key aspect being low household income (<£25,000).

- b. Care leavers' bursary: unlimited number of multi-year awards available to students who are care leavers (combined with other eligibility criteria).
- c. Student carers' bursary: an additional bursary limited in number for those in receipt of the means-tested maintenance bursary whom also have current/active care responsibilities.

BU takes a long term, whole institution approach to widening access, student success and progression. We continue to prioritise work to achieve the milestones and targets related to Access, Success and Progression. We have undertaken a review and analysis of internal and published external data to inform our ongoing and future areas of focus. We meet our sector and locally adjusted HESA benchmarks for entrants from state schools, mature students and students with disabilities.

In 2018-19, BU utilised the OFFA toolkit to evaluate our main financial support which improved our ability to build a solid evidence base for decision making. Results from this analysis were combined with internal monitoring of Hardship and Placement funding to ensure that the impact of our package of financial support was considered holistically. BU committed £6.0M on provider specific scholarships and bursaries in 2018-19, 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. All BU courses offer the option of a sandwich year or short placement. 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. We support our WP students to access placement opportunities by advocating that all placements should be paid and by offering a hardship fund for certain expenses relating to their placement.

We work with over 60 secondary schools and Further Education (FE) colleges across Bournemouth, Poole and Dorset and neighbouring areas, as well as a number of primary schools. We have a Memoranda of Understanding in place with ten local schools and colleges that are part of the BU Progression Framework. The Progression Framework institutions are offered support over and above the outreach programme including BU subject workshops for Year 12 and Year 13 led by

our student ambassadors: sponsorship of relevant academic and community projects; access to campus facilities and support for their students applying to BU.

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

Research plays a key role in the University's BU2025 strategy, which has a clear vision in which BU inspires learning, advances knowledge and enriches society. By working in partnership with external organisations, we will be able to develop and co-produce research which helps to tackle key societal challenges such as ageing well and responding to environmental changes.

In addition to this, we will be building on our existing areas of research expertise by investing in a number of areas of strategic growth: animation, simulation & visualisation, medical science, sustainability, low carbon technology & materials science and assistive technology. By supporting development in these areas not only will we be building on existing strengths, but also meeting the needs of external drivers such as the Industrial Strategy.

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

- a. In the Faculty of Health & Social Sciences, a new Institute for Medical Imaging & Visualisation (IMIV) has been launched. By working together with practitioners, other researchers and students, IMIV will be a hub for medical imaging technology programmes and translational research development.
- b. In the Faculty of Management, researchers are working with policy makers and industry partners to assist them to better understand the implications of Brexit for different areas of the economy.
- c. Research from the Faculty of Media & Communication demonstrated the role of digital media and advertising in engaging consumers' imagination, which has transformed advertising in the Transport for London network. As a result of this project, companies have been able to enhance the

effectiveness of their advertising, while also generating more relevant and enjoyable advertising for passengers.

- d. Meanwhile, researchers in our Faculty of Science & Technology have been working with charities and policy makers to highlight the dangers of online gambling, as well as coming up with data-driven responsible gambling tools which will allow players to moderate their online behaviours.

Community and Regional Engagement

Bournemouth University is an integral part of our local community and we work hard to make sure our knowledge and expertise are available to people across the region.

BU continues to work closely with local and regional community to tackle educational disadvantage, targeting local schools, colleges and academies with a high proportion of target groups.

Our students enjoy many opportunities through our partnership with AFC Bournemouth, including exclusive work placements and expert coaching from the club's Community Sports Trust. The partnership began in 2013 and we have worked on community projects throughout the partnership. In many cases, we have tied our existing activities, such as school outreach work, into ongoing AFC Bournemouth projects. As a result, the schools we visit benefit from input from both the University and the football club.

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. Renowned speakers from leading effects and games studios showcase leading-edge work at the festival.

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.

The purchase of Chapel Gate sports site in July 2019 will provide the opportunity to further develop a healthy environment and drive action to support health and well-being. Community engagement will be a fundamental and essential aspect of managing the site. The purchase also provides a tangible opportunity for cross-BU teams to collaborate and create social and economic impact locally and regionally.

Conclusion

The University has delivered the first year of activity under the BU2025 strategic plan. Total income was reported at £160.2m with a surplus excluding pension adjustments and restructuring charges of £8.5m. The net cash inflow from operating activities was £20.2m, which enabled investment in new buildings and equipment. This included significant construction work on our Bournemouth Gateway and Poole Gateway buildings, both of which will be available during the 2019-20 academic year.

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 cognizant 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
29 November 2019

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).

Last 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 Audit, Risk & Governance Committee monitors compliance with the ongoing conditions of registration and considers reports on compliance prior to their presentation to the Board.

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. The University has also had due regard to, and is compliant with, the CUC's Higher Education Senior Staff Remuneration Code. 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. Other staff board members serve three year terms subject to remaining in an appropriate post at the University and may be appointed 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 members 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, 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. It reports annually to the Audit, Risk & Governance Committee on the processes it follows in reaching its decisions. 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. Following a review, and on the recommendation of the Audit, Risk & Governance Committee, the University Board approved a proposal in July 2019 that the Development Funding Committee be disbanded as it had completed its original objectives and the volume of residual activity did not justify a separate Committee. Appropriate Board level oversight for fundraising and sponsorship activity will be achieved through direct reporting to the Board and approval of relevant policies and procedures by Audit, Risk and Governance Committee.
- 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 Board committees consists of a majority of independent members of the University Board. In the case of Audit, Risk and Governance Committee and Remuneration Committee, only independent members may be appointed. 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 2018-19, a total of £6,947 (2017-18 £6,643) was paid in respect of claims for travel and subsistence expenses incurred in connection with their duties as trustees by 10 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 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. These systems are subject to review by Internal Audit which is carried out by the Internal Auditors on a risk basis.
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, operational 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. The Risk Register 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 the assessment of tolerable risk levels.

4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and the 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 framework, 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, Safeguarding 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 is due to undertake its next independent

review later in 2020. In the interim, an internal review of the Board's effectiveness was completed in July 2019 and provided assurances on the University's governance arrangements. Some recommendations for action arose from the review, including improvements to the induction process for new members and suggestions for future training and information presentations. In addition, the Board's committees periodically review their own effectiveness. In this financial year, the Remuneration Committee commissioned an external review of compliance with the CUC Higher Education Senior Staff Remuneration Code and related guidance and an external review of remuneration benchmarking. Board Members are subject to an ongoing cycle of individual reviews and the Chair's review is informed by an anonymous 360° survey.

7. The statement of internal control covers the financial year to 31 July 2019 and the period after the year end but before the financial statements are signed. An issue in relation to the effectiveness of cash flow processes and controls in ensuring an accurate, reliable and timely cash forecast position was identified after financial year end. Internal Audit were commissioned to undertake a detailed review. This issue was also reported to the Office for Students as a reportable event. The internal audit report has identified significant internal control weaknesses with three findings rated high risk and the Audit, Risk and Governance Committee has reported on the issue to the Board. The Audit, Risk and Governance Committee will consider recommendations and an action plan. The implementation of the associated actions will be monitored by the Audit, Risk and Governance Committee on behalf of the Board and Internal Audit. Internal Audit will complete a second phase of the review

during the financial year ending 31 July 2020 to ensure that all necessary control improvements have been made and are operating as required.



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, ensure 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; and
- d. the going concern basis is used unless it is inappropriate to presume that the 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 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
29 November 2019



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 2019 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 2019 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; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and 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 financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the 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

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- Funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them; and
- The requirements of the OfS's 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 14 to 15, the board is 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 with the OfS 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 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.

BDO LLP

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

Date: *17 December 2019*

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 year ended 31 July 2019. 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. Negative goodwill

Negative goodwill relates to the freehold purchase of Chapel Gate sports site. Negative goodwill has been recognised on the basis that the fair value of the asset acquired exceeded the consideration paid. Future investment in the site will be netted off against the negative goodwill in the financial year that the investment is incurred.

5. Investments

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

6. Cash and cash equivalents

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

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

7. Stocks and work in progress

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

8. Finance leases and operating leases

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

9. Taxation

The institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and, therefore, it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The institution receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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

10. Foreign currencies

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the Consolidated Statement of Comprehensive Income and Expenditure.

11. Maintenance of premises

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

12. Donations

Non exchange transactions without performance conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

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

- 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.
- restricted permanent endowments: the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

13. Grant funding

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

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

14. Capital grants

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

15. Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their

sponsors. Any bursaries granted by the University are included as expenditure in Note 6.

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

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

16. Pension schemes

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

The USS is a multi-employer hybrid pension scheme which provides defined benefits (for all members) as well as defined contribution benefits. It is not possible to identify the assets and liabilities to University members, due to the mutual nature of the scheme and, therefore, this scheme is accounted for as a defined contribution retirement benefit scheme.

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

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution

pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

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

17. Employment benefits

Short-term employment benefits, such as salaries and compensated absences, are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement. Redundancy costs paid to employees

predominately represent cash redundancy payments, pension contributions and payments in lieu of notice which are charged to the Income and Expenditure Account when the redundancy is confirmed with the employee.

18. Borrowing costs

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

19. Hedge accounting

The group has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective; movements in its fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. This amount is reclassified from the cash flow hedge reserve to profit and loss in the same period during which the hedged expected future cash flows affect profit or loss. Any ineffective portions of those movements are recognised in profit or loss for the period.

20. Provision

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

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

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

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

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

21. Research & Development

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

22. 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.

23. 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.

24. Financial assets

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

25. 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.

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

Consolidated statement of comprehensive income and expenditure

| | Note | 2019 Consolidated £'000 | 2019 University £'000 | 2018 Consolidated £'000 | 2018 University £'000 |
|--|------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Income | | | | | |
| Funding body grants | 1 | 11,122 | 11,122 | 11,989 | 11,989 |
| Tuition fees and education contracts | 2 | 127,107 | 127,107 | 127,081 | 127,081 |
| Research grants and contracts | 3 | 6,575 | 6,575 | 5,041 | 5,041 |
| Other operating income | 4 | 15,115 | 15,103 | 15,104 | 15,093 |
| Endowment and investment income | | 269 | 269 | 276 | 276 |
| Total income | | 160,188 | 160,176 | 159,491 | 159,480 |
| Expenditure | | | | | |
| Staff costs | 5 | 92,702 | 92,702 | 87,764 | 87,764 |
| Depreciation | 9 | 10,413 | 10,413 | 10,129 | 10,129 |
| Other operating expenses | 6 | 57,220 | 57,220 | 58,585 | 58,585 |
| Interest and other finance costs | 7 | 3,649 | 3,649 | 3,862 | 3,862 |
| Total expenditure | | 163,984 | 163,984 | 160,340 | 160,340 |
| Deficit before other gains | | (3,796) | (3,808) | (849) | (860) |
| Gain on disposal of fixed assets | | - | - | 11,875 | 11,875 |
| (Deficit)/Surplus before tax | | (3,796) | (3,808) | 11,026 | 11,015 |
| Taxation | | - | - | 2 | - |
| (Deficit)/Surplus for year | | (3,796) | (3,808) | 11,024 | 11,015 |
| Actuarial gain/(loss) in respect of pension scheme | 18 | 3,389 | 3,389 | 24,380 | 24,380 |
| Total comprehensive (loss)/gain for year | | (407) | (419) | 35,404 | 35,395 |

All amounts relate to continuing activities.

The notes on pages 27 to 44 form part of these accounts.

Changes in equity for the year ended 31 July 2019

| Consolidated | Income and expenditure reserve | | |
|---|--------------------------------|-----------------------|----------------|
| | Restricted £'000 | Unrestricted £'000 | Total £'000 |
| 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 |
| Balance at 1 August 2018 | 1,500 | 40,697 | 42,197 |
| Deficit from the income and expenditure statement | - | (3,796) | (3,796) |
| Other comprehensive income | - | 3,389 | 3,389 |
| Balance at 31 July 2019 | 1,500 | 40,290 | 41,790 |

| University | Income and expenditure reserve | | |
|---|--------------------------------|-----------------------|----------------|
| | Restricted £'000 | Unrestricted £'000 | Total £'000 |
| 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 |
| Balance at 1 August 2018 | 1,500 | 40,651 | 42,151 |
| Deficit from the income and expenditure statement | - | (3,808) | (3,808) |
| Other comprehensive income | - | 3,389 | 3,389 |
| Balance at 31 July 2019 | 1,500 | 40,232 | 41,732 |

The notes on pages 27 to 44 form part of these accounts.

Consolidated and University balance sheet as at 31 July 2019

| Note | 2019 £'000 | | 2018 £'000 | |
|--|---------------|---------------|---------------|---------------|
| | Consolidated | University | Consolidated | University |
| Fixed assets | | | | |
| Intangible assets and goodwill | 8 | (908) | (908) | - |
| Tangible assets | 9 | 172,661 | 172,661 | 133,592 |
| Investments | 9 | 28 | 28 | 28 |
| | | 171,781 | 171,781 | 133,620 |
| Current assets | | | | |
| Stocks | 10 | 4 | 4 | 5 |
| Investments | 9 | 49 | 49 | 49 |
| Trade and other receivables | 11 | 11,891 | 11,891 | 9,897 |
| Cash and cash equivalents | | 30,219 | 30,160 | 44,904 |
| | | 42,163 | 42,104 | 54,855 |
| Creditors: Amounts falling due within one year | 12 | (31,491) | (31,490) | (24,488) |
| Net current asset | | 10,672 | 10,614 | 30,368 |
| Total assets less current liabilities | | 182,453 | 182,395 | 164,034 |
| Creditors: Amounts falling due after more than one year | 13 | (57,691) | (57,691) | (45,248) |
| Pension provision | 18 | (82,972) | (82,972) | (76,589) |
| TOTAL NET ASSETS | | 41,790 | 41,732 | 42,197 |
| Reserves | | | | |
| Restricted reserve | | 1,500 | 1,500 | 1,500 |
| Unrestricted reserve | | 40,290 | 40,232 | 40,651 |
| TOTAL RESERVES | | 41,790 | 41,732 | 42,151 |

The notes on pages 27 to 44 form part of these accounts.

Approved and authorised for issue by the University Board on 29 November 2019



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 2019

| | 2019 £'000 | 2018 £'000 |
|--|-----------------|---------------|
| Cash flow from operating activities | | |
| (Deficit)/Surplus for year | (3,796) | 11,024 |
| Adjustment for non-cash items | | |
| Depreciation | 10,413 | 10,129 |
| Decrease in stock | 1 | 1 |
| Decrease in debtors | (1,994) | (751) |
| Increase in creditors | 5,531 | 4,435 |
| Pension costs less contributions payable | 9,772 | 9,409 |
| | <u>19,927</u> | <u>34,247</u> |
| Adjustment for investing or finance activities | | |
| Investment income | (269) | (276) |
| Financial expenses | 1,665 | 1,471 |
| Profit on sale of fixed assets | - | (11,875) |
| Capital grant income | (1,094) | (1,910) |
| Net cash from operating activities | <u>20,229</u> | <u>21,657</u> |
| Cashflows from investing activities | | |
| Proceeds from sale of fixed assets | 248 | 26,799 |
| Investment income | 269 | 276 |
| Intangible assets | 908 | - |
| Purchase of fixed assets | (49,726) | (27,425) |
| Capital grant income | 1,094 | 1,910 |
| | <u>(47,207)</u> | <u>1,560</u> |
| Cashflows from financing activities | | |
| Interest paid | (1,665) | (1,471) |
| New secured loans | 15,000 | 30,000 |
| Loans repaid | (1,786) | (11,140) |
| | <u>11,549</u> | <u>17,389</u> |
| (Decrease)/increase in cash equivalents in year | <u>(15,429)</u> | <u>40,606</u> |
| Cash and cash equivalents at beginning of year | 44,318 | 3,712 |
| Cash and cash equivalents at end of year | 28,889 | 44,318 |
| Cash and cash equivalents comprise: | | |
| Cash and cash equivalent | 30,219 | 44,950 |
| Bank overdrafts | (1,330) | (632) |
| | <u>28,889</u> | <u>44,318</u> |

The notes on pages 27 to 44 form part of these accounts.

Notes to the accounts

| | 2019 Consolidated £'000 | 2019 University £'000 | 2018 Consolidated £'000 | 2018 University £'000 |
|--|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| 1. Funding body grants | | | | |
| HEFCE recurrent grant | - | - | 6,705 | 6,705 |
| OfS recurrent grant | 6,269 | 6,269 | 1,676 | 1,676 |
| Research England recurrent grant | 3,166 | 3,166 | 1,091 | 1,091 |
| Non-recurrent specific grant | 593 | 593 | 607 | 607 |
| Capital grant release | 1,094 | 1,094 | 1,910 | 1,910 |
| | <u>11,122</u> | <u>11,122</u> | <u>11,989</u> | <u>11,989</u> |
| 2. Tuition fees and education contracts | | | | |
| Full-time students | 101,638 | 101,638 | 96,744 | 96,744 |
| Full-time students charged overseas fees | 14,172 | 14,172 | 13,593 | 13,593 |
| Part-time fees | 2,330 | 2,330 | 2,598 | 2,598 |
| Short course fees | 1,615 | 1,615 | 2,337 | 2,337 |
| Other teaching contract course fees | 7,352 | 7,352 | 11,809 | 11,809 |
| | <u>127,107</u> | <u>127,107</u> | <u>127,081</u> | <u>127,081</u> |
| 3. Research grants and contracts | | | | |
| Research Council | 922 | 922 | 1,293 | 1,293 |
| UK based charities | 712 | 712 | 855 | 855 |
| European commission | 1,426 | 1,426 | 1,016 | 1,016 |
| Other grants and contracts | 3,515 | 3,515 | 1,877 | 1,877 |
| | <u>6,575</u> | <u>6,575</u> | <u>5,041</u> | <u>5,041</u> |
| 4. Other operating income | | | | |
| Residences | 9,673 | 9,673 | 9,420 | 9,420 |
| Other services rendered | 72 | 72 | 61 | 61 |
| Other income | 5,370 | 5,358 | 5,623 | 5,612 |
| | <u>15,115</u> | <u>15,103</u> | <u>15,104</u> | <u>15,093</u> |
| 5. Staff | | | | |
| Staff costs: | | | | |
| Salaries and wages | 65,842 | 65,842 | 64,120 | 64,120 |
| Social security costs | 6,886 | 6,886 | 6,722 | 6,722 |
| The financial effects of LGPS pension scheme | 7,873 | 7,873 | 7,100 | 7,100 |
| Other pension costs | 9,697 | 9,697 | 9,451 | 9,451 |
| Redundancy and associated pension costs | 2,404 | 2,404 | 371 | 371 |
| | <u>92,702</u> | <u>92,702</u> | <u>87,764</u> | <u>87,764</u> |

5. Staff (continued)

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| a) Emoluments of the Vice-Chancellor: | | |
| Remuneration | 275 | 260 |
| Performance related pay | - | 6 |
| Benefits in kind | 3 | 3 |
| | <hr/> 278 | <hr/> 269 |
| Pension contributions | 45 | 44 |
| | <hr/> 323 | <hr/> 313 |

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. The benefit in kind for the Vice-Chancellor relates to membership of a corporate healthcare scheme. 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 7.6 times (2018: 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 7.9 times (2018: 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.

Justification for the total remuneration package for the Vice-Chancellor**Context in which the University operates**

The University operates in a highly competitive national and international market and retention of effective and successful leadership is key to the University's continued success. Our vision is that by 2025 BU will be recognised worldwide as a leading university for inspiring learning, advancing knowledge and enriching society through the fusion of education, research and practice.

The University has made a positive start to its ambitious plan. New portfolio innovations have led to student recruitment performing well despite the external challenges of a demographic dip and increased competition for undergraduate numbers. Strategic Investment Areas have generated increased research activity and income and provided a focus for external and internal investment. The NSS results require improvement and are expected to have an adverse impact on league table performance in year.

Significant progress has been made in organisational design to align to BU2025, to deliver improvements and to build on existing strengths.

Value and performance delivered by the Vice-Chancellor

The University has benefited from the Vice-Chancellor's leadership throughout the delivery of the previous strategic plan BU2018, during the development of the new strategic plan BU2025 and the first year of its delivery. The Vice-Chancellor has personally led the implementation of the new strategic plan.

Process for judging performance of the Vice-Chancellor

Objectives are developed for the Vice-Chancellor by the Chair of the University Board based on the agreed strategic plan. The objectives are based on delivering the Board approved BU2025 strategy as published at www.bournemouth.ac.uk/about/bu2025-vision-values-strategic-plan/bu2025-strategic-plan and the Board approved KPIs and contain both short (one year) and long term (multiple year) objectives. Performance is assessed annually against delivery of these objectives using performance definitions approved by the Remuneration Committee. A summary performance report is presented to Remuneration Committee by the Chair of the Board and endorsed by the Committee.

Processes and oversight arrangements involved in making remuneration decisions

Remuneration Committee has delegated authority on behalf of the Board to approve the total remuneration package for the Vice-Chancellor. The Remuneration Committee operates within the Board approved Terms of Reference and an Operating Framework which sets out the comparative data that must be considered and the key comparator institutions as well as the principles underlying remuneration decisions.

Further details about Remuneration Committee decisions and processes are published in the Annual Remuneration Reports for 2017/18 and 2018/19 and are published on the University website here www.bournemouth.ac.uk/about/governance/transparency.

Justification of level of remuneration and total remuneration package

The Vice-Chancellor's remuneration package is bench-marked against the UCEA all institutions data and the CUC survey of Vice-Chancellor's remuneration, including the more detailed analysis of the comparator set of institutions. The Remuneration Committee also considers the wider context of pay ratio data and the cost of living awards to other staff. In 2019 the Committee also commissioned an external review of the bench-marking of the Vice-Chancellor's remuneration which concluded that the bench-marking adopted by the Committee was appropriate. The Vice-Chancellor's salary is in line with the comparator set and in the range agreed by the Committee as applicable based on the UCEA all institutions data, his long experience and high performance. The Committee has decided to maintain this market-positioning as a reflection of the importance of retaining the Vice-Chancellor's leadership to the delivery of BU2025. The Vice-Chancellor is entitled to health insurance (or the equivalent value) and is entitled to participate in the Teachers' Pension Scheme as for all other academic staff. The employer's contributions are determined by the TPS. The Vice-Chancellor receives no further benefits other than those available to all staff at the University.

| b) Remuneration of other higher paid staff | 2019 Number | 2018 Number |
|---|----------------|----------------|
| £100,000 to £104,999 | 4 | 1 |
| £105,000 to £109,999 | 2 | - |
| £130,000 to £134,999 | - | 2 |
| £135,000 to £139,999 | - | - |
| £140,000 to £144,999 | - | - |
| £145,000 to £149,999 | 1 | 1 |
| £150,000 to £154,999 | - | - |
| £155,000 to £159,999 | 2 | 1 |
| £160,000 to £164,999 | - | 1 |

Remuneration of other higher paid staff excludes the emoluments of the Vice-Chancellor. 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 £0.964m (2018: £1.303m). 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) | 721 | 729 |
| Administrative, professional, technical and clerical staff | 836 | 820 |
| Manual and maintenance staff | 29 | 27 |
| | <hr/> 1,586 | <hr/> 1,576 |

| 6. Other operating expenses | 2019 | 2019 | 2018 | 2018 |
|--|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Staff development | 1,010 | 1,010 | 847 | 847 |
| External Agencies and staff secondments | 3,366 | 3,366 | 3,763 | 3,763 |
| Other staff costs | 193 | 193 | 147 | 147 |
| Travel costs | 1,592 | 1,592 | 2,012 | 2,012 |
| Consumables and laboratory costs | 683 | 683 | 666 | 666 |
| Franchise costs paid to partner colleges | 1,785 | 1,785 | 2,380 | 2,380 |
| Student union grant | 1,190 | 1,190 | 1,190 | 1,190 |
| Student welfare | 2,735 | 2,735 | 3,051 | 3,051 |
| Office expenses | 331 | 331 | 425 | 425 |
| Books, periodicals and information services | 2,177 | 2,177 | 2,106 | 2,106 |
| Non capitalised equipment and software | 5,428 | 5,428 | 5,129 | 5,129 |
| Audit: | | | | |
| - External auditors remuneration – audit fees | 44 | 44 | 40 | 40 |
| - Auditors remuneration – other fees | 14 | 14 | 5 | 5 |
| - Taxation advisory services | - | - | - | - |
| - Internal Auditors remuneration | 74 | 74 | 65 | 65 |
| Legal and professional | 2,219 | 2,219 | 2,159 | 2,159 |
| Bursaries and scholarships | 6,175 | 6,175 | 6,513 | 6,513 |
| Promotions costs | 2,030 | 2,030 | 2,172 | 2,172 |
| Rent and rates | 11,284 | 11,284 | 10,781 | 10,781 |
| Heat, light, water and power | 2,030 | 2,030 | 1,947 | 1,947 |
| Repairs, refurbishment and scheduled maintenance | 1,676 | 1,676 | 2,162 | 2,162 |
| Insurance | 386 | 386 | 408 | 408 |
| Research and Development | 3,575 | 3,575 | 3,893 | 3,893 |
| Other expenses | 7,223 | 7,223 | 6,724 | 6,724 |
| | 57,220 | 57,220 | 58,585 | 58,585 |
| | | | | |
| | | | | |
| Other operating expenses include | 2019 | 2019 | 2018 | 2018 |
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Independent governors' expenses | 7 | 7 | 8 | 8 |
| Hire of other assets – operating leases | 52 | 52 | 38 | 38 |

| 7. Interest and other finance costs | 2019 | 2019 | 2018 | 2018 |
|-------------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Pension scheme finance costs | 1,985 | 1,985 | 2,391 | 2,391 |
| Loan interest | 1,664 | 1,664 | 1,471 | 1,471 |
| | 3,649 | 3,649 | 3,862 | 3,862 |

8. Negative Goodwill

| | 2019 £'000 |
|------------------------------|---------------|
| Cost/valuation | |
| As at 1 August 2018 | - |
| Additions | (908) |
| Amortisation charge for year | - |
| Net book value | |
| As at 31 July 2019 | (908) |

Negative goodwill arose in 2018-19 when the University completed the freehold purchase of Chapel Gate sports site for £0.8m, the site had a fair market value of £2.0m. As part of the purchase agreement, the University will invest a further £1.4m improving the facilities at the site. Future investment in the site will be netted off against the negative goodwill in the financial year that the investment is incurred.

9. Tangible assets: University and its Subsidiary Company**Tangible Fixed Assets**

| | Freehold and Leasehold Land and Buildings £'000 | Leasehold Improvements £'000 | Equipment £'000 | Assets in course of construction £'000 | Total £'000 |
|-----------------------|---|------------------------------------|--------------------|---|----------------|
| Cost/valuation | | | | | |
| At 1 August 2018 | 153,817 | 1,891 | 75,147 | 26,178 | 257,033 |
| Additions | 2,767 | - | 1,742 | 45,216 | 49,725 |
| Transfers | 1,475 | - | 2,983 | (4,458) | - |
| Disposals | (601) | - | (207) | - | (808) |
| 31 July 2019 | 157,458 | 1,891 | 79,665 | 66,936 | 305,950 |

During the year to 31 July 2019, the University paid a block grant of £1,190,000 to the Union (2018: £1,190,000).

9. Tangible assets: University and its Subsidiary Company (continued)

| | Freehold and Leasehold Land and Buildings £'000 | Leasehold Improvements £'000 | Equipment £'000 | Assets in course of construction £'000 | Total £'000 |
|-----------------------|---|------------------------------------|--------------------|---|----------------|
| Depreciation | | | | | |
| At 1 August 2018 | 60,192 | 985 | 62,264 | – | 123,441 |
| Charge for the year | 5,475 | 76 | 4,862 | – | 10,413 |
| Disposals | (356) | – | (209) | – | (565) |
| 31 July 2019 | 65,311 | 1,061 | 66,917 | – | 133,289 |
| Net book value | | | | | |
| 31 July 2019 | 92,147 | 830 | 12,748 | 66,936 | 172,661 |
| 31 July 2018 | 93,625 | 906 | 12,883 | 26,178 | 133,592 |

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: | 2019 £'000 | 2018 £'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 | 140,016 | 136,375 |
| | 157,458 | 153,817 |

Investment

| | Cost at 31 July 2019 | Cost at 31 July 2018 |
|---------------------------------|--------------------------------|--------------------------------|
| Investments - University | £ | £ |
| Shares in subsidiary company | 3 | 2 |
| Shares in CVCP Properties plc | 28,097 | 28,097 |
| | 28,100 | 28,099 |
| Subsidiary Company | Cost at 31 July 2019 | Cost at 31 July 2018 |
| BU Innovations Limited | 2 | 2 |
| BU Community Business Ltd | 1 | – |
| | 3 | 2 |

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

BU Community Business Ltd was incorporated on 15th May 2019. The company was incorporated to run Chapel Gate, a 65 acres site of established sports facilities.

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 19. 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.

10. Stocks

| | 2019 | | 2018 | |
|-------|-----------------------|----------------------------|-----------------------|----------------------------|
| | Group £'000 | University £'000 | Group £'000 | University £'000 |
| Stock | 4 | 4 | 5 | 5 |

11. Debtors: Due within one year

| | 2019 | | 2018 | |
|--------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| | Group £'000 | University £'000 | Group £'000 | University £'000 |
| Other trade receivables | 3,373 | 3,373 | 3,101 | 3,101 |
| Prepayments and accrued income | 8,518 | 8,518 | 6,796 | 6,796 |
| | 11,891 | 11,891 | 9,897 | 9,897 |

12. Creditors: amounts falling due within one year

| | 2019 | | 2018 | |
|--|----------------|---------------------|----------------|---------------------|
| | Group £'000 | University £'000 | Group £'000 | University £'000 |
| Bank loans | 2,557 | 2,557 | 1,786 | 1,786 |
| Bank overdraft | 1,330 | 1,330 | 631 | 631 |
| Trade payables | 747 | 747 | 962 | 962 |
| Other creditors | 2,046 | 2,046 | 1,684 | 1,684 |
| Amounts owed to Funding Body | 556 | 556 | 453 | 453 |
| Social security and other taxation payable | 1,866 | 1,866 | 1,815 | 1,815 |
| Accruals and deferred income | 22,389 | 22,388 | 17,157 | 17,157 |
| | <u>31,491</u> | <u>31,490</u> | <u>24,488</u> | <u>24,487</u> |

Accruals and deferred income include £7.2m (2018: £5.8m) of income received in advance in connection with teaching and consultancy work.

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

| Group and University | 2019 | 2018 |
|----------------------|---------------|---------------|
| | £'000 | £'000 |
| Bank loans | 57,491 | 45,048 |
| Other creditor | 200 | 200 |
| | <u>57,691</u> | <u>45,248</u> |

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 |
| Fixed | 15,000 | Base rate + 1.52% | 2039 |

In respect of the £15.0m loan with an interest rate of base +1.52%, the Group has entered into floating to fixed interest rate swaps with a fixed leg of 1.042% and a variable rate leg GBP 3 Month LIBOR.

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:

| | 2019 £'000 | 2018 £'000 |
|----------------------------|---------------|---------------|
| Repayable within 1 year | 2,557 | 1,786 |
| Repayable within 2-5 years | 10,490 | 7,376 |
| Repayable after 5 years | 47,000 | 37,672 |
| | <u>60,047</u> | <u>46,834</u> |

14. Financial Instruments

| | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Financial assets that are debt instruments measured at amortised cost | 36,533 | 50,245 | 36,474 | 50,198 |
| Financial liabilities measured at amortised cost | (78,435) | (60,508) | (78,435) | (60,508) |

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.

During the year, the group and company borrowed funds from its bankers under a term loan of £15.0m which is repayable by 2039.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the group has entered into floating and fixed rate swaps with a nominal value equal to that of the initial borrowings. These result in the group paying 1.042% and receiving GBP 3 Month LIBOR and effectively fix the total interest cost on the loan and interest rates swaps at 1.042% per annum.

15. Analysis of changes in consolidated financing during the year

| | Bank loans £'000 |
|--------------------|---------------------|
| At 1 August | 46,834 |
| New loans | 15,000 |
| Capital repayments | <u>(1,787)</u> |
| At 31 July | <u>60,047</u> |

16. 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.

17. Operating lease and Capital commitments

At 31 July 2019, the University was committed to making the following payments during the next year in respect of operating leases:

| | 2019 | | 2018 | |
|--------------------------------------|-----------------------------|----------------|-----------------------------|----------------|
| | Land and Buildings £'000 | Other £'000 | Land and Buildings £'000 | Other £'000 |
| Operating leases: | | | | |
| Expiring within one year | 9,030 | 53 | 9,049 | 34 |
| Expiring within two and five years | 21,182 | 65 | 7,177 | 26 |
| Expiring within six and thirty years | 13,709 | – | 232 | – |
| | <u>43,921</u> | <u>118</u> | <u>16,458</u> | <u>60</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 9. 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 on Dorchester House has now been extended to 2027.

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

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Capital commitments | | |
| Commitments contracted at 31 July | 26,077 | 51,757 |
| Authorised but not contracted at 31 July | 20,944 | 18,165 |
| | <u>47,021</u> | <u>69,922</u> |

18. 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 employer's pension cost for the year ended 31 July 2019 was £9.7m (2018: £9.5m).

| Reconciliation to balance sheet | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|---------------------------------------|----------------------------------|----------------------------------|
| DCSS LGPS pension liability | 80,994 | 75,248 |
| USS Pension liability | 1,066 | 343 |
| Pension enhancement pension liability | 912 | 998 |
| | <u>82,972</u> | <u>76,589</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 2018 to 31 July 2019.

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

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

18. Pensions (Continued)**Pension Costs**

The total cost charged to the income and expenditure account is £267,388 (2018: £260,396)

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2018 is underway but not yet complete.

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

The key financial assumptions used in the 2017 valuation are described below:

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

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

| | 2017 valuation |
|---|--|
| Mortality base table | Pre-retirement: 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females. |
| Future improvements to mortality | CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females. |

The current life expectancies on retirement at age 65 are:

| | 2019 | 2018 |
|-----------------------------------|-------------|-------------|
| Males currently aged 65 (years) | 24.6 | 24.5 |
| Females currently aged 65 (years) | 26.1 | 26.0 |
| Males currently aged 45 (years) | 26.6 | 26.5 |
| Females currently aged 45 (years) | 27.9 | 27.8 |

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

| | 2019 | 2018 |
|---------------------------|-------------|-------------|
| Discount rate | 1.58% | 3.76% |
| Pensionable salary growth | n/a | n/a |
| Pensions increases (CPI) | 2.11% | 2.02% |

Since the year end, following the completion of the 2018 actuarial valuation, the new deficit recovery plan has been agreed. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised position of £635,859, a decrease of £429,920 from the current year end provision.

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 last actuarial valuation of the Fund was carried out as at 31 March 2019 and set the 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 2019 by qualified independent actuaries who estimate that the net liability as at 31 July 2019 is £80.99m (2018: £75.25m).

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 2019 | 31 July 2018 | 31 July 2017 |
|--------------------------|---------------------|---------------------|---------------------|
| | % p.a. | % p.a. | % p.a. |
| Salary increases | 3.0% | 3.3% | 3.5% |
| Pension increases | 2.1% | 2.4% | 2.7% |
| Discount rate | 2.2% | 2.7% | 2.7% |

Life expectancy from age 65 (years)

| | 2019 | 2018 |
|-----------------------------|-------------|-------------|
| Retiring today | | |
| Males | 22.7 | 23.7 |
| Females | 24.6 | 25.7 |
| Retiring in 20 years | | |
| Males | 24.1 | 25.5 |
| Females | 26.2 | 27.7 |

18. 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 2019 is estimated to be 7%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Bournemouth University as at 31 July 2019 is as follows.

| Asset class | Asset allocation 31 July 2019 £'000 | % | Asset allocation 31 July 2018 £'000 | % |
|-----------------------------|--|-------------|--|-------------|
| Equities | 65,472 | 51% | 63,062 | 55% |
| Other Bonds | 9,135 | 7% | 7,981 | 7% |
| Diversified Growth Fund | 7,490 | 6% | 6,910 | 6% |
| Property | 13,378 | 10% | 11,708 | 10% |
| Cash | 3,335 | 3% | 1,078 | 1% |
| Liability Driven Investment | 16,797 | 13% | 14,459 | 13% |
| Infrastructure | 6,761 | 5% | 4,911 | 4% |
| Hedge Fund | 0 | n/a | 0 | n/a |
| Multi Asset Credit | 5,886 | 5% | 5,343 | 5% |
| Total | 128,254 | 100% | 115,452 | 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 2019 £'000 | 31 July 2018 £'000 |
|--------------------------------------|-------------------------------|-------------------------------|
| Net pension deficit as at | | |
| Present value of funded obligation | (209,102) | (190,542) |
| Fair value of scheme assets | 128,254 | 115,452 |
| Net liability | (80,848) | (75,090) |
| Present value of unfunded obligation | (146) | (158) |
| Pension liability in balance sheet | (80,994) | (75,248) |

The amounts recognised in the income and expenditure statement are:

| | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|---|---------------------------------------|---------------------------------------|
| Service cost: | 11,619 | 11,398 |
| Net interest on the defined liability (asset) | 1,972 | 2,376 |
| Administration expenses | 91 | 86 |
| Total loss | 13,682 | 13,860 |

Asset and benefit obligation reconciliations for the year to 31 July 2019

| Reconciliation of opening and closing balances of the present value of the defined benefit obligation | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|--|---|---|
| Opening defined benefit obligation | 190,700 | 195,578 |
| Current service cost | 10,330 | 11,339 |
| Interest cost | 5,148 | 5,281 |
| Change in financial assumptions | 12,474 | (16,329) |
| Change in demographic assumptions | (10,538) | (5,123) |
| Experience loss/(gain) on defined benefit obligation | - | - |
| Estimated benefits paid net of transfers in | (2,214) | (2,032) |
| Past service costs, including curtailments | 1,289 | 59 |
| Contributions by Scheme participants and other employers | 2,071 | 1,939 |
| Unfunded pension payments | (12) | (12) |
| Closing defined benefit obligation | 209,248 | 190,700 |

| Reconciliation of opening and closing balances of the fair value of Fund assets | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|--|---|---|
| Opening fair value of Fund assets | 115,452 | 105,486 |
| Interest on assets | 3,176 | 2,905 |
| Return on assets less interest | 5,325 | 2,928 |
| Other actuarial gains | - | - |
| Administration expenses | (91) | (86) |
| Contributions by employer including unfunded | 4,547 | 4,324 |
| Contributions by Scheme participants and other employers | 2,071 | 1,939 |
| Estimated benefits paid plus unfunded net of transfers in | (2,226) | (2,044) |
| Closing fair value of Fund assets | 128,254 | 115,452 |

Composition of defined benefit obligation

| | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|--------------------|---|---|
| Unfunded | 146 | 158 |
| Funded obligations | 209,102 | 190,542 |
| | 209,248 | 190,700 |

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

| | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|----------------------------------|----------------------------------|----------------------------------|
| Deficit at beginning of the year | (75,248) | (90,092) |
| Service cost | (10,330) | (11,339) |
| Employer contributions | 4,535 | 4,312 |
| Unfunded pension payments | 12 | 12 |
| Past Service Costs | (1,289) | (59) |
| Other finance costs | (1,972) | (2,376) |
| Actuarial gain | 3,389 | 24,380 |
| Administration expenses | (91) | (86) |
| Deficit at end of the year | <u>(80,994)</u> | <u>(75,248)</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 | 204,250 | 209,248 | 214,373 |
| Projected service cost | 10,386 | 10,682 | 10,987 |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 209,823 | 209,248 | 208,678 |
| Projected service cost | 10,684 | 10,682 | 10,680 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0% | -0.1% |
| Present value of total obligation | 213,798 | 209,248 | 204,809 |
| Projected service cost | 10,985 | 10,682 | 10,387 |
| Adjustment to life expectancy assumption | + 1 year | None | - 1 year |
| Present value of total obligation | 216,778 | 209,248 | 201,988 |
| Project service cost | 11,030 | 10,682 | 10,345 |

5 Year history

| Amounts for the current and previous four periods | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 | Year to 31 July 2017 £'000 | Year to 31 July 2016 £'000 | Year to 31 July 2015 £'000 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Defined benefit obligation | (209,248) | (190,700) | (195,578) | (171,605) | (132,254) |
| Scheme assets | 128,254 | 115,452 | 105,486 | 87,250 | 81,016 |
| Deficit | <u>(80,994)</u> | <u>(75,248)</u> | <u>(90,092)</u> | <u>(84,355)</u> | <u>(51,238)</u> |

Re-measurements in other comprehensive income

| | Year to 31 July 2019 £'000 | Year to 31 July 2018 £'000 |
|--|-------------------------------------|-------------------------------------|
| Re-measurement of the net defined liability | | |
| Return on Fund assets in excess of interest | 5,325 | 2,928 |
| Other actuarial gains/(losses) on assets | - | - |
| Change in financial assumptions | (12,474) | 16,329 |
| Change in demographic assumptions | 10,538 | 5,123 |
| Experience gain/(loss) on defined benefit obligation | - | - |
| Re-measurement of the net defined liability | <u>3,389</u> | <u>24,380</u> |

Projected pension expense for the year to 31 July 2020

| | Year to 31 July 2020 £'000 |
|---|-------------------------------------|
| Service cost | 10,682 |
| Net interest on the defined liability (asset) | 1,687 |
| Administration expenses | 102 |
| Total loss (profit) | <u>12,471</u> |

Employer contributions

5,098

Impact of McCloud/Sargeant Judgement

Analysis provided by the Government Actuary's Department (GAD) was used to estimate the possible impact of the McCloud/Sargeant judgement for the Employer. The key assumption is the assumed rate of future salary increases.

GAD estimated the impact on past service liabilities to be 3.2% of active liabilities based on a salary increase assumption of CPI plus 1.5% p.a.

- Adjusting this to reflect the Employer's own salary increase assumption from 31 March 2016 (which is that salaries will increase at CPI until 31 March 2020 and 3.0% p.a. (0.95% above CPI) thereafter), gives an estimated impact of 1.3% of active liabilities.
- Adjusting this to allow for the additional accrual of liabilities since 31 March 2019 and an approximate adjustment to strip out members who joined the Scheme after 31 March 2012 (who are unlikely to be affected by the outcome of the judgement) gives an estimated impact of 1.1% of active liabilities.
- This is equivalent to 0.6% of the Employer's total liabilities at the accounting date (i.e. active liabilities are estimated to be 50% of the Employer's total liabilities at the accounting date).

GAD estimated the impact on the service cost to be 3.0% of payroll based on a salary increase assumption of CPI plus 1.5% p.a.

- Adjusting this to reflect the Employer's own salary increase assumption from 31 March 2016 (as set out above), gives an estimated impact of 1.2% of payroll.
- Making an approximate adjustment to strip out members who joined the Scheme after 31 March 2012 (who are unlikely to be affected by the outcome of the judgement) gives an estimated impact of 0.6% of payroll.
- This is equivalent to 1.8% of the projected service cost.

19. 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 | |
| Expenditure | (0) |
| Loss on ordinary activities | <u>(0)</u> |
| Reserves brought forward | 46 |
| Loss for year | (0) |
| Reserves carried forward | <u>46</u> |