



Bournemouth
University

Bournemouth University Higher Education Corporation



**Report and Financial Statements
for the year ended 31 July 2015**

Board Members and Advisers

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Board members (external)

Ms Sue Sutherland (Chair)
Mr Chris Appleton (to May 2015)
Mr Nicholas Beal (appointed June 2015)
Mr Alistair Brien (appointed October 2015)
Mr Jonathan Clark
Mrs Sheila Collins
Professor Richard Conder
Dr Vicki Culpin (to July 2015)
Ms Annette D'Abreo (appointed August 2015)
Mr James Granger (to March 2015)
Mr David Hines (to July 2015)
Mr Timothy Irish (appointed June 2015)
Dr John Knowles (to June 2015)
Mrs Jean Lang (appointed June 2015)
Mr Tim Lee (Deputy Chair)
Dr Fiona McMillan
Mr Donald McQueen (to May 2015)
Dr Peter Rawlinson
Dr Chris Shaw
Mr David Skinner (appointed June 2015)
Mr Roy Spragg (to October 2014)
Ms Caroline Troy

Board members (internal)

Mr Jim Andrews (Chief Operating Officer)
Ms Mandi Barron (Professional & Support Staff) (to October 2014)
Mr Graham Beards (Director of Finance & Performance)
Professor Tim McIntyre-Bhatty (Deputy Vice-Chancellor)
Professor Elizabeth Rosser (Senate Representative)
Ms Chloe Schendel-Wilson (President, Students' Union at Bournemouth University) (appointed August 2014)
Dr Richard Scullion (Academic Staff)
Ms Amanda Stevens (Professional & Support Staff) (appointed December 2014)
Professor John Vinney (Vice-Chancellor)

External auditors

BDO LLP
Arcadia House,
Maritime Walk,
Ocean Village,
Southampton,
Hants,
SO14 3TL

Internal auditors

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

Report of the Board of Governors

Scope and format of the financial statements

We are pleased to present the University's financial statements for 2015. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited (BUIL), BU Enterprise Ltd (BUEL) 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 2015 are summarised as follows:

	2015	2014
	£'000	£'000
Income	135,188	128,687
Expenditure	132,096	128,254
Surplus for the year	3,092	433
FRS17 pension adjustment	2,624	2,826
Surplus for the year excluding FRS17 adjustment	5,716	3,259

Bournemouth University (BU) income increased by £6.5m from £128.7m in 2014 to £135.2m in 2015 whilst expenditure increased by £3.8m from £128.3m in 2014 to £132.1m in 2015. The surplus excluding the FRS17 adjustment increased from £3.3m in 2014 to £5.7m in 2015.

The FRS17 adjustments arise from those members of staff who are members of the Dorset County Superannuation Scheme (DCSS), essentially the non-academic staff of the University, and previous members of staff who receive pension enhancement payments.

Operating and Financial Review

Introduction

It has been a very successful year at BU with the University achieving a healthy surplus of £3.1m. We opened our new £10.5m Student Centre building in 2015, which is the first entirely new building on Talbot Campus for 10 years. The new Centre provides a high-quality space where students can engage in social learning and study activities. It also provides the Student' Union at Bournemouth University with a much larger presence on our Talbot Campus.

During the year, the Research Excellence Framework (REF) results were announced, in which 96% of our research was rated at an international level, with 18% of that deemed world leading. BU was also one of the highest rising universities in the *Complete University Guide*, moving up nine places to 54th in the UK.

In July, newly released national figures from the latest Destination of Leavers from Higher Education Survey (DHLE) revealed that 93.3% of 2014 UK domiciled full-time first degree graduates were in work or further study six months after graduating from BU. The figure, up 1.7% from 91.6% in 2013, reinforces the University's commitment to providing employable graduates.

The University moved to a Faculty structure with three new faculties created alongside the existing Faculty of Science & Technology. The three new faculties are the Faculty of Media & Communication, the Faculty of Management and the Faculty of Health & Social Sciences.

Legal status

Bournemouth University is a Higher Education Corporation set up under the Higher & Further Education Act 1992. It was created by an order of the Privy Council dated 26 April 1993 and derives its powers from section 124 of the Education Reform Act 1988. The University is an exempt charity under the terms of Schedule 2 of the Charities Act 1993. Since 1 June 2010 the Higher Education Funding Council for England (HEFCE) has been the 'principal regulator' for Higher Education Institutions (HEIs) in England that are exempt charities.

Mission

Creating the most stimulating, challenging and rewarding university experience in a world-class learning community by sharing our unique fusion of



excellent education, research and professional practice and inspiring our students, graduates and staff to enrich the world.

Strategic plan

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

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

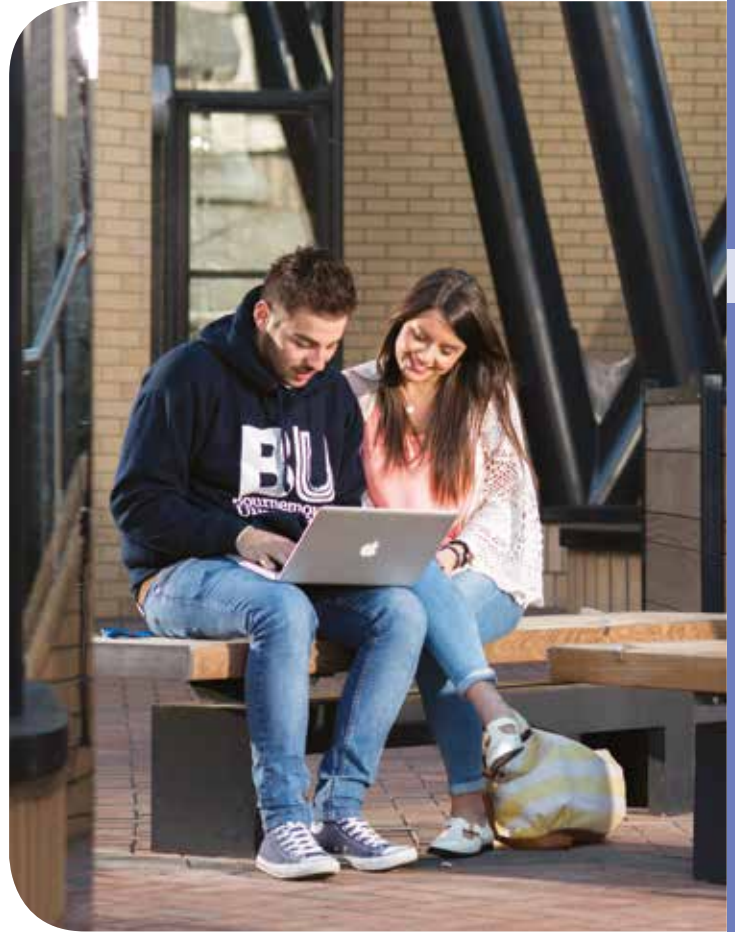
The University continues to measure progress against the Strategic Plan 2012-18 through a Performance Management Framework consisting of 14 Key Performance Indicators (KPIs).

Future developments

BU's five-year plan BU2018 identified 2014-15 as the key year for financial performance as the University stepped up its operating surplus, holding onto higher income, with a proportionally smaller increase in costs. The increase in operating surplus is required to fund BU's capital investment plans.

To date, BU has been successful in recruiting increasing numbers of home undergraduate students. This trend looks set to continue and with the lifting of the Student Number Control on student numbers from 2015/16.

As part of its capital plan, BU will continue to invest in the estate through the Estates Development Framework. Work is continuing on a new £22m academic building on our Talbot Campus which is scheduled to open in 2016 and there are future plans to provide an additional academic building on our Talbot Campus and a new academic building for the Faculty of Health & Social Sciences at our Lansdowne



Campus by 2019. Capital investment will be funded by cash generated throughout the period of the strategic plan and by additional loan borrowings. BU will also continue to invest in academic staffing to ensure we have a staff-student ratio of 1:18 by 2018 whilst targeting a surplus of 6% (the sector mean was 5.0% in 2014). The surplus will be achieved through mild growth in student numbers and embedding Value for Money across the University.

In the budget by the Chancellor of the Exchequer, it was announced that institutions offering high teaching quality will be allowed to increase their tuition fees in line with inflation from 2017-18, with a consultation on the mechanisms to do this expected in the autumn of 2015. It was also announced that there would be a number of measures to bring down public debt in the current financial year. In July, the Secretary of State wrote to HEFCE notifying them of a consequential saving of £150 million to be made solely from the grant provided for teaching, it also stated that the funding the Government ring-fences for research will be maintained. The impact of the announcement for 2014-15 was a reduction in teaching grant of £0.3m.

Financial strategy

The University Financial Strategy has been developed to help and support the delivery of the University's overall strategic goals and aims as outlined in our Vision and Values BU 2018 strategy. It incorporates the five principles of strategic financial and resource management as stated in HEFCE's good practice guidance. It also incorporates the University's own financial risk assessment.

Financial performance indicators

The University measures progress against the Strategic Plan 2012-18 through a Performance Management Framework consisting of 14 Key Performance Indicators (KPIs). The KPIs are directly linked to the strategic objectives and each strategic objective has at least one specific assigned Performance Indicator (PI).

KPIs are reviewed at every Board meeting. The Pls are reviewed along with the KPIs by the University Executive Team on a regular basis. In addition to the financial performance indicators the Performance Management Framework monitors academic



excellence, graduate employability, student and staff satisfaction and league tables.

The University achieved or exceeded all 2014-15 financial performance indicator targets in 2014-15.

Financial Performance Indicators 2014-15	2014-15 Actual	2014-15 Target	BU 2018 Target
Current Ratio (current assets/current liabilities)	1.3:1	1.3:1	1.3:1
Annual contribution as a % of income (excluding pension adjustment)	4%	4%	6%
Total reserves (excluding pension and revaluation reserve) £m	57	55	84
Gearing (bank borrowings as a % of total assets less current liabilities)	21%	34%	29%



Financial highlights of the year

The Group's income can be analysed as follows

	2015 £'000	2014 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Funding Body Grants	14,592	22,299	(7,707)	(35%)
Tuition fees and education contracts	102,025	88,268	13,757	16%
Research grants and education contracts	3,639	3,376	263	8%
Other operating income	14,710	14,211	499	4%
Endowment and investment income	222	533	(311)	(58%)
Total income	135,188	128,687	6,501	5%

The change in the split of income between Funding Body Grants and tuition fees reflects the third year of the introduction of the new fee regime in the sector. Income from research grants and education contracts increased by 8% whilst other operating income increased by 4%. The 58% decrease in Endowment and investment income is the result of a reduction in cash reserves invested and a reduction in donation income recognised in the year.

The University's expenditure can be analysed as follows

	2015 £'000	2014 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Staff costs	67,740	66,022	1,718	3%
Depreciation	8,557	8,203	354	4%
Other operating expenses	53,023	51,165	1,858	4%
Interest payable	2,776	2,864	(88)	(3%)
Total expenditure	132,096	128,254	3,842	3%

The University continued to invest in academic staff during the financial year resulting in an increase in staff costs of 3%. Depreciation increased by 4% as a result of the extensive capital programme currently being undertaken. Other operating expenses increased by 4% whilst interest payable decreased by 3%.



Balance sheet

Continued investment in the University capital programme resulted in fixed assets increasing by £12.2m and short-term deposits reducing by £8.6m. Debtors reduced by £1.4m predominately due to a change in the timing of the invoicing for student accommodation. The decrease of £4.2m in creditors falling due within one year was the result of a reduction in the University overdraft of £2.2m, a reduction in accruals of £1.9m and a reduction in the deferral of income of £1.4m. This was offset by an increase in trade creditors of £1m and other creditors of £0.3m. The University LGPS pension scheme recorded actuarial losses of £7.5m in the year increasing the overall liability to £52.4m.

Cash flow and treasury management

The increase in the University surplus resulted in the net cash inflow from operating activities increasing by £2.7m from £11.5m in 2014 to £14.2m in 2015. Capital expenditure increased by £3.5m to £20.8m and £2.6m deferred capital grants were received during the year. The continued use of cash reserves to fund capital expenditure resulted in an increase in net debt of £5.7m.

Liquidity

Bank loan debt reduced by £0.5m due to capital repayments on existing loans. The full £20m four year revolving credit facility remained available for draw down as at 31 July 2015.

Capital investment

Investment in capital continued at a pace with £4.1m invested in equipment and £16.7m invested in buildings. In addition to the work on our new academic building, other highlights include continued investment in a new student records system, a project to standardise all of our audio visual equipment and completion works on our new Student Centre building. In August 2015, the University bought itself out of the finance lease for Cranborne House (see note 24).

Principal risks and uncertainties

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

The University has identified the following significant risks:

- Organisational change and technical aspects of the Student Journey implementation may cause disruption to service continuity
- The University fails to capitalise on the opportunity to re-profile and exploit the BU reputation under changing student market conditions as per BU2018. This may result in the University being unable to attract high-quality applicants and unable to deliver on the BU2018 vision.

Stakeholder relationships

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

Research

Research Excellence Framework (REF) results were announced in 2014, the REF provides a robust and thorough assessment of the quality of universities' research in all disciplines. The REF results reported that 96% of our research was rated at an international level, with 18% of that deemed world leading. The assessment recognised Bournemouth University as a leading university in both the UK, and South West Region. Art and design was ranked as first in the South West based on world-leading research, and communication, cultural and media studies was rated as first in the South West based on impact of its research.

As well as being an acknowledgement of the excellent and exciting research already going on at BU, our REF results will have an impact on our future research funding. REF results are used by the UK's four funding bodies to allocate research funds from 2015 onwards. The majority is allocated via a funding formula, of which REF results form a significant part.

Over the last year, BU has been awarded hundreds of research grants and contracts ensuring the continued success of our diverse and wide-ranging research programmes. Highlights include a grant from the European Research Council to explore the little-known Hyksos period of Egyptian history, funding from the Economic and Social Research Council to enable our researchers to work on the issue of dementia-friendly architecture and the need to create care homes that are easily navigable by people with dementia, and support from English Heritage to carry out further post-excavation assessment of the Swash Channel Wreck.

During the course of this year, BU has launched a new research institute – the Institute for Studies in Landscape and Human Evolution (ISLHE) – which will explore the role played by climate change and landscape in the evolution of early humans. ISLHE will take an interdisciplinary approach to its research, drawing on the expertise of paleoanthropologists, ecologists, environmental scientists and computer scientists. Funding from the Dorset LEP, awarded during this financial year, enabled the launch of a new Orthopaedic Research Institute in the autumn of 2015.

13 Higher Education Innovation Funding (HEIF) projects finished in July 2015. The funding behind these initiatives is designed to develop knowledge exchange based interactions between universities and industry, with the ultimate goal of creating social and economic benefits to the UK. BU's researchers used the funding in a number of clever and innovative ways, including the creation of the annual Bournemouth Visual Effects and Animation Festival (BFX). The idea behind BFX was to find and nurture the next generation of talent in the animation and visual effects industries, as well as positioning BU as a centre of excellence for visual effects and animation. BFX is now in its third year and is rapidly gaining momentum and support from the UK's visual effects and animation industry.

Environmental responsibility

Bournemouth University is aware of the responsibility it has to the world around us, and we take it seriously. We work hard to minimise our impact on the environment, and we lead initiatives to make our staff and students more aware of the ways they can help us to reduce, reuse and recycle.

Bournemouth University was ranked 'first class' in the University League 2015, formerly the Green League, and was ranked 7th out of 151 universities in a table compiled by People and Planet, the largest student campaigning network in Britain.

The University is strongly committed to improving its environmental performance and is undertaking initiatives across a range of areas to ensure it is working towards a more environmentally responsible low carbon future. The University retained the Eco Campus Gold Award in 2014 for its environmental management systems, one of only 21 higher education institutions in the UK to achieve this award.



We made a commitment with the Carbon Trust to reduce our carbon emissions by 30% by 2016 and we are on track to meet our target. Our new Student Centre is our most carbon-efficient building yet, and has a number of green credentials that enable it to achieve a BREAM 'Excellent' rating.

Our Travel Plan promotes environmentally friendly transport practices, and encourages people to walk, cycle, use public transport and car share. Our biodiversity policy includes key actions such as reducing chemical pesticides, developing local community and stakeholder links and seeking out supporting projects that will enhance the biodiversity of BU.

Diversity and equality

The University is committed to ensuring Bournemouth University is an institution that is open and accessible to all, and which values people for what they bring as individuals. BU will seek to uphold and, where possible, exceed the provision of equality legislation to reflect sector best practice. All staff and students have a duty to comply with this policy and so will need to be aware of their personal obligations in eliminating all forms of what the University considers to be unacceptable behaviour. The Diversity and Equality team works closely with staff and students, developing and initiating projects and co-ordinating training and events, all with the aim of supporting individuals. The team helps to increase knowledge

and understanding of diversity and equality issues, and embedding diversity and equality into areas of the working and learning environment. To promote and support the University's strategic commitment to Dignity, Diversity and Equality (DDE) a number of student and staff networks, groups, clubs and societies have been established. The University has successfully achieved the 'Disability two ticks status'. This quality mark is awarded by the Department of Work and Pensions for positive commitment regarding the employment, retention, training and career development of disabled employees. BU will develop and grow a culture of valuing Dignity, Diversity and Equality of all individuals.

Staff

The University recognises that staff are its key resource and is seeking to establish itself as an employer of choice by recruiting and retaining excellent staff.

The expertise, skills and commitment of staff will enable the University to achieve its objectives. Staff development is therefore crucial to the University in helping to meet its strategic and operational standards and in adding value by raising individual and organisational performance levels. The University also recognises the potential of individual members of staff and aims to provide opportunities for staff to develop personally as well as professionally, which in turn can enhance job satisfaction.



For these reasons the University is committed to supporting staff development and to investment in those activities which underpin the achievement of the Corporate and Strategic Plans.

As a University with a global outlook, we value creativity, innovation, partnership and enterprise. These values are reflected in our staff who ensure that our academic, business and student services are delivered in an environment that is friendly, professional, inclusive and supportive.

Our academic staff inspire our students through their knowledge and the enthusiasm they have for their subjects gained through their engagement in education, research, enterprise and professional practice.

Bournemouth University and public benefit

Bournemouth University is an exempt charity under the terms of Schedule 2 of the Charities Act 1993 and is responsible to HEFCE as its principal regulator. The University is required to demonstrate how it meets its responsibilities as a charity and that its activities are of 'public benefit'. University Board Members are trustees. The trustees are aware of their duties with regard to acting for the public benefit and have had access to the Charity Commission's guidance on public benefit.

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 and to carry out research and to publish the results of the research or any other material arising out of or connected with it in such manner as the corporation thinks fit. These are also the charitable objects of the University.

The beneficiaries of the objects are the undergraduate and postgraduate students of the University. In 2014/15 the University had circa 17,073 registered students. The education and research undertaken at the University also benefits other much wider groups of the public including, for example, those accessing health services who are cared for by staff educated at the University.

Education and widening access

We strive to provide an inspirational and challenging academic environment and plan to produce self-motivated independent, life-long learners who are readily employable in graduate-level posts. In 2014/15 14,291 undergraduates and 2,782 postgraduates completed their studies. Our graduates are highly employable as evidenced by individual successes, such as the number of Oscar-nominated graduates from the Faculty of Media & Communication and this year's results of the DLHE survey as already mentioned.

The University recognises the importance of excellence in its provision of education and monitors its academic strength through its KPIs. 2014/15 saw an increase in the number of staff who hold teaching qualifications and/or are fellows of the HEA to 55%.

The University invests in removing barriers to access to higher education. The University takes a long-term, whole of institution approach to widening access. The University is well placed to do this through the on-going Fair Access Agreement Management Group which reports to the University Leadership Team. The recent formation of the Centre for Excellence in Learning (CEL) provides further opportunities for cross-institution initiatives in the area of widening participation and fair access.

BU has a targeted, long-term higher education outreach programme which is successful in raising the awareness and aspirations of low participation target groups in schools, academies and colleges in Bournemouth, Poole, Dorset and beyond. This is a dynamic programme underpinned by principles of on-going evaluation and improvement, including in response to national guidance, trends and local drivers.

BU's overall spend on access, student success measures and progression is circa £10m per annum over the planned period (41% of additional fee income 2018/19). In order to achieve the aim of a Fair Access Agreement individual to BU, the distribution of funds for 2018/19 will concentrate on various key themes such as employability, student success, outreach and financial support.

BU is committed to a suitable financial support package for under-represented groups for whom affordability may be an obstacle to studying at BU. BU

will continue to evaluate the bursary package, and monitor the sector for research findings on the influence of bursaries on widening participation students.

The funding is delivered to students through the BU Maintenance and Care Leavers Bursaries; the elements designed in conjunction with Student Union sabbatical officers whose input ensure the bursary is delivered in the most effective way. Bursaries for care leavers are crafted for their specific needs, including higher value bursary and guaranteeing year-round accommodation. There are an unlimited number of care leavers bursaries on offer. In 2014/15, 19 care leavers bursaries were provided totalling £0.1m.

We alert all prospective students to the opportunities for financial support and in 2014/15 provided 1,024 maintenance bursaries totalling £1.7m.

Research

The University benefits the wider public through its diverse and wide-reaching research portfolio. In the 2014 Research Excellence Framework (REF), 96% of our research was rated at international level, with 18% of that deemed to be world leading. The REF assesses both the quality and quantity of a university's research, but also its impact on society, which we see as being a key component of all research. We were delighted that 70% of our research was thought to be having an outstanding or very considerable impact on society. Research that makes a difference to the world is at the heart of BU's ethos and our results acknowledge that commitment.



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

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

Throughout the world, societies are ageing and people are living longer, resulting in an increase in the prevalence of dementia and age-related illnesses. As Dorset has a high population of older people, BU is in a unique position to carry out research to tackle these issues. Our researchers are tackling problems from how to design dementia-friendly care homes to creating resources for care home staff to ensure that people with dementia are getting adequate nutrition and hydration.

Climate change is one of the most pressing issues facing communities both at home and abroad. Locally, BU is working with partners such as Poole Park and the Forestry Commission to improve water quality and explore how the impacts of environmental change are affecting the New Forest. Our research expertise is helping to contribute to community improvements and advance knowledge in our area.

International conflicts and mass migration have rarely been out of the news over the last few years, and both are challenges with significant repercussions. Under the theme of communities, culture and conflict, BU's researchers are exploring issues such as the effects of terrorism on tourist destinations and the emergence of hybrid war – the idea that warfare can be a blend of military strategies and unconventional approaches, such as information or cyber warfare.

Health, wellbeing and society is a theme which touches upon many areas of research within BU. Wellbeing goes beyond health care, as demonstrated by our interdisciplinary 'Destination FeelGood' project, which explores the idea that wellbeing is increasingly seen as a crucial aspect of tourism; particularly important given the appeal of Dorset as a tourist destination. Wellbeing is also relevant to our home and work life, as shown by a collaborative project between BU and a number of other universities to explore the implications of mobile working on family life, which is aiming to spark debate through the creation of innovative technological solutions.

Community engagement

BU is central to the community and has taken a number of initiatives to promote community engagement:

Dorset Police are working with BU students looking at how they can implement a project which aims to create safer neighbourhoods. 'Saferhoods' is the brainchild of four undergraduate students who came up with the project as part of an assessment and presented it to local Police Officers. Combining elements from across the marketing mix, it encourages local people to become more active and engaged in their communities.

SportBU provides sports camps which provide a wide range of activities. The sports camps are for children aged 8 to 14 years old, for all interests and abilities. Activities include basketball, badminton, football, lacrosse, table tennis, volleyball, tag rugby, dodgeball and much more. The camps are held at our Talbot Campus and are all within our facilities on site.

BU's Sports Development Adventure Expedition has been developed in partnership with Camps International to create a unique opportunity for volunteers to get hands-on experience of coaching and developing others through sport in less fortunate, rural communities and schools in Africa.

BU's public engagement with research continues to grow. This year saw a record number of visits to our annual Festival of Learning, which had over 150 free events open to the public. In the run up to the Festival, our public engagement team took the Festival on tour around Bournemouth and Poole to attract interest and bring our research to new audiences. Our monthly Café Scientifique events continue to go from strength-to-strength and have gained a regular audience from both members of the public and BU staff and students.



We have also hosted our first ever Festival of Entrepreneurship in July 2015. Start-ups, SME owners and budding entrepreneurs were all invited to this free event to hear from successful business leaders and academics and to network.

In conclusion

BU successfully achieved its planned increase in operating surplus in 2014-15. With the financial landscape continuing to evolve the University continues to face significant challenges. Despite the announcement from Government that the grant provided for teaching will be reduced from 2014-15, the University remains confident that it will achieve its ambitious capital expenditure programme.

Disclosure of information to auditors

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

MS S SUTHERLAND
Chair of the Board
27 November 2015

Corporate governance

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

In 2014/15, the Board received a compliance report and carefully reviewed the provisions of the new Code of Governance and is confident that it has in place all of the primary elements. The Audit, Risk and Governance Committee of the Board commissioned and reviewed a line by line mapping of the Code against practice at the University and reported to the Board on the outcomes. The Board is confident that the University complies with all the “must” statements in the Code. The Board noted the Code’s revised emphasis on the Board’s role in matters of academic governance, diversity and equality and overseeing risks associated with partnerships. Steps have been put in place to strengthen reporting in these areas to ensure that the Board continues to meet its obligations. The Board also reviewed its ‘Statement of Primary Responsibilities’ in 2015 and agreed that its responsibility to promote equality and diversity throughout the Institution, including in relation to its own operation, be made explicit in that document.

The members who served on the Board during the year and up to the date of signature of this report are listed on page 1. In order to aid succession planning and ensure that the Board continues to have the necessary mix of skills to achieve its aims, a major recruitment exercise was conducted in 2014/15. Under the oversight of the Nominations Committee an analysis of skills gaps, linked to strategic objectives, was undertaken and a targeted advertising campaign was implemented nationally to identify candidates for the roles. This resulted in the recruitment of six new independent members whose appointments to the Board have been phased over several months and into 2015/16 as terms of office of outgoing members have ended.

Board Members are charitable trustees. As such they are responsible for ensuring that the University is

compliant with charity legislation. The University must comply with the reporting and other requirements of the Higher Education Council for England (HEFCE) as principle regulator under the Charities Act 2011.

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

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

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

Independent members of the Board are appointed for an initial three-year term of office. Independent members do not normally serve more than two consecutive terms. Elected staff members serve three year terms subject to remaining in an appropriate post at the University and may be elected for a maximum of two terms. The elected President of the Students' Union is an ex officio member of the Board and may serve a maximum of two, one-year terms.

1. Further to the above the following statements are provided to enable readers of the annual financial statements to obtain a better understanding of the University's specific governance and legal structure.
2. The Institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and in compliance with the Committee of University Chairs Higher Education Code of Governance.
3. The Institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects and powers and framework of governance are set out in section 124 of the Education Reform Act 1988 and the Instrument and Articles of Government. The Articles were approved by the Privy Council in 1996. Both the Instrument and Articles of Government have been reviewed by the Board in 2014/15 to ensure that they remain fit for purpose and reflect best practice. Subject to Privy Council approval it is anticipated that the new Instrument and Articles will take effect in the 2015/16 academic year. Key institutional policies and procedures, including the Scheme of Delegation and committee policies and procedures, are being reviewed in parallel to be implemented in 2015/16.
4. The Articles of Government at the University require the institution to have a Board of Governors (the University Board) and an Academic Board (Senate), each with clearly defined functions and responsibilities, to oversee and manage its activities.
 - a. The University Board is the governing body responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

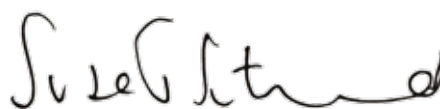
The Instrument of Government requires that at least half of all the members of the Board are independent members. The University Board has determined that a majority of its members shall be independent members. The Chair is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body.
 - b. Subject to the overall responsibility of the governing body and to responsibilities of the Vice-Chancellor, the Senate has oversight of the academic activities of the institution and draws its membership from the staff and the students of the institution plus the Principal of the Anglo-European College of Chiropractic (a partner institution of the University). It is particularly concerned with general issues relating to research, education and professional practice.
5. The Vice-Chancellor is the Chief Executive Officer and is the head of the institution with a general responsibility to the University Board for the organisation, direction and management of the institution. Under the terms of the Memorandum of Assurance and Accountability between the institution and HEFCE, the Vice-Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
6. Although the University Board meets at least five times each academic year, much of its detailed work is initially handled by sub-committees. The activities of these committees are formally reported to the governing body.
 - a. Audit, Risk and Governance Committee is responsible for overseeing the University's management of risk: monitoring the

- effectiveness of the University's governance arrangements; value for money; internal control and advising the Board on the University's audit strategy. The Committee meets, at least three times a year, and internal and external audit representatives are in attendance at each meeting. At every meeting Committee Members have the opportunity to meet with audit representatives without members of the Executive present and do so at least once every year. External auditors advise the committee on audit matters; and the internal auditors provide detailed internal audit reports and recommendations for the improvement of the University's system of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from HEFCE and other external bodies as they affect the University's business and monitors adherence with regulatory requirements. It also has oversight of Health & Safety on behalf of the University Board. Audit, Risk and Governance Committee considers in detail the University's annual accounts and makes appropriate recommendations to the Board. The Committee also gains assurance over the quality of data submitted within institutional returns via the established data optimisation review process. University senior executives attend meetings of Audit, Risk and Governance Committee but are not members of the Committee.
- b. Finance and Resources Committee takes a long-term view of the University's overall development and advises the Board on the development of the Strategic Plan and major projects. It considers in detail the University's budget and financial forecasts and approves the financial statements. It receives the management accounts of the University and additional performance reports. The Committee also advises the Board on the effectiveness and efficiency of estates and physical resource provision within the University as well as matters relating to Human Resources.
 - c. Remuneration Committee determines the pay and conditions of service of the holders of senior posts. The holders of senior posts are members of the University Executive Team and the Clerk to the Board. Pay and conditions of service of all other staff are determined by the Vice-Chancellor within a framework approved by the Finance and Resources Committee.
 - d. The Nominations Committee is responsible to the University Board for agreeing, and subsequently overseeing, the process for the appointment of all Board members, the Chancellor, the Pro-Chancellors, the Vice-Chancellor and other holders of senior posts. It is responsible for ensuring that the Board has the necessary skills available to it and for deploying those effectively.
 - e. The Development Funding Committee is responsible on behalf of the University Board for the stewardship of funds donated to Bournemouth University (including assets and liabilities transferred from the BU Foundation) and any related policies and procedures.
 - f. Members of the University Board are also entitled to attend, as observers, meetings of the Senate and its standing committees.
7. The membership of these Board committees consists of a majority of independent members of the University Board. The Board is entitled to co-opt members to Committees who are not Board members and has done so where particular skills and experience are required.
 8. As chief executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The other members of the University Executive Team and members of the University Leadership Team all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the University Board.
 9. The Institution maintains a register of interests of members of the University Board and University Leadership Team which is published on the University's website annually. A hospitality register is also maintained in accordance with anti-bribery legislation.

10. In accordance with the articles of government the Board has appointed a Clerk to the University Board. The Clerk provides independent advice on matters of governance to all members of the University Board.
11. No 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 2014/15 a total of £6,230 was paid in respect of claims for expenses by Board members.

Statement of internal control

- 1 The University Board is responsible for the establishment and monitoring of systems of internal control. These control systems are firmly embedded in the process of identifying and managing risks, and risk management is a key element of the operational, financial and project management systems within the University. They are subject to review by Internal Audit which is carried out by the Internal Audit Consortium, Kingston City Group (KCG). The University is a member institution of the KCG Consortium – a Higher Education Cost Sharing Group for the provision of Internal Audit services to member institutions.
- 2 The University Executive delegates the detailed assessment of risk to the Risk Management Steering Group which reports to the University Leadership Team. The Group maintains a comprehensive Risk Register which encompasses all risk types, including financial, operational, reputational and other risks. The review of the Risk Register is an ongoing process and risks are rated and prioritised according to probability and possible impact alongside the prescribed control measures to address the risk.
- 3 The University Risk Register (as discussed and agreed with the University Leadership Team) is presented for discussion and review to the Audit, Risk and Governance Committee at each of its meetings with new or changing risks highlighted. It is a key element in informing the Internal Auditor's work programme. The Deputy Vice-Chancellor Chairs the Risk Management Steering Group and attends Audit, Risk and Governance Committee meetings. The risk register is submitted to the Board along with the minutes of the Audit, Risk and Governance Committee meeting. In addition, the Audit, Risk and Governance Committee annually review the risk management process to ensure its ongoing effectiveness. The Audit, Risk and Governance Committee has approved a set of Risk Appetite Statements for the University's key business areas, to help inform risk management processes.
4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and Vice Chancellor on the effectiveness of the University's wider systems of governance which it does through its consideration of the University's accounts, risk management, data quality, internal and external audit reports, emergency planning and other internal control processes.
5. The Board approved a revised version of the University's Financial Regulations in November 2014 and these are reviewed regularly. The Board and the Audit, Risk and Governance Committee also regularly review the University's policies and procedures in respect of Conflicts of Interest, Fraud, Anti-Bribery and Public Interest Disclosure.
6. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements. An internal audit review of Corporate Governance is scheduled for 2015/16.
7. There have been no material internal control issues to report during the year to 31 July 2015.



MS S SUTHERLAND
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive
27 November 2015

Responsibilities of the University Board

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

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

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

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

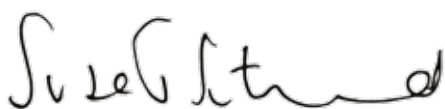
The University Board is responsible for ensuring that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE (and any other conditions which HEFCE may from time to time prescribe). The University Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, the University Board is responsible for securing economical, efficient and

effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

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

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
3. To delegate authority to the head of the institution (known as the Vice Chancellor), as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice Chancellor.
4. To promote equality and diversity throughout the institution, including in relation to its own operation.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

6. To establish processes to monitor and evaluate the performance and effectiveness of the University Board itself. To receive assurance that appropriate processes are in place to monitor and evaluate the performance and effectiveness of the Senate.
7. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the institution.
9. To appoint the Vice Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
10. To appoint a Clerk to the University Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
11. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
12. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
13. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
14. To receive assurance that adequate provision has been made for the general welfare of students.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
16. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.



MS S SUTHERLAND
Chair of the Board

27 November 2015

Independent Auditors' Report to the Governors of Bournemouth University

We have audited the financial statements of Bournemouth University for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Historical Cost Surpluses and Deficits, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the University's governing body and auditors

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

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

Scope of the audit of the financial statements

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

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2015 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Education Reform Act 1988 and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions".

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

In our opinion, in all material respects:

- income has been applied in accordance with the University's statutes and where appropriate with the applicable Memorandum of Assurance and Accountability with the Higher Education Funding Council for England
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the Group and the University.



BDO LLP
Statutory Auditor
Southampton
United Kingdom

Date: *1 December, 2015*

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

Statement of principal accounting policies

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

1. Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and equipment transferred to the University from Dorset County Council upon incorporation, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, the accounts direction handbook 2013/14 published jointly by the SFA and EFA, and applicable Accounting Standards.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31 July 2015. Intra-group sales and profits are eliminated on consolidation and all income and expenditure figures relate to external transactions only. The consolidated financial statements do not include those of the Bournemouth University Students' Union as it is separately constituted and the University does not exercise control or significant influence over the Union.

3. Fixed assets

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

depreciated replacement cost basis. The land was valued at transferred debt. The property is recorded in the financial statements at these values, as adjusted for subsequent disposals. It is the University's policy to recognise a related revaluation reserve in respect of this property.

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 20 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. The related grants are treated as deferred capital grants and released to income over the expected useful life of the assets.

The transitional rules set out in FRS15 Tangible Fixed Assets were applied on implementing

FRS15. Accordingly the book values at implementation have been retained, subject to annual testing for indicators of impairment under FRS11.

4. Investments

Listed investments held as fixed assets or endowment assets are stated at market value or cost where no market value is available. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

5. Stocks and work in progress

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

6. 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 income and expenditure account in equal annual amounts over the periods of the leases.

7. 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.

8. 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 income and expenditure account.

9. Liquid resources

For the purpose of the cash flow statement, liquid resources are defined as current asset investments and short-term deposits that are not repayable on demand within 24 hours without penalty.

10. Maintenance of premises

The University charges long-term maintenance costs to the income and expenditure account as they are incurred.

11. Donations

Donations received towards the construction of a specific building or the acquisition of a substantial piece of equipment are credited to deferred capital grants in the balance sheet. The amount is released to the credit of the Income and Expenditure account over the same estimated useful life that is used to determine the depreciation charge. Restricted donations

are treated as endowments. All other donations are recognised as income on receipt.

12. 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 grants, contracts and other services rendered is included to the extent of the completion of the contract or services rendered.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account for specific endowments.

Income receivable from HEFCE is recognised in line with the latest estimates of grant receivable for an academic year. The final grant allocation is determined in the subsequent February, following an audit of the University's activity.

13. Pension schemes

Retirement schemes to employees of the University are provided by the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) – Dorset County Council Pension Fund. These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Schemes (SERPS).

Contributions to the Schemes are charged to the Income and Expenditure account so as to spread the cost of pensions over employees'

working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using prospective benefit method for the TPS.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality unit bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the schemes assets and the increase during the period of the present value of the scheme's liabilities arising from the passage of time are included in the pension finance costs.

The difference between the fair value of the University's share of the assets held in the LGPS defined benefit pension scheme and the University's share of the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme asset or liability arising from factors other than the cash contribution by the University are charged to the Income and Expenditure account or the Statement of Recognised Surpluses and Deficits in accordance with FRS17 Retirement Benefits.

The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation. The provision will be released against the cost to the University of enhanced entitlements over the estimated life expectancy of each relevant scheme member.

14. 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.

15. Research and development

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

16. Agency arrangements

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

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	Note	2015 £'000	2014 £'000
Income			
Funding body grants	1	14,592	22,299
Tuition fees and education contracts	2	102,025	88,268
Research grants and contracts	3	3,639	3,376
Other operating income	4	14,710	14,211
Endowment and investment income		222	533
		<hr/>	<hr/>
		135,188	128,687
Expenditure			
Staff costs	5	67,740	66,022
Depreciation	8	8,557	8,203
Other operating expenses	6	53,023	51,165
Interest and other finance costs	7	2,776	2,864
		<hr/>	<hr/>
		132,096	128,254
		<hr/>	<hr/>
Surplus for the year after depreciation of assets at valuation and taxation		3,092	433
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 30 to 49 form part of these accounts.

Consolidated statement of total recognised gains and losses

	2015 £'000	2014 £'000
Surplus for the financial year	3,092	433
Actuarial loss in respect of the pension scheme	(7,452)	(9,670)
Total recognised loss relating to the financial year	<hr/> (4,360) <hr/>	<hr/> (9,237) <hr/>

Reserves reconciliation

Opening reserves	13,757
Surplus for the year	3,092
Actuarial loss recognised in pension schemes	(7,452)
Closing reserves	<hr/> 9,397 <hr/>

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES & DEFICITS FOR THE YEAR ENDED 31 JULY 2015

	2015 £'000	2014 £'000
Surplus for the financial year	3,092	433
Difference between historical cost depreciation charge and actual depreciation charge on revalued fixed assets	401	401
Historical cost surplus after taxation	<u>3,493</u>	<u>834</u>

The notes on pages 30 to 49 form part of these accounts.

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2015

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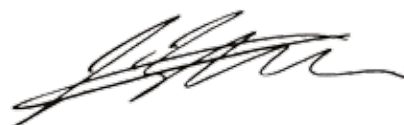
	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	8	110,291	98,047
Investments	8	28	29
		<u>110,319</u>	<u>98,076</u>
Current assets			
Stocks	9	14	1
Investments		52	52
Debtors	10	7,260	8,650
Short-term deposits	18	14,610	23,210
Cash at bank and in hand	18	1,698	2,065
		<u>23,634</u>	<u>33,978</u>
Creditors: Amounts falling due within one year	11	<u>(18,254)</u>	<u>(22,429)</u>
Net current assets		<u>5,380</u>	<u>11,549</u>
Total assets less current liabilities		<u>115,699</u>	<u>109,625</u>
Creditors: Amounts falling due after more than one year	12	(31,613)	(32,660)
Pension liability	21	<u>(52,382)</u>	<u>(42,390)</u>
NET ASSETS		<u>31,704</u>	<u>34,575</u>
Deferred capital grants	13	22,307	20,818
Reserves			
Revaluation	14	4,914	5,315
Revenue excluding pension reserve		56,865	50,832
Pension reserve	21	(52,382)	(42,390)
Revenue including pension reserve	15	<u>4,483</u>	<u>8,442</u>
Total reserves		<u>9,397</u>	<u>13,757</u>
TOTAL		<u>31,704</u>	<u>34,575</u>

The notes on pages 30 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 27 November 2015



MS S SUTHERLAND
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

UNIVERSITY BALANCE SHEET AS AT 31 JULY 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	8	110,291	98,047
Investments	8	28	29
		<u>110,319</u>	<u>98,076</u>
Current assets			
Stocks	9	14	1
Investments		52	52
Debtors	10	7,259	8,704
Short-term deposits		14,610	23,210
Cash at bank and in hand		1,676	2,058
		<u>23,611</u>	<u>34,025</u>
Creditors: Amounts falling due within one year	11	<u>(18,255)</u>	<u>(22,433)</u>
Net current assets		<u>5,356</u>	<u>11,592</u>
Total assets less current liabilities		<u>115,675</u>	<u>109,668</u>
Creditors: Amounts falling due after more than one year	12	(31,613)	(32,660)
Pension liability	21	<u>(52,382)</u>	<u>(42,390)</u>
NET ASSETS		<u>31,680</u>	<u>34,618</u>
Deferred capital grants	13	22,307	20,818
Reserves			
Revaluation	14	4,914	5,315
Revenue excluding pension reserve		56,841	50,875
Pension Reserve	21	(52,382)	(42,390)
Revenue including pension reserve	15	<u>4,459</u>	<u>8,485</u>
Total reserves		<u>9,373</u>	<u>13,800</u>
TOTAL		<u>31,680</u>	<u>34,618</u>

The notes on pages 30 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 27 November 2015



MS S SUTHERLAND
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2015

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	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	16	14,240	11,537
Returns on investments and servicing of finance			
Interest received		222	533
Interest element of bank loan		(1,090)	(1,180)
Interest element of finance lease payment		(916)	(955)
		<u>(1,784)</u>	<u>(1,602)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets (excluding leased assets)		(20,801)	(17,308)
Proceeds from sale of fixed assets		-	-
Proceeds from disposals of investments		-	47
Deferred capital grant received		2,616	847
		<u>(18,185)</u>	<u>(16,414)</u>
Cash outflow before use of liquid resources and financing		<u>(5,729)</u>	<u>(6,479)</u>
Management of liquid resources	18	8,600	6,959
Financing	17	(989)	(964)
Increase/(decrease) in cash	18	<u>1,882</u>	<u>(484)</u>
Reconciliation of net cash flow to movement in net debt			
		2015 £'000	2014 £'000
Increase/(decrease) in cash in the year		1,882	(484)
Decrease in short-term deposits	18	(8,600)	(6,959)
Net decrease in debt	18	989	964
Change in net funds		<u>(5,729)</u>	<u>(6,479)</u>
Net (debt)/funds at beginning of year	18	<u>(10,537)</u>	<u>(4,058)</u>
Net debt at end of year	18	<u>(16,266)</u>	<u>(10,537)</u>

The notes on pages 30 to 49 form part of these accounts.

NOTES TO THE ACCOUNTS

	2015 £'000	2014 £'000
1. Funding body grants		
HEFCE recurrent grant	12,033	19,536
HEFCE non-recurrent specific grant	1,433	1,646
Deferred capital grants released (see note 13)		
- Buildings	1,044	1,035
- Equipment	82	82
	14,592	22,299
2. Tuition fees and education contracts		
Full-time students	72,821	59,531
Full-time students charged overseas fees	11,324	10,532
Part-time fees	2,604	2,532
Short course fees	1,401	1,281
Other teaching contract course fees	13,875	14,392
	102,025	88,268
3. Research grants and contracts		
Research Council	1,277	1,133
UK based charities	267	241
European commission	689	628
Other grants and contracts	1,406	1,374
	3,639	3,376
4. Other operating income		
Residences	8,729	7,910
Other services rendered	53	40
Other income including conferences	5,928	6,261
	14,710	14,211
5. Staff		
• Staff costs:		
Salaries and wages	54,275	51,184
Social security costs	4,565	4,285
Other pension costs	8,706	8,429
Redundancy and associated pension costs	194	2,124
	67,740	66,022
• Emoluments of the Vice-Chancellor		
Remuneration	221	217
Benefits in kind	3	3
Pension contributions	31	31
	255	251

5. Staff (continued)

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

	2015	2014
	£'000	£'000
• Emoluments of senior post holders		
Remuneration	855	792
Benefits in kind	3	3
Pension contributions	116	108
	974	903

Emoluments of senior post holders related to six members (6 FTE) of staff in 2015 (2014: 6 members (5.75 FTE) of staff)

	2015	2014
	Number	Number
• Remuneration of other higher paid staff		
£100,000 to £110,000	2	1
£110,000 to £120,000	-	3
£120,000 to £130,000	3	-
£130,000 to £140,000	1	2
£140,000 to £150,000	1	
	1	

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

• Average staff numbers employed:		
Academic staff (excluding part-time visiting lecturers)	644	589
Administrative, professional, technical and clerical staff	808	777
Manual and maintenance staff	17	22
	1,469	1,388

	2015	2014
	£'000	£'000
6. Other operating expenses		
Staff development	1,507	1,309
External Agencies and staff secondments	3,858	3,104
Other staff costs	823	326
Travel costs	1,808	1,839
Consumables and laboratory costs	734	744
Franchise costs paid to partner colleges	4,969	5,749
Student union grant	690	550
Student welfare	4,390	3,341
Office expenses	447	395
Books, periodicals and information services	2,103	2,038

6. Other operating expenses (continued)	2015	2014
	£'000	£'000
Non-capitalised equipment	4,998	5,480
Audit - External auditors remuneration – audit fees	41	39
- Auditors remuneration – other fees	6	4
- Taxation advisory services	12	8
- Internal auditors remuneration	60	59
Legal and professional	1,897	2,304
Bursaries and scholarships	5,122	4,546
Promotions costs	1,763	1,780
Rent and rates	7,599	7,437
Heat, light, water and power	2,090	2,060
Repairs, refurbishment and scheduled maintenance	1,947	2,018
Insurance	407	363
Other expenses	5,752	5,672
	53,023	51,165
Other operating expenses include	2015	2014
	£'000	£'000
Governors expenses	6	5
Hire of other assets – operating leases	35	35
7. Interest and other finance costs	2015	2014
	£'000	£'000
On finance leases	916	955
Pension finance costs	753	823
Interest payable on bank loans:		
Repayable wholly or partly >5 years	1,107	1,086
	2,776	2,864

8. Tangible assets: Group and University

Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings £'000	Leasehold Improvements £'000	Equipment £'000	Assets in course of construction £'000	Total £'000
Cost/valuation					
At 1 August 2014	119,649	1,891	55,809	14,338	191,687
Additions	4,211	-	2,242	14,348	20,801
Disposals	-	-	-	-	-
Transfers	6,470	-	1,837	(8,307)	-
31 July 2015	130,330	1,891	59,888	20,379	212,488
Depreciation					
At 1 August 2014	46,491	681	46,468	-	93,640
Charge for the year	5,087	76	3,394	-	8,557
Disposals	-	-	-	-	-
31 July 2015	51,578	757	49,862	-	102,197
Net book value					
31 July 2015	78,752	1,134	10,026	20,379	110,291
31 July 2014	73,158	1,210	9,341	14,338	98,047

As a result of the Education Reform Act 1988 the interests in properties occupied by the University, previously held by Dorset County Council (DCC), were formally transferred, under the direction of the Education Assets Board (EAB), to the University itself with effect from 1st April 1989. Similarly, the University also acquired unrestricted title to those moveable assets acquired from funds previously paid by the DCC.

8. Tangible assets (continued)

The cost/valuation of Land and Buildings comprises:	2015	2014
	£'000	£'000
Freeholds		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	<hr/>	<hr/>
	17,292	17,292
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	103,688	93,007
Assets held under finance leases (short leaseholds)	9,200	9,200
	<hr/>	<hr/>
	130,330	119,649

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at the date of implementation have been retained. In July 2011, freehold property was valued by Webb Valuations, who calculated a Property Insurance Reinstatement value of £234.9m on a Net Book Value of £63.2m.

Land and Buildings with a net book value of £78.8m includes assets held under finance leases with a net book value of £5.1m (2014: £5.3m), on which £0.2m of depreciation was charged during the year.

Exchequer Funded Assets

The net book value of exchequer funded assets at the balance sheet date was £13.8m. Where assets are acquired with the aid of Exchequer funded grants, the related grants are treated as deferred capital grants and released to income over the expected useful life of the assets. (See note 13.)

Investment	Cost at	Cost at
	31 July 2015	31 July 2014
Investments - University	£	£
Shares in group companies	33	5
Shares in CVCP Properties plc	28,091	28,091
Shares in Odstock Medical Ltd	1	1
	<hr/>	<hr/>
	28,125	28,097
Group Companies	Cost at	Cost at
	31 July 2015	31 July 2014
BU Innovations Limited	2	2
BU Residences Limited	30	30
BU Enterprise Limited	1	1
	<hr/>	<hr/>
	33	33

8. Tangible assets (continued)

Group companies

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

Their principal activities are as follows:

BU Innovations Limited purchases and exploits intellectual property rights arising from the work of staff of Bournemouth University.

BU Enterprise Limited was incorporated on 1 February 2012, the company provided business incubation services up to 31 March 2015. The company is now dormant and under review.

BU Residences Ltd was incorporated on 5 August 2013, there was no activity during the financial year and the company is currently dormant.

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 22. During 2012 it was decided that the work of the Foundation could be carried out more effectively as an integral part of the University. It was resolved that the assets and liabilities of the Foundation be transferred to the University but that the Foundation would remain a wholly owned subsidiary of the University to receive future legacies.

CVCP Properties plc £28,091

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

9. Stocks	2015		2014	
	Group £'000	University £'000	Group £'000	University £'000
Stock	14	14	1	1

10. Debtors	2015		2014	
	Group £'000	University £'000	Group £'000	University £'000
Debtors	2,474	2,473	4,112	4,109
Amounts owed by group companies	-	-	-	61
Prepayments and accrued income	4,786	4,786	4,538	4,534
	<u>7,260</u>	<u>7,259</u>	<u>8,650</u>	<u>8,704</u>

11. Creditors: amounts falling due within one year

	2015		2014	
	Group £'000	University £'000	Group £'000	University £'000
Bank loans and overdrafts	590	590	2,816	2,816
Other loans	-	-	63	63
Obligations under finance leases	571	571	473	473
Trade creditors	3,459	3,459	2,487	2,486
Amounts owed to group companies	-	-	-	21
Other creditors	2,355	2,356	1,757	1,757
Social security and other taxation payable	1,488	1,488	1,424	1,424
Accruals and deferred income	9,791	9,791	13,409	13,393
	<u>18,254</u>	<u>18,255</u>	<u>22,429</u>	<u>22,433</u>

Accruals and deferred income include £5.2m (2014: £6.8m) of income received in advance in connection with teaching and consultancy work.

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

Group and University	2015 £'000	2014 £'000
Bank loans	23,462	23,938
Finance leases	7,951	8,522
Other creditor	200	200
	<u>31,613</u>	<u>32,660</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

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

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

In 1998, the University entered into a 26-year finance lease on Cranborne House, a 499 bed student accommodation facility, at an initial annual rent of £0.8m which increases annually by 3.7%. After 26 years the freehold interest in the building will be transferred to the University at no cost. £8.0m is outstanding on finance leases due after more than one year. (Please refer to note 24)

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

	2015 £'000	2014 £'000
Repayable within 1 year	571	473
Repayable within 2-5 years	3,533	3,005
Repayable after 5 years	4,418	5,517
	8,522	8,995

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

	2015 £'000	2014 £'000
Repayable within 1 year	474	451
Repayable within 2-5 years	2,124	2,001
Repayable after 5 years	21,338	21,937
	23,936	24,389

An analysis of other loans is set out below:

	2015 £'000	2014 £'000
Repayable within 1 year	-	63
Repayable within 2-5 years	-	-
	-	63

13. Deferred capital grants: Group and University

	HEFCE Grants		Other Grants	
	Buildings £'000	Equipment £'000	Donations £'000	Total £'000
At 1 August 2014	19,605	283	930	20,818
Grant received in year	2,615	-	-	2,615
Released to Income and Expenditure account (see note 1)	(1,020)	(82)	(24)	(1,126)
At 31 July 2015	21,200	201	906	22,307

Deferred capital grants represent cash received from HEFCE and private donations to finance buildings and equipment which have not yet been released to the credit of the Income and Expenditure account.

14. Revaluation Reserves: Group and University

	2015	2014
	£'000	£'000
Balance at 1 August	5,315	5,716
Transfer to general reserves	(401)	(401)
Balance at 31 July	<u>4,914</u>	<u>5,315</u>

The transfer to general reserves represents an amount equal to the depreciation charged in the year on assets acquired in 1988 from Dorset County Council at the inception of Bournemouth Polytechnic (now Bournemouth University). The assets were valued in 1989 at £17.2m.

15. Revenue reserves

	Group	University
	£'000	£'000
Balance at 1 August 2014	8,442	8,485
Retained surplus for the period	3,092	3,025
Actuarial loss on pension liability (See note 21)	(7,452)	(7,452)
Transfer from revaluation reserves	401	401
Balance at 31 July 2015	<u>4,483</u>	<u>4,459</u>

Revenue reserves include £152,305 (2014:£110,778) held for restricted purposes of student support and research projects as agreed with the donors.

Group retained surplus for year	£'000
University surplus for year	3,025
Profit generated by subsidiary undertakings	67
	<u>3,092</u>

16. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2015	2014
	£'000	£'000
Surplus after taxation	3,092	433
Depreciation	8,557	8,203
Deferred capital grants released	(1,126)	(1,117)
Interest receivable	(222)	(533)
Interest payable	2,023	2,864
Pension contribution less amounts charged to operating surplus	2,540	1,922
(Increase)/decrease in stock	(13)	4
Decrease/(increase) in debtors	1,390	(3,445)
(Decrease)/increase in creditors	(2,001)	3,195
Loss on disposal of investments	-	11
	<u>14,240</u>	<u>11,537</u>

17. Analysis of changes in consolidated financing during the year

	Finance leases £'000	Other loans £'000	Bank loans £'000	Total £'000
At 1 August	8,995	63	24,389	33,447
New leases/loans	-	-	-	-
Capital repayments	(473)	(63)	(453)	(989)
At 31 July	8,522	-	23,936	32,458

18. Analysis of changes in net funds

	At 1 August 2014 £'000	Cash Movement £'000	Non cash Movement £'000	At 31 July 2015 £'000
Cash at bank and in hand	2,065	(367)	-	1,698
Bank overdraft	(2,365)	2,249	-	(116)
	(300)	1,882	-	1,582
Short-term deposits	23,210	(8,600)	-	14,610
	22,910	(6,718)	-	16,192
Debts due within one year	(987)	987	(1,045)	(1,045)
Debts due after one year	(32,460)	2	1,045	(31,413)
Net debt at end of year	(10,537)	(5,729)	-	(16,266)

19. Contingent liabilities

Nomination agreements

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

The University has entered into an arrangement with Campus Living Villages for the supply of additional student accommodation in three buildings, Okeford House, a 94 bed accommodation facility, Lyme Regis House, a 400 bed facility and Chesil House, a 210 bed facility. The buildings are owned and managed by Campus Living Villages but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students. The nominations agreement provides a minimum income guarantee for the provider in circumstances where there are too few students nominated; and that, to date, this has not been called upon.

20. Operating lease and Capital commitments

At 31 July 2015 the group was committed to making the following payments during the next year in respect of operating leases:

	2015		2014	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases:				
Expiring within 1 year	3,538	17	3,632	-
Expiring within 2-5 years	1,707	18	-	35
Expiring within 6-30 years	-	-	1,168	-
	<u>5,245</u>	<u>35</u>	<u>4,800</u>	<u>35</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. The building provides accommodation for a number of Professional Service departments. The fit out costs are shown in the leasehold improvements section in Note 8. The operating lease has a break clause after 15 years which includes a 12 month notice period.

In 2010, the University entered into a 16-year operating lease on the Executive Business Centre which is home to the Faculty of Management. The lease has a break clause in 2014 and 2019. The rental is also subject to review in 2014 and 2019.

In 2012, the University entered into a seven-year operating lease on Dorchester House, a 540-room purpose-built student accommodation block. The lease has a break clause in years 2015, 2016, 2017 and 2018.

Capital commitments	2015 £'000	2014 £'000
Commitments contracted at 31 July	10,765	6,756
Authorised but not contracted at 31 July	24,653	27,142
	<u>35,418</u>	<u>33,898</u>

21. Pensions

FRS17

The University's employees belong to three principal pension schemes, the Teachers' Pensions Scheme (TPS), the Universities Superannuation Scheme (USS) and the DCSS Local Government Pension Scheme (LGPS). All are defined benefit schemes. The total pension cost for the year ended 31 July 2015 was £8.7m (2014: £8.4m).

Reconciliation to balance sheet	Year to 31 July 2015	Year to 31 July 2014
	£'000	£'000
DCSS LGPS pension liability	51,238	41,250
Pension enhancement pension liability	1,144	1,140
	52,382	42,390

The Teachers' Pension Scheme (TPS)

Under the definitions set out in Financial Reporting Standard 17 - 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 14.1% of pensionable salaries from 1 August 2014 to 31 July 2015.

The TPS 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%.

The next formal actuarial valuation is due as at 31 March 2016.

21. Pensions (continued)

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not linked to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that the employer contributions will increase to 18% from 1 April 2016.

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

FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

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

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

21. Pensions (continued)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long-term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long-term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6
Existing benefits	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS17 liabilities	£67.6bn	£55.5bn
FRS17 deficit	£18.6bn	£13.9bn
FRS17 Funding level	72%	75%

The total pension cost for the institution was £175,531 (2014: £155,592). This includes £19,289 (2014: £12,200) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Pension Enhancements

The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation. An amount of £1,144,000 is included in provision for pension liabilities representing the extent to which capital costs charged exceed actual payments made. The provision will be released against the cost to the University of enhanced entitlements over the estimated life expectancy of each relevant scheme member. The value of the liability calculated by the actuaries was based on FRS17 assumptions used for the DCSS LGPS. The scheme is now closed and no new members have been added since the late 1990's.

DCSS

This is a funded defined benefit scheme where contributions payable are held in a trust separately from the University. Full actuarial valuations are carried out triennially, with the last full valuation being at 31 March 2014.

The valuation has been updated to 31 July 2015 by qualified independent actuaries who estimate that the net liability as at 31 July 2015 is £51,238,000.

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

21. Pensions (continued)

Assumptions as at	31 July 2015		31 July 2014		31 July 2013	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.6%		3.5%		3.4%	
CPI increases	2.7%	-0.9%	2.7%	-0.8%	2.6%	-0.8%
Salary increases	4.2%	0.6%	4.2%	0.7%	4.6%	1.2%
Pension increases	2.7%	-0.9%	2.7%	-0.8%	2.6%	-0.8%
Discount rate	3.9%	0.3%	4.3%	0.8%	4.8%	1.4%

Life expectancy from age 65 (years)

	2015	2014
Retiring today		
Males	22.8	22.7
Females	25.2	25.1
Retiring in 20 years		
Males	25.1	24.9
Females	27.6	27.4

Expected return on assets and estimated asset allocation

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

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

The following expected returns have been adopted.

Asset class	31 July 2015		31 July 2014	
	Asset allocation £'000	%	Asset allocation £'000	%
Equities	44,800	55%	38,053	55%
Other Bonds	10,255	13%	-	-
Diversified Growth Fund	3,926	5%	3,056	4%
Portfolio	-	-	2,577	4%
Property	8,232	10%	6,505	9%
Cash	3,132	4%	6,016	9%
Gilts	9,617	12%	13,407	19%
Infrastructure	942	1%	-	-
Hedge Fund	112	0%	-	-
Total	81,016	100%	69,614	100%

21. Pensions (continued)

Reconciliation of DCSS LGPS pension liability recognised in balance sheet

	31 July 2015 £'000	31 July 2014 £'000
Net pension deficit as at		
Present value of funded obligation	(132,085)	(110,688)
Fair value of scheme assets	81,016	69,614
Net liability	(51,069)	(41,074)
Present value of unfunded obligation	(169)	(175)
Pension liability in balance sheet	(51,238)	(41,249)

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Charged to staff costs:		
Current service cost	5,201	4,917
Loss on curtailments	6	369
	5,207	5,286
Charges to interest payable:		
Interest on obligation	4,878	4,526
Expected return on scheme assets	(4,172)	(3,753)
	706	773
Expense recognised	5,913	6,059
Actual return on scheme assets	8,048	4,551

Amounts recognised in Statement of Recognised Gains and Losses

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Actual return less expected return on pension scheme assets	3,876	798
Experience gains and losses	6	500
Changes in assumptions underlying the present value of the scheme liabilities	(11,294)	(10,868)
Actuarial (loss)/gain recognised in the statement of recognised gains and losses	(7,412)	(9,570)
Cumulative amount of losses recognised in Statement of total Recognised gains and losses	(19,813)	(12,401)

21. Pensions (continued)

Reconciliation of opening & closing balances of the defined benefit obligation

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Opening defined benefit obligation	110,863	91,782
Service cost	5,201	4,917
Interest cost	4,878	4,526
Actuarial loss/(gain)	11,288	9,312
Losses on curtailments	6	369
Estimated benefits paid (net of transfers in)	(1,586)	(1,485)
Past service costs	-	-
Contributions by scheme participants	1,617	1,455
Unfunded pension payments	(13)	(13)
Closing defined benefit obligation	132,254	110,863

Composition of defined benefit obligation

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Unfunded	169	175
Funded obligations	132,085	110,863
	132,254	110,863

Reconciliation of opening & closing balances of the fair value of Fund assets

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Opening fair value of Fund assets	69,614	62,879
Expected return on Fund assets	4,172	3,753
Actuarial (loss)/gain	3,876	(258)
Contributions by employer including unfunded	3,336	3,283
Contributions by scheme participants	1,617	1,455
Estimated benefits paid (net of transfers in)	(1,599)	(1,498)
Fair value of Fund assets at end of period	81,016	69,614

21. Pensions (continued)

Reconciliation of opening & closing balances of the net pension deficit

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000
Deficit at beginning of the year	(41,249)	(28,903)
Service cost	(5,201)	(4,917)
Employer contributions	3,323	3,270
Unfunded pension payments	13	13
Past Service Costs		
Other finance costs	(706)	(773)
Curtailments	(6)	(369)
Actuarial loss	(7,412)	(9,570)
	<hr/>	<hr/>
Deficit at end of the year	(51,238)	(41,249)

Sensitivity analysis

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

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	129,356	132,254	135,221
Projected service cost	5,887	6,038	6,193
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	132,765	132,254	131,748
Projected service cost	6,041	6,038	6,035
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	134,743	132,254	129,826
Projected service cost	6,192	6,038	5,888
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	135,936	132,254	128,675
Project service cost	6,192	6,038	5,888

21. Pensions (continued)

5 Year history

Amounts for the current and previous four periods	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £ 000
Defined benefit obligation	(132,254)	(110,863)	(91,782)	(85,376)	(68,780)
Scheme assets	81,016	69,614	62,879	49,762	44,292
Deficit	(51,238)	(41,249)	(28,903)	(35,614)	(24,488)

	Year to 31 July 2015 £'000	Year to 31 July 2014 £'000	Year to 31 July 2013 £'000	Year to 31 July 2012 £'000	Year to 31 July 2011 £ 000
Experience adjustments on scheme liabilities	6	1,556	3	(24)	1,157
Percentage of liabilities	0.0%	1.4%	-	-	1.7%
Experience adjustments on scheme assets	3,876	(258)	7,046	(224)	1,158
Percentage of assets	4.8%	(0.4%)	11.2%	(0.5%)	2.6%
Cumulative actuarial loss	(22,516)	(15,104)	(5,534)	(14,944)	(5,804)

The Group's best estimate of the contributions expected to be paid in the year beginning on the 1 August 2015 is £3,415,000. (2014: £3,094,000).

22. Related party transactions

The Board has taken advantage of the exemptions provided by FRS8 not to disclose transactions with wholly owned subsidiary companies.

No governors received payment for their services as a governor.

During the year The Bournemouth University Foundation did not award any grants to Bournemouth University (2014: £78,000). No amounts were outstanding at the end of the year.

Bournemouth University Foundation	£
Turnover including interest received	6
Expenditure	(48)
Loss on ordinary activities	(42)
Reserves brought forward	160
Loss for year	(42)
Reserves carried forward	118

23. Related Party Transactions (continued)**Students' Union**

Bournemouth University considers the Students' Union at Bournemouth University to be a related party due to the level and nature of the transactions between organisations. During the year to 31 July 2015, the University paid a grant of £690,000 to the Union (2014: £549,000).

24. Post balance sheet event**Finance lease Cranborne House student accommodation.**

In August 2015 the University bought itself out of the finance lease for Cranborne House; the lease break payment was £13.6m (see note 12).

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