



Bournemouth  
University

# Bournemouth University Higher Education Corporation

**Report and Financial Statements  
for the year ended 31 July 2014**

# Board Members and Advisers

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**Board Members (External)** Ms Sue Sutherland (Chair)  
Mr Chris Appleton  
Mr Jonathan Clark  
Mrs Sheila Collins  
Prof Richard Conder  
Mr James Granger  
Mr David Hines  
Dr John Knowles  
Mr Tim Lee (Deputy Chair)  
Dr Fiona McMillan  
Mr Donald McQueen  
Dr Peter Rawlinson  
Dr Chris Shaw  
Mr Roy Spragg  
Ms Caroline Troy

**Board Members (Internal)** Mr Jim Andrews  
Ms Mandi Barron  
Mr Graham Beards (appointed September 2013)  
Prof Matthew Bennett (to December 2013)  
Ms Marian Mayer (to October 2013)  
Prof Tim McIntyre-Bhatty  
Prof Elizabeth Rosser  
Dr Richard Scullion (appointed October 2013)  
Mr Murray Simpson  
Prof John Vinney

**Auditors** BDO LLP Arcadia House  
Maritime Walk  
Ocean Village  
Southampton  
Hants  
S014 3TL

# Report of the Board of Governors

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## Scope and format of the financial statements

We are pleased to present the University's financial statements for 2014. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited (BUIL), BU Enterprise Ltd (BUEL) and The Bournemouth University Foundation.

## Summary of the Group Financial performance for the year

The University's consolidated income, expenditure and results for the year ended 31 July 2014 are summarised as follows:

	2014	2013
	£000	£000
<b>Income</b>	128,687	120,424
<b>Expenditure</b>	128,254	120,265
<b>Surplus for the year</b>	433	159
<b>FRS17 pension adjustment</b>	2,826	2,699
<b>Surplus for the year excluding FRS17 adjustment</b>	3,259	2,858

The University had another successful year and achieved a surplus in the year to 31 July 2014 of £0.4m. After removing the impact of the FRS17 pension adjustment, the consolidated surplus was £3.3m. The FRS17 adjustments arise from those members of staff who are members of the Dorset County Superannuation Scheme (DCSS) essentially the non-academic staff of the University and previous members of staff who receive pension enhancement payments.



# Report of the Board of Governors

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## Operating and Financial Review

### Introduction

At Bournemouth University (BU) we are proud of our traditions and accomplishments and excited by our potential. Our academic, business and student services are geared to the professions and supported by a passionate commitment to high-quality academic endeavour and achievement.

We enjoy a reputation for excellence through education, research, enterprise and professional practice. And whilst we remain committed to our region, we have an outlook that is truly global.

We value creativity, innovation, partnership and enterprise with an attitude that is friendly, professional, inclusive and supportive. We are large enough to offer our students diversity, yet small enough for them to be part of a friendly

and thriving cosmopolitan community.

Our programmes are designed and delivered to give our graduates every opportunity to pursue employment and career enhancement and we consistently achieve high rates of graduate-level employment

### Legal Status

Bournemouth University is a Higher Education Corporation set up under the Higher & Further Education Act 1992. The University is a Charity under Statute, also known as an 'exempt charity'. Following changes in charity legislation, from 1 June 2010 the Higher Education Funding Council for England (HEFCE) became the 'principal regulator' for Higher Education Institutions (HEIs) in England that are exempt charities.

### Mission

Creating the most stimulating, challenging, and rewarding university experience in a world-class learning community by sharing our unique fusion of excellent education, research and professional practice and inspiring our students, graduates and staff to enrich the world.

### Strategic Plan

BU's Vision & Values, BU2018: Creating, Sharing, Inspiring is based around four key themes: Creating, Sharing, Inspiring; Finance; People; and Environment. BU's Strategic Plan is innovative and responsive and builds on Bournemouth University's current success to create a distinctive offer based on academic excellence underpinned by service excellence. The strategic plan will put students at the heart of the University and will encourage them to become co-creators and co-producers of knowledge.

At the heart of the strategic plan is the powerful fusion of research, education and professional practice, creating a unique academic experience where the sum is greater than the component parts. Fusion will be the key differentiator of BU, and this will inform and shape our marketing strategy. All components of our academic provision will demonstrate the principles of Fusion by 2015.

The University measures progress against the Strategic Plan 2012-18 through a Performance Management Framework consisting of 14 Key Performance Indicators (KPIs).

### Future Developments

The past few years have been a time of fast-paced change in higher education in England. Despite increased competition for home undergraduate students, the impact of changes to fees and changes to the government-imposed student number controls, BU has remained in a strong financial position. We have continued to make significant investment in our facilities and towards achieving our aspiration to become a centre of academic excellence in education, research and professional practice.

During 2014, plans for a new £22.0m academic building on our Talbot Campus were approved.

The new building will house academic and support facilities, including seminar rooms, lecture theatres and new catering facilities. Work commenced on the new building in the summer of 2014. Work has also continued on the new state-of-the-art £10.5m Student Centre also on our Talbot Campus. The new Centre will provide a high quality space where students can engage in social learning and study activities. It will also provide the Student Union at Bournemouth University with a much larger presence on Campus. The new Student Centre is scheduled to open in April 2015.

The School of Applied Sciences and the School of Design, Engineering and Computing were integrated during 2014 to create the Faculty of Science and Technology. The integration will allow the academic portfolio of the Faculty to operate in a space that can better reflect Science and The Science Technology Engineering & Maths (STEM) agenda. This is a core part of our academic activity and academic strength and therefore one that we would want to profile more strongly in the external environment both home and overseas.

In the Government's autumn 2013 statement it was announced that there would be an increase in the student number control in 2014-15 and the removal of the cap in 2015-16. This will create new opportunities and risks for institutions and will stimulate greater competition within the sector.



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Additionally, institutions will face increasing levels of uncertainty over student recruitment leading to greater volatility of financial forecasting and a widening of institutional financial performance in the coming years.

## Financial Strategy

The University Financial Strategy has been developed to help and support the delivery of the University's overall strategic goals and aims as outlined in our Vision and Values BU 2018 strategy. It incorporates the five principles of strategic financial and resource management as stated in HEFCE's good practice guidance. It also incorporates the University's own financial risk assessment.

## Financial Performance Indicators

The University measures progress against the Strategic Plan 2012-18 through a Performance

Management Framework consisting of 14 Key Performance Indicators (KPIs). The KPIs are directly linked to the strategic objectives and each strategic objective has at least one specific assigned Performance Indicator (PI). Where possible KPI targets have been developed using external benchmarks such as league table indicators and HESA Performance Indicators. The financial indicators are derived from the University financial model.

KPIs are reviewed at every Board meeting. The PIs are reviewed along with the KPIs by the University Executive Team on a regular basis. In addition to the financial performance indicators the Performance Management Framework monitors academic excellence, graduate employability, student and staff satisfaction and league tables.

With the exception of the current ratio, the University achieved or exceeded all 2013-14 financial performance indicator targets in 2013-14.

Financial Performance Indicators 2013-14	2013-14 Actual	2013-14 Target	BU 2018 Target
Current Ratio (current assets/current liabilities)	1.5:1	1.6:1	1.3:1
Annual contribution as a % of income (excluding pension adjustment)	2.5%	2%	6%
Total reserves (excluding pension and revaluation reserve) £m	51	51	84
Gearing (bank borrowings as a % of total assets less current liabilities)	22%	29%	29%



## Financial Highlights of the Year

### The Group's income can be analysed as follows

	2014	2013	Increase/ (decrease)	Increase/ (decrease)
	£'000	£'000	£'000	
Funding Body Grants	22,299	30,094	(7,795)	(26%)
Tuition fees and education contracts	88,268	74,933	13,335	18%
Research grants and education contracts	3,376	3,076	300	10%
Other operating income	14,211	11,832	2,379	20%
Endowment and investment income	533	489	44	9%
<b>Total income</b>	<b>128,687</b>	<b>120,424</b>	<b>8,263</b>	<b>7%</b>

The change in the split of income between Funding Body Grants and tuition fees reflects the second year of the introduction in the new fee regime within the sector. Income from Research grants and contracts increased by £0.3m whilst other operating income increased by £2.4m. The increase in other operating income is predominately due to Cranborne House accommodation building being brought back into service after a major refurbishment.

### The Group's expenditure can be analysed as follows

	2014	2013	Increase/ (decrease)	Increase/ (decrease)
	£'000	£'000	£'000	
Staff costs	66,022	61,531	4,491	7%
Depreciation	8,203	6,398	1,805	28%
Other operating expenses	51,165	49,735	1,430	3%
Interest payable	2,864	2,601	263	10%
<b>Total expenditure</b>	<b>128,254</b>	<b>120,265</b>	<b>7,989</b>	<b>7%</b>

The University undertook a voluntary severance scheme and continued to invest in academic staff during the financial year resulting in an increase in staff costs of £4.5m. £2.0m of the £4.5m increase related to redundancy and restructuring costs (65 people). Depreciation increased by £1.8m as a result of the extensive capital programme currently being undertaken. Other operating expenses increased by £1.4m whilst interest payable increased by £0.3m.





## Balance sheet

Overall the University has a strong balance sheet with net assets of £34.6m and cash reserves of £23.0m at 31 July 2014. Fixed assets increased by £9.1m to £98.0m predominately due to works carried out on the new Student Centre building. Gross asset investment totalled £17.3m whilst depreciation in year totalled £8.2m. The pension liability for the University Local Government Pension Scheme increased by £12.4m, the most significant factor affecting the liability this year was a reduction in the discount rate from 4.8% at 31 July 13 to 4.3% at 31 July 14. This was caused by falling corporate bond yields which are the basis for the discount rate under the FRS17 standard (see note 21).

## Cash flow and treasury management

The University generated a net cash inflow from operating activities of £11.5m, an increase of £4.7m from the previous year. The University continued to fund capital expenditure from its own cash reserves resulting in a reduction in net funds of £6.5m.

## Liquidity

Bank loan debt reduced by £0.4m due to capital repayments on existing loans. As there was no additional drawdown of the University loan

facility, the full £20.0m four year revolving credit facility is still available for draw down.

## Capital Investment

During the year the refurbished Cranborne House student accommodation reopened and work continued on the new £10.5m Student Centre building. An additional £3.0m was invested in improvements and refurbishments to buildings on both campuses.

Significant investment in Information Technology also continued. Highlights include the introduction of a new integrated HR/ Payroll system in February 2014 and the commencement of the implementation of a new Student Records System.

## Principal risks and uncertainties

The University Board has identified a number of high level risks that it monitors on a regular basis. The BU Risk Register is reviewed by the Risk Management Steering Group and the University Leadership Team before submission to the Audit, Risk and Governance Committee. Significant risks are prioritised for action by the University Executive Team.

The University has identified the following significant risks:

- The University fails to achieve student recruitment targets. The impact may be that BU's financial position weakens significantly.
- The University fails to capitalise on the opportunity to re-profile and exploit the BU reputation under changing student market conditions as per BU2018. This may result in the University being unable to attract high quality applicants and unable to deliver on the BU2018 vision.

## Stakeholder Relationships

The University recognises the importance of stakeholder relationships and adopts a strategic approach to service excellence, recognising the varied nature of our stakeholder groups and

their needs. The University will deliver excellent service to all stakeholders, through all our activities at all times.

## Research

Excellence in research has always been one of the cornerstones of our vision and this year was no exception. A selection of our diverse and exciting work is showcased below:

- BU researchers are working on an innovative NHS project to develop a simulator that will improve training for administering epidurals. The prototype epidural simulator will use software to replicate the procedure. The project has received international recognition, having been awarded the Institution of Engineering and Technology Innovation award in the Information Technology category.
- BU is leading a cross-European project to encourage people to eat more vegetables. As food service operators can have a powerful influence here, the project is in collaboration with some high profile industry partners. The team are researching characteristics people most like to taste in vegetables, including how factors like size, sweetness and texture make a difference to people's enjoyment. It is hoped that the project will eventually inform government policy across Europe and put the food service industry at the forefront of healthy eating interventions.

- BU researchers are working on a project commissioned by The UK Intellectual Property Office to investigate the current economic and Intellectual Property implications in 3D printing. The interaction of 3D Printing and Intellectual Property Law is a new policy issue for the UK Government.

## Environmental Responsibility

Bournemouth University recognises that its activities impact upon the environment at local, regional, national and global levels and acknowledges a responsibility for the protection of the environment and the health of its members and the community.

The University is strongly committed to improving its environmental performance and is undertaking initiatives across a range of areas to ensure it is working towards a more environmentally responsible low carbon future. The University retained the Eco Campus Gold Award in 2014 for its environmental management systems, one of only 21 higher education institutions in the UK to achieve this award.

The BU Travel Plan 2013-18 seeks to build on the successful delivery of sustainable travel initiatives implemented through previous Travel Plans. This travel plan outlines a mix of new and existing initiatives across a number of different travel options. Key objectives include a reduction in the transport related carbon emissions of the University.







## Diversity and Equality

The University is committed to ensuring Bournemouth University is an institution that is open and accessible to all, and which values people for what they bring as individuals. BU will seek to uphold and, where possible, exceed the provision of equality legislation to reflect sector best practice. All staff and students have a duty to comply with this policy and so will need to be aware of their personal obligations in eliminating all forms of what the University considers to be unacceptable behaviour. The Diversity and Equality team works closely with staff and students, developing and initiating projects and co-ordinating training and events, all with the aim of supporting individuals. The team helps to increase knowledge and understanding of diversity and equality issues, and embedding diversity and equality into areas of the working and learning environment. To promote and support the University's strategic commitment to Dignity, Diversity and Equality (DDE) a number of student and staff networks, groups, clubs and societies have been established. The University has successfully achieved the 'Disability two ticks status'. This quality mark is awarded by the Department of Work and Pensions for positive commitment regarding the employment, retention, training and career development of disabled employees.

BU will develop and grow a culture of valuing Dignity, Diversity and Equality of all individuals.

## Staff

The University recognises that staff are its key resource and is seeking to establish itself as an employer of choice by recruiting and retaining excellent staff.

The expertise, skills and commitment of staff will enable the University to achieve its objectives. Staff development is therefore crucial to the University in helping to meet its strategic and operational standards and in adding value by raising individual and organisational performance levels. The University also recognises the potential of individual members of staff and aims to provide opportunities for staff to develop personally as well as professionally, which in turn can enhance job satisfaction.

For these reasons the University is committed to supporting staff development and to investment in those activities which underpin the achievement of the Corporate and Strategic Plans.

As a University with a global outlook, we value creativity, innovation, partnership and enterprise. These values are reflected in our staff who ensure that our academic, business and student services are delivered in an environment that is friendly, professional, inclusive and supportive.

Our academic staff inspire our students through their knowledge and the enthusiasm they have for their subjects gained through their engagement in education, research, enterprise and professional practice.

## Bournemouth University and Public Benefit

Bournemouth University is an exempt charity under the terms of Schedule 2 of the Charities Act 1993 and is responsible to HEFCE as its principal regulator. The University is required to demonstrate how it meets its responsibilities as a charity and that its activities are of 'public benefit'. University Board Members are aware

of their duties with regard to acting for the public benefit and have had regard to the Charity Commission's guidance in this area.

The University was created as a higher education corporation by an order of the Privy Council dated 26 April 1993 and derives its powers from section 124 of the Education Reform Act 1988. Under this section, a higher education corporation has the power to provide higher and further education and to carry out research and to publish the results of the research or any other material arising out of or connected with it in such manner as the corporation thinks fit.

## Education and Widening Access

BU is an innovative, international university offering high quality student experience, research and professional practice. BU is one of the most innovative universities in the UK; bringing together professional and academic excellence. BU has a community of almost 17,000 students from over 100 different countries.

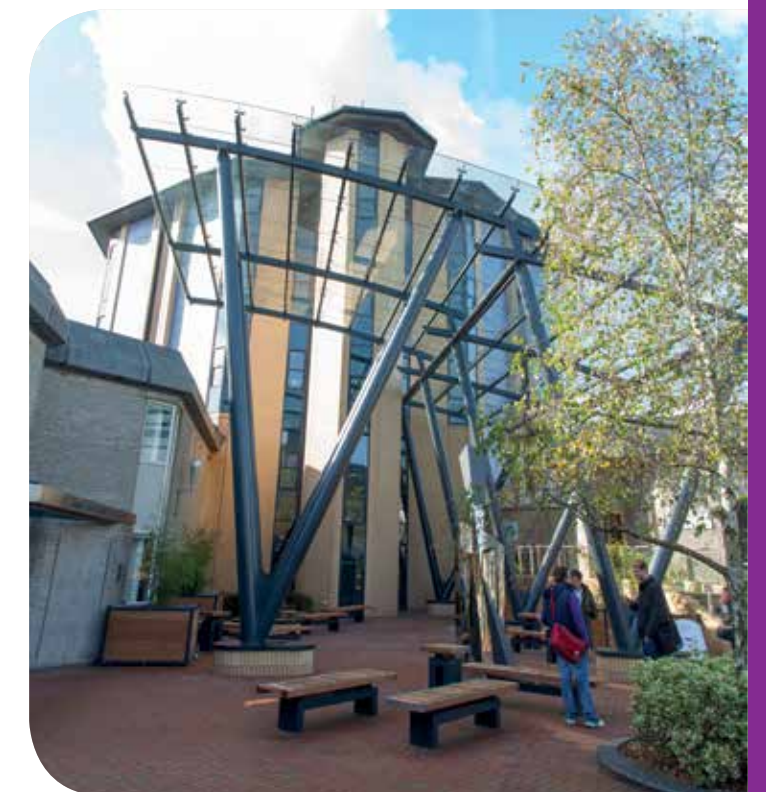
Learning at BU is challenging, exciting and rewarding. It is an active, participatory experience, geared to the professions and informed by research. Learners at all levels are encouraged equally to fulfil their potential, with emphasis placed on developing appropriate academic and professional knowledge and skills for success. Technology-rich learning environments provide access to learning resources both on campus and world-wide. Education is delivered by academics who are experts in their subjects and themselves learning from their research, business engagement and professional practice. They are supported by highly qualified professional staff who use their specialist knowledge to help learners get the most from the libraries, study environments and work opportunities. We recognise too that students learn from each other, and we develop processes and facilities to support and develop these peer learning communities

BU was the first university to have achieved a "commended" judgement for the quality of student learning opportunities from the Quality Assurance Agency for Higher Education (QAA), the highest award possible. The QAA look at many areas of how an institution supports students,

including the quality of teaching students receive, academic support, the resources available to students including the library and IT facilities, and the general support they receive. Bournemouth University has more students on work placement than any other university in England. In 2013-14 BU had 1,305 students on a placement year.

At BU we are committed to the recruitment of students from our region and to increase its appeal to students both nationally and internationally. We are committed to the development of our students as self-motivated, independent, lifelong learners, empowered to make significant contributions in their chosen careers. Bournemouth University is committed to Widening Participation and providing an opportunity of successful participation in higher education to everyone who can benefit from it, by offering financial support where appropriate. BU offers bursaries that can be a significant part of students financial support package, in addition BU will be offering BU Maintenance and Care Leavers bursaries from 2014-15.

At BU we believe that outstanding academic, sporting and musical achievements deserve to be recognised. We offer academic excellence scholarships to the most promising applicants with outstanding qualifications relevant to their course. We value different skills and abilities that a wide







range of people can bring to our courses and our entry requirements reflect this. We also offer scholarships for talented athletes representing their sport at a national or international level or musicians with Grade 8 or above in their main instrument.

## Research

The University Board recognises that any private benefit to the University from research must be incidental to the public benefit of the research. The University has policies and procedures in place so

that all research contracts are checked with a view to ensuring the results of the research can be used by the University for future public benefit. The University encourages the dissemination of research results

to those who will benefit from them most and its institutional repository, Bournemouth University Research Online (BURO), is open to anyone to search online.

The University benefits the public at large through its research programme. Bournemouth University is proud of its academic research and aims to maximise the benefits of research by advancing fundamental knowledge and contributing to better public policy, economic prosperity, social cohesion, international development, community identity and quality of life.

Researchers from our eight societally driven themes contribute to some of the world's leading academic journals. Be it at a community, national or international level, work from

each research theme helps a wide range of beneficiaries. Examples of some of the themes are below:

Worldwide, the demographic profile of societies is changing, resulting in ageing populations. As society ages, the prevalence of dementia also increases. BU researchers from a range of disciplines and practice backgrounds conduct research that contributes to (and is informed by) policy and practice, using theory and evidence to make a difference to the everyday issues an ageing society faces.

In a period of unprecedented environmental change, we are world leaders in understanding and developing policies to manage its impact. We have specialists in conservation and restoration ecology, freshwater and marine ecology, microbiology, ecological modelling and extinction rates. They work on local, national and international environmental agendas, informing policy at all levels.

Our research touches upon every stage of the human life-span, from birth to death. By linking health and social care, we are able to focus on people's quality of life. We make a difference by changing people's lives through our research and delivering new and improved ways of treating and caring for patients.

Good design is at the heart of an innovative society. It enables us to tackle the challenges of an ageing population and economic growth, while balancing the need for long-term sustainability. We have design engineers working on biomedical engineering, applied artificial intelligence, tribology, creative design and design modelling, advanced materials and

material evaluation, renewable technology and sustainable design.

## Community Engagement

BU is central to the community. We are one of the largest employers in the region and 40 per cent of our students come from within 40 miles of the University. The benefits for students who study at BU are obvious, but the value we bring to the wider community should not be overlooked. Our students do a huge amount of volunteering and raise in the region of £0.2m every year for local charities. The Economic Impact Study 2013 calculated that BU generates in excess of £1.0m per day to the level of economic activity in the south west and BU Students and their visiting friends and families spent more than £128.0m in the south west region during 2013 and 2014.

The second year of the Festival of Learning took place in the summer of 2014. The festival attracts in excess of 4,000 local people who join the festival to find out more about the University research and how our research can impact their lives and the lives of those around the world. 190 students across six Design, Engineering and Creative Technology courses exhibited their final year projects with everything from a tunnel-boring machine to an eco-shower and indicator light system for bikes on display.

The University arranges a number of events across Dorset. Examples of the events arranged include a survey of wildlife of Studland Nature Reserve and a workshop exploring how archaeologists use artefacts to reconstruct the lives of people in the past.

BU has recently invested in our campus sports facilities (SportBU) which now boast; a fully-equipped state-of-the-art Fitness Training Zone, large aerobics and dance studio, refurbished sports hall and Therapy Treatment Rooms all of which are open to the public.

## In conclusion

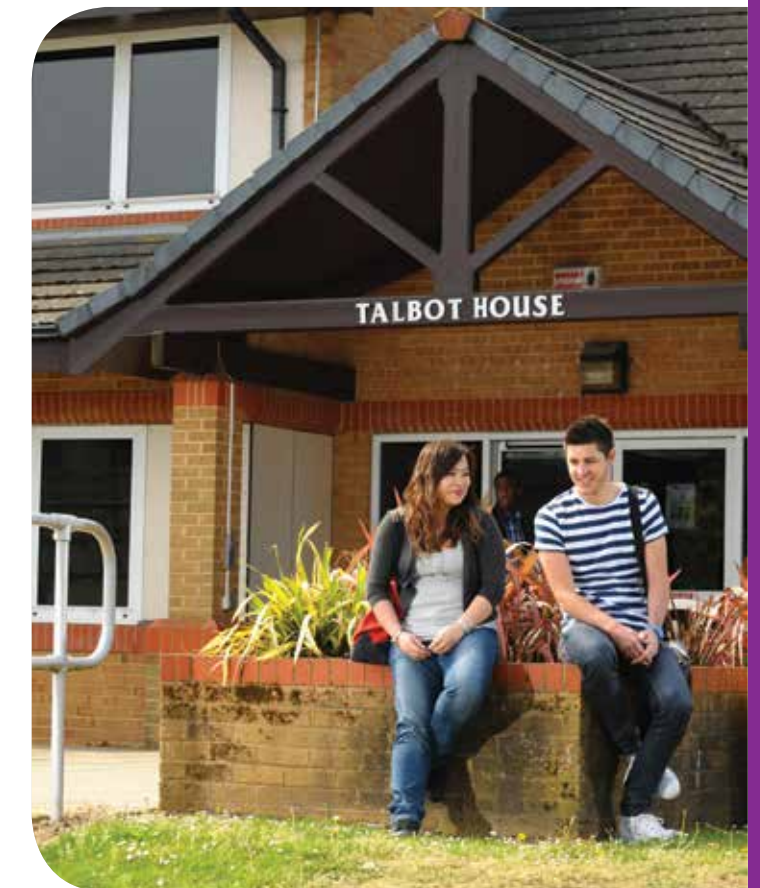
This is a very exciting time for the University and we are very proud of what we have achieved together over the past year. The University has remained in sound financial health with significant financial investment planned on our facilities.

We maintained our sector-leading reputation for academic excellence and remain the only university to date to be commended for the quality of student learning opportunities.

## Disclosure of information to auditors

The University Board Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each University Board Member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

**MS S SUTHERLAND**  
Chair of the Board  
28 November 2014





# Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Committee of University Chairs (CUC) Governance Code of Practice and Principles.

The members who served on the Board during the year and up to the date of signature of this report are listed on page 1.

The University has exempt charitable status and Board Members are, therefore, charitable trustees. As such they are responsible for ensuring that the University is compliant with charity legislation. The University must comply with the reporting and other requirements of the Higher Education Council for England (HEFCE) as principle regulator under the Charities Act 2011.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues.

All University Board Members are able to take independent professional advice in furtherance of their duties at the University's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole. Formal agendas, papers and reports are supplied to Board Members in a timely manner, prior to Board meetings. Briefings on topics of interest are also routinely provided and Continuing Professional Development opportunities, such as events run by the HE

Leadership Foundation, are available to Board Members at the University's expense.

The Board has a strong and independent non executive element and no individual or group dominates its decision making process. The Board considers that each of its non executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chairman and Vice-Chancellor are separate.

Independent members of the Board are appointed for an initial 3 year term of office. Independent members do not normally serve more than 2 consecutive terms. Elected staff members serve three year terms subject to remaining in an appropriate post at the University. The elected President of the Students' Union is an ex officio member of the Board and may serve a maximum of two, one-year terms.

1. Further to the above the following statements are provided to enable readers of the annual report and accounts to obtain a better understanding of the Institution's specific governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the Guidance to Institutions of Higher Education from the Committee of University Chairmen in its "Guide for Members of HE Governing Bodies in the UK".
3. The institution is an independent corporation, established as a Higher Education Corporation under the terms

of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government which were approved by the Privy Council in 1996 and remain unchanged.

4. The Articles of Government at the University require the institution to have a governing body (the University Board) and an academic board (Senate), each with clearly defined functions and responsibilities, to oversee and manage its activities.
  - a. The University Board is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

In accordance with the requirements set out in the University's Articles of Government, the University Board has a majority of independent members. The Chair is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body. Members of the Board receive no payment other than expenses reasonably incurred for the work they do for that body.

- b. Subject to the overall responsibility of the governing body and to responsibilities of the Vice-Chancellor, Senate has oversight of the academic affairs of the institution and draws its membership from the staff and the students of the institution plus the Principal of the Anglo-European College of Chiropractic (a partner institution of the University). It is particularly concerned with general issues relating to the learning, teaching and research work of the institution.
5. The Vice-Chancellor is the Chief Executive Officer and is the head of the institution with a general responsibility to the University

Board for the organisation, direction and management of the institution. Under the terms of the formal Financial Memorandum between the institution and HEFCE, the Vice-Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

6. Although the University Board meets at least four times each academic year, much of its detailed work is initially handled by sub-committees. In addition to these sub-committees the Board establishes fixed term ad-hoc Task Groups in order to consider particular issues. In 2013/14 these have comprised an Honorary Awards Task Group which met in March 2014. The activities of these committees and Task Groups are formally reported to the governing body.
  - a. Audit, Risk and Governance Committee is responsible for overseeing the University's management of risk: monitoring the effectiveness of the University's governance arrangements; value for money; internal control and advising the Board on the University's audit strategy. The Committee meets, at least three times a year, with the external auditors to discuss audit matters; and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's system of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from HEFCE and other external bodies as they affect the University's business and monitors adherence with regulatory requirements. It also has oversight of Health & Safety on behalf of the University Board. Audit, Risk and Governance Committee considers in detail the University's annual accounts and makes appropriate recommendations to the Board. The Committee also gains assurance over the quality of data submitted within institutional returns via the established data optimisation review process. University senior executives



- attend meetings of Audit, Risk and Governance Committee but are not members of the Committee.
- b. Finance and Resources Committee takes a long term view of the University's overall development and advises the Board on the development of the Strategic Plan and major projects. It receives the management accounts of the University and additional performance reports. The Committee also advises the Board on the effectiveness and efficiency of estates and physical resource provision within the University as well as matters relating to Human Resources.
  - c. Remuneration Committee determines the pay and conditions of service of members of the University Executive Team and the Clerk to the Board. Pay and conditions of service of all other staff are determined by the Vice-Chancellor within a framework set by the Finance & Resources Committee.
  - d. The Development Funding Committee is responsible on behalf of the University Board for the stewardship of funds donated to Bournemouth University (including assets and liabilities transferred from the BU Foundation) and any related policies and procedures.
  - e. The University Board is also represented on the following Senate Committees: Academic Standards Committee, Education and Student Experience Committee, Research & Knowledge Exchange Committee and the University's Research Ethics Committee.
7. A significant proportion of the membership of these Board committees consists of independent and co-opted members of the governing body. The chairs are selected from the co-opted and independent members.
  8. As chief executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The other members of the University Executive Team and members of the University Leadership Team all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the University Board.
  9. The institution maintains a register of interests of members of the University Board and University Leadership Team which is published on the University's website annually. A hospitality register is also maintained in accordance with anti-bribery legislation.
  10. In accordance with the articles of government the Board has appointed a Clerk to the University Board. The Clerk provides independent advice on matters of governance to all members of the University Board.

## Statement of Internal Control

1. The University Board is responsible for the establishment and monitoring of systems of internal control. These control systems are firmly based in the process of identifying and managing risks, and risk management is a key element of the operational, financial and project management systems within the University. They are subject to review by Internal Audit which is carried out by the Internal Audit Consortium, Kingston City Group (KCG). The University is a member institution of the KCG Consortium – a Higher Education Cost Sharing Group for the provision of Internal Audit services to member institutions.
2. The University Executive delegates the detailed assessment of risk to the Risk Management Steering Group which reports to the University Leadership Team. The Group maintains a comprehensive Risk Register which encompasses all risk types, including financial, operational, reputational and other risks. The review of the Risk Register is an ongoing process and risks are rated and prioritised according to probability and possible impact alongside the prescribed control measures to address the risk.
3. The Risk Register (as discussed and agreed with the University Leadership Team) is presented for discussion and review to the Audit, Risk and Governance Committee at each of its meetings with new or changing risks highlighted. It is a key element in informing the Internal Auditor's work programme. The Deputy Vice-Chancellor Chairs the Risk Management Steering Group and attends Audit, Risk and Governance Committee meetings. The risk register is submitted to the Board along with the minutes of the Audit, Risk and Governance Committee meeting. In addition, the Audit, Risk and Governance Committee annually review the risk management process to ensure its ongoing effectiveness. In addition, in 2013/14 the Audit, Risk & Governance Committee approved a set of Risk Appetite Statements

for the University's key business areas, to help inform risk management processes.

4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and Vice Chancellor on the effectiveness of the University's wider systems of governance which it does through its consideration of the University's accounts, risk management, data quality, internal and external audit reports, emergency planning and other internal control processes.
5. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements.
6. There have been no material internal control issues to report during the year to 31 July 2014.



**MS S SUTHERLAND**  
Chair of the Board



**PROFESSOR J VINNEY**  
Vice-Chancellor and Chief Executive

**28 November 2014**



# Responsibilities of the University Board

The University Board are required to present audited financial statements for each financial year.

In preparing the financial statements, the University Board, ensure that:-

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- the going concern basis is used unless it is inappropriate to presume that University will continue in operation for the foreseeable future.

The University Board is also required to prepare a Report of the Board of Governors which describes what it is trying to do and how it is going about it, including the legal and administrative status of the University.

The University Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the University and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the University website is the responsibility of the University Board; the work carried out by the auditors does not involve consideration of these matters and,

accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The University Board is responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. The University Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, The University Board is responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

Further to this the University Board has adopted this Statement as a summary of its responsibilities. The Statement conforms to the model Statement of Responsibilities published by the Committee of University Chairmen.

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution (known as the Vice-Chancellor), as chief executive officer, for the academic, corporate, financial, estate and personnel management of the institution and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of

the Vice-Chancellor.

3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest. The Audit, Risk and Governance Committee receives a report at each of its meetings on the major risks facing the University. Any matters of concern are reported to the Board.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the University Board itself. To ensure that similar processes are in place to monitor and evaluate the performance and effectiveness of Senate.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the Vice-Chancellor as chief executive officer, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Clerk to the University Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that

proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.

12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.
16. To prepare the annual financial statements, ensuring that:-
  - suitable accounting policies are selected and applied consistently
  - judgements and estimates are made that are reasonable and prudent
  - applicable Accounting Standards have been followed
  - the going concern basis is used unless it is inappropriate to presume that University will continue in operation for the foreseeable future.



**MS S SUTHERLAND**  
**Chair of the Board**  
**28 November 2014**



# Independent Auditors' Report to the Governors of Bournemouth University

We have audited the financial statements of Bournemouth University for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Historical Cost Surpluses and Deficits, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Governors, as a body, in accordance with paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University's 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 University's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the University's Governing Body and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body are responsible for the preparation of the financial statements

and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

## Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2014 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Education Reform Act 1988 and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions".

## Opinion on other matters required by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the Group and the University.



**BDO LLP**  
**Statutory Auditor**  
**Southampton**  
**United Kingdom**  
**Date: 28 November 2014**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

## 1. Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and equipment transferred to the University from Dorset County Council upon incorporation, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, the accounts direction handbook 2011/12 published jointly by the SFA and EFA, and applicable Accounting Standards.

## 2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31 July 2014. Intra-group sales and profits are eliminated on consolidation and all income and expenditure figures relate to external transactions only. The consolidated financial statements do not include those of the Bournemouth University Students' Union as it is separately constituted and the University does not exercise control or significant influence over the Union.

## 3. Fixed assets

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from the local County Council with effect from 1 April 1989. On 1 April 1989 the inherited

property was valued at £17.2m, by a firm of chartered surveyors, using the depreciated replacement cost basis. The land was valued at transferred debt. The property is recorded in the financial statements at these values, as adjusted for subsequent disposals. It is the University's policy to recognise a related revaluation reserve in respect of this property.

The threshold for the capitalisation of fixed assets is £5,000.

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition.

Assets under construction are accounted for at cost, based on the value of direct costs incurred to 31 July. As these assets become complete and operational they are transferred to the appropriate asset category. They are not depreciated until the accounting period in which they are brought into use. Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated useful life of the assets. The rates of depreciation are as follows:

<b>Freehold buildings</b>	Between 20 and 50 years
<b>Leasehold improvements</b>	25 years. (or period of lease if shorter)
<b>Computers</b>	5 years
<b>Other equipment</b>	5 years

Where fixed assets are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the assets.

The transitional rules set out in FRS15 Tangible Fixed Assets were applied on implementing FRS15. Accordingly the book values at implementation have been retained, subject to annual testing for indicators of impairment under FRS11.

## 4. Investments

Listed investments held as fixed assets or endowment assets are stated at market value or cost where no market value is available. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

## 5. Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

## 6. Finance leases and operating leases

Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of the lease payments over the recorded obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the periods of the leases.

## 7. Taxation

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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.

The Institution 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 tangible fixed assets is included in their cost.

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 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 assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## 8. Foreign currencies

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the income and expenditure account.

## 9. Liquid resources

For the purpose of the cash flow statement, liquid resources are defined as current asset investments and short-term deposits that are not repayable on demand within 24 hours without penalty.

## 10. Maintenance of premises

The University charges long-term maintenance costs to the income and expenditure account as they are incurred.

## 11. Donations

Donations received towards the construction of a specific building or the acquisition of a substantial piece of equipment are credited to deferred capital grants in the balance sheet. The amount is released to the credit of the Income and Expenditure account over the same estimated useful life that is used to determine the depreciation charge. Restricted donations are treated as endowments. All



other donations are recognised as income on receipt.

## 12. Recognition of income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. Any bursaries granted by the University are included as expenditure in note 6.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or services rendered.

Non recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account for specific endowments.

Income receivable from HEFCE is recognised in line with the latest estimates of grant receivable for an academic year. The final grant allocation is determined in the subsequent February, following an audit of the University's activity.

## 13. Pension schemes

Retirement schemes to employees of the University are provided by the Teachers Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS) – Dorset County Council Pension Fund. These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Schemes (SERPS).

Contributions to the Schemes are charged to the Income and Expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using prospective benefit method for the TPS.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality unit bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the schemes assets and the increase during the period of the present value of the scheme's liabilities arising from the passage of time are included in the pension finance costs.

The difference between the fair value of the University's share of the assets held in the LGPS defined benefit pension scheme and the University's share of the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme asset or liability arising from factors other than the cash contribution by the University are charged to the Income and Expenditure account or the Statement of Recognised Surpluses and Deficits in accordance with FRS17 Retirement Benefits.

The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the

year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation. The provision will be released against the cost to the University of enhanced entitlements over the estimated life expectancy of each relevant scheme member.

## 14. Provision

A provision is recognised in the financial statements when a present legal or constructive obligation arising from past events exists and it is probable that an outflow of economic benefits will be required to settle the obligation.

## 15. Research & Development

Research & development expenditure is written off in the year incurred.

## 16. Agency arrangements

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

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Note	2014 £'000	2013 £'000
<b>Income</b>			
Funding body grants	1	22,299	30,094
Tuition fees and education contracts	2	88,268	74,933
Research grants and contracts	3	3,376	3,076
Other operating income	4	14,211	11,832
Endowment and investment income		533	489
		<u>128,687</u>	<u>120,424</u>
<b>Expenditure</b>			
Staff costs	5	66,022	61,531
Depreciation	8	8,203	6,398
Other operating expenses	6	51,165	49,735
Interest and other finance costs	7	2,864	2,601
		<u>128,254</u>	<u>120,265</u>
Surplus for the year after depreciation of assets at valuation and taxation		<u>433</u>	<u>159</u>

All amounts relate to continuing activities.  
The notes on pages 27 to 45 form part of these accounts.

### Consolidated statement of total recognised gains and losses

	2014 £'000	2013 £'000
Surplus for the financial year	433	159
Actuarial (loss)/gain in respect of the pension scheme	(9,670)	9,410
Total recognised (loss)/gain relating to the financial year	<u>(9,237)</u>	<u>9,569</u>

### Reserves reconciliation

Opening reserves as previously stated	22,994
Surplus for the year	433
Actuarial loss recognised in pension schemes	(9,670)
Closing reserves	<u>13,757</u>

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES & DEFICITS FOR THE YEAR ENDED 31 JULY 2014

	2014 £'000	2013 £'000
Surplus for the financial year	433	159
Difference between historical cost depreciation charge and actual depreciation charge on revalued fixed assets	401	401
Historical cost surplus after taxation	<u>834</u>	<u>560</u>

The notes on pages 30 to 49 form part of these accounts.



# CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2014

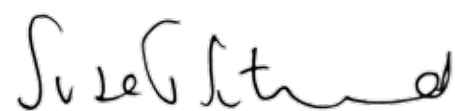
# UNIVERSITY BALANCE SHEET AS AT 31 JULY 2014

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	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	8	98,047	88,942
Investments	8	29	79
		<u>98,076</u>	<u>89,021</u>
<b>Current assets</b>			
Stocks	9	1	5
Investments		52	60
Debtors	10	8,650	5,205
Short-term deposits	18	23,210	30,169
Cash at bank and in hand	18	2,065	1,022
		<u>33,978</u>	<u>36,461</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(22,429)</u>	<u>(17,759)</u>
<b>Net current assets</b>		<u>11,549</u>	<u>18,702</u>
<b>Total assets less current liabilities</b>		<u>109,625</u>	<u>107,723</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(32,660)</u>	<u>(33,666)</u>
<b>Pension liability</b>	21	<u>(42,390)</u>	<u>(29,975)</u>
<b>NET ASSETS</b>		<u>34,575</u>	<u>44,082</u>
<b>Deferred capital grants</b>	13	20,818	21,088
<b>Reserves</b>			
Revaluation	14	5,315	5,716
Revenue excluding pension reserve		50,832	47,253
Pension reserve	21	(42,390)	(29,975)
		<u>8,442</u>	<u>17,278</u>
<b>Revenue including pension reserve</b>	15	<u>8,442</u>	<u>17,278</u>
<b>Total reserves</b>		<u>13,757</u>	<u>22,994</u>
<b>TOTAL</b>		<u>34,575</u>	<u>44,082</u>

The notes on pages 30 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 28 November 2014



MS S SUTHERLAND  
Chair of the Board



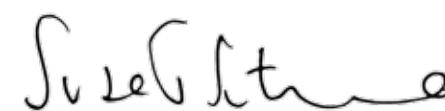
PROFESSOR J VINNEY  
Vice-Chancellor and Chief Executive

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	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	8	98,047	88,942
Investments	8	29	79
		<u>98,076</u>	<u>89,021</u>
<b>Current assets</b>			
Stocks	9	1	5
Investments		52	60
Debtors	10	8,704	5,203
Short-term deposits		23,210	30,169
Cash at bank and in hand		2,058	1,010
		<u>34,025</u>	<u>36,447</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(22,433)</u>	<u>(17,754)</u>
<b>Net current assets</b>		<u>11,592</u>	<u>18,693</u>
<b>Total assets less current liabilities</b>		<u>109,668</u>	<u>107,714</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(32,660)</u>	<u>(33,666)</u>
<b>Pension liability</b>	21	<u>(42,390)</u>	<u>(29,975)</u>
<b>NET ASSETS</b>		<u>34,618</u>	<u>44,073</u>
<b>Deferred capital grants</b>	13	20,818	21,088
<b>Reserves</b>			
Revaluation	14	5,315	5,716
Revenue excluding pension reserve		50,875	47,244
Pension reserve	21	(42,390)	(29,975)
		<u>8,485</u>	<u>17,269</u>
<b>Revenue including pension reserve</b>	15	<u>8,485</u>	<u>17,269</u>
<b>Total reserves</b>		<u>13,800</u>	<u>22,985</u>
<b>TOTAL</b>		<u>34,618</u>	<u>44,073</u>

The notes on pages 30 to 49 form part of these accounts.

Approved and authorised for issue by the University Board on 28 November 2014



MS S SUTHERLAND  
Chair of the Board



PROFESSOR J VINNEY  
Vice-Chancellor and Chief Executive

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2014

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	Note	2014 £'000	2013 £'000
<b>Net cash inflow from operating activities</b>	16	11,537	6,835
Returns on investments and servicing of finance			
Interest received		533	535
Interest element of bank loan		(1,180)	(868)
Interest element of finance lease payment		(955)	(986)
		(1,602)	(1,319)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets (excluding leased assets)		(17,308)	(18,641)
Proceeds from sale of fixed assets		-	1,718
Proceeds from disposals of investments		47	-
Deferred capital grant received		847	683
		(16,414)	(16,240)
<b>Cash outflow before use of liquid resources and financing</b>		(6,479)	(10,724)
<b>Management of liquid resources</b>	18	6,959	5,332
<b>Financing</b>	17	(964)	5,090
<b>Decrease in cash</b>	18	(484)	(302)
<b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2014</b> £'000	<b>2013</b> £'000
Decrease in cash in the year		(484)	(302)
Decrease in short term deposits	18	(6,959)	(5,332)
Net Decrease/(increase) in debt	18	964	(5,090)
Change in net funds		(6,479)	(10,724)
Net (debt)/funds at beginning of year	18	(4,058)	6,666
Net debt at end of year	18	(10,537)	(4,058)

The notes on pages 30 to 49 form part of these accounts.

# NOTES TO THE ACCOUNTS

30

	2014 £'000	2013 £'000
<b>1. Funding body grants</b>		
HEFCE recurrent grant	19,536	27,708
HEFCE non-recurrent specific grant	1,646	1,224
Deferred capital grants released (see note 13)		
- Buildings	1,035	1,034
- Equipment	82	128
	<u>22,299</u>	<u>30,094</u>
<b>2. Tuition fees and education contracts</b>		
Full-time students	59,531	45,258
Full-time students charged overseas fees	10,532	11,293
Part-time fees	2,532	2,342
Short course fees	1,281	1,344
Other teaching contract course fees	14,392	14,696
	<u>88,268</u>	<u>74,933</u>
<b>3. Research grants and contracts</b>		
Research Council	1,133	934
UK based charities	241	230
European commission	628	814
Other grants and contracts	1,374	1,098
	<u>3,376</u>	<u>3,076</u>
<b>4. Other operating income</b>		
Residences	7,910	5,908
Other services rendered	40	45
Other income including conferences	6,261	5,879
	<u>14,211</u>	<u>11,832</u>
<b>5. Staff</b>		
▪ <b>Staff costs:</b>		
Salaries and wages	51,184	48,901
Social security costs	4,285	4,149
Other pension costs	8,429	8,024
Redundancy and associated pension costs	2,124	457
	<u>66,022</u>	<u>61,531</u>
▪ <b>Emoluments of the Vice-Chancellor</b>		
Remuneration	217	211
Benefits in kind	3	3
Pension contributions	31	30
	<u>251</u>	<u>244</u>



**5. Staff (continued)**

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions on behalf of the Vice-Chancellor are paid at the same rate as for other academic staff. No governors received remuneration apart from reimbursement of expenses incurred in the course of their duties.

	<b>2014</b>	<b>2013</b>
	£'000	£'000
▪ <b>Emoluments of senior post holders</b>		
Remuneration	792	819
Benefits in kind	3	13
Pension contributions	108	93
	<u>903</u>	<u>925</u>

Emoluments of senior post holders related to 6 members of staff in 2014 (2013: 6 members of staff)

	<b>2014</b>	<b>2013</b>
	Number	Number Restated
▪ <b>Remuneration of other higher paid staff</b>		
£100,000 to £110,000	1	1
£110,000 to £120,000	3	1
£120,000 to £130,000	-	2
£130,000 to £140,000	2	1

The 2013 remuneration of higher paid staff has been restated after additional guidance was released by HEFCE. The Vice-Chancellor is no longer included in the disclosure and remuneration includes basic salary, performance bonuses and all taxable benefits in kind but excludes employer's national insurance and employer's pension costs.

▪ **Average staff numbers employed:**

Academic staff (excluding part-time visiting lecturers)	589	584
Administrative, professional, technical and clerical staff	777	780
Manual and maintenance staff	22	25
	<u>1,388</u>	<u>1,389</u>

	<b>2014</b>	<b>2013</b>
	£'000	£'000
<b>6. Other operating expenses</b>		
Staff development	1,309	1,090
External Agencies and staff secondments	3,104	3,602
Other staff costs	326	532
Travel costs	1,839	1,523
Consumables and laboratory costs	744	395
Franchise costs paid to partner colleges	5,749	7,882
Student union grant	550	500
Student welfare	3,341	2,881
Office expenses	395	989
Books, periodicals and information services	2,038	1,894

**6. Other operating expenses (continued)**

	<b>2014</b>	<b>2013</b>
	£'000	£'000
Non capitalised equipment	5,480	3,159
Audit - External auditors remuneration – audit fees	39	33
- Auditors remuneration – other fees	4	23
- Taxation advisory services	8	69
- Internal auditors remuneration	59	58
Legal and professional	2,304	3,104
Bursaries	4,546	3,895
Promotions costs	1,780	1,873
Rent and rates	7,437	7,009
Heat, light, water and power	2,060	2,010
Repairs, refurbishment and scheduled maintenance	2,018	1,806
Insurance	363	343
Other expenses	5,672	5,065
	<u>51,165</u>	<u>49,735</u>

	<b>2014</b>	<b>2013</b>
	£'000	£'000
<b>Other operating expenses include</b>		
Governors expenses		
Hire of Plant and Machinery – operating leases	5	7
Hire of other assets – operating leases	-	15
	35	32

	<b>2014</b>	<b>2013</b>
	£'000	£'000
<b>7. Interest and other finance costs</b>		
On finance leases	955	986
Pension finance costs	823	747
Interest payable on bank loans:		
Repayable wholly or partly >5 years	1,086	868
	<u>2,864</u>	<u>2,601</u>

## 8. Tangible assets: Group and University

### Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings £000	Leasehold Improvements £000	Equipment £000	Assets in course of construction £000	Total £000
<b>Cost/valuation</b>					
At 1 August 2013	105,498	1,891	51,594	15,396	174,379
Additions	-	-	428	16,880	17,308
Disposals	-	-	-	-	-
Transfers	14,151	-	3,787	(17,938)	-
31 July 2014	119,649	1,891	55,809	14,338	191,687
<b>Depreciation</b>					
At 1 August 2013	41,482	605	43,350	-	85,437
Charge for the year	5,009	76	3,118	-	8,203
Disposals	-	-	-	-	-
31 July 2014	46,491	681	46,468	-	93,640
<b>Net book value</b>					
31 July 2014	73,158	1,210	9,341	14,338	98,047
31 July 2013	64,016	1,286	8,244	15,396	88,942

As a result of the Education Reform Act 1988 the interests in properties occupied by the University, previously held by Dorset County Council (DCC), were formally transferred, under the direction of the Education Assets Board (EAB), to the University itself with effect from 1st April 1989. Similarly, the University also acquired unrestricted title to those moveable assets acquired from funds previously paid by the DCC.

## 8. Tangible assets (continued)

The cost/valuation of Land and Buildings comprises:	2014 £'000	2013 £'000
<b>Freeholds</b>		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	<u>17,292</u>	<u>17,292</u>
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	93,007	78,856
Assets held under finance leases (short leaseholds)	9,200	9,200
	<u>119,649</u>	<u>105,498</u>

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at the date of implementation have been retained. In July 2011 freehold property was valued by Webb Valuations, who calculated a Property Insurance Reinstatement value of £234.9m on a Net Book Value of £63.2m.

Land and Buildings with a net book value of £73.2m includes assets held under finance leases with a net book value of £5.3m (2013: £5.5m), on which £0.2m of depreciation was charged during the year.

### Exchequer Funded Assets

The net book value of exchequer funded assets at the balance sheet date was £13.8m. Where assets are acquired with the aid of Exchequer funded grants, the related grants are treated as deferred capital grants and released to income over the expected useful life of the assets. (See note 13.)

Investment	Cost at 31 July 2014	Cost at 31 July 2013
<b>Investments - University</b>	£	£
Shares in group companies	5	5
Shares in CVCP Properties, plc	28,091	28,091
Shares in LeNSE Limited	-	50,000
Shares in Odstock Medical Ltd	1	1
	<u>28,097</u>	<u>78,097</u>

### Group Companies

	Cost at 31 July 2014	Cost at 31 July 2013
	£	£
BU Innovations Limited	2	2
BU Residences Limited	30	-
BU Enterprise Limited	1	1
	<u>33</u>	<u>3</u>



## 8. Tangible assets (continued)

### Group Companies

The University is the beneficial owner of the entire issued share capital of the group companies, all of which are registered in England. The subsidiary companies undertake activities which, for legal and commercial reasons, are more appropriately channelled through limited companies.

Their principal activities are as follows:

BU Innovations Limited purchases and exploits intellectual property rights arising from the work of staff of Bournemouth University.

BU Enterprise Limited was incorporated on 1 February 2012, the company provides business incubation, business acceleration, the creation of a community of practice (COP) and the enhancement of curricula.

BU Residences Ltd was incorporated on 5 August 2013, there was no activity during the financial year and the company is currently dormant.

The consolidated accounts also include the results of the Bournemouth University Foundation as the University is able to exercise control over its operating policies. The results of the Bournemouth University Foundation are set out in note 23. During 2012 it was decided that the work of the Foundation could be carried out more effectively as an integral part of the University. It was resolved that the assets and liabilities of the Foundation be transferred to the University but that the Foundation would remain a wholly owned subsidiary of the University to receive future legacies.

**CVCP Properties plc** £28,091

The University is a shareholder in CVCP Properties plc together with other University members of Universities UK, CVCP Properties plc's principal asset is Universities UK's headquarters, Woburn House. The total issued ordinary share capital of CVCP Properties plc is £4.3m

### LeNSE Limited

At meetings of the LeNSE Ltd Board held on 13 September 2012 and 21 January 2013, the Directors resolved that the Company should be dissolved upon settlement of all liabilities with a final cash distribution of remaining cash, if any. The main distribution of £450 per share was distributed to shareholders in September 2013. A final distribution of £20 per share was distributed to shareholders in June 2014. The University held 100 shares in LeNSE Ltd and received a total of £47,000 on Company dissolution.

## 9. Stocks

	2014		2013	
	Group £000	University £000	Group £000	University £000
Stock	1	1	5	5

## 10. Debtors

	2014		2013	
	Group £000	University £000	Group £000	University £000
Debtors	4,112	4,109	1,745	1,736
Amounts owed by group companies	-	61	-	9
Prepayments and accrued income	4,538	4,534	3,460	3,458
	8,650	8,704	5,205	5,203

## 11. Creditors: amounts falling due within one year

	2014		2013	
	Group £000	University £000	Group £000	University £000
Bank loans and overdrafts	2,816	2,816	1,273	1,273
Other loans	63	63	125	125
Obligations under finance leases	473	473	385	385
Trade creditors	2,487	2,486	2,723	2,723
Amounts owed to group companies	-	21	-	41
Other creditors	1,757	1,757	1,741	1,742
Social security and other taxation payable	1,424	1,424	1,376	1,376
Accruals and deferred income	13,409	13,393	10,136	10,089
	22,429	22,433	17,759	17,754

Accruals and deferred income include £6.8m (2013: £5.1m) of income received in advance in connection with teaching and consultancy work.

## 12. Creditors: amounts falling due after more than one year

Group and University	2014	2013
	£'000	£'000
Bank loans	23,938	24,408
Finance leases	8,522	8,995
Other creditor	200	200
Other loans	-	63
	32,660	33,666

### Loan Summary

Bank loans are represented in the below table:

Loan Type	Loan amount £'000	Interest Rate %	Repayable
Fixed	5,000	5.3	2043
Fixed	5,000	4.9	2043
Fixed	3,000	4.2	2043
Fixed	6,400	3.6	2043
Fixed	5,700	3.5	2043

## 12. Creditors: amounts falling due after more than one year (continued)

The other creditor is represented by a repayable grant received for the Revolving Green Fund and a carbon reduction initiative of £0.2m. The other loan is represented by a repayable grant received for a joint HEFCE and Salix Finance Ltd initiative to reduce greenhouse gases of £63k.

In 1998 the University entered into a twenty six year finance lease on Cranborne House, a 499 bed student accommodation facility, at an initial annual rent of £0.8m which increases annually by 3.7%. After twenty six years the freehold interest in the building will be transferred to the University at no cost. £8.5m is outstanding on finance leases due after more than one year.

An analysis of the capital debt by due date of repayment on the finance lease is set out below:

	2014	2013
	£'000	£'000
Repayable within 1 year	473	385
Repayable within 2-5 years	3,005	3,743
Repayable after 5 years	5,517	5,252
	8,995	9,380

An analysis of the capital debt by due date of repayment on the bank loan is set out below:

	2014	2013
	£'000	£'000
Repayable within 1 year	451	435
Repayable within 2-5 years	2,001	1,492
Repayable after 5 years	21,937	22,916
	24,389	24,843

An analysis of other loans is set out below:

	2014	2013
	£'000	£'000
Repayable within 1 year	63	125
Repayable within 2-5 years	-	63
	63	188

## 13. Deferred capital grants: Group and University

	HEFCE Grants		Other Grants	
	Buildings	Equipment	Donations	Total
	£'000	£'000	£'000	£'000
At 1 August 2013	19,820	365	903	21,088
Grant received in year	797	-	50	847
Released to Income and Expenditure account (see note 1)	(1,012)	(82)	(23)	(1,117)
At 31 July 2014	19,605	283	930	20,818

Deferred capital grants represent cash received from HEFCE and private donations to finance buildings and equipment which have not yet been released to the credit of the Income and Expenditure account.

## 14. Revaluation Reserves: Group and University

	2014	2013
	£'000	£'000
Balance at 1 August	5,716	6,117
Transfer to general reserves	(401)	(401)
Balance at 31 July	5,315	5,716

The transfer to general reserves represents an amount equal to the depreciation charged in the year on assets acquired in 1988 from Dorset County Council at the inception of Bournemouth Polytechnic (now Bournemouth University). The assets were valued in 1989 at £17.2m.

## 15. Revenue reserves

	Group	University
	£'000	£'000
Balance at 1 August 2013	17,278	17,269
Retained surplus for the period	433	485
Actuarial loss on pension liability (See note 21)	(9,670)	(9,670)
Transfer from revaluation reserves	401	401
Balance at 31 July 2014	8,442	8,485

Revenue reserves include £110,778 (2013:£121,000) held for restricted purposes of student support and research projects as agreed with the donors.

Group retained surplus for year	£000
University surplus for year	485
Loss generated by subsidiary undertakings	(52)
	433

## 16. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2014	2013
	£'000	£'000
Surplus after taxation	433	159
Depreciation	8,203	6,398
Loss on disposal of fixed assets	-	(363)
Deferred capital grants released	(1,117)	(1,162)
Interest receivable	(533)	(489)
Interest payable	2,864	2,601
Pension contribution less amounts charged to operating surplus	1,922	1,952
Decrease in stock	4	3
Increase in debtors	(3,445)	(839)
Increase/(Decrease) in creditors	3,195	(1,463)
Loss on disposal of investments	11	38
	11,537	6,835



### 17. Analysis of changes in consolidated financing during the year

	<b>Finance leases</b>	<b>Other loans</b>	<b>Bank loans</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
At 1 August	9,380	188	24,843	34,411
New leases/loans	-	-	-	-
Capital repayments	(385)	(125)	(454)	(964)
At 31 July	8,995	63	24,389	33,447

### 18. Analysis of changes in net funds

	<b>At 1 August</b>	<b>Cash</b>	<b>Non cash</b>	<b>At 31 July</b>
	<b>2013</b>	<b>Movement</b>	<b>Movement</b>	<b>2014</b>
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,022	1,043	-	2,065
Bank overdraft	(838)	(1,527)	-	(2,365)
	184	(484)	-	(300)
Short-term deposits	30,169	(6,959)	-	23,210
Debts due within one year	(945)	945	(987)	(987)
Debts due after one year	(33,466)	19	987	(32,460)
	(4,058)	(6,479)	-	(10,537)

### 19. Contingent liabilities

#### Nomination agreements

The University has entered into an arrangement with UNITE for the supply of additional student accommodation in two buildings, Purbeck House a 519 bed accommodation facility and Corfe House, a 308 bed facility. The buildings are owned and managed by UNITE but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students (for which they pay full costs). If there were insufficient occupants the University would be liable to pay up to the guaranteed amount. To date no such claims have been made.

The University has entered into an arrangement with Spectrum (Signpost Homes Limited) for the supply of additional student accommodation in three buildings, Okeford House a 94 bed accommodation facility, Lyme Regis House, a 400 bed facility and Chesil House, a 210 bed facility. The buildings are owned and managed by Spectrum but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students. The nomination agreement provides a minimum income guarantee for the provider in circumstances where there are too few students nominated; and that, to date, this has not been called upon. The nomination agreement was transferred from Signpost Homes Limited to Campus Living Villages Limited on 20th September 2013.

### 20. Operating lease and Capital commitments

At 31 July 2014 the group was committed to making the following payments during the next year in respect of operating leases:

	2014		2013	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	£'000	£'000	£'000	£'000
Operating leases:				
Expiring within one year	3,632	-	-	17
Expiring within two and five years	-	35	3,540	30
Expiring within six and thirty years	1,168	-	1,101	-
	4,800	35	4,641	47

In 1990 the University entered into a 30 year operating lease on the Talbot Student Village, a 278 room student accommodation facility. The rental is subject to triennial review. The Talbot Student Village remains the property of the Talbot Village Trust and at no time can the University take title to it.

In 2005 the University fitted out and occupied Melbury House which is held under a 25 year operating lease. The building provides accommodation for a number of Professional Service departments and the Business Incubation Centre. The fit out costs are shown in the leasehold improvements section in Note 8. The operating lease has a break clause after 15 years which includes a 12 month notice period.

In 2010 the University entered into a 16 year operating lease on the Executive Business Centre which is home to the Business School. The lease has a break clause in 2014 and 2019. The rental is also subject to review in 2014 and 2019.

In 2012 the University entered into a 7 year operating lease on Dorchester House, a 540 room purpose built student accommodation block. The lease has a break clause in years 2015, 2016, 2017 and 2018.

<b>Capital commitments</b>	<b>2014</b>	<b>2013</b>
	£'000	£'000
Commitments contracted at 31 July	6,756	11,966
Authorised but not contracted at 31 July	27,142	14,813
	33,898	26,779

## 21. Pensions

### FRS17

The University's employees belong to three principal pension schemes, the Teachers' Pensions Scheme (TPS), the Universities Superannuation Scheme (USS) and the DCSS Local Government Pension Scheme (LGPS). All are defined benefit schemes. The total pension cost for the year ended 31 July 2014 was £8.4m (2013: £8.0m).

Reconciliation to balance sheet	Year to 31	Year to 31
	July 2014	July 2013
	£'000	£'000
DCSS LGPS pension liability	41,250	28,903
Pension enhancement pension liability	1,140	1,072
	<u>42,390</u>	<u>29,975</u>

### TPS

Under the definitions set out in Financial Reporting Standard 17 - Retirement benefits, the Teacher's pension scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme in so far as it affects the University. As a result, contributions to this scheme are accounted for as if the scheme was a defined contribution scheme.

The University has set out below the information available on the Scheme and the implications for the University in terms of the anticipated contribution rates.

The employers' contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2013 to 31 July 2014.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The last valuation of the TPS related to the period 1 April 2004 to 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191.5billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176.6billion million. The assumed real rate of return is 3% in excess of prices and 1.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

The next formal actuarial valuation is due as at 31 March 2016

## 21. Pensions (continued)

### USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not linked to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2011, although the scheme actuary has updated some of the information to 31 March 2013. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.8% (2011: 0.3%) from the market-implied inflation.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 4.8% (2011:6.1%) per annum, salary increases would be 4.3% (2011:4.4%) per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 2.5% per annum (2011: 3.4% per annum for the 3 years following the valuation then 2.6% per annum thereafter).

Standard mortality tables were used (for 2013 and 2011) as follows:

Male members' mortality	S1NA (Light) year of birth tables – No age rating
Female members' mortality	S1NA (Light) year of birth tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 years
Males (females) currently aged 45	25.5 years

At the valuation date, the value of the assets of the scheme was £38.6billion (2011:£32.4billion) and the value of the schemes' technical provisions was £50.1billion (2011:£35.3billion) indicating a shortfall of £11.5billion (2011:£2.9billion). The assets therefore were sufficient to cover 77% (2011:92%) of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 3.1% per annum (2011:4.4%) (the expected return on gilts). On this basis the funding level was approximately 55% (2011:68%).



## 21. Pensions (continued)

Surpluses or deficits which arise at future valuation may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Rate of investment return	Increase/decrease by 0.25%	Decrease/increase by £1.6 billion
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by £0.6 billion
Rate of mortality	Members live one year longer than assumed	Increase by £0.8 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the institution was £155,952 (2013: £155,789). This includes £12,200 (2013: £13,940) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

### Pension Enhancements

The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation. An amount of £1,140,000 is included in provision for pension liabilities representing the extent to which capital costs charged exceed actual payments made. The provision will be released against the cost to the University of enhanced entitlements over the estimated life expectancy of each relevant scheme member. The value of the liability calculated by the actuaries was based on FRS17 assumptions used for the DCSS LGPS. The scheme is now closed and no new members have been added since the late 1990's.

### DCSS

This is a funded defined benefit scheme where contributions payable are held in a trust separately from the University. Full actuarial valuations are carried out triennially, with the last full valuation being at 31 March 2014.

The valuation has been updated to 31 July 2014 by qualified independent actuaries who estimate that the net liability as at 31 July 2014 is £41,250,000.

The main results of, and assumptions for, the valuation of the scheme based on the projected unit method as prepared by the qualified independent actuaries are as follows:

## 21. Pensions (continued)

Assumptions as at	31 July 2014		31 July 2013		31 July 2012	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.5%		3.4%		2.6%	
CPI increases	2.7%	-0.8%	2.6%	-0.8%	1.8%	-0.8%
Salary increases	4.2%	0.7%	4.6%	1.2%	3.8%	1.2%
Pension increases	2.7%	-0.8%	2.6%	-0.8%	1.8%	-0.8%
Discount rate	4.3%	0.8%	4.8%	1.4%	3.9%	1.3%

### Life expectancy from age 65 (years)

	2014	2013
<b>Retiring today</b>		
Males	22.7	20.1
Females	25.1	24.1
<b>Retiring in 20 years</b>		
Males	24.9	22.1
Females	27.4	26.0

### Expected return on assets and estimated asset allocation

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 August 2014 for the year to 31 July 2015). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an allowance for defaults) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The following expected returns have been adopted.

Asset class	Expected return at	Asset allocation	Expected return at	Asset allocation
	1 August 2014	31 July 2014	1 August 2013	31 July 2013
	%p.a.	£000	%p.a.	£000
Equities	7.0%	38,053	7.0%	38,985
Other Bonds	4.0%	-	-	-
Alternative Assets	7.0%	3,056	-	-
Portfolio	7.0%	2,577	5.2%	3,144
Property	5.7%	6,505	6.5%	5,659
Cash	3.2%	6,016	0.5%	3,144
Gilts	3.4%	13,407	3.4%	11,947
Total		69,614		62,879

21. Pensions (continued)

Reconciliation of DCSS LGPS pension liability recognised in balance sheet

	31 July 2014	31 July 2013
	£'000	£'000
Net pension deficit as at		
Present value of funded obligation	(110,688)	(91,627)
Fair value of scheme assets	69,614	62,879
Net liability	<u>(41,074)</u>	<u>(28,748)</u>
Present value of unfunded obligation	(175)	(155)
Pension liability in balance sheet	<u>(41,249)</u>	<u>(28,903)</u>

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2014	Year to 31 July 2013
	£'000	£'000
Charged to staff costs:		
Current service cost	4,917	4,891
Loss on curtailments	369	20
	<u>5,286</u>	<u>4,911</u>
Charges to interest payable:		
Interest on obligation	4,526	3,433
Expected return on scheme assets	(3,753)	(2,686)
	<u>773</u>	<u>747</u>
Expense recognised	<u>6,059</u>	<u>5,658</u>
Actual return on scheme assets	<u>4,551</u>	<u>9,731</u>

Amounts recognised in Statement of Recognised Gains and Losses

	Year to 31 July 2014	Year to 31 July 2013
	£'000	£'000
Actual return less expected return on pension scheme assets	798	7,046
Experience gains and losses	500	3
Changes in assumptions underlying the present value of the scheme liabilities	(10,868)	2,361
Actuarial (loss)/gain recognised in the statement of recognised gains and losses	<u>(9,570)</u>	<u>9,410</u>
Cumulative amount of losses recognised in Statement of total Recognised gains and losses	<u>(12,401)</u>	<u>(2,831)</u>

21. Pensions (continued)

Reconciliation of opening & closing balances of the defined benefit obligation

	Year to 31 July 2014	Year to 31 July 2013
	£'000	£'000
Opening defined benefit obligation	91,782	85,376
Service cost	4,917	4,891
Interest cost	4,526	3,433
Actuarial loss/(gain)	9,312	(2,364)
Losses on curtailments	369	20
Estimated benefits paid (net of transfers in)	(1,485)	(898)
Past service costs	-	-
Contributions by scheme participants	1,455	1,337
Unfunded pension payments	(13)	(13)
Closing defined benefit obligation	<u>110,863</u>	<u>91,782</u>

Composition of defined benefit obligation

	Year to 31 July 2014	Year to 31 July 2013
	£'000	£'000
Unfunded	175	155
Funded obligations	<u>110,688</u>	<u>91,627</u>
	<u>110,863</u>	<u>91,782</u>

Reconciliation of opening & closing balances of the fair value of scheme assets

	Year to 31 July 2014	Year to 31 July 2013
	£'000	£'000
Opening fair value of scheme assets	62,879	49,762
Expected return on scheme assets	3,753	2,686
Actuarial (loss)/gain	(258)	7,046
Contributions by employer	3,283	2,959
Contributions by scheme participants	1,455	1,337
Estimated benefits paid (net of transfers in)	(1,498)	(911)
Fair value of scheme assets at end of period	<u>69,614</u>	<u>62,879</u>



## 21. Pensions (continued)

### Reconciliation of opening & closing balances of the net pension deficit

	Year to 31 July 2014	Year to 31 July 2013
	£'000	£'000
Deficit at beginning of the year	(28,903)	(35,614)
Service cost	(4,917)	(4,891)
Employer contributions	3,270	2,946
Unfunded pension payments	13	13
Past Service Costs		-
Other finance costs	(773)	(747)
Curtailments	(369)	(20)
Actuarial (loss)/gain	(9,570)	9,410
	<hr/>	<hr/>
Deficit at end of the year	(41,249)	(28,903)

### Sensitivity analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

	+0.1%	0%	-0.1%
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	108,443	110,863	113,340
Projected service cost	4,554	4,670	4,789
	<hr/>	<hr/>	<hr/>
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	111,336	110,863	110,394
Projected service cost	4,671	4,670	4,669
	<hr/>	<hr/>	<hr/>
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	112,904	110,863	108,873
Projected service cost	4,790	4,670	4,553
	<hr/>	<hr/>	<hr/>
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	107,034	110,863	114,727
Project service cost	4,511	4,670	4,831

## 21. Pensions (continued)

### 5 Year history

Amounts for the current and previous four periods	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011	Year to 31 July 2010
	£000	£000	£000	£000	£ 000
Defined benefit obligation	(110,863)	(91,782)	(85,376)	(68,780)	(59,272)
Scheme assets	69,614	62,879	49,762	44,292	37,796
Deficit	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(41,249)	(28,903)	(35,614)	(24,488)	(21,476)

	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011	Year to 31 July 2010
	£000	£000	£000	£000	£ 000
Experience adjustments on scheme liabilities	1,556	3	(24)	1,157	-
Percentage of liabilities	1.4%	-	-	1.7%	-
Experience adjustments on scheme assets	(258)	7,046	(224)	1,158	3,443
Percentage of assets	(0.4%)	11.2%	(0.5%)	2.6%	9.1%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cumulative actuarial loss	(15,104)	(5,534)	(14,944)	(5,804)	(4,409)

The Groups best estimate of the contributions expected to be paid in the year beginning on the 1 August 2014 is £3,094,000. (2013: £2,887,000).

### 22. Access Funds

	2014 £'000	2013 £'000
Opening balance	18	17
Funding Council grants	300	284
Interest earned	2	1
	<hr/>	<hr/>
	320	302
Disbursed to students	(320)	(284)
	<hr/>	<hr/>
Closing Balance	-	18

Funding Council grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.

### 23. Related Party Transactions

The Board has taken advantage of the exemptions provided by FRS8 not to disclose transactions with wholly owned subsidiary companies.

No governors received payment for their services as a governor.

During the year The Bournemouth University Foundation awarded grants to Bournemouth University of £78,000 (2013: £1,338,200). No amounts were outstanding at the end of the year.

**23. Related Party Transactions (continued)**

<b>Bournemouth University Foundation</b>	<b>£</b>
Turnover including interest received	73,535
Expenditure	(81,158)
	<hr/>
Loss on ordinary activities	7,623
	<hr/>
Reserves brought forward	7,783
Loss for year	(7,623)
	<hr/>
Reserves carried forward	160
	<hr/>

**23. Related Party Transactions (continued)****Students Union**

Bournemouth University considers the Student Union at Bournemouth University to be a related party due to the level and nature of the transactions between organisations. During the year to 31 July 2014, the University paid a grant of £549,000 to the Union (2013: £500,000).



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