



**ARTS UNIVERSITY BOURNEMOUTH**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2021**

**INDEX**

	<b>Page</b>
Governors	1
Auditors and Professional Advisers	2
Strategic Report	3-17
Corporate Governance Report	18-20
Responsibilities of the Board of Governors	21
Independent Auditor's Report to the Board of Governors	22-24
Consolidated Statement of Comprehensive Income and Expenditure	25
Consolidated Statement of Changes in Reserves	26
Consolidated and University Balance Sheet	27
Consolidated Statement of Cash Flows	28
Statement of Principal Accounting Policies	29-33
Notes to the Accounts	34-49

**GOVERNORS of the University who served on the BOARD in 2019-21 and up until the signature of the accounts or were appointed after the year end**

<b>Name</b>	<b>Area of Principal Expertise</b>	<b>Committee Membership at date of signing accounts</b>
Dorothy Mackenzie MA - Chair	Branding & Environment	Human Resources; Remuneration; Search & Governance
Gerard Moran PhD – Vice Chairman	Higher Education	Audit & Risk; Human Resources; Remuneration
Michael Gibson – Vice Chairman (retired 31 July 2021)	Information Technology	Finance & Resources; Remuneration; Search & Governance
Professor Paul Gough MA	Principal and Vice-Chancellor	Finance & Resources; Human Resources; Search & Governance
Roma Agrawal MBE MA MSc (appointed 1 August 21)	Engineering & Construction	Finance & Resources
Michael Clarke LLB (retired 31 July 2021)	Legal	Audit & Risk; Remuneration; Search & Governance
Dr Bryony Conway PhD (retired 31 July 2021)	Higher Education	Audit & Risk; Human Resources
Prue Keely Davies MA	Media, Charity & Governance	Human Resources; Audit & Risk; Search & Governance; Remuneration
Ellie Grant BA (appointed 1 July 2021)	AUBSU Student Governor	Finance & Resources
James Gray	Digital Learning	Finance & Resources
Muna Hagler MSc ACA	Publishing	Finance & Resources
Simon Hamilton MA (appointed 1 August 2021)	Finance & IT	Audit & Risk; Finance & Resources
Louise Hall BA (retired 1 July 2021)	AUBSU Student Governor	Human Resources
Stephen Hocking BA	Legal	Audit & Risk
Valerie Lodge MA	AUB Professional Services Staff	Audit & Risk
Robert McClatchey MA ACA	Banking & Accountancy	Audit & Risk; Search & Governance
Tim Newman LLB ACA	Health & Accountancy	Finance & Resources; Search & Governance
Misan Nwokorie RIBA (appointed 1 August 2021)	Property Development	Finance & Resources
Kevin Purcell BBS	Human Relations	Human Resources; Remuneration
Dr Amanda Stephenson PhD	AUB Academic Staff	Finance & Resources
Claire Whitaker OBE MA	Music & Cultural Producer	Audit & Risk
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## STRATEGIC REPORT

### Vision

*'A world-class arts, design, performance and media university working with professional partners to create excellence, relevance and impact'.*

#### 1. Statement of Public Benefit

The Arts University Bournemouth (AUB) 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 Schedule 3 of the Charities Act 2011 and as such is required to demonstrate how its work is of 'public benefit'. The University is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Office for Students (OfS) as principal regulator.

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.*

The University's mission, vision, values and aims as articulated in its new Strategic Plan have been developed in support of the institution's primary purpose to develop six academic themes which together create a framework for delivery. AUB 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 AUB provides the opportunity to progress from the age of 9 through Saturday art school, further education, undergraduate, post graduate and doctorate programmes in the subject areas of art, design, architecture, media and performance providing them with the skills to be creative practitioners and equipped with a range of transferable skills suited to a diverse employment environment.

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. AUB 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 2020 - 21 distributed almost £440k in funding to eligible students in accordance with the Access and Participation Plan plus an additional £149k of OfS funding made available to support students due to COVID-19.

The Board of Governors 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 AUB provides benefits to different sections of the public as follows:

#### 1.1 Teaching

- Enrolled a total of 3,291 undergraduates, 176 taught postgraduates and 11 research postgraduates from the UK, EU and Overseas, an additional 324 Further Education students as well as 111 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 these students, upon successful completion of their studies, progress to degree courses internally.
- Initiated a refresh of the undergraduate curriculum to ensure that all courses enable the development of the attributes required of a graduate in the twenty first century. Alongside communication, collaboration and high-level problem solving ability, this includes a deep understanding of both sustainability, and equality, diversity and inclusion (EDI). All courses include direct reference to the UN Sustainable Development Goals (SDG) and EDI at Level 4; the University provided resources to support staff in reviewing their existing curriculum to draw out both sustainability and EDI. This also had the consequence of raising awareness among staff so that there is likely to be an impact at Levels 5 and 6, even though these will not be formally reviewed until 2021-22.
- Started roll out of new virtual learning environment – Canvas – including planning for staff training and support, and employed a learning technologist to support this and other educational technology initiatives at the university.
- Expanded, in response to the COVID-19 crisis, a set of multi-media resources on designing online and blended learning, made available to all staff on the AUB intranet. The resources cross-reference related AUB learning technology resources at AUB. These resources have been shared with the Deans and course leaders and the APDM is available to support individual course teams. Video introductions to these resources are also available, alongside enhanced online resources to support inclusive teaching practices.
- Consolidated the fully online pre-session course for international students, designed and delivered by the English for Academic Purposes Team, alongside the APDM. Preparations made for autumn/winter runs of the online pre-session to support the February Masters intake (course did not run)
- In-course support workshops for the development of student academic literacies continued in a new online format, mainly using Microsoft Teams.

**STRATEGIC REPORT (continued)**
**1.1 Teaching (continued)**

- Replaced Creative Learning Symposium with a series of workshops for academic and technical staff over one month (June-July) to introduce the Curriculum 21 initiative, attended by 66 staff across 22 courses. Focus of workshops: Course design, diversity and inclusivity, digital literacy, transitions, and building resilience. Workshop series for staff on inclusivity (December 2020) and assessment and feedback (June 2021) also provided.
- The library has produced a Reading List Diversity Analysis and Report, which will provide indications for areas to develop diversity and inclusivity in course curricula.
- In place of the annual Creative Learning Symposium and staff awards, postponed due to COVID-19, the publication of AUB's in-house journal, *Creative Pedagogies*, was completed, providing an opportunity for staff to develop their academic research and writing, and share innovative practice in relevant areas of teaching and learning.
- Participated in the National Student Survey (NSS) and 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 upgrade course space for the new split courses Costume and Performance Design and Film Costume.

**1.2 Enabling Participation**

- Continued the outreach work aimed at widening participation in higher education for students from non-traditional backgrounds, minority groups and disabled persons. Developed clear strategy to target this work effectively.
- Implemented the University's Access and Participation Plan (APP) which underlines our commitment to widening participation and fair access and incorporates eligibility for AUB bursary support. This plan responds to demands that the gaps in access, success, attainment and progression of non-traditional students must be narrowed or eliminated over the course of its term.
- Continued to promote take-up of bursaries and associated benefits, including bicycle and bus vouchers to encourage a reduction in car usage; and refectory credit.
- Appointed a new Access and Participation Manager and strengthened the Access and participation team with new appointments to create a clear strategy for this work going forward. A new APP will be developed during 2021-22, building on the most recent available data.
- 710 undergraduate *students* from the lowest socio-economic groups who receive full maintenance loans and are eligible for financial support.
- Online Summer Schools for students from local schools from under-represented groups.
- AUB is a member of the Southern Universities Network (SUN) in the OfS funded National Collaborative Outreach Programme (NCOP) which is now in Phase 2 of its delivery. Together with partner HEIs in Hampshire outreach activity and progression opportunities were delivered to target ward learners in the region of Dorset/Hampshire and the Isle of Wight. The programme aims to narrow the gap and see progression from those students with potential.

**1.3 Research and Knowledge Transfer**

- New Research and Knowledge Exchange Plans were developed to support the Strategic Plan AUB 2030: Creating our Futures. These set out the University's objectives in support of establishing an appropriate and effective, research and knowledge exchange environment reflective of the research ambitions of AUB's
- In March 2021 AUB submitted to two units of assessment for the Research Excellence Framework (REF 2021) i.e. UOA 32 Art and Design: History, Theory and Practice and UOA 33: Music, Drama, Dance, Performing Arts, Film and Screen Studies, which broadly mapped against the two undergraduate schools. The submission included narrative environment statements and impact case studies. Workshops were held to support staff in drafting and revising 300-word statements and developing contextual portfolios to support practice-based outputs (exhibitions and films) which were also submitted alongside written outputs (books and journal articles).
- Work has continued to populate the new institutional repository, Arts University Bournemouth Research Excellence and Impact (AUBREI) set up to showcase the research taking place at the University. Over 150 research outputs have now been deposited and are now available for public access.
- The developing research environment at AUB was supported by the fifth Research Conference, which had a theme of 'Speaking new languages: Exploring the landscape of cross-disciplinary research' with a keynote lecture by Nat Hunter from the Design Council. The virtual conference featured presentations from staff on the topic from different disciplinary perspectives. Public access is possible via the research website.
- The University's internal research funding schemes were suspended on account of COVID-19 but will be reinstated in 2021-22. The schemes were revised during summer 2021 to reference the UN's sustainable development goals and the criteria amended to include impact and collaboration. A new, small grants scheme will offer seed funding for projects including public engagement activities.

STRATEGIC REPORT (continued)

1.3 Research and Knowledge Transfer (continued)

- AUB's first AHRC funded Research Network 'Stitching together' with Nottingham Trent University published *Good Practice Guidelines* to provide advice for facilitators of participatory textile making workshops and projects, including professional textile practitioners, artists, academic researchers, people working within museums and galleries, community activists and amateur enthusiasts. A double edition of a special issue of the *Journal of Arts and Communities* was published to disseminate the research findings from workshops held to facilitate the project.
- The University is managing a European Regional Development funded project totalling £900k investment with £200k in match-funded micro-grants to work directly with Dorset SMEs. Despite the pandemic we have continued to make good progress and are on target to meet or exceed our targets for working with businesses, creating new products or services and creating new jobs.
- AUB completed the build of the Innovation Studio. From September 2021 the building will house MA Design Innovation alongside groups of start-up businesses on a programme to support business development and prototyping, as well as providing a focal point for our research and innovation interactions with the external business community.
- In June the Innovation Studio became home to a team of professional puppeteers and six recent AUB graduates to design, build and test over 30 animal/daemon puppets for the Bridge Theatre's Christmas production of *His Dark Materials*. The project utilised the latest additive printing technology to solve some complex engineering questions. The project also modelled how the Innovation Studio could be used to attract external businesses and support graduate employment and skills development. The project will generate approximately £45k for AUB.
- AUB was also successful in benefitting from further investment from the Local Enterprise Partnership with three interconnected projects to significantly add to our specialist capabilities, creating a facility that is genuinely unparalleled in the south of England.  
In total the projects amounted to £327,000 of external investment and remodelled the ground floor of University House into a co-working space housing specialist equipment including: a body scanner, digital loom and a dedicated room for Virtual and Mixed Reality creation. The project also saw significant investment in an additive manufacturing hub including carbon/Kevlar printing, ceramic, large format and a bank of rapid prototyping machines along with capabilities to recycle plastic waste from other activities.
- AUB volunteered to be part of the first iteration of the Knowledge Exchange Framework (KEF). The KEF is a metrics driven exercise that arranges institutions into peer clusters to compare average performance using income and other data points as proxies. AUB has demonstrated our commitment to Public and Community Engagement appearing in the top 50% of the cluster, work supporting Local Growth and Regeneration working with local SMEs and Start-Ups in the top 30% of cluster, and work supporting AUB students and graduates to develop entrepreneurial skills and behaviours in the top 40% of the cluster.
- AUB has also committed to join the Knowledge Exchange Concordat where HEIs publicly sign up to eight principles of good practice and develop a programme of continual reflection and improvement.

1.4 Wider Community

- Museum of Design in Plastics (MoDiP) is the UK's only accredited museum with a focus on plastics, the most used materials group in manufacture since the 1970s. The museum is open to the public and is also a universal resource as a result of its comprehensive website and the digitisation of its collection.
- MoDiP's core funding is provided by the AUB, supplemented by a Research England grant of £77k per annum from September 2017 for five years, extended to the academic year 2022-23.. This grant is in recognition of MoDiP's 'unique and significant contribution to research and scholarship.'
- MoDiP also endeavours to raise funds for specific projects. This year the museum continues to benefit from a grant from the Arts Fund to carry out a collaborative project with the Plastics Subject Specialist Network and the Dress and Textiles Specialist group to explore the identification of plastic textiles in museums.
- MoDiP also continues to benefit from a grant from the Arts Council for the residency at the museum of a musician/composer, Karen Wimhurst. The resulting chamber opera, *Synthetica*, has been made into a digital resource with learning activities for schools.
- MoDiP held two main exhibitions both of which have a permanent online version on the MoDiP website: **MyPlastic Reissued** (online only Jan 2021 - May 2021) This reissue digital exhibition showcases videos made for the original project and features stories from designers, humanitarian documentary makers, animators, monster makers, and academics. These stories demonstrate how objects can be loaded with emotions, memories and meaning. **Beside the sea** (Jun 2021- Dec 2021) Beside the sea celebrates the fun of the seaside and considers the important issues of inclusivity, material value, pollution, and the use of recycled ocean plastics.
- Other supporting exhibitions have included: PPE, Women in plastics. As well as the following in collaboration with TheGallery at AUB: Freshers kitchen, Exhibition space, A glimpse of the sea.
- The Curator presented a series of webinars for the British Plastics Federation.
- MoDiP continues to be a member of the Plastics Heritage European Association (PHEA) which includes among its objectives 'to initiate applications and come to agreements for the exchange of students, researchers and for research co-operations' and 'to apply for funding of European research programmes on Plastics Heritage.' The museum has welcomed researchers from across the world including Australia and Taiwan.
- 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.

**STRATEGIC REPORT (continued)**

**1.4 Wider Community (continued)**

- During the pandemic TheGallery continued engagement by devising a ‘Staying Creative in Lockdown Series’, utilising social media to create interest in a wide variety of art forms and showcasing the University’s own art collections.
- It hosted its first formal webinar event for the ‘We Make Belonging; Morag Myerscough Exhibition’ which was attended by over 250 people from all over the world including Canada, India, Switzerland and the USA.
- Following the third lockdown TheGallery prepared for its first physical show being the Trinity Buoy Wharf competition titled ‘The Grammar of Drawing’ and skills learnt during the pandemic were put to good effect by using webinars and virtual events to extend the reach of the exhibition.
- The Performance subject areas staged a total of 15 productions during the academic year of which only two were open to audiences. All of the productions were broadcast online and included challenging plays such as *The House of Bernard Alba*, *The Cherry Orchard* and *Hard Times*. The summer productions by final year students were developed in and acted through Zoom with little if no physical interaction between the students, in spite of this the productions were well received and considered to be of a high academic standard.
- Due to COVID-19 the May and June 2020 Summer Show Exhibitions were unable to take place in a physical sense and instead a virtual exhibition was curated and designed displaying every student’s work which has been stored in a repository. 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.
- In 2021 the university committed to the purchase and future refurbishment of the Palace Court Theatre in the centre of Bournemouth. A development team, chaired by the VC, will see the redevelopment of the theatre in the coming years under the heading ‘education by day: community by night’. An external stakeholder team will be formed as part of the university commitment to the civic agenda and making a difference across a wide range of cultural communities in the region.

**2 Strategy and Risk Analysis**

**2.1 Strategic Plan**

A new strategy ‘AUB 2030: Creating our Futures’ has been developed in support of the University’s updated vision of being ‘A world-class arts, design, performance and media university working with professional partners to create excellence, relevance and impact’.

This will be achieved by our three main Goals as follows:

- **Goal 1** to enhance our standing as a globally-leading independent arts, design, performance and media university
- **Goal 2** to create opportunity for our students, alumni and staff through a passionate belief in collaboration, creativity and innovative practice
- **Goal 3** to impact positively on society, industry and our stakeholders through the excellence and relevance of our practice and research

The Strategy will be supported by six plans which are being developed and will be delivered by means of identified projects:

- 1) **Portfolio Plan** – academic course provision
- 2) **Progression Plan** – ongoing learning to achieve qualifications by diverse students
- 3) **Place Plan** – sustainable estate and digital infrastructure
- 4) **People Plan** – empowering and developing staff
- 5) **Partnership Plan** – working locally, regionally, nationally and internationally
- 6) **Research and Knowledge Exchange Plan** – expand research aligned to professions and industries

In order gain momentum and push ahead with the delivery of the Strategy, the immediate focus will be on the following six initiatives:

- 1) **AUB Bournemouth Film School** – expand and deepen a global ambition for the AUB Film School through our excellent programmes of study, practice and research
- 2) **AUB Open Campus** – refresh, reshape and grow our pre-degree, short course, future franchise and global pathways with an expanded portfolio of executive education, progression opportunities, summer schools and micro-credentials
- 3) **Creative and Digital Dorset** – as a civic university, maximise our regional relevance through innovative programmes of business development, knowledge exchange and work-integrated learning for students and alumni
- 4) **AUB Lab 4 Creative Technologies** – accelerate our advantage in creative technologies to develop research, doctoral study and industry impact through partnership projects in the new Innovation Studio

**STRATEGIC REPORT (continued)**
**2.1 Strategic Plan(continued)**

- 5) **AUB Global** – enhance our global standing through student activities, research projects and industry partnerships with leading arts, design, media and performance institutions worldwide
- 6) **AUBITaL: Innovation in Teaching and Learning Lab** – maximise AUB’s prowess in Learning & Teaching excellence, DELTA (Digital Environment for Learning, Teaching and Assessment) and pedagogic innovation to realise the step change in hybrid learning, teaching and exchange.

AUB will seek to align the management structure to deliver the core challenges and build resilience for the future whilst always ensuring delivery of the mission. Recognising that the University is a small centrally driven institution, because of its size, a new integrated leadership team for collective delivery will enable it to become more than the sum of its parts.

The University maintains an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money, in the context of the achievement of the University’s strategic plan.

**2.2 Looking Forward**

AUB 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 to impress 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.

Incremental, planned growth in higher degree supervision and timely completion will lead the University during the lifetime of this strategy to gain research degree awarding powers (RDAP). The growth of the AUB Graduate School will be accelerated, nurturing postgraduate projects with our selected partners in China, India, Scandinavia and USA. A rolling programme of Vice-Chancellor Research Fellowships and Collaborative Doctoral Scholarships will be based in the Lab 4 Creative Technologies and accelerate our work with collaborators and selected stakeholders.

**2.3 Risk Analysis**

The key risks facing the University continue to relate to changing Government policy and priorities particularly in light of the current uncertain political and economic environment. A detailed review of the known financial risks to the Arts University Bournemouth is provided at section 5.9.

**2.4 Access and Participation Plan 2020-25**

This was the first year of the University’s Access and Participation Plan for 2020/21-2024/25, as approved by the Office for Students. The plan sets targets for improved performance in access, success and progression for students from a range of disadvantaged groups.

The circumstances of the pandemic made it more difficult to engage with schools, who were focused on helping students to regain any learning ground which had been lost during the lockdown and enforced closure of physical sites. However, the team offered online sessions both to students, and to teaching teams; and also created digital materials to support work in the classroom. The new Research and Evaluation Officer was also able to commence longitudinal research into the experience of students at AUB.

This postholder has also undertaken desk-based research to understand the routes to study at AUB for those from low participation neighbourhoods (POLAR 4 Quintile 1), which enables the University to understand the most effective ways of targeting action, as well as ensuring that efforts are not directed at those who are less likely to enrol. AUB has been clear that it needs to focus on ‘what works’, developing a range of tactics and mechanisms to reach out effectively to the widest possible group within the next 3-5 years.

**3 Academic Support and Student Experience**
**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.

## STRATEGIC REPORT (continued)

### 3.2 Student Experience

The University is proud of the quality of student experience offered. In 2020-21, AUB secured its highest student retention rate for over five years, which was a remarkable achievement given the restrictions on campus access caused by the national lockdown. The Academic Operations Group and the Health and Safety Reopening Group, both reporting to the Integrated Planning Team (IPT), worked carefully to understand the impact of Government guidance (for example, on the need for face-coverings, sanitiser stations, ventilation and maximum room capacity) while minimising the disruption to the student experience. Dedicated risk assessments were undertaken in specific higher-risk areas, which in some cases resulted in the requirement for proof of a negative LFT before students could participate in classes. Despite the required restrictions, Film Production produced more student films in 2020-21 than in any previous year, demonstrating the creativity and innovation which was deployed by both staff and students.

In line with patterns across the UK HE sector the results of the National Student Survey (NSS) were disappointing, although there were major variances by course. The survey opened to students during the winter lockdown, and before they were permitted to return to campus, and the verbatim comments showed that this lack of access to physical resources, while temporary, had a significant impact on the group. Creative arts courses generally scored poorly in the NSS, and AUB remained among the highest-scoring specialist universities. The internal Student Perception Survey (SPS) showed very similar results, and similar concerns were expressed.

The University recognised that restrictions – and in particular reduced maximum room capacities – would put a premium on the digital environment and the support which could be provided to students. It invested about £150,000 in providing free course-related software to all students, as well as spending a further £35,000 to purchase additional software licences so that students could log in remotely to a machine on campus, and take over that machine's capability to operate high-end software. In addition, students undertook a Digital Access Test to identify any specific issues with hardware or connectivity; AUB loaned laptops and other equipment to those in most need. It also distributed materials parcels to students as required (not just locally, but delivered to anywhere in the world). All work was submitted and assessed using the online Wiseflow system, and external examiners were given remote access to the work using this digital environment, which enabled them to complete their own verification.

### 3.3 Academic Portfolio

The changing shape of the higher education sector in England places a premium on the presentation of an attractive portfolio of awards which make a strong contribution to the overall specialist offer. The first February cohort (starting mid-academic year) was enrolled during 2020-21, alongside the traditional October start. The University is currently considering the future development of postgraduate taught awards, acknowledging that this is likely to be a growth area over the coming years. A suite of new awards is likely to be introduced from 2022/23.

### 3.4 Doctoral study

AUB acknowledges that research and scholarship are an essential aspect of a higher education institution, which supports delivery of a high-quality student experience. It prioritises investment in this area in a number of ways including supporting staff to study for doctoral qualifications and to undertake supervisory training. Two members of staff achieved their doctorate in the past year and a further fifteen staff are being supported to undertake this qualification. .

AUB continues to support some research students through providing a contribution towards their fees. The University secured a completion in the area of modelmaking and another student submitted for examination in summer 2021. Eleven doctoral students are currently studying for, or completing, their theoretical and practice-based research degrees. COVID-19 meant that some projects had to be redesigned to enable data gathering to take place online enabling the research to continue without interruption. Supervisory capacity increased with the appointment of new members of staff to supervisory teams, the completion of supervisory training and staff examining doctorates at other institutions.

### 3.5 Teaching

The APDM has supported staff in applying for and working towards teaching qualifications and HEA accreditation at Fellow, Senior Fellow and Principal Fellow level. As noted above, the Creative Learning Conference was replaced with a workshop series (both F2F and online) to support the rollout of the substantial C21 initiative. These activities of supporting staff qualifications and teaching quality are central to the University's approach to meeting the requirements of the Teaching Excellence Framework (TEF) and its attendant mechanisms for evidencing a university's commitment to learner achievement.

The Careers & Employability team offer a variety of activities throughout the year. In 2020-21 the service was entirely online. The service offers one to one appointments and a range of events with alumni and industry professionals. During the year a Part time Jobs & Volunteering fair was held with 13 external speakers and attended by 160 students. In March 2021 AUB hosted 'The Creative Futures Fest' with 27 different speakers from industry which 736 students attended over the course of a week. In addition a Business Consultant and a Creative Business Coach provided support for freelancing and business development which was attended by approximately 600 students. A series of events aimed at graduating students and recent alumni, AUB Advantage were delivered over the summer to 323 students and 212 students signed up for Adobe training with 88 students sitting the Adobe exam. This involved a range of courses including Level 3 Teaching Skills, Introduction to Counselling Skills, Mental Health First Aid, First Aid and Adobe training and exams.

**STRATEGIC REPORT (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 2020-21 academic session the University continued to proactively support the wellbeing of its staff in light of the ongoing pandemic crisis. Regular Staff Pulse Surveys enabled AUB to gain valuable feedback as to where additional support/communications were required; regular AUB/Staff Unions meetings enabled UCU and UNISON representatives and officials to feedback concerns/questions from their members and working off/on campus processes were a key enabler to ensuring concerns were addressed and solutions were mutually agreed. Additionally, staff were encouraged to seek support from their line managers / HR / Employee Assistance Programme as required.

In recognition of the support needed for mental health generally and in light of the additional pressures due to the pandemic, AUB recruited a part time Staff Counsellor. Within the HR team, a HR Equalities, Diversity and Inclusion, and Wellbeing Partner was recruited with the postholder joining the newly established EDI team and with the development of a Wellbeing Programme for staff as part of their remit. Other initiatives available to support employees in maintaining health and wellbeing include: the opportunity to join the Bournemouth University Gym; special leave arrangements; opportunities for flexible and agile working; support for workers with disabilities; Headspace App, and the University's Dignity at Work and Grievance policies.

Average sickness absence levels within the professional services staffing groups remained steady as compared with the 2019-20 academic session however they increased within the academic staffing group. In relation to levels of mental health sickness absence, HR work closely with employees and line managers to ensure appropriate support is provided with the aim of assisting staff to return to work or remain at work; utilising the occupational health and employee assistance programme provisions wherever appropriate. The University's Absence and Attendance Policy enables us to effectively monitor short term and long-term sickness and provide tailored support to individuals accordingly.

Resourcing continued to be a key area of focus for the HR department to support the University in attracting and appointing high quality staff to the institution. Online interviews continued to be utilised, providing an efficient and effective selection process. 70 vacancies were recruited to (73 in the previous year). A recruitment microsite is utilised; a dynamic platform which can be enhanced/updated as necessary and which provides a more efficient and tailored recruitment journey for applicants. The commitment to recruit staff with the required range of academic qualifications to join our highly influential teams has continued and the positive trajectory to increase numbers of teaching qualifications, HEA memberships and PhD holding staff has continued in support of the University's strategic ambitions.

New staff have continued to be supported by our improved inductions processes, with the requirement of mandatory training e.g. Equalities, Health and Safety and GDPR being a condition of passing the probationary process.

HR introduced efficiencies to the probation and annual performance review processes to reduce administrative burden for staff, ensuring that key points remained.

National negotiation in respect of the annual pay award resulted in a minimum of 1.5% pay increase for all HEI staff where they are subject to UCEA's negotiations with the sector trade unions. The incremental payments of circa 3% for approximately half of staff who are not at the top of their pay scale, subject to satisfactory performance were paid during the Autumn Term 2020 once student enrolments were confirmed, backdated to August 2020.

The number of Trade Union representatives increased during the 2020-21 academic session and now equates to 1.6 FTE of which these representatives spent less than 50% of working hours on facility time. The total number of paid hours spent on facility time was 2,640 of which 880 was on paid trade union activity which equates to 33% of total paid facility time spent on paid Trade Union activities. The total cost of facility time was £74k representing 0.33% of total pay costs of £22.3m.

**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.

During 2020/21 the University developed a new EDI action plan with a range of ambitious targets in relation to staff and student recruitment, and student achievement. The plan sets out a range of actions which seek to place EDI at the heart of decision-making at AUB, and to create a culture which is inclusive and respectful of all. The University has created two new posts with a dedicated focus on EDI – an HR EDI and Wellbeing Partner, and an EDI Academic Adviser – who form the cross-functional EDI team together with the Senior Officer Equalities. This team is responsible for taking forward the action plan, reporting to Equalities Committee. In addition, the University has refreshed its undergraduate curriculum with a focus on graduate attributes required in the twenty-first century, including a deep understanding of equality and diversity issues. All

**STRATEGIC REPORT (continued)**
**4.2 Equality & Diversity (continued)**

courses have reviewed their L4 curriculum and identified where EDI issues are embedded, in both the content and the learning outcomes. This process will continue to Levels 5 and 6 over the next two academic years. All new students were also shown introductory videos to AUB which focused on the inclusive community, and also the expectations set out in the Code of Conduct which make explicit that discrimination is not permitted under any circumstances.

The Gender Pay Audit during the last year showed a Mean pay gap of 16.02%. A primary reason for this gap was that 77% of student ambassadors were female (consistent with the overall student population). Employment as a student ambassador is valuable, and can build confidence and provide practical work experience which, when combined with the excellent employability education at AUB, ensures that individuals are well-prepared when they enter the full-time workforce. The University would not wish to set artificial targets to change the gender balance of its student ambassadors, which is consistent with the AUB student population. A detailed review showed that other reasons include the preponderance of females in Lecturer or Early Career Academic posts, which requires further analysis; and the fact that the outgoing Vice-Chancellor remained on the payroll, which skewed the results for professional services staff.

The percentage number of females remains above 50% in the upper pay quartile.

**4.3 Estates and Infrastructure**

Campus Halls was completed in November 2020 with some occupation taking place over the 2020-21 academic year and during summer 2021. The final account on the project was £24,445,000. The defects period for the development ends November 2021 so defects inspections and works are being finalised.

The Innovation Studio was handed over on 20 August and external works were completed at the end of October 2021. Negotiations are underway with Kier Construction to agree the final account as additional costs were incurred due to the pandemic and the nature of the construction contract where the contractor was not responsible for the design. The Innovation Studio was officially opened on 21 October as the high point of an Architecture conference hosted by the University.

Good progress has been made on the design of new academic space on Plot Q. The design and project team was appointed early 2021 and valuable stakeholder engagement workshops have taken place with relevant colleagues from the academic and professional services teams. The project is on track to meet the 16 December 2021 planning submission deadline although this is at some risk as backlog within the Bournemouth, Christchurch & Poole Council planning department means that detailed feedback on the pre-application submission will not have been received. This is deemed low risk as the design is within parameters set in the Plot Q outline planning approval.

The purchase of Palace Court Theatre was completed in March 2021 for £680,000. A design and project team has been appointed, including specialist theatre designers; and stakeholder workshops have taken place with relevant colleagues to commence design of the interior and exterior of the building.

Campus projects and refurbishments took place during 2020-21 to facilitate changes in student numbers. A notable change was the centralisation of course equipment stores in the ground floor of South House, this results in streamlined management of stores and releasing of space across campus for academic use. Further estates projects are underway with the production of new Pro Tools suites in North Building for film production to commence late 2021, a feasibility study being undertaken on new North Lights studios and the leasing of a new unit at Elliott Road with associated fit-out works to expand the film studio footprint at this off-campus location.

The agile working plan is progressing in collaboration with HR, Digital Services, professional services colleagues and external consultant, Aberley. Extensive stakeholder consultation has taken place to ascertain end user requirements aligned with new ways of working. Plans and a budget are being produced for the works to accommodate the agile working plan in University House.

Management of a safe campus throughout the COVID-19 pandemic has continued throughout 2020-21 with ongoing engagement with H&S colleagues and UCU and Unison representatives. The COVID-19 risk assessment has evolved as government guidance has changed with necessary control measures implemented.

**4.4 Information Technology Infrastructure**

With a mix of home and office working (Agile working) establishing itself with staff, this has led to a full migration to staff using laptops as their primary computer, supplied with additional hardware such as docking stations and monitors for both work and home. Most offices are now standardised with docking stations, keyboards, mice and external monitors, so whether staff are working on campus or remotely at home, they can have a full desktop experience.

Citrix remains the main provision for secure remote access, which has been strengthened through upgrading servers and updating versions and applications. This has remained a very stable, reliable and scalable resource for core business users. Students also have Citrix remote access, approx. 150 seats, split between different specialist resources such as film and sound production and 3D / 2D applications. As well as access to specific storage and render farm facilities. Further investment is being provided to establish dedicated Citrix servers, which will enable a more scalable provision for student access. This will remove the need to use desktop workstations which will improve performance, require less space and use less energy. The scaling of this will be reviewed whilst the number of users that can be allocated per server is tested, but this depends on a series of factors which include the amount of processing and memory 3D and 2D applications require.

**STRATEGIC REPORT (continued)**
**4.4 Information Technology Infrastructure (continued)**

During the pandemic we have maintained the 'no detriment policy' and have continued with investment in Microsoft 365, Adobe Creative Suite and AutoDesk to enable students to install these applications on their own devices. This remains a major investment for AUB, and has been greatly appreciated by students and the courses and supports the ability for independent learning.

Along with this AUB has further invested in the LapSafe laptops loan facility, originally trialled in the Library with 70 laptops, it has now further been extended to Foundation and undergraduate courses, with four additional LapSafe devices each holding 20 laptops. This has removed 3 fixed IT suites, in favour of the LapSafes which offer more flexible use of laptop loans across studios and campus, with the added benefit of releasing studio space for teaching and learning.

Digital Hardship of students was further supported during the pandemic with over 200+ laptops lent to students for fixed term loan periods, all of which were returned by summer for the new academic year. This provision has continued but now that the University and design studios have re-opened, it's being managed in a more controlled manner based on the individual student's needs.

Cyber Security has also been a major point of investment with further review and specific cyber insurance in place, working with JISC and specialist third parties to support increased 'best practice'. Digital Services have implemented stronger solutions (multifactor authentication, endpoint detection response and immutable backups) to define and strengthen its cyber security posture. This is an area where further investment may be required both in systems and staffing in order to continue to minimise the risk to AUB. The internal auditors carried out a review on cyber security in October 2021 from which further recommendations were made and work is in hand with AUB's updated business continuity planning and planned cloud and managed service strategy.

A digital investment plan has also been presented to Governors and the Audit & Risk Committee in support of AUB Strategy 2030 which has in principle agreed £5.5M investment over 4 years to support the 'step change' required in digital infrastructure and environment. The plan indicates the stages to stabilise, optimise and transform the AUB's digital environment over the planned period. During the pandemic many areas of the core business and teaching and learning had lessons learnt, resulting in the requirement to update the Finance and HR systems to become more streamlined in online processes. A customer relationship management (CRM) system is also being introduced to support enquiries to enrolment conversion and one voice of communication and AUB are incorporating a new virtual learning environment (Canvas VLE) staged over 2 years aligned to the C21 and curriculum review.

AUB has maintained its continual investment to reduce the digital debt incurred during the pandemic, in actively replacing £585K of depreciated and unsupported digital resources. Further aligned investment has also been made in support of AUB's outreach buildings such as the developments within Elliott Road, The Avenue, and Palace Court Theatre.

Reporting and information dashboards are also being reviewed as core services and business intelligence are moved to managed cloud provision, facilitating greater analysis of data to enable long term planning and in year cycle developments. Migration to cloud and managed services, centralised platforms and integration will enable greater secure and scalable infrastructure, data security and governance and resilient applications linked to identified AUB strategies and plans.

**4.5 Environment and Sustainability**

The University remains committed to sustainability. This commitment is supported by the AUB Sustainability Plan, with objectives identified against six key strands of activity:

- Minimising emissions and utility usage
- Sustainable resource management
- Reducing emissions associated with travel
- Managing the estate efficiently
- Promoting biodiversity & Fairtrade
- Developing staff and student awareness and engagement

Following the national lockdown in March 2020, it was agreed to extend this Plan for one further year to summer 2021, as it was important to focus efforts on delivering the virtual university and subsequently determining how learning, teaching and wider operations could be managed for 2020-21. During the year, the University signed the EAUC pledge to be carbon net zero by 2030, and the Environment Committee has now established a Sustainability Task Force to develop the next iteration of the Sustainability Programme, responding both to the requirement to be Net Zero but also to deliver wider sustainability objectives (such as increased biodiversity).

**STRATEGIC REPORT (continued)**
**5 Financial Information**
**5.1 2020-21 Financial Review of the Year**

The University incurred a deficit after tax for the year ended 31 July 2021 of £4.2m as compared to a prior year deficit of £433k after FRS102 pension charges of £3.2m and £2.3m respectively, due to an overall reduction in income from halls accommodation and short courses as a result of COVID-19. Although a major cost cutting exercise was implemented it was not sufficient to offset the increase in staff costs which have risen significantly due to pension costs.

The key highlights are:

	2021	2020	2019
<b>Financial Summary</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Funding Council Grants	2,786	2,557	2,772
Tuition Fees	32,594	33,477	32,546
Other Income	5,726	7,053	7,343
<b>Total income</b>	<b>41,106</b>	<b>43,087</b>	<b>42,661</b>
<b>Expenditure</b>			
Staff Costs	22,274	21,391	19,655
Operating Expenses	15,525	14,863	15,463
Depreciation	5,717	5,416	5,318
Interest Payable	1,842	1,793	1,701
<b>Total expenditure</b>	<b>45,358</b>	<b>43,463</b>	<b>42,137</b>
Taxation	(20)	(15)	(19)
Gain/(Loss) on Investment	99	(42)	17
<b>(Deficit)/Surplus after tax</b>	<b>(4,173)</b>	<b>(433)</b>	<b>522</b>

The 2020-21 financial year budget planned for a deficit of £3.8m before pension adjustments in expectation of a fall in student enrolments as a result of COVID-19 however the reduction was not as great as expected and tuition fees were £2m higher than budget. However as a result of the third national lockdown in the second term, the University waived rents on its halls accommodation resulting in a shortfall of £1.5 million in rental income. Furthermore it was anticipated that short courses would recommence in the summer term but this did not materialise.

The University, through the Integrated Planning Team and the Student Return to Campus groups planned in advance of the academic year how the courses would be delivered effectively to achieve high quality outcomes whilst at the same time minimising the risk of contracting COVID-19. Blended learning was used to great effect with all lectures and seminars taking place online. Workshops and studio sessions were planned to minimise the numbers of staff and students present to a level that would facilitate protection from being exposed to COVID-19. Appropriate PPE was utilised as deemed required by Health & Safety risk assessments. Records were maintained of all students and staff who contracted COVID-19 and submitted to the Department for Education; this also facilitated the support of students who were required to isolate by providing them with food parcels and any medication required. The University improved its communication processes and used the website extensively to communicate with current and future students assuring them of the measures taken as a result of COVID-19 and assure their safety.

There was an increased investment in IT infrastructure including software with the full Adobe suite being gifted to all current students. In addition equipment was made available to students suffering from digital hardship. Hardship funds were distributed to all eligible students. To offset increased operating costs efficiency measures were undertaken to control and reduce non-pay expenditure and a tight rein was maintained on staff positions by the monthly HR Monitoring Meetings.

The Innovation Studio was delayed as a result of COVID-19 and the building contractors finished on site in June 2021 nine months late. The surrounding landscape works were being completed at yearend. This project was part funded by the Dorset Local Enterprise Partnership (LEP) and received an additional £180k in grant funding to bring the total to £1.58m.

In addition the University successfully acquired the Palace Court Theatre which is a freehold 1930's art deco building in the centre of Bournemouth for £680k. Plans are being drawn up to restore the theatre back to its former glory as a teaching space and fully functioning performance venue; complete with a 400-seat auditorium, interval bar, and rehearsal space.

**STRATEGIC REPORT (continued)**
**5.1 2020-21 Financial Review of the Year (continued)**

Further details are as follows:

**Income**

Overall total income has decreased by 4.6% at £41.1m (2020: £43.1m).

There was a 2.6% decrease in tuition fees offset by a 9% increase in Funding Council Grants and a fall of 18% in Other Income. The increase in Funding Council Grants is due to the lagged learning formula for FE as higher numbers of 16-18 year old students enrolled in 2019-20 being 17% greater than the year before. In addition Other Income was adversely affected by COVID-19 as catering receipts plummeted and there was no delivery of Evening and Summer courses.

**Expenditure**

Staff Costs increased by 6% to £22.6m (2020: £21.3m) in spite of there being no pay award for 2020-21 as advised by UCEA however incremental drift of 3% to which half of the staff who are not at the top of their pay scale are entitled was honoured; as well as an increase in the yearend holiday accrual as staff were unable to take their leave entitlement due to the extension of the academic year. Included within the total cost is a figure of £110k relating to organisational restructuring as a consequence of the creation of AUB Open Campus where staffing requirements have been aligned to the key academic themes. Despite COVID-19 almost all staff undertook their work duties remotely with staff progressively returning to the campus as measures were put in place to facilitate workshop and studio provision. The University did not make a claim against the Coronavirus Job Retention Scheme during the financial year.

The increase in Operating Expenses by 4.5% to £15.5m (2020: £14.9m) was as a result of the leasing of additional halls accommodation in place of the Campus Halls that was not completed in time and by the beginning of term due to COVID-19. Savings were achieved in many other business areas. Interest and finance costs increased by 2.7% as a result of the drawdown of additional borrowings totalling £17.5m, however the fall in the base interest rate to 0.1% has resulted in savings on the University's variable interest rate loans. The FRS102 pension interest was at a similar level to that of last year.

**Surplus**

For the second time a FRS102 deficit has been recorded of £(4.2)m (2020: £(0.4m) and represents -10% of turnover. A significant contributing factor to the decrease has been the FRS102 pension adjustments which total £3.2m, being £900k greater than last year, and yet have no impact on cash balances. In spite of COVID-19 the underlying performance of the institution was quite strong as staff worked hard to maintain the student experience and achieve cost savings to offset loss of income and additional costs incurred to provide online teaching and learning.

**5.2 Statement of Financial Position**

The following table summarises the group statement of financial position for the last three years:

	2021	2020	2019
<b>Financial Summary</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed Assets	110,466	109,625	93,847
Investments	719	609	673
Cash	8,392	3,793	11,739
Net Current (Liabilities)/Assets	(12,607)	(10,963)	3,348
Loans, Finance Lease and Deferred Grants	(29,666)	(29,417)	(29,863)
Pension Liabilities	(34,807)	(31,077)	(19,227)
<b>Total Net Assets</b>	<b>34,105</b>	<b>38,777</b>	<b>48,778</b>
Restricted reserves	735	620	638
Revenue Reserves	43,353	44,028	41,778
Pension Reserve	(34,807)	(31,077)	(19,227)
Revaluation Reserve	24,824	25,206	25,589
<b>Total Reserves</b>	<b>34,105</b>	<b>38,777</b>	<b>48,778</b>

**STRATEGIC REPORT (continued)**
**5.2 Statement of Financial Position (continued)**
**Fixed Assets**

In spite of annual depreciation charges of over £5m over the last four years, the level of fixed assets is maintained by the constant investment in equipment and the extension and refurbishment of buildings. The net increase in fixed assets of £6.6m in the past year is due to completion of Campus Halls and the Innovation Studio and the purchase of the Palace Court Theatre. Usually at least £2m is invested in new equipment annually but due to COVID-19 only 25% of this amount was spent in order to conserve cash.

**Cash and Net Current Assets**

Cash balances increased by £4.6m due to the drawdown of an additional £5m on the HSBC Revolving Credit Facility (RCF) to total £13m at the end of the year. The large Net Current Liabilities figure is accounted for by the HSBC borrowings which have not yet been converted into a term loan.

**Loans, Finance Lease and Deferred Grants**

The application of FRS102 has meant that deferred grants are reflected in long term creditors rather than under Total Funds. This balance has hardly changed as the LEP and OfS capital grants received during the year offset loan repayments and a reduction in the finance lease liability. The rate of reduction of the finance lease is affected by the rate of inflation which determines the annual lease payments.

**Pension Liabilities/Reserves**

The FRS102 calculated Pension Liability increased by £3.7m and future expected inflationary increases in line with CPI which more than offset the improved return on assets over the year and a slight increase in the discount rates as a result of the anticipated increase in long term gilt/bond rates as the effects of COVID-19 dissipate. The past service liability duration for the scheme is 25 years reflecting the younger age profile of its members.

**Total Reserves**

As was the case in 2020, this year's sizeable pension deficit has arrested the steady growth in Reserves over the years in spite of the volatility of previous FRS102 pension adjustments.

**Cash flow**

Net cash inflow from operating activities was £5.4m which was slightly higher than last year's at £5.3m due to the higher level of accruals and deferred income at year end as a result of fees paid in advance.

**5.3 Key Performance Indicators**

The critical financial KPIs monitored in the past year were:

KPI	Description	Aim	Actual
Debt Service Cover	Ratio of net cash inflow to total interest and capital repayments	1.10:1 min	6.40:1
Financial Commitments Threshold	Ratio of net borrowings to adjusted operating cash flow	10.00:1 max	5.38:1
Minimum Net Assets	Net Assets excluding pension liability	> £65m	£68.9m
Surplus/ Cash Generation	EBITDA as percentage of Income	15% min	7.8%
	Surplus as percentage of Income	3% min	-10.0%
Liquidity	Liquid assets as days of total expenditure	60 min	77 days
Financial Gearing	Net financial debt as percentage of net assets	40% max	85.8%

The University has comfortably met the first three financial KPIs which reflect the amended bank covenants. Unsurprisingly the Surplus and Cash Generation measures were not met due to the difficult trading conditions as a result of COVID-19 and the Surplus measure is becoming more challenging annually due to the increasing FRS102 pension valuation adjustment. It has been recognised that the Financial Gearing measure would be exceeded once the Halls loan was drawn down and the long term intention has been to return to a gearing level of 40%, however this measure has also been exacerbated by the FRS102 pension valuation.

Financial KPIs, although important, represent only one aspect of the University's business. Other measures of the University's health is the excellent quality assessments of its academic offer, the employment level of students once

**STRATEGIC REPORT (continued)**
**5.3 Key Performance Indicators (continued)**

graduated, the number of student and staff winners in external competitions and the quality of the collaborations it undertakes. In addition there continues to be a high demand to attend AUB with over 5.3 applications per space available.

**5.4 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 surplus before FRS102 adjustments, in all years sufficient to meet loan capital repayments;
- continued efficient delivery in schools, support and overhead areas;
- investment of cash reserves accumulated over previous years, with cash balances being maintained at a level to deal with cyclical fluctuations 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 summer and bespoke courses; and the letting of the estate during quiet periods.

**5.5 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. Given the low return on the investment of surplus cash, efforts have been directed at maximising the RCF in order to reduce loan interest charges.

**5.6 Long Term Borrowing Facility**

The University's borrowings are provided by its main banker Lloyds Bank with a mix of variable and fixed interest rate term repayment loans; and a HSBC £20m RCF which is available until July 2023. 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 £161k and which is fixed until July 2022 at which time it will be repaid and at a rate of 1.512%. There is another loan of £36k fixed at 5.36% and will be fully repaid by October 2021. The University has a further variable loan at Bank Base Rate plus a margin of 0.28% and repayable over a maximum of 25 years which had a balance of £1.5m outstanding.

In 2015 a further loan facility with Lloyds was agreed for £7m over a ten year period at LIBOR plus a margin of 1.6%. In keeping with the University's treasury management policy £3.8m of this loan was fixed at a rate of 2.75% for 5 years and the remaining £3.2m is at a variable rate. The outstanding balance was £5.5m.

The HSBC Revolving Credit Facility of £20m was utilised during the year for the Campus Halls project and is available for five years at which time there is a break point. HSBC will reprice the consolidated loan for a further three year term or AUB has the option to refinance with another bank. The negotiated margin has been amended to 1.5% (previously 1.15%) over LIBOR and the non-utilisation rate is 35% of the margin thus equating to 0.525%. The negative pledge security arrangements continue to prevail. At the yearend £17.5m of the loan has been drawn down but £13m was outstanding as the RCF was utilised. It is anticipated that the balance of £2.5m will be drawn down in 2021-22.

The University has complied with all its HSBC and Lloyds' loan covenants in the past year.

**5.7 Going Concern**

The Group and parent University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The Board of Governors has prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements. After reviewing these forecasts the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements (the going concern assessment period).

**STRATEGIC REPORT (continued)**
**5.7 Going Concern (continued)**

In preparing these forecasts, the Governors have considered the expected financial performance for the financial years ending 31 July 2022 and 31 July 2023 taking into account expected trading performance and the principal risks and uncertainties as set out in the Strategic Report, including the impact of the COVID-19 pandemic on its operations. The budgets for 2021-22 has been secured based on the actual October enrolments which is when the majority of students commence their studies. The numbers enrolling are higher than anticipated especially the number of international students thereby offsetting the reduction in EU students as a result of Brexit. The continuing challenge is the retention of these students in their chosen studies and the delivery of teaching that meets their learning aims. The management of COVID-19 outbreaks amongst the students will be critical. Planned action in these areas should secure the University's income stream.

As at 31 July 2021 the University had a loan facility of £20m with the HSBC of which only £13m was drawn in spite of having incurred £27m of costs on the project to which the loan relates. The Institution therefore has adequate finance and liquidity to maintain its operations during the uncertain conditions caused by the pandemic. However, the Governors acknowledge that the unprecedented level of uncertainty caused by COVID-19 and rapidly changing circumstances mean that the judgements and estimates made in the operation of budgets and forecasts are more challenging than under normal circumstances. They have therefore assessed the impact of 5% fewer Home and/or 10% fewer International students being recruited and considered the consequent impact. Under this scenario the Institution would still have sufficient reserves and cash flow to continue operating.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**5.8 Outlook**

The immediate challenge for the University is to consolidate the increased numbers recruited for the 2021-22 academic year and ensure that the quality of provision can be maintained whilst contending with possible COVID-19 flare ups. The possibility of efficiency gains achieved as a result of blended learning needs to be firmly embedded in the curriculum as part of the C21 initiative and this in turn will be rolled out at Levels 5 and 6. This imposes increasing demands on academic staff by expecting them to adapt their teaching practices to the new ways of learning. They are being supported in these adjustments by the appointment of a learning technologist and the delivery of a unit completely online by a third party.

The new Strategic Plan will drive further developments on the campus to improve the current student experience further and to provide additional space for postgraduate students and growth in particular subject areas. Work continues to be undertaken in the next eight months to apply for detailed planning permission for academic space on Plot Q thereby securing the outline planning already received. The University has purchased a theatre in the centre of Bournemouth with a view to supporting community and regional engagement and plans are being developed for its complete refurbishment. It is anticipated that the theatre will provide a stable venue for its acting and dance performances, an enhanced facility for the Bournemouth Film School and an exciting location for the Students' Union.

As a result of the Government's HE White Paper 'Students at the Heart of the System' there has been intense competition for students in a rather imperfect market. This has progressed further with the creation of the Office for Students which is charged with championing the students cause and providing ever greater value for money. The inability to increase fees for Home & EU students has intensified the competition between Higher Education Providers, including those in the private sector.

In May 2019 the Augar report on the 'Review of post 18 Education in England' was released which made many inter-related recommendations, one of which is that the undergraduate tuition fee be reduced from £9,250 to £7,500 with effect from 2021-22 but that the reduction in funding be replaced by government teaching grant. Due to the current political environment, perpetuated by the recent Comprehensive Spending Review, it is uncertain whether all or any of the recommendations within the report will be implemented. Consequently the University will maintain a close eye on this policy area with a view to managing the associated risks.

In spite of Brexit the University has continued to recruit EU students albeit at 40% the level it was before the end of the transition period but these students have been replaced by international students from all over the world and particularly India. The UK has benefitted from the fall in demand for the USA and Australia due to their political machinations and AUB is capitalising on this. In addition the University will concentrate on rebuilding its short course provision that has proved so attractive to International students but fell away as a result of the pandemic.

The University believes that it is well placed to meet the challenges ahead as it operates in a niche area of provision with demand for the courses that it offers. With its new Strategic Plan there is a clear focus on the University's vision to be 'A world-class arts, design, performance and media university working with professional partners to create excellence, relevance and impact' and the supporting Plans and Initiatives to realise this ambition. It continues to be forward looking as evidenced by the acquisition of land in Wallisdown, the development of a Master Plan facilitating the expansion of the campus and the purchase of a theatre in Bournemouth.

**STRATEGIC REPORT (continued)**
**5.9 Risks and Uncertainties**

Arts University Bournemouth has updated its Risk Register to reflect the more challenging environment, impact of COVID-19 and its new strategic priorities. The key financial risks facing the Arts University Bournemouth are:

- **HE numbers – Home:** - The growth in student numbers has been moderated within the University forecasts reflecting an increasingly competitive market. There is uncertainty over the attractiveness of UK Higher Education to EU students following the UK departure from the European Union but this should be offset to some degree by the rising demographic from 2020 onwards. The number of applications received per place has been maintained at 5 and as part of its Portfolio Plan consideration will be given to offer new courses to provide greater appeal.
- **HE retention:** - The retention of students on their courses can have a huge impact on the income earned and fortunately this is a positive for the University as recruitment interviews and applicant days establish a strong bond with the students. For the purposes of its forecasts the retention rate has been estimated at 97%. Should the retention rate fall to 95% the surplus would reduce by £0.75m in 2021-22
- **Overseas growth:** - It is anticipated that the student numbers here will grow from a current 470 to 670 over the planning period as AUB builds steadily on the relationships that have been established in China, India, Japan and Korea. Work is in hand to develop overseas partnership arrangements and to selectively target the European market post Brexit however COVID-19 has posed new challenges in realising this ambition.
- **Alternative income:** - Prior to COVID-19 this had been an area where AUB anticipated growth in Summer and Bespoke courses that use its facilities during quiet times. It will be essential to develop new methods including online provision to deliver these courses in the future. It is expected that in due course summer rental income will increase by 25% due to more campus facilities.
- **Salary costs:** - These routinely account for 45% of income and this percentage will rise over the planning period as a result of pay increases, higher pension contribution rates and the progression of academic staff to professorial status. A 1% increase in pay inflation will have an adverse impact of more than £200k on the bottom line.
- **Capital expenditure:** - AUB has future plans for capital expenditure of a minimum of £20m. This work is essential to maintain the Estate in order to grow provision and attract students in an increasingly competitive market. Estimates are based on professional advice but actual costs are only confirmed once fixed price tenders are received.
- **Interest rates:** - With current borrowings AUB is vulnerable to changes in interest rates. Of the total potential loan portfolio of a maximum of £27m, £3.2m is at fixed rates. Were interest rates to increase by 1% AUB would incur an additional £230k charge per annum. Over 50% of current term loans are fixed at favourable rates and Governors will consider the appropriate proportion of any future borrowings to be fixed especially when the RCF becomes a term loan.
- **Pensions:** - Total funds have been reduced by £34.8m due to the recognition of the deficit on the local government pension scheme in Dorset. Fortunately AUB has sufficient reserves to accommodate this deficit. The latest triennial valuation as at March 2019 confirmed an employer rate of 14.1% that which is currently being paid. The risks associated with the scheme were recently reviewed and assurances were received from Dorset Council that their valuation assumptions and provision of their employment covenant to all participating bodies will not change in the foreseeable future. Academic staff are members of the Teachers' Pension Scheme which is unfunded and the employer contribution rate was increased by 7.2% to 23.68% at the last valuation.

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

By order of the Board of Governors

**Dorothy Mackenzie**  
Chair of the Board of Governors

27 January 2022

## CORPORATE GOVERNANCE

The Arts University Bournemouth (AUB) is a higher education corporation, established under the Education Reform Act 1988. As an institution it has existed since 1887, gaining taught degree awarding powers in 2008 and formally adopting the name Arts University Bournemouth in December 2012.

The Board of Governors has overall responsibility for the mission and educational character of the Arts University Bournemouth. It sets strategic direction, and is collectively accountable for institutional activities. The Board has adopted the voluntary HE Code of Governance issued by the Committee of University Chairs (CUC), which constitutes definitive guidance on governance within Higher Education; the Board mapped its practices against the revised Code, issued in 2020, and confirmed that it continued to meet all expectations.

The Board is cognisant of the Terms and conditions of funding set down by the Office for Students (OfS) as the lead regulator for higher education institutions and of UK Research and Innovation (UKRI) for research funding. It monitors compliance with these conditions annually.

The Instrument and Articles of Government (IAG) form the legal basis for the establishment of the University. During 2020-21, and in accordance with legal advice received, the Board revised its IAG to modernise and simplify the provisions and also the language in which these were expressed. The IAG dated back to 2001 and no longer reflected the expectations of a modern higher education corporation. In addition, the Board has established a set of Standing Orders to govern its operations; and a Scheme of Delegation which articulates the authority and decision-making processes of the University.

The Board has its own Statement of Primary Responsibilities that is based on the model statement contained in the CUC Code and adapted to reflect the powers and responsibilities of the Board derived from its Instrument and Articles. The Board has adopted the Nolan Principles of standards in public life, and is committed to the delivery of high quality higher education which commands public confidence and protects the reputation of the UK system.

Together, the University's governance arrangements are designed to:

- Set out the responsibilities and powers of the Board, its Committees and the Academic Board
- Set out the responsibilities and powers of the Principal and Vice-Chancellor (and other members of the University's Integrated Leadership Team)
- Contribute to openness, transparency and accountability in governance
- Assist in the efficient discharge of business and the overall efficiency of decision-making.

At the start of each academic year, members of the Board are asked to acknowledge that they have read and will adhere to the principles set out in its governing documents.

### Board operation

In accordance with the Instrument and Articles of Government, the Board has confirmed an overall membership of 17. This comprises 13 independent members; the Principal and Vice-Chancellor; one student representative; and two AUB staff representatives, one academic and one from the professional services.

The membership of the Board 2020-21 is given on page 1 of these financial statements along with the individual membership of Committees as at the date of signature of the accounts.

The Board met on five occasions during the year.

The most recent Governance Effectiveness Review took place in 2019-20. It was conducted by the Good Governance Institute (GGI), following an open tender process. *The review confirmed that: "Arts University Bournemouth (AUB) is compliant with all statutory and regulatory governance obligations, guidance and the current Committee of University Chairs Code of Governance (CUC Code) and, overall, the Board is compliant with its Statement of Primary Responsibilities". The review resulted in recommendations to improve Board effectiveness, with a particular focus on how the Board would monitor progress of the new AUB Strategy.*

The Board has established five Committees to oversee specific aspects of its business. The formal terms of reference and constitution of each Committee is included within the Standing Orders. Members of the University Executive attend Committees at the request of the respective Chairs.

During 2020-21, the Committees were as follows:

### Audit & Risk Committee

This Committee provides assurance to the Board that the University operates an effective system of internal control for securing economy, efficiency and effectiveness. The Committee oversees the internal audit programme and meets with both the internal and external auditors. Risk management and internal control are discussed in greater detail below.

**CORPORATE GOVERNANCE (continued)**
**Finance & Resources Committee**

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. It also holds responsibility for oversight of estates planning on behalf of the Board; and is the committee responsible for overseeing sustainability matters).

**Human Resources Committee**

This 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.

**Remuneration Committee**

The Remuneration Committee determines the remuneration to be awarded to the University's senior officers including the Principal and Vice-Chancellor. It has accepted the CUC Remuneration Code and prepared the University's annual Remuneration Report. The Committee refers to comparative information when making its decisions, which are clearly documented and follow a defined process.

**Search & Governance Committee**

This Committee is responsible for ensuring that transparent 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.

The Board, through regular reviews of its own performance, is confident that it meets the expectations of good governance in higher education. This view was confirmed by the independent governance effectiveness review, as noted above.

**Risk Management and Internal Control**

The Board of Governors is ultimately responsible for the University's system of internal control and for reviewing its effectiveness. The primary aim of the process is to support delivery of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible and ensuring compliance with relevant legal and statutory requirements.

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 those with management responsibility;
- 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;
- oversight of the risk management process by the Audit & Risk Committee;
- regular reports to the Audit & Risk Committee from the internal auditor on the adequacy and effectiveness of the University's system of internal control together with recommendations for improvement; and
- an annual report to the Board from the Audit & Risk Committee on its work.

The University used BDO LLP to provide internal audit services for the past financial year, following an open tender process. The firm operates to standards defined in the Audit Code of Practice. The University agrees a schedule of internal audit activity with BDO LLP, which is formally approved by Audit & Risk Committee. Each audit provides opinions on the adequacy and effectiveness of the institution's system of internal control together with recommendations for improvement. The internal auditor submits reports, including a management response, in respect of each audit; these reports are considered by the Committee. The internal auditor also prepares the Internal Audit Annual Report which is reviewed in detail by the Audit & Risk Committee and informs the Annual Report of the Committee to the Corporation.

**CORPORATE GOVERNANCE (continued)**

The University Executive is responsible for preparing and overseeing the University's risk register, which is also approved by Academic Board. The risk register employs a RAG system to flag those risks which require specific action in mitigation. It also notes potential early warning mechanisms against each risk where appropriate.

The risk management process is not designed to eliminate all risk, but to manage and mitigate the key risks to business objectives. As such, it can only provide reasonable and not absolute assurance against material misstatement or loss. The risk register is considered by the Audit & Risk Committee at each meeting, and the Committee reports to the Board on its satisfaction with the risk process as part of its Annual Report.

The Board is confident 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 2021 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.

**Dorothy Mackenzie**  
Chair of the Board of Governors

**Professor Paul Gough**  
Principal and Vice-Chancellor

27 January 2022

## STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

The Board is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 edition of the Statement of Recommended Practice – Accounting for Further and Higher Education and with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. It is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Dorothy Mackenzie**  
Chair of the Board of Governors

27 January 2022

**INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF THE ARTS UNIVERSITY BOURNEMOUTH**
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**
**Opinion**

We have audited the financial statements of Arts University Bournemouth ("the University") for the year ended 31 July 2021 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2021, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board of Governors conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Governors use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Governors assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Governors, the audit and risk committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit and risk committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Group's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees is recorded in the wrong period or incorrectly recognised and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

**INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF THE ARTS UNIVERSITY BOURNEMOUTH (continued)**

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to accounts linked to a fraud risk, journal entries containing key words, journal entries made to unrelated accounts, journals posted to accounts that contain significant estimates and period-end adjustments and unusual journal entries to cash and borrowings.
- Inspecting transactions relating to revenue in the period prior to and following 31 July 2021 by verifying revenue had been recognised in the correct accounting period.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board of Governors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the the Board of Governors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Other information**

The Board of Governors is responsible for the other information, which comprises the Strategic Report and the Corporate Governance Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Strategic Report and the Corporate Governance Report, is consistent with the financial statements.

**Board of Governors responsibilities**

As explained more fully in their statement set out on the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF THE ARTS UNIVERSITY BOURNEMOUTH  
(continued)****Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Instrument and articles of government;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

**Matters on which we are required to report by exception**

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in note 9b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in notes 1 and 2 to the financial statements has been materially misstated.

We have nothing to report in these respects.

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Board of Governors and 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

**Mark Dawson (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Gateway House

Tollgate

Chandlers Ford

SO53 3TG

2 February 2022

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE  
YEAR ENDED 31 JULY 2021**

	Notes	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	32,594	32,594	33,477	33,477
Funding body grants	2	2,786	2,786	2,557	2,557
Other income	3	5,678	5,661	6,941	6,908
Investment income	4	16	6	66	52
Donations and endowments	5	32	-	46	-
<b>Total income</b>		<u>41,106</u>	<u>41,047</u>	<u>43,087</u>	<u>42,994</u>
<b>Expenditure</b>					
Staff costs	6	22,164	22,164	21,271	21,271
Fundamental restructuring costs	6	110	110	120	120
Other operating expenses	7	15,525	15,647	14,863	14,933
Depreciation	11	5,717	5,542	5,416	5,241
Interest and other finance costs	8	1,842	1,842	1,793	1,793
<b>Total expenditure</b>	9	<u>45,358</u>	<u>45,305</u>	<u>43,463</u>	<u>43,358</u>
<b>(Deficit) before other gains</b>		<b>(4,252)</b>	<b>(4,258)</b>	<b>(376)</b>	<b>(364)</b>
Gain / (Loss) on investments	13	99	-	(42)	-
<b>(Deficit) before tax</b>		<u>(4,153)</u>	<u>(4,258)</u>	<u>(418)</u>	<u>(364)</u>
Taxation	10	(20)	-	(15)	-
<b>(Deficit) for the year</b>		<u>(4,173)</u>	<u>(4,258)</u>	<u>(433)</u>	<u>(364)</u>
Actuarial (loss) in respect of pension schemes	25	(499)	(499)	(9,568)	(9,568)
<b>Total comprehensive expenditure for the year</b>		<u><b>(4,672)</b></u>	<u><b>(4,757)</b></u>	<u><b>(10,001)</b></u>	<u><b>(9,932)</b></u>
Represented by:					
Endowment comprehensive income / (expenditure) for the year		115	-	(18)	-
Unrestricted comprehensive (expenditure) for the year		(4,405)	(4,413)	(9,600)	(9,587)
Revaluation reserve comprehensive (expenditure) for the year		(382)	(344)	(383)	(345)
		<u><b>(4,672)</b></u>	<u><b>(4,757)</b></u>	<u><b>(10,001)</b></u>	<u><b>(9,932)</b></u>

All items of income and expenditure relate to continuing activities

**CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES  
YEAR ENDED 31 JULY 2021**

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2019</b>	<b>638</b>	<b>22,551</b>	<b>25,589</b>	<b>48,778</b>
(Deficit) from the I&E statement	(18)	(415)	-	(433)
Other comprehensive expenditure	-	(9,568)	-	(9,568)
Transfers between revaluation and I&E reserve	-	383	(383)	-
<b>Total comprehensive (expenditure) for the year</b>	<b>(18)</b>	<b>(9,600)</b>	<b>(383)</b>	<b>(10,001)</b>
<b>Balance at 1 August 2020</b>	<b>620</b>	<b>12,951</b>	<b>25,206</b>	<b>38,777</b>
Surplus / (Deficit) from the I&E statement	115	(4,288)	-	(4,173)
Other comprehensive expenditure	-	(499)	-	(499)
Transfers between revaluation and I&E reserve	-	382	(382)	-
<b>Total comprehensive income / (expenditure) for the year</b>	<b>115</b>	<b>(4,405)</b>	<b>(382)</b>	<b>(4,672)</b>
<b>Balance at 31 July 2021</b>	<b>735</b>	<b>8,546</b>	<b>24,824</b>	<b>34,105</b>

University	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2019</b>	-	<b>23,407</b>	<b>24,784</b>	<b>48,191</b>
(Deficit) from the I&E statement	-	(364)	-	(364)
Other comprehensive expenditure	-	(9,568)	-	(9,568)
Transfers between revaluation and I&E reserve	-	345	(345)	-
<b>Total comprehensive (expenditure) for the year</b>	<b>-</b>	<b>(9,587)</b>	<b>(345)</b>	<b>(9,932)</b>
<b>Balance at 1 August 2020</b>	-	<b>13,820</b>	<b>24,439</b>	<b>38,259</b>
Deficit from the I&E statement	-	(4,258)	-	(4,258)
Other comprehensive expenditure	-	(499)	-	(499)
Transfers between revaluation and I&E reserve	-	344	(344)	-
<b>Total comprehensive expenditure for the year</b>	<b>-</b>	<b>(4,413)</b>	<b>(344)</b>	<b>(4,757)</b>
<b>Balance at 31 July 2021</b>	<b>-</b>	<b>9,407</b>	<b>24,095</b>	<b>33,502</b>

**CONSOLIDATED AND UNIVERSITY BALANCE SHEET  
AS AT 31 JULY 2021**

	Notes	As at 31 July 2021		As at 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	11	110,466	106,441	109,625	105,425
Investments	13	719	-	609	-
		<u>111,185</u>	<u>106,441</u>	<u>110,234</u>	<u>105,425</u>
<b>Current assets</b>					
Trade and other receivables	14	1,082	3,395	944	3,525
Cash and cash equivalents	19	8,392	8,325	3,793	3,757
		9,474	11,720	4,737	7,282
Less: Creditors: amounts falling due within one year	15	(22,081)	(21,849)	(15,700)	(15,639)
<b>Net current (liabilities)/assets</b>		<u>(12,607)</u>	<u>(10,129)</u>	<u>(10,963)</u>	<u>(8,357)</u>
<b>Total assets less current liabilities</b>		<u>98,578</u>	<u>96,312</u>	<u>99,271</u>	<u>97,068</u>
Creditors: amounts falling due after more than one year	16	(29,648)	(28,003)	(29,397)	(27,732)
<b>Provisions</b>					
Pension provisions	25	(34,807)	(34,807)	(31,077)	(31,077)
Other provisions	17	(18)	-	(20)	-
<b>Total net assets</b>		<u><b>34,105</b></u>	<u><b>33,502</b></u>	<u><b>38,777</b></u>	<u><b>38,259</b></u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	18	735	-	620	-
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted:					
Income and expenditure account		43,353	44,214	44,028	44,897
Pension reserve		<u>(34,807)</u>	<u>(34,807)</u>	<u>(31,077)</u>	<u>(31,077)</u>
		8,546	9,407	12,951	13,820
Revaluation reserve		24,824	24,095	25,206	24,439
<b>Total Reserves</b>		<u><b>34,105</b></u>	<u><b>33,502</b></u>	<u><b>38,777</b></u>	<u><b>38,259</b></u>

The financial statements were approved by the Governing Body on 27 January 2022 and were signed on its behalf by:

**Dorothy Mackenzie**

 Chair of the Board of Governors
   
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**Professor Paul Gough**

 Principal and Vice-Chancellor
   
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**Mary O'Sullivan**

 Director of Finance
   
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**CONSOLIDATED STATEMENT OF CASH FLOW  
YEAR ENDED 31 JULY 2021**

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year		(4,173)	(433)
<b>Adjustment for non-cash items</b>			
Depreciation	11	5,717	5,416
(Gain) / Loss on investments	18	(99)	42
(Increase) in debtors	14	(138)	(179)
Increase / (Decrease) in creditors	15	1,122	(1,520)
Difference between pension charges and cash contributions	25	3,231	2,282
(Decrease) in other provisions	17	(2)	(2)
<b>Adjustment for investing or financing activities</b>			
Investment income	4	(16)	(66)
Interest payable	8	1,393	1,375
Endowment income	5	(32)	(46)
Loss on disposal of fixed assets		-	-
Capital grant income		(210)	(201)
<b>Net cash inflow from operating activities</b>		<u>6,793</u>	<u>6,668</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of investments		-	35
Investment income		6	52
Capital grants received		1,610	849
Payments made to acquire fixed assets		(6,558)	(21,181)
		<u>(4,942)</u>	<u>(20,245)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(302)	(266)
Interest element of finance lease		(1,091)	(1,109)
Endowment cash received		32	46
New unsecured loans		5,112	8,051
Repayments of amounts borrowed		(736)	(731)
Capital element of finance lease		(267)	(360)
		<u>2,748</u>	<u>5,631</u>
<b>Increase / (Decrease) in cash and cash equivalents in the year</b>		<u><u>4,599</u></u>	<u><u>(7,946)</u></u>
Cash and cash equivalents at beginning of the year		3,793	11,739
Cash and cash equivalents at end of the year	19	<u><u>8,392</u></u>	<u><u>3,793</u></u>

## STATEMENT OF ACCOUNTING POLICIES

### Statement of compliance

The Consolidated and University financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

### Basis of preparation

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

In preparing the financial statements and the continued use of the going concern assumption, the Governors have considered the expected financial performance for the financial years ending 31 July 2022 and 31 July 2023 taking into account expected trading performance and the principal risks and uncertainties as set out in the Strategic Report, including the impact of the COVID-19 pandemic on its operations. The budgets for 2021/22 have been confirmed as the number of new enrolling students has been higher than anticipated especially International enrolments. The challenge ahead is the retention of these students in their chosen studies, the delivery of teaching that meets their learning aims and the enhancement in student satisfaction by creatively using blended learning. A continuing risk for 2022/23 is the reduction of European Union students following Brexit and plans are in hand to boost UK recruitment and take advantage of the demographic upturn.

As at 31 July 2022 the University had a loan facility of £20m with the HSBC of which only £13m was drawn in spite having incurred £27.6m of costs on the project to which the loan relates. The Institution therefore has adequate finance and liquidity to maintain its operations during the uncertain conditions caused by the pandemic. However, the Governors acknowledge that the unprecedented level of uncertainty caused by COVID-19 and rapidly changing circumstances mean that the judgements and estimates made in the operation of budgets and forecasts are more challenging than under normal circumstances. The Governors have considered various scenarios from recruiting fewer students to higher inflation and pay awards and are assured that the institution would still have sufficient reserves and cash flow to continue operating.

After considering all of the above factors, the Board of Governors has a reasonable expectation that the Institution has sufficient access to adequate resources to continue in operational existence for the foreseeable future, and for at least the period of twelve months following the date of approval of the financial statements. The Governors therefore consider it appropriate to continue to adopt the going concern principle in preparing the financial statements.

### 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.

**STATEMENT OF ACCOUNTING POLICIES (continued)**
**Income recognition**

Income from contracts and other services rendered is recognised in the Consolidated Statement of Comprehensive Income and Expenditure to the extent of the completion of the contract or service concerned.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

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

**Grant funding**

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

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

**Donations and endowments**

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

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

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or restrictions applied to the individual endowment fund.

**Capital grants**

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

**Operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

**STATEMENT OF ACCOUNTING POLICIES (continued)**
**Tangible fixed assets**

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on transition to FRS 102 are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

**a. Freehold land and buildings**

Land and buildings are included in the balance sheet at deemed cost to the company. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their useful economic life as follows:

Structure	– useful economic life as determined by the valuers, the average being 78 years
Fit out	– 10 years
Plant and machinery	– 15 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:

Computer equipment	– 3 years
Other equipment	– 5 to 10 years
Furniture	– 10 years

**Finance leases**

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

**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.

**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.

**Borrowing costs**

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

**STATEMENT OF ACCOUNTING POLICIES (continued)**
**Pension schemes**

The two principal pension schemes for the University's staff are the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS), both of which are defined benefit schemes.

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

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

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

**Employee benefits**

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

**Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 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 in the same way as any other commercial organisation.

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

**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.

**STATEMENT OF ACCOUNTING POLICIES (continued)**
**Foreign currency**

The functional currency of the group is Sterling. Transactions in foreign currencies are translated to the respective functional currency of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

**Cash and cash equivalents**

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

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

**Reserves**

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

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2021**

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Higher education				
UK and EU students	27,288	27,288	26,799	26,799
Non EU students	4,673	4,673	5,198	5,198
Further education				
UK and EU students	370	370	864	864
Non EU students	263	263	616	616
	<b>32,594</b>	<b>32,594</b>	<b>33,477</b>	<b>33,477</b>
<b>2 Funding body grants</b>				
Recurrent grants				
Office for Students	1,090	1,090	1,197	1,197
Education and Skills Funding Agency	1,137	1,137	917	917
Specific grants				
Office for Students	453	453	317	317
Education and Skills Funding Agency	-	-	-	-
Capital grants				
Office for Students	95	95	120	120
Education and Skills Funding Agency	7	7	7	7
Access funding				
Education and Skills Funding Agency	4	4	(1)	(1)
	<b>2,786</b>	<b>2,786</b>	<b>2,557</b>	<b>2,557</b>
<b>3 Other income</b>				
Residences, catering and conferences	4,616	4,616	5,410	5,410
Other services rendered	7	2	246	225
Other income	947	954	1,211	1,218
Other capital grants	108	89	74	55
	<b>5,678</b>	<b>5,661</b>	<b>6,941</b>	<b>6,908</b>
<b>4 Investment income</b>				
Investment income on endowments	10	-	14	-
Other investment income	6	6	52	52
	<b>16</b>	<b>6</b>	<b>66</b>	<b>52</b>

**Note The source of grant and fee income, included in notes 1 to 2 is as follows:**

**Grant and Fee income**

Grant income from the OfS	1,638	1,638	1,634	1,634
Grant income from other bodies	1,148	1,148	923	923
Fee income for research awards (exclusive of Vat)	-	-	-	-
Fee income from non-qualifying courses (exclusive of Vat)	633	633	1,480	1,480
Fee income for taught awards (exclusive of Vat)	31,961	31,961	31,997	31,997
	<b>35,380</b>	<b>35,380</b>	<b>36,034</b>	<b>36,034</b>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Donations and endowments</b>				
Unrestricted donations	32	-	46	-
	<u>32</u>	<u>-</u>	<u>46</u>	<u>-</u>
<b>6 Staff costs</b>				
Salaries	15,232	15,232	15,315	15,315
Social security costs	1,543	1,543	1,542	1,542
Other pension costs: Local Government Pension Scheme	3,826	3,826	2,895	2,895
Teachers' Pension Scheme	1,563	1,563	1,519	1,519
	<u>22,164</u>	<u>22,164</u>	<u>21,271</u>	<u>21,271</u>
			<b>2021</b>	<b>2020</b>
Fundamental restructuring costs			£	£
Compensation for loss of office			110	120
Number of individuals to whom redundancy payments were made			<u>5</u>	<u>3</u>
			<b>2021</b>	<b>2020</b>
Emoluments of the Vice-Chancellor, Paul Gough:			£	£
Salary			225,000	131,250
Salary in lieu of pension contributions			46,819	27,311
Pension costs			-	-
Benefits			<u>2,877</u>	<u>-</u>
			<u>274,696</u>	<u>158,561</u>
The Vice Chancellor takes responsibility for his own life assurance and pension arrangements.				
Emoluments of the Vice-Chancellor, Stuart Bartholomew, 1 August 2019 to 31 March 2020:			£	£
Salary			-	132,386
Salary in lieu of pension contributions			-	26,500
Pension costs			-	-
Benefits			<u>-</u>	<u>6,982</u>
			<u>-</u>	<u>165,868</u>
The former Vice-Chancellor took responsibility for his own life assurance and pension arrangements.				
The pay ratios are:			<b>Times</b>	<b>Times</b>
Vice-Chancellor's salary to the median for staff			7.06	7.89
Vice-Chancellor's total remuneration to the median for staff			7.23	8.39

The Vice-Chancellor's pay ratios are computed by reference to the median salary and total remuneration paid to the University's staff calculated on a full time equivalent basis respectively.

The Vice-Chancellor's salary and total remuneration is determined by the Remuneration Committee which is comprised totally of independent members of the Board of Governors. In deciding the remuneration for the Vice Chancellor, the Committee annually considers:

- Comparative data of equivalent role from the UCEA annual survey of compensation paid to senior staff, within post 92 institutions with income of £24-£70 million
- Internal compensation equity to other AUB Senior Postholders
- Organisational and individual performance against objectives as agreed with the Chair of the Board
- The HE Sector national pay negotiations outcome from the 2021-22 New JNCHES negotiation process
- The extraordinary circumstances of the previous year and the University's success in recruitment and retention

The Board of Governors is confident that the Vice Chancellor's remuneration represents good value for money.

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31 JULY 2021**

**6 Staff costs (continued)**

	<b>31 July 2021</b>	<b>31 July 2020</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments of key management personnel:		
Salary and benefits	1,357	1,435
Pension costs	138	138
	<u>1,495</u>	<u>1,573</u>

Key management personnel were the University's Integrated Leadership Team.

	<b>No.</b>	<b>No.</b>
Basic Salary of higher paid staff, excluding employer's pension contributions:		
£115,000 to £119,999	-	1
£130,000 to £134,999	1	3
£225,000 to £229,999	1	-
	<u>2</u>	<u>4</u>

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Average staff numbers by major category :		
Teaching departments	245	241
Teaching support services	11	9
Library	12	13
Other support services	29	27
Administration and central services	93	96
General education	4	4
Income generating activities	12	16
	<u>406</u>	<u>406</u>

	<b>£'000</b>	<b>£'000</b>
Access and Participation		
Access Investment	153	209
Financial Support	-	-
Disability Support	198	155
Research and Evaluation	-	-
	<u>351</u>	<u>364</u>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Other operating expenses</b>				
Teaching departments	2,118	2,118	2,712	2,712
Teaching support services	1,792	1,789	1,564	1,562
Other support services	390	390	92	92
Administration and central services	2,246	2,462	2,157	2,362
General education expenditure	460	460	604	604
Premises costs	3,682	3,607	2,634	2,515
Planned maintenance	248	248	383	383
Grants to Student Union	165	165	127	127
Other income generating activities	7	-	7	-
External auditor's remuneration - Audit fees	47	38	41	34
External auditor's remuneration - Other fees	-	-	-	-
Internal auditor's remuneration - Audit fees	29	29	28	28
Operating lease rentals plant/machinery	58	58	71	71
Operating lease rentals land and buildings	3,853	3,853	3,018	3,018
Catering and residencies	430	430	1,425	1,425
	<b>15,525</b>	<b>15,647</b>	<b>14,863</b>	<b>14,933</b>

Reimbursements to governors and trustees for the expenditure incurred in attending Board meetings amounted to £1,260 (2020: £6,470), of which £330 was outstanding at 31 July 2021. No governor received any remuneration from the group in the performance of their role as trustee, other than the Vice-Chancellor whose remuneration is detailed in Note 6.

**8 Interest and other finance costs**

Loan interest	302	302	266	266
Finance lease interest	1,091	1,091	1,109	1,109
Net charge on pension scheme	449	449	418	418
	<b>1,842</b>	<b>1,842</b>	<b>1,793</b>	<b>1,793</b>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9a Analysis of total expenditure by activity</b>				
Academic and related expenditure	20,144	20,142	20,147	20,146
Administration and central services	9,766	9,971	8,920	9,117
Premises	9,715	9,466	8,367	8,074
Residences, catering and conferences	5,175	5,175	5,373	5,373
Other operating expenses	558	551	656	648
	<u>45,358</u>	<u>45,305</u>	<u>43,463</u>	<u>43,358</u>
Other operating expenses include:				
External auditors fees in respect of audit services	47		41	
External auditors fees in respect of non-audit services	-		-	
Operating lease rentals:				
Land and buildings	3,853		3,018	
Other	58		71	
Fundamental restructuring costs	<u>110</u>		<u>120</u>	
<b>9b Access and Participation</b>				
Access Investment	617	617	852	852
Financial Support	575	575	271	271
Disability Support	207	207	177	177
Research and Evaluation	31	31	17	17
	<u>1,430</u>	<u>1,430</u>	<u>1,317</u>	<u>1,317</u>
£351k (2020: £364k) of these costs are already included in the overall staff costs figures included in the financial statements, see note 6				
The University's published access and participation plan is available at		<a href="https://www.aub.ac.uk/app">Arts University Bournemouth APP 2020-21 (aub.ac.uk)</a>		
<b>10 Taxation</b>				
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense	22	-	14	-
Adjustment in respect of previous years	-	-	1	-
Current tax expense	<u>22</u>	<u>-</u>	<u>15</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax expense	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax expense	<u>20</u>	<u>-</u>	<u>15</u>	<u>-</u>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

<b>11 Fixed Assets</b>	<b>Land and Buildings</b>	<b>Assets under Construction</b>	<b>Computer Equipment</b>	<b>Furniture and Equipment</b>	<b>Total</b>
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>					
At 1 August 2020	98,563	27,526	7,743	10,326	144,158
Additions	-	5,792	611	155	6,558
Transfers	27,640	(27,640)			-
Disposals	-	-	-	-	-
<b>At 31 July 2021</b>	<b>126,203</b>	<b>5,678</b>	<b>8,354</b>	<b>10,481</b>	<b>150,716</b>
<b>Depreciation</b>					
At 1 August 2020	19,886	-	6,639	8,008	34,533
Charge for the year	4,181	-	763	773	5,717
Disposals	-	-	-	-	-
<b>At 31 July 2021</b>	<b>24,067</b>	<b>-</b>	<b>7,402</b>	<b>8,781</b>	<b>40,250</b>
<b>Net book value</b>					
<b>At 31 July 2021</b>	<b>102,136</b>	<b>5,678</b>	<b>952</b>	<b>1,700</b>	<b>110,466</b>
At 31 July 2020	78,677	27,526	1,104	2,318	109,625
<b>University</b>					
<b>Cost or valuation</b>					
At 1 August 2020	93,114	27,525	7,076	10,020	137,735
Additions	-	5,792	611	155	6,558
Transfers	27,640	(27,640)			-
Disposals	-	-	-	-	-
<b>At 31 July 2021</b>	<b>120,754</b>	<b>5,677</b>	<b>7,687</b>	<b>10,175</b>	<b>144,293</b>
<b>Depreciation</b>					
At 1 August 2020	18,638	-	5,955	7,717	32,310
Charge for the year	4,006	-	763	773	5,542
Disposals	-	-	-	-	-
<b>At 31 July 2021</b>	<b>22,644</b>	<b>-</b>	<b>6,718</b>	<b>8,490</b>	<b>37,852</b>
<b>Net book value</b>					
<b>At 31 July 2021</b>	<b>98,110</b>	<b>5,677</b>	<b>969</b>	<b>1,685</b>	<b>106,441</b>
At 31 July 2020	74,476	27,525	1,121	2,303	105,425

On transition to FRS102 the deemed cost approach was adopted.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

**11 Fixed Assets (continued)**

A full valuation of the University's land and buildings was carried out on 31 July 2014 by independent valuers Gerald Eve.

Buildings have been acquired with the assistance of capital grants from OfS (formerly HEFCE) which are deemed to be financed from Exchequer funds. Were these assets to be sold in the event of insolvency, the University, as part of its funding conditions with the OfS (formerly HEFCE) may have to surrender the written down value of the capital grants being £1.7m from the sale proceeds.

Included in the net book value of Land and Buildings are assets held under finance leases with a net book value of £11.0m (2020: £12.2m), on which £1.2m of depreciation is charged annually.

**12 Heritage Assets**

The University holds its heritage assets in two collections:

The Museum of Design in Plastic consists of almost 14,000 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](http://www.modip.ac.uk). The collection has never been formally 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 2021**
**13 Non-Current Investments**

<b>Consolidated</b>	<b>Subsidiary companies £'000</b>	<b>Other fixed asset investments £'000</b>	<b>Total £'000</b>
<b>At 1 August 2020</b>	-	609	609
Additions to investments at cost	-	11	11
Sale of Investments	-	-	-
Gain on revaluation	-	99	99
<b>At 31 July 2021</b>	<u>-</u>	<u>719</u>	<u>719</u>

Non-current investments have been valued at market value.

**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. AUB Services Limited is a dormant company. The principal activity of AUB Enterprises Limited has been to provide accommodation for University staff from its parent institution, the Arts University Bournemouth and to third party clients associated with the creative industries.

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 the 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 £620k, income and resources for the year of £115k and closing reserves of £735k.

**14 Trade and other receivables**

	<b>Year ended 31 July 2021</b>		<b>Year ended 31 July 2020</b>	
	<b>Consolidated £'000</b>	<b>University £'000</b>	<b>Consolidated £'000</b>	<b>University £'000</b>
Due in one year:				
Trade receivables	269	269	130	130
Other receivables	163	163	197	197
Prepayments and accrued income	650	650	617	605
Amounts due from subsidiary companies	-	2,313	-	2,593
	<u>1,082</u>	<u>3,395</u>	<u>944</u>	<u>3,525</u>

The amounts due from subsidiary companies includes a £2.29m intercompany balance with AUB Enterprises Ltd. This amount relates to the costs incurred in refurbishing and extending the company's building.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>15 Creditors : amounts falling due within one year</b>				
Unsecured loans	13,767	13,767	8,724	8,724
Obligations under finance leases	585	585	412	412
Trade payables	308	308	944	944
Social security and other taxation payable	932	738	701	673
Other creditors	201	201	329	329
Accruals and deferred income	5,736	5,717	4,096	4,082
Amounts owed to Funding Councils	245	245	230	230
Deferred capital grants	307	288	264	245
	<b>22,081</b>	<b>21,849</b>	<b>15,700</b>	<b>15,639</b>
<b>16 Creditors : amounts falling due after more than one year</b>				
Deferred capital grants	6,357	4,712	5,000	3,335
Obligations under finance lease	16,502	16,502	16,942	16,942
Unsecured loans	6,789	6,789	7,455	7,455
	<b>29,648</b>	<b>28,003</b>	<b>29,397</b>	<b>27,732</b>
<b>Analysis of secured and unsecured loans:</b>				
<b>Due within one year or on demand (Note 15)</b>	<b>14,352</b>	<b>14,352</b>	<b>9,136</b>	<b>9,136</b>
Due between one and two years	1,153	1,153	1,213	1,213
Due between two and five years	5,093	5,093	3,499	3,499
Due in five years or more	17,045	17,045	19,685	19,685
<b>Due after more than one year</b>	<b>23,291</b>	<b>23,291</b>	<b>24,397</b>	<b>24,397</b>
<b>Total secured and unsecured loans</b>	<b>37,643</b>	<b>37,643</b>	<b>33,533</b>	<b>33,533</b>
<b>17 Provisions for liabilities</b>		<b>Defined Benefit Pension Obligations (Note 24) £'000</b>	<b>Deferred tax £'000</b>	<b>Total Other £'000</b>
<b>Consolidated</b>				
At 1 August 2020		31,077	20	<b>31,097</b>
Utilised in year		(553)	(2)	<b>(555)</b>
Additions in 2020/21		4,283	-	<b>4,283</b>
<b>At 31 July 2021</b>		<b>34,807</b>	<b>18</b>	<b>34,825</b>
<b>University</b>				
At 1 August 2020		31,077	-	<b>31,077</b>
Utilised in year		(553)	-	<b>(553)</b>
Additions in 2019/20		4,283	-	<b>4,283</b>
<b>At 31 July 2021</b>		<b>34,807</b>	<b>-</b>	<b>34,807</b>

Deferred tax represents timing differences on depreciation charged and capital allowances claimed within the subsidiary AUB Enterprises Limited

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021

18 Endowment Reserves

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	2021 Total £'000	2020 Total £'000
<b>Balances at 1 August 2020</b>				
Capital	22	661	683	679
Accumulated income	20	(83)	(63)	(41)
	<u>42</u>	<u>578</u>	<u>620</u>	<u>638</u>
New endowments	-	32	32	46
Investment income	1	10	11	14
Expenditure	-	(27)	(27)	(36)
Increase / (Decrease) in market value of investments	-	99	99	(42)
	<u>1</u>	<u>114</u>	<u>115</u>	<u>(18)</u>
<b>Total endowment comprehensive income / (expenditure) income for the year</b>				
<b>At 31 July 2021</b>	<u><u>43</u></u>	<u><u>692</u></u>	<u><u>735</u></u>	<u><u>620</u></u>
<b>Represented by:</b>				
Capital	22	792	814	683
Accumulated income	21	(100)	(79)	(63)
	<u>43</u>	<u>692</u>	<u>735</u>	<u>620</u>
<b>Analysis by type of purpose:</b>				
Scholarships and bursaries	24	53	77	61
Prize funds	-	3	3	4
General	19	636	655	555
	<u>43</u>	<u>692</u>	<u>735</u>	<u>620</u>
<b>Analysis by asset and liability:</b>				
Current and non-current asset investments			719	609
Accrued Income			-	12
Cash & cash equivalents			53	21
Current liabilities			(37)	(22)
			<u>735</u>	<u>620</u>
<b>19 Cash and cash equivalents</b>				
	<b>At 1st August 2020 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31st July 2021 £'000</b>	
Consolidated				
Cash and cash equivalents	3,793	4,599	8,392	
	<u><u>3,793</u></u>	<u><u>4,599</u></u>	<u><u>8,392</u></u>	

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

<b>20 Consolidated reconciliation of net debt</b>	<b>31 July 2021</b>	
	<b>£'000</b>	
<b>Net debt 1 August 2020</b>	<b>29,740</b>	
Movement in cash and cash equivalents	4,599	
Other non-cash changes	(5,088)	
<b>Net debt 31 July 2021</b>	<b>29,251</b>	
<b>Change in net debt</b>	<u><u>(489)</u></u>	
<b>Analysis of net debt:</b>	<b>31 July 2021</b>	<b>31 July 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>	<b>8,392</b>	<b>3,793</b>
<b>Borrowings: amounts falling due within one year</b>		
Unsecured loans	13,767	8,724
Obligations under finance leases	585	412
	<u>14,352</u>	<u>9,136</u>
<b>Borrowings: amounts falling due after more than one year</b>		
Obligations under finance lease	16,502	16,942
Unsecured loans	6,789	7,455
	<u>23,291</u>	<u>24,397</u>
<b>Net debt</b>	<u><u>29,251</u></u>	<u><u>29,740</u></u>

**21 Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2021:

	31 July 2021		31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	1,053	1,053	3,470	3,470
	<u>1,053</u>	<u>1,053</u>	<u>3,470</u>	<u>3,470</u>

**22 Contingent liabilities**

The University has given written undertakings to support its 100% owned subsidiary, AUB Enterprises Limited, for twelve months from the date of approval of these financial statements.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**

**23 Lease obligations**

Total rentals payable under operating leases:

	<b>31 July 2021</b>		<b>31 July 2020</b>	
	<b>Land and Buildings</b>	<b>Plant and Machinery</b>	<b>Total</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Payable during the year</b>	3,853	58	3,911	3,089
<b>Future minimum lease payments due:</b>				
Not later than 1 year	3,859	38	3,897	4,014
Later than 1 year and not later than 5 years	7,776	31	7,807	1,034
Later than 5 years	133	-	133	-
<b>Total lease payments due</b>	<u>11,768</u>	<u>69</u>	<u>11,837</u>	<u>5,048</u>

**24 Related Party Transactions**

Due to the nature of the University's operations and the composition of the Governing Board, some of whose members are drawn from local public and private sector organisations, it is possible that the University may undertake transactions with organisations in which a member of the Governing Board may have an interest. Any such transactions are conducted at arm's length in accordance with the University's financial regulations.

The following transactions were identified under FRS102:

- payment of a grant for £165k to the Arts University Bournemouth Students' Union the president of which is a Board Governor. In addition a further £155k was spent on staff employed by the University but directed by the Student Union officers. This is a total contribution of £320k ; and
- details of transactions with the Teachers' Pension Scheme and Local Government Pension Scheme are set out in note 25 of the accounts
- transactions totalling £5k took place with Kortex Ltd, a company of which the governor James Gray has been a director during the year. There were no amounts outstanding at the year end.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**
**25. Pension Schemes**

Different categories of staff were eligible to join one of two different schemes:

- Teachers' Pension Scheme (TPS)
- Local Government Pension Scheme (LGPS)

Both schemes are defined-benefit schemes, the assets of which are held in separate trustee administered funds.

The total pension cost for the group was:	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme	1,563	1,519
Local Government Pension Scheme	3,826	2,895
	<hr/>	<hr/>
	5,389	4,414
	<hr/>	<hr/>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2019.

Contributions owing at 31 July 2021 were £313,510 (2020: £285,870) and have been included within creditors.

**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.

Under the definitions set out in the FRS102(28.11), the TPS is a multi-employer pension scheme and the University is unable to identify its share of the underlying assets and liabilities and as a result, contributions to the scheme are accounted for as if the scheme was a defined contribution scheme.

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 2016 and the valuation report was published by the Department for Education in April 2019. The key elements of the valuation and the subsequent consultation are:

- With effect from 1 September 2019 employer contribution rates set at 23.68% of pensionable pay including a 0.08% employer administration charge
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion
- 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%

The TPS valuation for 2016 determined an employer rate of 23.68% from September 2019, to be payable during the implementation period until the next valuation as at March 2020, whereupon the employer contribution rate is expected to be reassessed and will be payable from April 2022.

The pension costs paid to the TPS in the year amounted to £1,563,000 (2020: £1,519,000).

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**
**25. Pension Schemes (continued)**
**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 2019 and the proportion of members' accrued benefits covered by the actuarial value of the assets was 98%. The payment of a deficit recovery lump sum of £237,000 is required over three years as the employer contribution rate has been maintained at 14.1% of pensionable salaries. The employees contribute between 5.5 – 12.5%.

Under the definitions set out in the FRS102, the LGPS is a multi-employer pension scheme. The scheme actuary is able to separately identify the institution's share of its assets and liabilities at 31 July 2021 and as such this has been reflected in the financial statements of the University.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

This year's calculation includes the impact of the McCloud / Sargeant judgement which has been a national issue. The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. However for members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection to those members.

In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ("McCloud") and the judiciary ("Sargeant") resulted in unlawful age discrimination. The implications of the ruling are therefore expected to apply to all public sector schemes including the LGPS.

The Government sought permission to appeal this decision to the Supreme Court but that permission was denied on 27 June 2019. There remains, however, considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

The Government Actuary's Department's (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on a number of assumptions.

In terms of the University, last year the actuaries Barnett Waddingham estimated the impact of the McCloud / Sargeant judgement is equivalent to 1.0% of the Employer's total liabilities and this treatment has been rolled forward and remeasured to obtain the accounting results as at 31 July 2021.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and on 13 May 2021 the Government issued a ministerial statement on the proposed remedy to be applied to LGPS benefits. Barnett Waddingham do not believe that there are any material differences between the approach underlying their estimated allowance and the proposed remedy.

In response to the ongoing reform of RPI, Barnett Waddingham have changed their approach to setting the CPI assumption: an increase in the Inflation Risk Premium and a reduction in the long-term difference between RPI and CPI. The combined impact of this change is a circa £3.7m increase to the defined benefit obligation at 31 July 2021."

**Assumptions**

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	<b>2021</b>	<b>2020</b>
	%	%
Price inflation (CPI)	2.80	2.20
Rate of salary increases	3.80	3.20
Rate of increase of pensions in payment	2.80	2.20
Discount rate	1.60	1.40
Assumed commutation rate	50	50

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**
**25. Pension Schemes (continued)**

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

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

	<b>2021 Years</b>	<b>2020 Years</b>
<b>Retiring today</b>		
Males	23.1	23.3
Females	24.6	24.8
<b>Retiring in 20 years</b>		
Males	24.4	24.7
Females	26.1	26.2

	<b>£'000</b>	<b>£'000</b>
<b>Amounts recognised in the statement of comprehensive income</b>		
Service cost	3,758	2,904
Net interest on defined liability	428	403
Administration expenses	21	15
	<u>4,207</u>	<u>3,322</u>
Actuarial loss	499	9,568
Total charge	<u>4,706</u>	<u>12,890</u>

	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Analysis of movement in the present value of the scheme liabilities</b>		
The institution's estimated assets share	29,140	24,040
Present value of the institution's scheme liabilities	(63,947)	(55,117)
	<u>(34,807)</u>	<u>(31,077)</u>

<b>Analysis of movement in the present value of the scheme liabilities</b>		
At beginning of year	55,117	43,105
Current service cost	3,758	2,778
Interest cost	771	925
Change in financial and demographic assumptions	5,324	6,276
Employee contributions	466	463
Benefit payments	(553)	(689)
Experience (gain)/loss on defined benefit obligation	(936)	2,133
Curtailements	-	126
At the end of the year	<u>63,947</u>	<u>55,117</u>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2021**
**25. Pension Schemes (continued)**
**Analysis of movement in the fair value of the scheme assets**

At beginning of year	24,040	23,878
Interest on assets	343	522
Return on assets less interest	3,889	(1,281)
Administration expenses	(21)	(15)
Other actuarial gains	-	122
Employer contributions	976	1,040
Employee contributions	466	463
Benefit payments	(553)	(689)
At the end of the year	<u>29,140</u>	<u>24,040</u>

The estimated value of employer contributions for the year ended 31 July 2022 is £1,054,000.

The institution's share of assets in the scheme and expected rates of return were:

	<b>Fair value 2021 £'000</b>	<b>Fair value 2020 £'000</b>
Equities	15,866	12,385
Gilts	3,432	2,894
Cash	405	249
Other bonds	1,652	1,907
Diversified growth fund	1,961	1,376
Secured Income Funds	-	129
Property	2,604	2,383
Infrastructure	1,826	1,631
Multi Asset Credit	<u>1,394</u>	<u>1,086</u>
	<u>29,140</u>	<u>24,040</u>

The actual return on scheme assets was £4,232,000 for 2021 compared to that of £(759,000) for 2020.