



ARTS UNIVERSITY BOURNEMOUTH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

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GOVERNORS of the University who served on the BOARD in 2021-22 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	Branding & Environment	Human Resources; Remuneration; Search & Governance
Gerard Moran PhD – Vice Chairman	Higher Education	Audit & Risk; Human Resources; Remuneration
Professor Paul Gough MA PhD	Principal and Vice-Chancellor	Finance & Resources; Human Resources; Search & Governance
Roma Agrawal MBE MA MSc	Engineering & Construction	Finance & Resources
Miles Bagarinao BA (Hons.) (appointed 1 August 2022)	AUBSU Student Governor	Finance & Resources
Prue Keely Davies MA	Media, Charity & Governance	Human Resources; Audit & Risk; Search & Governance; Remuneration
Ellie Grant BA (retired 31 July 2022)	AUBSU Student Governor	Finance & Resources
James Gray	Digital Learning	Finance & Resources
Muna Hagler MSc ACA	Publishing	Finance & Resources
Simon Hamilton MA	Finance & IT	Audit & Risk; Finance & Resources
Stephen Hocking BA	Legal	Audit & Risk
Valerie Lodge MA	AUB Professional Services Staff	Audit & Risk
Dr Kevan Manwaring PhD (appointed 1 August 2022)	AUB Academic Staff	Finance & Resources
Robert McClatchey MA ACA	Banking & Accountancy	Audit & Risk; Search & Governance; Remuneration
Tim Newman LLB ACA	Health & Accountancy	Finance & Resources; Search & Governance
Misan Nwokorie RIBA	Property Development	Finance & Resources
Kevin Purcell BBS	Human Relations	Human Resources; Remuneration
Dr Amanda Stephenson PhD (retired 31 July 2022)	AUB Academic Staff	Finance & 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 2030 Strategic Plan have been developed in support of the institution's primary purpose to develop six academic themes which together create a framework for delivery. AUB takes a wide view of its charitable purpose; not only that prescribed by the delivery of higher and further education, but to related wider social, economic and ethical concerns locally, nationally and internationally.

The main beneficiaries are current and prospective students for whom AUB provides the opportunity to progress from the age of nine years old through Saturday art school, further education, undergraduate, postgraduate and doctorate programmes in the subject areas of art, design, architecture, media and performance providing them with the skills to be creative practitioners and equipped with a range of transferable skills suited to a diverse employment environment.

The cost of higher education, comprising not only tuition fees but also 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 University's Access Bursary Scheme which in 2021 - 22 distributed almost £387k in funding to eligible students in accordance with our Access and Participation Plan.

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 Our Education Offer

Few universities in the world combine the range of specialist courses and skills that AUB has in its portfolio. The proven quality of our graduates and their impact on the professional worlds in which they prosper, speaks of our distinctive strength and character. Our course structure promotes a depth of knowledge and practical expertise in specific disciplines, while also allowing for planned and spontaneous collaboration through innovative inter-disciplinary combinations of project- and studio-based learning. Underpinning our education ambition, we have in the past year achieved the following:

- Student number growth: 2021/22 saw AUB achieve its largest volume of students on campus, over 4,110 across pre-degree, undergraduate, and taught postgraduate. Our volume of postgraduate research students has grown by 60% and the number of timely completions at PhD has doubled.
- Our suite of dedicated specialist short courses, evening classes and summer schools – operating under the Strategic Initiative *AUB Open Campus* – augments our home and international Further Education courses, which act as a bridge to our undergraduate courses. Upon successful completion of their studies our aim is that 50% of these students will progress to degree courses at AUB.
- Driven by a Curriculum Innovation Group we have implemented significant revisions to the undergraduate curriculum to ensure that all courses enable the development of the attributes required of a graduate in the 21st century. Alongside communication, collaboration, and high-level problem-solving abilities, this includes a deep understanding of environmental sustainability (through the lens of the UN SDGs) and a thorough grounding in equality, diversity and inclusion (EDI) matters. Strongly aligned to the university values, these are manifest in unit learning outcomes, thus ensuring that they are assessed.

STRATEGIC REPORT (continued)
1.1 Our Education Offer (continued)

- Developed a revised Employability Framework for all undergraduate courses which promotes the enhancement of those attributes essential for work. This includes close engagement with employers, and the opportunity to undertake industry-related learning, through projects and live briefs, as well as the delivery of problem-based learning, placement, industry masterclasses or guest lectures by leading figures in the professional fields studied at AUB.
- We have concluded the roll out of our new virtual learning environment – Canvas – with a comprehensive programme of staff development, inhouse training and support from the Digital Engagement and Learning Lead (DELL) to support innovative pedagogies, embed new ways of working, and develop educational technology initiatives across the university, including new programmes and courses by online delivery.
- Through pedagogic innovation projects, we have designated significant learning resource into the curriculum through our EDI team, including Academic Advisers who work with course teams on curriculum content and inclusive methods of delivery and assessment. In-course support workshops for the development of student academic literacies continue in a new online format, and we have consolidated the fully online pre-sessional course for international students, designed and delivered by English for Academic Purposes.
- With some of the highest scores in the sector as evidenced in the National Student Survey, our Library has developed innovative mechanisms and dedicated resources to support the revised curriculum. Working with staff and the Student's Union the library has pioneered approaches to diversifying course reading lists, as well as supporting EDI initiatives and important projects such as Black History Month.
- AUB continues to provide an outstanding learning environment with world-class learning facilities, bespoke studios, workshops, and a highly qualified and capable technical staffing. Along with an ambitious masterplan both on the main campus and in town centre locations, AUB's facilities and access to industry-level equipment remains one of the hallmarks of the student experience, marking us out as a global arts university

1.2 Our Commitment to Enabling Participation

One of the AUB Values reads: "We are better for our diversity. We are enriched by the depth of respect we have for each other and the strength of our relationships with our people, our places and with the planet. Through our commitment to working with those who are different to us, or challenge us, we grow stronger together, creating new synergies, global connections, and sustainable futures." To this end, we have in the past year achieved the following:

- Launched [All Access AUB](#), a new multi-intervention access programme for students currently studying in sixth form or college. An intensive, engaging programme of activity for students from underrepresented groups involving a residential summer school, gallery exhibition, 1-2-1 portfolio support and a 'reduced grades' offer to AUB. *All Access AUB* is the institution's flagship access programme.
- Launched the Being a Boy project, a targeted pre-16 attainment raising initiative supporting boys on free school meals. In 2021-22 this involved the delivery of teacher CPD with an attendance of 400 teachers and advisors, a national HE Research and Practice Conference which attracted 104 registrants from universities across the country, and a suite of student-facing workshops. The student-facing workshops mobilised creative subjects such as creative writing, photography and a scheme to explore issues related to masculinity and identity with participants. The project was widely featured in the media.
- Launched the *Outreach Student Ambassador* scheme, employing current students from underrepresented backgrounds to work supporting the institution's activity to widen participation in Higher Education. In addition, AUB funded 30 places on *Saturday Art School* for young people from low-income families.
- As a member of the Southern Universities Network (SUN) the university participates 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 realise progression from those students with potential.
- Aligned with the commitments set out in the institution's *Stand Alone Pledge*, AUB offered enhanced support for estranged students through the expanded Access and Participation Team, and the employment of a Progression Officer to provide additional pastoral support within the team. In the academic year 2021-22, there were 706 current undergraduate students eligible for financial support through the University's Access and Participation Plan based on their household income.

STRATEGIC REPORT (continued)
1.3 Our Record in Research and Knowledge Exchange

Our academic staff and technical specialists are bedded in the practice of their professional disciplines: their research is designed to address industry needs and make a difference through creative collaboration and sustainable impact. To further realise the vision for research and knowledge exchange embedded in the AUB Strategy, we have in the past year achieved the following:

- Exceeded expectations in research funding and in the outcomes of the Research Excellence Framework (REF 2021) with over 16% of outputs in UOA 32 Art and Design: History, Theory and Practice and 25% of outputs in UOA 33: Music, Drama, Dance, Performing Arts, Film and Screen Studies deemed world-leading. Our impact case studies were scored highly by the scrutinising panels, with over 83% in UOA 32 and 50% in UOA 33 deemed internationally excellent. The case studies demonstrated how the research conducted at the university help society understand the value of plastics and use photography to give those affected by genetic conditions a voice. AUB saw a 200% increase in its QR funding as result of REF 2021.
- Launched a new suite of research grant schemes accented towards impact and industrial collaboration: namely, a small grants scheme targeted at our early career researchers offered seed funding for projects including public engagement activities. Funding to support participatory research awarded by Research England, enabled us to support several projects including developing guidelines to enable museum professionals to adopt innovative methodologies.
- AUB's first Leverhulme Visiting Professor, Eric Dyer, from the University of Maryland, Baltimore County, led a 10-week series of workshops with staff and students on experimental animation and the art of zoetrope design and development. His four-month visit culminated in a keynote presentation, lecture and exhibition attended by academic, industry and civic communities.
- The University completed its second European Regional Development funded project totalling £900k investment with £200k in match-funded micro-grants to work directly with Dorset SMEs and, despite the pandemic, it successfully met or exceeded its output targets. In total 74 companies were supported, including 25 start-ups and 47 new to the firm products. The Innovation Studio Associate Programme has developed partnerships with Sunseeker, Lush, healthcare provider Tricuro and local architects and design agencies
- Created an enhanced programme of research webinars, events and conferences, including a programme of events led by post-doctoral research, industry practitioners and visiting specialists in the new Innovation Studio. The keynote lecture at our annual research conference focused on practice research and featured presentations from staff and PGR students on how equality, diversity and inclusion could be considered within our research and how the public engages with our research.
- The second iteration of the Knowledge Exchange Framework was published highlighting AUB's strengths supporting Local Growth and Regeneration Activity, creating income through Continuing Professional Development and Short Course activity and developing entrepreneurial skills in students and graduates. In October 2022 it was announced that the success of this activity made AUB eligible for Higher Education Innovation Funding, with significant support towards growing our Knowledge Exchange activity.
- The Innovation Studio was officially opened in November 2021. AUB has supported 22 pre-trade start-ups through its Residency programme and supported 69 businesses (September 2022 data). The first 8 start-ups supported through the pilot programme have been successful with all of them finding clients, and one business secured £50k follow on investment from the Royal Society of Arts.
- Two further post doctoral researchers in the areas of creative technologies and design-focussed virtual reality were recruited to support and develop research activity within creative technologies. Housed in the Innovation Studio, the researchers also contribute to the supervision of our cohort of research degree students.

1.4 Reaching Out and Collaborating with the Wider Community

As a Civic University, AUB has developed a Partnership Plan that faces fully into the local and regional community, accelerating our commitment to work with industry, professions, and communities to create formal alliances with business, schools and colleges. Through our access and participation programmes, our research and knowledge exchange, we play a leading part in regional economic and societal regeneration. To realise this commitment, we have in the past year achieved the following:

- In 2021 the University purchased the Palace Court Theatre in the centre of Bournemouth with the intention of refurbishing it to provide high quality teaching opportunities and a resource for the local community. Under the rubric 'Education by Day: Community by Night' AUB has established a cross-sector development team working with external stakeholders to maximise funding bids to external organisations such as Arts Council England and the National Lottery. This investment demonstrates the University's commitment to the civic agenda and making a difference across a wide range of cultural communities in the region.

STRATEGIC REPORT (continued)
1.4 Reaching Out and Collaborating with the Wider Community (continued)

- The Gallery at Arts University Bournemouth (AUB) is a major resource for contemporary art and design in the South of England and is open to the 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. It is a valuable resource which supports teaching, learning and research across the University.
- AUB maintained a series of onsite exhibitions and events, plus several touring shows, with a deep commitment to Outreach and Access and Participation welcoming schools and colleges from across the southwest (including London) to workshops, events and engagement activities. Building on delivery methods pioneered during the pandemic, the curators developed hybrid forms of lecture, webinars and online discussion fora.
- Amongst the curated shows in the past year: 'Body Beautiful: Diversity on the Catwalk' from the National Museums Scotland explored how fashion creatives are embracing inclusivity and body positivity by exploring five key themes: size; gender; age; race and disability. A touring exhibition 'Crossing the Line' addressed the question 'Where does street art now belong: in the back alleys of our urban centres or on the white walls of the gallery?'. This exhibition also generated a text+work publication with the voices of multiple authorities on the subject.
- AUB Performance courses and technical areas staged a total of nine productions during the academic year welcoming the opportunity to perform live before audiences once again. These were performed at the University theatres; Pavilion Dance South West; and St Peter's Church, and have all been accessible and open to the public. An extensive repertoire ranged from Jane Eyre by Charlotte Bronte, Gut Girls by Sarah Daniels and Much Ado about Nothing by William Shakespeare. In the summer term the comedy Cyrano de Bergerac by Edmond Rostand was performed as were many musical recitals, events and concerts.
- The AUB 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.
- In January 2022, AUB's Museum of Design in Plastics (MoDiP) was awarded Designated Outstanding Collection status by Arts Council England. This prestigious award recognises the objects in the museum's care as forming a 'collection of national importance'. The museum's core grant is in recognition of its 'unique and significant contribution to research and scholarship.'
- MoDiP held two main exhibitions both of which have a permanent online presence on the MoDiP website: Why plastic? (March 2022 - September 2022) which explored the properties and applications of plastics and considers why designers and manufacturers choose to use them in their products. Friend and faux (December 2021 - March 2022) which looked at the historical and contemporary use of plastics materials to replace animal products. This usage may be for economic or environmental purposes, either in pursuit of a more humane or cheaper option to natural materials.
- The Curator has been working with colleagues at the Open University to provide an AHRC funded Collaborative Doctoral Award (CDA) PhD project with the title BioPlastic Lives: Developing a technical and social understanding of plastics care and ageing through interactions with objects in a museum.
- 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.'
- MoDiP continues to loan objects to external partners including to the exhibition Plastic: Remaking Our World, which has been curated and hosted by Vitra Design Museum (26.03.2022 – 04.09.2022) V&A Dundee (29.10.2022 – 05.02.2023) and maat, Lisbon (spring 2023).
- Throughout May and June 2022, the AUB Summer Show Exhibitions took place across the campus, transforming the entire institution into a huge open-air gallery. Providing 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, and their students, to explore possible progression routes in the creative industries.

1.5 Creating a Sense of Belonging

AUB is a truly innovative place: set in a beautifully designed studio-based location underpinned by a deep digital infrastructure, it is a creative community of ideas, images, events and magical moments, nurtured by inspirational people, unified by a powerful sense of belonging. To realise our commitment to place and space we have in the past year achieved the following:

- Works across campus took place during 2021-22 to accommodate growth in student numbers or the reconfiguration of spaces, fixtures and furniture to facilitate different ways of working for specific course and professional services teams. Notable improvement works took place in Interior Architecture, Fashion Branding and Communications and Make-up for Media and Performance.

STRATEGIC REPORT (continued)
1.5 Creating a Sense of Belonging (continued)

- Works are nearing completion for the Bournemouth Film School (BFS) at Elliott Rd in the newly acquired unit 1. This project will facilitate the centralisation of production studio support services such as storage and workshop to one unit while the other three units become film and animation studios. Works are also taking place in North Building to create postproduction editing Avid and Pro Tools suites. Willmott Dixon Interiors are contracted for the Elliott Rd project and Digital Garage for the Pro Tools project. Both are programmed to complete December 2022.
- The North Lights Studio project has progressed to RIBA stage 2 with the submission of a planning application scheduled for late November 2022. Options are being investigated to finalise a project programme and completion date that reduces risk of proceeding prior to planning approval and reduces impact of the works on the campus. A newly established project control Group (PCG) continues to meet to ensure good governance of the project and ensure it remains on cost and programme.
- The Palace Court Theatre project has been taken to RIBA stage 2. Compliance works have been undertaken to allow for tours, visits and events to take place in the main auditorium and club room. On the main campus, planning application for 8,000sqm of academic space on Plot Q was submitted to Bournemouth, Christchurch & Poole Council (BCP) in December 2021 to meet with the outline planning reserved matters' deadlines.
- Negotiations are ongoing with various owners and developers regarding several properties in the centre of Bournemouth. Some of these spaces will offer decant space when the North Lights Studios project commences; others will complement existing bespoke studio space utilised by used by MA Fine Art and MA Painting students. Maximising our civic footprint to catalyse public engagement and our civic role is at the heart of these initiatives.

1.6 Committed to the Environment and Sustainability

The University has signed the EAUC pledge to achieve net zero by 2030. Our Environment Committee has set up a Sustainability and Net Zero Task Force to coordinate this work, and the University has now published its [Sustainability and Net Zero Programme](#). This sets out AUB's priorities and targets for environmental sustainability, including both reducing emissions and promoting biodiversity. The six key strands of activity fall under the headings:

- Minimising emissions and utility usage
 - Sustainable Resource Management.
 - Reducing emissions associated with travel
 - Managing the estate efficiently
 - Developing staff and student awareness and engagement
 - Promoting biodiversity and Fairtrade.
- A new Sustainability and Net Zero (SNZ) programme of works was developed to drive AUB's sustainability and net zero ambitions and includes target and projects. A Net Zero Task Force was created to deliver actions, results and evaluate progress. The Task Force delivered two presentations on the SNZ to staff and students. Environment and Sustainability Manager presented to the Board of Governors. Currently work is being undertaken with the Carbon Trust to map the University's supply chain and any scope 3 emissions not yet accounted for.
 - AUB supports the Sustainable Development Goals and has a focus on goals; 4 Quality Education, 5 Gender Equality, 9 Industry, Innovation & Infrastructure, 11 Sustainable Cities & Communities, 12 Responsible Consumption & Production, and 13 Climate Action, whilst acknowledging the importance of all other eleven. Will investigate the possibility and potential methodologies of mapping activities against them moving forwards.
 - AUB was proud to be one of only two HEIs to achieve three-star accreditation from Fairtrade in 2019, and it retained this three-star rating following a review in 2022.
 - In 2019, AUB achieved ISO14001:2015 via the EcoCampus framework. This status was also subject to a successful external review in 2022, and the assessor was extremely positive in his judgements about the University's commitment and its University-wide approach to sustainability.
 - Belonging to the TEC energy consortium has shielded AUB from severe energy prices although there are likely challenges ahead. Salix funding of £769,043 was secured to part finance the replacement of the North Building plant room gas boilers with air source heat pumps.
 - A rewilding project is gently progressing alongside a herb garden (for the caterers to use), dye garden (for student projects), wildflower bank on the campus boundary and Hedgehog Friendly Campus certification being sought.

STRATEGIC REPORT (continued)
1.7 Our Digital Information Technology Infrastructure and Innovation

AUB has devised an ambitious four year University Digital Investment Plan which shows a clear provision to stabilise, optimise and transform the Digital Environment in the coming years. Our commitment to date and into the future includes:

- Migrating our phone systems from the now end-of-life Skype for Business, to Microsoft Teams. Teams was heavily adopted by the University during the pandemic and provided a stable platform for internal communication, online meetings, file sharing and collaboration. Consequently, Teams became fully embedded for all internal and external telephone calling, enabling greater flexibility with agile working with full mobile integration.
- A Customer Relationship Management (CRM) system purchased and implemented in early 2022 allowing the application to enrolment process to be reviewed and unify several communication channels, this will follow the recruitment cycle for the 2023-24 intake.
- Successfully completed the first stages (investigation, upgrade and data cleansing) of the project to move the HR System to the cloud (HCM) and are due to start the next stage in October 2022 with a full migration and live cloud platform proposed for February 2023. This will then lead onto the Finance System (Access) being migrated to the Cloud in 2023-24 and the Student Records System (SITS) being proposed in 2025-26 following detailed cloud discovery reviews.
- Building upon the stability of remote access solutions put in place to support staff with virtual computer access during COVID, and the successful pilot for students, AUB has now developed a permanent remote working solution for those students who require access to high end 3D/2D capable computing and rendering. The student Citrix solution can provide up to 60 concurrent users with access to a virtual computer, via the cloud, that's capable of running a wide range of specialist 3D/2D applications used across all course disciplines. This can be utilised to support teaching or offer as additional flexible access to resources outside of a course's fixed IT.
- AUB has continued its investment in the provision of software to students during their studies, providing Microsoft Office, 365, Adobe Creative Suite, AutoDesk and LinkedIn Learning on their own devices to support flexible and independent learning.
- Following the Cyber Security Audit conducted by the University's internal auditors, BDO in September 2022, several recommendations were highlighted, which have resulted in proactive actions being implemented with cyber security vendors to review technical requirements and costs of implementing and enhancing AUB's security posture. AUB has signed a 12-month agreement for a managed Endpoint Detection and Recovery (EDR) solution as well as specialised support computer security incident response team (CSIRT).
- Continued investment and training, has also been implemented in the Canvas Virtual Learning Environment (VLE), with Foundation, Undergraduate years 1 and 2; and Postgraduate course content being published for 2022-23. Undergraduate year 3 will be maintained in myCourses (previous VLE environment) to ensure students' continuity is maintained during their period of study.

1.8 Our People

AUB has an ambitious People Plan. By embracing contemporary ways of working we will encourage flexible, family-friendly and inclusive practices to ensure we design and sustain an effective working environment, centred around employee well-being and engagement, and which nourishes a powerful sense of belonging; physical, digital and through remote working. We will accelerate our commitment to creating an inclusive workplace, embracing innovative practices to drive equality and embrace diversity to add value to the university and to the employee, throughout the employment journey. A refreshed program of professional development for staff across the university will ensure that the widest spectrum of colleagues – from site operations to student services, lighting technicians to librarians – are set up for success in their place of work. To achieve this ambition, we undertook the following work:

- During the 2021-22 academic session the University introduced a structured way of planning and monitoring strategic staffing activity through its People Plan. The People Plan is owned by the Director of People and the Vice-Chancellor, and its progress is overseen by the HR Committee, a sub-committee of the Board of Governors. A new leadership structure was put in place, including two new appointments for the Vice-Chancellor's Executive.
- Options for AUB's approach to agile working were explored through a pilot scheme, collaboration with line managers from academic, professional services and technical teams, feedback from the Vice-Chancellor's Group and through research from within and outside of the HE sector. The policy, due to be implemented in the 2022-23 academic session, also went through an extensive consultation process with the trade unions.
- Reorganisations and restructures of AUB's professional services departments were completed during the reporting period, ensuring areas are fit for purpose and aligned to AUB Strategy 2030. No compulsory redundancies were made, and a number of staff gained promotion through the exercises.

STRATEGIC REPORT (continued)
1.8 Our People (continued)

- The University continued to proactively support the wellbeing of its staff through the AUB Staff Counsellor; Occupational Health and Employee Assistance Programmes provided by AXA Health; the opportunity to join the Universities Gym; special leave arrangements; opportunities for flexible and agile working; support for workers with disabilities; Headspace App, and the University's Dignity at Work and Grievance policies. The HR EDI and Wellbeing Partner completed research into a new Staff Wellbeing Programme due to be introduced in the 2022-23 academic session.
- Average sickness absence levels within both the professional services and academic staffing groups decreased as compared with the 2020-21 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 assistance programme provisions wherever appropriate. The University's Absence and Attendance Policy enables us to effectively monitor short term and long-term sickness and provide tailored support to individuals accordingly.
- A project to upgrade the HR management information system to include the introduction of two new HR modules, leave management and MyView portal was completed. The upgrade will enable AUB to commence work on introducing HR data information dashboard capabilities.
- Resourcing continued to be a key area of focus for the HR department to support the University in attracting and appointing high quality staff to the institution. Online interviews continued to be utilised, providing an efficient and effective selection process. 115 vacancies were recruited to (70 in the previous year) and the average cost per post was £1,268 compared with £1,152 for the previous year. We continued to use a recruitment microsite platform which can be enhanced/updated as necessary, and which provides a more efficient and tailored recruitment journey for applicants. The commitment to recruit staff with the required range of academic qualifications to join our highly influential teams has continued and the positive trajectory to increase numbers of teaching qualifications, HEA memberships and PhD holding staff has continued in support of the University's strategic ambitions.
- AUB conducted an inaugural meeting of the Joint Negotiating and Consultation Committee (JNCC) during the academic session. Attendees are from AUB Senior Management and representatives and officials from the two recognised trade unions, UNISON and UCU. As part of a new Recognition Agreement (including Facilities Time Agreement) 0.6FTE facilities time for AUB UCU representatives and 0.4FTE for AUB UNISON representatives was agreed.

STRATEGIC REPORT (continued)

2. Strategy Summary

2.1 Strategic Plan

A new strategy 'AUB 2030: Creating our Futures' was developed during 2020 to underpin 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 vision will be achieved by our three main Goals:

- **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 enabling plans:

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

In order to maintain momentum and push ahead with the delivery of the Strategy, the immediate focus will be on the following six strategic 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
- 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.

STRATEGIC REPORT (continued)
3 Financial Information
3.1 2021-22 Financial Review of the Year

The University incurred a deficit after tax for the year ended 31 July 2022 of £2.3m as compared to a prior year deficit of £4.2m after FRS102 pension charges of £4.1m and £3.2m respectively. The past year marked a recovery in the University's finances post COVID-19 with a large increase in tuition and accommodation fees offsetting a reduction in Funding Council Grants and increased staff and operating costs.

The key highlights are:

	2022	2021	2020
Financial Summary	£'000	£'000	£'000
Income			
Funding Council Grants	2,309	2,786	2,557
Tuition Fees	36,072	32,594	33,477
Other Income	10,439	5,726	7,053
Total income	48,820	41,106	43,087
Expenditure			
Staff Costs	24,437	22,274	21,391
Operating Expenses	18,588	15,525	14,863
Depreciation	6,000	5,717	5,416
Interest Payable	2,021	1,842	1,793
Total expenditure	51,046	45,358	43,463
Taxation	(23)	(20)	(15)
(Loss)/Gain on Investment	(30)	99	(42)
(Deficit)/Surplus after tax	(2,279)	(4,173)	(433)

The 2021-22 financial year commenced well with a record first year intake and for the first time over 4,100 full time students enrolled on AUB programmes of study. This provided a good buffer in terms of income which was maintained during the year as the budgeted retention rate of 97% was achieved. International students recruited strongly.

In support of recruitment, the University leased a student hall building with 454 bedrooms which facilitated the offer of halls accommodation for most students who wanted it. This meant a net increase of 350 beds and is reflected in the 82% increase in Other Income. Furthermore, there was a significant increase in Refectory income as students returned to campus in the early part of 2022 to access studios and the other resources required to develop and make their projects. Short Course income made a welcome return and will eventually return to pre-pandemic levels.

Operating costs include £3m related to the student halls that was leased from the beginning of the academic year. In addition, most operating costs increased in line with the cost of living, with the exception of energy costs, as these are fixed until June 2023 when it is anticipated that costs will increase. Software costs increased due to the provision of Adobe Creative Suite to all students and an increase in the cost of Microsoft applications.

The Innovation Studio was delayed because of COVID-19 and finally completed in September 2021 thus allowing for the official opening of the building to take place in October 2021. This project was part funded by the Dorset Local Enterprise Partnership (LEP) and received an additional £180k in grant funding to bring the total to £1.58m.

In addition, the University began to make plans for the Palace Court Theatre, a 1930's art deco building in the centre of Bournemouth, which entailed the provision of basic facilities to make the building safe to accommodate group visits and activities.

STRATEGIC REPORT (continued)
3.1 2021-22 Financial Review of the Year (continued)

Further details are as follows:

Income

Overall total income has increased by 18.7% at £48.8m (2021: £41.1m).

Funding Council grants fell as a result of a reduction in higher cost subject funding as the OfS transferred monies to STEM subjects. Tuition fees increased by over 8% as a result of good recruitment to the HE course provision. Most of the gain was against Home students and although more International students were recruited, additional income was cancelled out by the award of bursaries and scholarships. Other Income recovered with a greater take up of halls accommodation due to an additional 454 rooms and significantly increased catering income.

Expenditure

Staff Costs increased to £24.3m (2021: £22.2m) due in part to a pay award as advised by UCEA plus incremental drift of 3% to which half of the staff who are not at the top of their pay scale are entitled; a further 5% is accounted for by the FRS102 pension adjustments which have no cash impact. There was a high experience of sick leave during the year particularly amongst teaching staff who are automatically back filled by visiting tutors. This was largely due to COVID-19. In addition, classes had to be taught several times to make up for lost learning.

The 20% increase in Operating Expenses to £18.6m (2021 £15.5m) was in the main as a result of the leasing of additional halls accommodation with 454 rooms at Home Park. There was a commensurate increase in accommodation income. Savings were achieved across most areas of the business as activity had not fully returned to pre-COVID levels. Interest and finance costs increased because of the drawdown of additional borrowings and the increase in the base interest rate. The FRS102 pension interest was at a similar level to that of last year.

Surplus

For the third time a FRS102 deficit has been recorded of £(2.3m) (2021: £(4.2m)) and represents -5% of turnover. A significant contributing factor to the deficit has been the FRS102 pension adjustments which total £4.1m, being £900k greater than last year, and yet have no impact on cash balances. Despite 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.

3.2 Statement of Financial Position

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

	2022	2021	2020
Financial Summary	£'000	£'000	£'000
Fixed Assets	108,538	110,466	109,625
Investments	699	719	609
Cash	12,468	8,392	3,793
Net Current (Liabilities)/Assets	(10,242)	(12,607)	(10,963)
Loans, Finance Lease and Deferred Grants	(28,284)	(29,666)	(29,417)
Pension Liabilities	(11,240)	(34,807)	(31,077)
Total Net Assets	59,471	34,105	38,777
Restricted reserves	706	735	620
Revenue Reserves	45,563	43,353	44,028
Pension Reserve	(11,240)	(34,807)	(31,077)
Revaluation Reserve	24,442	24,824	25,206
Total Reserves	59,471	34,105	38,777

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

In spite of annual depreciation charges of over £5.6m over the last four years, the level of fixed assets is maintained by the constant investment in equipment and the extension and refurbishment of buildings. The net increase in fixed assets of £4.1mm in the past year is due to completion of the Innovation Studio and the purchase of equipment particularly IT equipment.

Cash and Net Current Assets

Cash balances increased by £4.1m due to the drawdown of an additional £1.5m on the HSBC Revolving Credit Facility (RCF) to total £14.5m at the end of the year; and the relatively modest capital additions. The large Net Current Liabilities figure is accounted for by the HSBC borrowings which have not yet been converted into a term loan and are therefore shown under current liabilities.

Loans, Finance Lease and Deferred Grants

The application of FRS102 has meant that deferred grants are reflected in long term creditors rather than under Total Funds. This balance decreased slightly as the repayment of loans and the finance lease was not offset by capital grants received from the LEP and OfS as has happened in the last few years. 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 decreased by a massive £23.6m as a result of the increase in gilts which are used as the discount factor when calculating the schemes liabilities. This is due to the rise in interest rates. Furthermore, the reduction in the deficit has improved the level of reserves.

Cash flow

Net cash inflow from operating activities was £9.3m which was higher than last year's at £6.7m due to the improved operating result and a higher level of accruals and deferred income at year end as a result of fees paid in advance.

3.3 Key Performance Indicators

The critical financial KPIs monitored in the past year were:

KPI	Description	Aim	Actual
Debt Service Cover	Ratio of net cash inflow to total interest and capital repayments	1.10:1 min	7.10:1
Financial Commitments Threshold	Ratio of net borrowings to adjusted operating cash flow	10.00:1 max	3.24:1
Minimum Net Assets	Net Assets excluding pension liability	> £65m	£77.1m
Surplus/ Cash Generation	EBITDA as percentage of Income	15% min	11.1%
	Surplus as percentage of Income	3% min	-4.5%
Liquidity	Liquid assets as days of total expenditure	60 min	101 days
Financial Gearing	Net financial debt as percentage of net assets	40% max	42.81%

The University has comfortably met the first three financial KPIs which reflect the amended bank covenants. The Surplus and Cash Generation measures have not been met as a result of the increasing FRS102 pension adjustments that affect in year Staff and Interest costs but have no cash flow impact. It has been recognised that the Financial Gearing measure would be exceeded once the Halls loan was drawn down and added to the Madeira Road Halls finance lease obligation but as a result of the large reduction in the FRS102 pension provision, the reserves position has improved resulting in the Gearing measure falling to 42.8% from 85% last year.

Other measures of the University's health are 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. In addition, there continues to be a high demand to study at AUB with over 5.3 applications per space available.

STRATEGIC REPORT (continued)
3.4 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.

3.5 Treasury Management

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

The University's financial strategy sets out the minimum liquidity levels needed to ensure that financial and operational control is maintained. A rolling five-year forecast is prepared each year, which incorporates a review of capital expenditure, cash generation and any future borrowings that may be required. Given the low return on the investment of surplus cash, efforts have been directed at maximising the RCF in order to reduce loan interest charges.

3.6 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 £32k and which is fixed until August 2022 at which time it will be repaid and at a rate of 1.512%. 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 £1.4m outstanding.

In 2015 a further loan facility with Lloyds was agreed for £7m over a ten year period at LIBOR (now SONIA) 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 £5.15m.

Of the £20m HSBC Revolving Credit Facility that was acquired for the Campus Halls project, £14.5m had been drawn down at the end of the year. It is available for five years at which time there is a break point. HSBC will reprice the consolidated loan for a further three-year term or AUB has the option to refinance with another bank. The negotiated margin has been amended to 1.5% (previously 1.15%) over SONIA and the non-utilisation rate is 35% of the margin thus equating to 0.525%. The negative pledge security arrangements continue to prevail. At the yearend £17.5m of the loan has been drawn down but £14.5m was outstanding as the RCF was utilised. It is anticipated that the balance of £2.5m will be drawn down in 2022-23.

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

3.7 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 the risks associated with COVID-19, the Ukrainian war, the cost of living crisis and endemic political uncertainty, 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)
3.7 Going Concern (continued)

In preparing these forecasts, the Governors have considered the expected financial performance for the financial years ending 31 July 2023 and 31 July 2024, taking into account expected trading performance and the principal risks and uncertainties as set out in the Strategic Report, including the impact of high inflation, rising interest rates, the energy crisis and the COVID-19 pandemic on its operations. The University has not secured its budget income for 2022-23 due to the extremely competitive student recruitment market and the delay in the issue of international visas. In response the University has made plans to reduce revenue expenditure and focus attention on new and existing income lines that utilise the campus and accommodation in particular.

As at 31 July 2022 the University had a loan facility of £20m with the HSBC of which only £14.5m was drawn in spite of having incurred £27m of costs on the project to which the loan relates. The institution therefore has adequate finance and liquidity to maintain its operations during the uncertain conditions caused by the pandemic, inflation and soaring energy costs. However, the Governors acknowledge that the unprecedented level of uncertainty caused by these uncertain conditions 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.

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.

3.8 Outlook

The immediate challenge for the University is to exploit its brand further to secure more quality applications for its courses. This will require identification of key communication messages which are reflected on the website and known by all staff who are engaged with recruitment. Having secured applications, efforts will be enhanced to convert those prospective students into acceptances and then enrolment. This requires consistent messaging and a demonstration of all the services that AUB provides that give additional value the most important of which is a rewarding career.

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. The University has purchased accommodation and premises in the centre of Bournemouth with a view to supporting community and regional engagement and plans are being developed for its complete refurbishment. Work has been undertaken during the year to make our new theatre accessible and thus provide fund raising opportunities. It is anticipated that the theatre will provide a stable venue for its acting and dance performances, an enhanced facility for the Bournemouth Film School and an exciting location for the Students' Union.

Although the student demographic has improved, all universities are challenged by the growth of study options for school leavers to include apprenticeships, trades in demand and workforce shortages which encourage them to seek employment on leaving school. Furthermore, the creative subjects are being squeezed out of the school curriculum which again reduces the number of students aware of and willing to study the subjects that AUB provides.

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

During the past year AUB has entered a joint venture with private partners to develop online masters provision with plans to launch 3 courses in January 2023 followed by a further 3 courses in September 2023. This provision has got great potential and working with an experienced partner has meant that AUB is managing the risk when any new provision is established.

The University believes that it is well placed to meet the challenges ahead as it operates in a niche area of provision with global 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 and other sites in Bournemouth.

STRATEGIC REPORT (continued)
3.9 Risks and Uncertainties

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

- **HE numbers – Home:** - The growth in student numbers has been moderated within the University forecasts reflecting an increasingly competitive market. There is uncertainty over the attractiveness of UK Higher Education to EU students following the UK departure from the European Union, but this should be offset to some degree by the rising demographic from 2020 onwards. The number of applications received per place has been maintained at 5 and as part of its Portfolio Plan consideration will be given to offer new courses to provide greater appeal.
- **HE retention:** - The retention of students on their courses can have a huge impact on the income earned and fortunately this is a positive for the University as recruitment interviews and applicant days establish a strong bond with the students. For the purposes of its forecasts the retention rate has been estimated at 97%. Should the retention rate fall to 95% the surplus would reduce by £0.75m in 2022-23.
- **Overseas growth:** - It is anticipated that the student numbers here will grow from a current 470 to 670 over the planning period as AUB builds steadily on the relationships that have been established in China, India, Japan and Korea. Work is in hand to develop overseas partnership arrangements and to selectively target the European market post Brexit however COVID-19 has posed new challenges in realising this ambition.
- **Alternative income:** - Prior to COVID-19 this had been an area where AUB anticipated growth in Summer and Bespoke courses that use its facilities during quiet times. It will be essential to develop new methods including online provision to deliver these courses in the future. It is expected that in due course summer rental income will increase by 25% due to more campus facilities.
- **Salary costs:** - These account for 45% of income and this percentage will rise over the planning period because of pay increases, higher pension contribution rates and the progression of academic staff to professorial status. A 1% increase in pay inflation will have an adverse impact of more than £250k on the bottom line.
- **Capital expenditure:** - AUB has future plans for capital expenditure of a minimum of £20m. This work is essential to maintain the Estate in order to grow provision and attract students in an increasingly competitive market. Estimates are based on professional advice but actual costs are only confirmed once fixed price tenders are received.
- **Interest rates:** - With current borrowings AUB is vulnerable to changes in interest rates. Of the total potential loan portfolio of a maximum of £27m, £3.2m is at fixed rates. Were interest rates to increase by 1% AUB would incur an additional £230k charge per annum. Over 50% of current term loans are fixed at favourable rates and Governors will consider the appropriate proportion of any future borrowings to be fixed especially when the RCF becomes a term loan.
- **Pensions:** - Total funds have been reduced by £11.2m due to the recognition of the deficit on the local government pension scheme in Dorset which is an improvement on last year's deficit of £34.8m. Fortunately, AUB has sufficient reserves to accommodate this deficit. The most recent triennial valuation as at March 2022 confirmed an employer rate of 16.4% as compared to the current rate of 14.1%. The risks associated with the scheme were recently reviewed and assurances were received from Dorset Council that their valuation assumptions and provision of their employment covenant to all participating bodies will not change in the foreseeable future. Academic staff are members of the Teachers' Pension Scheme which is unfunded and the employer contribution rate was increased by 7.2% to 23.68% at the last valuation.

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

By order of the Board of Governors

Dorothy Mackenzie
Chair of the Board of Governors

16 December 2022

CORPORATE GOVERNANCE

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

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

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

The 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 required to acknowledge that they have read and will adhere to the principles set out in its governing documents.

Board operation

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

The membership of the Board 2021-22 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 plans to hold its next external effectiveness review in 2023-24.

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 2021-22, 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.

Finance & Resources Committee

The Finance & Resources Committee advises the Board on strategic financial planning and monitors the University's financial performance. The Committee receives detailed annual capital and revenue budgets, budget updates and longer-term financial forecasts on behalf of the Board and makes recommendations to the Board for approval. It also holds responsibility for oversight of estates planning on behalf of the Board; and is the committee responsible for overseeing sustainability matters.

Human Resources Committee

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

CORPORATE GOVERNANCE (continued)
Remuneration Committee

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

Search & Governance Committee

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

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

Risk Management and Internal Control

The Board of Governors is ultimately responsible for the University's system of internal control and for reviewing its effectiveness. The primary aim of the process is to support delivery of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible and ensuring compliance with relevant legal and statutory requirements. No significant internal control weaknesses or failures arose during the time period of this report.

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.

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

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

The Board is confident that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2022 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.

External Auditor

Sedulo Audit Limited were appointed as auditors for this period with effect from 20 August 2022. The incumbent auditors KPMG LLP tendered their resignation.

Dorothy Mackenzie
Chair of the Board of Governors

Professor Paul Gough
Principal and Vice-Chancellor

16 December 2022

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

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

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

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

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

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

The Board of Governors is also responsible for ensuring that:

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

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

Dorothy Mackenzie
Chair of the Board of Governors

16 December 2022

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

We have audited the financial statements of Arts University ("The University") for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and related notes, including a summary of significant accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2022, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Governors with respect to going concern are described in the relevant sections of this report.

Other information

The Board of Governors are responsible for the other information, which comprises the Strategic Report and the Corporate Governance Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on matters prescribed by other legal and regulatory requirements

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

In our opinion, in all material respects:

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

**INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF THE ARTS UNIVERSITY BOURNEMOUTH
(continued)****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 University's expenditure on access and participation activities for the financial year disclosed in Note 9b has been materially misstated.

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

We have nothing to report in respect of these matters.

Responsibilities of the Board of Governors

As explained more fully in the Statement of Board of Governors' Responsibilities set out on page 22, the Board of Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Governors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors are responsible for assessing the Group's and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intend to liquidate the Group or University or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Extent to which the audit was capable of detecting irregularities, including fraud

The primary responsibility for the prevention and detection of fraud rests with the Board of Governors and management, and we cannot be expected to detect non-compliance with all laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our knowledge of the University and Higher Education sector, enquiries of the Board of Governors and management, and review of regulatory information and correspondence. We communicated identified laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.

We discussed with the Board of Governors and management the policies and procedures in place to ensure compliance with laws and regulations and otherwise prevent, deter and detect fraud.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified as potentially having a material effect on the financial statements. Our procedures included review of financial statement information and testing of that information, enquiry of management and examination of relevant documentation, analytical procedures to identify unusual or unexpected relationships that may indicate fraud, and procedures to address the risk of fraud through Board of Governors or management override of controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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

This report is made solely to the Board of Governors and in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

David Stansfield (Senior Statutory Auditor)
for and on behalf of Sedulo Audit Limited
Statutory Auditors
Regency Court
62-66 Deansgate
Manchester
M3 2EN

Date:16 December 2022....

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2022**

	Notes	Year Ended 31 July 2022		Year Ended 31 July 2021	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	36,072	36,072	32,594	32,594
Funding body grants	2	2,309	2,309	2,786	2,786
Other income	3	10,403	10,371	5,678	5,661
Investment income	4	19	9	16	6
Donations and endowments	5	17	-	32	-
Total income		48,820	48,761	41,106	41,047
Expenditure					
Staff costs	6	24,349	24,349	22,164	22,164
Fundamental restructuring costs	6	88	88	110	110
Other operating expenses	7	18,587	18,706	15,525	15,647
Depreciation	11	6,000	5,826	5,717	5,542
Interest and other finance costs	8	2,022	2,022	1,842	1,842
Total expenditure	9	51,046	50,991	45,358	45,305
(Deficit) before other gains		(2,226)	(2,230)	(4,252)	(4,258)
(Loss)/Gain on investments	13	(30)	-	99	-
(Deficit) before tax		(2,256)	(2,230)	(4,153)	(4,258)
Taxation	10	(23)	-	(20)	-
(Deficit) for the year		(2,279)	(2,230)	(4,173)	(4,258)
Actuarial gain/(loss) in respect of pension schemes	25	27,645	27,645	(499)	(499)
Total comprehensive expenditure for the year		25,366	25,415	(4,672)	(4,757)
Represented by:					
Endowment comprehensive income / (expenditure) for the year		(29)	-	115	-
Unrestricted comprehensive (expenditure) for the year		25,777	25,758	(4,405)	(4,412)
Revaluation reserve comprehensive (expenditure) for the year		(382)	(343)	(382)	(345)
		25,366	25,415	(4,672)	(4,757)

All items of income and expenditure relate to continuing activities

**CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2022**

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£'000	£'000	£'000	£'000
Balance at 1 August 2020	620	12,951	25,206	38,777
(Deficit) from the I&E statement	115	(4,288)	-	(4,173)
Other comprehensive expenditure	-	(499)	-	(499)
Transfers between revaluation and I&E reserve	-	382	(382)	-
Total comprehensive (expenditure) for the year	115	(4,405)	(382)	(4,672)
Balance at 1 August 2021	735	8,546	24,824	34,105
Surplus / (Deficit) from the I&E statement	(29)	(2,250)	-	(2,279)
Other comprehensive expenditure	-	27,645	-	27,645
Transfers between revaluation and I&E reserve	-	382	(382)	-
Total comprehensive income / (expenditure) for the year	(29)	25,777	(382)	25,366
Balance at 31 July 2022	706	34,323	24,442	59,471

University	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£'000	£'000	£'000	£'000
Balance at 1 August 2020	-	13,820	24,439	38,259
(Deficit) from the I&E statement £395k (2021: £351k) of these	-	(4,258)	-	(4,258)
Other comprehensive expenditure	-	(499)	-	(499)
Transfers between revaluation and I&E reserve	-	345	(345)	-
Total comprehensive (expenditure) for the year	-	(4,412)	(345)	(4,757)
Balance at 1 August 2021	-	9,408	24,094	33,502
Deficit from the I&E statement	-	(2,230)	-	(2,230)
Other comprehensive expenditure	-	27,645	-	27,645
Transfers between revaluation and I&E reserve	-	343	(343)	-
Total comprehensive expenditure for the year	-	25,758	(343)	25,415
Balance at 31 July 2022	-	35,166	23,751	58,917

**CONSOLIDATED AND UNIVERSITY BALANCE SHEET
AS AT 31 JULY 2022**

	Notes	As at 31 July 2022		As at 31 July 2021	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	108,539	104,688	110,466	106,441
Investments	13	699	-	719	-
		<u>109,238</u>	<u>104,688</u>	<u>111,185</u>	<u>106,441</u>
Current assets					
Trade and other receivables	14	1,496	3,902	1,082	3,395
Cash and cash equivalents	19	12,468	12,360	8,392	8,325
		13,964	16,262	9,474	11,720
Less: Creditors: amounts falling due within one year	15	<u>(24,199)</u>	<u>(9,642)</u>	<u>(22,081)</u>	<u>(8,849)</u>
Net current (liabilities)/assets		<u>(10,235)</u>	<u>6,620</u>	<u>(12,607)</u>	<u>2,871</u>
Total assets less current liabilities		<u>99,003</u>	<u>111,308</u>	<u>98,578</u>	<u>109,312</u>
Creditors: amounts falling due after more than one year	16	(28,276)	(41,151)	(29,648)	(41,003)
Provisions					
Pension provisions	25	(11,240)	(11,240)	(34,807)	(34,807)
Other provisions	17	(16)	-	(18)	-
Total net assets		<u>59,471</u>	<u>58,917</u>	<u>34,105</u>	<u>33,502</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	18	706	-	735	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted:					
Income and expenditure account		45,563	46,406	43,353	44,215
Pension reserve		<u>(11,240)</u>	<u>(11,240)</u>	<u>(34,807)</u>	<u>(34,807)</u>
		34,323	35,166	8,546	9,408
Revaluation reserve		24,442	23,751	24,824	24,094
Total Reserves		<u>59,471</u>	<u>58,917</u>	<u>34,105</u>	<u>33,502</u>

The financial statements were approved by the Governing Body on 16 December 2022 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 2022**

	Notes	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,279)	(4,173)
Adjustment for non-cash items			
Depreciation	11	6,000	5,717
Loss/(Gain) on investments	18	30	(99)
(Increase) in debtors	14	(414)	(138)
Increase in creditors	15	795	1,122
Difference between pension charges and cash contributions	25	4,078	3,231
(Decrease) in other provisions	17	(2)	(2)
Adjustment for investing or financing activities			
Investment income	4	(19)	(16)
Interest payable	8	1,513	1,393
Endowment income	5	(17)	(32)
Loss on disposal of fixed assets		-	-
Capital grant income		(336)	(210)
Net cash inflow from operating activities		<u>9,349</u>	<u>6,793</u>
Cash flows from investing activities			
Proceeds from the sale of investments		-	-
Investment income		9	6
Capital grants received		-	1,610
Payments made to acquire fixed assets		(4,073)	(6,558)
		<u>(4,064)</u>	<u>(4,942)</u>
Cash flows from financing activities			
Interest paid		(396)	(302)
Interest element of finance lease		(1,117)	(1,091)
Endowment cash received		17	32
New unsecured loans		1,500	5,112
Repayments of amounts borrowed		(729)	(736)
Capital element of finance lease		(484)	(267)
		<u>(1,209)</u>	<u>2,748</u>
Increase / (Decrease) in cash and cash equivalents in the year		<u><u>4,076</u></u>	<u><u>4,599</u></u>
Cash and cash equivalents at beginning of the year		8,392	3,793
Cash and cash equivalents at end of the year	19	<u><u>12,468</u></u>	<u><u>8,392</u></u>

STATEMENT OF ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

Basis of consolidation

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

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

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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 2022**

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
Higher education				
UK and EU students	29,173	29,173	27,288	27,288
Non EU students	5,892	5,892	4,673	4,673
Further education				
UK and EU students	515	515	370	370
Non EU students	492	492	263	263
	36,072	36,072	32,594	32,594
2 Funding body grants				
Recurrent grants				
Office for Students	847	847	1,090	1,090
Education and Skills Funding Agency	1,017	1,017	1,137	1,137
Specific grants				
Office for Students	282	282	453	453
Education and Skills Funding Agency	-	-	-	-
Capital grants				
Office for Students	151	151	95	95
Education and Skills Funding Agency	7	7	7	7
Access funding				
Education and Skills Funding Agency	5	5	4	4
	2,309	2,309	2,786	2,786
3 Other income				
Residences, catering and conferences	8,343	8,343	4,616	4,616
Other services rendered	33	13	7	2
Other income	1,849	1,856	947	954
Other capital grants	178	159	108	89
	10,403	10,371	5,678	5,661
4 Investment income				
Investment income on endowments	10	-	10	-
Other investment income	9	9	6	6
	19	9	16	6

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

Grant and Fee income

Grant income from the OfS	1,280	1,280	1,638	1,638
Grant income from other bodies	1,029	1,029	1,148	1,148
Fee income for research awards (exclusive of Vat)	-	-	-	-
Fee income from non-qualifying courses (exclusive of Vat)	1,007	1,007	633	633
Fee income for taught awards (exclusive of Vat)	35,065	35,065	31,961	31,961
	38,381	38,381	35,380	35,380

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
5 Donations and endowments				
Unrestricted donations	17	-	32	-
	<u>17</u>	<u>-</u>	<u>32</u>	<u>-</u>
6 Staff costs				
Salaries	16,295	16,295	15,232	15,232
Social security costs	1,712	1,712	1,543	1,543
Other pension costs: Local Government Pension Scheme	4,626	4,626	3,826	3,826
Teachers' Pension Scheme	1,716	1,716	1,563	1,563
	<u>24,349</u>	<u>24,349</u>	<u>22,164</u>	<u>22,164</u>
			2022	2021
Fundamental restructuring costs			£	£
Compensation for loss of office			88	110
Number of individuals to whom redundancy payments were made			7	5
			<u>7</u>	<u>5</u>
			2022	2021
Emoluments of the Vice-Chancellor, Paul Gough:			£	£
Salary			225,000	225,000
Salary in lieu of pension contributions			46,819	46,819
Pension costs			-	-
Benefits			3,133	2,877
			<u>274,952</u>	<u>274,696</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	7.16	7.06
Vice-Chancellor's total remuneration to the median for staff	7.29	7.23

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 completely of independent members of the Board of Governors. In deciding the remuneration for the Vice Chancellor, the Committee annually considers:

- Comparative data of equivalent role from the UCEA annual survey of compensation paid to senior staff, within post 92 institutions with income of £40 million -£70 million
- Comparative data of equivalent role from the CUC annual survey of the remuneration of Vice-Chancellors/ Principals
- Internal compensation equity to other AUB Senior Postholders
- Organisational and individual performance against objectives as agreed with the Chair of the Board

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

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

6 Staff costs (continued)

	31 July 2022	31 July 2021
	£'000	£'000
Emoluments of key management personnel:		
Salary and benefits	1,311	1,357
Pension costs	166	138
	<u>1,477</u>	<u>1,495</u>

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

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

	2022	2021
	No.	No.
Average staff numbers by major category :		
Teaching departments	258	245
Teaching support services	12	11
Library	11	12
Other support services	37	29
Administration and central services	103	93
General education	4	4
Income generating activities	8	12
	<u>433</u>	<u>406</u>

	£'000	£'000
Access and Participation		
Access Investment	139	153
Financial Support	-	-
Disability Support	220	198
Research and Evaluation	36	-
	<u>395</u>	<u>351</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Other operating expenses				
Teaching departments	2,985	2,985	2,118	2,118
Teaching support services	1,945	1,942	1,792	1,789
Other support services	278	278	390	390
Administration and central services	2,663	2,884	2,246	2,462
General education expenditure	293	293	460	460
Premises costs	4,797	4,719	3,682	3,607
Planned maintenance	312	312	248	248
Grants to Student Union	180	180	165	165
Other income generating activities	7	-	7	-
External auditor's remuneration - Audit fees	54	49	47	38
External auditor's remuneration - Other fees	8	-	-	-
Internal auditor's remuneration - Audit fees	38	38	29	29
Operating lease rentals plant/machinery	54	54	58	58
Operating lease rentals land and buildings	3,877	3,877	3,853	3,853
Catering and residencies	1,095	1,095	430	430
	18,587	18,706	15,525	15,647

Reimbursements to governors and trustees for the expenditure incurred in attending Board meetings amounted to £4,872 (2020: £1,260), of which £nil was outstanding at 31 July 2022. No governor received any remuneration from the group in the performance of their role as trustee, other than the Vice-Chancellor whose remuneration is detailed in Note 6.

8 Interest and other finance costs

Loan interest	396	396	302	302
Finance lease interest	1,117	1,117	1,091	1,091
Net charge on pension scheme	509	509	449	449
	2,022	2,022	1,842	1,842

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
9a Analysis of total expenditure by activity				
Academic and related expenditure	22,296	22,293	20,144	20,142
Administration and central services	11,056	11,263	9,766	9,971
Premises	11,084	10,832	9,715	9,466
Residences, catering and conferences	5,868	5,868	5,175	5,175
Other operating expenses	742	734	558	551
	<u>51,046</u>	<u>50,990</u>	<u>45,358</u>	<u>45,305</u>
Other operating expenses include:				
External auditors fees in respect of audit services	54		47	
External auditors fees in respect of non-audit services	8		-	
Operating lease rentals:				
Land and buildings	3,877		3,853	
Other	54		58	
Fundamental restructuring costs	<u>88</u>		<u>110</u>	
9b Access and Participation				
Access Investment	785	785	617	617
Financial Support	387	387	575	575
Disability Support	232	232	207	207
Research and Evaluation	36	36	31	31
	<u>1,440</u>	<u>1,440</u>	<u>1,430</u>	<u>1,430</u>
£395k (2021: £351k) of these costs are already included in the overall staff costs figures included in the financial statements, see note 6				
The University's published access and participation plan is available at https://aub.ac.uk/schools-hub/widening-access-to-aub				
10 Taxation				
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense	25	-	22	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	<u>25</u>	<u>-</u>	<u>22</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	(2)	-	(2)	-
Deferred tax expense	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Total tax expense	<u>23</u>	<u>-</u>	<u>20</u>	<u>-</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

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 2021	126,203	5,678	8,354	10,481	150,716
Additions	35	1,746	1,885	407	4,073
Transfers	4,833	(5,211)	-	378	-
Disposals	-	-	-	(3)	(3)
At 31 July 2022	131,071	2,213	10,239	11,263	154,786
Depreciation					
At 1 August 2021	24,067	-	7,402	8,781	40,250
Charge for the year	4,573	-	734	693	6,000
Disposals	-	-	-	(3)	(3)
At 31 July 2022	28,640	-	8,136	9,471	46,247
Net book value					
At 31 July 2022	102,431	2,213	2,103	1,792	108,539
At 31 July 2021	102,136	5,678	952	1,700	110,466
University					
Cost or valuation					
At 1 August 2021	120,754	5,677	7,687	10,175	144,293
Additions	35	1,746	1,885	407	4,073
Transfers	4,833	(5,211)	-	378	-
Disposals	-	-	-	(3)	(3)
At 31 July 2022	125,622	2,212	9,572	10,957	148,363
Depreciation					
At 1 August 2021	22,644	-	6,718	8,490	37,852
Charge for the year	4,399	-	734	693	5,826
Disposals	-	-	-	(3)	(3)
At 31 July 2022	27,043	-	7,452	9,180	43,675
Net book value					
At 31 July 2022	98,579	2,212	2,120	1,777	104,688
At 31 July 2021	98,110	5,677	969	1,685	106,441

On transition to FRS102 the deemed cost approach was adopted.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022****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 £9.8m (2021: £11.0m), 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.

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

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**
13 Non-Current Investments

Consolidated	Subsidiary companies £'000	Other fixed asset investments £'000	Total £'000
At 1 August 2021	-	719	719
Additions to investments at cost	-	10	10
Sale of Investments	-	-	-
(Loss) on revaluation	-	(30)	(30)
At 31 July 2022	<u>-</u>	<u>699</u>	<u>699</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 £735k, income and resources for the year of £(29)k and closing reserves of £706k.

14 Trade and other receivables

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Due in one year:				
Trade receivables	501	501	269	269
Other receivables	99	99	163	163
Prepayments and accrued income	896	896	650	650
Amounts due from subsidiary companies	-	2,406	-	2,313
	<u>1,496</u>	<u>3,902</u>	<u>1,082</u>	<u>3,395</u>

The amounts due from subsidiary companies includes a £2.35m 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 2022

	Year Ended 31 July 2022		Year Ended 31 July 2021	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Creditors : amounts falling due within one year				
Unsecured loans	15,125	625	13,767	767
Obligations under finance leases	538	538	585	585
Trade payables	922	922	308	308
Social security and other taxation payable	817	791	932	738
Other creditors	253	253	201	201
Accruals and deferred income	5,798	5,786	5,736	5,717
Amounts owed to Funding Councils	427	427	245	245
Deferred capital grants	319	300	307	288
	24,199	9,642	22,081	8,849
16 Creditors : amounts falling due after more than one year				
Deferred capital grants	6,009	4,384	6,357	4,712
Obligations under finance lease	16,065	16,065	16,502	16,502
Unsecured loans	6,202	20,702	6,789	19,789
	28,276	41,151	29,648	41,003
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 15)	15,663	1,163	14,352	1,352
Due between one and two years	15,935	15,915	14,153	14,153
Due between two and five years	4,324	4,266	5,093	5,093
Due in five years or more	22,516	20,969	17,045	17,045
Due after more than one year	42,775	41,150	36,291	36,291
Total secured and unsecured loans	58,438	42,313	50,643	37,643
17 Provisions for liabilities		Defined Benefit		Total
		Pension Obligations		Other
		(Note 24)	Deferred tax	£'000
		£'000	£'000	
Consolidated				
At 1 August 2021		34,807	18	34,825
Utilised in year		(23,567)	(2)	(23,569)
Additions in 2021/22				-
At 31 July 2022		11,240	16	11,256
University				
At 1 August 2021		34,807	-	34,807
Utilised in year		(23,567)	-	(23,567)
Additions in 2021/22			-	-
At 31 July 2022		11,240	-	11,240

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 2022**
18 Endowment Reserves

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	2022 Total £'000	2021 Total £'000
Balances at 1 August 2021				
Capital	22	693	715	683
Accumulated income	21	(1)	20	(63)
	<u>43</u>	<u>692</u>	<u>735</u>	<u>620</u>
New endowments	-	17	17	32
Investment income	1	9	10	11
Expenditure	-	(26)	(26)	(27)
Increase / (Decrease) in market value of investments	-	(30)	(30)	99
	<u>1</u>	<u>(30)</u>	<u>(29)</u>	<u>115</u>
Total endowment comprehensive income / (expenditure) income for the year	<u>1</u>	<u>(30)</u>	<u>(29)</u>	<u>115</u>
At 31 July 2022	<u><u>44</u></u>	<u><u>662</u></u>	<u><u>706</u></u>	<u><u>735</u></u>
Represented by:				
Capital	22	680	702	814
Accumulated income	22	(18)	4	(79)
	<u>44</u>	<u>662</u>	<u>706</u>	<u>735</u>
Analysis by type of purpose:				
Scholarships and bursaries	24	59	83	77
Prize funds	-	3	3	3
General	20	600	620	655
	<u>44</u>	<u>662</u>	<u>706</u>	<u>735</u>
Analysis by asset and liability:				
Current and non-current asset investments			699	719
Accrued Income			-	-
Cash & cash equivalents			70	53
Current liabilities			(63)	(37)
			<u>706</u>	<u>735</u>
19 Cash and cash equivalents				
	At 1st August 2021 £'000	Cash Flows £'000	At 31st July 2022 £'000	
Consolidated				
Cash and cash equivalents	8,392	4,076	<u>12,468</u>	
	<u><u>8,392</u></u>	<u><u>4,076</u></u>	<u><u>12,468</u></u>	

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

20 Consolidated reconciliation of net debt	31 July 2022
	£'000
Net debt 1 August 2021	29,251
Movement in cash and cash equivalents	4,076
Other non-cash changes	(7,865)
Net debt 31 July 2022	25,462
Change in net debt	<u>(3,789)</u>

Analysis of net debt:	31 July 2022	31 July 2021
	£'000	£'000
Cash and cash equivalents	12,468	8,392
Borrowings: amounts falling due within one year		
Unsecured loans	15,125	13,767
Obligations under finance leases	538	585
	<u>15,663</u>	<u>14,352</u>
Borrowings: amounts falling due after more than one year		
Obligations under finance lease	16,065	16,502
Unsecured loans	6,202	6,789
	<u>22,267</u>	<u>23,291</u>
Net debt	<u>25,462</u>	<u>29,251</u>

21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2022:

	31 July 2022		31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	2,076	2,076	1,053	1,053
	<u>2,076</u>	<u>2,076</u>	<u>1,053</u>	<u>1,053</u>

22 Contingent liabilities

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

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**

23 Lease obligations

Total rentals payable under operating leases:

	31 July 2022		31 July 2021	
	Land and Buildings	Plant and Machinery	Total	
	£'000	£'000	£'000	£'000
Payable during the year	3,908	54	3,962	3,911
Future minimum lease payments due:				
Not later than 1 year	4,079	26	4,105	3,897
Later than 1 year and not later than 5 years	5,137	18	5,155	7,807
Later than 5 years	1,075	-	1,075	133
Total lease payments due	<u>10,291</u>	<u>44</u>	<u>10,335</u>	<u>11,837</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 £180k to the Arts University Bournemouth Students' Union the president of which is a Board Governor. In addition a further £135k was spent on staff employed by the University but directed by the Student Union officers. This is a total contribution of £315k ; and
- details of transactions with the Teachers' Pension Scheme and Local Government Pension Scheme are set out in note 25 of the accounts
- transactions totalling £5k took place with Kortex Ltd, a company of which the governor James Gray has been a director during the year. There were no amounts outstanding at the year end.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2022**
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:

	2022	2021
	£'000	£'000
Teachers' Pension Scheme	1,716	1,563
Local Government Pension Scheme	4,626	3,826
	6,342	5,389
	6,342	5,389

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 2022 were £333,740 (2021: £313,510) 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 £1,716,000 (2021: £1,563,000).

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

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

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

For LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS regulations. The scheme was most recently valued as at March 2019 and the proportion of members' accrued benefits covered by the actuarial value of the assets was 98%. The payment of a deficit recovery lump sum of £237,000 is required over three years as the employer contribution rate has been maintained at 14.1% of pensionable salaries. The employees contribute between 5.5 – 12.5%.

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

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

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

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

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

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

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

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

Assumptions

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

	2022	2021
	%	%
Price inflation (CPI)	2.75	2.80
Rate of salary increases	3.75	3.80
Rate of increase of pensions in payment	2.75	2.80
Discount rate	3.40	1.60
Assumed commutation rate	50	50

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

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

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

	2022 Years	2021 Years
Retiring today		
Males	22.1	23.1
Females	24.2	24.6
Retiring in 20 years		
Males	23.4	24.4
Females	25.6	26.1

	£'000	£'000
Amounts recognised in the statement of comprehensive income		
Service cost	4,658	3,758
Net interest on defined liability	548	428
Administration expenses	21	21
	<u>5,227</u>	<u>4,207</u>
Actuarial loss	(27,645)	499
Total charge	<u>(22,418)</u>	<u>4,706</u>

	2022 £'000	2021 £'000
Analysis of movement in the present value of the scheme liabilities		
The institution's estimated assets share	29,879	29,140
Present value of the institution's scheme liabilities	(41,119)	(63,947)
	<u>(11,240)</u>	<u>(34,807)</u>

Analysis of movement in the present value of the scheme liabilities		
At beginning of year	63,947	55,117
Current service cost	4,658	3,758
Interest cost	1,023	771
Change in financial and demographic assumptions	(28,619)	5,324
Employee contributions	507	466
Benefit payments	(548)	(553)
Experience (gain)/loss on defined benefit obligation	151	(936)
Curtailements	-	-
At the end of the year	<u>41,119</u>	<u>63,947</u>

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

At beginning of year	29,140	24,040
Interest on assets	475	343
Return on assets less interest	(823)	3,889
Administration expenses	(21)	(21)
Other actuarial gains	-	-
Employer contributions	1,149	976
Employee contributions	807	466
Benefit payments	(548)	(553)
At the end of the year	29,879	29,140

The estimated value of employer contributions for the year ended 31 July 2022 is £1,152,000.

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

	Fair value 2022 £'000	Fair value 2021 £'000
Equities	16,130	15,866
Gilts	3,313	3,432
Cash	390	405
Other bonds	1,463	1,652
Diversified growth fund	2,003	1,961
Secured Income Funds	-	-
Property	3,051	2,604
Infrastructure	2,194	1,826
Multi Asset Credit	1,335	1,394
	29,879	29,140

The actual return on scheme assets was (£348,000) for 2022 compared to that of £4,232,000 for 2021.