



ARTS UNIVERSITY BOURNEMOUTH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

INDEX

	Page
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	31-43

GOVERNORS of the University who served on the BOARD in 2016-17 for the whole of the year unless otherwise stated and up until the signature of the accounts

Name	Area of Principal Expertise	Committee Membership at date of signing accounts
Chris Martin MA ACA- Chairman	Banking & Accountancy	Audit & Risk; Finance & Resources; HR & Remuneration Search & Governance; Senior Staff Remuneration
Simon Gorham – Vice Chairman (retired 5 July 2017)	Finance	Finance & Resources; Search & Governance Senior Staff Remuneration
Professor Stuart Bartholomew CBE M.Ed FRSA	Principal and Vice-Chancellor	Finance & Resources; HR & Remuneration Search & Governance; Senior Staff Remuneration
Stephanie Barton	Publishing	HR & Remuneration; Senior Staff Remuneration
Michael Clarke LLB	Legal	Audit & Risk; Search & Governance
Dr Bryony Conway PhD (appointed 20 April 2017)	Higher Education	Audit & Risk; HR & Remuneration
Janice Davies	AUB Professional Services Staff	Finance & Resources
Michael Gibson	Information Technology	Finance & Resources; Search & Governance; Senior Staff Remuneration
Lauren Housego BA (retired 5 July 2017)	AUBSU Student Governor	HR & Remuneration
Prue Keeley Davies MA	Media	Audit & Risk;
Robert McClatchey	Banking & Accountancy	Finance & Resources
Gerard Moran PhD (appointed 8 September 2017)	Higher Education	Audit & Risk
Tim Newman LLB ACA	Health & Accountancy	Audit & Risk; Finance & Resources
Lady Angela Neuberger BA	Media	Finance & Resources; Search & Governance Senior Staff Remuneration
Terence O'Rourke MBE (retired 5 July 2017)	Architecture & Planning	Finance & Resources; Search & Governance
John Palmer	Marketing & Communications	HR & Remuneration
Beth Rubery BA (appointed 5 July 2017)	AUBSU Student Governor	HR & Remuneration
Dr Kabir Shaikh CBE FRSC DUniv	Education & Administration	Audit & Risk;
Peter Symons MA	AUB Academic Staff	HR & Remuneration
Sara Webb BA	Human Resources	HR & Remuneration; Search & Governance Senior Staff Remuneration
Dr Bethan O'Neil PhD (retired 31 July 2017)	Clerk & Secretary to the Board	
Jon Renyard MPhil (appointed 8 September 2017)	University Secretary & Registrar	

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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, post graduate and doctorate programmes in the subject areas of art, design, architecture, media and performance providing them with the skills to be creative practitioners.

The cost of higher education, which is not only tuition fees but also includes accommodation and living costs, can be a barrier to many students. AUB through its Student Services provision supports students in their applications for funding from a wide range of sources and administers the Access Bursary Scheme which in 2015-16 distributed over £250k in funding to eligible students which is in line with predictions in the Access Agreement for financial support for students. In addition, AUB administered the final year of the student scholarships that were introduced as part 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 3,148 undergraduates, 109 taught postgraduates and 7 research postgraduates from the UK, EU and Overseas, an additional 322 Further Education students as well as 1,570 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.
- Work on activities identified through the Creative Learning Plan continued to be developed. These focused on the enhancement of the student learning experience through both academic staff development and the review of existing teaching and assessment practices. An 'Authenticating Practice in Teaching Scheme' was developed; workshops were held to support staff in writing applications for Fellowship and Senior Fellowship of the Higher Education Academy; and teaching development seminars held to explore the use of action learning sets and reading groups.
- Undertook the annual Student Perception Survey (SPS) and secured constructive student feedback through student attendance at meetings, and regular meetings of senior management with Students' Union representatives to ensure that the University is fulfilling student expectations and gathering suggestions for continuous improvement.
- Dedicated capital investment to upgrade course space for the Fashion and Textiles subject area, including the provision of space for a new degree in Fashion Branding and Communication; and improved spaces for honours degrees in Film Production, and Visual Effects Design and Production.
- Received a TEF GOLD rating by DfE/HEFCE for outstanding teaching and learning

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.
- Continued excellent take-up of bursaries and associated benefits, including bicycle vouchers to encourage a reduction in car usage. Evaluation of bursary awards highlighted the success of Refectory vouchers too, not only as a means of direct support but also in supporting student transition and inclusion within our AUB community.
- Developed a new Access Agreement for 2018/19 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. This includes continued work to consider the on-course experience of students from minority groups. Evidence suggests that AUB is among the best institutions for enabling graduates from minority groups to find graduate-level employment.
- 265 enrolments to Saturday Arts School, including 13% from disadvantaged backgrounds who received concessionary/complimentary places.
- 803 undergraduate students from the lowest socio-economic groups who receive full maintenance grants and are eligible for financial support.
- Portfolio advice days and Summer Schools for students from local schools from under-represented groups
- Taster Days for students from schools with lower GCSE achievements, leading to increased applications from these groups.
- AUB is a member of the Southern Universities Network (SUN) in the HEFCE funded National Collaborative Outreach Programme (NCOP). Together with partner HEIs in Hampshire outreach activity and progression opportunities were delivered to target ward learners in the region of Dorset/Hampshire and the Isle of Wight. The programme aims to narrow the gap and see progression from those students with potential.
- Theatre in Education 'Choices' which had been devised by AUB was delivered across the region through the NCOP SUN.
- The primary school book, 1,2,3.., written and illustrated by AUB staff/student was a funded enrichment activity and rolled out to Year 1 pupils across the region.

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. A range of activities were held including workshops to support staff in making funding applications; seminars on developing research outputs; and the development of an Impact Plan.
- The Creative Pedagogies Research Group was instrumental in instigating a Creative Learning Symposium, presentations from which were published as the *Creative Pedagogies Imprint*.
- The University of the Arts London conducted a successful review of the partnership with AUB for the delivery of its research degrees programme. The partnership was renewed for a further five years. New students who enrolled on the programme commenced research in the areas aligned to the Plastics Research Group, and Creative Pedagogies research group.
- The University awarded several research fellowships to enable staff to write-up their PhDs prior to submission for examination and complete the writing of book chapters for publication. Further research awards and grants enabled staff to undertake primary research for practice-based research outputs such as a photographic project, which will examine the effect of disability on siblings, and a fine art project exploring *Englishness*.
- Staff practitioners were successful in delivering conference papers in Auckland, Padua and Rome and staff produced peer reviewed journal articles, book chapters and practice-based outputs as highlighted on the staff profiles pages of the University's website.
- The University piloted an Industry Secondment scheme which supports staff going into industry to keep abreast of the latest industry practices, develop new skills and develop new industry relationships. The University supported 4 secondments including Industrial Light & Magic, Aardman Animation, Legendary Television/Amazon Studios and the Seoul Street Theatre Festival.
- The University has begun delivering the European Structural Investment Fund project to support Small Medium Enterprises, start-ups and Social Enterprises in the Dorset region to develop new products and services. The overall project is approx. £1.2 million of investment. So far, 12 companies, have been supported with a mix of grants, match-funded partnerships and access to AUB expertise. The University has begun a series of networking workshops titled 'Meet the Maker' aimed at opening AUB up to the business community.
- Dorset Local Enterprise Partnership funding £1.4m was secured to develop an innovation studio that will support graduate start-ups and local businesses.

STRATEGIC REPORT (continued)

1.4 Wider Community

- Museum of Design in Plastics (MoDiP) is the UK's only accredited museum with a focus on plastics, the most used materials group in manufacture since the 1970s. The museum is open to the public and is also a universal resource as a result of its comprehensive website and the digitisation of its collection. Its accreditation status came up for its three yearly review by Arts Council England during the year and was reconfirmed.
- To date MoDiP has been entirely funded by the AUB supplemented only by funds raised for specific projects. During the course of the year HEFCE reviewed its existing funding of university museums, galleries and collections, and as a result MoDiP has become one of 33 to receive support in recognition of its 'unique and significant contribution to research and scholarship.' The panel noted in particular 'evidence of MoDiP's unique and significant contributions to research into the care and future preservation of plastics'. Panel members were also impressed with the 'evidence in the submission that demonstrated the service to the wider research community and industry, at significant cost beyond that required to meet the needs of our own researchers and students'. The panel recommended funding at the level requested (£75k per annum). The funding is for five years from September 2017.
- MoDiP has continued to develop its links with the design and plastics industries through its Arts Council England's Resilience Funded project 'Symbiosis: a new model of sustainability for small expert museums'. 70 businesses have been contacted and MoDiP is currently in dialogue with three looking into models of collaboration.
- MoDiP held two exhibitions both of which have a permanent online version on the MoDiP website. *Flora* (14.10.2016 - 10.02.2017) explores how the shapes of flowers, fruits, nuts, vegetables, trees and leaves, aquatic and desert plants, grasses and grains have inspired designers, working in plastics, to create products which are functional, decorative, practical and sometimes humorous. *Picnic* (17.02.17 - 28.07.17) explores how plastics have transformed the traditional picnic with their colourful, lightweight, impact resistant, temperature controlling and space-saving characteristics.
- As well as supporting a record number of AUB students MoDiP has welcomed a number of external groups to the Museum and taken collections of museum objects into a local primary school. MoDiP has recently moved to a larger space and a Museum Engagement Officer has been appointed to engage people of all ages from within and beyond the University with MoDiP and to build MoDiP's academic profile in object-based learning. MoDiP is therefore now poised to make a step change in its reputation as a centre for object-based learning.
- Both the Plastics Historical Society's and the Worshipful Company of Horners' important loan collections came up for renewal during the year. Renewal of both loans has been confirmed.
- 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 2016 TheGallery launched its exhibition programme with *Alan Kitching and Monotype* which was a collaboration between two typographic forces and showed the process of making behind the collection. A key exhibition in 2016-17 was *Lucienne Day: Living Design* curated by the DVC Professor Emma Hunt being a centenary celebration of the birth and design legacy of one of Britain's most influential textile designers, Lucienne Day, this has gone on to have significant touring capability with four venues already booked.
- Further exhibitions included *Reanimating the Snowman* showing the art, animation and archives from The Snowman and The Snowman and The Snowdog which provided a behind the scenes insight into the creation of this much loved story; and the Jerwood 2016 Drawing Prize an exhibition providing a platform to showcase the work of many drawing practitioners, from student to established, and as a project helps to define a wider understanding of the role and value of drawing. 61 works by 55 artists were selected and exhibited from 2,537 submissions from across the UK.
- Alongside its main programme TheGallery supported the opening weekend of the Bournemouth Arts Festival by the Sea with the listing of the exhibition *Suddenly Last Summer* which show cased the best of student graduate work, produced over 20 Pop-Up and 4 off-site exhibitions and oversaw the *Lucienne Day* and *Plastic Vanitas* touring exhibitions. Over 600 young learners attended workshops and gallery talks for schools related to the various exhibitions and TheGallery in total had over 40,000 visitors.
- The Performance subject areas staged a number of productions at the University; both Pavilion Dance and the Chine Hotel in Bournemouth and the Lighthouse in Poole which have all been accessible to the public. The repertoire has been extensive ranging from Stephen King's *The Shining*, Christopher Marlowe's *Edward II* and the musical *Into the Woods* by James Lapine and Stephen Sondheim.
- The University sponsored a performance of *West Side Story* by the Bournemouth Symphony Orchestra at the Lighthouse thereby providing the BA (Hons) Costume and Performance Design students the opportunity to mount a complementary exhibition of costumes and model stage sets at TheGallery thereby showcasing their work.
- In May and June 2017 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 were approximately 1,200.

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 an exercise in February 2017 was undertaken as a mid-term review which confirmed it was well established and continues to a 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*

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 award of a Gold in the Teaching Excellence Framework (TEF) provides objective confirmation of our success in delivering outstanding education to students from all backgrounds. The University was assessed as fully meeting HEFCE's requirements for quality and standards in its first Annual Provider Review (APR) in 2016/17.

The high quality of graduates is demonstrated by the fact that 98% of students were in employment or further study six months after graduation in June 2016 on a response rate of 88%. This is significantly above benchmark (93.9%), and as AUB has one of the highest response rates in the UK (8th out of 154), 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 81%, which was again consistent with benchmark and was ahead of the outcomes achieved by competitor courses, although specialist institutions within the creative arts and design sector continue to perform disappointingly. The University performed well on the new measures of Student Voice and Learning Community. The internal Student Perception Survey (SPS) showed excellent outcomes, with 89% of students confirming that they are satisfied with the quality of the course; and 97% confirming that they are treated fairly and with respect. For 2017, the University introduced a new Net Promoter Score, which is a well-established management tool. Students were asked how likely they were to recommend the University to others on a scale of 1-10, and the NPS was 41.5 meaning that the numbers recommending the course far exceeded those who wouldn't, which is an outstanding result.

Over the last three years, the University has made a significant commitment to improving the Digital Environment for Learning, Teaching and Assessment (DELTA). The major introduction for 2016/17 was that students received access to their timetables through their mobile device, giving not just the times of classes but also the location, and the identity of the tutor scheduled to deliver the session. This was a very positive development, despite some initial technical challenges. With a highly complex timetable with a lot of small group work, considerable resource was required to deliver meaningful personalised timetables, but this was a highly worthwhile project. Further refinements are expected in future years.

The major development for 2017/18 is the introduction of the submission, assessment and feedback of work using an online portal. The development for this has proceeded during 2016/17, and has posed some technical challenges of integration between systems, but it will go live for Level 4 students during the Autumn term 2017/18, with the expectation of a roll-out in future academic 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 courses at UG, PGT and PGR levels which make a strong contribution to the overall specialist offer. Two new Honours degree courses have been introduced in 2017/18 (in Creative Writing, and Fashion Branding and Communication), and a BA (Hons) Drawing has been approved to start in 2018/19, as have postgraduate units in creative academic practice. The University is currently considering the development of new undergraduate award in Art and Design History for a 2018/19 start.

3.4 Doctoral study

AUB acknowledges that research and scholarship are an essential aspect of a higher education institution, which supports delivery of a high quality student experience. It prioritises investment in this area in a number of ways including supporting staff to study for doctoral qualifications. Three staff achieved their doctorates in the past year with a further two currently undertaking minor corrections following examination. A further eight staff are being supported to undertake this qualification in 2017-18.

AUB also supports research students through providing a contribution towards their fees. A new bursary was advertised in conjunction with the John Lewis Partnership and successfully recruited in the areas of textiles and archives. The University now has eleven doctoral students studying for both theoretical and practice-based research degrees. Supervisory capacity increased with the appointment of senior staff with experience of supervision to completion.

The developing research agenda at AUB was supported by the first Research Conference was held featuring presentations from staff and research students on a diverse range of research themes including *Developing interpretive mnemonics*, *Liliesleaf Farm Mayibuye*, and *Contemporary art in the nuclear Anthropocene*. It is anticipated that such developments support the research environment of AUB and provide for the next Research Excellence Framework (REF) exercise.

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 continue to meet the developing requirements of the Teaching Excellence Framework (TEF) and its attendant mechanisms for evidencing a university's commitment to learner achievement. The introduction of an Entrepreneurship and Employability Week during May 2017, aiming to support students as they prepare for their own future as creative professionals (including skills development sessions provided by external companies) also supports the excellent employability metrics.

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; 5) the introduction of schemes to support teaching including Teaching Fellowships.

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 2016-17 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 HR Plan identifies six strategic imperatives: Resourcing; Employment; Development; Performance; Reward and Engagement and enables 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 HR department to support the University in attracting and appointing high quality staff to the institution. The commitment to recruiting staff with the required range of academic qualifications to join our highly influential teams continued; particularly for our academic staff where the positive trajectory to increase numbers of teaching qualifications, HEA memberships and PhD holding staff can be seen in the PI data. The HR department introduced a new element to AUB's induction programme in order to better engage new staff from the point of their contract of employment being issued. Alongside this, improvements have been made to day one and first week induction processes, not only to make new staff feel more welcomed to the community but also to ensure stronger processes in key areas of compliance such as health and safety.

The University's holiday year was aligned to the academic year to enhance operational efficiency and maximise opportunities within the first term.

The academic side of our staff performance review system was enhanced to provide the ability for academic staff to capture their teaching and learning activity in addition to the already captured research and knowledge transfer activity. This facilitates academic staff to build up their portfolios in respect of these crucial areas of activity, both for their own development and the University's strategic reporting and planning.

Key employment policies such as Absence and Attendance, Grievance and Dignity at Work were updated and refreshed to make them more accessible for staff and a new Performance Policy was introduced. Performance management practices across the University continued to improve.

An important development began at the end of the academic session where a consultation period commenced in respect of a new Academic Career Framework the University has been introduced for the 2017-18 academic session. This is a crucial initiative in supporting and developing academic staff to achieve their career ambitions and for AUB to progress ambitions towards excellence in teaching and research.

National negotiation in respect of the annual pay award was successful this year and a 1.7% increase (slightly higher increases for the lower band salary points) was implemented. 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 progressed during the last year. The Plan identifies five equality and diversity imperatives: Compliance, Communication, Curriculum, Campus and Continuous Professional Development. Equalities Committee has established small sub-groups to oversee the respective strands, each advising the Senior Officer (Equalities) on the activities and targets for the year.

The 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. During 2016/17, the effectiveness of the roundtable events was reviewed, supported by an external facilitator. It was agreed that the events were fulfilling a useful purpose in encouraging conversations about equality and diversity issues across the community, thereby raising the profile of the Commitment and its implications. The review further emphasised that the relevant sub-group should take forward any good practice which was identified.

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

During 2016/17, work was undertaken to make it easier for staff to update their record in relation to confidential information relating to protected characteristics, which are collected at appointment but may not be raised again with a staff member, whose circumstances may change over time. A new form was developed, with an accessible version for those using screen-reading software, for this purpose.

In 2017/18, the major piece of work will be a formal Equal Pay Audit. Previous such exercises have found no pay differential, but the University is not complacent and wishes to assure itself that this remains the case. Data is currently being collected, in collaboration with Dorset County Council, and will then be analysed according to the stipulated criteria. The outcomes will be considered by the University Management Team and the Equalities Committee prior to presentation to HR & Remuneration Committee, and publication in April 2018.

4.3 Estates and Infrastructure

Following major investment in estates infrastructure in recent years, 2016/17 was largely a year of consolidation, with most projects being of a smaller scale.

2016/17 was the first full year of occupation of the dedicated studio space for Honours degrees in Modelmaking and Make-up for Media and Performance, which was converted from a former Halls of Residence. Enhanced space was also made available to nine full-time courses through the redeployment of the space which was liberated by this development. The new Drawing Studio, opened in Easter 2016, was also in use throughout the year. Designed by Sir Peter Cook, the Drawing Studio continues to win architectural awards.

Projects in 2016/17 provided enhanced space for the Fashion and Textiles subject area, and for degrees in Film Production, and Visual Effects Design and Production; and space has been provided for a new degree in Fashion Branding and Communication.

The former Enterprise Pavilion, which was refurbished during 2015/16, opened in Autumn 2016 providing significantly enhanced space for many of the University's professional services and key strategic partners as well as dedicated teaching space. This also liberated space for academic use. Some further developments in 2016/17 saw the consolidation of the Centre of Creative Learning, now entirely based within the Library building.

For 2016/17, the University entered into an agreement with a local development company to lease a property providing an additional 84 student study bedrooms, thereby enhancing the existing offer of rooms in the town centre Madeira Road location, Winton Halls, and George Close. A further lease has been agreed for 2017/18 with another new provider for accommodation near the main railway station. Each of these buildings has been subject to checks for the cladding used, and all are confirmed as meeting legal requirements.

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 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 overseen by a sub-group on behalf of the Environment Committee, which reports to the University Management Team.

Following the second year of the Plan, the University was able to report significant achievements, most notably a per capita fall of 40% in carbon emissions against the 2005/06 baseline. This was the key target of the five year plan, and its early attainment is a major achievement. However, the addition of new space (including the rental of a second off-campus unit) will impact on this figure, and further reductions will be required to maintain the progress which has been made.

The Committee has noted that actions in relation to staff and student awareness and engagement are of particular significance. In this regard, it is keen to support and promote the work of the 'AUB Human' project, led by a Senior Lecturer in Graphics and Communication, which encourages work in support of sustainability, including employment for sustainability. Collaborative and cross-course projects are particularly welcome.

A new Car Parking Policy has now been approved, in support of the Travel Plan. Further work in relation to a reduction of emissions in relation to travel is anticipated during the coming year, as well as a renewal of the Carbon Management Plan.

STRATEGIC REPORT (continued)
5 Financial Information
5.1 2016-17 Financial Review of the Year

The University's surplus after tax for the year ended 31 July 2017 was £3.3million which compares favourably to a surplus of £2.35million in the previous financial year.

The key highlights are:

	2017	2016	2015
Financial Summary	£'000	£'000	£'000
Income			
Funding Council Grants	3,427	3,189	3,834
Tuition Fees	31,340	29,589	25,699
Other Income	5,766	4,992	5,382
Total income	40,533	37,770	34,915
Expenditure			
Staff Costs	16,797	15,561	14,374
Operating Expenses	13,987	14,188	12,061
Depreciation	4,882	4,142	3,469
Interest Payable	1,586	1,548	1,467
Impairment of Fixed Asset	-	-	877
Total expenditure	37,252	35,439	32,248
Loss on disposal of Fixed Asset	-	-	(211)
Taxation	(20)	(1)	-
Gain on Investment	44	17	17
Surplus before tax	3,305	2,347	2,473

The start of the financial year proved challenging as the number of student enrolments were lower than budget as a result of the withdrawal of new students the nearer the autumn term approached. Adverse stories in the press about student debt contributed to an uneasiness about the value of a higher education and the introduction of degree apprenticeships was being promoted.

In response to the lower numbers and hence the reduction in fee income, the University embarked on a number of cost cutting measures in order to achieve the budgeted surplus for the year. These were spread across all areas of spend with a freeze on the automatic replacement of vacant staff positions, a reduction in discretionary spend such as summer works and marketing and a request to all budget holders to make savings.

In the course of the year the financial situation improved due to the 97% retention rate of students compared to a budgeted figure of 95%; the lag in staffing costs due to the time it takes to replace staff who leave and the freeze on recruitment of a number of posts. As a consequence the outturn surplus for the year is higher than the original budget.

In comparison to previous years the capital programme was much reduced as the University had completed its major building construction plans in 2016 and as a consequence cash balances have increased.

Further details are as follows:

Income

Overall total income has increased by 7.1% to £40.5m (2016: £37.8m).

This increase was accounted for by a 5.9% increase in tuition fee income to £31.3m (2016: £29.6m), a 7.5% increase in Funding Council Grants and Other Income of £5.8 million representing a 15.5% increase.

Tuition fee income has increased as a result of all Home & EU students paying the higher fee of £9,000 and the high in year retention of students on their chosen course was resulting in enhanced student loan receipts in all three terms.

The International market has tightened due to the increased competition from other UK universities as well as universities in other English speaking countries. The income from Short Courses has increased significantly albeit from a smaller base with an extensive open summer programme and bespoke courses for foreign institutions.

STRATEGIC REPORT (continued)
Income (continued)

The increase in Funding Council Grants is accounted for by the better recording of student characteristics resulting in a higher allocation of Student Opportunity Funding which supports students who are deemed to be at greater risk of not completing their studies.

The increase in Other Income is due to the opening of a new halls accommodation block of 84 beds in Bournemouth at the beginning of the academic year.

Expenditure

Staff Costs increased by 7.7% to £16.8m (2016: £15.6m) due to a pay award of 1.1% for 2016-17 and incremental drift of 3% to which half of the staff who are not at the top of their pay scale are entitled. The increase is also accounted for by higher pension FRS102 adjustments of £400k when compared to last year. The past year has seen the introduction of the Apprenticeship Levy of 0.5% of payroll and a full year's impact of the abolition of the contracted-out rebate of 3.4%. In spite of the freeze on the appointment to particular vacancies staff numbers remained steady with the recruitment to positions in the student support areas. Staff costs are being controlled by the appointment of staff at the bottom of applicable pay scales.

The decrease in Operating Expenses by 1.4% to £14m (2016: £14.2m) masks a significant increase in the cost of residences £0.6m as a result of the acquisition of a new halls accommodation block in the centre of Bournemouth. In the past year less money has been on refurbishment work of campus buildings which was a key feature in last year's figures. A number of overhead budgets such as marketing and maintenance were reduced early in the financial year in response to lower enrolled student numbers and staff responded by delivering their activities in a more innovation and cost effective manner. 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 £4.9m (2016: £4.1m) due to a full year's depreciation being charged on the capitalisation of a number of new buildings in the accounts of the previous 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 a full year's charge for the new loan facility 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 increased by 41% to £3.3m (2016: £2.3m) and represents 8.2% of turnover. The underlying performance of the institution remains strong and the high surplus for the year results from a key focus on the retention of students by enhancing the student experience and a tight control on costs. Some of the cost savings were a one off opportunity and cannot be sustained.

5.2 Statement of Financial Position

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

Financial Summary	2017 £'000	2016 £'000	2015 £'000
Fixed Assets	88,016	89,218	80,003
Investments	604	545	514
Cash	9,587	5,195	6,599
Net Current Assets/(Liabilities)	3,204	(2,036)	(26)
Loans, Finance Lease and Deferred Grants	(29,784)	(30,270)	(26,243)
Pension Liabilities	(16,984)	(14,221)	(8,258)
Total Net Assets	45,056	43,236	45,990
Deferred Capital Grants	-	-	-
Restricted reserves	611	539	593
Revenue Reserves	35,076	30,181	26,536
Pension Reserve	(16,984)	(14,221)	(8,258)
Revaluation Reserve	26,353	26,737	27,119
Total Reserves	45,056	43,236	45,990

STRATEGIC REPORT (continued)
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.

Cash and Net Current Assets/(Liabilities)

The increase in cash in the last year is due to the completion of an extensive period of building construction and investment in equipment which has allowed the University's cash balances to recover. This in turn has had a positive impact on Net Current Assets which is positive for the first time in a number of years.

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. The reduction in the past year is due to capital repayment on loan borrowings and the annual reduction in the finance lease liability.

Pension Liabilities/Reserves

The further increase in the Pension Liability of £2.8m is as a result of the change in the basis of valuation of the assets under FRS102 where the actuaries have to apply the same rate of return on the scheme's investment assets as the discount rate in spite of historic investment returns being higher. Another contributor to the increased deficit is a further rise in life expectancy post retirement.

Total Reserves

Total Reserves over the period have remained steady since the revaluation of fixed assets on transition to FRS102 in spite of the £8.7m increase in the Pension Liability.

Cash flow

Net cash inflow from operating activities was £9.7m an increase of 6.6% on last year's equivalent of £9.1m and is an indicator of the University's strength in providing finance to invest for the future by enhancing the student experience by means of the facilities it provides.

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.

STRATEGIC REPORT (continued)
5.4 Key Performance Indicators

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:

KPI	Description	Target/ Benchmark	Actual
Profitability	Surplus as %age of total income	10.5%	8.2%
Staff Costs	Staff costs as a %age of income	50% max	41.4%
Liquidity	Liquid assets as days of total expenditure	60 days min	108 days
Borrowings	Borrowings (excluding finance lease creditor) as a %age of income	40% max	20.4%
Annual Service Cost	Annual debt servicing cost as %age of total prior year income (excluding finance lease creditor)	4% max	1.5%

Whilst the above KPIs were mostly satisfactory for the monitoring of performance previously 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 during the mid-term update of the Strategic Plan.

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 81% which 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.

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 £0.65m and was re-fixed until July 2022 at which time it will be repaid and at a rate of 1.512%. There is a further loan of £0.57m fixed at 5.36% and will be fully repaid by October 2021. The University has a further variable loan at Bank Base Rate plus a margin of 0.28% and repayable over a maximum of 25 years which had a balance of £2.0m outstanding.

In 2015 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.

STRATEGIC REPORT (continued)**5.7 Outlook**

The University believes that it is well placed to meet the challenges ahead as it operates in a niche area of provision with 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 recently 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. The University has submitted a detailed planning application for 297 beds of student accommodation the result of which is expected in the autumn of 2017. Current plans envisage the delivery of this accommodation for the academic year 2020/21.

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. This is also compounded by the reduction in the number of 18 year olds in the education system which will reach a low point in 2020 before rising again. A further threat is the change in the school curriculum which effectively discourages schools from providing art, design and performance subjects at sixth form.

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

The referendum vote to exit the European Union has created great uncertainty 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, medium and long 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:

- *HE numbers – Home & EU:* - The growth in student numbers has been moderated within the University forecasts reflecting an increasingly competitive market and with a falling demographic. The University receives 6 applications per place on average and is offering new courses to provide greater appeal. Recruitment would need to fall by over 16% in 2018/19 for AUB to just breakeven before allowing for any cost reductions that would be made.
- *HE retention:* - The retention of students on their courses can have a huge impact on the income earned by the AUB. For the purposes of its forecasts the retention rate has been estimated at 95% (97.5% currently being achieved). Should the retention rate fall to 92% the surplus would reduce by £1.36m to £150k in 2018/19.
- *Overseas growth:* - It is anticipated that the student numbers here will grow from a current 389 to 440 over the planning period as AUB builds steadily on the relationships that have been established in Japan, India and Korea. If this increase is not secured the forecast surplus in 2020/21 will fall by £350k to £1.6m.
- *Alternative income:* - An area where AUB anticipates growth is in Summer and Bespoke courses that use its facilities during quiet times. These are expected to increase by 20% over the planning period however the margin is relatively low when compared to mainstream HE provision. In addition summer rental income will increase by 25% due to more campus facilities.
- *Salary costs:* - These account for 41% of income and this percentage will rise over the planning period as a result of the appointment of established academic staff in place of visiting tutors. A 1% increase in pay inflation will have an adverse impact of more than £170k on the bottom line.
- *Inflation:* - High inflation may be a feature of the future as the government attempts to bring borrowings under control. Inflation of 5% on non-pay costs and a possible 5% increase in salaries to try and keep pace would result in a reduction of the surplus by £1.8m to £140k in 2020/21 if income were to remain the same and no other action was taken.
- *Capital expenditure:* - AUB has future plans for capital expenditure of almost £43m. This work is essential to maintain the Estate in order to attract students in an increasingly competitive market and provide student halls. Estimates are based on professional advice but actual costs are only confirmed once fixed price tenders are received.
- *Interest rates:* - With current borrowings AUB is vulnerable to changes in interest rates. Of the total potential loan portfolio of a maximum of £28m, £5m is at fixed rates. The forecast assumes interest rates will increase to 3.0% base rate from 2018/19. Were interest rates to increase by 1% AUB would incur an additional £176k charge per annum. Over 50% of current borrowings are fixed at favourable rates and Governors will consider the appropriate proportion of any future borrowings to be fixed.
- *Pensions:* - Total funds have been reduced by £17m due to the recognition of the pension scheme deficit on the local government pension scheme in. Fortunately AUB has sufficient reserves to accommodate this deficit. The latest triennial valuation as at March 2016 confirmed an employer rate of 13% which is below the 14.1% rate currently being paid. The risk associated with the scheme was reviewed during the year and assurances received from Dorset County Council that their valuation assumptions will not change in the foreseeable future. The second pension scheme Teachers Pension Scheme is unfunded and the contribution rate recently increased to 16.48%.

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

24 November 2017

CORPORATE GOVERNANCE

The Arts University Bournemouth (AUB) is a higher education corporation, established under the Education Reform Act 1988. As an institution it has existed since 1887, gaining taught degree awarding powers in 2008 and adopting the name The Arts University College at Bournemouth (AUCB) on 1 July 2009 following approval from the Privy Council. Following a change to the criteria to University title, the institution formally adopted the name Arts University Bournemouth in December 2012.

The Board consists of a mixture of independent, student and staff governors appointed under the Instrument and Articles of Governance of the University. The Chair and Vice Chair of the Board are drawn from the independent members. The matters specifically reserved to the Board for decision are set out in the Instrument and Articles and are 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.

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 confident that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2017 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.

During the year a Governing Body Effectiveness Review was undertaken by a number of governors and led by the Chair of the Human Resources & Remuneration Committee. This resulted in a number of recommendations to streamline processes and enhance the efficient operation of the Board, which included an agreement that greater use would be made of the Governors' Reading Room. This is a secure part of the University intranet to which Governors have access, where documents can be made available for review. In addition, it was agreed that the Estates Committee should be merged with the Finance & Resources Committee in future, to streamline committee business and reduce the duplication of activity.

All committees are formally constituted with terms of reference. Membership of each is drawn from the Board. The minutes of all meetings are made available to all Board members through the Governors' Reading Room, with key items referred to the full Board meeting. The Committees during 2016/17 were:

2016/17
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, as well as compliance with the Prevent Duty, and processes for the assurance of academic standards and quality. 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, Director of Finance and Planning and the Head of Finance attended all meetings of the Committee during the year.

Estates

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

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

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 and Planning and the Head of Finance attended this Committee during the year.

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 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 Principal and 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 has responsibility for overseeing the University's risk register, which is also approved by Academic Board. The risk register includes all the performance indicators in support of the University's strategy, and areas of legal or statutory compliance. The risk register is subject to continuous review, taking account of possible control issues identified by early warning mechanisms which are embedded within the faculties and directorates. 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 used Mazars LLP to provide internal audit services for the past financial year. 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. After an open tender process BDO LLP was appointed as internal auditor from the commencement of the 2017/18 academic year.

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

24 November 2017

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

The Board of Governors are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

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

Chris Martin

Chairman of the Board of Governors

24 November 2017

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Arts University Bournemouth ("the University") for the year ended 31 July 2017 which comprise the consolidated statement of comprehensive income and expenditure, consolidated statement of changes in reserves, balance sheet, consolidated statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016/17 financial statements.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

Board of Governors responsibilities

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

Auditor's responsibilities

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government; and
- 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.

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

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

Victoria Sewell

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Gateway House

Tollgate

Chandlers Ford

SO53 3TG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
YEAR ENDED 31 JULY 2017

	Notes	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	31,340	31,533	29,589	29,589
Funding body grants	2	3,427	3,427	3,189	3,189
Other income	3	5,676	5,443	4,905	4,959
Investment income	4	37	22	41	27
Donations and endowments	5	53	-	46	219
Total income		40,533	40,425	37,770	37,983
Expenditure					
Staff costs	6	16,740	16,740	15,458	15,458
Fundamental restructuring costs	9	57	57	103	103
Other operating expenses	7	13,987	14,032	14,188	13,549
Depreciation	11	4,882	4,714	4,142	4,050
Interest and other finance costs	8	1,586	1,586	1,548	1,548
Total expenditure	9	37,252	37,129	35,439	34,708
Surplus before other gains		3,281	3,296	2,331	3,275
Loss on disposal of fixed assets		-	-	-	-
Gain on investments	13	44	-	17	-
Surplus before tax		3,325	3,296	2,348	3,275
Taxation	10	(20)	-	(1)	-
Surplus for the year		3,305	3,296	2,347	3,275
Actuarial loss in respect of pension schemes	24	(1,485)	(1,485)	(5,101)	(5,101)
Total comprehensive (expenditure)/ income for the year		1,820	1,811	(2,754)	(1,826)
Represented by:					
Endowment comprehensive income/ (expenditure) for the year		72	-	(54)	-
Unrestricted comprehensive income/ (expenditure) for the year		2,131	2,156	(2,317)	(1,481)
Revaluation reserve comprehensive (expenditure) for the year		(383)	(345)	(383)	(345)
		1,820	1,811	(2,754)	(1,826)

All items of income and expenditure relate to continuing activities

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2017

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2015	593	18,278	27,119	45,990
Surplus 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)	-
Total comprehensive income for the year	(54)	(2,317)	(383)	(2,754)
Balance at 1 August 2016	539	15,961	26,736	43,236
Surplus/(deficit) from the I&E statement	72	3,233	-	3,305
Other comprehensive expenditure	-	(1,485)	-	(1,485)
Transfers between revaluation and I&E reserve	-	383	(383)	-
Total comprehensive expenditure for the year	72	2,131	(383)	1,820
Balance at 31 July 2016	611	18,092	26,353	45,056

University	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2015	-	18,322	26,162	44,484
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)	-
Total comprehensive income for the year	-	(1,481)	(345)	(1,826)
Balance at 1 August 2016	-	16,841	25,817	42,658
Surplus from the I&E statement	-	3,296	-	3,296
Other comprehensive expenditure	-	(1,485)	-	(1,485)
Transfers between revaluation and I&E reserve	-	345	(345)	-
Total comprehensive expenditure for the year	-	2,156	(345)	1,811
Balance at 31 July 2017	-	18,997	25,472	44,469

**CONSOLIDATED AND UNIVERSITY BALANCE SHEET
AS AT 31 JULY 2017**

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	11	88,016	83,304	89,218	84,469
Investments	13	604	-	545	-
Receivables due in more than one year	14	-	2,946	-	2,778
		<u>88,620</u>	<u>86,250</u>	<u>89,763</u>	<u>87,247</u>
Current assets					
Trade and other receivables	14	704	731	366	441
Cash and cash equivalents	19	9,587	9,505	5,195	5,024
		10,291	10,236	5,561	5,465
Less: Creditors: amounts falling due within one year	15	(7,087)	(6,995)	(7,597)	(7,308)
Net current (liabilities)/assets		3,204	3,241	(2,036)	(1,843)
Total assets less current liabilities		<u>91,824</u>	<u>89,491</u>	<u>87,727</u>	<u>85,404</u>
Creditors: amounts falling due after more than one year	16	(29,761)	(28,038)	(30,267)	(28,525)
Provisions					
Pension provisions	17	(16,984)	(16,984)	(14,221)	(14,221)
Other provisions	17	(23)	-	(3)	-
Total net assets		<u><u>45,056</u></u>	<u><u>44,469</u></u>	<u><u>43,236</u></u>	<u><u>42,658</u></u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	18	611	-	539	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted:					
Income and expenditure account		35,076	35,981	30,182	31,062
Pension reserve		(16,984)	(16,984)	(14,221)	(14,221)
		18,092	18,997	15,961	16,841
Revaluation reserve		26,353	25,472	26,736	25,817
Total Reserves		<u><u>45,056</u></u>	<u><u>44,469</u></u>	<u><u>43,236</u></u>	<u><u>42,658</u></u>

The financial statements were approved by the Governing Body on 24 November 2017 and were signed on its behalf by:

Chris Martin

Chairman of the Board of Governors

Professor Stuart Bartholomew CBE

Principal and Vice-Chancellor

Mary O'Sullivan

Director of Finance

**CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 31 JULY 2017**

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
Cash flow from operating activities			
Surplus for the year		3,305	2,347
Adjustment for non-cash items			
Depreciation	11	4,882	4,142
(Gain) on investments	18	(44)	(17)
(Increase)/ decrease in debtors	14	(338)	435
(Decrease)/ increase in creditors	15	(459)	255
Difference between pension charges and cash contributions	24	1,278	862
Increase in other provisions	17	20	-
Adjustment for investing or financing activities			
Investment income	4	(37)	(41)
Interest payable	8	1,215	1,231
Endowment income	5	(53)	(46)
Loss on disposal of fixed assets		-	-
Capital grant income		(95)	(96)
Net cash inflow from operating activities		<u>9,674</u>	<u>9,072</u>
Cash flows from investing activities			
Proceeds from disposal of fixed assets		-	-
Investment income		22	27
Payments made to acquire fixed assets		(3,454)	(13,417)
		<u>(3,432)</u>	<u>(13,390)</u>
Cash flows from financing activities			
Interest paid		(219)	(160)
Interest element of finance lease		(996)	(1,071)
Endowment cash received		53	46
New unsecured loans		-	5,000
Repayments of amounts borrowed		(353)	(442)
Capital element of finance lease		(335)	(459)
		<u>(1,850)</u>	<u>2,914</u>
Increase/ (decrease) in cash and cash equivalents in the year		<u><u>4,392</u></u>	<u><u>(1,404)</u></u>
Cash and cash equivalents at beginning of the year		5,195	6,599
Cash and cash equivalents at end of the year	19	<u><u>9,587</u></u>	<u><u>5,195</u></u>

STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of Consolidation

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

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

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

Income recognition

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

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

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

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

Grant funding

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

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

Donations and endowments

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

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

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

STATEMENT OF ACCOUNTING POLICIES (continued)
Capital grants

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

Finance leases

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

Operating leases

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

Tangible fixed assets

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

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

a. Freehold land and buildings

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

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

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

b. Computers, software and other equipment

Computer and other equipment costing less than £1,000 per individual item and software with a useful life of less than 18 months are written off to the income and expenditure account in the year of acquisition. All other purchases are capitalised at cost.

All equipment is depreciated on a straight line basis over its remaining useful life to the group, as follows:

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

Intangible Assets

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

Heritage assets

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

Borrowing costs

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

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

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

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

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

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

Employee benefits

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

Taxation

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

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

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

Deferred taxation

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

Foreign currency

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

STATEMENT OF ACCOUNTING POLICIES (continued)**Cash and cash equivalents**

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

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

Reserves

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2017**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Tuition fees and education contracts				
Higher education				
UK and EU students	25,341	25,341	24,769	24,769
Non EU students	4,215	4,215	3,535	3,535
Further education				
UK and EU students	1,488	1,681	788	788
Non EU students	296	296	497	497
	<u>31,340</u>	<u>31,533</u>	<u>29,589</u>	<u>29,589</u>
2 Funding body grants				
Recurrent grants				
Higher Education Funding Council	1,769	1,769	1,466	1,466
Skills Funding Agency	1,403	1,403	1,468	1,468
Specific grants				
Higher Education Funding Council	167	167	171	171
Skills Funding Agency	-	-	-	-
Capital grants				
Higher Education Funding Council	70	70	70	70
Skills Funding Agency	6	6	6	6
Access funding				
Skills Funding Agency	12	12	8	8
	<u>3,427</u>	<u>3,427</u>	<u>3,189</u>	<u>3,189</u>
3 Other income				
Residences, catering and conferences	4,032	4,032	3,362	3,362
Other services rendered	548	292	347	277
Other income	1,077	1,119	1,176	1,320
Other capital grants	19	-	20	-
	<u>5,676</u>	<u>5,443</u>	<u>4,905</u>	<u>4,959</u>
4 Investment income				
Investment income on endowments	15	-	14	-
Other investment income	22	22	27	27
	<u>37</u>	<u>22</u>	<u>41</u>	<u>27</u>
5 Donations and endowments				
Unrestricted donations	53	-	46	219
	<u>53</u>	<u>-</u>	<u>46</u>	<u>219</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
6 Staff costs				
Salaries	12,818	12,818	12,259	12,259
Social security costs	1,247	1,247	1,023	1,023
Other pension costs				
Local Government Pension Scheme	1,751	1,751	1,329	1,329
Teachers' Pension Scheme	924	924	847	847
	<u>16,740</u>	<u>16,740</u>	<u>15,458</u>	<u>15,458</u>

	£	£
Emoluments of the Vice-Chancellor:		
Salary	184,647	182,423
Salary in lieu of pension contributions	30,436	30,069
Pension costs	-	-
Benefits	4,760	5,042
	<u>219,843</u>	<u>217,534</u>

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

	No.	No.
Remuneration of other higher paid staff, excluding employer's pension contributions:		
£120,000 to £129,999	1	1
	<u>1</u>	<u>1</u>

	£'000	£'000
Emoluments of key management personnel:		
Salary and benefits	871	856
Pension costs	90	91
	<u>961</u>	<u>947</u>

Key management personnel consist of the University's Management Team.

	£'000	£'000
Key management personnel compensation:		
Compensation payable recorded within staff costs	48	45
	<u>48</u>	<u>45</u>

	No.	No.
Average staff numbers by major category :		
Teaching departments	215	215
Teaching support services	11	11
Library	12	12
Other support services	23	17
Administration and central services	90	87
General education	3	5
Income generating activities	10	9
	<u>364</u>	<u>356</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Other operating expenses				
Teaching departments	2,808	2,808	2,494	2,494
Teaching support services	924	922	905	898
Other support services	265	265	389	389
Administration and central services	2,744	2,955	2,901	2,975
General education expenditure	584	584	545	545
Premises costs	2,852	2,715	3,426	2,599
Planned maintenance	881	881	1,274	1,274
Grants to Student Union	136	136	185	185
Other income generating activities	60	54	(55)	72
External auditors' remuneration - Audit fees	25	20	21	15
External auditors' remuneration - Other fees	26	11	4	4
Internal auditors' remuneration - Audit fees	22	22	29	29
Operating lease rentals plant/machinery	73	73	64	64
Operating lease rentals land and buildings	995	995	470	470
Catering and residencies	1,592	1,591	1,536	1,536
	<u>13,987</u>	<u>14,032</u>	<u>14,188</u>	<u>13,549</u>

Reimbursements to governors and trustees for the expenditure incurred in attending Board meetings amounted to £5,698 (2016: £4,145), of which there were no outstanding amounts. No governor received any remuneration from the group in the performance of their role as trustee, other than the Principal whose remuneration is detailed in Note 6.

8 Interest and other finance costs

Loan interest	219	219	160	160
Finance lease interest	996	996	1,071	1,071
Net charge on pension scheme	371	371	317	317
	<u>1,586</u>	<u>1,586</u>	<u>1,548</u>	<u>1,548</u>

9 Analysis of total expenditure by activity

Academic and related expenditure	16,712	16,710	14,358	14,350
Administration and central services	7,866	8,059	7,562	7,637
Premises	7,877	7,572	9,634	8,715
Residences, catering and conferences	3,620	3,620	2,635	2,635
Other operating expenses	1,177	1,168	1,250	1,371
	<u>37,252</u>	<u>37,129</u>	<u>35,439</u>	<u>34,708</u>

Other operating expenses include:

External auditors fees in respect of audit services	25	21
External auditors fees in respect of non-audit services	26	4
Operating lease rentals:		
Land and buildings	995	470
Other	73	64
Fundamental restructuring costs	<u>57</u>	<u>103</u>

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
10 Taxation				
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense	-	-	1	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	20	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Deferred tax expense	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax expense	<u><u>20</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>-</u></u>

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017

11 Fixed Assets	Land and Buildings	Assets under Construction	Computer Equipment	Furniture and Equipment	Total
Consolidated	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	87,926	3,423	5,290	7,777	104,416
Additions	671	1,348	874	787	3,680
Transfers	2,521	(2,521)	-	-	-
Disposals	-	-	-	(6)	(6)
At 31 July 2017	91,118	2,250	6,164	8,558	108,090
Depreciation					
At 1 August 2016	5,789	-	3,994	5,415	15,198
Charge for the year	3,429	-	745	708	4,882
Disposals	-	-	-	(6)	(6)
At 31 July 2017	9,218	-	4,739	6,117	20,074
Net book value					
At 31 July 2017	81,900	2,250	1,425	2,441	88,016
At 31 July 2016	82,137	3,423	1,296	2,362	89,218
University					
Cost or valuation					
At 1 August 2016	84,701	1,330	4,623	7,471	98,125
Additions	540	1,348	874	787	3,549
Transfers	428	(428)	-	-	-
Disposals	-	-	-	(6)	(6)
At 31 July 2017	85,669	2,250	5,497	8,252	101,668
Depreciation					
At 1 August 2016	5,231	-	3,319	5,106	13,656
Charge for the year	3,262	-	738	714	4,714
Disposals	-	-	-	(6)	(6)
At 31 July 2017	8,493	-	4,057	5,814	18,364
Net book value					
At 31 July 2017	77,176	2,250	1,440	2,438	83,304
At 31 July 2016	79,470	1,330	1,304	2,365	84,469

On transition to FRS102 the deemed cost approach was adopted.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017****11 Fixed Assets (continued)**

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

Buildings have been acquired with the assistance of capital grants from 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 £1.7m from the sale proceeds.

Included in the net book value of Land and Buildings are assets held under finance leases with a net book value of £15.9m (2016: £17.1m), on which £1.2m of depreciation was charged during the year.

12 Heritage Assets

The University holds its heritage assets in two collections:

The Museum of Design in Plastic consists of almost 14,000 items made of plastic and animal horn. There is a continual changing exhibition of a small selection of artefacts in the museum, which is located in the Library building on the University campus. The museum is open to the public and furthermore all the artefacts are digitally archived and are accessible at www.modip.ac.uk. The collection has never been formally valued and, given the wide range of objects, the undertaking of such a valuation is not considered to be practical.

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

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017**
13 Non-Current Investments

Consolidated	Subsidiary companies £'000	Other fixed asset investments £'000	Total £'000
At 1 August 2016	-	545	545
Additions to investments at cost	-	15	15
Profit on revaluation	-	44	44
At 31 July 2017	<u>-</u>	<u>604</u>	<u>604</u>

University	£'000	£'000	£'000
At 1 August 2016	-	-	-
Additions to investments at cost	-	-	-
Profit on revaluation	-	-	-
At 31 July 2017	<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 the advancement of education principally within the subject areas of art, design, media and the performing arts. The University endowments have been transferred to this company. The charity had opening reserves of £539k, income and resources for the year of £72k, and closing reserves of £611k.

14 Trade and other receivables

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Due in one year:				
Trade receivables	197	186	195	126
Other receivables	51	51	32	32
Prepayments and accrued income	456	456	139	139
Amounts due from subsidiary companies	-	38	-	144
	<u>704</u>	<u>731</u>	<u>366</u>	<u>441</u>
Due in more than one year:				
Amounts due from subsidiary companies	-	2,946	-	2,778
	<u>704</u>	<u>3,677</u>	<u>366</u>	<u>3,219</u>

The receivable due in more than one year of £2.95m 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 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
15 Creditors : amounts falling due within one year				
Unsecured loans	457	457	458	458
Obligations under finance leases	338	338	358	358
Trade payables	516	499	289	289
Social security and other taxation payable	566	564	511	508
Other creditors	589	589	539	539
Accruals and deferred income	4,186	4,132	4,963	4,696
Amounts owed to Funding Councils	335	335	384	384
Deferred capital grants	100	81	95	76
	<u>7,087</u>	<u>6,995</u>	<u>7,597</u>	<u>7,308</u>
16 Creditors : amounts falling due after more than one year				
Deferred capital grants	3,888	2,165	3,727	1,985
Obligations under finance lease	18,073	18,073	18,388	18,388
Unsecured loans	7,800	7,800	8,152	8,152
	<u>29,761</u>	<u>28,038</u>	<u>30,267</u>	<u>28,525</u>
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 15)	895	876	911	892
Due between one and two years	1,125	1,106	1,123	1,103
Due between two and five years	2,647	2,589	3,669	3,611
Due in five years or more	25,989	24,343	25,475	23,811
Due after more than one year	<u>29,761</u>	<u>28,038</u>	<u>30,267</u>	<u>28,525</u>
Total secured and unsecured loans	<u>30,656</u>	<u>28,914</u>	<u>31,178</u>	<u>29,417</u>
17 Provisions for liabilities		Defined Benefit Pension Obligations (Note 24) £'000	Deferred tax £'000	Total Other £'000
Consolidated				
At 1 August 2016		14,221	3	14,224
Utilised in year		(835)	-	(835)
Additions in 2016/17		3,598	20	3,618
At 31 July 2017		<u>16,984</u>	<u>23</u>	<u>17,007</u>
University				
At 1 August 2016		14,221	-	14,221
Utilised in year		(835)	-	(835)
Additions in 2016/17		3,598	-	3,598
At 31 July 2017		<u>16,984</u>	<u>-</u>	<u>16,984</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 2017

18 Endowment Reserves

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016				
Capital	21	420	441	466
Accumulated income	16	82	98	127
	<u>37</u>	<u>502</u>	<u>539</u>	<u>593</u>
New endowments	1	52	53	46
Investment income	1	14	15	14
Expenditure	-	(40)	(40)	(131)
Increase in market value of investments	-	44	44	17
	<u>2</u>	<u>70</u>	<u>72</u>	<u>(54)</u>
Total endowment comprehensive (expenditure)/ income for the year				
At 31 July 2017	<u><u>39</u></u>	<u><u>572</u></u>	<u><u>611</u></u>	<u><u>539</u></u>
Represented by:				
Capital	22	516	538	529
Accumulated income	17	56	73	10
	<u>39</u>	<u>572</u>	<u>611</u>	<u>539</u>
Analysis by type of purpose:				
Scholarships and bursaries	22	20	42	47
Prize funds	-	5	5	5
General	17	547	564	487
	<u>39</u>	<u>572</u>	<u>611</u>	<u>539</u>
Analysis by asset and liability:				
Current and non-current asset investments			604	545
Trade receivables			1	3
Cash & cash equivalents			45	137
Current liabilities			(39)	(146)
			<u>611</u>	<u>539</u>

19 Cash and cash equivalents

	At 1st August 2016 £'000	Cash Flows £'000	At 31st July 2017 £'000
Consolidated			
Cash and cash equivalents	5,195	4,392	9,587
	<u><u>5,195</u></u>	<u><u>4,392</u></u>	<u><u>9,587</u></u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017**

20 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	31 July 2017		31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	557	557	748	748
	<u>557</u>	<u>557</u>	<u>748</u>	<u>748</u>

21 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.

22 Lease obligations

Total rentals payable under operating leases:

	31 July 2017			31 July 2016	
	Land and Buildings £'000	Plant and Machinery £'000	Other Leases	Total £'000	£'000
Payable during the year	1,179	30	54	1,263	1,252
Future minimum lease payments due:					
Not later than 1 year	1,179	30	22	1,231	1,264
Later than 1 year and not later than 5 years	1,070	30	-	1,100	1,295
Later than 5 years	70	-	-	70	123
Total lease payments due	<u>2,319</u>	<u>60</u>	<u>22</u>	<u>2,401</u>	<u>2,682</u>

23 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; and
- transactions totalling £25k relating to tickets and sponsorship took place with Bournemouth Symphony Orchestra, a company of which the governors Professor Stuart Bartholomew, Chris Martin and Terence O'Rourke are or have been directors during the year. There were no amounts outstanding at the year end.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017**
24. 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:

	2017	2016
	£'000	£'000
Teachers' Pension Scheme	924	847
Local Government Pension Scheme	1,751	1,329
	<hr/>	<hr/>
	2,675	2,176
	<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 2016.

Contributions owing at 31 July 2017 were £226,299 (2016: £203,646) 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 2017**
24. Pension Schemes (continued)
Local Government Pension Scheme

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

For LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS regulations. The scheme was most recently valued as at March 2016 and the proportion of members' accrued benefits covered by the actuarial value of the assets was 90%. In spite of the actuary's recommendation of an employer contribution rate of 13% following the payment of a deficit recovery lump sum of £277,000, 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 2017 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:

	2017	2016
	%	%
Price inflation (CPI)	2.7	2.2
Rate of salary increases	4.2	3.95
Rate of increase of pensions in payment	2.7	2.2
Discount rate	2.7	2.6
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:

	2017	2016
	Years	Years
Retiring today		
Males	23.9	22.9
Females	26.0	25.3
Retiring in 20 years		
Males	26.1	25.2
Females	28.3	27.7

	2017	2016
	£'000	£'000
Amounts recognised in the statement of comprehensive income		
Service cost	1,804	1,389
Net interest on defined liability	358	306
Administration expenses	13	11
	<hr/>	<hr/>
	2,175	1,706
Actuarial loss	1,485	5,101
	<hr/>	<hr/>
Total charge	3,660	6,807
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 JULY 2017**
24. Pension Schemes (continued)

	2017	2016
	£'000	£'000
Analysis of movement in the present value of the scheme liabilities		
The institution's estimated assets share	19,015	16,146
Present value of the institution's scheme liabilities	(35,999)	(30,367)
	<u> </u>	<u> </u>
Deficit in the scheme – net pension liability	(16,984)	(14,221)
	<u> </u>	<u> </u>

Analysis of movement in the present value of the scheme liabilities

At beginning of year	30,367	22,919
Current service cost	1,804	1,377
Interest cost	784	895
Change in financial and demographic assumptions	3,446	5,134
Employee contributions	394	371
Benefit payments	(835)	(341)
Experience loss on defined benefit obligation	39	-
Curtailements	-	12
	<u> </u>	<u> </u>
At the end of the year	35,999	30,367
	<u> </u>	<u> </u>

Analysis of movement in the fair value of the scheme assets

At beginning of year	16,146	14,661
Interest on assets	426	589
Return on assets less interest	2,053	33
Administration expenses	(13)	(11)
Other actuarial losses	(53)	-
Employer contributions	897	844
Employee contributions	394	371
Benefit payments	(835)	(341)
	<u> </u>	<u> </u>
At the end of the year	19,015	16,146
	<u> </u>	<u> </u>

The estimated value of employer contributions for the year ended 31 July 2018 is £901,000.

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

	Fair value	Fair value
	2017	2016
	£'000	£'000
Equities	10,483	9,324
Gilts	2,530	1,774
Cash	511	169
Other bonds	2,153	2,063
Diversified growth fund	826	757
Property	1,673	1,640
Infrastructure	836	414
Hedge fund	3	5
	<u> </u>	<u> </u>
	19,015	16,146
	<u> </u>	<u> </u>

The actual return on scheme assets was £2,479,000 (2016: £622,000).