



ARTS UNIVERSITY BOURNEMOUTH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

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GOVERNORS of the University who served on the BOARD in 2019-20 and up until the signature of the accounts or were appointed after the year end

Name	Area of Principal Expertise	Committee Membership at date of signing accounts
Dorothy Mackenzie MA Chair (appointed to the Board 1 August 2020, Chair from 16 September 2020)	Branding & Environment	Finance & Resources; Human Resources Remuneration; Search & Governance
Michael Gibson – Vice Chairman	Information Technology	Finance & Resources; Remuneration: Search & Governance
Professor Paul Gough MA (appointed 1 January 2020)	Principal and Vice-Chancellor	Finance & Resources; Human Resources; Search & Governance
Michael Clarke LLB	Legal	Audit & Risk; Remuneration; Search & Governance
Dr Bryony Conway PhD	Higher Education	Audit & Risk; Human Resources
Prue Keely Davies MA	Media, Charity & Governance`	Human Resources; Audit & Risk; Search & Governance; Remuneration
James Gray (appointed 16 April 2020)	Digital Learning	Finance & Resources
Muna Hagler MSc ACA (appointed 10 October 2019)	Publishing	Finance & Resources
Louise Hall BA (appointed 2 July 2020)	AUBSU Student Governor	Human Resources
Stephen Hocking BA (appointed 1 August 2020)	Legal	Audit & Risk
Valerie Lodge MA	AUB Professional Services Staff	Finance & Resources
Robert McClatchey MA ACA	Banking & Accountancy	Audit & Risk
Gerard Moran PhD	Higher Education	Audit & Risk; Remuneration
Tim Newman LLB ACA	Health & Accountancy	Finance & Resources; Human Resources
Kevin Purcell BBS (appointed 15 September 2020)	Human Relations	Human Resources
Dr Amanda Stephenson PhD	AUB Academic Staff	Human Resources
Claire Whitaker OBE MA	Music & Cultural Producer	Audit & Risk
Jon Renyard MPhil	University Secretary	

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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 seven 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.

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 2019 - 20 distributed over £320k in funding to eligible students which was below that predicted in the Access and Participation Plan for financial support for 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 3,246 undergraduates, 164 taught postgraduates and 10 research postgraduates from the UK, EU and Overseas, an additional 378 Further Education students as well as 1,184 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.
- Enhanced support for periodic review activities, with the Academic Practice and Development Manager (APDM) providing support for lecturers involved, alongside support for innovative delivery of planned shared units across level 4 courses.
- Created, in response to the COVID-19 crisis, a curated 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.
- A new, fully online pre-sessional course for international students has been designed and delivered by the English for Academic Purposes Team, alongside the APDM.
- In-course support workshops for the development of student academic literacies continued to be rolled out by the Study Skills team and now cover 21 out of 23 subject areas (last year 18 were covered).
- Built upon analysis of last year's 'Inclusivity Template' (which course leaders used to analyse their courses) to develop inclusive teaching and learning at AUB. Though planned face-to-face workshops on developing more inclusive curricula had to be postponed due to the campus shutdown, associated resources and toolkits have been curated and shared via the Inclusivity page on the AUB intranet. The library have 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.
- 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.

STRATEGIC REPORT (continued)
1.1 Teaching (continued)

- Dedicated capital investment to upgrade course space for the new split courses Costume and Performance Design and Film Costume.
- Retained the TEF GOLD rating by DfE/OfS for outstanding teaching and learning; and following an inspection by OFSTED of the university's further education provision was awarded 'Outstanding'.

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 which underlines our commitment to widening participation and fair access and incorporates eligibility for AUB bursary support.
- 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.
- Developed an approved Access and Participation Plan for 2020-235, in accordance with the conditions of registration with the OfS while taking account of AUB's strategic developments. 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.
- 420 enrolments to Saturday Art School, including 8% from disadvantaged backgrounds who received concessionary/complimentary places.
- 779 undergraduate students from the lowest socio-economic groups who receive full maintenance loans and are eligible for financial support.
- Portfolio advice days and Summer Schools for students from local schools from under-represented groups.
- Taster Days for students from schools with lower GCSE achievements, leading to increased applications from these groups.
- 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.
- *Theatre in Education 'Choices' which had been devised by AUB was delivered across the region through the NCOP SUN.*
- *CPD specialist workshops for arts teachers across the region attracted in excess of 100 delegates.*

1.3 Research and Knowledge Transfer

- The new Creative Learning Plan (2018 onwards) sets out the University's objectives in support of establishing an appropriate and effective, research, enterprise and knowledge transfer environment reflective of the research ambitions of AUB's staff and students. In support of this, an institutional repository, Arts University Bournemouth Research Excellence and Impact (AUBREI) was set up to showcase the research taking place at the University. Work also continued in support of submission to the next Research Excellence Framework exercise (REF 2021), put back until March 2021 because of COVID-19. The Code of Practice was revised to reflect the change of submission date. A number of 'REF ready' workshops took place during the summer to help staff in developing contextual information in support of their practice-based outputs. Support was also given to staff in drafting and revising the accompanying 300 word statements. Environment narratives were drafted and impact case studies developed in preparation for submission.
- The developing research agenda at AUB was supported by the fourth Research Conference, which had a theme of 'The ecologies of research' with a keynote lecture from Professor Paul Gough. The virtual conference featured presentations from staff on the topic from different disciplinary perspectives
- The University awarded research fellowships to enable staff to exhibit practice-based research; undertake primary research in support of future written publications and conduct archival research in support of future funding bids.
- AUB's first AHRC funded Research Network 'Stitching together' with Nottingham Trent University published the first of two journals to disseminate some of the research findings from the workshops held in 2018-19. The Network aims to generate improved critical understandings of participatory textile making as an emerging methodological approach to research and includes researchers, professional textile practitioners, project commissioners and enthusiast textile maker groups.
- Staff practitioners were successful in delivering papers to online conferences held in Finland, Portugal and Denmark. Staff also produced peer reviewed journal articles, book chapters and practice-based outputs as highlighted in the University's repository.
- Our first European Regional Development Fund (ERDF) project, finished in December 2020. We have supported over 150 businesses in Research and Innovation projects with 37 new products or services already reaching the market.

STRATEGIC REPORT (continued)

1.3 Research and Knowledge Transfer (continued)

- Our second ERDF project began in March 2019. The overall project is £900k investment with £200k in match-funded micro-grants to work directly with Dorset SMEs. So far we have allocated over £21k in grants supporting 26 businesses with access to funding or AUB resources to support Research and Innovation activity.
- The KE team coordinated part of AUB's response to the COVID-19 pandemic by working with Technical Demonstrators in the Workshop, Modelmaking staff and the Facilities team to produce PPE equipment for GP surgeries, pharmacies and care homes in the local area before central resources became available. The manufacture was also supported by Morgan Sindall, EOS and 3D Print UK. Over 5,000 face masks were made and delivered across Dorset.
- Our outreach programme of lectures and workshops for the staff, students, businesses and the local community continued despite lockdown, moving online for 2 of the 6 sessions. Overall the 'Design-it' lecture series reached over 600 people.
- The Creative Exchange Exhibition ran in the Northwest Gallery from February to March 2020. It highlighted the varied careers of 16 AUB alumni and created a resource for current and future students to understand possible creative careers. The exhibition was a collaboration between the KE team, MA Photography and MA Architecture, designed as a modular touring system.

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. 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 has secured 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 has also secured a grant from the Arts Council to continue the residency at the museum for a musician/composer, Karen Wimhurst. The resulting chamber opera, Synthetica, will be 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: **Output** (September 2019 - Mar 2020) looked at the common manufacturing processes used in the production of plastics products with each case comparing tooling costs, production volume, the types of materials commonly used, and the tell-tale marks left behind during manufacture. **Being me: plastics and the body** (March 2020- March 2021) due to the museum being closed over lockdown) explored the ways in which plastics materials, and the products made from them, help us to be ourselves; by changing our shape, keeping us safe, aiding us when our bodies struggle, and by keeping us alive. From prosthetics with life-like qualities, supporting amputees both physically and emotionally, to sportswear that helps athletes move faster and more efficiently, the objects on display show the ways we can maintain our physical attributes and become superhuman.
- Other supporting exhibitions have included: Design to minimise environmental impact, Inspired by..., The Face, Skeuomorphs, Charles Jencks, Flock!, New narratives in plastics
- The Curator presented a webinar for the Institute of Conservators as part of their Conservation together at home series.
- 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.
- In September 2019 TheGallery launched its exhibition programme with Suddenly Last Summer – "A Series of Immersive Installations and Experiences" which showcased the best of student graduate work the timing of which coincided with a number of Open Days thus providing inspiration for future students/artists.
- TheGallery's next exhibition was 'Brian Clarke: On Line' which featured the role of drawing and the line in developing creative work. This exhibition showcased a selection of his stained glass, works on paper, paintings, and sculpture that highlights Clarke's commitment to drawing that is used as a tool for all his practice from stained glass to paintings.
- TheGallery's feature exhibition was "Morag Myerscough: We Make Belonging" an artist who is well known for her large-scale structural installations which bring colour and life to public spaces across the country and internationally. This exhibition provides an understanding of the creative processes behind Morag's work, with the opportunity to experience her studio space, where fragments of past works sit alongside new projects.

STRATEGIC REPORT (continued)

1.4 Wider Community (continued)

- TheGallery continues to oversee the Lucienne Day: Living Design touring exhibition at the Wills Museum and Sainsbury Gallery in Basingstoke thus increasing its exposure. Over 200 young learners attended workshops and gallery talks for schools related to the various exhibitions and TheGallery in total had over 10,000 visitors before the lockdown. As a result of COVID-19 TheGallery moved its activities online actively employing social media to keep students, staff and the general public engaged with art featuring items on mental health and Black Lives Matter.
- The Performance subject areas staged a number of productions at the AUB Studio Theatre; the Pavilion at Bournemouth; and the Lighthouse at Poole which have all been accessible to the public. The repertoire has been extensive ranging from William Shakespeare's *The Winter's Tale*, Aristophanes' *The Birds* and *Treasure Island* adapted by Bryony Lavery. Due to COVID-19 not all productions could be completed in the academic year and as part of the University's No Detriment Policy, the BA (Hons) Acting students returned this September to perform in two plays that were produced in a socially distanced manner.
- The University sponsored a performance of 'Unrequited Love' with the Bournemouth Symphony Orchestra (BSO) and TheGallery AUB co-ordinated a collaborative project and exhibition. This year's exhibition featured work by BA (Hons) Illustration and BA (Hons) Costume and Performance Design students in response to the concert featuring compositions by Tcherepnin, Rachmaninov and Berlioz.
- Due to COVID-19 the May and June 2019 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.
- Enrolments on the short leisure course programmes developed for the local community were almost 900.

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 Pan** – 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 2020-23

During the year the University developed it’s Access and Participation Plan for 2020/21-2022/23, in line with the requirements set out by the Office for Students. The team gave careful consideration to the University’s performance in access, success and progression for students from a range of disadvantaged groups, and has set targets for improvement where it identified the most significant gaps. OfS was concerned that AUB had a significant distance to travel in relation to some of its priority areas, and consequently approved the Plan for three years in the first instance.

AUB’s assessment of performance is set out below using a simple RAG tool, highlighting priority areas. The grey areas signify that there are insufficient data to make an assessment.

	Access	Continuation	Achievement	Progression
Deprivation (POLAR / IMD)				
BAME students				
Mature students				
Disabled students				
Care leavers				
Others who experience barriers				

AUB assessment of performance (RAG)

STRATEGIC REPORT (continued)
2.4 Access and Participation Plan 2020-23 (continued)

Priority will be given to closing the access gap for those from low participation neighbourhoods (POLAR 4 Quintile 1), and to closing the attainment gap for BAME students. This work requires careful research and evaluation to determine the actions which are likely to be effective, and a Senior Research and Evaluation Officer has been appointed to lead on this work.

3 Academic Review
3.1 Academic Excellence

The University is proud of its reputation for academic excellence. With its aspiration to be the leading professional arts university dedicated to turning creativity into careers, it is imperative that the AUB's courses are of an appropriate standard and that its graduates are of the highest quality. The award of a Gold in the Teaching Excellence Framework (TEF) provides objective confirmation of our success in delivering outstanding education to students from all backgrounds. The University was assessed as fully meeting HEFCE's requirements for quality and standards in its Annual Provider Review (APR).

3.2 Student Experience

The University continues to pride itself on the quality of student experience offered. Overall satisfaction as expressed in the National Student Survey (NSS) was 87.84%, which was the best result achieved by AUB since the survey's inception in 2005, and placed it 20th in a putative ranking table of all HEIs. The University performed particularly strongly on measures relating to Learning Resources, which is a reflection of the systematic investment in IT and equipment to support student learning; and Learning Opportunities. The internal Student Perception Survey (SPS) showed excellent outcomes, with 89% of students confirming that they are satisfied with the quality of the course.

The University has made a significant commitment to improving the Digital Environment for Learning, Teaching and Assessment (DELTA). The online portal for the submission, assessment and feedback of work was used for all taught students during 2019/20. From March 2020, with the nationwide lockdown, all work was submitted using the system, and assessment was conducted within the system. External examiners were given remote access to the work using this digital environment, which enabled them to complete their own verification. The experience of the first months of lockdown, and the switch to remote teaching and learning, has provided some excellent examples of innovate practice, and the Academic Practice and Development Manager (APDM) has provided guidance on online delivery on a dedicated intranet page.

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 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.

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. Three members of staff achieved their doctorate in the past year. A further thirteen staff are being supported to undertake this qualification in 2020-21 of whom two are expected to submit for examination.

AUB continues to support some research students through providing a contribution towards their fees. The University secured a completion in the area of design and another student is expected to submit in early autumn 2019. Ten 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. The APDM has worked with HR to create and continually update a shared record of staff qualifications. The Creative Learning Conference on creating a diverse curriculum had to be postponed as a result of the pandemic, but this remains an important focus of the Access and Participation Plan and will be rescheduled for this academic year, subject to speaker availability. 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 Employability team continued to offer a wide range of activities across the year. A total of 370 students engaged with events prior to lockdown, and the AUB Advantage also took place, at the end of the academic year, with 402 students attending 10 webinars. In May and June the employability service saw a higher volume of students engaging with the service, and in consequence delivered a week of events to support graduating students, called AUB Kickstarter. Sign-ups were sufficient to make the week worthwhile, and informal feedback was very positive although very few participants completed the online survey.

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 2019-20 academic session the University's Academic Career Pathways, enabling the pursuit of excellence in Teaching, Research or Knowledge Exchange were further embedded. HE staff utilise the proportion of time contractually allocated for the pursuit of research and other forms of scholarly activity in an equitable way, recognising that AUB's 'influential team' concept requires staff who pursue teaching, research and/or knowledge exchange to have routes for their career development. Each of the Pathways sets equivalent expectations and represents different routes towards excellence, valuing diversity in academic staff who may wish to concentrate on research, or make a valuable contribution to teaching and pedagogy, or develop knowledge exchange; all of which are areas that enhance individuals' careers and our students' experience. Therefore the introduction of the Pathways follows the same principles of the ACF:-

- To align AUB's academic staff to the core features of a practice based creative education environment ensuring that students value the diverse experience and expertise of our staff; and
- To encourage retention and development of academic staff leading to higher levels of progression to academic leadership.

The nominations process for HE academic staff to apply for Associate Professor and Professor promotion confirmed two individuals as Associate Professors for their outstanding contribution and/or achievement to research, teaching or knowledge transfer. Promotion to either Associate Professor or Professor level represents a change to an individual's job description, with an associated change in expectations and deliverables; including becoming a member of the University's Professoriate.

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. HR further enhanced the recruitment microsite to improve the information provided to applicants about AUB, introducing a dynamic platform which can be enhanced/updated as necessary and which provides a more efficient yet comprehensive 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.

HR introduced new processes in respect of the recruitment processes for Visiting Tutors and Casual staff. The new processes ensure emphasis is placed on the resourcing requirement and requisite budget check as well as sign off, prior to any recruitment taking place. The processes are being embedded this year with full roll out planned for the subsequent year.

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

An online Unconscious Bias training module was introduced during the reporting year with completion as a requirement for all staff.

Average sickness absence levels within both the academic and professional services staffing groups have remained steady as compared with the 2018-19 academic session. 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 assistant programme provisions wherever appropriate.

Support for mental health and wellbeing has been a particular concern and area of support, in light of the additional pressures due to the pandemic. The University has carried out regular Pulse Surveys to gain data and feedback around staff welfare and have encouraged staff to seek support from their line managers / HR / Employee Assistance Programme.

National negotiation in respect of the annual pay award has resulted in a pay freeze 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 put on hold. The decision to pay staff increments would be made during the Autumn Term 2020.

The number of Trade Union representatives increased during the 2019-20 academic session and now equates to 5 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 255 of which 25 was on paid trade union activity which equates to 9.8% of total paid facility time spent on paid Trade Union activities. The total cost of facility time was £5k representing 0% of total pay costs of £21.4m.

STRATEGIC REPORT (continued)
4.2 Equality & Diversity

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

The Equality and Diversity Plan 2015-2020 was progressed during the last year. The Plan identifies five equality and diversity imperatives: Compliance, Communication, Curriculum, Campus and Continuous Professional Development. Equalities Committee has established small sub-groups to oversee the respective strands, each advising the Senior Officer (Equalities) on the activities and targets for the year. The Committee has now developed its priorities for the next five-year period, aligned to the AUB Strategy to 2030. A major development this year was the introduction of mandatory Unconscious Bias training for all staff, which will be followed up by workshops or wider discussions as appropriate.

The Gender Pay Audit during the last year showed a Mean pay gap of 113.77%, although the Mean pay gap for established staff was significantly smaller. A primary reason for this gap was that over 80% 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.

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

4.3 Estates and Infrastructure

Work has progressed on the Campus Halls project with completion scheduled for October 2020. The project has been impacted by the COVID-19 pandemic with site population falling at the start of the lockdown period and the Morgan Sindall supply chain suffering closures or reduced materials availability. The forecast construction final account is £24,467k. The overspend on the contract sum of £23,992k is due to factors including design changes and costs associated with off-site parking due to the Talbot Village Trust withdrawing the allocation of adjacent site Plot R for AUB contractor parking.

The Innovation Studio project is progressing with the main contractor, Kier Construction appointed using the Scape public sector procurement framework, the contract value is £1,784k. The project is behind programme with contract completion programmed for February 2021, this is primarily due to delays caused by the COVID-19 pandemic similar to those impacting the Campus Halls project. Because of the delay, the funding agreement with Dorset Local Enterprise Partnership has been extended to the end of 2020 and the revised cash flow forecast shows that this is a sufficient extension.

A number of minor refurbishment projects were completed in summer 2019 to accommodate changes to course or team numbers. Notably, works took place in the Acting, Illustration, Fashion and Workshop areas as well as the installation of a bespoke designed materials resource in the Library building.

The AUB / Foster + Partners and HCL Architects conceptual masterplan was finalised this year and will now inform the reserved matters planning application for 8,000sqm of academic space on Plot Q. This makes up the remainder of phase one of development approved in the December 2016 outline planning approval for Plot Q. The reserved matters application must be submitted by December 2021.

During March 2020 AUB commenced interest in the Palace Court Theatre on Hinton Road in Bournemouth. The property has been put on the market by current owners Discover Church. The sale process was hampered by delays due to the pandemic but in July 2020 AUB had its bid of £680k accepted. This was after extensive due diligence work including thorough building surveys. Negotiations with the vendor and agents continue.

Safe management of the operation of the AUB campus has been fundamental in AUB's response to the pandemic. Since the campus closure on Friday 20th March 2020, the campus has been securely and safely managed during the closure and planning for reopening. The AUB COVID-19 Risk Assessment has informed much of the management of the estate and safety measures across campus. Consultation with colleagues, AUBSU and Unison and UCU health and safety representatives has been critical to allow collaborative development of control measures and safe management of the estate. This will continue to be the case as long as the virus remains a risk.

STRATEGIC REPORT (continued)
4.4 Information Technology Infrastructure

Historically, as part of the Business Continuity Plan (BCP) AUB had invested in a 'sandbox' solution to enable staff to securely remote access to core business systems such as Student Records; Finance; Human Resources; Student Services and Server access. Thus, staff have been able to securely remote into AUB from home, ensuring data compliance and GDPR processes are maintained. This solution, based on 'citrix' technology, enabled AUB to seamlessly move to full remote working during lockdown without any great impact. This provision has now been extended for academic purposes as part of its 'no detriment policy' and extended access for students to specialist resources such as high end computing workstations and facilities for VFX, Animation, Film, Fashion, Textiles and Architecture. This has provided unrestricted student access to high end studio workstations and expensive software provision within AUB by remoting through students own domestic computers, whilst maintaining secure access to dedicated servers and large media assets.

In addition to the 'no detriment policy' AUB has further invested in the software packages extended to students, so that they may install educational licences of the following software on their own devices, Microsoft Office, Autodesk and Adobe Creative Cloud. Adobe was a major investment for AUB of £151k for an annual site licence, but this has provided all students with the majority of software titles required to complete work both on and off campus during the pandemic. Certain courses have also offered additional licences specific to their discipline which includes Fashion (Lectra, Clo3D) and Modelmaking, Architecture and Interior Architecture (Rhino and Sketchup Pro) to further support students due to restricted access.

As part of the 2019/20 Digital Environment investment, AUB has also been updating the core infrastructure, with support from the Government's HE Education and Research Partner - JISC. AUB has been able to implement and upgrade its internet connections from 4GB to 10GB primary connection with a 1GB failover connection. This was an investment by JISC of circa £230k to provide these new independent connections. The high costs were mainly due to civil works digging up roads back to two independent data exchanges. This has now provided a stronger and more resilient internet connection with additional bandwidth capacity for AUB's digital developments which will involve a greater reliance on the internet and stable connectivity. Further building developments have also seen the implementation of stronger and more resilient fibre links between our buildings with the progression of the new Campus Halls, Innovation Studio and Elliott road buildings.

Additional investments have also been made to increase AUB's Cybersecurity posture by implementing new firewalls, hosted authentication servers, web and email advance threat protection, endpoint security for server and computing devices and proactive security information event management (SIEM) software. Internal vulnerability testing is also carried out monthly and external every 6 months to review security risks and reduce the probability of threats.

Bids from the Dorset Local Enterprise Partnership (LEP) in 2019/20 also enabled further investment in the campus's laptop loan facility, with the LEP support of £53k towards a 20 Bay Laptop Loan unit which is dedicated for Level 3 Learners to increase their employability and IT Skills.

A lease arrangement of £180k over 3 years at 0% has also enabled AUB to replace its centralised storage area network (SAN) and business continuity mirroring systems (VPLEX) to enable greater growth, diversity and developments within our digital environment with planned increases in hosted systems, bandwidth requirements and new virtual learning environments in 2020 - 2025. This, alongside the virtual server farm upgrades in 2018/19, has enabled AUB to reduce its Digital Debt, with both provisions warranted for 7 years and all main infrastructure provision having been updated in the last four years through consistent and timed investment.

4.5 Environment and Sustainability

The University remains committed to sustainability. This commitment is supported by the AUB Sustainability Plan for the period 2015-2020, 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

The University continued its excellent work during the last academic year. In Spring 2020, it achieved the international standard ISO14001:2015, which demonstrates that AUB is managing its environmental responsibilities in a systematic manner. It was simultaneously granted EcoCampus Platinum, the highest award in a national environmental management system award scheme for the further and higher education sector.

These awards came after a year of efforts to minimise environmental impact through a number of campus and university-wide initiatives. In 2019, AUB produced less waste than it did in 2013 despite campus growth and development, with a record-high campus recycling rate of 59% and record low carbon dioxide equivalent emissions and energy use, in line with the University's Sustainability Plan. AUB also achieved Fairtrade accreditation in June 2020, with the top-ranking three stars.

The development of a new Sustainability Plan has been deferred to the new academic year, as the University and specifically the Environment Committee takes the opportunity to reflect on the implications of the pandemic for sustainability, as well as evaluating the available data for the last year.

STRATEGIC REPORT (continued)
5 Financial Information
5.1 2019-20 Financial Review of the Year

The University incurred a deficit after tax for the year ended 31 July 2020 of £433k as compared to a prior year surplus of £522k due to a reduction in planned income 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:

	2020	2019	2018
Financial Summary	£'000	£'000	£'000
Income			
Funding Council Grants	2,557	2,772	2,922
Tuition Fees	33,477	32,546	32,857
Other Income	7,053	7,343	7,368
Total income	43,087	42,661	43,147
Expenditure			
Staff Costs	21,391	19,655	18,663
Operating Expenses	14,863	15,463	16,283
Depreciation	5,416	5,318	5,099
Interest Payable	1,793	1,701	1,708
Total expenditure	43,463	42,137	41,753
Taxation	(15)	(19)	(22)
(Loss)/Gain on Investment	(42)	17	22
Surplus before tax	(433)	522	1,394

The 2019-20 financial year got off to a good start with student enrolments in line with budget which had been set using challenging targets and there was a welcome increase in postgraduate enrolments. Work that had been undertaken in the prior year in order to maximise retention ensured that there was a continued emphasis on student experience which resulted in fewer withdrawals and intermits. In addition it led to the highest score ever on the NSS achieved by the University.

Early in the calendar year there was mild concern about the pandemic situation that was developing in the Far East but as more and more international students were impacted and requested to return home and continue their studies, it soon became apparent that COVID-19 would soon have a significant effect on the University's activities. The University went into lockdown on 20 March 2020 along with the nation, with all teaching being conducted online and the campus closed to students and staff. This necessitated the purchase of additional software licences and computer equipment to facilitate staff working from home and to provide them with the tools to engage with students. Where possible processes have been put online and there has been investment in online computer applications such as Open Days delivery in order to secure a pipeline of students for next year and beyond. The timing of the new University website was fortuitous as it has been used 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 a mass exodus of students from halls accommodation and in response the University waived the final term's accommodation rental of over £1.4m. In turn reductions in rentals were sought from landlords in respect of leased accommodation with varying success. 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 Meeting in the expectation of a difficult recruitment round for 2020/21.

Work continued on the 299 bed Campus Halls project during the year but progress slowed as a result of COVID-19 which compounded existing delays on the project and it was determined that the halls would not be ready in time to receive first year students in September. As a consequence alternative student halls have been leased in their place to secure student enrolments but this will result in £1.3m less net income for the University in 2020/21.

Pension increases have had a significant impact on staff costs with the employer contribution rate on academic salaries increasing by 40% to 23.68% and a further £2.3m (2019: £2.0m) of charges in respect of the yearend FRS102 valuation of the Local Government Pension Scheme (LGPS). The outcome of the triennial valuation of the LGPS at March 2019 was received and paid employer contributions remain at 14.1%.

STRATEGIC REPORT (continued)
5.1 2019-20 Financial Review of the Year (continued)

Further details are as follows:

Income

Overall total income has increased by 1% at £43.1m (2019: £42.7m).

There was a 2.9% increase in tuition fees offset by an 8% reduction in Funding Council Grants and a fall of 4% in Other Income. The decrease in Funding Council Grants is due to the lagged learning formula for FE as the fewest ever 16-18 year old students enrolled in 2018/19 but 30% more enrolled in September 2019. In addition Other Income was adversely affected by COVID-19 as halls rentals were waived and there was no delivery of Evening and Summer courses after 20 March.

Expenditure

Staff Costs increased by 8.6% to £21.3m (2019: £19.6m) due to a 2% increase in staff numbers, the pay award of 1.8% for 2019-20, incremental drift of 3% to which half of the staff who are not at the top of their pay scale are entitled; and an increase in the Teachers' Pension Scheme employer contribution rate to 23.68% an effective increase of 40%. Included within the total cost is a figure of £120k relating to organisational restructuring as a consequence of the Strategic Framework where staffing requirements have been aligned to the key academic themes. Despite COVID-19 almost all staff undertook their work duties remotely with approximately 3% of staff being placed on furlough and a claim was made under the Coronavirus Job Retention Scheme.

The decrease in Operating Expenses by 4% to £14.9m (2019: £15.5m) was achieved as a result of the cost cutting measures that were implemented in the wake of COVID-19. Savings were achieved in all business areas. Interest and finance costs increased by 5.4% as a result of the drawdown of additional borrowings totalling £12.5m, 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 first time a FRS102 deficit has been recorded of £(0.4)m (2019: £0.5m) and represents -1% of turnover. A significant contributing factor to the decrease has been the FRS102 pension adjustments which total £2.28m, being £250k 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:

	2020	2019	2018
Financial Summary	£'000	£'000	£'000
Fixed Assets	109,625	93,847	91,942
Investments	609	673	640
Cash	3,793	11,739	11,290
Net Current (Liabilities)/Assets	(10,963)	3,348	3,939
Loans, Finance Lease and Deferred Grants	(29,417)	(29,863)	(31,076)
Pension Liabilities	(31,077)	(19,227)	(15,230)
Total Net Assets	38,777	48,778	50,215
Restricted reserves	620	638	625
Revenue Reserves	44,028	41,778	38,848
Pension Reserve	(31,077)	(19,227)	(15,230)
Revaluation Reserve	25,206	25,589	25,972
Total Reserves	38,777	48,778	50,215

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

In spite of annual depreciation charges of over £5m over the last three 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 £16m in the past year is due to Campus Halls and the commencement of the Innovation Studio. 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 decreased by £8m due to the large capital investment noted above. At year end the balance lower than average due to availing of the Revolving Credit Facility and repaying £4.5m of the HSBC loan temporarily. 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. The decrease in this balance is due to 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 almost £12m as a result of the impact of COVID-19 giving rise to a large decrease in long term gilt/bond rates thus generating a lower discount rate for the estimation of liabilities and the reduction in value of the scheme assets due to poor equity markets. Furthermore there has been additional provision for the McCloud /Sargeant judgement in respect of unlawful age discrimination. The past service liability duration for the scheme is 25 years reflecting the younger age profile of its members.

Total Reserves

This year's large 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 £6.7m which is a reduction of £2.7m on the prior year due to the more difficult trading environment and the reduced levels of fees paid early and 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 - excluding optional capital spend	1.10:1 min	-0.7:1
Financial Commitments Threshold	Ratio of Net Borrowings to Adjusted Operating Cash flow	6.00:1 max	5.5:1
Minimum Net Assets	Net Assets greater than £45 million	> £45m	£38.3m
Surplus/ Cash Generation	EBITDA as percentage of Income	15% min	15.3%
	Surplus as percentage of Income	3% min	-1.0%
Liquidity	Liquid assets as days of total expenditure	60 min	36 days
Financial Gearing	Net financial debt as percentage of net assets	40% max	76.7%

There has been a marked deterioration in the financial KPIs however the Debt Service Cover and Liquidity measures were a temporary situation due to the repayment of £4.5m against the RCF due to surplus funds available on receipt of the SLC 50% instalment. The Minimum Net Assets measure is due to the FRS102 pension liability which is not a reflection of the performance of the University and was notified to HSBC in August. It has been known 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 graduated, the number of student and staff winners in external competitions and the quality of the collaborations it undertakes. Recent focus and investment in staff and systems has resulted in a marked increase in the National Student

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

Survey to 88% which has resulted in an improvement of AUB in university league tables and will feed into TEF measurements. Areas still requiring improvement are course management and feedback.

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. Investment returns over the past year increased slightly as due to the active investment of cash balances however the continuing low interest rates mean that investment returns were not significant.

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 £0.29m 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 £0.18m 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 £1.63m 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 £5.8m.

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

The HSBC Revolving Credit Facility of £20m was utilised during the year for the Campus Halls project and is available for five years before being consolidated as a term loan for a further five years. The negotiated margin is 1.15% over LIBOR and the non-utilisation rate is 35% of the margin thus equating to 0.4025%. The negative pledge security arrangements continue to prevail. At the yearend £12.5m of the loan had been drawn down but £8m was outstanding as the RCF was utilised. It is anticipated that a further £6.5m will be drawn down in 2020/21.

The University has breached two of its three loan covenants with HSBC and has since the yearend agreed amendments to these covenants.

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 2021 and 31 July 2022 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 2020/21 have been revised in light of actual October enrolments which is when the majority of students commence their studies. The numbers enrolling are higher than anticipated and the reduction in International recruitment has been lower than expected i.e. a reduction of 23% as compared to 50%. The challenge ahead 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. A key additional risk for 2021/22 will be the reduction of European Union students following Brexit and planning is in hand to boost UK recruitment and take advantage of the demographic upturn.

As at 31 July 2020 the University had a loan facility of £20m with the HSBC of which only £8m was drawn in spite of having incurred £25m 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 there being a second lockdown in 2020/21 and the possibility of accommodation rentals not being paid. Under this scenario the institution would still have sufficient reserves and cash flow to continue operating. Since the year end the University has agreed amendments to the loan covenants with HSBC and Lloyds and as a result, even under a severe but plausible downside, scenario expect to meet these loan covenants.

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 contend with COVID-19 and the impact it is having on the student learning experience and on the finances of the institution. Where possible the curriculum is delivered online but due to the need to acquire skills and craft and explore ideas by making, students have been timetabled to spend approximately 40% of their time on campus over two days. This limits the number of students on campus at any time and minimises interactions with other students except those in their immediate group. It is hoped that COVID-19 measures taken will result in successful delivery in the year ahead.

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.

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 will be undertaken in the next twelve months to apply for detailed planning permission for academic space on Plot Q thereby securing the outline planning already received. In the meantime the University has had an offer accepted on a theatre in the centre of Bournemouth with a view to supporting community and regional engagement. It is anticipated that the theatre will provide a constant 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 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.

As the Brexit transition period draws to a close on 31 December 2020, the University continues to have concerns about its ability to recruit EU students in the future, the retention of staff who are EU citizens and the impact on particular funding streams. In addition the climate generated by the Brexit debate has given the impression to international students that they are not welcome. Fortunately UK higher education is held in high esteem by overseas students and the government relaxation of the rules preventing the students from working in the UK once they have completed their studies.

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 & EU:* - 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 £0.7m in 2022-22
- *Overseas growth:* - It is anticipated that the student numbers here will grow from a current 390 to 540 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 poses 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 almost £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 attract students in an increasingly competitive market and provide student halls. 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 £29m, £5m is at fixed rates. Were interest rates to increase by 1% AUB would incur an additional £200k charge per annum. Over 50% of current borrowings are fixed at favourable rates and Governors will consider the appropriate proportion of any future borrowings to be fixed.
- *Pensions:* - Total funds have been reduced by £31m 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 County Council that their valuation assumptions will not change in the foreseeable future. Academic staff are members of the Teachers' Pension Scheme which is unfunded and the employer contribution rate has increased by 7.2% to 23.68% from 1 September 2019.

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

28 January 2021

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; during 2020/21, the Board will give detailed consideration to the revised Code, approaching it on a comply or explain basis, and will expect to incorporate any significant changes within its work.

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. 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 12 independent members; 2 co-opted members; the Principal and Vice-Chancellor; one student representative and an AUB academic staff representative. One of the co-opted is a member of the AUB professional services staff and another is an independent member who has extensive experience in the delivery of higher education.

The membership of the Board 2019-20 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 2019-20, 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. From 2017-18 it also took responsibility for oversight of estates planning on behalf of the Board, and established a Project Management Board to provide sound governance for a major capital investment (the development of new halls of residence).

Human Resources Committee

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

Remuneration Committee

The Remuneration Committee, formerly the Senior Staff 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 includes the performance indicators in support of the University's strategy and areas of legal or statutory compliance, and 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 on an annual basis, 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 2020 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

28 January 2021

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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance 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

28 January 2021

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 2020 which comprise the Group and University Statement of Comprehensive Income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2020, 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;
- 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, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students and paragraph 12d of the Accounts Direction dated 25 October 2019.

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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Review and the Report of the Governors and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

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

As explained more fully in their statement set out on page 21 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.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the 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 Statutes (or articles of government for post 1992 institutions); and
- funds provided by the Office for Students and Research England have been applied in accordance with these conditions and the terms and conditions attached to them.

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 9 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 note 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, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 (for post-1992 institutions). 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.

Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Tollgate
Chandlers Ford
Hampshire
SO53 3TG
2 February 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2020

	Notes	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	33,477	33,477	32,546	32,546
Funding body grants	2	2,557	2,557	2,772	2,772
Other income	3	6,941	6,908	7,234	7,188
Investment income	4	66	52	89	74
Donations and endowments	5	46	-	20	-
Total income		43,087	42,994	42,661	42,580
Expenditure					
Staff costs	6	21,271	21,271	19,582	19,582
Fundamental restructuring costs	9	120	120	73	73
Other operating expenses	7	14,863	14,933	15,463	15,545
Depreciation	11	5,416	5,241	5,318	5,149
Interest and other finance costs	8	1,793	1,793	1,701	1,701
Total expenditure	9	43,463	43,358	42,137	42,050
(Deficit) / Surplus before other gains		(376)	(364)	524	530
(Loss) / Gain on investments	13	(42)	-	17	-
(Deficit) / Surplus before tax		(418)	(364)	541	530
Taxation	10	(15)	-	(19)	-
(Deficit) / Surplus for the year		(433)	(364)	522	530
Actuarial (loss) in respect of pension schemes	25	(9,568)	(9,568)	(1,959)	(1,959)
Total comprehensive expenditure for the year		(10,001)	(9,932)	(1,437)	(1,429)
Represented by:					
Endowment comprehensive (expenditure) / income for the year		(18)	-	13	-
Unrestricted comprehensive (expenditure) for the year		(9,600)	(9,587)	(1,067)	(1,084)
Revaluation reserve comprehensive (expenditure) for the year		(383)	(345)	(383)	(345)
		(10,001)	(9,932)	(1,437)	(1,429)

All items of income and expenditure relate to continuing activities

**CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2020**

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2018	625	23,618	25,972	50,215
Surplus from the I&E statement	13	509	-	522
Other comprehensive expenditure	-	(1,959)	-	(1,959)
Transfers between revaluation and I&E reserve	-	383	(383)	-
Total comprehensive income for the year	13	(1,067)	(383)	(1,437)
Balance at 1 August 2019	638	22,551	25,589	48,778
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)	-
Total comprehensive expenditure for the year	(18)	(9,600)	(383)	(10,001)
Balance at 31 July 2020	620	12,951	25,206	38,777

University	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2018	-	24,491	25,129	49,620
Surplus from the I&E statement	-	530	-	530
Other comprehensive expenditure	-	(1,959)	-	(1,959)
Transfers between revaluation and I&E reserve	-	345	(345)	-
Total comprehensive income for the year	-	(1,084)	(345)	(1,429)
Balance at 1 August 2019	-	23,407	24,784	48,191
Deficit from the I&E statement	-	(364)	-	(364)
Other comprehensive expenditure	-	(9,568)	-	(9,568)
Transfers between revaluation and I&E reserve	-	345	(345)	-
Total comprehensive expenditure for the year	-	(9,587)	(345)	(9,932)
Balance at 31 July 2020	-	13,820	24,439	38,259

**CONSOLIDATED AND UNIVERSITY BALANCE SHEET
AS AT 31 JULY 2020**

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	109,625	105,425	93,847	89,459
Investments	13	609	-	673	-
		<u>110,234</u>	<u>105,425</u>	<u>94,520</u>	<u>89,459</u>
Current assets					
Trade and other receivables	14	944	3,525	765	3,577
Cash and cash equivalents	19	3,793	3,757	11,739	11,646
		4,737	7,282	12,504	15,223
Less: Creditors: amounts falling due within one year	15	<u>(15,700)</u>	<u>(15,639)</u>	<u>(9,156)</u>	<u>(9,107)</u>
Net current (liabilities)/assets		<u>(10,963)</u>	<u>(8,357)</u>	<u>3,348</u>	<u>6,116</u>
Total assets less current liabilities		<u>99,271</u>	<u>97,068</u>	<u>97,868</u>	<u>95,575</u>
Creditors: amounts falling due after more than one year	16	(29,397)	(27,732)	(29,841)	(28,157)
Provisions					
Pension provisions	25	(31,077)	(31,077)	(19,227)	(19,227)
Other provisions	17	(20)	-	(22)	-
Total net assets		<u><u>38,777</u></u>	<u><u>38,259</u></u>	<u><u>48,778</u></u>	<u><u>48,191</u></u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	18	620	-	638	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted:					
Income and expenditure account		44,028	44,897	41,778	42,634
Pension reserve		<u>(31,077)</u>	<u>(31,077)</u>	<u>(19,227)</u>	<u>(19,227)</u>
		12,951	13,820	22,551	23,407
Revaluation reserve		25,206	24,439	25,589	24,784
Total Reserves		<u><u>38,777</u></u>	<u><u>38,259</u></u>	<u><u>48,778</u></u>	<u><u>48,191</u></u>

The financial statements were approved by the Governing Body on 28 January 2021 and were signed on its behalf by:

Dorothy Mackenzie

Chair of the Board of Governors

Professor Paul Gough

Principal and Vice-Chancellor

Mary O'Sullivan

Director of Finance

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 31 JULY 2020

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(433)	522
Adjustment for non-cash items			
Depreciation	11	5,416	5,318
Loss/(Gain) on investments	18	42	(17)
(Increase)/decrease in debtors	14	(179)	532
(Decrease) in creditors	15	(1,520)	(14)
Difference between pension charges and cash contributions	25	2,282	2,038
(Decrease) in other provisions	17	(2)	-
Adjustment for investing or financing activities			
Investment income	4	(66)	(89)
Interest payable	8	1,375	1,287
Endowment income	5	(46)	(20)
Loss on disposal of fixed assets		-	4
Capital grant income		(201)	(198)
Net cash inflow from operating activities		6,668	9,363
Cash flows from investing activities			
Proceeds from the sale of investments		35	-
Investment income		52	74
Capital grants received		849	207
Payments made to acquire fixed assets		(21,181)	(6,703)
		(20,245)	(6,422)
Cash flows from financing activities			
Interest paid		(266)	(211)
Interest element of finance lease		(1,109)	(1,076)
Endowment cash received		46	20
New unsecured loans		8,051	260
Repayments of amounts borrowed		(731)	(1,135)
Capital element of finance lease		(360)	(350)
		5,631	(2,492)
Increase in cash and cash equivalents in the year		(7,946)	449
Cash and cash equivalents at beginning of the year		11,739	11,290
Cash and cash equivalents at end of the year	19	3,793	11,739

STATEMENT OF ACCOUNTING POLICIES
Basis of preparation

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 Royal Charter, 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.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of accounting

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

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).

In preparing these forecasts, the Governors have considered the expected financial performance for the financial years ending 31 July 2021 and 31 July 2022 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 2020/21 have been revised in light of actual October enrolments which is when the majority of students commence their studies. The numbers enrolling are higher than anticipated and the reduction in International recruitment has been lower than expected i.e. a reduction of 23% as compared to 50%. The challenge ahead 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. A key additional risk for 2021/22 will be the reduction of European Union students following Brexit and planning is in hand to boost UK recruitment and take advantage of the demographic upturn.

As at 31 July 2020 the University had a loan facility of £20m with the HSBC of which only £8m was drawn in spite of having incurred £25m 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 there being a second lockdown in 2020/21 and the possibility of accommodation rentals not being paid. Under this scenario the institution would still have sufficient reserves and cash flow to continue operating. Since the yearend the University has agreed amendments to the loan covenants with HSBC and Lloyds and as a result, even under a severe but plausible downturn scenario, expect to meet these loan covenants.

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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
Basis of consolidation (continued)

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.

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.

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

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

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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
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.

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 2020**

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
Higher education				
UK and EU students	26,799	26,799	26,419	26,419
Non EU students	5,198	5,198	4,713	4,713
Further education				
UK and EU students	864	864	1,145	1,145
Non EU students	616	616	269	269
	<u>33,477</u>	<u>33,477</u>	<u>32,546</u>	<u>32,546</u>
2 Funding body grants				
Recurrent grants				
Office for Students	1,197	1,197	1,327	1,327
Education and Skills Funding Agency	917	917	1,010	1,010
Specific grants				
Office for Students	317	317	304	304
Education and Skills Funding Agency	-	-	-	-
Capital grants				
Office for Students	120	120	115	115
Education and Skills Funding Agency	7	7	7	7
Access funding				
Education and Skills Funding Agency	(1)	(1)	9	9
	<u>2,557</u>	<u>2,557</u>	<u>2,772</u>	<u>2,772</u>
Note The source of grant and fee income, included in notes 1 and 2 is as follows:				
Grant and Fee income				
Grant income from the OfS	1,634	1,634	1,746	1,746
Grant income from other bodies	923	923	1,026	1,026
Fee income for research awards (exclusive of Vat)	-	-	-	-
Fee income from non-qualifying courses (exclusive of Vat)	1,480	1,480	1,414	1,414
Fee income for taught awards (exclusive of Vat)	31,997	31,997	31,132	31,132
	<u>36,034</u>	<u>36,034</u>	<u>35,318</u>	<u>35,318</u>
3 Other income				
Residences, catering and conferences	5,410	5,410	5,306	5,306
Other services rendered	246	225	429	396
Other income	1,211	1,218	1,423	1,430
Other capital grants	74	55	76	56
	<u>6,941</u>	<u>6,908</u>	<u>7,234</u>	<u>7,188</u>
4 Investment income				
Investment income on endowments	14	-	15	-
Other investment income	52	52	74	74
	<u>66</u>	<u>52</u>	<u>89</u>	<u>74</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
5 Donations and endowments				
Unrestricted donations	46	-	20	-
	<u>46</u>	<u>-</u>	<u>20</u>	<u>-</u>
6 Staff costs				
Salaries	15,315	15,315	14,500	14,500
Social security costs	1,542	1,542	1,445	1,445
Other pension costs: Local Government Pension Scheme	2,895	2,895	2,604	2,604
Teachers' Pension Scheme	1,519	1,519	1,033	1,033
	<u>21,271</u>	<u>21,271</u>	<u>19,582</u>	<u>19,582</u>

	2020	2019
Emoluments of the Vice-Chancellor, Stuart Bartholomew, 1 August 2019 to 31 March 2020:	£	£
Salary	132,386	195,068
Salary in lieu of pension contributions	26,500	28,249
Pension costs	-	-
Benefits	6,982	6,641
	<u>165,868</u>	<u>229,958</u>

The Vice Chancellor takes responsibility for his own life assurance and pension arrangements.

	£	£
Emoluments of the Vice-Chancellor, Paul Gough, 1 January to 31 July 2020:		
Salary	131,250	-
Salary in lieu of pension contributions	27,311	-
Pension costs	-	-
Benefits	-	-
	<u>158,561</u>	<u>-</u>

The Vice Chancellor takes responsibility for his own life assurance and pension arrangements.

The pay ratios are:	Times	Times
Vice Chancellor's salary to the median for staff	7.89	6.42
Vice Chancellor's total remuneration to the median for staff	8.39	6.82

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 having reviewed salary surveys and the rates being paid at similar institutions. The Board is content with its approach to achieving value for money in terms of Vice Chancellor pay.

	No.	No.
Basic Salary of other higher paid staff, excluding employer's pension contributions:		
£115,000 to £119,999	1	-
£125,000 to £129,999	-	1
£130,000 to £134,999	1	1
	<u>2</u>	<u>2</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**

6 Staff costs (continued)	2020	2019
	£'000	£'000
Emoluments of key management personnel:		
Salary and benefits	1,435	1,118
Pension costs	138	88
	<u>1,573</u>	<u>1,206</u>

Key management personnel were the University Leadership Team from August 2019 to July 2020.

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
Average staff numbers by major category :		No.		No.
Teaching departments		241		236
Teaching support services		9		10
Library		13		13
Other support services		27		27
Administration and central services		96		94
General education		4		5
Income generating activities		16		13
		<u>406</u>		<u>398</u>

Access and Participation

	£'000
Access Investment	209
Financial Support	-
Disability Support	155
Research and Evaluation	-
	<u>364</u>

7 Other operating expenses	£'000	£'000	£'000	£'000
Teaching departments	2,712	2,712	2,924	2,924
Teaching support services	1,564	1,562	1,492	1,487
Other support services	92	92	290	290
Administration and central services	2,157	2,364	2,888	3,017
General education expenditure	604	604	566	632
Premises costs	2,634	2,515	2,895	2,793
Planned maintenance	383	383	233	233
Grants to Student Union	127	127	126	126
Other income generating activities	7	-	1	-
External auditor's remuneration - Audit fees	41	32	30	25
External auditor's remuneration - Other fees	-	-	-	-
Internal auditor's remuneration - Audit fees	28	28	29	29
Operating lease rentals plant/machinery	71	71	66	66
Operating lease rentals land and buildings	3,018	3,018	1,214	1,214
Catering and residencies	1,425	1,425	2,709	2,709
	<u>14,863</u>	<u>14,933</u>	<u>15,463</u>	<u>15,545</u>

Reimbursements to governors and trustees for the expenditure incurred in attending Board meetings amounted to £6,470 (2019: £6,266), of which there were no outstanding amounts. 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.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
8 Interest and other finance costs				
Loan interest	266	266	211	211
Finance lease interest	1,109	1,109	1,076	1,076
Net charge on pension scheme	418	418	414	414
	1,793	1,793	1,701	1,701
9 Analysis of total expenditure by activity				
Academic and related expenditure	20,147	20,146	19,000	18,994
Administration and central services	8,920	9,117	9,373	9,567
Premises	8,367	8,074	8,498	8,228
Residences, catering and conferences	5,373	5,373	4,778	4,778
Other expenses	656	648	488	483
	43,463	43,358	42,137	42,050
The above total expenditure includes:				
External auditors fees in respect of audit services	41		30	
External auditors fees in respect of non-audit services	-		-	
Operating lease rentals:				
Land and buildings	3,018		1,214	
Other	71		66	
Fundamental restructuring costs	120		73	
Access and Participation				
Access Investment	852	852		
Financial Support	271	271		
Disability Support	177	177		
Research and Evaluation	17	17		
	1,317	1,317		

£364k of these costs are already included in the overall staff costs figures included in the financial statements, see note 6

The projected spend had been £1,811k however due to COVID-19 much planned engagement activity could not be undertaken.

A copy of our published access and participation plan for 2019/20 can be found at:

<https://webdocs.aub.ac.uk/Access%20and%20participation%20Plan%202019-20.pdf?>

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
10 Taxation				
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense	14	-	19	-
Adjustment in respect of previous years	1	-	-	-
Current tax expense	<u>15</u>	<u>-</u>	<u>19</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Deferred tax expense	-	-	-	-
Total tax expense	<u>15</u>	<u>-</u>	<u>19</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Deferred tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax expense	<u><u>15</u></u>	<u><u>-</u></u>	<u><u>19</u></u>	<u><u>-</u></u>

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020

11 Fixed Assets	Land and Buildings	Assets under Construction	Computer Equipment	Furniture and Equipment	Total
Consolidated	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	98,056	7,310	7,400	10,198	122,964
Additions	-	20,723	343	128	21,194
Transfers	507	(507)	-	-	-
Disposals	-	-	-	-	-
At 31 July 2020	<u>98,563</u>	<u>27,526</u>	<u>7,743</u>	<u>10,326</u>	<u>144,158</u>
Depreciation					
At 1 August 2019	16,278	-	5,763	7,076	29,117
Charge for the year	3,608	-	876	932	5,416
Disposals	-	-	-	-	-
At 31 July 2020	<u>19,886</u>	<u>-</u>	<u>6,639</u>	<u>8,008</u>	<u>34,533</u>
Net book value					
At 31 July 2020	<u>78,677</u>	<u>27,526</u>	<u>1,104</u>	<u>2,318</u>	<u>109,625</u>
At 31 July 2019	<u>81,778</u>	<u>7,310</u>	<u>1,637</u>	<u>3,122</u>	<u>93,847</u>
University					
Cost or valuation					
At 1 August 2019	92,607	7,296	6,733	9,892	116,528
Additions	-	20,736	343	128	21,207
Transfers	507	(507)	-	-	-
Disposals	-	-	-	-	-
At 31 July 2020	<u>93,114</u>	<u>27,525</u>	<u>7,076</u>	<u>10,020</u>	<u>137,735</u>
Depreciation					
At 1 August 2019	15,205	-	5,079	6,785	27,069
Charge for the year	3,433	-	876	932	5,241
Disposals	-	-	-	-	-
At 31 July 2020	<u>18,638</u>	<u>-</u>	<u>5,955</u>	<u>7,717</u>	<u>32,310</u>
Net book value					
At 31 July 2020	<u>74,476</u>	<u>27,525</u>	<u>1,121</u>	<u>2,303</u>	<u>105,425</u>
At 31 July 2019	<u>77,402</u>	<u>7,296</u>	<u>1,654</u>	<u>3,107</u>	<u>89,459</u>

On transition to FRS102 the deemed cost approach was adopted.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020****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 £12.2m (2019: £13.4m), 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. 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.

TheGallery 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 TheGallery 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 2020**
13 Non-Current Investments

Consolidated	Subsidiary companies £'000	Other fixed asset investments £'000	Total £'000
At 1 August 2019	-	673	673
Additions to investments at cost	-	13	13
Sale of Investments	-	(35)	(35)
Loss on revaluation	-	(42)	(42)
At 31 July 2020	<u>-</u>	<u>609</u>	<u>609</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 £638k, income and resources for the year of (£18k) and closing reserves of £620k.

14 Trade and other receivables

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Due in one year:				
Trade receivables	130	130	85	82
Other receivables	197	197	108	108
Prepayments and accrued income	617	605	572	572
Amounts due from subsidiary companies	-	2,593	-	2,815
	<u>944</u>	<u>3,525</u>	<u>765</u>	<u>3,577</u>

The amounts due from subsidiary companies includes a £2.58m 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 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
15 Creditors : amounts falling due within one year				
Unsecured loans	8,724	8,724	754	754
Obligations under finance leases	412	412	396	396
Trade payables	944	944	1,171	1,169
Social security and other taxation payable	701	673	618	601
Other creditors	329	329	546	546
Accruals and deferred income	4,096	4,082	5,125	5,114
Amounts owed to Funding Councils	230	230	348	348
Deferred capital grants	264	245	198	179
	<u>15,700</u>	<u>15,639</u>	<u>9,156</u>	<u>9,107</u>
16 Creditors : amounts falling due after more than one year				
Deferred capital grants	5,000	3,335	4,418	2,734
Obligations under finance lease	16,942	16,942	17,318	17,318
Unsecured loans	7,455	7,455	8,105	8,105
	<u>29,397</u>	<u>27,732</u>	<u>29,841</u>	<u>28,157</u>
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 15)	<u>9,136</u>	<u>9,136</u>	<u>1,150</u>	<u>1,150</u>
Due between one and two years	1,213	1,213	1,109	1,109
Due between two and five years	3,499	3,499	3,531	3,531
Due in five years or more	19,685	19,685	20,783	20,783
Due after more than one year	<u>24,397</u>	<u>24,397</u>	<u>25,423</u>	<u>25,423</u>
Total secured and unsecured loans	<u>33,533</u>	<u>33,533</u>	<u>26,573</u>	<u>26,573</u>
17 Provisions for liabilities		Defined Benefit Pension Obligations	Deferred tax	Total
		(Note 24)	£'000	£'000
Consolidated		£'000		
At 1 August 2019		19,227	22	19,249
Released in year		(689)	(2)	(691)
Increased in 2019/20		12,539	-	12,539
At 31 July 2020		<u>31,077</u>	<u>20</u>	<u>31,097</u>
University				
At 1 August 2019		19,227	-	19,227
Released in year		(689)	-	(689)
Increased in 2019/20		12,539	-	12,539
At 31 July 2020		<u>31,077</u>	<u>-</u>	<u>31,077</u>

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 2020

18 Endowment Reserves

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	2020 Total £'000	2019 Total £'000
Balances at 1 August 2019				
Capital	22	657	679	642
Accumulated income	19	(60)	(41)	(17)
	<u>41</u>	<u>597</u>	<u>638</u>	<u>625</u>
New endowments	-	46	46	20
Investment income	1	13	14	15
Expenditure	-	(36)	(36)	(39)
(Decrease) / Increase in market value of investments	-	(42)	(42)	17
	<u>1</u>	<u>(19)</u>	<u>(18)</u>	<u>13</u>
Total endowment comprehensive (expenditure)/ income for the year				
At 31 July 2020	<u><u>42</u></u>	<u><u>578</u></u>	<u><u>620</u></u>	<u><u>638</u></u>
Represented by:				
Capital	22	661	683	679
Accumulated income	20	(83)	(63)	(41)
	<u>42</u>	<u>578</u>	<u>620</u>	<u>638</u>
Analysis by type of purpose:				
Scholarships and bursaries	23	38	61	60
Prize funds		4	4	4
General	19	536	555	574
	<u>42</u>	<u>578</u>	<u>620</u>	<u>638</u>
Analysis by asset and liability:				
Current and non-current asset investments			609	672
Trade receivables			-	1
Accrued Income			12	-
Cash & cash equivalents			21	77
Current liabilities			(22)	(112)
			<u>620</u>	<u>638</u>

19 Cash and cash equivalents

	At 1st August 2019 £'000	Cash Flows £'000	At 31st July 2020 £'000
Consolidated			
Cash and cash equivalents	11,739	(7,946)	3,793
	<u>11,739</u>	<u>(7,946)</u>	<u>3,793</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**

20 Consolidated reconciliation of net debt	31 July 2020	
	£'000	
Net debt 1 August 2019	14,834	
Movement in cash and cash equivalents	7,946	
Loan drawdown	8,051	
Repayment of loans and finance leases	(1,091)	
Net debt 31 July 2020	29,740	
Change in net debt	<u><u>14,906</u></u>	
Analysis of net debt:	31 July 2020	31 July 2019
	£'000	£'000
Cash and cash equivalents	3,793	11,739
Borrowings: amounts falling due within one year		
Unsecured loans	8,724	754
Obligations under finance leases	412	396
	<u>9,136</u>	<u>1,150</u>
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	16,942	17,318
Unsecured loans	7,455	8,105
	<u>24,397</u>	<u>25,423</u>
Net debt	<u><u>29,740</u></u>	<u><u>14,834</u></u>

21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020:

	31 July 2020		31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	3,470	3,470	20,582	20,582
	<u>3,470</u>	<u>3,470</u>	<u>20,582</u>	<u>20,582</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. This entails not calling in debt and providing additional resources to maintain trading.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**

23 Lease obligations

Total rentals payable under operating leases:

	31 July 2020		31 July 2019	
	Land and Buildings	Plant and Machinery	Total	Total
	£'000	£'000	£'000	£'000
Payable during the year	3,018	71	3,089	1,280
Future minimum lease payments due:				
Not later than 1 year	3,881	133	4,014	827
Later than 1 year and not later than 5 years	803	231	1,034	1,002
Later than 5 years	-	-	-	-
Total lease payments due	<u>4,684</u>	<u>364</u>	<u>5,048</u>	<u>1,829</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 £127k to the Arts University Bournemouth Students' Union the president of which is a Board Governor. In addition a further £141k was spent on staff employed by the University but directed by the Student Union officers. This is a total contribution of £268k ; and
- transactions totalling £7k including tickets and sponsorship took place with Bournemouth Symphony Orchestra, a company of which the governor Professor Stuart Bartholomew has been a director during the year. There were no amounts outstanding at the year end.
- details of transactions with the Teachers' Pension Scheme and Local Government Pension Scheme are set out in note 25 of the accounts

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**
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:

	2020	2019
	£'000	£'000
Teachers' Pension Scheme	1,519	1,033
Local Government Pension Scheme	2,895	2,604
	4,414	3,637

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 2020 were £285,870 (2019: £234,565) 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 £1,519,000 (2019: £1,033,000).

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 2020**
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 2020 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 2020.

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 the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. Barnett Waddingham do not believe that there are any material differences between the approach underlying their estimated allowance and the proposed remedy.

At 31 July 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. The CPI assumption was 0.2% higher than it would have been under the previous methodology used. Impact of this change is expected to have resulted in a £2.9m increase in the Fund's liabilities since the prior year end.

Assumptions

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

	2020	2019
	%	%
Price inflation (CPI)	2.20	2.35
Rate of salary increases	3.20	3.85
Rate of increase of pensions in payment	2.20	2.35
Discount rate	1.40	2.15
Assumed commutation rate	50	50

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**
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:

	2020 Years	2019 Years
Retiring today		
Males	23.3	22.9
Females	24.8	24.8
Retiring in 20 years		
Males	24.7	24.6
Females	26.2	26.6

	£'000	£'000
Amounts recognised in the statement of comprehensive income		
Service cost	2,904	2,703
Net interest on defined liability	403	397
Administration expenses	15	17
	<u>3,322</u>	<u>3,117</u>
Actuarial loss	9,568	1,959
Total charge	<u>12,890</u>	<u>5,076</u>

	2020 £'000	2019 £'000
Analysis of movement in the present value of the scheme liabilities		
The institution's estimated assets share	24,040	23,878
Present value of the institution's scheme liabilities	(55,117)	(43,105)
	<u>(31,077)</u>	<u>(19,227)</u>

Analysis of movement in the present value of the scheme liabilities		
At beginning of year	43,105	35,506
Current service cost	2,778	2,280
Interest cost	925	985
Change in financial and demographic assumptions	6,276	2,947
Employee contributions	463	421
Benefit payments	(689)	(457)
Experience loss on defined benefit obligation	2,133	-
Curtailements	126	423
At the end of the year	<u>55,117</u>	<u>43,105</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2020**
25. Pension Schemes (continued)
Analysis of movement in the fair value of the scheme assets

At beginning of year	23,878	21,276
Interest on assets	522	588
Return on assets less interest	(1,281)	988
Administration expenses	(15)	(17)
Other actuarial gains	122	-
Employer contributions	1,040	1,079
Employee contributions	463	421
Benefit payments	(689)	(457)
At the end of the year	<u>24,040</u>	<u>23,878</u>

The estimated value of employer contributions for the year ended 31 July 2021 is £995,000.

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

	Fair value 2020 £'000	Fair value 2019 £'000
Equities	12,385	12,188
Gilts	2,894	3,127
Cash	249	621
Other bonds	1,907	1,701
Diversified growth fund	1,376	1,395
Secured Income Funds	129	-
Property	2,383	2,491
Infrastructure	1,631	1,259
Multi Asset Credit	<u>1,086</u>	<u>1,096</u>
	<u>24,040</u>	<u>23,878</u>

The actual return on scheme assets was £(759,000) for 2020 compared to that of £1,576,000 for 2019.