



ARTS UNIVERSITY BOURNEMOUTH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

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GOVERNORS of the University who served on the BOARD in 2014-15 for the whole of the year unless otherwise stated and up until the signature of the accounts

Name	Area of Principal Expertise	Committee Membership at date of signing accounts
Roger Laughton CBE - Chairman	Media & Higher Education	Finance & Resources; Estates; HR & Remuneration; Search & Governance; Senior Staff Remuneration
Simon Gorham – Vice Chairman	Finance	Finance & Resources; Estates; Search & Governance; Senior Staff Remuneration
Professor Stuart Bartholomew CBE	Principal and Vice-Chancellor	Finance & Resources; Estates; HR & Remuneration; Search & Governance Senior Staff Remuneration
Stephanie Barton	Publishing	Audit & Risk; HR & Remuneration; Search & Governance; Senior Staff Remuneration
Dan Broadbent (retired 15 July 2015)	AUBSU Student Governor	Estates
Nick Byrne	Higher Education	Audit & Risk; HR & Remuneration
Michael Clarke	Legal	Finance & Resources
Janice Davies (appointed 28 May 2015)	AUB Professional Services Staff	Estates
Michael Gibson	Information Technology	Audit & Risk; Estates
Vicky Gosling (retired 1 May 2015)	AUB Professional Services Staff	Estates
Kay Homer	Business	Audit & Risk;
Chris Martin	Banking & Accountancy	Audit & Risk; Estates; Search & Governance; Senior Staff Remuneration
Lady Angela Neuberger	Media	Finance & Resources; HR & Remuneration
Terence O'Rourke MBE	Architecture & Planning	Finance & Resources; Estates; Search & Governance
Dr Kabir Shaikh CBE	Education & Administration	Audit & Risk; HR & Remuneration;
Peter Symons	AUB Academic Staff	Finance & Resources
Sara Webb	Human Resources	Audit & Risk; HR & Remuneration; Senior Staff Remuneration
Oscar Woodruff (appointed 1 July 2015)	AUBSU Student Governor	Estates
Dr Bethan O'Neil Clerk & Secretary to the Board		

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OPERATING AND FINANCIAL REVIEW

Mission Statement

'To be the leading professional arts university dedicated to turning creativity into careers'.

1. Statement of Public Benefit

The Arts University Bournemouth is a higher education corporation as defined by the Further and Higher Education Act of 1992 having been incorporated in 1993. It is an exempt charity within the meaning of the Charities Act 1993 and as such is required to demonstrate how its work is of 'public benefit'.

The University's objects and vision and values reflect its commitment to public benefit. The objects are set out in its Memorandum of Association which provides that:

The object shall be the establishment, conduct and development of a University for the advancement of higher and further education and as an institution for teaching and research.

As a Corporation, the University has the power to do anything which appears necessary or expedient for that purpose.

The University's mission, vision, values and aims as articulated in its Strategic Plan 2014 – 2019 have been developed in support of the institution's primary purpose and the manner in which these will be delivered is outlined in a related Strategy Map. The University takes a wide view of its charitable purpose; not only that prescribed by the delivery of higher and further education, but to related wider social, economic and ethical concerns locally, nationally and internationally.

The main beneficiaries are current and prospective students for whom the University provides the opportunity to progress from the age of 16 through further education, undergraduate, masters and doctorate programmes in the subject areas of art, design, media and performance imparting them with the skills to be creative and practising entrepreneurs.

The cost of higher education, which is not only tuition fees but also includes accommodation and living costs, can be a barrier to many students. The University through its Student Services provision supports students in their applications for funding from a wide range of sources and administers the Access Bursary Scheme which in 2014-15 distributed over £413k in funding to eligible students. In addition the University awarded a further 136 individual student scholarships following the successful introduction of the National Scholarship Programme 2012-13. Further work to enable students to participate is outlined at 1.2.

The Board has had due regard to the Charity Commission's guidance on the reporting of public benefit and its supplementary public benefit guidance on the advancement of education. Through its range of activities the University provides benefits to different sections of the public as follows:

1.1 Teaching

- Enrolled a total of 432 Further Education students, 2,792 undergraduates, 66 taught postgraduates and 4 research postgraduates from the UK, EU and Overseas as well as 1,551 students on dedicated specialist short courses. The Further Education courses act as a bridge to our undergraduate courses, and our goal is to ensure that at least 50% of our Further Education students, upon successful completion, progress to degree courses internally
- Developed and implemented a Creative Learning Plan, which focuses on the enhancement of the student learning experience through both academic staff development and the review of existing teaching and assessment practices
- Undertook the annual Student Perception Survey (SPS) and secured constructive student feedback through student attendance at meetings, and regular meetings of senior management with Students' Union representatives to ensure that the University is fulfilling student expectations and gathering suggestions for continuous improvement
- Dedicated capital investment to extend space through the planning of a new Photography extension; a purpose-built centre for Student Services and the Students' Union; and the refurbishment of a former Hall of Residence to provide significant new teaching space. In addition, minor works were undertaken to extend the space available for BA (Hons) Illustration, and to enhance further the working spaces within the Library

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1.2 Enabling Participation

- Continued the outreach work aimed at widening participation in higher education, particularly among students from non-traditional backgrounds, minority groups and disabled persons. Developed clear strategy to target this work effectively
- Implemented the University's new Access Agreement which underlines our commitment to widening participation and fair access and incorporates eligibility for the University bursary schemes and the National Scholarship Programme
- Continued excellent take-up of bursaries and associated benefits, including bicycle vouchers to encourage a reduction in car usage
- Refined the Access Agreement for 2015-16 entry following some amendments to Government policy and funding priorities, and developed a new Access Agreement for 2016-17 entry, taking account of the University's strategic developments while retaining a strong focus on outreach work and support for the retention of non-traditional students
- Included in the Retention and Attainment Strategic Enhancement Programme with support from the Higher Education Academy (HEA); secured funding from the HEA to undertake a subsequent project on Black and Minority Ethnic Student attainment and retention
- 267 enrolments to Saturday Arts School, including 21% from disadvantaged backgrounds who received concessionary / complimentary places
- 865 undergraduate students from the lowest socio-economic groups who receive full maintenance grants and are eligible for financial support
- Portfolio advice days for students from local schools from under-represented groups
- Taster Days for students from schools with lower GCSE achievements, leading to increased applications from these groups

1.3 Research and Knowledge Transfer

- A new Research and Knowledge Transfer Plan 2014-17 was approved detailing activities that would be undertaken in support of establishing an appropriate and effective, research enterprise and knowledge transfer environment reflective of the research ambitions of the University's staff and students
- In December 2014 HEFCE announced the outcome of the Research Excellence Framework exercise (REF 2014). AUB returned 16 staff to the exercise. Over half of the research outputs submitted were judged to be world leading or internationally excellent in terms of originality, significance and rigour with a further 30% judged to be of quality that was recognised internationally. Impact was assessed through the submission of two case studies. These were judged to achieve very considerable impacts in terms of their reach and significance. The research environment was also judged to be conducive to producing research of internationally recognised quality, in terms of its vitality and sustainability, with 10% judged to be conducive to producing research of internationally excellent quality. Research funding awarded to the University for 2015-16 as a result of the REF rose by 315%
- The University continued to support four PhD students in their practice-based research degrees covering drawing and animation. The first doctoral award is expected in 2016
- The University awarded several research fellowships to enable staff to continue their research activities including models of governance in small, specialist institutions and investigating the use and development of textile making workshops
- Several staff practitioners were successful in exhibiting their work internationally in Frankfurt and Vancouver and numerous staff have produced conference papers, journal articles and books as highlighted on the staff profiles pages of the University's website, including a new peer reviewed publication based on the Black Mirror Network
- In the late summer of 2014 the University was a key sponsor and participator in the Bournemouth BFX Festival which celebrated and promoted the visual effects, computer gaming and animation industry through an academic conference and series of workshops.
- Work on the HEFCE Catalyst funded 'Building the Bridge' (BtB) project continued. The project aims to raise the levels of employability and the standards of work-readiness of graduates for the VFX and related industries. Activities include the development of a talent pipeline, staff exchanges and work placements. Alongside this, the University was funded by Creative Skillsset to initiate a research project on creative leadership in the VFX industry. Funding secured from NextGen enabled the project to be further developed as a framework and expanded to include the Games and Animation industries. The framework will be piloted during 2015-16
- The ERDF funded South West Innovation Vouchers programme concluded. This enabled a knowledge base partner i.e. the University, to work with small and medium enterprises (SMEs). Projects were delivered with *This is Crowd*, *Nothe Fort* and the *Russell Coates Museum*
- The University was awarded £5k to run two Design Challenges as part of the *Making it Happen* project, to provide evidence for potential funding from the European Social Funds

OPERATING AND FINANCIAL REVIEW (CONTINUED)

1.3 Research and Knowledge Transfer (continued)

- *Our Common Ground* is a €3.6million INTERREG scheme, led by the Arts University Bournemouth in partnership with University for the Creative Arts, Kent County Council, Medway Council and the École Européenne Supérieure d'art de Bretagne (EESAB). The project employed innovative models of creative knowledge exchange, cultural interventions and audience engagement to reconcile and refresh cultural activity in urban centres in the UK and France. One strand of the project examined curriculum development tools leading to the development of *The Orb*, an interactive, handheld input device that can be used to control visual and audio outputs housed in France and the UK. The project culminated with 'Who owns our cities' a significant networking event hosted by AUB which presented talks, discussion and works depicting how we engage in our cities alongside an exhibition held at ArtSway Galleries in March 2015, to share the results of the two-year programme. Outputs included 2- and 3-D works, presentations, visual / written reports, interviews, talking heads films and a published set of conference papers

1.4 Wider Community

- MoDiP (Museum of Design in Plastics), funded entirely by the University, is a museum open to the general public and provides the UK with its only accredited museum focused on plastics, the most used materials group in manufacture since the 1970s. It is a universal resource as a result of the digitisation of its collection
- MoDiP encouraged creative engagement with the collection through an Arts Council England supported residency during which the artist Mariele Neudecker created 49 Plastic Vanitas photographic artworks based around over 500 objects in the museum
- MoDiP held two exhibitions - *Is that plastic? Skeuomorphs and metaphors in design*, explored the illusionistic qualities of plastics and pioneered a new method of display that enables the objects to speak for themselves uncluttered by labels through the on line version of the exhibition accessible within the museum enabling the visitor to view the documentation of any object they wish; *Threads: plastics wearing well* presented uses of synthetic and semi-synthetic fibres in everyday and specialist clothing with a view to demonstrating the relevance of the collection to textile, fashion and costume students
- MoDiP has also welcomed a number of external groups to the Museum and taken collections of museum objects into a local primary school. Additionally, the Museum has supplied 130 images to Reliance Industries Ltd, India, for inclusion in their series of publications on plastics materials
- TheGallery at Arts University Bournemouth (AUB) is a major resource for contemporary art and design in the South of England and is open to the general public. Many of the exhibitions and artists' commissions that have been produced within the space since its opening have toured to other venues across the UK. In September 2014 TheGallery hosted the Formal Launch for the 2014 Bournemouth Arts by the Sea Festival with the exhibition *Bathing Beauties* which reimagined the Beach Hut for the 21st Century. Other exhibitions in 2014-15 included *The Dark Highway* a retrospective of the work of photographer Paul Wenham Clarke, *Landscapes of Exploration*, curated by Liz Wells, which brought together works by Artists who had visited Antarctica with the British Antarctic Survey, and the *Jerwood Drawing Prize*. Alongside its main programme TheGallery also produced over 20 Pop-Up, and 5 off – site exhibitions. Over 900 young learners attended workshops and gallery talks for schools
- The University remained the headline sponsor for the 'Bournemouth Arts by the Sea Festival', a three-week programme of events including film, theatre, dance, literature, performance and music. Many students took part in the festival, either within the main programme, or on the fringe. Staff and students from BA (Hons) Acting, BA (Hons) Costume and Performance Design and BA (Hons) Make-up for Media and Performance collaborated together to produce a two and a half day "Mermaid Performance" for the festival opening which took place in a large shell on the sea front
- Enrolments on the short leisure courses programme developed for the local community exceeded 1,350
- The Performance subject areas staged a number of productions both at the University; and Pavilion Dance in Bournemouth and the Lighthouse in Poole which have all been accessible to the public including 'The Boyfriend' which was a unique collaboration between Acting, Costume and Make-Up students and the Bournemouth Symphony Orchestra
- In June 2015 the Summer Show Exhibitions took place across the campus, transforming the entire institution into a huge open air gallery. The intention behind the shows is to provide a showcase for industry professionals, current and prospective students and their families, and the wider community. The shows promote the understanding of contemporary arts regionally and provide a platform for schools to explore possible progression routes in the creative industries

OPERATING AND FINANCIAL REVIEW (CONTINUED)

2 Strategy and Risk Analysis

2.1 Strategic Plan 2014-2019

In the past year consultations with staff and key stakeholders have taken place to inform the development of a new Strategic Plan which can respond to the new higher education (HE) landscape where competition for students can be intense and increasingly the University must demonstrate what it can offer that sets it apart from other institutions.

The consultations were structured around eight main themes which were:

- a. A creative, current and innovative University;
- b. The shape, size and scope of the University;
- c. A University with a high profile and a high reputation;
- d. An inspiring University to our students and stakeholders;
- e. An authentic University;
- f. A financially sustainable University;
- g. An efficient and effective University; and
- h. An 'all through University'.

A draft plan was presented at an all staff development event and at Academic Board in December 2013. Following this, the AUB Strategic Plan 2014-2019 was approved by the Governing Board in April 2014 and the implementation of the plan is based around the AUB Strategy Map.

The University's mission, vision, values and aims are articulated as follows:

Mission: To be the leading professional arts university dedicated to turning creativity into careers

Vision: Within five years to be distinctive for our maker culture and leadership in creative learning

Values: Innovative. Collaborative. Connected

Aims:

To be the leading professional arts university by:

Creating distinctive curricula and learning resources linked to the creative industries,
 Developing our professional links with the industry,
 Progressing the physical and digitally connected campus,
 Developing museum, library and archives capability in support of scholarship

To be dedicated to creative innovation by:

Strengthening and enhancing our research environment and capability to inform teaching and knowledge transfer,
 Developing the 'maker' mind set in all that we do and based on practical reality orientated towards optimal results,
 Responding with an entrepreneurial and innovative attitude in all that we do

To be a distinctive university with high profile and high reputation by:

Exploiting our academic leadership in the subjects we offer,
 Producing graduates and enterprising students who are sought after by the leading players in industry,
 Collaborating with industry and a proactive alumni network,
 Being an integrated university through the range of courses we offer and the modes of study we employ

OPERATING AND FINANCIAL REVIEW (CONTINUED)

2.2 The Strategy Map

A strategy map has been developed to oversee the delivery by the University of its objectives and monitor the progress against their achievement. This has been expressed in terms of Key Performance Indicators, Performance Indicators and Actions.

The key objective headings are:

- To be the leading professional arts university:
- To be dedicated to creative innovation:
- To be a distinctive university with high profile and high reputation:
- Valuing and developing our staff:
- Financial sustainability:
- Improving our effectiveness:

2.3 Looking Forward

The University is a specialist provider of high quality teaching, learning and scholarship which is closely aligned to the creative industries. The distinguishing characteristics of the course offer are the maker culture and studio-based learning informed by innovative research and scholarship, an emphasis on cross-discipline collaboration and strong industry links.

The emphasis will be on impressing on applicants that they will have an inspirational student experience informed by staff who are highly qualified teachers, researchers and practitioners and will be treated as innovative student makers. Their studies will be informed by a curriculum that pushes boundaries and connections with peers in the academy and industry in meeting career aspirations. They will have an education supported by high quality facilities, physical and digital resources that are appropriate to their needs and those of an arts university. And most importantly they will have the opportunity for progression and personal development.

Students have always been at the heart of the Arts University mission and as a result the University to date has adjusted well to the new market-based funding environment in which institutional income is largely driven by student fees rather than block grants. The values, identity and shared sense of purpose have ensured that the University remains a destination of choice for many students.

2.4 Risk Analysis

The key risks facing the University relate to changing Government policy and priorities particularly in light of the current uncertain political environment. A detailed review of the known risks to the Arts University Bournemouth is provided at section 5.7.

OPERATING AND FINANCIAL REVIEW (CONTINUED)
3 Academic Review
3.1 Academic Excellence

The University is proud of its reputation for academic excellence. With its aspiration to be the leading professional arts university dedicated to turning creativity into careers, it is imperative that the AUB's courses are of an appropriate standard and that its graduates are of the highest quality. The most recent institutional audit conducted by the Quality Assurance Agency (QAA) in May 2011 confirmed that confidence could be placed in the University's management of academic standards and its management of the learning opportunities available to students. It also identified three features of good practice, two of which related explicitly to the ways in which staff developed a shared understanding of academic excellence.

The high quality of graduates is demonstrated by the fact that 97.4% of students were in employment or further study six months after graduation in June 2014 on a response rate of 89.1%. This places the University in the top ten across the higher education sector for the eleventh successive year; performance is again significantly above benchmark (92.4%), and as the University has one of the highest response rates in the sector, this represents an outstanding achievement.

3.2 Student Experience

The University continues to pride itself on the quality of student experience offered. Overall satisfaction as expressed in the National Student Survey (NSS) was 81%. The University's results are less strong than in recent years, although they are consistent with those achieved by competitor courses and also in line with benchmark; and specialist institutions within the creative arts and design sector continue to perform disappointingly. The internal Student Perception Survey (SPS) showed excellent outcomes, with 96% of students confirming that they would recommend the University to others; and 96% also confirming that they are treated fairly and with respect.

A major development during the last year was a project to improve the Digital Environment for Learning, Teaching and Assessment (DELTA). The DELTA User Group identified a range of desired outcomes, which were then prioritised according to both impact and achievability. Following a detailed review of the products available, the project team has now partnered with a relatively new digital company to produce the first version of the new MyAUB site, which was available to staff and students from September 2015. This meets user requirements by offering a range of single sign-on functions, each accessed by a tile on the landing page; this includes email and for students, their timetable.

The University has commissioned a shop which opened on campus at the start of the academic year 2014-15. The need for such a facility has been a consistent theme of student feedback over recent years, and the shop provides students with the opportunity to purchase art materials on campus (or to order them in if required).

3.3 Academic Portfolio

The changing shape of the higher education sector in England, with significantly higher tuition fees for undergraduate students, places a premium on the presentation of an attractive portfolio of awards which make a strong contribution to the overall specialist offer. Following a comprehensive review of the current portfolio, two new Honours degree programmes were proposed and validated for recruitment for 2015-16 (in the disciplines of Dance and Visual Effects). In addition, the BA (Hons) Film Production was enhanced with the introduction of a four-year study route for those whose academic studies to date have not enabled them to gain the full skillset required for entry to a three-year programme

3.4 Research

The University acknowledges that research and professional practice are an essential aspect of a higher education institution, which supports delivery of a high quality student experience. It prioritises investment in this area by having supported two members of staff to achieve their doctorates in the past year with a further seven being supported in 2015-16.

A validation agreement with the University of the Arts London (UAL) saw the first cohort of research degree students enrol in 2011-12. The first doctoral viva examination took place in June 2015 with the first PhD award expected in 2016; a second viva is scheduled to take place in 2016. One student successfully upgraded to PhD at their confirmation meeting with a fourth student progressing into their second year. The University successfully advertised and recruited to a fully funded PhD studentship in the area of animation. It also recruited a student to a part-time bursary offered in conjunction with the John Lewis Partnership (JLP) to interrogate the JLP archives held at Cookham, Berkshire. During the year UAL approved an amendment to the Memorandum of Agreement allowing greater flexibility over the subjects for which research degrees could be offered. Supervisory capacity increased with four staff successfully undertaking research degree supervision units at UAL.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

4 Organisational Sustainability

In order to deliver to its strategic objectives the University must ensure that it is sustainable and provides value for money to all its students and clients. Despite the uncertain future funding environment it is important to continue to invest and to optimise existing resources in order to improve the quality of provision and achieve efficiencies.

4.1 Staffing

During the 2014-15 academic year the HR Plan 2014-19, developed to deliver our staff priorities in support of the University's strategic plan, was approved by the Board of Governors and presented to all staff by the Deputy Vice Chancellor and Head of Human Resources. The Plan identifies six strategic imperatives: Resourcing; Employment; Development; Performance; Reward and Engagement and enables the AUB to have clarity of focus and alignment of staffing priorities and challenges.

One of the first successes of the HR Plan has been in respect of a collaborative project with Marketing to completely refresh AUB's recruitment pages and align recruitment material to the AUB brand. In addition to enhancing our ability to attract new staff to all vacancies we have made significant improvements to our academic selection process and recruitment materials. These were utilised within an extensive academic recruitment campaign during the Spring and Summer terms and resulted in a marked increase in applications for vacancies.

Academic Work Planning has been finalised to ensure an equitable, transparent and consistent approach is adopted in the allocation and management of academic workloads. Work has been completed to ensure that the framework aligns to the Strategic Plan and its integration will be completed during the 2015-16 academic session.

Over the reporting period organisational changes have been instigated in support of the Strategic Plan and these have been more focused in the Professional Services sections. These changes have been implemented to ensure professional services operations are efficient and effective in supporting our academic agenda and the University's Mission. The HR department's HR Partner structure has supported line managers to achieve the specific requirements in this regard.

An online system for the completion of the annual Staff Performance Review (SPR) was refined during the 2014-15 academic session to make it more streamlined in operation and, importantly, to provide links from individual objectives to those within the Strategy Map. Furthermore a direct link for the employee was created to the University's Values: Innovative; Collaborative and Connected. These have been important steps in ensuring that individual staff objectives are linked to those at strategic level and in embedding the Values across the University. The enhancements were well received by staff who engaged positively with the annual Staff Performance Review process thereby providing the University with a productive way of managing, supporting and measuring staff performance.

Staff are informed and consulted by means of the University's Staff Information and Consultation Group which has elected representatives from staff categories across the University. This has been the first year of operation of UCU's new branch at AUB with elected representatives from across the academic area and training was completed for new representatives. Engagement between the University and the trade unions, UCU and UNISON remains positive and collaborative.

National negotiation in respect of the annual pay award was unsuccessful in meeting the desired implementation date of 1 August and we await the decision as to when the University can apply the proposed 1% pay award across all levels of the University's salary scale. This pay increase is in addition to the incremental payments of circa 3% that approximately half of staff who are not at the top of their pay scale receive subject to satisfactory performance.

4.2 Equality & Diversity

All members of the University's community including staff, students, visitors and contractors have a responsibility to treat others fairly and respectfully regardless of the characteristics which may define their identity. These include the legally protected characteristics which are: Age, Disability, Gender reassignment, Marriage and Civil partnership, Pregnancy and maternity, Race, Religion or belief (including lack of belief), Sex and Sexual orientation. The University has committed to provide a working and learning environment founded on dignity, respect and equity where discrimination of any kind is treated with the utmost seriousness.

The Equalities Strategy 2012-15 set out the priority activity for the three-year period in relation to both students and staff and ensured compliance with the Equalities Act 2010. 2014-15 saw the development of the new Equality and Diversity Plan 2015-2020. This development was overseen by the Equalities Committee, which established a sub group (comprising both staff and AUB Student Union representatives) to undertake the detailed development work. As part of this process, the sub-group completed an analysis against the University's Strategy Map, drawing out the equality and diversity imperatives which formed the basis of the Plan; and also carried out a survey of staff and students. The actions set out in the Plan fall under five equality and diversity imperatives: Compliance, Communication, Curriculum, Campus and Continuous Professional Development. Progress against each strand of activity will be reported at each meeting of the Committee and also to the Human Resources & Remuneration Committee of the Board of Governors.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

4.3 Estates and Infrastructure

The completion of the Madeira Road halls accommodation in summer 2015 enabled the University to house 378 students in a town centre location, with excellent public transport and cycling links to the main University campus. The development has proved very popular with student residents, who welcome their proximity to local amenities as well as the relative ease with which they can reach the campus. The accommodation is managed by a specialist residential accommodation provider, in close liaison with the University.

The last year has seen significant investment in the University estate, with the conclusion of some major building projects and the initiation of additional activity. An extension was added to North Building (to the north-west) which provides dedicated space for the Photography subject area, as well as additional seminar space, a state-of-the-art lecture theatre and a staff common room. The existing Photography space has been modernised to make it fit for purpose for the future, the surrounding area has been landscaped to create a modern open courtyard and to provide access to the University from Fern Barrow through the main entrance of the North-west extension.

On the eastern side of the campus, a new building has been completed which provides dedicated office space for the Students' Union and new accommodation for Student Services, including fit-for-purpose counselling and consulting rooms. Adjacent to this is purpose-built accommodation for the Campus Services team, which also features a significantly enhanced goods-in entrance.

Work has also continued on the conversion of one of the Halls of Residence to provide dedicated teaching space for two undergraduate courses; this is due to conclude by Christmas 2015. In addition, the new purpose-built drawing studio, designed by Sir Peter Cook, is scheduled for completion in November 2015. The Drawing Studio is a response to the fundamental nature of drawing to creative arts disciplines, and the need for this to be recognised and celebrated in a building available to all courses at the Arts University Bournemouth.

Additional works carried out during the last year include the second phase of the Library refurbishment, creating new learning spaces on the first floor. There were also external redecoration works to the eastern North Building courtyard and the painting of the Workshop floors to satisfy health and safety and aesthetics requirements. Further works to the campus fire alarm systems took place to allow for ease of management and maintenance of systems under one supplier with two remaining systems to be consolidated in 2015-16.

The major work scheduled for 2015-16 sees the conversion of the second campus Halls of Residence to create dedicated teaching space for the Preparation for Higher Education offer, which will in turn release space in the North Building for courses in design; and the redevelopment of the former Enterprise Pavilion to create office space enabling the colocation of the Directorate of External Affairs.

The emphasis in terms of IT & Communications infrastructure development has been in respect of increasing wireless connectivity with the proliferation of multiple mobile devices. Considerable work has been undertaken in identifying a suitable virtual learning environment for the University's particular provision.

4.4 Environment and Sustainability

The continued growth of the University in terms of student numbers, and also of its estate, places a premium on sustainability, both to respond to the University's moral obligations to the environment, and to bring about cost-savings where possible.

Existing policies did not necessarily respond to the emerging environment in a consistent way, and in consequence the University developed a new Sustainability Plan during 2014-15. This Plan summarises the current position, and sets out targets for the period 2015-2020. Five strands of activity are identified:

- Minimising carbon emissions
- Managing the use of finite resources
- Reducing emissions associated with travel
- Managing the estate efficiently
- Developing staff awareness and engagement.

Each strand is being overseen by a sub-group on behalf of the Environment Committee, which reports to the University Management Team, and the Estates Committee of the Board of Governors.

The University remains committed to minimising its impact on its local environment. The Travel Plan, initiated in 2002, was due for review during the last year, and an updated version has now been approved for the period 2015-18. However, the work of the sub-group considering travel issues may help to progress some targets in different ways, and a review will be undertaken earlier if this is necessary.

OPERATING AND FINANCIAL REVIEW (CONTINUED)
5 Financial Information
5.1 2014-15 Financial Review of the Year

The University's surplus after tax for the year ended 31 July 2015 was £2.98million which compares to a surplus of £4.248million in the previous financial year.

The key highlights are:

Financial Summary	2015	2014
	£'000	£'000
Income		
Funding Council Grants	3,852	6,445
Tuition Fees:		
Home & EU	22,228	18,212
International	3,471	2,873
Total	25,699	21,085
Other Income	5,299	3,306
Total income	34,850	30,836
Expenditure		
Staff Costs	14,324	13,996
Depreciation	3,216	1,910
Operating Expenses	12,062	10,557
Interest Payable	1,259	214
Total expenditure	30,861	26,677
Exceptional Item	1,087	-
Historical cost surplus	2,980	4,248
Surplus as % of income	8.6%	13.8%
Cash inflows from operations	9,405	7,003

The results show that the income from the Funding Councils continues to decline as a result of two thirds of students paying by means of fees, the majority of which is received from the Student Loan Company. The increase in Tuition Fees was also augmented by the high retention of students (97%) on their chosen courses resulting in enhanced student loan receipts in all three terms. International recruitment was strong, in spite of the continued tightening of controls over the issue of visas, due to increased investment in the International team and a more focused strategy.

The increase in Other Income is accounted for by the opening of the Madeira Road Halls accommodation with 378 beds at the beginning of the academic year less 50 bed spaces removed from the on campus Halls of Residence which are being converted to academic space. This represented a 184% increase in the number of bed spaces available. The new Halls were acquired by means of a 25 year lease and as the risks and rewards of this lease flow to the University, the lease is treated as a finance lease for accounting purposes. The net effect is that the finance lease charges to the Income & Expenditure Account including depreciation and interest payable exceed the actual rental charge of £1.3million by £0.9million. This will be a recurring charge which will be higher in the early years due to the interest charge on the finance lease creditor.

Staff Costs increased by 2.3% due to a pay award of 2% for 2014-15 and incremental drift of 3% offset by a greater turnover of staff where new recruits were appointed at the bottom of the pay scales. The increase in Operating Expenses is in the main accounted for by higher direct teaching costs due to greater student numbers and the facilities management cost of the Madeira Road Halls. The Depreciation and Interest Payable lines have increased in line with the Madeira Road Halls finance lease adjustments.

The Exceptional Item arose on the cessation of trading of the subsidiary company AUB Services Limited following a review of its operations by the directors of the company. This resulted in the write down of assets to their impaired value equal to the outstanding rental payments over the remaining four years of the lease on the refectory with the University. The write down of £1.1million has had a substantial impact on the group surplus but has had no impact on operating cash flow.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

5.1 2014-15 Financial Review of the Year (continued)

The historical cost surplus for the year at 8.6% is slightly below the trend annual surplus rate of 9.8% that the University has achieved over the last 5 years. Excluding the Exceptional Item the surplus would have been 11.7% which is comfortably above the target of 10.5%.

Cash inflows from operating activities were £9.5million which funded capital expenditure of £12.6million on the estate and capital equipment much of which is reflected in Assets under Construction. In addition the Madeira Road Halls finance lease has had a major impact on the balance sheet with a net increase in Fixed Assets of £18.3million at the year end being 32% of the total. This is offset by a Finance Lease creditor totalling £19.2million.

The FRS 17 valuation of the Local Government Pension Scheme as at 31 July 2015 resulted in an increase of the pension deficit by £1.68million to £8.26million. This large increase was accounted for by the triennial valuation of the scheme prepared as at 31 March 2013 when the discount rate was reduced and the life expectancy substantially increased. Total reserves including revaluation reserves stood at £23million at the year end and borrowings expressed as a percentage of total reserves were 17.6%, down from 21.7%.

5.2 A Financial Strategy for Sustainability

The financial strategy is one of the supporting strategies to the University's Strategic Plan. It has an enabling role to ensure that the appropriate resources are provided to support the University's strategic objectives and academic development.

The main features of the University's financial strategy are:

- operating surpluses in all years sufficient to meet loan capital repayments;
- continued efficient delivery in faculties, support and overhead areas;
- investment of cash reserves accumulated over previous years, with cash balances being maintained at an ample level but not by means of borrowing additional funds;
- use of loan funding for major estates developments;
- maintaining investment in infrastructure and resources, including the estate to ensure efficient utilisation and fitness for purpose in all areas; and
- development of commercial income streams in terms of fully funded courses such as study abroad and bespoke courses.

5.3 Key Performance Indicators

The Arts University Bournemouth developed Key Performance Indicators (KPIs) to facilitate the oversight of all its business affairs at a strategic level by the Board of Governors. These are being updated to reflect the new Strategic Plan objectives. However the critical financial KPIs monitored in the past year were:

KPI	Description	Target/ Benchmark	Actual
Profitability	Historic cost surplus as %age of total income	10.5%	8.6%
Staff Costs	Staff costs as a %age of income	50% max	41.2%
Liquidity	Liquid assets as days of total expenditure	60 days min	87 days
Borrowings	Borrowings (excluding finance lease creditor) as a %age of income	40% max	11.6%
Annual Service Cost	Annual debt servicing cost as %age of total prior year income	4% max	2.73%

As a result of the healthy surplus generated all of the KPI measures have improved when compared between one year and the next with the exception of liquidity which has fallen from an exceptional high of 166 days in 2014 due to the extensive capital programme undertaken during the year.

Financial KPIs, although important, represent only one aspect of the University's business. Another measure of the University's health is the number of applications per place which is currently almost 6 and compares very favourably to competitor institutions. However student satisfaction as measured by the National Student Survey has fallen to 81% which conversely may have been affected by the level of building works taking place on the campus over the past year. Nevertheless this result means that there is an increased focus on meeting students' expectations with more investment in academic staff and an improvement in systems to ensure course management and feedback is enhanced.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

5.4 Treasury Management

Treasury management encompasses the management of the University's cash flows, banking, money and capital market transactions and the effective control of the risks associated with those activities. The policy of the University is to safeguard its assets whilst at the same time aiming to achieve the best possible return on its investments. The overriding principle however must be to minimise risk rather than maximise returns.

The University's financial strategy sets out the minimum liquidity levels needed to ensure that financial and operational control is maintained. A rolling five year forecast is prepared each year, which incorporates a review of capital expenditure, cash generation and any future borrowings that may be required. Investment returns over the past year have decreased as the University used its cash balances to fund its extensive capital programme.

5.5 Long Term Borrowing Facility

All of the University's borrowings, with the exception of a small carbon related loan with Salix, are provided by its main banker Lloyds Bank and are a mix of variable and fixed interest term repayment loans. No security other than a negative pledge has been given in respect of these loans. The library building loan had a year end balance of £0.87million and is fixed until July 2017 at 3.563% and is based on a repayment term of 10 years. A further loan of £0.80million fixed at 5.36% will be fully repaid by October 2021. The remaining loans are at variable rates one of which is at Bank Base Rate plus a margin of 0.28% and repayable over a maximum of 25 years; and a second loan at a rate of 3-month LIBOR plus a margin of 1.5% and repayable over 5 years. The University has complied comfortably with all its loan covenants in the past year.

During the year a loan tender exercise was undertaken to fund the University's substantial capital programme which resulted in proposals being submitted by four banks. Negotiations were ongoing at the year end. An important consideration in the selection of the successful tenderer is the requirement to maintain the University's negative pledge security arrangements.

5.6 Outlook

The University believes that it is well placed to meet the challenges ahead as it operates in a niche area of provision with a large demand for the courses that it offers. With its new Strategic Plan 2014-19 there is a clear focus on the University's mission to be 'The leading professional arts university dedicated to turning creativity into careers' and the supporting aims and objectives to realise this ambition. Following the reconstitution of the university management team to ensure better accountability for the achievement of university objectives, a number of organisational restructures have taken place and are ongoing.

All supporting strategies continue to be updated to align with the new Strategic Plan and in accordance with the Strategy Map which articulates the University's objectives. The estates Master Plan is being developed further to reflect the potential acquisition of 1.54 hectares of land adjacent to the Wallisdown. This acquisition would secure the University's future by enabling the further development of academic and student accommodation which are necessary to secure growth in student numbers and enhance the student experience. However there is still work to be done to conclude the purchase of the land and to prepare and submit a planning application that will gain approval for the development on this sensitive site.

As a result of the Government's HE White Paper 'Students at the Heart of the System' there will be more competition for students in a rather imperfect market. The removal of the cap on the recruitment of student numbers has intensified this competition even further as Higher Education Providers, including those in the private sector, contest with to recruit from a limited pool of students.

There continue to be policy changes with the proposed introduction of the Teaching Excellence Framework (TEF) in 2016 which will allow Universities who achieve a benchmark, yet to be determined, to increase their fees from the current level of £9,000 which was set in 2012. In response the University is placing an increased emphasis on the teaching qualifications of staff, the digital learning environment provided for students and a more robust staff performance management system.

There is increased analysis of the extent to which the student loan book is being repaid and whether future loans should be determined on the basis of the employability of students undertaking particular courses. This could be potentially detrimental to specialist arts & design institutions like the University because their graduates are often self-employed and take time to establish their businesses, prove their level of income and hence ability to repay the student loan.

The University will continue to seek opportunity in the new marketplace and seek advantage by using the same skills that resulted in its significant growth over the past ten years. International recruitment will continue to be an area to be developed further in niche markets and there will be an increased emphasis on postgraduate recruitment. The academic year has been recalibrated to create four distinct terms commencing in July which ensures that there is increased emphasis on the development, promotion and staffing of full cost and bespoke courses. This provides the opportunity to utilise the campus during the quieter periods of the year and in the evening whilst at the same time growing an increasingly important alternative income stream.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

5.7 Risks and Uncertainties

The key risks facing the Arts University Bournemouth are:

- *Uncertainty of funding:* - the bases of funding higher education are continually changing with increasing uncertainty over the continuation of direct government funding. The uncertainty of the repayment of the rapidly growing student loan book may lead to policy changes as to what type or subject of HE provision may be funded. The market for students will become more competitive. Funding for further education will continue to reduce significantly over the next few years and these students may go direct to university;
- *International students:* - the continuing volatility in the financial and stock markets has led to an uncertain environment which has an impact on the recruitment of international students. In addition government policy regarding the matter of visa restrictions and the aggressive application of the shifting rules by the UK Visas & Immigration may adversely impact on student recruitment from outside the EU. Furthermore the referendum to decide continued EU membership could potentially reduce a significant number of very able students;
- *Student accommodation:* - increasingly the University attracts students both nationally and internationally thereby increasing the demand for halls accommodation. Lack of bed spaces can be an impediment to recruitment. The University is negotiating to purchase land adjacent to the campus with plans to develop 300 bed spaces but this will be subject to planning permission.
- *Inflation:* - high inflation may be a feature of the future as the government attempts to bring borrowings under control. Inflation of 5% on non-pay costs and a possible 5% increase in salaries to try and keep pace would result in a reduction of the surplus by £1.9m to £2.9million in 2018-19 if income were to remain the same and no other action was taken;
- *Pension deficit:* - the quantified deficit on the Local Government Pension Scheme, in which 50% of the employees participate, has increased considerably following the actuarial valuation in 2013. The University already pays more than the recommended contribution but with the review of all government sponsored pensions, the proposed increase in employee contributions may result in demands for higher salary increases;
- *Interest rates:* - the University has an ambitious capital programme which will be funded by a mixture of internal funds generated and by borrowings thus exposing the University to fluctuations in interest rates. This risk will be mitigated by arranging a mix of variable and fixed rate loans and a bank loan tender to secure competitive rates.
- *Capital projects:* - the management of large capital projects poses a risk to the University in terms of cost overruns and delays in completion. The Estates Committee has oversight of this area of risk.

The Governors and university management are optimistic for the future of the institution and are confident of rising to the challenges ahead in achieving the University's Strategic Plan.

Governors

The Higher Education Institution was formed by the passing of the Education Reform Act 1988 and has no shareholders. Governors, therefore, own no interest in the Institution and receive no remuneration from the University in respect of their duties as Governors other than reimbursement of reasonable expenses for travelling and subsistence.

Auditor

A resolution to extend the appointment of KPMG LLP as auditor until July 2016 was approved by the Board of Governors at their meeting of 8 July 2015.

By order of the Board of Governors



Roger Laughton CBE
Chairman of the Board of Governors

25 November 2015

CORPORATE GOVERNANCE

The Arts University Bournemouth was established in 1887 as a specialist art college originally as the Bournemouth Municipal College of Art which later merged with the Poole College of Art to form the Bournemouth and Poole College of Art and Design. It was incorporated in 1993 and became a higher education corporation in 2000 as defined by the Further and Higher Education Act of 1992.

The University is an exempt charity for the purposes of the Charities Act 2011.

The Board consists of lay and academic Governors appointed under the Instrument and Articles of Governance of the University. The Roles of Chairman and Vice Chairman of the Board; and the Principal and Vice Chancellor, who is also the Chief Executive of the University, are separated. The matters specifically reserved to the Board for decision are set out in the Instrument and Articles, by custom and in accordance with the provisions of the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE).

The Board is committed to following best practice in all aspects of corporate governance and has adopted the voluntary Higher Education Code of Governance published by the Committee of University Chairs (CUC) which constitutes definitive guidance on governance within Higher Education. This statement describes the manner in which the University has complied with the key principles of the Code insofar as they pertain to the management, control and risk environment within which the University operates.

The University's Board is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and that it accords with the internal control requirements of the Code of Governance..

The Board has met five times in the academic year and details of the membership are given on page 1. It is responsible for the strategic direction of the University, the approval of major developments and the consideration of regular reports from executive officers on the operation of the business of the University and its subsidiary and related companies. The Board takes full responsibility for overseeing the educational character of the University and for maintaining academic quality.

Following a thorough review of the operation of the Committees in Spring 2014 the number of supporting Board Committees was reduced to five from seven. However as a result of a mapping exercise against the Code of Governance it was decided to establish a Senior Staff Remuneration Committee that meets once a year.

All are formally constituted with terms of reference. Membership is principally drawn from the Board. The Board receives a verbal report from the Chair of each Committee following its meetings and copies of the draft minutes for each Committee are also included within the written reports for each Board meeting. The Committees are:

2014/15
Audit & Risk
Estates
Finance & Resources
Human Resources & Remuneration
Senior Staff Remuneration
Search & Governance

The details of membership of the Board given on page 1 show the Committees on which individual Governors sit. The Committees met three times in the past academic year other than Senior Staff Remuneration and Search & Governance, which each met once during the year.

CORPORATE GOVERNANCE (CONTINUED)**Audit & Risk**

The principal purpose of the Audit & Risk Committee is to provide assurance to the Board that the University operates an effective system of internal control for securing economy, efficiency and effectiveness. The Committee meets with the University's internal and external auditors in attendance as appropriate. It considers reports and recommendations for the improvement of the University's system of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Councils as they affect the University's business and monitors adherence to regulatory requirements. The Annual Accounts, Risk Management and Value for Money reports are also considered at this Committee.

The University's Deputy Vice Chancellor and Director of Finance & Planning normally attend all meetings of the Committee and other staff attend as necessary.

Estates

The Estates Committee advises the Board on all strategic matters pertaining to the estate at Wallisdown and Bournemouth town centre including IT infrastructure and on other property related matters that arise from time to time. The Committee oversees the Estates Strategy and Master Plan and is mindful of planning approval requirements and restrictions.

The University's Deputy Vice Chancellor, University Secretary & Director for Student Experience, Director of Finance & Planning and the Head of Facilities normally attend this Committee.

Finance & Resources

The Finance & Resources Committee advises the Board on strategic financial planning and monitors the University's financial performance. The Committee receives detailed annual capital and revenue budgets, budget updates and longer term financial forecasts on behalf of the Board and makes recommendations to the Board for approval.

The University's Deputy Vice Chancellor and Director of Finance & Planning normally attend this Committee.

Human Resources & Remuneration

The Human Resources & Remuneration Committee advises the Board on strategic Human Resource planning, ensures that pay and conditions of employment are properly determined and implemented and monitors compliance with relevant legislation on its behalf.

The University's Deputy Vice Chancellor and the Head of Human Resources normally attend this Committee.

Senior Staff Remuneration

The Senior Staff Remuneration Committee recommends the remuneration to be awarded to the University's senior officers including the Vice Chancellor, the Deputy Vice Chancellor and the Clerk & Secretary to the Board. It refers to comparative information when making its decisions which are clearly documented and follow a defined process.

Search & Governance

The Search & Governance Committee is responsible for ensuring that open and appropriate procedures are in place to fill vacancies and to select suitable candidates for membership of the Board. This Committee advises the Board on the operation and effective discharge of the University's responsibilities for corporate governance and the appropriate delegation of the Board's authority.

Risk Management

The university management team receives course and section reviews setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the faculties and directorates. A risk register is maintained and is subject to continuous review. It assists management in identifying and controlling areas of greatest risk. The university management team and the Audit & Risk Committee receive regular reports from Internal Audit which are also disseminated to other Board committees for information and appropriate action.

The Audit & Risk Committee oversees the risk register and reports to the Board on the extent of the assurance it has received on the arrangements for internal control.

The university management team and the Board receive regular reports from the University's Health & Safety Committee which include recommendations for improvement where appropriate.

CORPORATE GOVERNANCE (CONTINUED)

Internal Control

The Board is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the members of the Board in the instrument and articles and the Memorandum of Assurance and Accountability with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The key elements of the University's system of internal control are as follows:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative sections;
- regular reviews of key performance indicators and financial results involving variance analysis reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to levels set by the Board as contained within the Financial Regulations;
- the maintenance of a risk register which highlights the key risks facing the University in achieving its objectives;
- the Audit & Risk Committee oversees the risk management process and considers changes in the major risks assessed for the Institution;
- the Audit & Risk Committee receives regular reports from the internal auditor on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement; and
- The Board receives regular reports from the Audit & Risk Committee on the effectiveness of the system of internal control.

The University has appointed Mazars LLP to provide internal audit services. The firm operates to standards defined in the HEFCE Audit Code of Practice and which were reviewed for effectiveness by the HEFCE Audit Service in July 2011. The internal auditor submits regular reports which provide opinions on the adequacy and effectiveness of the institution's system of internal control together with recommendations for improvement.

The internal auditor prepares the Internal Audit Annual Report which is reviewed in detail by the Audit Committee and informs the Annual Report of the Committee to the Corporation thus providing assurance as to the effectiveness of controls.

In April 2009 the data management systems that produce student numbers in support of HE funding were audited by the HEFCE Assurance service. The audit concluded that the systems were robust and ensured the production of reliable and accurate data. On an ongoing basis the data systems are annually reviewed by the internal auditor to provide continuous assurance as to data integrity and that grant funding claims can be substantiated.

The Board's view of the effectiveness of the system of internal control is informed by the work of the internal auditor and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditor in their management letter and other reports.



Roger Laughton CBE
Chairman of the Board of Governors



Professor Stuart Bartholomew CBE
Principal and Vice-Chancellor

25 November 2015

RESPONSIBILITIES OF THE MEMBERS OF THE BOARD

In accordance with the Education Reform Act 1988 and the Instrument and Articles of Government, the Board is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the Financial Statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education, and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between HEFCE and the University, the Board, through its Principal and Vice Chancellor, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

Financial Statements

In causing the Financial Statements to be prepared, the Board has ensured 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; and
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Board has taken reasonable steps to:

- ensure that funds from HEFCE, Education Funding Agency and Skills Funding Agency are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Councils and any other conditions which the Funding Councils may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.



Roger Laughton CBE
Chairman of the Board of Governors

25 November 2015

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNERS OF THE ARTS UNIVERSITY BOURNEMOUTH

We have audited the group and University financial statements (the "financial statements") of the Arts University Bournemouth for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the 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 Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Board set out on page 18, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31st July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*.

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNERS OF THE ARTS UNIVERISTY BOURNEMOUTH
(CONTINUED)****Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.



Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

South Coast Office
Gateway House
Tollgate
Chandlers Ford
Hampshire
SO53 3TG

27 November 2015

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2015**

	Notes	2015 £'000	2014 £'000
INCOME			
Funding council grants	1	3,852	6,445
Tuition fees and education contracts	2	25,699	21,085
Other income	3	5,213	3,196
Endowment and investment income	4	86	110
Total income		34,850	30,836
EXPENDITURE			
Staff costs	5	14,324	13,996
Other operating expenses	6	12,062	10,557
Depreciation	11	3,216	1,910
Interest payable	7	1,259	214
Total expenditure		30,861	26,677
Surplus on continuing activities after depreciation of assets at valuation and before exceptional items		3,989	4,159
EXCEPTIONAL ITEMS			
Impairment of assets	8	876	-
Loss on disposal of assets	8	211	-
Total exceptional items		1,087	-
Surplus on continuing activities after depreciation of assets at valuation and before tax		2,902	4,159
Taxation	9	15	4
Surplus on continuing activities after depreciation of assets at valuation and tax		2,887	4,155
Transfer from accumulated income within endowments	19	7	14
Surplus on continuing activities for the year retained within income and expenditure account		2,894	4,169

Notes on pages 28 to 42 form part of the financial statements.

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

	Notes	2015 £'000	2014 £'000
Surplus after depreciation of assets and tax		2,887	4,155
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the relevant amount	20	93	93
		<u>2,980</u>	<u>4,248</u>

**CONSOLIDATED STATEMENT OF THE TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2015**

Surplus after depreciation of assets and tax		2,887	4,155
Appreciation of endowment asset investments	19	17	9
New endowments	19	114	7
Actuarial loss on pension scheme	27	(1,257)	(2,535)
		<u>1,761</u>	<u>1,636</u>
Total recognised gains and losses relating to the year		<u>1,761</u>	<u>1,636</u>
Reconciliation			
Opening reserves and endowments		21,832	20,196
Total recognised gains and losses for the year		1,761	1,636
		<u>23,593</u>	<u>21,832</u>

Notes on pages 28 to 42 form part of the financial statements.

**BALANCE SHEET
AS AT 31 JULY 2015**

	Notes	Consolidated		University	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Fixed Assets					
Tangible Assets	11	57,384	29,576	55,437	26,706
Investments	13	-	-	-	792
		<u>57,384</u>	<u>29,576</u>	<u>55,437</u>	<u>27,498</u>
Endowment Asset	19	593	469	-	-
Current Assets					
Debtors	14	802	459	1,093	1,209
Cash at bank and in hand		6,501	11,186	6,250	11,171
		<u>7,303</u>	<u>11,645</u>	<u>7,343</u>	<u>12,380</u>
Creditors: amounts falling due within one year	15	<u>(7,141)</u>	<u>(5,749)</u>	<u>(6,974)</u>	<u>(5,603)</u>
Net Current (Liabilities)/Assets		<u>162</u>	<u>5,896</u>	<u>369</u>	<u>6,777</u>
Total Assets less Current Liabilities		<u>58,139</u>	<u>35,941</u>	<u>55,806</u>	<u>34,275</u>
Creditors: amounts falling due after more than one year	16	<u>(22,490)</u>	<u>(4,045)</u>	<u>(22,488)</u>	<u>(4,045)</u>
Net assets excluding pensions liability		<u>35,649</u>	<u>31,896</u>	<u>33,318</u>	<u>30,230</u>
Net pensions liability	27	<u>(8,258)</u>	<u>(6,576)</u>	<u>(8,258)</u>	<u>(6,576)</u>
TOTAL ASSETS LESS LIABILITIES		<u>27,391</u>	<u>25,320</u>	<u>25,060</u>	<u>23,654</u>
Deferred capital grants	18	3,796	3,487	2,044	1,686
Endowments	19	593	469	-	-
Reserves					
Income and expenditure account excluding pension reserve		26,759	23,346	26,773	23,950
Pension reserve	27	<u>(8,258)</u>	<u>(6,576)</u>	<u>(8,258)</u>	<u>(6,576)</u>
Income and expenditure account including pension reserve	21	18,501	16,770	18,515	17,374
Revaluation reserve	20	4,501	4,594	4,501	4,594
Total reserves		<u>23,002</u>	<u>21,364</u>	<u>23,016</u>	<u>21,968</u>
TOTAL FUNDS		<u>27,391</u>	<u>25,320</u>	<u>25,060</u>	<u>23,654</u>

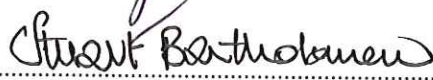
The financial statements on pages 21 to 42 were approved and authorised for issue by the governing body on 25th November 2015.

Signed on its behalf by:

Roger Laughton CBE
Chairman of the Board of Governors


.....

Professor Stuart Bartholomew CBE
Principal and Vice-Chancellor


.....

Mary O'Sullivan
Director of Finance and Planning


.....

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2015**

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activities	22	9,405	7,003
Returns on investments and servicing of finance	23	(1,081)	(38)
Taxation		(13)	(4)
Capital expenditure and financial investment	24	(12,091)	(2,874)
Net cash (outflow)/inflow before financing		(3,780)	4,087
Financing	25	(862)	(688)
(Decrease)/Increase in cash	26	(4,642)	3,399

**RECONCILIATION OF NEW CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 JULY 2015**

(Decrease)/Increase in cash	(4,642)	3,399
Repayment of long term loan	862	688
New loan	-	-
Movement in net funds	(3,780)	4,087
Net funds as at 1 August 2014	6,594	2,507
Net funds as at 31 July 2015	2,814	6,594

Notes on pages 28 to 42 form part of the financial statements.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Application

These accounting policies are applied to both the University and its subsidiaries without exception.

Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with both the Statement of Recommended Practice on Accounting for Further and Higher Education 2007 (SORP) and applicable United Kingdom accounting standards. They conform to the guidance published by the Higher Education Funding Council for England.

The Accounting Policies have been reviewed by the Finance & Resources Committee and are considered appropriate to the University's activities.

Having made appropriate enquiries, the Board considers that, in spite of the uncertainty posed by a new government and the impending release of a Higher Education Green Paper, the University has a promising future based on the level of student demand for its courses, the completion of new attractive accommodation for staff and students, its substantial cash balances and bank facilities; and therefore has adequate financial resources to continue in operation for the foreseeable future (being not less than 12 months from the date of signing the financial statements). Accordingly these accounts have been prepared on a going concern basis.

Basis of Consolidation

The consolidated financial statements comprise the University; its wholly owned subsidiaries, AUB Services Ltd and AUB Enterprises Ltd. Intra-group sales and profits are eliminated fully on consolidation.

The University has control of 100% of the Arts University Bournemouth Charitable Foundation, a charitable company limited by guarantee. The Foundation is consolidated by virtue of dominant influence over the operating and financial policies of that company by the University.

The consolidated Financial Statements do not include those of the Arts University Bournemouth Students' Union which is a separate unincorporated association. The University has no financial interest in the Students' Union and has no control or significant influence over its policy decisions.

Recognition of income

Annual recurrent grants from HEFCE and the Education and Skills Funding Agencies, which are intended to meet recurrent costs, are recognised in line with the latest estimates of grant receivable for an academic year.

Non recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of those assets.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All other income, including income from HEFCE, tuition fees and short term deposits, is credited to the income and expenditure account in the period in which it is earned.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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.

All subsidiary companies (with the exception of the Arts University Bournemouth Charitable Foundation, which is a registered charity) are liable to Corporation tax and Value Added Tax.

The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)
Deferred taxation

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 tax 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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

Assets acquired with the aid of specific grants are capitalised and depreciated in accordance with the policies set out below, with the related grant being credited to a deferred grant account and released to the income and expenditure account over the expected useful economic life of the related asset.

a. Freehold land and buildings

The University's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value for commercial use. As a consequence of the Further and Higher Education Act of 1992, the freehold interest in the land and buildings occupied by the University was transferred from Dorset County Council with effect from 1 April 1993. As at 1 February 1993 the land and buildings were valued by Connell Wilson, a firm of independent property surveyors, using the depreciated replacement cost basis. The property is recorded in the financial statements at this value, as adjusted for subsequent disposals. It is the University's policy to recognise a related revaluation reserve in respect of this property. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated.

Buildings are depreciated on a straight line basis as follows:

Freehold buildings	50 years
Leasehold buildings – length of lease	25 years
Mobile classroom accommodation	4 years
Refurbishments	10 years

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

b. Computers, software and other equipment

Computer and other equipment costing less than £1,000 per individual item and software with a useful life of less than 18 months are written off to the income and expenditure account in the year of acquisition. All other purchases are capitalised at cost.

All equipment is depreciated on a straight line basis over its remaining useful life to the group, as follows:

Vehicles	5 years
Computer equipment & software	3 years
Other equipment	5 to 10 years
Furniture	10 years

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing arrangements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the assets had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Intangible Assets

The value of internally generated patents, licences and other similar rights over assets are recognised on the balance sheet by capitalising the costs of registering such rights and amortising over a period of three years.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**Pension schemes**

Approximately half of the University's employees participate in the Local Government Pension Scheme which is a defined benefit scheme and can be attributed to individual employees. The difference between the fair value of the assets held in this pension scheme and 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.

The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes to the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the income and expenditure account or the statement of total recognised surpluses and deficits.

A significant number of University employees are members of the Teachers' Pension Scheme, which is a multi-employer scheme and as the underlying share of assets and liabilities cannot be separately identified, it is treated as a defined contribution scheme. Contributions are charged to the income and expenditure account as incurred.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income & expenditure account in the period in which it is incurred.

Liquid resources

Liquid resources include sums on no greater than twelve months deposit with recognised banks and building societies.

Heritage assets

The University maintains a collection of heritage assets that have been gifted or acquired over the years. It is not considered practicable to obtain valuations for the collections of artefacts owing to the diverse nature of the assets and the lack of comparable market values. The University does not therefore recognise these assets on its balance sheet.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2015**

	2015 £'000	2014 £'000
1. Funding Council Grants		
Recurrent grant		
HEFCE	1,553	4,030
Education and Skills Funding Agencies	2,185	2,009
Specific grants		
HEFCE	31	347
Education and Skills Funding Agencies	16	-
Deferred capital grant released in year		
HEFCE	49	36
Education and Skills Funding Agencies	8	8
Access fund administration		
HEFCE	-	2
Education and Skills Funding Agencies	10	13
	<u>3,852</u>	<u>6,445</u>
2. Tuition Fees and Education Contracts		
Higher Education		
UK and EU	21,577	17,460
Non EU	3,078	2,585
Further Education		
UK and EU	651	752
Non EU	393	288
	<u>25,699</u>	<u>21,085</u>
3. Other Income		
Residences, catering and conferences	3,490	1,669
Other services rendered	397	373
Other income	1,276	1,110
Release of deferred capital grants (non funding council)	50	44
	<u>5,213</u>	<u>3,196</u>
4. Endowment and Investment Income		
Income from endowments (Note 18)	14	8
Interest receivable	72	102
	<u>86</u>	<u>110</u>

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**

	2015 £'000	2014 £'000
5. Staff Costs		
Wages and salaries	11,650	11,208
Social Security costs	879	847
Other pension costs		
Local Government Pension Scheme (LGPS)	1,034	891
Teachers' Pension Scheme (TPS)	742	973
Restructuring costs	19	77
	<hr/>	<hr/>
	14,324	13,996
	<hr/> <hr/>	<hr/> <hr/>
	Number	Number
Average staff numbers by major category:		
Teaching departments	200	199
Teaching support services	10	9
Library	12	12
Other support services	17	18
Administration and central services	79	76
General education	4	3
Income generating activities	10	10
	<hr/>	<hr/>
	332	327
	<hr/> <hr/>	<hr/> <hr/>
	£	£
Emoluments of Principal and Vice Chancellor and remuneration of senior staff:		
Emoluments of principal	203,482	199,493
Other benefits	4,842	5,031
	<hr/>	<hr/>
Total emoluments before pension contributions	208,000	204,524
Employers' pension contributions	-	-
	<hr/>	<hr/>
	208,000	204,524
	<hr/> <hr/>	<hr/> <hr/>
	Number	Number
Remuneration of other higher paid staff earning over £100,000 excluding employers' pension contributions, but including payments for compensation for loss of office and actuarial payments to pension schemes for early retirement:		
£100,000 to £109,999	-	1
£110,000 to £119,999	1	1

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**

	2015 £'000	2014 £'000
6. Other Operating Expenses		
Teaching departments	2,704	2,497
Teaching support services	828	756
Other support services	281	270
Administration and central services	1,987	1,770
General education expenditure	710	441
Premises costs	3,016	2,126
Planned maintenance	1,038	960
Grants to Student Union	120	70
Other income generating activities	21	85
External auditors' remuneration – Audit fees	19	19
External auditors' remuneration – Other fees	6	3
Internal auditors' remuneration – Audit fees	19	21
Operating lease rentals plant/machinery	59	78
Operating lease rentals land and buildings	465	433
Catering	789	1,028
	<u>12,062</u>	<u>10,557</u>

Reimbursements to governors and trustees for expenditure incurred in attending Board meetings amounted to £6,624 (2014: £7,470). There were no outstanding balances at the year end.

No governor received any remuneration from the University or its subsidiaries other than the Principal whose remuneration is detailed in Note 5.

7. Interest Payable

Loans repayable within five years	95	72
Loans not wholly repayable within five years	57	76
Finance leases not wholly repayable within five years	1,015	-
Pension finance cost	92	66
	<u>1,259</u>	<u>214</u>

8. Exceptional Items

Impairment of assets	876	-
Loss on disposal of assets	211	-
	<u>1,087</u>	<u>-</u>

Following a review of AUB Services Limited's operations, the directors took the decision to cease trading and thus discontinue operations. As a consequence the assets of the company were written down to their impaired value of the outstanding rental payments due from its parent company Arts University Bournemouth and all outstanding intercompany balances were written off. These transactions have been accounted for as Exceptional Items.

9. Taxation

United Kingdom corporation tax		
Corporation tax charge for the year at 20.67% (2014: 22.33%)	13	4
Provision for deferred tax	2	-
	<u>15</u>	<u>4</u>

The University and Charitable Foundation are exempt charities and therefore no taxation has been charged on their income. The subsidiary companies, AUB Services Limited and AUB Enterprises Limited are subject to corporation tax at an effective rate of 20.67% (2014: 22.33%).

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**

	2015 £'000	2014 £'000
10. Surplus on Continuing Operations for the period		
The surplus on continuing operations for the period is made up as follows:		
Arts University Bournemouth	3,101	4,140
AUB Services Limited	(183)	20
AUB Enterprises Limited	(24)	9
AUB Charitable Foundation Limited	(7)	(14)
	<u>2,887</u>	<u>4,155</u>

As indicated at Note 8 the operations of AUB Services Limited have been discontinued.

11. Tangible Assets (Consolidated)

	Freehold and Leasehold Land and Buildings £'000	Assets Under Construction £'000	Computer Equipment £'000	Other Equipment £'000	Total £'000
At 1 August 2014					
At valuation	6,015	-	-	-	6,015
At cost	27,491	2,196	3,965	5,690	39,342
Additions	19,677	10,958	491	994	32,120
Disposals	(1,588)	-	(125)	(41)	(1,754)
Transfer	509	(553)	38	6	-
	<u>52,104</u>	<u>12,601</u>	<u>4,369</u>	<u>6,649</u>	<u>75,723</u>
At 31 July 2015					
Depreciation					
At 1 August 2014	8,386	-	2,985	4,410	15,781
Provided during period	2,238	-	520	458	3,216
Disposals	(492)	-	(125)	(41)	(658)
	<u>10,132</u>	<u>-</u>	<u>3,380</u>	<u>4,827</u>	<u>18,339</u>
At 31 July 2015					
Net book value as at 31 July 2015	<u>41,972</u>	<u>12,601</u>	<u>989</u>	<u>1,822</u>	<u>57,384</u>
Net book value as at 31 July 2014	<u>25,120</u>	<u>2,196</u>	<u>980</u>	<u>1,280</u>	<u>29,576</u>
Inherited	4,499	-	-	-	4,499
Financed by capital grant	3,611	-	-	126	3,737
Other	33,862	12,601	989	1,696	49,148
	<u>41,972</u>	<u>12,601</u>	<u>989</u>	<u>1,822</u>	<u>57,384</u>
At 31 July 2015					
Inherited	4,593	-	-	-	4,593
Financed by capital grant	3,315	-	-	-	3,315
Other	17,212	2,196	980	1,280	21,668
	<u>25,120</u>	<u>2,196</u>	<u>980</u>	<u>1,280</u>	<u>29,576</u>
At 31 July 2014					

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
11. Tangible Assets Continued (University)

	Freehold and Leasehold Land and Buildings £'000	Assets Under Construction £'000	Computer Equipment £'000	Other Equipment £'000	Total £'000
At 1 August 2014					
At valuation	6,015	-	-	-	6,015
At cost	23,351	2,196	3,282	5,382	34,211
Additions	19,582	10,803	491	994	31,870
Disposals	-	-	(109)	(40)	(149)
Transfer	509	(553)	38	6	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2015	49,457	12,446	3,702	6,342	71,947
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 August 2014	7,125	-	2,307	4,088	13,520
Provided during period	2,161	-	514	464	3,139
Disposals	-	-	(109)	(40)	(149)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2015	9,286	-	2,712	4,512	16,510
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 31 July 2015	40,171	12,446	990	1,830	55,437
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 31 July 2014	22,241	2,196	975	1,294	26,706
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Buildings have been acquired with the assistance of capital grants from HEFCE which are deemed to be financed from Exchequer funds. Were these assets to be sold, the University, under the terms of the Memorandum of assurance and accountability with HEFCE, may have to surrender the written down value of the capital grants being £1,710,442 from the sale of proceeds.

Land and Buildings with a net book value of £40.2million includes assets held under finance leases with a net book value of £18,278,321 (2014: Nil), on which £1,211,673 of depreciation was charged during the year.

12. Heritage Assets

The University holds its heritage assets in two collections:

The Museum of Design in Plastic consists of almost 13,000 items made of plastic and animal horn. There is a continual changing exhibition of a small selection of artefacts in the museum, which is located in the Library building on the University campus. The museum is open to the public and furthermore all the artefacts are digitally archived and are accessible at www.modip.ac.uk. The collection has never been valued, and, given the wide range of objects the undertaking of such a valuation is not considered to be practical.

The Gallery receives donations of and acquires artwork in the main from students and staff. This artwork is displayed throughout the University and is regularly rotated from the gallery archives. The value of the collection is not significant and is thus not recognised in the financial statements.

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
13. Investments

	University	
	2015 £'000	2014 £'000
Investments in subsidiaries at cost	-	792

Subsidiary Undertakings

The University owns 100% of the issued ordinary £1 shares of AUB Services Limited and AUB Enterprises Limited, both companies incorporated in England and Wales.

The principal activity of AUB Services Limited ceased during the year. AUB Enterprises Limited provides business incubation units for start-ups in the creative industries and accommodation to third parties that facilitate internships and jobs for the University's students.

The University has incorporated the Arts University Bournemouth Charitable Foundation, a company limited by guarantee. The trustees of the company are also members or associates of the Board and they have agreed to pay up to £10 towards costs and liabilities should the company be dissolved. The object of the company is advancement of education principally within the subject areas of art, design, media and the performing arts. The University endowments have been transferred to this company. The charity had opening reserves of £469,141, income and resources for the year of £123,694, and closing reserves of £592,835.

14. Debtors

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	255	208	246	189
Other debtors	64	37	64	37
Prepayments and accrued income	483	214	482	204
Amounts due from subsidiary companies	-	-	301	779
	<u>802</u>	<u>459</u>	<u>1,093</u>	<u>1,209</u>

15. Creditors: Amounts falling due within one year

Trade creditors	636	271	635	265
Other taxation and social security	431	440	427	434
Other creditors	507	534	512	572
Accruals and deferred income	4,339	3,426	4,172	3,254
Amounts owed to Funding Councils	459	495	459	495
Finance leases (Note 17)	326	-	326	-
Bank loans (Note 17)	443	583	443	583
	<u>7,141</u>	<u>5,749</u>	<u>6,974</u>	<u>5,603</u>

16. Creditors: Amounts falling due after more than one year

Long term bank loans (Note 17)	3,609	4,045	3,609	4,045
Long term finance leases	18,879	-	18,879	-
Deferred tax	2	-	-	-
	<u>22,490</u>	<u>4,045</u>	<u>22,488</u>	<u>4,045</u>

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
17. Analysis of Borrowings

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
In one year or less	769	583	769	583
Between one and two years	720	624	720	624
Between two and five years	2,767	1,660	2,767	1,660
In more than five years	19,000	1,761	19,000	1,761
	<u>23,256</u>	<u>4,628</u>	<u>23,256</u>	<u>4,628</u>

The group has five principal loans to fund the development of its estate. All, with the exception of the Salix loan, are secured by means of a negative pledge.

In 2007 the group arranged a £1,500,000 loan with a fixed interest rate of 5.515% for a period of five years which was repaid July 2012. In August 2012 a five year loan with a fixed rate of 3.563% replaced this. The year end balance was £873,251.

In October 2006, the group rolled over an existing fixed interest rate loan that was originally acquired against the University student residences. The interest rate and the repayment term were fixed at 5.365% and 15 years respectively. The year end balance was £798,913.

In 2006 a loan was negotiated with a variable rate of central bank base rate plus a margin of 0.28%. The loan is repayable over a maximum term beginning April 2008 of 25 years. The year end balance was £2,275,076.

In November 2010 a £1m loan with a variable interest rate of 1.5% above LIBOR was acquired for the development of the pavilion on University House and is repayable over a term of 5 years. The year end balance was £100,000.

An additional loan was obtained by the group through Salix Finance Limited, totalling £339,371, to improve the energy efficiency of the University. This is an interest free loan and will be repaid by September 2016. The year end balance was £5,389.

In addition to the loans, the group entered commenced a finance lease in August 2015 for student accommodation at Madeira Road. The finance lease is over a 25 year period with an initial yearly rent of £1,300,000 which increases annually in line with the Retail Prices Index. The balance outstanding at the year end was £19,205,032.

18. Deferred Capital Grants

	Buildings £'000	Equipment £'000	Total £'000
Consolidated			
At 1 August 2014	3,487	-	3,487
Additions	290	126	416
Released to Income and Expenditure	(107)	-	(107)
	<u>3,670</u>	<u>126</u>	<u>3,796</u>
At 31 July 2015	3,670	126	3,796
University			
At 1 August 2014	1,686	-	1,686
Additions	290	126	416
Released to Income and Expenditure	(58)	-	(58)
	<u>1,918</u>	<u>126</u>	<u>2,044</u>
At 31 July 2015	1,918	126	2,044

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
19. Endowments

	Unrestricted	Restricted	Consolidated	
	Permanent	Permanent	2015	2014
	£'000	£'000	£'000	£'000
At 1 August 2014	449	20	469	466
Additions	8	106	114	7
Income for year	13	1	14	8
Expenditure for year	(21)	-	(21)	(21)
Gain on investments	17	-	17	9
As at 31 July 2015	466	127	593	469
Attributed as follows:				
Investments at market value			514	433
Cash			79	36
			593	469
Representing:				
Prize funds			40	41
Course funds			553	428
			593	469

The University endowments have been transferred to the Arts University Bournemouth Charitable Foundation Limited. The charity had opening reserves of £469,141, income and resources for the year of £123,694, and closing reserves of £592,835.

20. Revaluation Reserve

	Consolidated		University	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
As 1 August 2014	4,594	4,687	4,594	4,687
Transfer to the Income and Expenditure Account (Note 21)	-	-	-	-
Depreciation for period on revalued inherited assets	(93)	(93)	(93)	(93)
As at 31 July 2015	4,501	4,594	4,501	4,594

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
21. Income and Expenditure Account

	Consolidated	
	2015	2014
	£'000	£'000
At 1 August 2014	16,770	15,043
Transfers from revaluation reserve (Note 20)	93	93
Retained surplus for the period	2,894	4,169
Actuarial loss on pension scheme liability	(1,257)	(2,535)
	<hr/>	<hr/>
At 31 July 2015	18,500	16,770
	<hr/> <hr/>	<hr/> <hr/>
	University	
	2015	2014
	£'000	£'000
At 1 August 2014	17,375	15,683
Transfers from revaluation reserve (Note 20)	93	93
Retained surplus for the period	2,303	4,134
Actuarial loss on pension scheme liability	(1,257)	(2,535)
	<hr/>	<hr/>
At 31 July 2015	18,514	17,375
	<hr/> <hr/>	<hr/> <hr/>

22. Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities

	Consolidated	
	2015	2014
	£'000	£'000
Surplus on continuing operations after depreciation of assets	2,902	4,159
Difference between pension charge and cash contribution	333	271
Deferred grants released to income	(107)	(88)
Depreciation	3,216	1,910
Loss on disposal of fixed assets	1,096	5
Increase in debtors	(343)	(4)
Increase in creditors	1,137	646
Movement in deferred taxation	(2)	-
Interest receivable	(86)	(110)
Interest payable including pension finance costs	1,259	214
	<hr/>	<hr/>
Net cash inflow from operating activities	9,405	7,003
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
23. Returns on Investments and Servicing of Finance

	2015 £'000	2014 £'000
Interest received	86	110
Interest paid	(1,167)	(148)
	<u>(1,081)</u>	<u>(38)</u>

24. Capital Expenditure and Financial Investment

Purchase of fixed assets	(12,630)	(3,044)
Proceeds on disposal of fixed assets	9	-
Deferred capital grants received	416	163
Endowment funds received	114	7
	<u>(12,091)</u>	<u>(2,874)</u>

25. Financing

New loan	-	-
Capital repayments	(862)	(688)
	<u>(862)</u>	<u>(688)</u>

26. Analysis of Changes in Net Funds

	At 1 August 2014 £'000	Non-Cash Movements £'000	Cash Flow £'000	At 31 July 2015 £'000
Cash	11,186	-	(4,685)	6,501
Endowment cash	36	-	43	79
	<u>11,222</u>	<u>-</u>	<u>(4,642)</u>	<u>6,580</u>
Debt due within one year	(704)	(316)	577	(443)
Debt due after one year	(3,924)	316	-	(3,608)
Capital element of finance leases	-	-	285	285
	<u>6,594</u>	<u>-</u>	<u>(3,780)</u>	<u>2,814</u>

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
27. Pensions and Similar Obligations
Consolidated and University

The group's employees belong to two principal pension schemes, the Local Government Pension Scheme (LGPS) and Teachers' Pension Scheme (TPS). Both schemes are defined benefit schemes.

The total pension cost for the group was:

	2015 £'000	2014 £'000
Local Government Pension Scheme	1,034	891
Teachers' Pension Scheme	742	973
	1,776	1,864

Local Government Pension Scheme

LGPS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of actuaries. In the intervening years, the LGPS actuary reviews the progress of the scheme.

For LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS regulations. The scheme was most recently valued as at March 2014 and the proportion of members' accrued benefits covered by the actuarial value of the assets was 85%. In spite of the actuary's recommendation of an employer contribution rate of 12% following the payment of a deficit recovery lump sum of £247,000, the rate has been maintained at 14.1% of pensionable salaries. The employees contribute on average 6.5%.

Under the definitions set out in FRS 17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the institution's share of its assets and liabilities as at 31 July 2015.

The pension scheme assets are held in a separate trustee administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

The material assumptions used by the actuary at 31 July 2015 were:

	2015 %	2014 %
Price increases	3.6	3.5
Salary increases	4.5	4.5
Pension increases	2.7	2.7
Discount rate	3.9	4.3

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2015 Years	2014 Years
Pensioners		
Males	22.8	22.7
Females	25.2	25.1
Non-pensioners		
Males	25.1	24.9
Females	27.6	27.4

The assumed commutation rate is 50%.

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
27. Pension and Similar Obligations (continued)

	Value at 2015 £'000	Long term rate of return expected at 2014 %	Value at 2014 £'000	Long term rate of return expected at 2013 %	Value at 2013 £'000
Equities	8,106	7.0	6,709	7.0	6,917
Gilts	1,740	3.4	2,364	3.4	2,120
Diversified growth fund	711	7.0	539	-	-
Property	1,490	5.7	1,147	6.5	1,004
Absolute return funds	-	7.0	454	5.2	558
Cash	567	3.2	1,061	0.5	558
Other bonds	1,856	-	-	-	-
Infrastructure	171	-	-	-	-
Hedge fund	20	-	-	-	-
Total market value of assets	14,661		12,274		11,157

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The return on gilts and other bonds is assumed to be the gilt yield and corporate bond yield respectively. The return on equities, absolute return funds and property is then assumed to be a margin above gilt yields. The overall expected rate of return for 2015 was 5.9%.

	2015 £'000	2014 £'000
Actual return on Scheme assets	1,439	811

The following amounts at 31 July 2015 were measured in accordance with the requirements of FRS 17.

Analysis of the amount shown in the balance sheet

The University's estimated assets share	14,661	12,274
Present value of the institution's scheme liabilities	(22,919)	(18,850)
Deficit in the Scheme – Net pension liability	(8,258)	(6,576)

Analysis of the amount charged to operating surplus

Current service cost	1,129	938
Total operating charge	1,129	938

Analysis of the amount that is charged to interest payable

Expected return on pension scheme assets	(746)	(669)
Interest on pension scheme liabilities	838	735
Net loss	92	66

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
27. Pension and Similar Obligations (continued)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	693	142
Experience gains and losses	-	(551)
Changes in assumptions underlying the present value of the scheme liabilities	(1,950)	(2,126)
Change in asset valuation	-	-
	<u> </u>	<u> </u>
Net (loss)	(1,257)	(2,535)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Cumulative amount of losses recognised in the STRGL	(3,749)	(2,492)
	<u> </u>	<u> </u>

Analysis of the movements in the present value of the scheme liabilities

At beginning of year	18,850	14,861
Current service cost	1,129	938
Employee contributions	353	314
Benefits paid	(201)	(316)
Interest cost	838	735
Actuarial loss	1,950	2,318
Losses on curtailments	-	-
	<u> </u>	<u> </u>
At the end of the year	22,919	18,850
	<u> </u>	<u> </u>

Analysis of the movements in the fair value of the scheme assets

At beginning of year	12,274	11,157
Total contributions	1,149	981
Benefits paid	(201)	(316)
Expected return on assets	746	669
Actuarial gain/(loss)	693	(217)
	<u> </u>	<u> </u>
At the end of the year	14,661	12,274
	<u> </u>	<u> </u>

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of the plan liabilities	(22,919)	(18,850)	(14,861)	(11,957)	(11,591)
Fair value of the plan assets	14,661	12,274	11,157	8,752	7,660
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit on the pension plans	(8,258)	(6,576)	(3,704)	(3,205)	(3,931)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Experience adjustments arising on:					
Plan liabilities	-	(192)	-	-	1,461
Plan assets	693	(217)	1,245	(39)	(215)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The University's best estimate of the contributions expected to be paid in the year beginning on the 1 August 2015 is £719,000.

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**

27. Pension and Similar Obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in universities and, from 1 January 2007, automatic for lecturers in part-time employment following appointment or a change of contract provided that they have not opted out of the scheme.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and the valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and the subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay including a 0.08% employer administration charge (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600million giving a notional past service deficit of £14,900million
- an employer cost cap of 10.9% pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The real rate of earnings growth is assumed at 2.75%. The assumed nominal rate of return is 5.06%

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from April 2019.

The pension costs paid to the TPS in the year amounted to £742k (2014: £973k)

Under the definitions set out in the 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 the scheme are accounted for as if the scheme was a defined contribution scheme.

28. Capital Commitments

The group had joint outstanding capital commitments of £8,914,423 as at 31 July 2015 (2014: £10,881,616). The balance is for work to be completed on the Enterprise Pavilion building, the Halls of Residence conversions, the Drawing Studio, landscaping works and minor summer works during the recess.

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2015**
29. Financial Commitments (Consolidated and University)

Annual commitments under non-cancellable operating leases	2015 £'000	2014 £'000
Plant/ machinery		
In one year or less	29	45
Between one and five years	8	34
In more than five years	-	-
	<u> </u>	<u> </u>
Land & buildings		
In one year or less	432	1,503
Between one and five years	306	1,345
In more than five years	70	1,300
	<u> </u>	<u> </u>

30. Other Financial Commitments

There are no other financial commitments at 31 July 2015.

31. Post Balance Sheet Events

In August 2015 the University signed Heads of Terms with the Talbot Village Trust to acquire a 1.54 hectare plot adjacent to the Wallisdown campus under a 125 year leasehold interest commencing on the obtainment of a Qualifying Planning Permission for the site. The University is required to submit a planning application by 31 December 2015. The price provisionally agreed is in line with the market value for residential development land but for commercial reasons will not be disclosed until the transaction is complete.

32. Related Party Transactions

Due to the nature of the University's operations and the composition of the Governing Board, some of whom are drawn from local public and private sector organisations, it is inevitable that there will be organisations in which a member of the Governing Board may have an interest. All transactions involving organisations in which a member of the Governing Board may have an interest are conducted at arm's length in accordance with the University's financial regulations and normal procurement procedures. No transactions were identified which should be reported under Financial Reporting Standard 8 - Related Party Disclosures other than the payment of a grant of £120,000 to the Arts University Bournemouth Students' Union (AUBSU) the president of which is a Board Governor.

33. Access & National Scholarship Programme Funds

	2015 £'000	2014 £'000
As at 1 August 2014	178	81
Funding council grants	197	584
Repaid to funding councils	(71)	-
Interest	-	-
	<u> </u>	<u> </u>
Total income	304	665
Disbursed to students	(148)	(472)
Administration	(10)	(15)
	<u> </u>	<u> </u>
As at 31 July 2015	146	178
	<u> </u>	<u> </u>

The outstanding balances as at 31 July are included under 'Other Creditors'.