



ARTS UNIVERSITY BOURNEMOUTH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

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GOVERNORS of the University who served on the BOARD in 2018-19 for the whole of the year unless otherwise stated and up until the signature of the accounts

| Name | Area of Principal Expertise | Committee Membership at date of signing accounts |
|--|------------------------------------|---|
| Chris Martin MA ACA- Chairman | Banking & Accountancy | Finance & Resources; Human Resources; Remuneration; Search & Governance |
| Michael Gibson – Vice Chairman | Information Technology | Finance & Resources; Remuneration; Search & Governance |
| Professor Stuart Bartholomew CBE M.Ed FRSA | Principal and Vice-Chancellor | Finance & Resources; Human Resources; Search & Governance |
| Stephanie Barton (resigned 31 July 2019) | Publishing | Finance & Resources; Human Resources |
| Michael Clarke LLB | Legal | Audit & Risk; Remuneration; Search & Governance |
| Dr Bryony Conway PhD | Higher Education | Audit & Risk; Human Resources |
| Janice Davies (resigned 31 July 2019) | AUB Professional Services Staff | Finance & Resources |
| Prue Keely Davies MA | Media, Charity & Governance` | Audit & Risk |
| Giorgia Garancini BA (resigned 5 July 2019) | AUBSU Student Governor | Human Resources |
| Valerie Lodge MA (appointed 1 August 2019) | AUB Professional Services Staff | Finance & Resources |
| Robert McClatchey MA ACA | Banking & Accountancy | Finance & Resources |
| Gerard Moran PhD | Higher Education | Audit & Risk |
| Tim Newman LLB ACA | Health & Accountancy | Finance & Resources; Human Resources |
| Angela Neuberger BA | Media | Finance & Resources; Remuneration; Search & Governance |
| Dr Kabir Shaikh CBE FRSC DUniv | Education & Administration | Audit & Risk |
| Dr Amanda Stephenson PhD | AUB Academic Staff | Human Resources |
| Jordan Verdes BA (appointed 5 July 2019) | AUBSU Student Governor | Human Resources |
| Sara Webb BA | Human Resources | Human Resources; Remuneration; Search & Governance |
| Claire Whitaker MA (appointed 23 November 2018) | Music & Cultural Producer | Audit & Risk |
| Jon Renyard MPhil | University Secretary & Registrar | |

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STRATEGIC REPORT

Mission Statement

'To be the leading professional arts university dedicated to creative education and career success'.

1. Statement of Public Benefit

The Arts University Bournemouth (AUB) is a higher education corporation as defined by the Further and Higher Education Act of 1992 having been incorporated in 1993. It is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is required to demonstrate how its work is of 'public benefit'. The University is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Office for Students (OfS) as principal regulator.

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

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

The University's mission, vision, values and aims as articulated in its new Strategic Plan have been developed in support of the institution's primary purpose to develop seven academic themes which together create a framework for delivery. AUB takes a wide view of its charitable purpose; not only that prescribed by the delivery of higher and further education, but to related wider social, economic and ethical concerns locally, nationally and internationally.

The main beneficiaries are current and prospective students for whom AUB provides the opportunity to progress from the age of 9 through Saturday art school, further education, undergraduate, post graduate and doctorate programmes in the subject areas of art, design, architecture, media and performance providing them with the skills to be creative practitioners.

The cost of higher education, which is not only tuition fees but also includes accommodation and living costs, can be a barrier to many students. AUB through its Student Services provision supports students in their applications for funding from a wide range of sources and administers the Access Bursary Scheme which in 2018 - 19 distributed over £450k in funding to eligible students which is in line with predictions in the Access Agreement for financial support for students.

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

1.1 Teaching

- Enrolled a total of 3,202 undergraduates, 123 taught postgraduates and 12 research postgraduates from the UK, EU and Overseas, an additional 314 Further Education students as well as 1,330 students on dedicated specialist short courses. The Further Education courses act as a bridge to our undergraduate courses, and our goal is to ensure that at least 50% of these students, upon successful completion of their studies, progress to degree courses internally.
- A new role of Academic Practice and Development Manager (APDM) was appointed to support the implementation of activities in the Creative Learning Plan including workshops on applications for Fellowships and Senior Fellowships of Advance HE (previously Higher Education Academy), and one-to-one support sessions for staff. The APDM also supported academic staff in applications for teaching qualifications and during their studies.
- The third Creative Learning Symposium was held with a focus on 'Inclusivity in assessment and feedback', and the AUBRETIA awards (AUB Recognition for Innovation in Excellence and Teaching Awards) were held for the second year, supplemented by the new SAUBS award (Supporting AUB Students) for non-academic staff.
- In-course support workshops for the development of student academic literacies, continued to be rolled out and now cover 18 out of 23 subject areas. An 'Inclusivity Template' was created to assist course leaders in providing inclusive practice across courses, and was used in the Annual Course Review process.
- Undertook the annual Student Perception Survey (SPS) and secured constructive student feedback through student attendance at meetings, and regular meetings of senior management with Students' Union representatives to ensure that the University is fulfilling student expectations and gathering suggestions for continuous improvement.
- Dedicated capital investment to upgrade course space for the Fashion Branding and Communication course and provide for the growing postgraduate offer.
- Retained the TEF GOLD rating by DfE/OfS for outstanding teaching and learning; and following an inspection by OFSTED of the university's further education provision was awarded 'Outstanding'.

STRATEGIC REPORT (continued)
1.2 Enabling Participation

- Continued the outreach work aimed at widening participation in higher education for students from non-traditional backgrounds, minority groups and disabled persons. Developed clear strategy to target this work effectively.
- Implemented the University's Access Agreement which underlines our commitment to widening participation and fair access and incorporates eligibility for AUB bursary support.
- Continued to promote take-up of bursaries and associated benefits, including bicycle and bus vouchers to encourage a reduction in car usage; and refectory credit.
- Developed a new Access and Participation Plan for 2020-25 entry, in accordance with the conditions of registration with the OfS while taking account of AUB's strategic developments. This Plan responds to demands that the gaps in access, success, attainment and progression of non-traditional students must be narrowed or eliminated over the course of its term.
- 272 enrolments to Saturday Art School, including 16% from disadvantaged backgrounds who received concessionary/complimentary places.
- 750 undergraduate students from the lowest socio-economic groups who receive full maintenance loans and are eligible for financial support.
- Portfolio advice days and Summer Schools for students from local schools from under-represented groups.
- Taster Days for students from schools with lower GCSE achievements, leading to increased applications from these groups.
- AUB is a member of the Southern Universities Network (SUN) in the OfS funded National Collaborative Outreach Programme (NCOP) which is now in Phase 2 of its delivery. Together with partner HEIs in Hampshire outreach activity and progression opportunities were delivered to target ward learners in the region of Dorset/Hampshire and the Isle of Wight. The programme aims to narrow the gap and see progression from those students with potential.
- Theatre in Education 'Choices' which had been devised by AUB was delivered across the region through the NCOP SUN.
- A Head teacher / Governors' CPD event with keynote address by 'the best teacher in the world', Andrea Zafirakou, (an art teacher) was hosted at AUB, attracting nearly 90 delegates.
- CPD specialist workshops for arts teachers across the region attracted in excess of 100 delegates.
- National creative workshops were delivered as part of UKADIA (United Kingdom Arts and Design Institutions Association) network with more than 30 delegates attending AUB in July.

1.3 Research and Knowledge Transfer

- The new Creative Learning Plan (2018 onwards) sets out the University's objectives for research and knowledge transfer in support of establishing an appropriate and effective, research, enterprise and knowledge transfer environment reflective of the research ambitions of AUB's staff and students. Key activity is focused around continuing to increase the number of doctoral holding staff with the APDM supporting staff members to develop proposals for doctoral study, exploring an institutional repository and increasing funding. Work also continued in support of submission to the next Research Excellence Framework exercise (REF 2021). The Code of Practice was submitted; a number of 'REF ready' workshops took place during the summer to staff in writing 300 word statements to articulate the research imperatives for practice-based outputs; support given to staff in drafting and revising these statements; and work towards identifying impact case studies to progress. To support understanding around research ethics, a research ethics refresher was devised with practical examples of ethical issues that might be encountered within creative research. Support for staff academic writing was enhanced through opportunities for one-to-one meetings with academic staff, a series of writing workshops through the year, and a 2 week 'Writing Boot Camp' during the summer.
- The developing research agenda at AUB was supported by the third Research Conference which had a theme of 'The problem with truth' with a key note lecture from Dr Nea Nehrlich from Ben Gurion University, Israel, and featured presentations from staff on the topic from different disciplinary perspectives.
- The University awarded several research fellowships to enable staff to write up their PhD thesis for publication; exhibit practice-based research; obtain copyright clearance for books and undertake primary research in support of journal publications.
- AUB's first AHRC funded Research Network 'Stitching together' with Nottingham Trent University held two workshops, comprising researchers, professional textile practitioners, project commissioners and enthusiast textile maker groups. The Network aims to generate improved critical understandings of participatory textile making as an emerging methodological approach to research.
- Staff practitioners were successful in delivering conference papers in Lisbon, Auckland and Shanghai and staff produced peer reviewed journal articles, book chapters and practice-based outputs as highlighted on the staff profiles pages of the University's website.
- Our first European Regional Development Fund (ERDF) project, is finishing in December 2020. To date we have supported 98 Dorset based SMEs in Research and Innovation projects bringing 37 new products or services to market.
- Our second ERDF project began in March. The overall project is £900k investment with £200k in match-funded micro-grants to work directly with Dorset SMEs. This funding has also enabled us to advertise for our first Post-doctoral researcher examining barriers to SME growth in the creative and manufacturing industries across Dorset.

STRATEGIC REPORT (continued)
1.3 Research and Knowledge Transfer (continued)

- We have also delivered several projects with the RNLI including an international innovation project funded by the Global Challenges Research Fund. AUB were commissioned to develop video aids for low-volume production of public rescue throw-lines in Tanzania and test how these were interpreted by local makers. This research has led to further commissions to develop improved guidance for low-volume production in low-resource economies. This project is the first to involve local makers in the production of safety equipment.
- We have been developing new paid consultancy projects and piloting structures where academic staff anchor student work on paid for briefs. We have also been piloting offering resources in the workshop commercially, especially the 3D SLS printer, for early stage prototyping and testing undertaking work with the Lush R&D Team and LV= UX team. Increasing this activity is key to enhancing our return to the Knowledge Exchange Framework.

1.4 Wider Community

- Museum of Design in Plastics (MoDiP) is the UK's only accredited museum with a focus on plastics, the most used materials group in manufacture since the 1970s. The museum is open to the public and is also a universal resource as a result of its comprehensive website and the digitisation of its collection.
- MoDiP's core funding is provided by the AUB, supplemented by a Research England grant of £75K per annum from September 2017 for five years. This grant is in recognition of MoDiP's 'unique and significant contribution to research and scholarship.' During this academic year under it has supported the role of an Engagement Officer with the brief to increase use of the resource both within and beyond the AUB.
- MoDiP also endeavours to raise funds for specific projects. This year the museum has secured a grant from the local Cultural Hub to run 'Eco-plastic Detective' sessions with schools in the area. The sessions looked at recycling and the environmental impact of plastics both bad and good.
- MoDiP continued its residency at the museum for a musician/composer, Karen Wimhurst. The resulting chamber opera was workshopped to a capacity audience at the Sherling Studio, The Lighthouse, Poole, 26 September 2018, and premiered in a reworked version as 'Synthetica: a toxic enchantment' at the Tête à Tête festival, London, August 2019. Katharine Piercey, leader of the AUB's Acting Course, directed the performances.
- MoDiP held two main exhibitions both of which have a permanent online version on the MoDiP website. See through (March 2018 to September 2018), which explored one property of plastics – the ability to be transparent or translucent – and how that can be useful. Revolution: environmentally conscious design in plastics (September 2018 to March 2019), which looked at the use of recycled and upcycled materials, alternative sources of raw material feedstock, and some of the ways in which plastics objects can actually help to prevent environmental damage.
- Other supporting exhibitions have included: Plastics & the home front (to coincide with TheGallery's exhibition Dazzle and the Art of Defence), What is Tupperware, Student Creative - Animation team, Student Creative - Heida Jonsdottir, Student Creative - Fiona McTaggart, Design in minimise environmental impact, as well as the regular displays of About plastics and the 3 collections case.
- The Curator presented a paper at the international Plastics Heritage Congress (Lisbon, Portugal), as well as chairing a session, and judging the conference posters.
- MoDiP continues to be a member of the Plastics Heritage European Association (PHEA) which includes among its objectives 'to initiate applications and come to agreements for the exchange of students, researchers and for research co-operations' and 'to apply for funding of European research programmes on Plastics Heritage.' The Curator attending a meeting of the association whilst attending the Plastics Heritage Congress in Lisbon Portugal. The museum has welcomed visitors and researchers from across the country including Oxford University, the British Museum, Australia, and Israel.
- TheGallery at Arts University Bournemouth (AUB) is a major resource for contemporary art and design in the South of England and is open to the general public. Many of the exhibitions and artists' commissions that have been produced within the space since its opening have toured to other venues across the UK.
- In September 2018 TheGallery launched its exhibition programme with Suddenly Last Summer showcasing the best of student graduate work the timing of which coincided with a number of Open Days thus providing inspiration for future students/artists. This was followed by the Trinity Buoy Wharf Drawing Prize (formerly the Jerwood Drawing Prize) an exhibition of selected original drawings. This annual exhibition has established a reputation for its commitment to championing excellence and promoting, celebrating and challenging contemporary drawing practice.
- TheGallery's feature exhibition was Dazzle: Disguise and Disruption in War and Art. This major exhibition contextualised the artist Norman Wilkinson's First World War 'Dazzle' schemes of disruptive camouflage against the wider contribution of the arts and creative industries to the defence of Britain in wartime.
- TheGallery continues to oversee the Lucienne Day: Living Design touring exhibition at 2 further venues thus increasing its exposure. Over 600 young learners attended workshops and gallery talks for schools related to the various exhibitions and TheGallery in total had over 40,000 visitors.

STRATEGIC REPORT (continued)
1.4 Wider Community (continued)

- The Performance subject areas staged a number of productions at the Shelley Theatre at Boscombe; the Pavilion at Bournemouth; and the Lighthouse at Poole which have all been accessible to the public. The repertoire has been extensive ranging from Mary Shelley by Helen Edmundsen, Thomas Hardy's Far from the Madding Crowd and Lord of the Flies adapted by Nigel Williams. In the summer term a musical The Lion, the Witch and the Wardrobe was performed based on the book by CS Lewis of the same name.
- The 200th anniversary of the publishing of Frankenstein by Mary Shelley afforded the students of BA (Hons) Creative Writing the opportunity to write plays of that genre that were performed by the BA (Hons) Acting students.
- The University sponsored a performance of Magical Fairytales by the Bournemouth Symphony Orchestra featuring compositions by Ravel, Rachmaninov and Stravinsky. Responding to images created by the BA (Hons) Illustration students based on Stravinsky's Petrushka score and Grimm's Fairytales, BA (Hons) Creative Writing students produced original and exciting poetry and prose.
- In May and June 2019 the Summer Show Exhibitions took place across the campus, transforming the entire institution into a huge open air gallery. The intention behind the shows is to provide a showcase for industry professionals, current and prospective students and their families, and the wider community. The shows promote the understanding of contemporary arts regionally and provide a platform for schools to explore possible progression routes in the creative industries.
- Enrolments on the short leisure course programmes developed for the local community were over 1,000.

2 Strategy and Risk Analysis
2.1 Strategic Plan

Following extensive consultation, the Governing Board in July considered a draft strategic framework, which was approved in principle. It incorporated the following refinements to the previous AUB Strategic Plan 2014-2019 and recognised the challenges across the HE Sector:

- A revised and more focused mission statement which includes professional outcomes as well as careers;
- A revised vision statement which continues the theme of maker culture but within a global and critical context;
- Renewed emphasis on the core values;
- The seven academic themes will drive the framework as set alongside the aims to demonstrate how the themes are embraced in all the aims;
- 'Community' has replaced the word 'Stakeholders' as more fitting to AUB; and
- The sustainability enabler includes environmental as well as financial and organisational sustainability.

The strategic framework which has now been agreed is as follows:

Mission: *To be the leading professional arts university dedicated to creative education and career success.*

Vision: *To develop our national and international distinctiveness, by ensuring our maker culture and creative leadership is set within relevant contexts.*

Values: *To embrace innovation, collaboration and connectedness.*

Aims: *To be the leading professional arts university that enriches and engages through creative and professional excellence.*

To be dedicated to access and success in creative education.

To be a distinctive arts university held in high esteem for creative education and leadership.

Academic Themes

- 1) *All through provision;*
- 2) *Innovative teaching and curriculum design;*
- 3) *Strengthen research and post graduate education;*
- 4) *Outstanding student experience;*
- 5) *AUB Advantage;*
- 6) *Extended and short study; and*
- 7) *Internationalisation.*

STRATEGIC REPORT (continued)

2.1 Strategic Plan (continued)

The immediate core challenges in delivering the strategic plan are to:

- Maintain academic excellence at UG levels (TEF 2019);
- Grow and develop PGT and PGR and Research excellence (REF 2021);
- Recruitment to all provision (Prep HE, UG, PG, Short Study Options); and
- Ensure control of resourcing.

The test will be to deliver the above in a difficult political and economic climate, with the lowest demographic of young people, exasperated by a continuing reduction in schools delivering creative subjects. The challenge of TEF data related to NSS, Graduate Outcomes and Retention continue to be a major concern for academic delivery. A focus on recruitment and enrolment will be essential.

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

2.2 Looking Forward

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

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

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

2.3 Risk Analysis

The key risks facing the University continue to relate to changing Government policy and priorities particularly in light of the current uncertain political and economic environment. A detailed review of the known financial risks to the Arts University Bournemouth is provided at section 5.8.

2.4 Access and Participation Plan 2020-25

During 2018/19, the University has developed its Access and Participation Plan for 2020/21-2024/25, in line with the requirements set out by the Office for Students. The team has given careful consideration to the University’s performance in access, success and progression for students from a range of disadvantaged groups, and has set targets for improvement where it identified the most significant gaps.

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

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

AUB assessment of performance (RAG)

STRATEGIC REPORT (continued)
2.4 Access and Participation Plan 2020-25 (continued)

Priority will be given to closing the access gap for those from low participation neighbourhoods (POLAR 4 Quintile 1), and to closing the attainment gap for BAME students. This work requires careful research and evaluation to determine the actions which are likely to be effective. The Plan does not come into effect formally until 2020/21, but initial steps will be taken during 2019/20 alongside existing outreach priorities.

3 Academic Review
3.1 Academic Excellence

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

The high quality of graduates is demonstrated by the fact that 96.2% of students were in employment or further study six months after graduation in June 2017 on a response rate of 88%. This is ahead of benchmark (94.5%), and represents an excellent achievement.

3.2 Student Experience

The University continues to pride itself on the quality of student experience offered. Overall satisfaction as expressed in the National Student Survey (NSS) was 86%, which was a marked improvement against previous years and was ahead of the outcomes achieved by competitor courses, although specialist institutions within the creative arts and design sector continue to perform disappointingly. The University performed particularly strongly on measures relating to Learning Resources, which is a reflection of the systematic investment in IT and equipment to support student learning; and Learning Community. The internal Student Perception Survey (SPS) showed excellent outcomes, with 90% of students confirming that they are satisfied with the quality of the course.

The University has made a significant commitment to improving the Digital Environment for Learning, Teaching and Assessment (DELTA). The online portal for the submission, assessment and feedback of work was used for all Level 4 and 5 students during 2018/19, and the coming year will see its use for all higher education students on taught courses. The last year also saw the implementation of a full online system for the provision of assessment feedback, replacing the previous pdf document.

3.2 Academic Portfolio

The changing shape of the higher education sector in England places a premium on the presentation of an attractive portfolio of awards which make a strong contribution to the overall specialist offer. The University is currently considering the future development of postgraduate taught awards, acknowledging that this is likely to be a growth area over the coming years.

3.3 Doctoral study

AUB acknowledges that research and scholarship are an essential aspect of a higher education institution, which supports delivery of a high quality student experience. It prioritises investment in this area in a number of ways including supporting staff to study for doctoral qualifications and to undertake supervisory training. One member of staff achieved their doctorate in the past year with at least three due to submit for examination. A further thirteen staff are being supported to undertake this qualification in 2019-20 of whom three are expected to submit for examination.

AUB continues to support research students through providing a contribution towards their fees. One new practice-based research degree opportunity for a studentship was advertised for and successfully recruited in the area of film. The University secured two completions in the area of fine art; and a third student was examined and completed in early autumn 2019. Ten doctoral students are currently studying for, or completing, their theoretical and practice-based research degrees. Supervisory capacity increased with the appointment of new members of staff to supervisory teams and the completion of supervisory training.

3.4 Teaching

Working towards delivery of the Creative Learning Plan, the APDM has supported staff in applying for and working towards teaching qualifications and HEA accreditation at Fellow, Senior Fellow and Principal Fellow level. The APDM has worked with HR to create and continually update a shared record of staff qualifications. The Creative Learning Conference focused on 'Inclusive Assessment and Feedback' in order to consolidate the quality of teaching provision and enhance performance in learning, teaching and student experience. These activities of supporting staff qualifications and teaching quality are central to the University's approach to meeting the requirements of the Teaching Excellence Framework (TEF) and its attendant mechanisms for evidencing a university's commitment to learner achievement.

STRATEGIC REPORT (continued)
3.4 Teaching (continued)

In March 2019 the first Employability & Enterprise Skills week took place with 18 different sessions delivered by AUB Alumni and external organisations. 485 students attended. An ongoing programme of business support run by a local business consultant was developed and in May AUB Advantage was launched, a series of events aimed at Final years and Masters students. This gave 145 students the chance to attend personal development courses, become certified in Adobe software packages and take certificates in First Aid and trainer skills.

In particular we note progress against targets and related activities such as: 1) the strategic development of the Digital Environment for Learning, Teaching and Assessment (DELTA); 2) increasing the opportunities for engagement with creative pedagogy; 3) increasing the qualifications and professional accreditation of HE academics; 4) improving the capture of professional development activity; and 5) the introduction of schemes to recognise and enhance the quality of teaching and student support for academic and non-academic staff (AUBRETIA and SAUBS awards).

4 Organisational Sustainability

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

4.1 Staffing

Developing on from the introduction of the Academic Career Framework (ACF) within the previous year, during the 2018-19 academic session the University introduced Academic Career Pathways, enabling HE Academic staff to align themselves to one of three Academic Career Pathways in the pursuit of excellence in: Teaching, Research or Knowledge Exchange. The introduction of these Pathways does not represent a change to the academic contract but enables HE staff to utilise the proportion of time contractually allocated for the pursuit of research and other forms of scholarly activity in an equitable way, recognising that AUB's 'influential team' concept requires staff who pursue teaching, research and/or knowledge exchange to have routes for their career development. Each of the Pathways sets equivalent expectations and represents different routes towards excellence, valuing diversity in academic staff who may wish to concentrate on research, or make a valuable contribution to teaching and pedagogy, or develop knowledge exchange; all of which are areas that enhance individuals' careers and our students' experience. Therefore the introduction of the Pathways follows the same principles of the ACF:-

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

The nominations process for HE academic staff to apply for Associate Professor and Professor promotion was introduced during the 2018-19 academic session to recognise individuals' outstanding contribution and/or achievement to research, teaching or knowledge transfer. Promotion to either Associate Professor or Professor level represents a change to an individual's job description, with an associated change in expectations and deliverables; including becoming a member of the University's Professoriate.

In addition, criteria for Lecturer to Senior Lecturer promotion was introduced with an accompanying new annual nomination process for HE academic staff to be recognised for a higher level of academic performance, as related to the higher contractual grade. The Deans of School are responsible for the academic scrutiny of the applications, the University's strategic resourcing group, HRMM, are responsible for the financial deliberations and HR oversee the process.

Resourcing continued to be a key area of focus for the HR department to support the University in attracting and appointing high quality staff to the institution. HR reviewed the University's website pages and, through collaboration with our external advertising agency, introduced a new microsite to improve the information provided to applicants about AUB, introducing a dynamic platform which can be enhanced/updated as necessary and which provides a more efficient yet comprehensive recruitment journey for applicants. Additionally, this development achieved cost savings for the institution with the way the information is provided to applicants and externally advertised. 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 Framework and Creative Learning Plan.

The University's strengthened approach to performance management continued and HR worked closely with line managers to ensure concerns with staff performance levels were dealt with in accordance with the University's Performance Procedure. During the 2018-19 academic session this led to the exiting of staff who did not meet the required standards either through the stringent probationary process or through the performance management process itself.

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

STRATEGIC REPORT (continued)
4.1 Staffing (continued)

The staff performance review system has continued to provide a facility for academic staff to capture their teaching and learning activity in addition to research and knowledge transfer activity. This enables academic staff to build up their portfolios in respect of these crucial areas of activity, both for their own development and the University's strategic reporting and planning for TEF, REF and it is anticipated that it will also be useful for KEF (Knowledge Exchange Framework) purposes.

Average sickness absence levels within both the academic and professional services staffing groups have decreased during the 2018-19 academic session. In relation to levels of mental health sickness absence, HR work closely with employees and line managers to ensure appropriate support is provided with the aim of assisting staff to return to work or remain at work; utilising the occupational health and employee assistant programme provisions wherever appropriate.

National negotiation in respect of the annual pay award was unsuccessful this year, with AUB's recognised unions UCU and Unison both refusing to accept the employers' final position of a 2% increase (slightly higher increases for the lower band salary points). As authorised by the employers' national negotiator, UCEA, the University implemented the pay increase as it was felt it was unfair on staff to withhold this. This pay increase is in addition to the incremental payments of circa 3% that approximately half of staff who are not at the top of their pay scale receive subject to satisfactory performance.

The number of Trade Union representatives decreased during the 2018-19 academic session and now equates to 4 FTE of which these representatives spent less than 50% of working hours on facility time. The total number of paid hours spent on facility time and trade union activity equates to 397.5 hours. The total cost of facility time was £9k representing 0.05% of total pay costs of £17,692k.

4.2 Equality & Diversity

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

The Equality and Diversity Plan 2015-2020 was progressed during the last year. The Plan identifies five equality and diversity imperatives: Compliance, Communication, Curriculum, Campus and Continuous Professional Development. Equalities Committee has established small sub-groups to oversee the respective strands, each advising the Senior Officer (Equalities) on the activities and targets for the year. The Committee has now commenced the process of developing the next iteration of the equalities plan, to be implemented from summer 2020.

The Gender Pay Audit during the last year showed a Mean pay gap of 14.97%. The primary reason for this gap was that student ambassadors, who are on the lower salary points on the pay scale, were predominantly female at 77% and 23% were male. Employment as a student ambassador is valuable, and can build confidence and provide practical work experience which, when combined with the excellent employability education at AUB, ensures that individuals are well-prepared when they enter the full-time workforce. The University would not wish to set artificial targets to change the gender balance of its student ambassadors, which is consistent with the AUB student population.

The percentage number of females remains above 50% in the upper pay quartile. AUB's gender pay gap is much smaller among established staff, which demonstrates the security of recruitment and reward practices. The University has agreed to review its Visiting Tutor and student ambassador recruitment processes over the coming year, as well as to provide unconscious bias training for relevant staff.

4.3 Estates and Infrastructure

Work commenced on the Plot Q halls of residence development and associated infrastructure works. Morgan Sindall was appointment using the Southern Construction Framework public sector procurement route. The initial instruction was to undertake works with a Letter of Intent until completion of the contract in June 2019. The final construction contract fixed price is £23.992m which comprises the majority of the project budget of £27m. Progress has remained on schedule and on budget with 299 beds online from 14th August 2020.

The Innovation Studio project has undergone a design change. This is due to the original design having a construction methodology that required a lengthy full road closure on Fern Barrow that would have been highly detrimental to AUB's relationship with external stakeholders as well as a major disruption to our own operations. CRAB Studio architects have redesigned the development and have maintained its positive architectural impact as well as satisfying the requirements of the Dorset Local Enterprise Partnership's £1.4m funding commitment. Works are scheduled to start December 2019 with completion September 2020.

After a number of years of substantial refurbishment works across campus there was a reduced schedule in summer 2018. Works were completed in Animation, Graphics Design and Costume studios as well as various other areas on campus including the Refectory and Arts Bar. The total expenditure on building works was £735k with £564k being capital costs.

STRATEGIC REPORT (continued)**4.3 Estates and Infrastructure (continued)**

Works to upgrade lighting systems to lower energy use LED lighting and an upgrade of the building management system progressed. These works total £331k and are funded using the Salix interest-free Government funding to the public sector that is available to improve energy efficiency, reduce carbon emissions and lower energy bills.

AUB appointed Foster + Partners and HCL Architects to undertake a conceptual masterplan for AUB. The masterplan will align development of the campus with the Strategic Framework and forecast student numbers. As a conceptual masterplan it will provide a framework for campus development up to 2050 and support progress of a reserved matters planning application for the remaining phases of work on Plot Q with the next deadline for submission being December 2021.

4.4 Environment and Sustainability

The University remains committed to sustainability. This commitment is supported by the AUB Sustainability Plan for the period 2015-2020, with objectives identified against six key strands of activity:

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

Each strand is overseen by a sub-group on behalf of the Environment Committee, which reports to the University Leadership Team.

The University is able to report significant achievements from the fourth year of the plan, most notably a 35% total emission reduction against the 2005-06 baseline. There is cautious optimism of achieving the HEFCE target of a 42% total reduction. The key target of the five year plan of a 40% reduction per head has been surpassed with 62% reduction achieved with continual improvement a major achievement. The Environment Committee is implementing Fairtrade certification and has achieved Silver and Gold awards from Eco-campus and will be audited for ISO14001:2015 during 2019-20.

A revised Carbon Management Plan for the period 2018-21 was approved last year and many of the projects are underway. Waste consumption has reduced considerably and AUB now recycles 59% of total waste. A new Sustainability Plan and Travel Plan is due this coming academic year that will ensure the university remains an innovative, environmentally sustainable campus in line with the Strategic Framework.

STRATEGIC REPORT (continued)
5 Financial Information
5.1 2018-19 Financial Review of the Year

The University's surplus after tax for the year ended 31 July 2019 was £522k which is lower than the prior year surplus of £1.4m due to a fall in fee income and additional staffing and depreciation costs as offset by a reduction in operating costs.

The key highlights are:

| | 2019 | 2018 | 2017 |
|---------------------------|---------------|---------------|---------------|
| Financial Summary | £'000 | £'000 | £'000 |
| Income | | | |
| Funding Council Grants | 2,772 | 2,922 | 3,427 |
| Tuition Fees | 32,546 | 32,857 | 31,340 |
| Other Income | 7,343 | 7,368 | 5,766 |
| Total income | 42,661 | 43,147 | 40,533 |
| Expenditure | | | |
| Staff Costs | 19,655 | 18,663 | 16,797 |
| Operating Expenses | 15,463 | 16,283 | 13,987 |
| Depreciation | 5,318 | 5,099 | 4,882 |
| Interest Payable | 1,701 | 1,708 | 1,586 |
| Total expenditure | 42,137 | 41,753 | 37,252 |
| Taxation | (19) | (22) | (20) |
| Gain on Investment | 17 | 22 | 44 |
| Surplus before tax | 522 | 1,394 | 3,305 |

It was a difficult start to the 2018-19 financial year with student enrolments down 126 against the budgeted figure resulting in a shortfall of income of £1.3 million. In order to mitigate this position an increased emphasis was placed on the student experience in order to maximise retention which not alone improved the financial situation but more importantly led to a higher score on the NSS. Efficiency measures were undertaken to control and reduce non-pay expenditure and a tight rein was maintained on staff costs by the monthly HR Monitoring Meeting which controls the number and timing of staff appointments.

By necessity the University reviewed its recruitment strategy for both home and international students and considered all the touch points at which an applicant decides to become a student of AUB. Marketing was directed at courses that struggle to recruit, open days were refreshed with an increased focus on the applicant and their family who often have a strong influence on the applicant's decision of where to study. The experience at interview days was improved by engaging more current students with the applicants and parking and refreshments were provided. More student accommodation was acquired on a one year lease such that The University is in a position to offer almost 100% of first year students a place in halls. These changes resulted in an increase in applications, despite competitor institutions experiencing a fall, and this in turn led to more acceptances which has provided a good start to the 2019-20 financial year.

Work commenced on the student halls project during the year which will provide 299 bed spaces and is due to be completed in August 2020. The total project value is £27 million of which £7 million relates to infrastructure on the Plot Q site to allow for future academic developments and £20 million on the student accommodation. This will increase the offer of quality accommodation to potential students and in the summer period will be used to accommodate short course students resulting in course delivery efficiencies with transport from the centre of Bournemouth no longer being required. As at the year end this capital project has been funded entirely from the University's cash reserves but it is anticipated that borrowings will be drawn down against the £20 million HSBC Revolving Credit Facility (RCF) in the first half of 2019-20.

Further details are as follows:

Income

Overall total income has decreased by 1% to £42.7m (2018: £43.1m).

This decrease was accounted for by a 5.4% reduction in Funding Council Grants and a slight fall in tuition fee income due to a stagnation in student numbers.

STRATEGIC REPORT (continued)
Income (continued)

The decrease in Funding Council Grants is due to less 16-18 students doing FE courses and a reduction in student opportunity funding for students whose characteristics may put them at a disadvantage of completing their HE qualification.

Expenditure

Staff Costs increased by 5.3% to £19.6m (2018: £18.7m) due to a 1.5% increase in staff numbers, the pay award of 2% for 2018-19 and incremental drift of 3% to which half of the staff who are not at the top of their pay scale are entitled. Included within the total cost is a figure of £73k relating to organisational restructuring as a consequence of the new Strategic Framework where staffing requirements have been aligned to the key academic themes.

The decrease in Operating Expenses by 5% to £15.5m (2018: £16.3m) was achieved as a result of the cost cutting measures that were implemented once the student enrolment figures were confirmed. This was to mitigate the impact of the reduction in income with student enrolments being less than budget. In spite of the tight control on expenditure additional money was spent on bursaries in support of the Access and Participation Agreement, an area of increased focus for the OfS, and the costs of the development of a Masterplan.

Depreciation has increased to £5.3m (2018: £5.1m) due to an increase in equipment additions including computers and furniture and a full year's depreciation being charged on the capitalisation of building works in the accounts of the previous financial year. Interest and finance costs have remained steady as there were no increase in borrowings during the year and the FRS102 pension interest decreased by £48k after a number of years of significant increases.

Surplus

The FRS102 surplus has decreased by 63% to £0.5m (2018: £1.4m) and represents 1.2% of turnover. A significant contributing factor to the decrease has been the FRS102 pension adjustments which total over £2m and yet have no impact on cash balances. This year's charge is similar to that of last year and is projected to be the same in 2019-20 thus giving stability after a number of years of significant increases. The underlying performance of the institution remains strong and the good surplus for the year before pension adjustments results from a key focus on the retention of students by enhancing the student experience and a tight control on costs.

5.2 Statement of Financial Position

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

| | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|
| Financial Summary | £'000 | £'000 | £'000 |
| Fixed Assets | 93,847 | 91,942 | 88,016 |
| Investments | 673 | 640 | 604 |
| Cash | 11,739 | 11,290 | 9,587 |
| Net Current Assets | 3,348 | 3,939 | 3,204 |
| Loans, Finance Lease and Deferred Grants | (29,863) | (31,076) | (29,784) |
| Pension Liabilities | (19,227) | (15,230) | (16,984) |
| Total Net Assets | 48,778 | 50,215 | 45,056 |
| Restricted reserves | 638 | 625 | 611 |
| Revenue Reserves | 41,778 | 38,848 | 35,076 |
| Pension Reserve | (19,227) | (15,230) | (16,984) |
| Revaluation Reserve | 25,589 | 25,972 | 26,353 |
| Total Reserves | 48,778 | 50,215 | 45,056 |

Fixed Assets

In spite of annual depreciation charges of approximately £5m over the last three years, the level of fixed assets is maintained by the constant investment in equipment and the extension and refurbishment of buildings. The net increase in fixed assets of £2m in the past year is due to the commencement of the student halls development on Plot Q in the spring. Ongoing investment in capital equipment has been maintained to support academic curriculum delivery.

STRATEGIC REPORT (continued)
5.2 Statement of Financial Position (continued)
Cash and Net Current Assets

The £0.5m increase in cash in the last year was achieved, in spite of the large investment in Plot Q, as a result of the strong generation of operating cash and the judicious management of cash flow. Receivable balances have been reduced and the level of fees paid in advance at year end increased.

Loans, Finance Lease and Deferred Grants

The application of FRS102 has meant that deferred grants are reflected in long term creditors rather than under Total Funds. The decrease in this balance is due to loan repayments and a reduction in the finance lease liability. The rate of reduction of the finance lease is affected by the rate of inflation which determines the annual lease payments.

Pension Liabilities/Reserves

The FRS102 calculated Pension Liability increased by £4m as a result of the decrease in long term gilt/bond rates thus generating a lower discount rate for the estimation of liabilities and for the provision of additional pensions that may become payable as a result of the McCloud /Sargeant judgement in respect of unlawful age discrimination. The past service liability duration for the scheme is 25 years reflecting the younger age profile of its members.

Total Reserves

In general Reserves over the period have grown steadily in spite of the volatility of the FRS102 pension adjustments.

Cash flow

Net cash inflow from operating activities was £9.4m which is similar to that of last year and is an indicator of the University's strength in providing finance to invest for the future thus enhancing the student experience by means of the facilities it provides.

5.3 Key Performance Indicators

During the year the University developed Key Performance Indicators (KPIs) to facilitate the oversight of all its business affairs at a strategic level by the Board of Governors and to monitor compliance with loan covenants. These reflect the new Strategic Plan objectives. The critical financial KPIs monitored in the past year were:

| KPI | Description | Aim | Actual |
|---------------------------------|--|-------------------|-----------------|
| Debt Service Cover | Ratio of net cash inflow to total interest and capital repayments - excluding optional capital spend | 1.10:1 min | 5.40:1 |
| Financial Commitments Threshold | Ratio of Net Borrowings to Adjusted Operating Cash flow | 6.00:1 max | 1.83:1 |
| Minimum Net Assets | Net Assets greater than £45 million | > £45m | £48.8m |
| Surplus/ Cash Generation | EBITDA as percentage of Income Surplus as percentage of Income | 15% min 3% min | 17.26% 1.24% |
| Liquidity | Liquid assets as days of total expenditure | 60 min | 116 days |
| Financial Gearing | Net financial debt as percentage of net assets | 40% max | 30% |

As at year end the University has met all its financial KPI Aims with the exception of the 'Surplus as a percentage of Income' where the result was 1.24% compared to the Aim of 3%. This indicates the difficult operating environment that the University experienced during the year and also includes £2m of FRS102 pension adjustments with no cash flow impact. The surplus before these adjustments is 6.1%. The first three KPIs will be very closely monitored as the HSBC loan is drawn down as the halls development on Plot Q progresses.

Financial KPIs, although important, represent only one aspect of the University's business. Other measures of the University's health is the excellent quality assessments of its academic offer, the employment level of students once graduated, the number of student and staff winners in external competitions and the quality of the collaborations it undertakes. Recent focus and investment in staff and systems has resulted in a marked increase in the National Student Survey to 86% which has resulted in an improvement of AUB in university league tables and will feed into TEF measurements. Areas still requiring improvement are course management and feedback.

STRATEGIC REPORT (continued)
5.4 A Financial Strategy for Sustainability

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

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

- operating before FRS102 adjustments, in all years sufficient to meet loan capital repayments;
- continued efficient delivery in faculties, support and overhead areas;
- investment of cash reserves accumulated over previous years, with cash balances being maintained at a level to deal with cyclical fluctuations but not by means of borrowing additional funds;
- use of loan funding for major estates developments;
- maintaining investment in infrastructure and resources, including the estate to ensure efficient utilisation and fitness for purpose in all areas; and
- development of commercial income streams in terms of fully funded courses such as summer and bespoke courses; and the letting of the estate during quiet periods.

5.5 Treasury Management

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

The University's financial strategy sets out the minimum liquidity levels needed to ensure that financial and operational control is maintained. A rolling five year forecast is prepared each year, which incorporates a review of capital expenditure, cash generation and any future borrowings that may be required. Investment returns over the past year increased slightly as the University's due to the active investment of cash balances however the continuing low interest rates meant that investment returns were not significant.

5.6 Long Term Borrowing Facility

All of the current University's borrowings are provided by its main banker Lloyds Bank and are a mix of variable and fixed interest term repayment loans. No security other than a negative pledge has been given in respect of these loans. The library building loan had a year-end balance of £0.41m and was re-fixed until July 2022 at which time it will be repaid and at a rate of 1.512%. There is another loan of £0.32m fixed at 5.36% and will be fully repaid by October 2021. The University has a further variable loan at Bank Base Rate plus a margin of 0.28% and repayable over a maximum of 25 years which had a balance of £1.75m outstanding.

In 2015 a further loan facility with Lloyds was agreed for £7m over a ten year period at LIBOR plus a margin of 1.6%. During the year the outstanding £2m was called upon to complete the purchase of Plot Q. 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 £6.8m.

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

The HSBC Revolving Credit Facility of £20m was not utilised during the year but is available for five years before being consolidate as a term loan for a further five years. The negotiated margin is 1.15% over LIBOR and the non-utilisation rate is 35% of the margin thus equating to 0.4025%. The negative pledge security arrangements continue to prevail. It is anticipated that the first drawdown of the loan will be in December 2019 as the construction of the halls accommodation progresses.

STRATEGIC REPORT (continued)

5.7 Outlook

The University believes that it is well placed to meet the challenges ahead as it operates in a niche area of provision with demand for the courses that it offers. With its Strategic Plan there is a clear focus on the University's mission to be 'The leading professional arts university dedicated to creative education and career success' and the supporting aims and objectives to realise this ambition. It continues to be forward looking as evidenced by the acquisition of land in Wallisdown and the development of a Master Plan facilitating the expansion of the campus.

The Creative Learning Strategy has been updated to align with the Strategic Plan and all supporting strategies are continually updated to ensure the delivery of the University's objectives. During the year the world renowned architectural practice Foster + Partners, of which Norman Foster is an AUB honorary fellow, was commissioned to develop an estates Master Plan with the aim of incorporating Plot Q into the campus. This exercise took into account the future demand from the creative industries for professionally qualified graduates in a variety of artistic disciplines and how Arts University Bournemouth can service this by means of flexible accommodation and the adoption of modern technologies.

The Master Plan will drive further developments on the campus to improve the current student experience further and to provide additional space for postgraduate students and growth in particular subject areas. Work will be undertaken in the next twelve months to apply for detailed planning permission for academic space on Plot Q thereby securing the outline planning already received. In the meantime the University is seeking planning permission for an Innovation Studio against which it will receive £1.4m from the Local Economic Partnership. The Studio will provide accommodation for the new Design & Innovation course at Masters level which in turn will encourage entrepreneurial start-up businesses.

As a result of the Government's HE White Paper 'Students at the Heart of the System' there has been intense competition for students in a rather imperfect market. This has progressed further with the creation of the Office for Students which is charged with championing the students cause and providing ever greater value for money. The inability to increase fees for Home & EU students has intensified the competition between Higher Education Providers, including those in the private sector so much so that increasingly it is the student who is making the choice of where they wish to go. This is also compounded by the reduction in the number of 18 year olds in the education system which will reach a low point in 2020 before rising again. A further threat is the change in the school curriculum which effectively discourages schools from providing art, design and performance subjects at sixth form.

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

Government policy continues to develop the Teaching Excellence Framework (TEF) and whilst the University has been successful in achieving the TEF Gold award in the first round it is mindful of the further developments of TEF which may be at individual subject level. In response the University is placing an increased emphasis on the teaching qualifications of staff, staff research outputs, the digital learning environment provided for students and a more robust staff performance management system.

The referendum vote to exit the European Union has created great uncertainty, which is not diminishing despite the increasing proximity of the revised date of departure 31 October 2019, and the University continues to have concerns about its ability to recruit EU students in the future, the retention of staff who are EU citizens and the impact on particular funding streams. In addition the climate generated by the Brexit debate has given the impression to international students that they are not welcome. Fortunately UK higher education is held in high esteem by overseas students and the government relaxation of the rules preventing the students from working in the UK once they have completed their studies.

There is increased analysis of the extent to which the student loan book is being repaid and whether future loans should be determined on the basis of the employability of students undertaking particular courses. This could be potentially detrimental to specialist arts & design institutions like the University because their graduates are often self-employed and take time to establish their businesses, prove their level of income and hence ability to repay the student loan. To counter this threat the University is investing more in employability initiatives for its students, encouraging placement opportunities and engage students in an increasing number of knowledge exchange activities.

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

STRATEGIC REPORT (continued)
5.8 Risks and Uncertainties

Arts University Bournemouth has updated its Risk Register to reflect the more challenging environment, the new strategic framework and new activities. The key financial risks facing the Arts University Bournemouth are:

- *HE numbers – Home & EU:* - The growth in student numbers has been moderated within the University forecasts reflecting an increasingly competitive market. There is uncertainty over the attractiveness of UK Higher Education to EU students following the UK departure from the European Union but this should be offset to some degree by the rising demographic from 2020 onwards. The number of applications received per place has fallen to 5 and as a consequence the University is reviewing its course portfolio in order to offer new courses to provide greater appeal. Recruitment would need to fall by over 18% in 2020-21 for AUB to just breakeven before allowing for any cost reductions that would be made.
- *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 establish a strong bond with the students. For the purposes of its forecasts the retention rate has been estimated at 97%. Should the retention rate fall to 95% the surplus would reduce by £0.7m in 2020-21
- *Overseas growth:* - It is anticipated that the student numbers here will grow from a current 383 to 450 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.
- *Alternative income:* - An area where AUB anticipates growth is in Summer and Bespoke courses that use its facilities during quiet times. These are expected to increase by 20% over the planning period however the margin is relatively low when compared to mainstream HE provision. In addition summer rental income will increase by 25% due to more campus facilities.
- *Salary costs:* - These account for 42% of income and this percentage will rise over the planning period as a result of pay increases, higher pension contribution rates and the progression of academic staff to professorial status. A 1% increase in pay inflation will have an adverse impact of almost £200k on the bottom line.
- *Inflation:* - High inflation may be a feature of the future as the government attempts to bring borrowings under control. Inflation of 5% on non-pay costs and a possible 5% increase in salaries to try and keep pace would result in an eradication of the surplus by 2022-23 if income were to remain the same and no other action was taken.
- *Capital expenditure:* - AUB has future plans for capital expenditure of approximately £45m. This work is essential to maintain the Estate in order to attract students in an increasingly competitive market and provide student halls. Estimates are based on professional advice but actual costs are only confirmed once fixed price tenders are received.
- *Interest rates:* - With current borrowings AUB is vulnerable to changes in interest rates. Of the total potential loan portfolio of a maximum of £29m, £5m is at fixed rates. Were interest rates to increase by 1% AUB would incur an additional £200k charge per annum. Over 50% of current borrowings are fixed at favourable rates and Governors will consider the appropriate proportion of any future borrowings to be fixed.
- *Pensions:* - Total funds have been reduced by £19m due to the recognition of the deficit on the local government pension scheme in Dorset. Fortunately AUB has sufficient reserves to accommodate this deficit. The latest triennial valuation as at March 2016 confirmed an employer rate of 13% which is below the 14.1% rate currently being paid. The risk associated with the scheme were recently reviewed and assurances were received from Dorset County Council that their valuation assumptions will not change in the foreseeable future. Academic staff are members of the Teachers' Pension Scheme which is unfunded and the employer contribution rate has increased by 7.2% to 23.68% from 1 September 2019.

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

By order of the Board of Governors

Chris Martin

Chairman of the Board of Governors

21 November 2019

CORPORATE GOVERNANCE

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

The Board of Governors has overall responsibility for the mission and educational character of the Arts University Bournemouth. It sets strategic direction, and is collectively accountable for institutional activities. The Board has adopted the voluntary HE Code of Governance issued by the Committee of University Chairs (CUC), which constitutes definitive guidance on governance within Higher Education; and adheres to the Core Values of Higher Education Governance set out in the Code. It recognises the seven Primary Elements of Higher Education Governance, and incorporates these within its work.

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

The Instrument and Articles of Government (IAG) form the legal basis for the establishment of the University. In addition, the Board has established a set of Standing Orders to govern its operations; and a Scheme of Delegation which articulates the authority and decision-making processes of the University.

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

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

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

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

Board operation

In accordance with the Instrument and Articles of Government, the Board has confirmed an overall membership of 17. This comprises 11 independent members; 3 co-opted members; the Principal and Vice-Chancellor; one student representative and an AUB academic staff representative. One of the co-options is a member of the AUB professional services staff and another has extensive experience in the delivery of higher education.

The membership of the Board 2018-19 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 Governing Body Effectiveness Review took place in 2016/17, and resulted in recommendations to streamline processes and enhance the efficient operation of the Board. This included improved use of the Governors' Reading Room, a secure part of the University's intranet to which Governors have access and where minutes and occasional papers are made available for review. A full governance effectiveness review is scheduled for 2020.

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 2018-19, the Committees were as follows:

Audit & Risk Committee

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

CORPORATE GOVERNANCE (continued)
Finance & Resources Committee

The Finance & Resources Committee advises the Board on strategic financial planning and monitors the University's financial performance. The Committee receives detailed annual capital and revenue budgets, budget updates and longer term financial forecasts on behalf of the Board and makes recommendations to the Board for approval. From 2017-18 it also took responsibility for oversight of estates planning on behalf of the Board, and established a Project Management Board to provide sound governance for a major capital investment (the development of new halls of residence).

Human Resources Committee

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

Remuneration Committee

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

Search & Governance Committee

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

The Board, through regular reviews of its own performance, is confident that it meets the expectations of good governance in higher education. This view was confirmed during 2017-18 through an Office for Students Assurance Review, which found that the OfS was "*able to place reliance on the accountability information*" and that "*the University's most recent accountability returns were underpinned by appropriate and mainly effective oversight and approval processes. Specifically, and because they were new quality requirements for December 2016, we note that the University provided quality-related assurances and an annual efficiency return on value for money in December 2017*".

Risk Management and Internal Control

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

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

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

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

CORPORATE GOVERNANCE (continued)

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

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

The Board is confident that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2019 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.

Chris Martin
Chairman of the Board of Governors

Professor Stuart Bartholomew CBE
Principal and Vice-Chancellor

21 November 2019

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

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

The Board is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

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

The Board of Governors is also responsible for ensuring that:

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

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

Chris Martin

Chairman of the Board of Governors

21 November 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Arts University Bournemouth ("the University") for the year ended 31 July 2019 which comprise the Group and University Statement of Comprehensive Income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students and paragraph 12d of the Accounts Direction dated 25 October 2019.

Basis for opinion

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

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

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

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

Going concern

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

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 20 the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions); and
- funds provided by the Office for Students and Research England have been applied in accordance with these conditions and the terms and conditions attached to them.

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

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Victoria Sewell

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Tollgate

Chandlers Ford

Hampshire

SO53 3TG

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2019**

| | Notes | Year Ended 31 July 2019 | | Year Ended 31 July 2018 | |
|--|-------|-------------------------|-----------------------|-------------------------|---------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 32,546 | 32,546 | 32,857 | 32,857 |
| Funding body grants | 2 | 2,772 | 2,772 | 2,922 | 2,922 |
| Other income | 3 | 7,234 | 7,188 | 7,283 | 7,207 |
| Investment income | 4 | 89 | 74 | 59 | 45 |
| Donations and endowments | 5 | 20 | - | 26 | - |
| Total income | | <u>42,661</u> | <u>42,580</u> | <u>43,147</u> | <u>43,031</u> |
| Expenditure | | | | | |
| Staff costs | 6 | 19,582 | 19,582 | 18,663 | 18,663 |
| Fundamental restructuring costs | 9 | 73 | 73 | - | - |
| Other operating expenses | 7 | 15,463 | 15,545 | 16,283 | 16,344 |
| Depreciation | 11 | 5,318 | 5,149 | 5,099 | 4,930 |
| Interest and other finance costs | 8 | 1,701 | 1,701 | 1,708 | 1,708 |
| Total expenditure | 9 | <u>42,137</u> | <u>42,050</u> | <u>41,753</u> | <u>41,645</u> |
| Surplus before other gains | | 524 | 530 | 1,394 | 1,386 |
| Gain on investments | 13 | 17 | - | 22 | - |
| Surplus before tax | | <u>541</u> | <u>530</u> | <u>1,416</u> | <u>1,386</u> |
| Taxation | 10 | (19) | - | (22) | - |
| Surplus for the year | | <u>522</u> | <u>530</u> | <u>1,394</u> | <u>1,386</u> |
| Actuarial (loss)/surplus in respect of pension schemes | 25 | (1,959) | (1,959) | 3,765 | 3,765 |
| Total comprehensive income for the year | | <u>(1,437)</u> | <u>(1,429)</u> | <u>5,159</u> | <u>5,151</u> |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | 13 | - | - | 14 | - |
| Unrestricted comprehensive (expenditure) for the year | | (1,067) | (1,084) | 5,526 | 5,494 |
| Revaluation reserve comprehensive (expenditure) for the year | | (383) | (345) | (381) | (343) |
| | | <u>(1,437)</u> | <u>(1,429)</u> | <u>5,159</u> | <u>5,151</u> |

All items of income and expenditure relate to continuing activities

**CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2019**

| Consolidated | Income and expenditure account | | Revaluation reserve | Total |
|---|--------------------------------|-----------------------|---------------------|----------------|
| | Endowment £'000 | Unrestricted £'000 | £'000 | £'000 |
| Balance at 1 August 2017 | 611 | 18,092 | 26,353 | 45,056 |
| Surplus from the I&E statement | 14 | 1,380 | - | 1,394 |
| Other comprehensive expenditure | - | 3,765 | - | 3,765 |
| Transfers between revaluation and I&E reserve | - | 381 | (381) | - |
| Total comprehensive income for the year | 14 | 5,526 | (381) | 5,159 |
| Balance at 1 August 2018 | 625 | 23,618 | 25,972 | 50,215 |
| Surplus from the I&E statement | 13 | 509 | - | 522 |
| Other comprehensive expenditure | - | (1,959) | - | (1,959) |
| Transfers between revaluation and I&E reserve | - | 383 | (383) | - |
| Total comprehensive expenditure for the year | 13 | (1,067) | (383) | (1,437) |
| Balance at 31 July 2019 | 638 | 22,551 | 25,589 | 48,778 |

| University | Income and expenditure account | | Revaluation reserve | Total |
|---|--------------------------------|-----------------------|---------------------|----------------|
| | Endowment £'000 | Unrestricted £'000 | £'000 | £'000 |
| Balance at 1 August 2017 | - | 18,997 | 25,472 | 44,469 |
| Surplus from the I&E statement | - | 1,386 | - | 1,386 |
| Other comprehensive expenditure | - | 3,765 | - | 3,765 |
| Transfers between revaluation and I&E reserve | - | 343 | (343) | - |
| Total comprehensive income for the year | - | 5,494 | (343) | 5,151 |
| Balance at 1 August 2018 | - | 24,491 | 25,129 | 49,620 |
| Surplus from the I&E statement | - | 530 | - | 530 |
| Other comprehensive expenditure | - | (1,959) | - | (1,959) |
| Transfers between revaluation and I&E reserve | - | 345 | (345) | - |
| Total comprehensive expenditure for the year | - | (1,084) | (345) | (1,429) |
| Balance at 31 July 2019 | - | 23,407 | 24,784 | 48,191 |

**CONSOLIDATED AND UNIVERSITY BALANCE SHEET
AS AT 31 JULY 2019**

| | Notes | As at 31 July 2019 | | As at 31 July 2018 | |
|---|-------|-----------------------|----------------------|-----------------------|----------------------|
| | | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Non-current assets | | | | | |
| Fixed assets | 11 | 93,847 | 89,459 | 91,942 | 87,399 |
| Investments | 13 | 673 | - | 640 | - |
| | | <u>94,520</u> | <u>89,459</u> | <u>92,582</u> | <u>87,399</u> |
| Current assets | | | | | |
| Trade and other receivables | 14 | 765 | 3,577 | 1,297 | 4,177 |
| Cash and cash equivalents | 19 | 11,739 | 11,646 | 11,290 | 11,215 |
| | | 12,504 | 15,223 | 12,587 | 15,392 |
| Less: Creditors: amounts falling due within one year | 15 | <u>(9,156)</u> | <u>(9,107)</u> | <u>(8,648)</u> | <u>(8,590)</u> |
| Net current assets | | <u>3,348</u> | <u>6,116</u> | <u>3,939</u> | <u>6,802</u> |
| Total assets less current liabilities | | <u>97,868</u> | <u>95,575</u> | <u>96,521</u> | <u>94,201</u> |
| Creditors: amounts falling due after more than one year | 16 | (29,841) | (28,157) | (31,054) | (29,351) |
| Provisions | | | | | |
| Pension provisions | 17 | (19,227) | (19,227) | (15,230) | (15,230) |
| Other provisions | 17 | (22) | - | (22) | - |
| Total net assets | | <u><u>48,778</u></u> | <u><u>48,191</u></u> | <u><u>50,215</u></u> | <u><u>49,620</u></u> |
| Restricted Reserves | | | | | |
| Income and expenditure reserve - endowment reserve | 18 | 638 | - | 625 | - |
| Unrestricted Reserves | | | | | |
| Income and expenditure reserve - unrestricted: | | | | | |
| Income and expenditure account | | 41,778 | 42,634 | 38,848 | 39,721 |
| Pension reserve | | <u>(19,227)</u> | <u>(19,227)</u> | <u>(15,230)</u> | <u>(15,230)</u> |
| | | 22,551 | 23,407 | 23,618 | 24,491 |
| Revaluation reserve | | 25,589 | 24,784 | 25,972 | 25,129 |
| Total Reserves | | <u><u>48,778</u></u> | <u><u>48,191</u></u> | <u><u>50,215</u></u> | <u><u>49,620</u></u> |

The financial statements were approved by the Governing Body on 21 November 2019 and were signed on its behalf by:

Chris Martin

Chairman of the Board of Governors

Professor Stuart Bartholomew CBE

Principal and Vice-Chancellor

Mary O'Sullivan

Director of Finance

**CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 31 JULY 2019**

| | Notes | Year ended 31 July 2019 £'000 | Year ended 31 July 2018 £'000 |
|---|-------|-------------------------------------|-------------------------------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 522 | 1,394 |
| Adjustment for non-cash items | | | |
| Depreciation | 11 | 5,318 | 5,099 |
| (Gain) on investments | 18 | (17) | (22) |
| Decrease/(increase) in debtors | 14 | 532 | (593) |
| (Decrease)/increase in creditors | 15 | (14) | 778 |
| Difference between pension charges and cash contributions | 25 | 2,038 | 2,011 |
| (Decrease) in other provisions | 17 | - | (1) |
| Adjustment for investing or financing activities | | | |
| Investment income | 4 | (89) | (59) |
| Interest payable | 8 | 1,287 | 1,246 |
| Endowment income | 5 | (20) | (26) |
| Loss on disposal of fixed assets | | 4 | 18 |
| Capital grant income | | (198) | (114) |
| Net cash inflow from operating activities | | <u>9,363</u> | <u>9,731</u> |
| Cash flows from investing activities | | | |
| Proceeds from disposal of fixed assets | | - | - |
| Investment income | | 74 | 45 |
| Capital grants received | | 207 | 733 |
| Payments made to acquire fixed assets | | <u>(6,703)</u> | <u>(8,716)</u> |
| | | <u>(6,422)</u> | <u>(7,938)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (211) | (212) |
| Interest element of finance lease | | (1,076) | (1,034) |
| Endowment cash received | | 20 | 26 |
| New unsecured loans | | 260 | 2,000 |
| Repayments of amounts borrowed | | (1,135) | (523) |
| Capital element of finance lease | | <u>(350)</u> | <u>(347)</u> |
| | | <u>(2,492)</u> | <u>(90)</u> |
| Increase in cash and cash equivalents in the year | | <u><u>449</u></u> | <u><u>1,703</u></u> |
| Cash and cash equivalents at beginning of the year | | 11,290 | 9,587 |
| Cash and cash equivalents at end of the year | 19 | <u><u>11,739</u></u> | <u><u>11,290</u></u> |

STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The calculation of Vice Chancellor median pay as per Note 6 is informed by the Office for Students produced Accounts Direction dated 25 October 2019.

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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
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.

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.

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 |

Intangible Assets

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

Heritage assets

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

Borrowing costs

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

STATEMENT OF ACCOUNTING POLICIES (continued)
Pension schemes

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

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

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

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

Employee benefits

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

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

All subsidiary companies (with the exception of the Arts University Bournemouth Charitable Foundation, which is a registered charity) are liable to Corporation tax in the same way as any other commercial organisation.

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

Deferred taxation

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

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.

STATEMENT OF ACCOUNTING POLICIES (continued)**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 2019**

| | Year Ended 31 July 2019 | | Year Ended 31 July 2018 | |
|---|-------------------------|----------------------|-------------------------|----------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 1 Tuition fees and education contracts | | | | |
| Higher education | | | | |
| UK and EU students | 26,419 | 26,419 | 26,915 | 26,915 |
| Non EU students | 4,713 | 4,713 | 4,747 | 4,747 |
| Further education | | | | |
| UK and EU students | 1,145 | 1,145 | 965 | 965 |
| Non EU students | 269 | 269 | 230 | 230 |
| | <u>32,546</u> | <u>32,546</u> | <u>32,857</u> | <u>32,857</u> |
| 2 Funding body grants | | | | |
| Recurrent grants | | | | |
| Office for Students | 1,327 | 1,327 | 1,439 | 1,439 |
| Education and Skills Funding Agency | 1,010 | 1,010 | 1,095 | 1,095 |
| Specific grants | | | | |
| Office for Students | 304 | 304 | 288 | 288 |
| Education and Skills Funding Agency | - | - | - | - |
| Capital grants | | | | |
| Office for Students | 115 | 115 | 86 | 86 |
| Education and Skills Funding Agency | 7 | 7 | 7 | 7 |
| Access funding | | | | |
| Education and Skills Funding Agency | 9 | 9 | 7 | 7 |
| | <u>2,772</u> | <u>2,772</u> | <u>2,922</u> | <u>2,922</u> |
| 3 Other income | | | | |
| Residences, catering and conferences | 5,306 | 5,306 | 5,156 | 5,156 |
| Other services rendered | 429 | 396 | 760 | 698 |
| Other income | 1,423 | 1,430 | 1,346 | 1,353 |
| Other capital grants | 76 | 56 | 21 | - |
| | <u>7,234</u> | <u>7,188</u> | <u>7,283</u> | <u>7,207</u> |
| 4 Investment income | | | | |
| Investment income on endowments | 15 | - | 14 | - |
| Other investment income | 74 | 74 | 45 | 45 |
| | <u>89</u> | <u>74</u> | <u>59</u> | <u>45</u> |
| 5 Donations and endowments | | | | |
| Unrestricted donations | 20 | - | 26 | - |
| | <u>20</u> | <u>-</u> | <u>26</u> | <u>-</u> |

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019**

| | Year Ended 31 July 2019 | | Year Ended 31 July 2018 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 6 Staff costs | | | | |
| Salaries | 14,500 | 14,500 | 13,781 | 13,781 |
| Social security costs | 1,445 | 1,445 | 1,381 | 1,381 |
| Other pension costs: Local Government Pension Scheme | 2,604 | 2,604 | 2,514 | 2,514 |
| Teachers' Pension Scheme | 1,033 | 1,033 | 987 | 987 |
| | <u>19,582</u> | <u>19,582</u> | <u>18,663</u> | <u>18,663</u> |

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Emoluments of the Vice-Chancellor: | | |
| Salary | 195,068 | 191,243 |
| Salary in lieu of pension contributions | 28,249 | 27,537 |
| Pension costs | - | - |
| Benefits | 6,641 | 6,193 |
| | <u>229,958</u> | <u>224,973</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 | 6.42 | 6.60 |
| Vice Chancellor's total remuneration to the median for staff | 6.82 | 6.93 |

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

The Vice Chancellor's salary and total remuneration is determined by the Remuneration Committee which is comprised totally of independent members of the Board of Governors having reviewed salary surveys and the rates being paid at similar institutions. The Board is content with its approach to achieving value for money in terms of Vice Chancellor pay.

| | No. | No. |
|--|--------------|--------------|
| Basic Salary of other higher paid staff, excluding employer's pension contributions: | | |
| £125,000 to £129,999 | 1 | 1 |
| £130,000 to £134,999 | 1 | - |
| | <u>2</u> | <u>1</u> |
| | £'000 | £'000 |
| Emoluments of key management personnel: | | |
| Salary and benefits | 1,118 | 836 |
| Pension costs | 88 | 74 |
| | <u>1,206</u> | <u>910</u> |

Key management personnel were the University's Management Team from August to December 2018 and the University Leadership Team from January to July 2019.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019**

| | Year Ended 31 July 2019 | | Year Ended 31 July 2018 | |
|---|-------------------------|-------------------|-------------------------|-------------------|
| | Consolidated | University No. | Consolidated | University No. |
| 6 Staff costs (continued) | | | | |
| Average staff numbers by major category : | | | | |
| Teaching departments | | 236 | | 233 |
| Teaching support services | | 10 | | 11 |
| Library | | 13 | | 13 |
| Other support services | | 27 | | 25 |
| Administration and central services | | 94 | | 94 |
| General education | | 5 | | 4 |
| Income generating activities | | 13 | | 12 |
| | | <u>398</u> | | <u>392</u> |

| 7 Other operating expenses | £'000 | £'000 | £'000 | £'000 |
|--|---------------|---------------|---------------|---------------|
| Teaching departments | 2,924 | 2,924 | 3,182 | 3,182 |
| Teaching support services | 1,492 | 1,487 | 995 | 993 |
| Other support services | 290 | 290 | 297 | 297 |
| Administration and central services | 2,888 | 3,017 | 3,667 | 3,851 |
| General education expenditure | 566 | 632 | 663 | 663 |
| Premises costs | 2,895 | 2,793 | 2,990 | 2,877 |
| Planned maintenance | 233 | 233 | 498 | 498 |
| Grants to Student Union | 126 | 126 | 94 | 94 |
| Other income generating activities | 1 | - | 4 | 1 |
| External auditor's remuneration - Audit fees | 30 | 25 | 25 | 20 |
| External auditor's remuneration - Other fees | - | - | 11 | 11 |
| Internal auditor's remuneration - Audit fees | 29 | 29 | 33 | 33 |
| Operating lease rentals plant/machinery | 66 | 66 | 52 | 52 |
| Operating lease rentals land and buildings | 1,214 | 1,214 | 1,072 | 1,072 |
| Catering and residencies | 2,709 | 2,709 | 2,700 | 2,700 |
| | <u>15,463</u> | <u>15,545</u> | <u>16,283</u> | <u>16,344</u> |

Reimbursements to governors and trustees for the expenditure incurred in attending Board meetings amounted to £6,266 (2018: £8,490), of which there were no outstanding amounts. No governor received any remuneration from the group in the performance of their role as trustee, other than the Vice-Chancellor whose remuneration is detailed in Note 6.

8 Interest and other finance costs

| | | | | |
|------------------------------|--------------|--------------|--------------|--------------|
| Loan interest | 211 | 211 | 212 | 212 |
| Finance lease interest | 1,076 | 1,076 | 1,034 | 1,034 |
| Net charge on pension scheme | 414 | 414 | 462 | 462 |
| | <u>1,701</u> | <u>1,701</u> | <u>1,708</u> | <u>1,708</u> |

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019

| | Year Ended 31 July 2019 | | Year Ended 31 July 2018 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 9 Analysis of total expenditure by activity | | | | |
| Academic and related expenditure | 18,827 | 18,822 | 18,109 | 18,107 |
| Administration and central services | 9,344 | 9,538 | 9,889 | 10,071 |
| Premises | 8,320 | 8,050 | 8,236 | 7,954 |
| Residences, catering and conferences | 2,709 | 2,709 | 4,805 | 4,805 |
| Other operating expenses | 1,506 | 1,501 | 714 | 708 |
| | <u>40,706</u> | <u>40,620</u> | <u>41,753</u> | <u>41,645</u> |
| Other operating expenses include: | | | | |
| External auditors fees in respect of audit services | 26 | | 25 | |
| External auditors fees in respect of non-audit services | - | | 11 | |
| Operating lease rentals: | | | | |
| Land and buildings | 1,214 | | 1,072 | |
| Other | 66 | | 52 | |
| Fundamental restructuring costs | <u>73</u> | | <u>-</u> | |
| 10 Taxation | | | | |
| Recognised in the statement of comprehensive income | | | | |
| Current tax | | | | |
| Current tax expense | 19 | - | 22 | - |
| Adjustment in respect of previous years | - | - | - | - |
| Current tax expense | <u>19</u> | <u>-</u> | <u>22</u> | <u>-</u> |
| Deferred tax | | | | |
| Origination and reversal of timing differences | - | - | - | - |
| Deferred tax expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total tax expense | <u>19</u> | <u>-</u> | <u>22</u> | <u>-</u> |

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019

| 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 2018 | 97,492 | 2,644 | 6,728 | 9,682 | 116,546 |
| Additions | - | 5,285 | 997 | 945 | 7,227 |
| Transfers | 564 | (619) | 55 | - | - |
| Disposals | - | - | (380) | (429) | (809) |
| At 31 July 2019 | 98,056 | 7,310 | 7,400 | 10,198 | 122,964 |
| Depreciation | | | | | |
| At 1 August 2018 | 12,717 | - | 5,251 | 6,636 | 24,604 |
| Charge for the year | 3,561 | - | 892 | 865 | 5,318 |
| Disposals | - | - | (380) | (425) | (805) |
| At 31 July 2019 | 16,278 | - | 5,763 | 7,076 | 29,117 |
| Net book value | | | | | |
| At 31 July 2019 | 81,778 | 7,310 | 1,637 | 3,122 | 93,847 |
| At 31 July 2018 | 84,775 | 2,644 | 1,477 | 3,046 | 91,942 |
| University | | | | | |
| Cost or valuation | | | | | |
| At 1 August 2018 | 92,043 | 2,644 | 6,061 | 9,376 | 110,124 |
| Additions | - | 5,271 | 997 | 945 | 7,213 |
| Transfers | 564 | (619) | 55 | - | - |
| Disposals | - | - | (380) | (429) | (809) |
| At 31 July 2019 | 92,607 | 7,296 | 6,733 | 9,892 | 116,528 |
| Depreciation | | | | | |
| At 1 August 2018 | 11,819 | - | 4,567 | 6,339 | 22,725 |
| Charge for the year | 3,386 | - | 892 | 871 | 5,149 |
| Disposals | - | - | (380) | (425) | (805) |
| At 31 July 2019 | 15,205 | - | 5,079 | 6,785 | 27,069 |
| Net book value | | | | | |
| At 31 July 2019 | 77,402 | 7,296 | 1,654 | 3,107 | 89,459 |
| At 31 July 2018 | 80,224 | 2,644 | 1,494 | 3,037 | 87,399 |

On transition to FRS102 the deemed cost approach was adopted.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019**

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 £13.4m (2018: £14.6m), 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 2019**
13 Non-Current Investments

| Consolidated | Subsidiary companies £'000 | Other fixed asset investments £'000 | Total £'000 |
|----------------------------------|---|--|------------------------|
| At 1 August 2018 | - | 640 | 640 |
| Additions to investments at cost | - | 16 | 16 |
| Profit on revaluation | - | 17 | 17 |
| At 31 July 2019 | <u>-</u> | <u>673</u> | <u>673</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 £625k, income and resources for the year of £13k and closing reserves of £638k.

14 Trade and other receivables

| | Year ended 31 July 2019 | | Year ended 31 July 2018 | |
|---------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Due in one year: | | | | |
| Trade receivables | 85 | 82 | 326 | 243 |
| Other receivables | 108 | 108 | 51 | 51 |
| Prepayments and accrued income | 572 | 572 | 920 | 920 |
| Amounts due from subsidiary companies | - | 2,815 | - | 2,963 |
| | <u>765</u> | <u>3,577</u> | <u>1,297</u> | <u>4,177</u> |

The amounts due from subsidiary companies includes a £2.71m 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 2019

| | Year ended 31 July 2019 | | Year ended 31 July 2018 | |
|--|-------------------------|----------------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| 15 Creditors : amounts falling due within one year | | | | |
| Unsecured loans | 754 | 754 | 749 | 749 |
| Obligations under finance leases | 396 | 396 | 386 | 386 |
| Trade payables | 1,171 | 1,169 | 1,320 | 1,318 |
| Social security and other taxation payable | 618 | 601 | 585 | 562 |
| Other creditors | 546 | 546 | 578 | 578 |
| Accruals and deferred income | 5,125 | 5,114 | 4,538 | 4,525 |
| Amounts owed to Funding Councils | 348 | 348 | 276 | 276 |
| Deferred capital grants | 198 | 179 | 216 | 196 |
| | 9,156 | 9,107 | 8,648 | 8,590 |
| 16 Creditors : amounts falling due after more than one year | | | | |
| Deferred capital grants | 4,418 | 2,734 | 4,391 | 2,688 |
| Obligations under finance lease | 17,318 | 17,318 | 17,678 | 17,678 |
| Unsecured loans | 8,105 | 8,105 | 8,985 | 8,985 |
| | 29,841 | 28,157 | 31,054 | 29,351 |
| Analysis of secured and unsecured loans: | | | | |
| Due within one year or on demand (Note 15) | 1,150 | 1,150 | 1,135 | 1,135 |
| Due between one and two years | 1,109 | 1,109 | 1,193 | 1,193 |
| Due between two and five years | 3,531 | 3,531 | 3,074 | 3,074 |
| Due in five years or more | 20,783 | 20,783 | 22,396 | 22,396 |
| Due after more than one year | 25,423 | 25,423 | 26,663 | 26,663 |
| Total secured and unsecured loans | 26,573 | 26,573 | 27,798 | 27,798 |
| 17 Provisions for liabilities | | Defined Benefit | | Total |
| | | Pension Obligations | | Other |
| | | (Note 24) | Deferred tax | £'000 |
| | | £'000 | £'000 | |
| Consolidated | | | | |
| At 1 August 2018 | | 15,230 | 22 | 15,252 |
| Utilised in year | | (457) | - | (457) |
| Additions in 2018/19 | | 4,454 | - | 4,454 |
| At 31 July 2019 | | 19,227 | 22 | 19,249 |
| University | | | | |
| At 1 August 2018 | | 15,230 | - | 15,230 |
| Utilised in year | | (457) | - | (457) |
| Add Additions in 2018/19 | | 4,454 | - | 4,454 |
| At 31 July 2019 | | 19,227 | - | 19,227 |

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 2019

18 Endowment Reserves

| | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | 2019 Total £'000 | 2018 Total £'000 |
|---|--|--|--|------------------------|
| Balances at 1 August 2018 | | | | |
| Capital | 22 | 620 | 642 | 538 |
| Accumulated income | 18 | (35) | (17) | 73 |
| | <u>40</u> | <u>585</u> | <u>625</u> | <u>611</u> |
| New endowments | - | 20 | 20 | 26 |
| Investment income | 1 | 14 | 15 | 14 |
| Expenditure | - | (39) | (39) | (48) |
| Increase in market value of investments | - | 17 | 17 | 22 |
| | <u>1</u> | <u>12</u> | <u>13</u> | <u>14</u> |
| Total endowment comprehensive (expenditure)/ income for the year | <u>1</u> | <u>12</u> | <u>13</u> | <u>14</u> |
| At 31 July 2019 | <u><u>41</u></u> | <u><u>597</u></u> | <u><u>638</u></u> | <u><u>625</u></u> |
| Represented by: | | | | |
| Capital | 22 | 657 | 679 | 642 |
| Accumulated income | 19 | (60) | (41) | (17) |
| | <u>41</u> | <u>597</u> | <u>638</u> | <u>625</u> |
| Analysis by type of purpose: | | | | |
| Scholarships and bursaries | 23 | 37 | 60 | 48 |
| Prize funds | - | 4 | 4 | 4 |
| General | 18 | 556 | 574 | 573 |
| | <u>41</u> | <u>597</u> | <u>638</u> | <u>625</u> |
| Analysis by asset and liability: | | | | |
| Current and non-current asset investments | | | 672 | 640 |
| Trade receivables | | | 1 | - |
| Cash & cash equivalents | | | 77 | 59 |
| Current liabilities | | | (112) | (74) |
| | | | <u>638</u> | <u>625</u> |
| 19 Cash and cash equivalents | | | | |
| | At 1st August 2018 £'000 | Cash Flows £'000 | At 31st July 2019 £'000 | |
| Consolidated | | | | |
| Cash and cash equivalents | 11,290 | 449 | 11,739 | |
| | <u>11,290</u> | <u>449</u> | <u>11,739</u> | |

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019**

| 20 Consolidated reconciliation of net debt | 1 Aug 2018 £'000 | Net cash | |
|--|---------------------|----------------|-----------------------|
| | | flows £'000 | 31 July 2019 £'000 |
| Cash at bank and in hand | 11,290 | 449 | 11,739 |
| Net loan (repayment)/drawdown | (9,734) | (875) | (8,859) |
| Capital element of finance lease repaid | (18,064) | (350) | (17,714) |
| Net debt | (16,508) | (1,674) | (14,834) |

| Analysis of net debt: | 31 July 2019 £'000 | 31 July 2018 £'000 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | 11,739 | 11,290 |
| Borrowings: amounts falling due within one year | | |
| Unsecured loans | 754 | 749 |
| Obligations under finance leases | 396 | 386 |
| | 1,150 | 1,135 |
| Borrowings: amounts falling due after more than one year | | |
| Obligations under finance lease | 17,318 | 17,678 |
| Unsecured loans | 8,105 | 8,985 |
| | 25,423 | 26,663 |
| Net debt | 14,834 | 16,508 |

21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

| | 31 July 2019 | | 31 July 2018 | |
|----------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Commitments contracted for | 20,582 | 20,582 | - | - |
| | 20,582 | 20,582 | - | - |

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 2019

23 Lease obligations

Total rentals payable under operating leases:

| | 31 July 2019 | | | 31 July 2018 | |
|--|--------------|------------|----------|--------------|--------------|
| | Land and | Plant and | Other | Total | |
| | £'000 | £'000 | | £'000 | £'000 |
| Payable during the year | 1,214 | 66 | - | 1,280 | 1,235 |
| Future minimum lease payments due: | | | | | |
| Not later than 1 year | 772 | 55 | - | 827 | 1,235 |
| Later than 1 year and not later than 5 years | 944 | 58 | - | 1,002 | 1,716 |
| Later than 5 years | - | - | - | - | 636 |
| Total lease payments due | <u>1,716</u> | <u>113</u> | <u>-</u> | <u>1,829</u> | <u>3,587</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 £126k to the Arts University Bournemouth Students' Union the president of which is a Board Governor. In addition a further £127k was spent on staff employed by the University but directed by the Student Union officers. This is a total contribution of £253k ; and
- transactions totalling £38k including tickets and sponsorship took place with Bournemouth Symphony Orchestra, a company of which the governor Professor Stuart Bartholomew has been a director during the year. There were no amounts outstanding at the year end.
- details of transactions with the Teachers' Pension Scheme and Local Government Pension Scheme are set out in note 25 of the accounts

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2019**
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:

| | 2019 | 2018 |
|---------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Teachers' Pension Scheme | 1,033 | 987 |
| Local Government Pension Scheme | 2,604 | 2,514 |
| | 3,637 | 3,501 |
| | 3,637 | 3,501 |

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 2016.

Contributions owing at 31 July 2019 were £234,565 (2018: £228,118) 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.

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 on 5 March 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 £218,100million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100million giving a notional past service deficit of £22,000million
- 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.

Under the definitions set out in the FRS102, the TPS is a multi-employer pension scheme, and as a result contributions to the scheme are accounted for as if the scheme was a defined contribution scheme.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2018**
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 2016 and the proportion of members' accrued benefits covered by the actuarial value of the assets was 90%. In spite of the actuary's recommendation of an employer contribution rate of 13% following the payment of a deficit recovery lump sum of £277,000 over three years, the 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 2019 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. This was 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, the actuaries Barnett Waddingham have estimated the impact of the McCloud / Sargeant judgement is equivalent to 1.0% of the Employer's total liabilities at the year end.

Assumptions

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

| | 2019 | 2018 |
|---|-------------|-------------|
| | % | % |
| Price inflation (CPI) | 2.35 | 2.35 |
| Rate of salary increases | 3.85 | 3.85 |
| Rate of increase of pensions in payment | 2.35 | 2.35 |
| Discount rate | 2.15 | 2.70 |
| Assumed commutation rate | 50 | 50 |

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2018**
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:

| | 2019 Years | 2018 Years |
|-----------------------------|-----------------------|-----------------------|
| Retiring today | | |
| Males | 22.9 | 24.0 |
| Females | 24.8 | 26.1 |
| Retiring in 20 years | | |
| Males | 24.6 | 26.3 |
| Females | 26.6 | 28.4 |

| | £'000 | £'000 |
|--|--------------|--------------|
| Amounts recognised in the statement of comprehensive income | | |
| Service cost | 2,703 | 2,478 |
| Net interest on defined liability | 397 | 446 |
| Administration expenses | 17 | 16 |
| | <u>3,117</u> | <u>2,940</u> |
| Actuarial loss/(surplus) | 1,959 | (3,765) |
| Total charge | <u>5,076</u> | <u>(825)</u> |

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Analysis of movement in the present value of the scheme liabilities | | |
| The institution's estimated assets share | 23,878 | 21,276 |
| Present value of the institution's scheme liabilities | (43,105) | (36,506) |
| | <u>(19,227)</u> | <u>(15,230)</u> |

Analysis of movement in the present value of the scheme liabilities

| | | |
|---|---------------|---------------|
| At beginning of year | 36,506 | 35,999 |
| Current service cost | 2,280 | 2,478 |
| Interest cost | 985 | 976 |
| Change in financial and demographic assumptions | 2,947 | (3,231) |
| Employee contributions | 421 | 417 |
| Benefit payments | (457) | (133) |
| Experience loss on defined benefit obligation | - | - |
| Curtailements | 423 | - |
| At the end of the year | <u>43,105</u> | <u>36,506</u> |

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2018**
25. Pension Schemes (continued)
Analysis of movement in the fair value of the scheme assets

| | | |
|--------------------------------|---------------|---------------|
| At beginning of year | 21,276 | 19,015 |
| Interest on assets | 588 | 530 |
| Return on assets less interest | 988 | 534 |
| Administration expenses | (17) | (16) |
| Other actuarial losses | - | - |
| Employer contributions | 1,079 | 929 |
| Employee contributions | 421 | 417 |
| Benefit payments | (457) | (133) |
| At the end of the year | <u>23,878</u> | <u>21,276</u> |

The estimated value of employer contributions for the year ended 31 July 2020 is £987,000.

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

| | Fair value 2019 £'000 | Fair value 2018 £'000 |
|-------------------------|--------------------------------------|--------------------------------------|
| Equities | 12,188 | 11,620 |
| Gilts | 3,127 | 2,665 |
| Cash | 621 | 199 |
| Other bonds | 1,701 | 1,471 |
| Diversified growth fund | 1,395 | 1,273 |
| Property | 2,491 | 2,158 |
| Infrastructure | 1,259 | 905 |
| Multi Asset Credit | <u>1,096</u> | <u>985</u> |
| | <u>23,878</u> | <u>21,276</u> |

The actual return on scheme assets was £1,576,000 (2018: £1,064,000).