



**ARTS UNIVERSITY BOURNEMOUTH**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2016**

**INDEX**

	<b>Page</b>
Governors	1
Auditors and Professional Advisers	2
Strategic Report	3-16
Corporate Governance Report	17-19
Responsibilities of the Members of the Board	20
Independent Auditor's Report to the Members of the Board	21-22
Consolidated Statement of Comprehensive Income and Expenditure	23
Consolidated Statement of Changes in Reserves	24
Balance Sheet	25
Consolidated Statement of Cash Flows	26
Statement of Principal Accounting Policies	27-30
Notes to the Accounts	31-44

**GOVERNORS of the University who served on the BOARD in 2015-16 for the whole of the year unless otherwise stated and up until the signature of the accounts**

<b>Name</b>	<b>Area of Principal Expertise</b>	<b>Committee Membership at date of signing accounts</b>
Chris Martin - Chairman (appointed as Chairman 6 July 2016)	Banking & Accountancy	Estates; Finance & Resources Search & Governance; Senior Staff Remuneration
Roger Laughton CBE - Chairman (retired 6 July 2016)	Media & Higher Education	
Simon Gorham – Vice Chairman	Finance	Estates; Finance & Resources; Search & Governance; Senior Staff Remuneration
Professor Stuart Bartholomew CBE	Principal and Vice-Chancellor	Estates; Finance & Resources; HR & Remuneration; Search & Governance Senior Staff Remuneration
Stephanie Barton	Publishing	Audit & Risk; HR & Remuneration; Search & Governance; Senior Staff Remuneration
Nick Byrne (retired 6 July 2016)	Higher Education	
Michael Clarke	Legal	Estates; Finance & Resources
Janice Davies	AUB Professional Services Staff	Estates; Finance & Resources
Michael Gibson	Information Technology	Audit & Risk; Estates; HR & Remuneration Search & Governance; Senior Staff Remuneration
Kay Homer (retired 6 July 2016)	Business	
Lauren Housego (appointed 1 July 2016)	AUBSU Student Governor	Estates; HR & Remuneration
Prue Keeley Davies (appointed 9 September 2016)	Media	Audit & Risk; Estates
Robert McClatchey (appointed 9 September 2016)	Banking & Accountancy	Audit & Risk; Estates
Tim Newman (appointed 9 September 2016)	Health & Accountancy	Finance & Resources; HR & Remuneration
Lady Angela Neuberger	Media	Finance & Resources; HR & Remuneration
Terence O'Rourke MBE	Architecture & Planning	Finance & Resources; Estates; Search & Governance
John Palmer (appointed 9 September 2016)	Marketing & Communications	Finance & Resources; HR & Remuneration
Dr Kabir Shaikh CBE	Education & Administration	Audit & Risk; HR & Remuneration;
Peter Symons	AUB Academic Staff	HR & Remuneration
Sara Webb	Human Resources	Audit & Risk; HR & Remuneration; Search & Governance; Senior Staff Remuneration
Oscar Woodruff (retired 15 July 2016)	AUBSU Student Governor	
Dr Bethan O'Neil Clerk & Secretary to the Board		

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## STRATEGIC REPORT

### Mission Statement

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

#### 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 Higher Education Funding Council for England (HEFCE) 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 Strategic Plan 2014 – 2019 have been developed in support of the institution's primary purpose and the manner in which these will be delivered is outlined in a related Strategy Map. 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 16 through further education, undergraduate, masters and doctorate programmes in the subject areas of art, design, media and performance imparting them with the skills to be creative and practising entrepreneurs.

The cost of higher education, which is not only tuition fees but also includes accommodation and living costs, can be a barrier to many students. 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 2015-16 distributed over £406k in funding to eligible students. In addition AUB administered the student scholarships following the successful introduction of the National Scholarship Programme in 2012-13. Further work to enable students to participate is outlined at 1.2.

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 3,122 undergraduates, 87 taught postgraduates and 7 research postgraduates from the UK, EU and Overseas, an additional 378 Further Education students as well as 1,602 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.
- Developed and implemented a Creative Learning Plan, which focuses on the enhancement of the student learning experience through both academic staff development and the review of existing teaching and assessment practices.
- Undertook the annual Student Perception Survey (SPS) and secured constructive student feedback through student attendance at meetings, and regular meetings of senior management with Students' Union representatives to ensure that the University is fulfilling student expectations and gathering suggestions for continuous improvement.
- Dedicated capital investment to conclude construction of the north-west extension, providing a new lecture theatre and enhanced space for the Photography subject area; and the refurbishment of two former Halls of Residence to provide dedicated academic space for Honours degree courses, and courses in the School of Preparation for Higher Education. The award-winning Drawing Studio, designed by Professor Sir Peter Cook, was also opened in March 2016. The former Enterprise Pavilion was completely refurbished to provide offices for senior officers of the University, and many outward-facing professional services; the space vacated by these staff was upgraded to provide dedicated space for the Graphics and Communication subject area. Space vacated by PrepHE was redesigned and updated to provide dedicated space for courses in the Architecture, Interiors and Modelmaking subject area. In addition to this, minor works were undertaken to ensure that existing spaces were fit for purpose.

**STRATEGIC REPORT (continued)**
**1.2 Enabling Participation**

- Continued the outreach work aimed at widening participation in higher education, particularly among students from non-traditional backgrounds, minority groups and disabled persons. Developed clear strategy to target this work effectively.
- Implemented the University's new Access Agreement which underlines our commitment to widening participation and fair access and incorporates eligibility for AUB bursary schemes. The National Scholarship Programme (NSP), implemented by the Government, has now ceased, but we continue to support those students who received an NSP and are still progressing on university courses.
- Continued excellent take-up of bursaries and associated benefits, including bicycle vouchers to encourage a reduction in car usage.
- Developed a new Access Agreement for 2017-18 entry, taking account of AUB's strategic developments while retaining a strong focus on outreach work and support for the retention of non-traditional students.
- 258 enrolments to Saturday Arts School, including 16% from disadvantaged backgrounds who received concessionary/complimentary places.
- 908 undergraduate students from the lowest socio-economic groups who receive full maintenance grants and are eligible for financial support.
- Portfolio advice days for students from local schools from under-represented groups
- Taster Days for students from schools with lower GCSE achievements, leading to increased applications from these groups.
- AUB is a member of the Southern Universities Network in the HEFCE funded National Network for Collaborative Outreach together with partner HEIs in Hampshire delivering outreach activity and progression opportunities to all state funded secondary schools in the region of Dorset/Hampshire and the Isle of Wight.
- The University led a HEFCE funded collaborative outreach project into rural participation from underrepresented groups with the University of Bath. A piece of Theatre in Education was devised and delivered through AUB to more than 8,000 students in rural locations in Dorset and Somerset.

**1.3 Research and Knowledge Transfer**

- Work on activities detailed in the Research and Knowledge Transfer Plan 2014-17 was undertaken 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. These included the development of a Research Framework; identification of esteem indicators within different subject areas; work around the tracking of impact to inform impact case studies; and the establishment of research groups including Plastics, and Animation. The Creative Pedagogies Research Group was instrumental in instigating a Creative Learning Symposium, presentations from which will be published as a *Creative Pedagogies* imprint.
- AUB was pleased to confer its first doctoral award in July for a practice-based research degree focusing on '*stillness in animation*'. It also advertised and successfully recruited its first fully funded PhD studentship for research in animated documentary, supported by monies awarded following the successful outcome of the University's submission to the REF. In addition, AUB awarded three fees only bursaries for part-time study including one offered in partnership with the John Lewis Heritage Centre, at Cookham, Berkshire. In total AUB continued to support eight doctoral students studying for both theoretical and practice-based research degrees.
- The University awarded several research fellowships to enable staff to continue their research activities including authored books focusing on costume supervision, animation and the history of John Lewis. One award was given to support primary research on the carnival culture at the 2016 Rio Olympics which will be used to develop articles for journal publication.
- Several staff practitioners were successful in delivering conference papers in Philadelphia, Israel and Singapore and numerous staff produced journal articles, books and practice-based outputs as highlighted on the staff profiles pages of the University's website.
- AUB continued to be a key sponsor and participator in the unique Bournemouth BFX Festival which celebrated and promoted the visual effects, computer gaming and animation industry through an academic conference, industry talks, a series of workshops and a family focussed weekend.
- Work on the HEFCE Catalyst funded 'Building the Bridge' (BtB) project concluded. The project aimed to raise the levels of employability and the standards of work-readiness of graduates for the VFX (visual effects) and related industries. Activities include the development of a talent pipeline, staff exchanges and work placements. Alongside this, funding secured from NextGen enabled a research project on creative leadership in the VFX industry to be further developed as a framework and expanded to include the Games and Animation industries. The framework was piloted during 2015-16 for AUB graduates and alumni.

**STRATEGIC REPORT (continued)**
**1.4 Wider Community**

- MoDiP (Museum of Design in Plastics), funded entirely by AUB, is a museum open to the general public and provides the UK with its only accredited museum focused on plastics, the most used materials group in manufacture since the 1970s. It is a universal resource as a result of the digitisation of its collection.
- MoDiP organised the International peer-reviewed conference, *Provocative plastics: plastics in design from the practical to the philosophical*, which took place at the University on 17 & 18 September 2015. Speakers were drawn from ten countries and five continents. The conference was complemented by the Arts Council England supported TheGallery exhibition, *Plastic Vanitas*. It consisted of 49 photographic artworks made by the international artist, Mariele Neudecker, during her residency at MoDiP the previous year. The exhibition toured to the Nunnery Gallery, Bow Arts, London, Corsham Court, Bath Spa University and the Lighthouse, Poole. Versions of the exhibition have also been shown in Germany at the Thomas Rehbein Gallery, Cologne, the Zeppelin Museum, Friedrichshafen and the University of Applied Sciences, Berlin. Linked to *Plastic vanitas* is the online *Plastic vanitas photographic challenge* which invites the public to share their own photographic still-lives of plastic things.
- MoDiP further developed its links with the design and plastics industry by organising a workshop in partnership with the Knowledge Transfer Network. It was also successful in a bid of £36,400 to Arts Council England's Resilience Fund to create and pilot a new model of economic resilience for smaller museums by developing deeper mutually beneficial collaborations with industries relevant to the collection and building a resource to support other small specialist museums in collaborating with their relevant industries.
- MoDiP held four exhibitions. *Provocative plastics? discuss, debate, deliberate* explored an innovative inter-active exhibition model. Objects were displayed alongside quotations on design and plastics by artists, designers and social commentators that they illustrated, and visitors were asked to respond to a specific question the juxtaposition raised. *National identity: Sweden, United Kingdom, Italy* enabled the study of national characteristics in design. *Precious plastics?* explored the use of the plastics material group including natural plastics and 3D-printing as a material for jewellery. *Design for childhood: pre-school plastics* examined the potential of plastics from the perspectives of the adult acquiring the product and the child using it. Each exhibition has an online version on the MoDiP website making the exhibitions an ongoing worldwide resource.
- MoDiP has also welcomed a number of external groups to the Museum and taken collections of museum objects into a local primary school. It continues to lead the Arts Council England recognised Plastics Subject Specialist Network. Its *Identify plastics toolkit* has been lent to the Design Museum, London, and to two museums in Stockholm through the Swedish National Heritage Board.
- 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 2015 TheGallery launched its exhibition programme with *Plastic Vanitas* by Mariele Neudecker which consisted of a series of vanitas still life photographs of objects collected by MoDiP. Other exhibitions in 2015-16 included *One Second of Light* by Giles Duly which captured the stories of those affected by war in Afghanistan; *Patrick Procktor The Last Romantic* curated by Dr Ian Massey, a joint exhibition with the Redfern Gallery, London, that brought 90 individual pieces of the artist's work together from private and public collections; *Forkbeard's Fantasy Theatre of Animation* curated by Associate Professor Sean Aita being a hands-on living exhibition celebrating 41 years of pioneering multi-media work.
- Alongside its main programme TheGallery supported the opening weekend of the Bournemouth Arts Festival by the Sea with the creation of *The Sound of Still Life* by sound artist Sian Hutchings, produced over 22 Pop-Up and 5 off-site exhibitions and oversaw the *Plastic Vanitas* touring exhibition. Over 600 young learners attended workshops and gallery talks for schools related to the various exhibitions.
- The Performance subject areas staged a number of productions at the University; both Pavilion Dance and Meyrick Hall in Bournemouth and the Lighthouse in Poole which have all been accessible to the public. The repertoire has been extensive ranging from Shakespeare's *Twelfth Night*, Brecht's *The Good Person of Szechwan* and a musical adaptation of Henry James' *The Turn of the Screw*.
- The University sponsored a performance of *The Firebird* by the Bournemouth Symphony Orchestra at the Lighthouse thereby providing the opportunity for BA (Hons) Costume and Performance Design students to exhibit at the same venue a collection of costume designs in response to the Ballet Russes' original performance of this famous ballet.
- In June 2016 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 courses programme developed for the local community exceeded 1,150.

## STRATEGIC REPORT (continued)

### 2 Strategy and Risk Analysis

#### 2.1 Strategic Plan 2014-2019

Following extensive consultations with staff and key stakeholders the AUB Strategic Plan 2014-2019 was developed and approved by the Governing Board in April 2014 and the implementation of the plan is based around the AUB Strategy Map. In spite of the changing economic and political environment the Strategic Plan 2014-2019 remains fit for purpose and provides the framework for the University to respond to challenges.

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

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

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

**Values:** Innovative. Collaborative. Connected

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#### **Aims:**

To be the leading professional arts university by:

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

To be dedicated to creative innovation by:

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

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

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

#### **2.2 The Strategy Map**

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

The key objective headings are:

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



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

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

**2.4 Risk Analysis**

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

**3 Academic Review**
**3.1 Academic Excellence**

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

The high quality of graduates is demonstrated by the fact that 95.6% of students were in employment or further study six months after graduation in June 2015 on a response rate of 93.1%. This is significantly above benchmark (92.6%), and as AUB has the third highest response rate in the UK, this represents an outstanding achievement.

**3.2 Student Experience**

The University continues to pride itself on the quality of student experience offered. Overall satisfaction as expressed in the National Student Survey (NSS) was 82%. This was a slight improvement against performance in 2015, and these outcomes are consistent with those achieved by competitor courses and also in line with benchmark though specialist institutions within the creative arts and design sector continue to perform disappointingly. The results also include a 'mean score' for each question. The mean score weights those who 'strongly agree' and 'strongly disagree' to give an average score out of 5 (i.e. if every respondent were to strongly agree with the statement). AUB scores comparatively well in this measure, with a high proportion of respondents recording that they strongly agree with statements, and very few strongly disagreeing. The internal Student Perception Survey (SPS) showed excellent outcomes, with 95% of students confirming that they would recommend the University to others; and 94% confirming that they are treated fairly and with respect.

Over the last two years, the University has made a significant commitment to improving the Digital Environment for Learning, Teaching and Assessment (DELTA). The DELTA User Group initially identified a range of desired outcomes, which were prioritised according to both impact and achievability. For 2015-16, a new staff and student portal was made available. This uses a tile structure to provide single sign-on access to a range of options, including email, their Library lending record, and access to student results.

A further request made by students was that they should be able to access their timetable using MyAUB. This was delivered for 2015-16, but the way in which the timetable was constructed meant that it was not possible for students to see a personalised version, which listed only those events which they were scheduled to attend. A major project was thus undertaken to revise the way in which the timetable was developed, and to allocate students to their dedicated groups. This goes live in September 2016, and it is hoped that it leads to further refinements to the process for future years.

**STRATEGIC REPORT (continued)****3.3 Academic Portfolio**

The changing shape of the higher education sector in England, with significantly higher tuition fees for undergraduate students, places a premium on the presentation of an attractive portfolio of awards which make a strong contribution to the overall specialist offer. Two new Honours degree courses were introduced in 2015-16 (Dance, and Visual Effects Design and Production). New courses have also been planned for implementation in 2017-18, in Creative Writing; Fashion Communication and Marketing; Drawing; and a Master's in Arts and Education. The Creative Writing course was initially developed through student focus groups, as an extension of a Higher Education Academy project about the involvement of students in course design. This has given the course a specifically student-centred focus.

**3.4 Research**

The University acknowledges that research and professional practice are an essential aspect of a higher education institution, which supports delivery of a high quality student experience. It prioritises investment in this area in a number of ways. Two staff achieved their doctorates in the past year with a further five being supported to undertake this qualification in 2016-17.

AUB was pleased to confer its first doctoral award in July for a practice-based research degree focusing on '*stillness in animation*'. It also advertised and successfully recruited its first fully funded PhD studentship for research in animated documentary, supported by monies awarded following the successful outcome of the University's submission to the REF. In addition, AUB awarded three fees only bursaries for part-time study including one offered in partnership with the John Lewis Heritage Centre, at Cookham, Berkshire. In total the University continued to support eight doctoral students studying for both theoretical and practice-based research degrees. Supervisory capacity increased with a further three members of staff successfully undertaking research degree supervision units at University of the Arts London.

**3.5 Teaching**

The Centre for Creative Learning has been pushing forward on several strategic fronts to enhance learning, teaching and the student experience across AUB. Always a key area of the University's focus, this activity is now central to the University's requirement to meet the Teaching Excellence Framework (TEF) and its attendant mechanisms for evidencing a university's commitment to learner achievement.

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) Engagement in a HEFCE funded project on Employability Learning Gain led by Ravensbourne to which AUB has made a significant contribution.

**STRATEGIC REPORT (continued)**
**4 Organisational Sustainability**

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

**4.1 Staffing**

During the 2015-16 academic year objectives from the HR Plan 2014-2019, were further embedded and newly implemented to deliver our staff priorities in support of the University's strategic plan. The Plan identifies six strategic imperatives: Resourcing; Employment; Development; Performance; Reward and Engagement and enables the AUB to have clarity of focus and alignment of staffing priorities and challenges.

The Resourcing imperative continued to be a key area of focus for the department with an increase in new and replacement posts in comparison to the previous year. An increase in turnover, an increase in resourcing for established posts (as opposed to the utilisation of part time Visiting Tutor contracts) as well as the alignment of resources to support strategic priorities led to this increase. The HR department was delighted to receive a Gold HEIST award for "Best Employer Marketing Initiative 2016" for the collaborative project with Marketing that completely refreshed AUB's recruitment pages and aligned recruitment material to the AUB brand, primarily to support improved academic recruitment and the University's 'Applications per Vacancy' KPI.

A review of AUB's range of contracts to ensure they are 'fit for purpose' also led to more efficient processes being introduced in relation to Visiting Tutor and Casual appointments; also achieving the HR Plan objective to reduce reliance on zero hours contracts. Furthermore, this work aligned to HE Sector priorities in relation to the reduction of casual staff and zero hours contracts. Preparations began to align the University's holiday year to the operational year which is another activity in support of operational efficiency. The change will be implemented during the 2016-17 academic session.

Further enhancements were made to the University's online system for the completion of the annual Staff Performance Review (SPR) to make it more streamlined for users. The enhancements were particularly relevant for academic staff to make the process as engaging as possible. The University can be confident that it has developed a productive way of managing, supporting and measuring staff performance given the 100% completion rates achieved within both the academic and professional services staff groups.

The Terms of Reference in relation to the University's Staff Information and Consultation Group were revised to ensure a better strategic utilisation of the group. Engagement between the University and the trade unions, UCU and UNISON remains positive and collaborative.

National negotiation in respect of the annual pay award was unsuccessful in meeting the desired implementation date of 1 August 2016 however the University took the decision to apply the 1.1% pay award across all levels of the University's salary scale (slightly higher increases for the lower band salary points) in October 2016. This pay increase is in addition to the incremental payments of circa 3% that approximately half of staff who are not at the top of their pay scale receive subject to satisfactory performance.

**4.2 Equality & Diversity**

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

The Equality and Diversity Plan 2015-2020 was implemented 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. Good progress was made in the first year, with most actions completed, but it was noted that some actions did not have clear success measures, and for 2016-17 each strand has actions, together with success measures and an indication of the anticipated impact. The sub-groups have also been refined, to ensure a broad membership across the University.

The Communication sub-group noted the importance of raising awareness of equality and diversity issues across the academic community. In consequence, it has introduced a range of round-table events. The events focus on each of the strands in turn, and the intention is to invite at least one external speaker to each event. Attendance is by invitation only, to ensure that there is broad representation over a three-year period. The success of these events will be reviewed during the coming year, after the first round of five events has concluded.

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

The completion of the Madeira Road halls accommodation in summer 2015 enabled the University to house 378 students in a town centre location, with excellent public transport and cycling links to the main University campus. The development has proved very popular with student residents, who welcome their proximity to local amenities as well as the relative ease with which they can reach the campus. The accommodation is managed by a specialist residential accommodation provider, in close liaison with the University. For 2016, additional Halls places have been provided through a medium-term lease with a local development company; this provides 84 beds in a premium location. The demand for Halls places remains very high, and the University will continue to seek additional accommodation where it is available.

The last year has seen the conclusion of a major investment project in the University estate, with the conclusion of some major building projects. The new purpose-built drawing studio, designed by Sir Peter Cook, opened in Spring 2016. The Drawing Studio is a response to the fundamental nature of drawing to creative arts disciplines, and the need for this to be recognised and celebrated in a building available to all courses at the Arts University Bournemouth. This was the first purpose-built drawing studio to be opened in the UK for over 100 years, and its stunning design and outstanding interior has seen it win many architectural awards.

The conversion of one Halls of residence block into specialist accommodation for Modelmaking and Make-up for Media and Performance concluded in December 2015, allowing occupation from the start of the Spring term; and the second Halls block was also converted, providing space for students in the School of Preparation for Higher Education. In addition, the former Enterprise Pavilion has been refurbished to create space for the senior officers of the University and many of its professional services.

A consequence of these works was the liberation of significant space which is now available to support the academic offer. Courses in Architecture and Interior Architecture and Design have moved to dedicated space in the North Building, and the Graphics and Visual Communication courses are now co-located in the former University House (now South House). Significantly enhanced performance space has also been provided for the courses in Acting and Dance. Additional studio space has also been made available to Fine Art.

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

**4.4 Environment and Sustainability**

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

The University developed a new Sustainability Plan for the period 2015-2020, with objectives identified against five key strands of activity: Minimising carbon emissions, Managing the use of finite resources, reducing emissions associated with travel, Managing the estate efficiently and Developing staff and student awareness and engagement.

Each strand is being overseen by a sub-group on behalf of the Environment Committee, which reports to the University Management Team, and the Estates Committee of the Board of Governors. Good progress was made during the first year of the Plan, but it was noted that the actions in relation to staff and student awareness and engagement were of particular significance, as these were most likely to bring lasting improvement. A number of actions have now been agreed to focus on this strand during the next year. In addition, the Car Parking Policy expires in summer 2017, and this provides an opportunity to consider how best to deliver the targets in relation to travel emissions. These will be in support of the new Travel Plan, approved for the period 2015-18, which sets out how the University will meet its commitment to minimising its impact on its local environment.

**STRATEGIC REPORT (continued)**
**5 2015-16 Financial Review of the Year**

The year ended 31 July 2016 is the first year in which the University has applied the new UK GAAP accounting standard FRS 102 and SORP: Accounting for Further and Higher Education 2015 to its accounts. This has resulted in transitional changes to the 2014-15 figures which are explained in Note 26 – Transition to FRS 102 and the 2015 SORP.

**5.1 Financial and Operational Performance**

There have been a number of significant accounting changes as a result of the adoption of FRS 102 and in order to demonstrate the underlying business performance, the figures in this section are reconciled to the old UK GAAP results.

**Surplus**

The following table summarises the financial results for the current and previous year under FRS 102 as set out in the statement of comprehensive income:

<b>Financial Summary</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>(restated)</b>
		<b>£'000</b>
<b>Income</b>		
Funding Council Grants	3,189	3,834
Tuition Fees	29,588	25,699
Other Income	4,992	5,382
<b>Total income</b>	<b>37,769</b>	<b>34,915</b>
<b>Expenditure</b>		
Staff Costs	15,560	14,374
Operating Expenses	14,188	12,061
Depreciation	4,142	3,469
Interest Payable	1,548	1,467
Impairment of Fixed Asset	-	877
<b>Total expenditure</b>	<b>35,438</b>	<b>32,248</b>
Loss on disposal of Fixed Asset	-	(211)
Gain on Investment	17	17
<b>Surplus before tax</b>	<b>2,348</b>	<b>2,473</b>

The income and expenditure impact of accounting for FRS102 required the following adjustments to be made:

<b>Reconciliation to GAAP</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Surplus before tax</b>	<b>2,348</b>	<b>2,473</b>
Endowment income	(62)	(124)
Transfer from accumulated endowment income	-	(7)
Holiday pay accrual	(16)	50
Depreciation on revalued assets	289	252
Depreciation on componentised assets	195	-
Deferred capital grant release	51	49
Additional pension interest charge	-	208
<b>Surplus before tax under old UK GAAP</b>	<b>2,805</b>	<b>2,901</b>

Historical cost surplus	2,980	4,248
<b>Surplus as % of income</b>	<b>8.60%</b>	<b>13.80%</b>
Cash inflows from operations	9,488	7,003

**STRATEGIC REPORT (continued)**

- Endowment income is recognised in the Statement of comprehensive income and expenditure as it is received and then transferred to restricted reserves.
- Holiday pay is now accrued within the Statement of comprehensive income and expenditure
- The transition arrangements for FRS102 allowed for the one off revaluation of fixed assets. The University availed of the opportunity to revalue its land and buildings as at 1 August 2014 which resulted in an increase in the Revaluation Reserve of £22.9m. This revaluation has resulted in an increased depreciation charge.
- The valuation broke down buildings into their component parts of structural, plant & equipment and fit out which has allowed for differential depreciation rates to be applied.
- The actuarial method for calculating the pension finance costs has changed as the discount rate is also applied to the expected return on the pension scheme assets.

**Income**

Overall total income has increased by 8% to £37.8m (2015: £34.9m).

This increase was accounted for by a 15% increase in tuition fee income to £29.6m (2015: £25.7m) offset by reductions in Funding Council Grant income of 17% to £3.2m and 7% in other income to £5m.

Tuition fee income has increased as a result of very buoyant recruitment in student numbers with enrolments increasing to 3,594 from 3,314 in the preceding year and with all Home & EU students paying the higher fee of £9,000. International recruitment was 11% higher, in spite of the continued tightening of controls over the issue of visas, due to increased investment in the International team and a more focused strategy. In year retention of students on their chosen courses was high resulting in enhanced student loan receipts in all three terms.

The decrease in Funding Council Grants is accounted for by 15% reduction in funding of 16-18 year old further education students by the Education Funding Agency where said students already have a Level 3 qualification which is equivalent to A level. The fall in other income is due to a reduction in the amount of halls accommodation available as a result of the refurbishment of the on campus halls, a reduction in interest income earned on cash reserves that were used to fund a major capital programme and the reduction in the number of tenants in the Enterprise Pavilion to one outlet providing a printing service.

**Expenditure**

Staff Costs increased by 8.3% to £15.6m (2015: £14.4m) due to a pay award of 1% for 2015-16 and incremental drift of 3% to which half of the staff who are not at the top of their pay scale are entitled. In addition National Insurance contributions increased in April 2016 and the year-end pension valuation adjustment increased substantially. As a result of the increased number of student enrolments additional staff were recruited increasing the full time equivalent numbers to 356 from 332. Staff costs are being controlled by the appointment of staff at the bottom of applicable pay scales.

The increase in Operating Expenses by 17% to £14.2m (2015: £12.1m) is in the main accounted for by the large number of building projects completed in the year resulting in additional running and start-up costs. Moreover refurbishment work and an extension of the Enterprise Pavilion was undertaken with 27% of the costs being written off to the Statement of comprehensive income. During the summer existing space was adapted to facilitate subject areas by co-locating subject areas. There were higher direct teaching costs due to greater student numbers and extra costs were incurred in the staging of graduation over two days to improve the student experience. The costs of a number of projects relating to the development of the Digital Environment for Learning, Teaching and Assessment (DELTA) were written off.

Depreciation has increased to £4.1m (2015: £3.5m) due to the capitalisation of a number of new buildings in the accounts on their occupation during the financial year. Furthermore the identification of the separate components of buildings on their revaluation has given rise to an increased depreciation charge. Interest Payable has increased slightly as a result of the drawdown of a new loan in the second half of the year offset by the reduction in interest on existing loans as they are repaid.

In 2015 as a result of the cessation of trading of the subsidiary company AUB Services Limited a write down of £0.87m was made to the impaired assets of the lease on the refectory with the University and its equipment.

**Surplus**

The FRS102 surplus has decreased by 5% to £2.3m (2015: £2.5m) whilst the surplus calculated under GAAP has decreased by 3% to £2.8m (2015: £2.9m). The FRS102 surplus represents 6.2% of turnover. The underlying performance of the institution remains strong but the accounts for the last two years reflect one off events being the completion of a large and extensive capital programme in 2016 and the closure of a subsidiary in 2015.

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

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

	FRS102		Old UK GAAP
	2016 £'000	2015 (restated) £'000	2014 £'000
<b>Financial Summary</b>			
Fixed Assets	89,218	80,003	29,576
Investments	545	514	469
Net Current Assets/(Liabilities)	(2,036)	(26)	5,896
<i>of which Cash</i>	<i>5,195</i>	<i>6,599</i>	<i>11,186</i>
Loans, Finance Lease and Deferred Grants	(30,267)	(26,240)	(4,045)
Pension Liabilities and other provisions	(14,224)	(8,261)	(6,576)
<b>Total Net Assets</b>	<b>43,236</b>	<b>45,990</b>	<b>25,320</b>
Deferred Capital Grants	-	-	3,487
Restricted reserves	539	593	469
Revenue Reserves	30,182	26,536	23,346
Pension Reserve	(14,221)	(8,258)	(6,576)
Revaluation Reserve	26,736	27,119	4,594
<b>Total Reserves</b>	<b>43,236</b>	<b>45,990</b>	<b>25,320</b>

**Fixed Assets**

The 2015 fixed assets were restated to take account of the revaluation of land and buildings on transition to FRS102. This resulted in an increase in fixed assets of £22.9m and a corresponding increase in the revaluation reserve. The significant increase in fixed assets over the three years reflects this valuation, the procurement of halls accommodation (£19.5m) by means of a finance lease and the undertaking of a large capital programme (£23.9m) at the Wallisdown campus over two years.

**Investments**

The 2015 financial statements were restated to reflect Endowment Assets as a long term Investment. In the main this balance represents the Restricted Reserves.

**Cash and Net Current Assets/(Liabilities)**

The decrease in cash over the three year period reflects the level of investment in the capital programme. This in turn has had an adverse impact on Net Current Liabilities but the position should improve in 2016-17.

**Loans, Finance Lease and Deferred Grants**

The application of FRS102 has meant that deferred grants are reflected in long term creditors rather than under Total Funds. This balance has increased substantially over the three years due to a finance lease obligation of £18.7million and the drawdown of £5m against a new loan facility.

**Pension Liabilities/Reserves**

The significant increase in the Pension Liability is as a result of the change in the basis of valuation of the assets under FRS102 and a deterioration in the corporate bond yields following Brexit resulting in a much reduced discount rate.

**Total Reserves**

Total Reserves over the period have increased as a result of the revaluation of fixed assets on transition to FRS102. The consequent increase in reserves has meant that the University has been able to absorb the increased Pension Liability.

**Cash flow**

Net cash inflow from operating activities was £9.1m a decrease of 7% on last year's equivalent of £9.8m. This was achieved in spite of the large estate refurbishment costs written off and reflects the underlying strength of the university's core business.

**STRATEGIC REPORT (continued)**
**5.3 A Financial Strategy for Sustainability**

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

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

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

**5.4 Key Performance Indicators**

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

<b>KPI</b>	<b>Description</b>	<b>Target/ Benchmark</b>	<b>Actual</b>
Profitability	Historic cost surplus as %age of total income	10.5%	6.2%
Staff Costs	Staff costs as a %age of income	50% max	41.2%
Liquidity	Liquid assets as days of total expenditure	60 days min	64 days
Borrowings	Borrowings (excluding finance lease creditor) as a %age of income	40% max	22.8%
Annual Service Cost	Annual debt servicing cost as %age of total prior year income (excluding finance lease creditor)	4% max	1.7%

Whilst the above KPIs were mostly satisfactory for the monitoring of performance in 2015-16 it is clear that the target benchmarks need to be reviewed in light of the new accounting standard FRS102 which accounts differently than when the KPIs were originally established. They will be revised to take account of FRS102 and the significant investment in land and buildings which has resulted in higher depreciation charges.

Financial KPIs, although important, represent only one aspect of the University's business. Another measure of the University's health is the number of applications per place which is currently almost 6 and compares favourably to competitor institutions. However student satisfaction as measured by the National Student Survey is below national benchmark at 82% which conversely may have been affected by the level of building works taking place on the campus over the past year. Nevertheless this result means that there is an increased focus on meeting students' expectations with more investment in academic staff and an improvement in systems to ensure course management and feedback is enhanced.

**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 have decreased as the University used its cash balances to fund its extensive capital programme.



## STRATEGIC REPORT (continued)

### 5.6 Long Term Borrowing Facility

All of the 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 £0.77m and is fixed until July 2017 at 3.563% and is based on a repayment term of 10 years. A further loan of £0.69m fixed at 5.36% and will be fully repaid by October 2021. During the year a variable rate loan at 1.5% over 3-month LIBOR was fully repaid and a further variable loan at Bank Base Rate plus a margin of 0.28% and repayable over a maximum of 25 years had a balance of £2.2m outstanding.

During the year a loan tender exercise was concluded with Lloyds having agreed a credit facility for £7m over a ten year period at LIBOR plus a margin of 1.6%. At the year-end £5m of the facility had been drawn down and £3.8m of this loan was fixed at a rate of 2.75% for 5 years.

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

### 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 a large demand for the courses that it offers. With its Strategic Plan 2014-2019 there is a clear focus on the University's mission to be 'The leading professional arts university dedicated to turning creativity into careers' and the supporting aims and objectives to realise this ambition. In addition it has just concluded an extensive £24m capital programme investing in student teaching space, facilities and equipment to enhance the student experience and delivering a campus that is appealing to potential students.

All supporting strategies continue to be updated to align with the Strategic Plan and in accordance with the Strategy Map which articulates the University's objectives. The estates Master Plan is being developed further to reflect the acquisition of 1.54 hectares of land adjacent to the Wallisdown subject to obtaining satisfactory planning permission. This acquisition is central to the University's future success by enabling the further development of academic and student accommodation which are necessary to secure the recruitment of student numbers and enhance the student experience.

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

Government policy continues to be developed with the imminent introduction of the Teaching Excellence Framework (TEF) in 2016 which will allow Universities who achieve a benchmark to increase their fees in line with inflation from 2018 and beyond. Authorisation has been given to all higher education institutions to increase the annual student fee to £9,250 from 2017 but future increases will be dependent on TEF. 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 and the University has 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. UK higher education will have to work hard to counter these negative views.

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.

At a more local level students have difficulty in finding term time accommodation due to changes in local government policy to reduce houses of multiple occupancy. The shortage of student accommodation has the potential to impact recruitment. It is a priority for the University to source additional accommodation in the short term.

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**

The key risks facing the Arts University Bournemouth are:

- *Uncertainty of funding:* - the bases of funding higher education are continually changing with increasing uncertainty over the continuation of direct government funding. The uncertainty of the repayment of the rapidly growing student loan book may lead to policy changes as to what type or subject of HE provision may be funded or indeed which institutions. The market for students will become more competitive particularly in the short term due to the demographic downturn. Funding for further education will continue to reduce significantly over the next few years and these students may go direct to university;
- *International students:* - the recruitment of international students has become more challenging following the Brexit vote as students may feel they are unwelcome. In addition government policy regarding the matter of visa restrictions and the aggressive application of the shifting rules by the UK Visas & Immigration may adversely impact on student recruitment from outside the EU. In the medium term EU students are less likely to apply to attend university in the UK as they will not have access to the Student Loan system;
- *Student accommodation:* - increasingly the University attracts students both nationally and internationally thereby increasing the demand for halls accommodation. Lack of bed spaces can be an impediment to recruitment. The University has negotiated to purchase land adjacent to the campus with plans to develop 300 bed spaces but this will be subject to planning permission;
- *Inflation:* - high inflation is likely to be a feature of the future as the value of sterling falls in response to government Brexit proposals. Inflation from 2017 onwards of 5% on non-pay costs and a possible 5% increase in salaries to try and keep pace would result in an annual reduction of the surplus by £2.6m to £1.2million in 2019-20 if income were to remain the same and no other action was taken;
- *Pension deficit:* - the quantified deficit on the Local Government Pension Scheme, in which 50% of the employees participate, has increased considerably following the actuarial valuation in 2013 and is likely to increase further following the 2016 valuation. The University already pays more than the recommended contribution however due to poor investment returns and decreasing bond rates the deficit on the pension scheme is likely to grow significantly. It is likely that contribution rates will have to rise to bridge the gap. The University is considering what other action is possible to mitigate this risk;
- *Interest rates:* - the University is considering a capital programme which will be funded by a mixture of internal funds generated and by borrowings thus exposing the University to fluctuations in interest rates. This risk will be mitigated by arranging a mix of variable and fixed rate loans and a bank loan tender to secure competitive rates;
- *Capital projects:* - the management of large capital projects poses a risk to the University in terms of cost overruns and delays in completion. The Estates Committee has oversight of this area of risk.

The Governors and university management 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

25 November 2016

**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, and was granted status as a higher education institution in 2000 as the Arts Institute at Bournemouth (AIB) in accordance with the Further and Higher Education Act 1992. Following the award of its own taught degree awarding powers by the Privy Council in 2008, it formally adopted the status of The Arts University College at Bournemouth (AUCB) on the 1 July 2009. On 7 December 2012, with a change to legislation, the Privy Council awarded AUCB full university status and the institution adopted the title the Arts University Bournemouth.

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

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

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

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and that it accords with the internal control requirements of the Code of Governance..

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

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

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

<b>2015 -16</b>
Audit & Risk
Estates
Finance & Resources
Human Resources & Remuneration
Senior Staff Remuneration
Search & Governance

The details of membership of the Board given on page 1 show the Committees on which individual Governors sit at the date of the signature of the accounts.

The Committees met three times in the past academic year other than Senior Staff Remuneration and Search & Governance, which each met once during the year.

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

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

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

**Estates**

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

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

**Finance & Resources**

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

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

**Human Resources & Remuneration**

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

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

**Senior Staff Remuneration**

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

**Search & Governance**

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

**Risk Management**

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

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

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

**CORPORATE GOVERNANCE (continued)****Internal Control**

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

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

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

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

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

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

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

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

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

**Chris Martin**  
Chairman of the Board of Governors

**Professor Stuart Bartholomew CBE**  
Principal and Vice-Chancellor

25 November 2016

## RESPONSIBILITIES OF THE MEMBERS OF THE BOARD

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the Financial Statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between HEFCE and the University, the Board, through its Principal and Vice Chancellor, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

### Financial Statements

In causing the Financial Statements to be prepared, the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Board has taken reasonable steps to:

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

### Chris Martin

Chairman of the Board of Governors

25 November 2016

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

We have audited the financial statements of Arts University Bournemouth for the year ended 31 July 2016 set out on pages 23 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

**Respective responsibilities of the Board of Governors and auditor**

As explained more fully in the Statement of Responsibilities of the Board of Governors Statement set out on page 20 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016, of the Group's and 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 United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNERS OF THE ARTS UNIVERSITY BOURNEMOUTH  
(CONTINUED)****Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the  
Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the [Group and the University] for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

**Victoria Sewell**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Gateway House  
Tollgate  
Chandlers Ford  
SO53 3TG



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**  
**YEAR ENDED 31 JULY 2016**

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	29,589	29,589	25,699	25,699
Funding body grants	2	3,189	3,189	3,834	3,834
Other income	3	4,905	4,959	5,182	5,122
Investment income	4	41	27	86	72
Donations and endowments	5	46	219	114	0
<b>Total income</b>		<u>37,770</u>	<u>37,983</u>	<u>34,915</u>	<u>34,727</u>
<b>Expenditure</b>					
Staff costs	6	15,458	15,458	14,355	14,342
Fundamental restructuring costs	9	103	103	19	19
Other operating expenses	7	14,188	13,549	12,061	13,733
Depreciation	12	4,142	4,050	3,469	3,354
Interest and other finance costs	8	1,548	1,548	1,467	1,467
Impairment of fixed assets	10	-	-	877	-
<b>Total expenditure</b>	9	<u>35,439</u>	<u>34,708</u>	<u>32,248</u>	<u>32,915</u>
<b>Surplus before other gains</b>		<b>2,331</b>	<b>3,275</b>	<b>2,667</b>	<b>1,812</b>
Loss on disposal of fixed assets		-	-	(211)	-
Gain on investments	14	17	-	17	-
<b>Surplus before tax</b>		<u>2,348</u>	<u>3,275</u>	<u>2,473</u>	<u>1,812</u>
Taxation	11	(1)	-	(15)	-
<b>Surplus for the year</b>		<u>2,347</u>	<u>3,275</u>	<u>2,458</u>	<u>1,812</u>
Actuarial loss in respect of pension schemes	25	(5,101)	(5,101)	(1,049)	(1,049)
<b>Total comprehensive (expenditure)/ income for the year</b>		<u><b>(2,754)</b></u>	<u><b>(1,826)</b></u>	<u><b>1,409</b></u>	<u><b>763</b></u>
Represented by:					
Endowment comprehensive (expenditure)/ income for the year		(54)	0	124	0
Unrestricted comprehensive (expenditure)/ income for the year		(2,317)	(1,481)	1,631	1,071
Revaluation reserve comprehensive expenditure for the year		(383)	(345)	(346)	(308)
		<u><b>(2,754)</b></u>	<u><b>(1,826)</b></u>	<u><b>1,409</b></u>	<u><b>763</b></u>

All items of income and expenditure relate to continuing activities

**CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES  
YEAR ENDED 31 JULY 2016**

<b>Consolidated</b>	<b>Income and expenditure account</b>		<b>Revaluation reserve</b>	<b>Total</b>
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2014</b>	<b>469</b>	<b>16,647</b>	<b>27,465</b>	<b>44,581</b>
Surplus from the I&E statement	124	2,334	-	2,458
Other comprehensive expenditure	-	(1,049)	-	(1,049)
Transfers between revaluation and I&E reserve	-	346	(346)	-
<b>Total comprehensive income for the year</b>	<b>124</b>	<b>1,631</b>	<b>(346)</b>	<b>1,409</b>
<b>Balance at 1 August 2015</b>	<b>593</b>	<b>18,278</b>	<b>27,119</b>	<b>45,990</b>
Surplus/(deficit) from the I&E statement	(54)	2,401	-	2,347
Other comprehensive expenditure	-	(5,101)	-	(5,101)
Transfers between revaluation and I&E reserve	-	383	(383)	-
<b>Total comprehensive expenditure for the year</b>	<b>(54)</b>	<b>(2,317)</b>	<b>(383)</b>	<b>(2,754)</b>
<b>Balance at 31 July 2016</b>	<b>539</b>	<b>15,961</b>	<b>26,736</b>	<b>43,236</b>

<b>University</b>	<b>Income and expenditure account</b>		<b>Revaluation reserve</b>	<b>Total</b>
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2014</b>	-	<b>17,251</b>	<b>26,470</b>	<b>43,721</b>
Surplus from the I&E statement	-	1,812	-	1,812
Other comprehensive expenditure	-	(1,049)	-	(1,049)
Transfers between revaluation and I&E reserve	-	308	(308)	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,071</b>	<b>(308)</b>	<b>763</b>
<b>Balance at 1 August 2015</b>	<b>-</b>	<b>18,322</b>	<b>26,162</b>	<b>44,484</b>
Surplus from the I&E statement	-	3,275	-	3,275
Other comprehensive expenditure	-	(5,101)	-	(5,101)
Transfers between revaluation and I&E reserve	-	345	(345)	-
<b>Total comprehensive expenditure for the year</b>	<b>-</b>	<b>(1,481)</b>	<b>(345)</b>	<b>(1,826)</b>
<b>Balance at 31 July 2016</b>	<b>-</b>	<b>16,841</b>	<b>25,817</b>	<b>42,658</b>

**CONSOLIDATED AND UNIVERSITY BALANCE SHEET  
AS AT 31 JULY 2016**

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Fixed assets	12	89,218	84,469	80,003	77,100
Investments	14	545	-	514	-
		<u>89,763</u>	<u>84,469</u>	<u>80,517</u>	<u>77,100</u>
<b>Current assets</b>					
Trade and other receivables	15	366	441	801	1,093
Receivables due in more than one year	15	-	2,778	-	-
Cash and cash equivalents	20	5,195	5,024	6,599	6,248
		<u>5,561</u>	<u>8,243</u>	<u>7,400</u>	<u>7,341</u>
Less: Creditors: amounts falling due within one year	16	<u>(7,597)</u>	<u>(7,308)</u>	<u>(7,426)</u>	<u>(7,221)</u>
<b>Net current (liabilities)/assets</b>		(2,036)	935	(26)	120
<b>Total assets less current liabilities</b>		<u>87,727</u>	<u>85,404</u>	<u>80,491</u>	<u>77,220</u>
Creditors: amounts falling due after more than one year	17	(30,267)	(28,525)	(26,240)	(24,478)
<b>Provisions</b>					
Pension provisions	18	(14,221)	(14,221)	(8,258)	(8,258)
Other provisions	18	(3)	-	(3)	-
<b>Total net assets</b>		<u><u>43,236</u></u>	<u><u>42,658</u></u>	<u><u>45,990</u></u>	<u><u>44,484</u></u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	19	539	-	593	-
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted:					
Income and expenditure account		30,182	31,062	26,536	26,580
Pension reserve		<u>(14,221)</u>	<u>(14,221)</u>	<u>(8,258)</u>	<u>(8,258)</u>
		15,961	16,841	18,278	18,322
Revaluation reserve		26,736	25,817	27,119	26,162
<b>Total Reserves</b>		<u><u>43,236</u></u>	<u><u>42,658</u></u>	<u><u>45,990</u></u>	<u><u>44,484</u></u>

The financial statements were approved by the Governing Body on 25 November 2016 and were signed on its behalf by:

**Chris Martin**

Chairman of the Board of Governors

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**Professor Stuart Bartholomew CBE**

Principal and Vice-Chancellor

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**Mary O'Sullivan**

Director of Finance and Planning

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**CONSOLIDATED STATEMENT OF CASH FLOW  
YEAR ENDED 31 JULY 2016**

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		2,347	2,458
<b>Adjustment for non-cash items</b>			
Depreciation	12	4,142	3,469
(Gain) on investments	19	(17)	(17)
Decrease/(increase) in debtors	15	435	(343)
Increase in creditors	16	255	1,591
Difference between pension charges and cash contributions	25	862	633
Increase in other provisions	18	-	3
<b>Adjustment for investing or financing activities</b>			
Investment income	4	(41)	(86)
Interest payable	8	1,231	1,167
Endowment income	5	(46)	(114)
Loss on disposal of fixed assets		-	1,096
Capital grant income		(96)	(58)
<b>Net cash inflow from operating activities</b>		<u>9,072</u>	<u>9,799</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of fixed assets		-	9
Investment income		27	72
Payments made to acquire fixed assets		(13,417)	(12,630)
		<u>(13,390)</u>	<u>(12,549)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(160)	(152)
Interest element of finance lease		(1,071)	(1,015)
Endowment cash received		46	114
New unsecured loans		5,000	-
Repayments of amounts borrowed		(442)	(577)
Capital element of finance lease		(459)	(285)
		<u>2,914</u>	<u>(1,915)</u>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<u><b>(1,404)</b></u>	<u><b>(4,665)</b></u>
Cash and cash equivalents at beginning of the year		6,599	11,264
Cash and cash equivalents at end of the year	20	<u>5,195</u>	<u>6,599</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.

### 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 other restriction 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 followings:

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

**Borrowing costs**

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

**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.

**Intangible Assets**

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

**STATEMENT OF 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 belonging to the 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.

**Foreign currency translation**

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

**Taxation**

The University is an exempt charity within the meaning of 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.

**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.

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

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

**Cash and cash equivalents**

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

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

**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.

**Transition to 2015 SORP**

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 26.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Revaluation as deemed cost – at 31 July 2014, fair value has been used for deemed cost for properties measured at fair value.



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2016**

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Higher education				
UK and EU students	24,769	24,769	21,577	21,577
Non EU students	3,535	3,535	3,078	3,078
Further education				
UK and EU students	788	788	651	651
Non EU students	497	497	393	393
	<u>29,589</u>	<u>29,589</u>	<u>25,699</u>	<u>25,699</u>
<b>2 Funding body grants</b>				
Recurrent grants				
Higher Education Funding Council	1,466	1,466	1,553	1,553
Skills Funding Agency	1,468	1,468	2,185	2,185
Specific grants				
Higher Education Funding Council	171	171	31	31
Skills Funding Agency	-	-	16	16
Capital grants				
Higher Education Funding Council	70	70	32	32
Skills Funding Agency	6	6	7	7
Access funding				
Skills Funding Agency	8	8	10	10
	<u>3,189</u>	<u>3,189</u>	<u>3,834</u>	<u>3,834</u>
<b>3 Other income</b>				
Residences, catering and conferences	3,362	3,362	3,490	3,490
Other services rendered	347	277	397	311
Other income	1,176	1,320	1,276	1,321
Other capital grants	20	-	19	-
	<u>4,905</u>	<u>4,959</u>	<u>5,182</u>	<u>5,122</u>
<b>4 Investment income</b>				
Investment income on endowments	14	-	14	-
Other investment income	27	27	72	72
	<u>41</u>	<u>27</u>	<u>86</u>	<u>72</u>
<b>5 Donations and endowments</b>				
Unrestricted donations	46	219	114	-
	<u>46</u>	<u>219</u>	<u>114</u>	<u>-</u>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>6 Staff costs</b>				
Salaries	12,259	12,259	11,700	11,687
Social security costs	1,023	1,023	879	879
Other pension costs				
Local Government Pension Scheme	1,329	1,329	1,034	1,034
Teachers' Pension Scheme	847	847	742	742
	<u>15,458</u>	<u>15,458</u>	<u>14,355</u>	<u>14,342</u>
			<b>£</b>	<b>£</b>
Emoluments of the Vice-Chancellor:				
Salary			212,492	203,482
Pension costs			-	-
Benefits			5,042	4,842
			<u>217,534</u>	<u>208,324</u>
			<b>No.</b>	<b>No.</b>
Remuneration of other higher paid staff, excluding employer's pension contributions:				
£110,000 to £119,999			-	1
£120,000 to £129,999			1	-
			<u>1</u>	<u>1</u>
			<b>£'000</b>	<b>£'000</b>
Emoluments of key management personnel:				
Salary and benefits			856	865
Pension costs			91	93
			<u>947</u>	<u>958</u>
Key management personnel consist of the University's Management Team.			<b>£'000</b>	<b>£'000</b>
Key management personnel compensation:				
Compensation payable recorded within staff costs			45	-
			<u>45</u>	<u>-</u>
			<b>No.</b>	<b>No.</b>
Average staff numbers by major category :				
Teaching departments			215	200
Teaching support services			11	10
Library			12	12
Other support services			17	17
Administration and central services			87	79
General education			5	4
Income generating activities			9	10
			<u>356</u>	<u>332</u>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7 Other operating expenses</b>				
Teaching departments	2,494	2,494	2,704	2,712
Teaching support services	905	898	828	796
Other support services	389	389	281	281
Administration and central services	2,901	2,975	1,986	3,837
General education expenditure	545	545	710	710
Premises costs	4,069	3,242	3,016	2,875
Planned maintenance	1,274	1,274	1,038	1,038
Grants to Student Union	185	185	120	120
Other income generating activities	(55)	72	21	21
External auditors' remuneration - Audit fees	21	15	19	13
External auditors' remuneration - Other fees	4	4	6	6
Internal auditors' remuneration - Audit fees	29	29	19	19
Operating lease rentals plant/machinery	64	64	59	59
Operating lease rentals land and buildings	470	470	465	465
Catering and residencies	893	893	789	781
	<u>14,188</u>	<u>13,549</u>	<u>12,061</u>	<u>13,733</u>

Reimbursements to governors and trustees for the expenditure incurred in attending Board meetings amounted to £4,145 (2015: £6,624), to 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 Principal whose remuneration is detailed in Note 6.

**8 Interest and other finance costs**

Loan interest	160	160	152	152
Finance lease interest	1,071	1,071	1,015	1,015
Net charge on pension scheme	317	317	300	300
	<u>1,548</u>	<u>1,548</u>	<u>1,467</u>	<u>1,467</u>

**9 Analysis of total expenditure by activity**

Academic and related expenditure	14,358	14,350	14,036	14,011
Administration and central services	7,562	7,637	6,224	8,063
Premises	11,348	10,429	9,316	9,060
Residences, catering and conferences	921	921	816	808
Other expenses	1,250	1,371	1,856	973
	<u>35,439</u>	<u>34,708</u>	<u>32,248</u>	<u>32,915</u>

Other operating expenses include:

External auditors fees in respect of audit services	21	19
External auditors fees in respect of non-audit services	4	6
Operating lease rentals:		
Land and buildings	470	465
Other	64	59
Fundamental restructuring costs	103	19

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31 JULY 2016**

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>10 Impairment of fixed assets</b>				
Impairment of AUB Services Limited assets	-	-	877	-
	<u>-</u>	<u>-</u>	<u>877</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>877</u></u>	<u><u>-</u></u>
<b>11 Taxation</b>				
<b>Recognised in the statement of comprehensive income</b>				
<b>Current tax</b>				
Current tax expense	1		13	
Adjustment in respect of previous years	-		-	
Current tax expense	<u>1</u>		<u>13</u>	
<b>Deferred tax</b>				
Origination and reversal of timing differences	-		2	
Recognition of previously unrecognised tax losses	-		-	
Deferred tax expense	<u>-</u>		<u>2</u>	
<b>Total tax expense</b>	<u><u>1</u></u>		<u><u>15</u></u>	

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31 JULY 2016**

<b>12 Fixed Assets</b>	<b>Land and Buildings</b>	<b>Assets under Construction</b>	<b>Computer Equipment</b>	<b>Furniture and Equipment</b>	<b>Total</b>
<b>Consolidated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>					
At 1 August 2015	67,453	12,600	4,369	6,648	91,070
Additions	8,992	2,369	921	1,135	13,417
Transfers	11,481	(11,481)	-	-	-
Disposals	-	(65)	-	(6)	(71)
<b>At 31 July 2016</b>	<b>87,926</b>	<b>3,423</b>	<b>5,290</b>	<b>7,777</b>	<b>104,416</b>
<b>Consisting of valuation as at:</b>					
31 July 2014	46,871	-	-	-	46,871
Cost	41,055	3,423	5,290	7,777	57,545
	<b>87,926</b>	<b>3,423</b>	<b>5,290</b>	<b>7,777</b>	<b>104,416</b>
<b>Depreciation</b>					
At 1 August 2015	2,860	-	3,380	4,827	11,067
Charge for the year	2,929	-	614	594	4,137
Disposals	-	-	-	(6)	(6)
<b>At 31 July 2016</b>	<b>5,789</b>	<b>-</b>	<b>3,994</b>	<b>5,415</b>	<b>15,198</b>
<b>Net book value</b>					
<b>At 31 July 2016</b>	<b>82,137</b>	<b>3,423</b>	<b>1,296</b>	<b>2,362</b>	<b>89,218</b>
At 31 July 2015	64,593	12,600	989	1,821	80,003

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**

<b>12 Fixed Assets (continued)</b>	<b>Land and Buildings</b>	<b>Assets under Construction</b>	<b>Computer Equipment</b>	<b>Furniture and Equipment</b>	<b>Total</b>
<b>University</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>					
At 1 August 2015	64,228	12,445	3,702	6,342	86,717
Additions	8,992	431	921	1,135	11,479
Transfers	11,481	(11,481)	-	-	-
Disposals	-	(65)	-	(6)	(71)
<b>At 31 July 2016</b>	<b>84,701</b>	<b>1,330</b>	<b>4,623</b>	<b>7,471</b>	<b>98,125</b>
<b>Consisting of valuation as at:</b>					
31 July 2014	44,117	-	-	-	44,117
Cost	40,584	1,330	4,623	7,471	54,008
	<b>84,701</b>	<b>1,330</b>	<b>4,623</b>	<b>7,471</b>	<b>98,125</b>
<b>Depreciation</b>					
At 1 August 2015	2,393	-	2,712	4,512	9,617
Charge for the year	2,838	-	607	600	4,045
Disposals	-	-	-	(6)	(6)
<b>At 31 July 2016</b>	<b>5,231</b>	<b>-</b>	<b>3,319</b>	<b>5,106</b>	<b>13,656</b>
<b>Net book value</b>					
<b>At 31 July 2016</b>	<b>79,470</b>	<b>1,330</b>	<b>1,304</b>	<b>2,365</b>	<b>84,469</b>
At 31 July 2015	61,835	12,445	990	1,830	77,100

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 HEFCE which are deemed to be financed from Exchequer funds. Were these assets to be sold, the University, under the terms of the Memorandum of Assurance and Accountability with HEFCE may have to surrender the written down value of the capital grants being £1.66m 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 £17.1m (2015: £18.3m), on which £1.2m of depreciation was charged during the year.

**13 Heritage Assets**

The University holds its heritage assets in two collections:

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

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

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**

**14 Non-Current Investments**

<b>Consolidated</b>	<b>Subsidiary companies £'000</b>	<b>Other fixed asset investments £'000</b>	<b>Total £'000</b>
<b>At 1 August 2015</b>	-	514	514
Additions to investments at cost	-	14	14
Profit on revaluation	-	17	17
<b>At 31 July 2016</b>	<u>-</u>	<u>545</u>	<u>545</u>

  

<b>University</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 August 2015</b>	-	-	-
Additions to investments at cost	-	-	-
Profit on revaluation	-	-	-
<b>At 31 July 2016</b>	<u>-</u>	<u>-</u>	<u>-</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.

The University has incorporated the Arts University Bournemouth Charitable Foundation, a company limited by guarantee. The trustees of the company are also members or associates of the Board and they have agreed to pay up to £10 towards costs and liabilities should the company be dissolved. The object of the company is advancement of education principally within the subject areas of art, design, media and the performing arts. The University endowments have been transferred to this company. The charity had opening reserves of £592k, income and resources for the year of minus £54k, and closing reserves of £539k.

**15 Trade and other receivables**

	<b>Year ended 31 July 2016</b>		<b>Year ended 31 July 2015</b>	
	<b>Consolidated £'000</b>	<b>University £'000</b>	<b>Consolidated £'000</b>	<b>University £'000</b>
Due in one year:				
Trade receivables	195	126	255	246
Other receivables	32	32	64	64
Prepayments and accrued income	139	139	482	482
Amounts due from subsidiary companies	-	144	-	301
	<u>366</u>	<u>441</u>	<u>801</u>	<u>1093</u>
Due in more than one year:				
Amounts due from subsidiary companies	-	2,778	-	-
	<u>366</u>	<u>3,219</u>	<u>801</u>	<u>1093</u>

The receivable due in more than one year of £2.78m is an 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 2016**

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>16 Creditors : amounts falling due within one year</b>				
Unsecured loans	458	458	443	443
Obligations under finance leases	358	358	326	326
Trade payables	289	289	636	635
Social security and other taxation payable	511	508	431	427
Other creditors	539	539	524	512
Accruals and deferred income	4,963	4,696	4,514	4,346
Amounts owed to Funding Councils	384	384	459	459
Deferred capital grants	95	76	93	73
	<u>7,597</u>	<u>7,308</u>	<u>7,426</u>	<u>7,221</u>
<b>17 Creditors : amounts falling due after more than one year</b>				
Deferred capital grants	3,727	1,985	3,752	1,990
Obligations under finance lease	18,388	18,388	18,879	18,879
Unsecured loans	8,152	8,152	3,609	3,609
	<u>30,267</u>	<u>28,525</u>	<u>26,240</u>	<u>24,478</u>
Analysis of secured and unsecured loans:				
<b>Due within one year or on demand (Note 16)</b>	911	892	862	842
Due between one and two years	1,123	1,103	813	794
Due between two and five years	3,669	3,611	3,046	2,988
Due in five years or more	25,475	23,811	22,381	20,696
<b>Due after more than one year</b>	<u>30,267</u>	<u>28,525</u>	<u>26,240</u>	<u>24,478</u>
<b>Total secured and unsecured loans</b>	<u>31,178</u>	<u>29,417</u>	<u>27,102</u>	<u>25,320</u>
<b>18 Provisions for liabilities</b>		<b>Defined Benefit Pension Obligations (Note 25) £'000</b>	<b>Deferred tax £'000</b>	<b>Total Other £'000</b>
<b>Consolidated</b>				
At 1 August 2015		8,258	3	8,261
Utilised in year		(341)	-	(341)
Additions in 2015/16		6,304	-	6,304
<b>At 31 July 2016</b>		<u>14,221</u>	<u>3</u>	<u>14,224</u>
<b>University</b>				
At 1 August 2015		8,258	-	8,258
Utilised in year		(341)	-	(341)
Additions in 2015/16		6,304	-	6,304
<b>At 31 July 2016</b>		<u>14,221</u>	<u>-</u>	<u>14,221</u>

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



**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31 JULY 2016**

**19 Endowment Reserves**

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	2016 Total £'000	2015 Total £'000
<b>Balances at 1 August 2015</b>				
Capital	20	446	466	466
Accumulated income	1	126	127	3
	<u>21</u>	<u>572</u>	<u>593</u>	<u>469</u>
New endowments	-	46	46	114
Investment income	-	14	14	14
Expenditure	-	(131)	(131)	(21)
Increase in market value of investments	-	17	17	17
	<u>-</u>	<u>(54)</u>	<u>(54)</u>	<u>124</u>
<b>Total endowment comprehensive (expenditure)/ income for the year</b>				
<b>At 31 July 2016</b>	<u><u>21</u></u>	<u><u>518</u></u>	<u><u>539</u></u>	<u><u>593</u></u>
<b>Represented by:</b>				
Capital	20	509	529	503
Accumulated income	1	9	10	90
	<u>21</u>	<u>518</u>	<u>539</u>	<u>593</u>
<b>Analysis by type of purpose:</b>				
Scholarships and bursaries	21	26	47	21
Prize funds	-	5	5	5
General	-	487	487	567
	<u>21</u>	<u>518</u>	<u>539</u>	<u>593</u>
<b>Analysis by asset and liability:</b>				
Current and non-current asset investments			545	514
Trade receivables			3	-
Cash & cash equivalents			137	98
Current liabilities			(146)	(19)
			<u>539</u>	<u>593</u>

**20 Cash and cash equivalents**

	At 1st August 2015 £'000	Cash Flows £'000	At 31st July 2016 £'000
Consolidated			
Cash and cash equivalents	6,599	(1,404)	5,195
	<u>6,599</u>	<u>(1,404)</u>	<u>5,195</u>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**

**21 Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2016:

	31 July 2016		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	748	748	8,914	6,528
	<u>748</u>	<u>748</u>	<u>8,914</u>	<u>6,528</u>

**22 Contingent liabilities**

The University has given written undertakings to support the subsidiary companies for twelve months from the date of approval of these financial statements.

**23 Lease obligations**

Total rentals payable under operating leases:

	31 July 2016			31 July 2015	
	Land and Buildings £'000	Plant and Machinery £'000	Other Leases	Total £'000	£'000
<b>Payable during the year</b>	1,172	30	50	1,252	461
<b>Future minimum lease payments due:</b>					
Not later than 1 year	1,172	30	62	1,202	461
Later than 1 year and not later than 5 years	1,192	30	73	1,295	306
Later than 5 years	123	-	-	123	70
<b>Total lease payments due</b>	<u>2,487</u>	<u>60</u>	<u>135</u>	<u>2,620</u>	<u>837</u>

**24 Related Party Transactions**

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

The following transactions were identified under FRS102:

- payment of a grant for £136k to the Arts University Bournemouth Students' Union the president of which is a Board Governor,
- transactions totalling £20k relating to tickets and sponsorship took place with Bournemouth Symphony Orchestra, a company in which the governors Professor Stuart Bartholomew, Chris Martin and Terence O'Rourke are directors. There were no amounts outstanding at the year end.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**
**25. Pension Schemes**

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

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

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

The total pension cost for the group was:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme	847	742
Local Government Pension Scheme	1,329	1,034
	<hr/>	<hr/>
	2,176	1,776
	<hr/> <hr/>	<hr/> <hr/>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions owing at 31 July 2016 were £203,646 (2015: £181,510) and have been included within creditors.

**Teachers' Pension Scheme**

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

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

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

- With effect from 1 September 2015 employer contribution rates set at 16.48% of pensionable pay including a 0.08% employer administration charge (formerly 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600million giving a notional past service deficit of £14,900million
- an employer cost cap of 10.9% pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The real rate of earnings growth is assumed at 2.75%. The assumed nominal rate of return is 5.06%

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

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 2016**
**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 2014 and the proportion of members' accrued benefits covered by the actuarial value of the assets was 85%. In spite of the actuary's recommendation of an employer contribution rate of 12% following the payment of a deficit recovery lump sum of £247,000, the rate has been maintained at 14.1% of pensionable salaries. The employees contribute 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 2016 and as such this has been reflected in the financial statements of the University.

**Assumptions**

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

	<b>2016</b>	<b>2015</b>
	%	%
Price inflation (CPI)	2.2	2.7
Rate of salary increases	3.95	4.45
Rate of increase of pensions in payment	2.2	2.7
Discount rate	2.6	3.9
Assumed commutation rate	50	50

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

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

	<b>2016</b>	<b>2015</b>
	Years	Years
<b>Retiring today</b>		
Males	22.9	22.8
Females	25.3	25.2
<b>Retiring in 20 years</b>		
Males	25.2	25.1
Females	27.7	27.6

	<b>2016</b>	<b>2015</b>
	£'000	£'000
<b>Amounts recognised in the statement of comprehensive income</b>		
Service cost	1,389	1,129
Net interest on defined liability	306	290
Administration expenses	11	10
	<hr/>	<hr/>
Actuarial loss	1,709	1,429
	<hr/>	<hr/>
Total charge	5,101	1,049
	<hr/>	<hr/>
	6,807	2,478
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**
**25. Pension Schemes (continued)**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of movement in the present value of the scheme liabilities</b>		
The institution's estimated assets share	16,146	14,661
Present value of the institution's scheme liabilities	(30,367)	(22,919)
	<u>          </u>	<u>          </u>
Deficit in the scheme – net pension liability	(14,221)	(8,258)
	<u>          </u>	<u>          </u>

**Analysis of movement in the present value of the scheme liabilities**

At beginning of year	22,919	18,850
Current service cost	1,377	1,129
Interest cost	895	838
Change in financial assumptions	5,134	1,950
Employee contributions	371	353
Benefit payments	(341)	(201)
Curtailements	12	-
	<u>          </u>	<u>          </u>
At the end of the year	30,367	22,919
	<u>          </u>	<u>          </u>

**Analysis of movement in the fair value of the scheme assets**

At beginning of year	14,661	12,274
Interest on assets	589	548
Return on assets less interest	33	901
Administration expenses	(11)	(10)
Employer contributions	844	796
Employee contributions	371	353
Benefit payments	(341)	(201)
	<u>          </u>	<u>          </u>
At the end of the year	16,146	14,661
	<u>          </u>	<u>          </u>

The estimated value of employer contributions for the year ended 31 July 2017 is £753,000.

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

	<b>Fair value</b>	<b>Fair value</b>
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Equities	9,324	8,106
Gilts	1,774	1,740
Cash	169	567
Other bonds	2,063	1,856
Diversified growth fund	757	711
Property	1,640	1,490
Infrastructure	414	171
Hedge fund	5	20
	<u>          </u>	<u>          </u>
	16,146	14,661
	<u>          </u>	<u>          </u>

The actual return on scheme assets was £622,000 (2015: £1,449,000).

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 JULY 2016**

**26 Transition to FRS102 and the 2015 SORP**

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. In preparing its FRS102 SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Total reserves under 2007 SORP</b>	25,320	23,654	27,391	25,060
Revaluation of fixed assets	22,873	21,878	22,620	21,663
Holiday pay accrual	(124)	(124)	(174)	(174)
Classification of deferred capital grants	(3,487)	(1,686)	(3,847)	(2,064)
<b>Total effect of transition to FRS 102</b>	<b>19,262</b>	<b>20,068</b>	<b>18,599</b>	<b>19,425</b>
<b>Total reserves under 2015 SORP</b>	<b>44,582</b>	<b>43,722</b>	<b>45,990</b>	<b>44,485</b>

Financial performance	Year ended 31 July 2015	
	Consolidated £'000	University £'000
<b>Surplus for the year under 2007 SORP</b>	<b>2,894</b>	<b>2,304</b>
Endowment income	124	-
Holiday pay accrual	(50)	(50)
Depreciation on revalued assets	(253)	(215)
Depreciation on componentised assets	-	-
Deferred capital grant release	(49)	(19)
Additional interest change of LGPS	(208)	(208)
Actuarial loss	(1,049)	(1,049)
<b>Total effect of transition to FRS 102</b>	<b>(1,485)</b>	<b>(1,540)</b>
<b>Total comprehensive income for the year under 2015 SORP</b>	<b>1,409</b>	<b>764</b>

**Cash Flows**

There has been no impact of the transition to FRS 102 on the cash flows of the University or the Group.