



Bournemouth
University

Bournemouth University,
Higher Education Corporation



Report and Financial Statements for the year ended 31 July 2020

Board members and advisers

Board Membership at 18 December 2020 (date of formal approval)

Board Members (External)

Professor Richard Conder (Chair)
 Mr Nicholas Beal
 Mr John Beswick
 Mr Alistair Brien
 Ms Annette D'Abreo
 Ms Karima Fahmy
 Mr David Furniss
 Mr Karl Hoods
 Mr Stuart Jones
 Mr David Kane
 Mrs Jean Lang (Deputy Chair)
 Ms Sara Luder
 Mrs Adetola Oloyede
 Mr Des Pullen
 Ms Deborah Ward

External Auditors

BDO LLP

Arcadia House
 Maritime Walk
 Ocean Village
 Southampton
 Hants
 SO14 3TL

Board Members (Internal)

Mrs Paula Alliston (Professional & Support Staff Member)
 Mr Jim Andrews (Chief Operating Officer)
 Mr Graham Beards (Finance Director)
 (to 31 December 2019)
 Mr Abdurasheed Adeyinka Balogun (President Students' Union at Bournemouth University) (to 30 June 2020)
 Professor Carol Clark (Senate Member) (from 1 August 2020)
 Dr Lois Farquharson (Academic Staff Member)
 Miss Naomie Lebe (President Students' Union at Bournemouth University) (from 1 July 2020)
 Professor Tim McIntyre-Bhatty (Deputy Vice-Chancellor)
 Professor Tim Rees (Senate Member) (To 31 July 2020)
 Professor John Vinney (Vice-Chancellor)

Internal Auditors

PricewaterhouseCoopers LLP

Savannah House
 3 Ocean Way
 Southampton
 SO14 3TJ

Report of the Board of Governors

Scope and format of the financial statements

We are pleased to present the financial statements for Bournemouth University (BU) for 2020. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited, The Bournemouth University Foundation and BU Community Business Limited.

Summary of the Group financial performance for the year

The University's consolidated income, expenditure and results for the year ended 31 July 2020 are summarised as follows:

	2020	2019
	£'000	£'000
Income	164,420	160,188
Expenditure	157,268	151,722
Operating surplus for year before adjustments	7,152	8,466
Other adjustments		
Less LGPS pension provision cost adjustment	(8,561)	(9,858)
Less Restructuring charge	(2,557)	(2,404)
Deficit for year after other adjustments	(3,966)	(3,796)
Movement in other comprehensive income		
Less Movement in fair value of cash flow hedge	(1,161)	-
	(45,335)	3,389
Total comprehensive (loss)/profit for year	(50,462)	(407)

The University's operating surplus before the pension provision cost adjustment and restructuring charge was £7.2m, which represents 4.3% of income. In addition to the operating surplus, the University reported an FRS102 LGPS pension cost provision of £8.6m and a restructuring charge of £2.6m, reducing the £7.2m operating surplus to a deficit before other gains of £4.0m (2019: £3.8m). The Local Government Pension Scheme (LGPS) reported an actuarial loss of £45.3m (please see note 20) and this together with the movement in the fair value of an interest rate hedge of £1.2m, resulted in a total comprehensive loss for the year of £50.5m.

The University generated net cash from operating activity of £17.4m (2019: £20.2m). Capital investment of £29.3m focused on developing and enhancing our estate and facilities with the continued construction of the new academic Bournemouth Gateway Building which is scheduled to open in next financial year and the completion of the academic Poole Gateway building which opened in 2020.

The pension provision arises from those members of staff who are members of the Dorset County Superannuation Scheme (DCSS); essentially the non-academic staff of the University, or previous members of staff, who receive pension enhancement payments and payments due under the deficit agreement for the Universities Superannuation Scheme (USS).

Operating and Financial Review

Introduction

Our vision

The University's vision is to be recognised worldwide as a leading university for inspiring learning, advancing knowledge and enriching society through the Fusion of education, research and practice. Our values are creativity, inclusivity, responsibility and excellence. BU2025 is the next step in BU's development, building on our success. We have retained the core of what makes BU different, including our Fusion approach. Through Fusion, which was introduced at the start of the BU2018 plan period, we bring together research, education and practice to create something that is greater than the sum of its parts. As part of our BU2025 strategic plan, we have defined our purpose, to inspire learning, advance knowledge and enrich society.

Current year results

Impact of COVID 19

Following Government advice the University closed its campuses in late March 2020 and all face to face teaching was suspended with the exception of certain critical activities in the health faculty. A large proportion of research activity was paused as lab-based and field work had to cease. The closure had an immediate impact on a number of income streams as a result of the need to cancel a large number of activities such as conferences and sports events. These cancellations also affected related income generating sources including bus travel. As the majority of students had to leave to return home there was also a reduction in accommodation revenues with the University giving a 50% reduction in charges for the final semester of the academic year.

The reduction in revenues was offset to a large extent by cost savings elsewhere. These savings were realised through areas such as reduced travel charges, energy, direct course delivery costs and consumables. Extra costs have been incurred, however, to ensure the campuses are as safe as possible from the COVID 19 virus. These costs covered items such as new signage, protective equipment, sanitisation stations, additional cleaning including deep cleaning and computer equipment and software. The last item has involved a significant amount of

extra work and investment to ensure both staff and students can work effectively in a remote, on-line environment without detriment to teaching and the student experience.

There has also been a great deal of support and advice given to students together with hardship funds being made available for those who as a result of the lock-down had found themselves financially challenged. Support has also been given to staff with additional tools including IT kit being made available to support home working together with advice and guidance where needed to ensure their well-being is kept at the forefront of decision making.

A number of University staff were furloughed under the Government scheme where it was not possible for them to carry out their duties from home. All such staff were consulted on the position and kept informed of the position throughout. The University paid any shortfall between normal salary and sums received through furlough such that no employee suffered any loss.

Future plans and position

The University has prepared its financial budget and forecasts on the basis of its pre-COVID expectations and then adjusted the outcome for the estimated impact on recruitment fees and other income, together with potential further costs resulting from changes in the basis of operation of the campuses to include teaching. This resulted in a contingency on income based on a 10% reduction in Home students and 30% in overseas, combining fees, accommodation and similar income streams. Sensitivities of further reductions in home students have also been considered as Home Undergraduate students account for the bulk of the University's income. Should such sensitivities become realised then corrective actions have been planned to be implemented to ensure any further loss of income is substantially mitigated.

In order to financially manage the potential income reductions the University has reviewed in detail its cost basis and a number of both potential and actual actions have been formulated. For pay, a Voluntary Severance (VS) Scheme was launched in May 2020 that resulted in a number of posts being released with a consequent reduction in pay costs. A

further VS scheme was launched in late 2020 that reflected the outcome of actual student recruitment numbers, to ensure the University has the correct staffing levels to meet its teaching and learning provision. The costs of those staff who left before 31st July 2020 has been charged in that year's results.

Overhead and cost reduction is being led by a transformation team recently set up for that purpose, who are also looking at exploring new income streams and more efficient ways of working. A detailed programme of actions has been compiled with the assistance of all members of the extended University Leadership Team with the aim of delivering the planned savings and efficiencies. Individual workstream owners have been identified and the impact on each budget has been applied to each area so that each budget owner takes responsibility for delivering their agreed saving within that workstream.

Since the financial year end additional bank facilities have been agreed with one of the University's bankers as a contingency against any unforeseen future impact on finances as a result of the COVID 19 situation and to ensure funds are available should outcomes become more severe than both budgeted for or under the sensitivity analysis. The new funding is a revolving credit facility that can be drawn down and repaid only if needed. It is available for an initial period of 3 years with the University having an option to extend for up to 2 years further.

The September / October recruitment cycle has proven to be largely positive compared to budget with the recruitment of UK students, especially undergraduates, being especially pleasing. As anticipated and budgeted for the overseas market has proved to be challenging with many of the countries from which the University attracts most of its students continuing to be hard hit by the virus, especially India. Consequently the University has taken the decision to allow post graduate taught (PGT) students to study from home in the first semester if they so wish. Whilst this has helped to support student fee income it has had an impact on other income streams especially accommodation, with halls primarily used for such students having a lower occupancy for the autumn. However initial projections for the January 2021 intake are very good, exceeding budget numbers, in part due to potential students

deferring their entry from September to January. These extra numbers should they materialise will also likely reduce any accommodation shortfall. At the present time the projected fee total will exceed that budgeted for. In addition the number of students returning and continuing their studies is higher than planned.

As a consequence of the latest income estimates for 2020/21 based on student recruitment and the actions taken to reduce the University's overall costs outlined above the resulting forecasts derived from these have then been used to ensure the University is compliant with its banking covenants. The detailed cash flows formulated from the forecasts have also been reviewed to ensure that the University has sufficient access to funds and facilities, including the new facility recently agreed, so that it remains a going concern in the foreseeable future.

In assessing viability, the Board considered the position presented in the budget which was approved by them in July 2020. As part of the board's consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been reviewed. The assumptions modelled are based on the estimated potential impact of Covid-19 restrictions and regulations, along with the proposed responses over the course of the next year and beyond.

These include a range of estimated impacts primarily based on a reduction in student in student numbers and the impact of that on fees and other income. The scenarios are most sensitive to the assumptions made for home Undergraduate (UG) student numbers and then overseas Post Graduate Taught (PGT). The assumptions assume that only the 2020/21 recruitment cycle will be impacted with future cycles reverting to previous levels.

The scenarios modelled effectively stress-tested the income levels budgeted for, to determine the estimated impact of more severe student number reductions on that income, the mitigating actions that the University would take to reduce that impact, and the funds and facilities that are available to ensure that even at these levels the University would still be able to meet its liabilities, operate within its existing financial covenants and operate sufficiently to deliver a first-class educational experience to its students for the foreseeable future and at least until December 2021.

Under each scenario, mitigating actions are all within management control, can be initiated quickly where they relate to discretionary spend, and do not impact the ability to meet teaching and research requirements. These actions include areas such as reduced travel. It would

also mean stopping all non-essential and non-committed capital expenditure in the next 12-18months.

Measures have already been taken to protect the health and safety of students and colleagues, to manage the supply chain, to cut costs where needed, and to redeploy resources to meet new ways of working and teaching delivery. These measures will help to mitigate the impact of the volatility, and it is believed that conditions will recover during 2021.

In order to give further assurance that the University would be able to continue to operate even under severe student number reductions, as mentioned earlier in the Future Plans section the University has recently agreed additional banking facilities in the form of a Revolving Credit Facility of up to £10m. This is in addition to the facilities it had access to at 31st July 2020 and so will provide an additional buffer should current projections deteriorate substantially in the future. The facility would be only used for working capital purposes. Present forecasts indicate that it will not be utilised at any time in the next eighteen months at least. In addition, actual student recruitment numbers in September / October 2020 were in fact above those included in the July 2020 approved budget and also those on which the stress test scenarios were based.

Financial Performance Indicators

Financial Performance Indicators 2019-20	2019-20 Actual	BU2025 Target
Annual contribution as a % of income (excluding pension adjustment and restructuring charge)	4.3%	4.0-6.0%
Net cash from operating activity as % of income	10.6%	11.0%
Borrowing % of income	38.0%	36.0%

In the second year of BU2025, the University was in line with the BU2025 target contribution of 4-6% (excluding the pension adjustment and the restructuring charge). In 2019-20 the University reported a net cash from operating activity percentage of 10.6%, marginally below the BU2025 target. The University's borrowing percentage to income was 38.0% which included a short term £5.0m loan drawn on the University's Revolving Credit Facility (RCF) which is repayable in 2020-21. Once the short term RCF £5.0m loan is repaid, the borrowing % to income will reduce to 35.0%.

Financial highlights of the year

Five-year financial summary excluding pension adjustment, gain on disposal of fixed assets and restructuring charges	2019-20 £M	2018-19 £M	2017-18 £M	2016-17 £M	2015-16 £M
Total income	164.4	160.2	159.5	155.1	150.5
Total expenditure	157.3	151.7	150.9	146.8	143.9
Operating surplus excluding pension adjustment and restructuring charge	7.1	8.5	8.6	8.3	6.6
Pension provision cost adjustment	8.6	9.9	9.5	6.7	5.1
Restructuring charge	2.5	2.4	-	-	-
(Deficit)/Surplus before other gains	(4.0)	(3.8)	(0.9)	1.6	1.5
Operating surplus excluding pension adjustment and restructuring charge as a % of income	4.3%	5.3%	5.4%	5.3%	4.4%
Net assets excluding pension reserve	127.7	124.7	118.8	98.4	90.1

Bournemouth University's operating surplus as a percentage of income (excluding the pension adjustment and restructuring charge) in 2019-20 was 4.3%. Total operating income for the year was £164.4m whilst total expenditure was £157.3m. It should be noted that total expenditure reported in the financial statements included an FRS102 accounting pension adjustment of £8.8m and a restructuring charge of £2.5m, reducing the reported £7.1m operating surplus to an overall deficit of £4.0m. An actuarial loss on the LGPS of £45.3m, and a movement in the fair value of an interest rate hedge of £1.2m resulted in total comprehensive loss for the year of £50.5m.

Balance sheet net assets, excluding the pension reserve reported an increase from £124.7m in 2018-19 to £127.7m 2019-20.

Pension reserve

The pension reserve reported an increase in the liability of £53.4m. A change in financial assumptions, negative asset returns and the incorporation of the results of the 2019 triennial valuation on the LGPS had the greatest impact on the liability increase.

Student numbers (excluding Partner Colleges):

	2019-20			2018-19		
	Undergraduate	Postgraduate	TOTAL	Undergraduate	Postgraduate	TOTAL
Full-time	12,399	1,850	14,249	13,005	1,625	14,630
Part-time	1,183	1,229	2,412	1,469	1,456	2,925
TOTAL	13,582	3,079	16,661	14,474	3,081	17,555

2019-20 Undergraduate students totalled 81.5% of our overall student population whilst full-time students accounted for 85.5% of the overall student population. A reduction in both full-time and part-time student numbers was reported in 2019-20.

Income:

	2019-20 £M	2018-19 £M	Increase/ (decrease) £M	Increase/ (decrease) %
Funding body grants	11.7	11.1	0.6	5.4%
Tuition fees and education contracts	133.0	127.1	5.9	4.6%
Research grants and contracts	5.4	6.6	(1.2)	(18.2%)
Other operating income	14.0	15.1	(1.1)	(7.3%)
Endowment and investment income	0.3	0.3	0	0%
Total income	164.4	160.2	4.2	2.6%

Total income for the year reported an increase of £4.2m or 2.6% from 2018-19 to 2019-20. Funding body grants increased by 5.4% whilst total tuition fees and education contract increased by £5.9m or 4.6%. Overseas tuition fee income accounted for the increase in tuition fee and education contract income. Research grants and contracts income and other operating income both reported reductions in year. The reduction in Research grants and contracts income was due to 2018-19 benefitting from £1.4m capital grant receipt and the impact of Covid 19 slowing down 2019-20 income recognition. The reduction in other operating income was predominately due a reduction in the final term student accommodation income also as a result of Covid 19.

Expenditure:

	2019-20 £M	2018-19 £M	Increase/ (decrease) £M	Increase/ (decrease) %
Staff costs	85.8	82.4	3.4	4.1%
Staff cost relating to pension provision	6.9	7.9	(1.0)	(12.7)%
Depreciation	11.5	10.4	1.1	10.6%
Other operating expenses	57.8	57.2	0.6	1.1%
Interest payable on loans	2.0	1.7	0.3	17.6%
Pension provision finance cost	1.7	2.0	(0.3)	(15.0%)
Total expenditure excluding restructuring charge	165.7	161.6	4.1	2.7%
Restructuring charge	2.6	2.4	0.2	8.3%
Total expenditure	168.3	164.0	4.3	2.6%

Total salary costs increased by £2.6m. Staff costs increased by £3.4m whilst the pension adjustment reduced by £1.0m, the restructuring charge increased by £0.2m. Total operating expenses increased marginally by £0.6m or 1.1%. Interest payable on loans increased by £0.3m due to the interest charged on the £15.0m term loan drawn on 31 July 2019.

Balance sheet

Total net assets reduced by £50.5m from £41.8m in 2018-19, to (£8.7m) in 2019-20. Fixed assets increased by £17.7m with fixed asset additions of £29.3m being offset by depreciation of £11.5m and asset disposals of £0.1m. The negative goodwill of £0.9m relates to the purchase of Chapel Gate in 2018-19; the site had a fair market value of £2.0m. The increase in creditors falling due within one year was predominately due to a £5.0m draw down on the University's Revolving Credit Facility (RCF) loan facility. The reduction in debtors was predominately due to a reduction in prepayments. The pension provision reported a significant increase of £53.4m from £83.0m in 2018-19 to £136.4m in 2019-20 (see note 20).

Cash flow and borrowings

In the financial year, the University net cash inflow from operating activities was £17.4m (2018-19: £20.2m). Borrowings increased by £2.4m with a £5.0m draw down on the University's RCF, offset by capital repayments of £2.6m. BU invested £29.3m in capital during 2019-20, resulting in cash and cash equivalents reducing from £28.9m in 2018-19 to £19.1m in 2019-20.

Banking facilities

On 27 November 2020 the University entered into a new £10m Revolving Credit Facility with Barclays providing additional facilities to the University if required. The facility is unsecured and has been provided for an initial three years from the date of signing. The University can request a 12 month extension of the facility before the 3rd anniversary and again, if extended, a second 12 month extension before the 4th anniversary. Barclays have the option to agree to the extension or not.

Capital investment

BU's vision is to create a modern, state-of-the-art University with world class academic buildings and outstanding facilities for students, staff and the community. BU is continually striving to develop and enhance our estate to better reflect the innovative and collaborative way our students and staff work together and to ensure that we provide the environment and facilities to deliver BU2025.

Our new state-of-the-art Poole Gateway Building (PGB) opened its doors to students in February 2020. PGB provides a range of high-quality technical facilities to support postgraduate and undergraduate courses as well as research. The building

also accommodates new animation, games and music and PC laboratories, equipped with industry-standard software and the latest post-production editing eco-system, allowing for online collaboration between students working on group projects.

Work continued on the construction of the Bournemouth Gateway Building (BGB). BGB has a total budgeted cost of £46.5m and will accommodate our Faculty of Health & Social Sciences. BGB will deliver a unified base for the Faculty's education, research and office activities and will provide 10,000 square meters of space. Due to the impacts of Covid-19, the original opening date of September 2020 has been delayed.

The University also invested in its IT equipment and infrastructure, including a £3.4m investment in the computer rolling programme which is focusing on improving and upgrading IT equipment and services for students and staff.

Principal risks and uncertainties

The corporate Risk Register consists of 12 risks which have been categorised under BU2025 strategic plan headings of Fusion and Investment, Leadership and Impact, Reputation and Networks, People and Culture, and Performance and Resilience. The corporate Risk Register is maintained by the University Leadership Team who identify and prioritise significant risks. The Risk Register is scrutinised by the Audit, Risk and Governance Committee. The University Board also receives the Risk Register as part of the report from each Audit, Risk and Governance Committee meeting.

The University has identified the following significant risks:

- Failure to build research profile at sufficient speed to deliver on BU2025 research aspirations.
- BU does not respond effectively to changes in the external environment leading to a financial impact which cannot be mitigated without significant changes to BU2025 implementation.
- There is a risk that BU fails to have an appropriate course portfolio, not attracting prospective students or preparing them for their chosen profession.
- There is a risk that BU is unprepared for, or unable to respond to cyber security attacks.
- There is a risk that resources are misaligned in comparison to current and future income and BU's natural market share.

- There is a risk that BU does not fulfil its reserves policy or, if in breach, has insufficient cash available to deliver BU2025 objectives.

As well as the risks highlighted, there are now a number of risks that have arisen as a specific result of the impact of COVID 19 on the University. These include the following:

- There is a risk that further upsurges in the infection rate of the virus will result in more lockdowns so impacting on the ability of the University to deliver its teaching and research activities to an acceptable level.
- The impact of the virus globally may result in fewer overseas students being willing to travel to learn or even to learn online, preferring more local delivery possibly in their own countries.
- The economic impact on industry generally and the service sectors may mean less funding available for research and similar activities.
- If significant amounts of teaching and learning are moved to more on-line delivery there is a risk that pressure will be applied to reduce fee levels going forward and / or provide refunds to existing students, together with the impact on other income such as accommodation.
- There is a risk that there may be a need for significant investment in areas such as IT to support potential new ways of working if the impact of the virus continues into the medium term, together with the risk that certain assets e.g. lecture theatres are redundant in the short term and potentially also in the longer term. There is, therefore, a risk that it could have a significant impact on asset values.

Diversity and Equality

The University is committed to ensuring it is open and accessible to all, and values people for what they bring as individuals. Our compliance with the Equality Act 2010 is fully embedded as set out in our Equality and Diversity Policy and supporting Equality Analysis Procedures and promoted regularly to all staff and students. The University 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.

To put this commitment into practice we will continue our membership of the following Equality and Diversity charter marks and commitments: Athena SWAN; Race Charter; Time to Change; Stonewall Global Diversity Champion and DisabledGo. We are a member of these charter marks and commitments because they provide a framework for self-assessment, by identifying good practice and areas for future work. They also provide evidence of our real commitment to Equality and Diversity.

Sustainability

Sustainability is at the heart of BU2025 and is based on embedding the UN Sustainable Development Goals (SDGs) in everything we do. In 2020, BU completed the second annual THE Index Ranking and was ranked in the top 12% of universities globally for aligning to the UN SDGs (90th out of 768 universities from 85 countries). BU was ranked 3rd in the UK for Climate Action (SDG 13) and 10th globally for Responsible Consumption and Production (SDG 12).

It should be noted all activities have been impacted by COVID-19. Highlights of the year include:

- 92% of programme align with at least one UN SDG.
- Living Labs focus groups were held in autumn 2019 to gather ideas on developing this scheme. Around 15 staff and students attended. As a result, we are working collaboratively with the Careers team and Living Labs projects are being shared with UG students this academic year.
- 54% of staff are signed up to Green Rewards which rewards staff for taking positive steps for their own health and wellbeing and the environment.
- 991 BU students took part in the annual NUS sustainability skills survey – the highest number of any participating HEI.
- On site renewables contributed 5.15% for electricity and 12.5% for heat. The amount of electricity produced on site increased from 300 MWh to 450 MWh.
- In 2019-20, utility carbon emissions declined by 4% (Aug – Feb) and 12% (Aug – July) compared to the same periods in 2018/19, despite the addition of new buildings to the estate. This decline reflects the increase of on-site generation of electricity and heat. It should also be noted the continued decline in the UK grid electricity emission factors also contributed to these reductions.

- As a result of University initiatives, over 1000 students have engaged with sustainability over the year

Our people

BU has embedded its Fusion model in its structures, including performance management and progression, workload planning and reward and recognition. BU's academic staff are expected to engage in research and education and professional practice in order to ensure that the BU student experience benefits from the fusion of these three elements.

BU has implemented consistent talent management and succession plans to effectively identify and retain high quality staff and will empower staff and provide flexibility when it will support effective delivery of the BU2025 outcomes.

BU will align our staff development opportunities with our BU2025 outcomes. Developing capability, supporting staff, embedding our values and providing a positive working environment that enables staff across BU to deliver the BU2025 objectives remains a priority in the BU2025 strategic plan.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the University to publish information on Trade Union facility time. The number of employees who were relevant union officials for the period 1 April 2019 to 31 March 2020 was 23 (3.4 FTE). The total cost of Trade Union facility time was £0.21M, or 0.26% of the University's total pay bill.

Percentage of time spent on facility time:

Percentage of time	Number of employees
0%	4
1-50%	22
51-99%	1
100%	-

Bournemouth University and public benefit

The University is required to demonstrate how it meets its responsibilities as a charity and show that its activities are of 'public benefit'. University Board Members are charity trustees. The trustees are aware of their duties with regard to acting for the public benefit and have had due regard to the Charity Commission's guidance on public benefit in exercising their duties.

Our students are key beneficiaries of our teaching and research activities. The education and research undertaken at the University also benefits other wider groups of the public; including for example, those accessing health services who are cared for by staff educated at the University. However, these wider groups are not direct beneficiaries of the charity.

Legal status

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 123A and 123B of the Education Reform Act 1988 as amended by the Higher Education and Research Act 2017. Under section 123A, the principal powers of a higher education corporation include the power to provide higher education; to provide 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 think fit. These are also the charitable objects of the University. The University is an exempt charity under the Charities Act 2011 and its principal regulator is the Office for Students.

Education and widening access

BU is committed to working with students and our ambition is to enable achievement for all our students in a diverse and inclusive environment. We retain our commitment to a suitable financial support package for under-represented groups for whom affordability may be an obstacle to studying at BU. We focus our outreach investment in activity that raises aspirations to engage in higher education and we seek ways to ensure that the benefits of this activity are clearly visible and quantifiable.

We are taking a whole institution approach where all aspects of access, success and progression are considered holistically, and are fully embedded throughout our structures and processes. We aim to offer an excellent experience for all students, alongside targeted support and activities to support under-represented groups and address our performance gaps. We are prioritising greater personalisation of the student academic and learning experience.

We work closely with students on our activities to improve access, success and progression. The Vice-President Education of the Students' Union is a member of the Access, Excellence and Impact Committee, and a permanent member of the Students' Union at Bournemouth University (SUBU) staff, is on the Access, Excellence and

Impact Committee Operations group. We have worked on collaborative projects with SUBU, and will continue to build on this approach in the development of new targeted initiatives. Progress against our targets and milestones is monitored regularly through the Access, Excellence and Impact Committee, which also provides opportunities for the Students' Union to comment and input directly. In relation to consultation on the development of our 2019-20 Access and Participation Plan, the SUBU Vice-President Education has had opportunities to actively contribute to the development of the Plan through membership of the Access, Excellence and Impact Committee working group.

In 2019-20, BU offered two types of bursary to support Widening Participation (WP) groups.

- BU Maintenance Bursary (low household income): This has two tiers and is automatically allocated to all eligible students. Eligible new students with a household income below £16,000 will receive a £3,500 bursary to support their learning and living costs; £1,300 in the first year, and £1,100 in the second and final years of study. Eligible new students with a household income between £16,001 and £25,000 will receive a £3,000 bursary; £1,000 in each of the first, second and final years.
- BU Care leavers' bursary: unlimited number of multi-year awards available to students who are care leavers (combined with other eligibility criteria).

The University works hard to ensure graduates have the best employment opportunities regardless of background. All BU courses offer the option of a sandwich year or short placement. We offer a number of study abroad programmes and help students find overseas placements. This gives our students the chance to experience new cultures, develop employability skills and enhance their career prospects through a range of networks and contacts around the globe. We support our WP students to access placement opportunities by advocating that all placements should be paid and by offering a hardship fund for certain expenses relating to their placement.

Our partnerships with employers are key and it is widely acknowledged that the inclusion of a placement to prepare students for the workplace within a programme of study is a huge advantage in gaining graduate employment. All students at BU have the option of a placement as well as other opportunities to gain relevant industry knowledge and experience, as part of our Fusion approach to learning.

Disability Support (including Mental Health)

From the outset, at Open Days, we encourage applicants to disclose any disability or mental health support needs they may have. We have adapted our welcome talks to stress the importance of declaring early to get support in place and, during the 2019-20 recruitment cycle, will be specifically targeting those applicants declaring specific disabilities in order to agree support earlier in the application/enrolment/study process. We will continue to provide the posts of Student Support and Engagement Coordinators, one based in each faculty. Like many universities we provide a counselling service and BU contracts the NHS to provide this on campus on our behalf.

Research

Research is an essential part of the University's strategy, which has a clear vision in which BU inspires learning, advances knowledge and enriches society. By working in partnership with external organisations, we will be able to develop and co-produce research which helps to tackle key societal challenges.

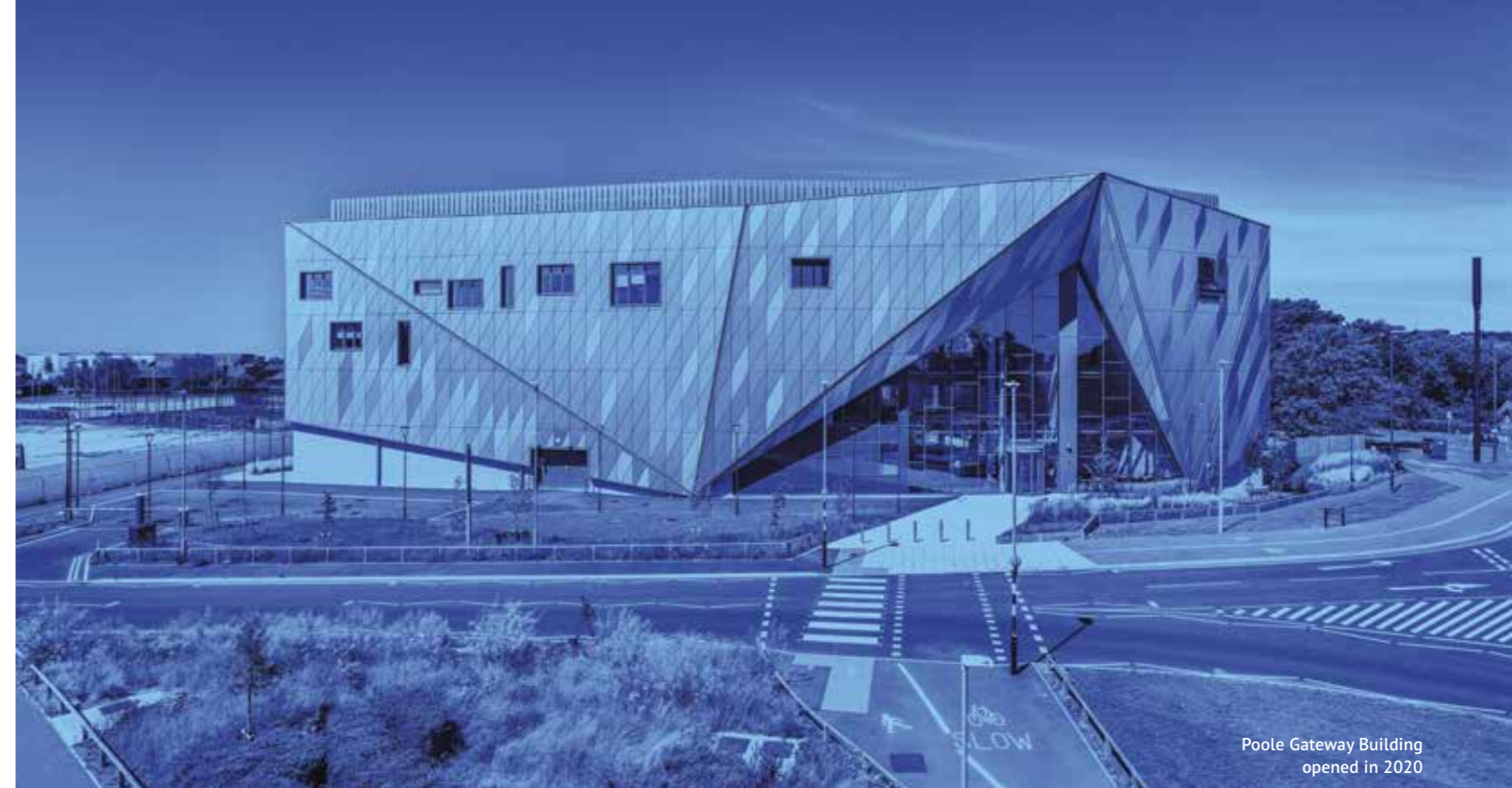
The government has set out ambitious long-term aspirations for research and development, aiming for it to deliver not only economic and societal benefit, but also creating the foundations for future industries. BU is playing its part by leading growth and investment in four areas of strategic growth which build on the university's strengths and respond to the challenges posed by government and faced by society. These areas are: animation, simulation & visualisation, medical science, sustainability, low carbon technology & materials science and assistive technology.

Over the last year, BU has established a new Institute of Medical Imaging and Visualisation (IMIV) who will work across the university and with NHS Trusts, primary care, industry and academia to co-create research and innovation in the area of medical imaging. They study how medical imaging technologies can be used in diagnosis, and in planning and monitoring treatments, as well as to study normal physiological processes. Their research also encompasses image-guided therapy, and associated digital technologies and devices.

In addition to investing in medical science, BU is also leading change in the area of sustainability, low carbon technology & materials science through the establishment of a new Institute for the Modelling of Socio-Environmental Transitions (IMSET). IMSET addresses one of the most significant global challenges facing humanity today: how we manage and respond to environmental change. It does this by exploring how past societies were affected by environmental change, how they responded to these challenges and, therefore, what are the most sustainable options available to present-day societies under similar pressures. By learning from the past, we hope to change how we respond to the challenges posed by a changing climate.

Over the last few months, BU has also supported a number of countries in their response to the global COVID-19 pandemic. As an example, BU's Disaster Management Centre (BUDMC) has been working with the government of Sierra Leone to develop their COVID-19 strategy, following the declaration of a state of emergency. BUDMC has worked with the government of Sierra Leone for a number of years, contributing advice on managing the national response to the Ebola outbreak in the country in 2014.

Meanwhile, in Nepal, BU has been instrumental in setting up a network of journalists which aims to strengthen the country's news media in the face of natural disasters. The Disaster Journalism Network (DJN) was launched with an online event and involved six media houses in Nepal: Discovery Magazine, Fresh News Nepal, Mahilanews.com, Safalta Media, Adsar Samaj Bahumukhi Prakashan and Radio Mukti 95.5. The network has arisen from Aftershock Nepal – a post-earthquake research project conducted in Nepal.



Pooler Gateway Building opened in 2020

Community and Regional Engagement

Bournemouth University is an integral part of our local community and we work hard to make sure our knowledge and expertise are available to people across the region.

BU works with over 60 secondary schools and Further Education (FE) colleges across Bournemouth, Poole and Dorset and neighbouring areas, as well as a number of primary schools. We have Memoranda of Understanding in place with ten local schools and colleges that are part of the BU Progression Framework. The Progression Framework institutions are offered support over and above the outreach programme including BU subject workshops for Year 12 and Year 13 led by our student ambassadors; sponsorship of relevant academic and community projects; access to campus facilities and support for their students applying to BU.

BU continues to work closely with local and regional community to tackle educational disadvantage, targeting local schools, colleges and academies with a high proportion of target groups.

Our students enjoy many opportunities through our partnership with AFC Bournemouth, including exclusive work placements and expert coaching from the club's Community Sports Trust. The partnership began in 2013 and we have worked on community projects throughout the partnership. In many cases, we have tied our existing activities, such as school outreach work, into

ongoing AFC Bournemouth projects. As a result, the schools we visit benefit from input from both the University and the football club. BU recently extended the partnership with AFC Bournemouth for a further three years.

At the strategic level, the University plays its part in helping shape and deliver economic growth in the region. We are a member of the Dorset Local Enterprise Partnership, set up to help boost business in the area through investment, lobbying and uniting stakeholders.

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 cognisant of any relevant audit information and to establish that the University's auditors are aware of that information.

Professor Richard Conder
Chair of the Board
18 December 2020

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) Higher Education Code of Governance (Revised September 2020).

The University is registered with the Office for Students (OfS) and is responsible for ensuring that it satisfies all ongoing general conditions of registration. The Audit, Risk & Governance Committee monitors compliance with the ongoing conditions of registration and considers reports on compliance prior to their presentation to the Board.

The University maps its current practice against all its obligations under the CUC Code and the Audit, Risk and Governance Committee annually reviews that compliance report. The Committee has this year reviewed compliance with the revised Code and also with the updated CUC Higher Education Audit Committees Code of Practice. The University has adopted and applied the CUC Codes. The University has also had due regard to, and is compliant with, the CUC's Higher Education Senior Staff Remuneration Code. Disclosures regarding senior remuneration have been provided in the notes to this year's accounts.

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 Board's Nominations Committee is responsible for monitoring skills gaps and making recommendations to the Board in respect of the recruitment and appointment of new Members. Board Members are charitable trustees. As such, they ensure that the University carries out its activities for the public benefit; complies with its governing documents and the law; manages its resources responsibly and is accountable. As trustees, the Board Members must always act with reasonable care and skill, and in the best interests of the University as a charity. The University must comply with the reporting and other requirements of the Office for Students (OfS) as principal 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 key performance indicators, academic governance, risk management and strategic planning.

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 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 Advance HE, 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. Board Members are required to declare interests and to comply with the University's Conflicts of Interest Policy and Procedures. The Board's Register of Interests is published annually on the University's website, together with details of any Board Members' other trusteeships. There is a clear division of responsibility in that the roles of the Chair and Vice-Chancellor are separate.

Independent members of the Board are appointed for an initial three year term of office. Re-appointment is not automatic and is subject to the approval of the Board on the recommendation of its Nominations Committee. Independent members do not normally serve more than two consecutive terms. Four members of the University Executive are appointed to the Board – the Vice-Chancellor, Deputy Vice-Chancellor, Chief Operating Officer and Finance Director. Other staff board members serve three year terms subject to remaining in an appropriate post at the University and may be appointed for a maximum of two terms. 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.

Further to the above, the following statements are provided to enable readers of the annual financial statements to obtain a better understanding of the University's specific governance and legal structure:

1. 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 in compliance with the CUC Higher Education Code of Governance and all of the Public Interest Governance Principles as required by the Office for Students.
2. 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 as amended by the Higher Education and Research Act 2017. Its objects and powers and framework of governance are set out in section 123A of the Education Reform Act 1988 as amended by the Higher Education and

Research Act 2017 and the Instrument and Articles of Government. Both the Instrument and Articles of Government were reviewed by the Board in 2014-15 to ensure that they remain fit for purpose and reflect best practice. The amended Instrument and Articles were approved by the Privy Council in February 2016. Key institutional policies and procedures, including the Scheme of Delegation and the Financial Regulations, remain subject to regular review by the Board.

3. The Articles of Government at the University require the institution to have a Board of Governors (the University Board) and a Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities.
 - a. The University Board is the 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.

The Instrument of Government requires that at least half of all the members of the Board are independent members. The University Board has determined that a majority of its members shall be independent members. The Chair of the Board is an independent Board member. There is also provision for the appointment of co-opted members, and members of the academic and professional service staff, and the student body.
 - b. Subject to the overall responsibility of the governing body and to responsibilities of the Vice-Chancellor, Senate

has oversight of the academic activities of the institution and draws its membership from the staff and the students of the institution. It is particularly concerned with general issues relating to research, education and professional practice as well as student experience.

4. The Vice-Chancellor is the Accountable 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 and Conditions of Funding, 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.
5. Although the University Board normally meets at least five times each academic year, much of its detailed work is initially handled by sub-committees. The activities of these committees 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 and the appointment of internal and external auditors. Membership is comprised exclusively of Independent Members. The Committee meets at least three times a year and internal and external audit representatives are in attendance at each meeting. At every meeting, Committee Members have the opportunity to meet with audit representatives
 - b. Finance and Resources Committee considers, on behalf of the University Board, matters concerning the effective and efficient use of physical and human resources and provides assurance, advice, and makes recommendations to the Board as appropriate. It advises the Board on the University's overall financial strategy, financial sustainability and financial forecasting. The Committee has delegated authority to approve commitment to

without members of the Executive present and do so at least once every year. External auditors undertake the audit of the financial statements of the University and its subsidiaries; and the internal auditors provide detailed internal audit reports and recommendations for the improvement of the University's system of internal control and follow-up on the implementation of those recommendations. The Committee also receives and considers reports from the OfS 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 financial statements 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.

some financial transactions and other matters on behalf of the Board. The Committee reviews the University's management accounts and cash-flow forecasts at each meeting, oversees all major investments and advises the Board on the University's annual budget. It oversees the treasury activities of the University, including reserves and borrowings. On human resources, the Committee sets the framework for the pay and conditions of employment of staff; considers the University's equality and diversity activities and monitors progress against the people elements of the University's BU2025 strategy (including leadership, recruitment and performance management). The Internal and External audit representatives attend the autumn meeting of the Committee for the consideration of the annual Financial Statements.

c. Remuneration Committee determines the pay and conditions of service of the holders of senior posts. The holders of senior posts are 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 approved by the Finance and Resources Committee. The Remuneration Committee has regard to, and is compliant with, the CUC Higher Education Senior Staff Remuneration Code (June 2018) and Guidance on decisions taken about severance payments in HEIs. It reports annually to the Audit, Risk & Governance Committee on the processes it follows in reaching its decisions. An annual report to the Board from the

Remuneration Committee is published separately alongside these Financial Statements.

- d. The Nominations Committee is responsible to the University Board for agreeing, and subsequently overseeing, the process for the appointment of all Board members, the Chancellor, the Pro-Chancellors, the Vice-Chancellor and other holders of senior posts. It is responsible for ensuring that the Board has the necessary skills available to it and for deploying those effectively.
 - e. The Honorary Awards Committee is a joint Senate and University Board Committee which makes annual recommendations to the Board on the Honorary Awards to be conferred at the University's awards ceremonies.
 - f. Members of the University Board are also entitled to attend, as observers, meetings of Senate and its standing committees.
6. The membership of Board committees consists of a majority of independent members of the University Board. In the case of Audit, Risk and Governance Committee and Remuneration Committee, only independent members may be appointed. The Board is entitled to co-opt members to Committees who are not Board members, and has done so where particular skills and experience are required.
7. 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.

8. 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.
9. No independent member of the University Board receives payment for being on the Board or for the work they do as trustees, but reasonable expenses incurred as part of their duties are reimbursed. In 2019-20, a total of £5,248 (2018-19 £6,947) was paid in respect of claims for travel and subsistence expenses incurred in connection with their duties as trustees by 9 Board members. A record of expenses paid to members of the University Executive is also published on the University's website quarterly and monitored by the Remuneration Committee.

Statement of Internal Control

1. The University Board is responsible for the establishment and monitoring of systems of internal control. These control systems are embedded 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. These systems are subject to review by Internal Audit which is carried out by the Internal Auditors on a risk basis.
2. The University Leadership Team has delegated responsibility for performance monitoring and management across the University, including the management of risk, and regularly reviews the University Risk Register. The Risk Register covers business, operational and compliance risk as well as financial risk. 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 University 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. The risk register is a key element in informing the Internal Auditor's work programme. 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. The Board, on the recommendation of the Committee, has approved a set of Risk Appetite Statements for the University's key business areas, to help inform the assessment of tolerable risk levels. In October this year, the Board undertook a 'blue skies' workshop session on the University's risks and the outcomes from that discussion inform the University Risk Register.
4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and the 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 framework, data quality, internal and external audit reports, emergency planning and other internal control processes.
5. The Board reviews and approves the University's Financial Regulations annually. The Board and the Audit, Risk and Governance Committee also regularly review the University's policies and procedures in respect of

internal control measures including Conflicts of Interest, Fraud, Anti-Bribery, Freedom of Speech, Prevent, Modern Slavery, Safeguarding and Public Interest Disclosure. The Audit, Risk and Governance Committee has a standing agenda item under which it receives reports of any incidents arising under these, or any other, policies relating to serious incidents and all reports made to the Office for Students under the reportable events regime.

6. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements in addition to internal reviews of effectiveness. An external review is currently in progress and will report to the Board in early 2021. In addition, the Board's committees periodically review their own effectiveness and the Finance and Resources Committee undertook such a review this year, resulting in changes to processes which gave the Committee a greater level of engagement with the auditors on relevant matters. Board Members, including the Chair, are subject to an ongoing cycle of individual reviews.
7. The statement of internal control covers the financial year to 31 July 2020 and the period after the year end but before the financial statements are signed. Last year an issue arose concerning cash-flow processes and controls and Internal Audit were commissioned to undertake a detailed review. In addition the matter was reported to the OfS. The internal audit report identified significant internal control weaknesses and an action plan to address them was subsequently agreed by the Audit, Risk and Governance Committee. A follow-up review was undertaken in the current year by Internal Audit and this confirmed that a more consistent

approach across the University had been achieved in relation to the preparation and review of cash flow forecasts and had resulted in a decreased cash flow risk. The report also confirmed that the action plan had been implemented.

7. Further reports were made to OfS subsequently as a result of the Covid-19 pandemic and resulting short-term financial risks arising from potential reductions in forecast income, in common with many other Higher Education Institutions. The University has worked to put in place contingency arrangements and the Board has been closely involved in scrutinising possible borrowing arrangements should they be required. OfS has had visibility throughout this process and been kept informed of developments through regular updates.



Professor Richard Conder
Chair of the Board



Professor John Vinney
Vice-Chancellor and Chief Executive
18 December 2020

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:

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

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 University Board is responsible for ensuring that funds from the OfS are used only for the purposes for which they have been given and in accordance with the OfS Terms and Conditions of Funding for Higher Education (and any other conditions which the OfS may from time to time prescribe). 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.

The University has a number of mechanisms in place that it uses to ensure compliance with its obligations when utilising public funds, specifically around regularity and propriety. It has in place a set of financial regulations that all staff must comply with, that includes provisions covering procurement; use of funds for the means they have been provided for; value for money considerations and financial controls. The latter includes schemes of delegation and financial authority levels. The University has detailed processes around contracting to ensure that proper due process has been followed and authorisation limits complied with. It also has a number of policies such as fraud prevention that support these measures. In total these give a control environment that means public funds are utilised correctly, for the purpose they were intended and in an efficient and effective manner, so satisfying compliance with regularity and propriety requirements.

The operation of these controls and the overall control framework is reviewed and checked in a number of ways especially by internal and external audit work. Internal audit carry out checks on the financial systems and controls on a cyclical basis each year. External audit also check that funds have been applied for the purposes they were intended and in accordance with the conditions of funding, with specific reference made to that in their report.

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 Chairs.

1. To approve the mission and strategic vision and values 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 ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the strategy and plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
3. To delegate authority to the head of the institution (known as the Vice-Chancellor), as Chief Executive, for the academic, corporate, financial, estate and human resource 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.
4. To promote equality and diversity throughout the institution, including in relation to its own operation, and to promote a culture that reflects the University's vision and values.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, value for money arrangements and procedures for handling internal grievances and for managing conflicts of interest.

6. To establish processes to monitor and evaluate the performance and effectiveness of the University Board itself. To receive assurance that appropriate processes are in place to monitor and evaluate the performance and effectiveness of Senate.
7. 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.
8. To safeguard the good name and values of the institution.
9. To appoint the Vice-Chancellor as Chief Executive, and to put in place suitable arrangements for monitoring his/her performance.
10. 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.
11. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
12. 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 institution's assets, property and estate.
13. 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. This includes responsibilities for health, safety, security as well as equality, diversity and inclusion.

14. To receive assurance that adequate provision has been made for the general welfare of students.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
16. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.
17. To maintain and protect the principle of academic freedom as enshrined in freedom of speech legislation.
18. To ensure that all students have opportunities to engage with the governance of the University, and that this allows for a range of perspectives to have influence.



Professor Richard Conder
Chair of the Board
18 December 2020

Independent auditors' report to the Governors of Bournemouth University

Opinion

We have audited the financial statements of Bournemouth University ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2020 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's and the University's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information Report of the Board of Governors, Statement of Corporate Governance and Responsibilities of the University Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students ("OfS") and Research England

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and UK Research and Innovation (including Research England) and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- the University's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; and
- the University's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Board of Governors

As explained more fully in the board members responsibilities statement set out on pages 18 and 19, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 Terms and Conditions of Funding with the OfS and Research England.

Use of our report

This report is made solely to the Governors, as a body, in accordance with Section 75 of the Higher Education and Research Act 2017. Our audit work has been undertaken so that we might state to the University's board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the board members as a body, for our audit work, for this report, or for the opinions we have formed.



David l'Anson (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Southampton

Date: 21 December 2020

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. Legal status

Bournemouth 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 123A and 123B of the Education Reform Act 1988 as amended by the Higher Education and Research Act 2017. The University is an exempt charity established in England and Wales for the purposes of the Charity Act 2011.

2. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2014 and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention. After considering the potential impact of COVID 19 on the University's activities in the foreseeable future, the Board consider this to be still appropriate. They have reached this conclusion based on a number of factors. In assessing viability, the Board considered the position presented in the budget which was approved by them in July 2020. As part of the board's consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been reviewed. The assumptions modelled are based on the estimated potential impact of Covid-19 restrictions and regulations, along with the proposed responses over the course of the next year and beyond. These include a range of

estimated impacts primarily based on a reduction in student numbers and the impact of that on fees and other income. The scenarios modelled effectively stress-tested the income levels budgeted for, to determine the estimated impact of more severe student number reductions on that income, the mitigating actions that the University would take to reduce that impact, and the funds and facilities that are available to ensure that even at these levels the University would still be able to meet its liabilities, operate within its existing financial covenants and operate sufficiently to deliver a first-class educational experience to its students for the foreseeable future and at least until December 2021.

Under each scenario, mitigating actions are all within management control, can be initiated quickly where they relate to discretionary spend, and do not impact the ability to meet teaching and research requirements. These actions include areas such as reduced travel. It would also mean stopping all non-essential and non-committed capital expenditure in the next 12-18 months.

In order to give further assurance that the University would be able to continue to operate even under severe student number reductions, as mentioned earlier in the Future Plans section the University has recently agreed additional banking facilities in the form of a Revolving Credit Facility of up to £10m. This is in addition to the facilities it had access to at 31 July 2020 and so will provide an additional buffer should current projections deteriorate substantially in the future. The facility would be only used for working capital purposes. Present

forecasts indicate that it will not be utilised at any time in the next eighteen months at least. In addition, actual student recruitment numbers in September / October 2020 were in fact above those included in the July 2020 approved budget and also those on which the stress test scenarios were based.

3. 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 year ended 31 July 2020. Intra-group sales and profits are eliminated on consolidation. 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.

4. 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 Dorset 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.

The de minimis 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:

Freehold buildings	Between 15 and 50 years
Leasehold improvements	25 years (or period of lease if shorter)
Computers	5 years
Other equipment	5 years

Where fixed assets are acquired with the aid of specific grants they are capitalised and depreciated as above.

5. Negative goodwill

Negative goodwill relates to the freehold purchase of Chapel Gate sports site. Negative goodwill has been recognised on the basis that the fair value of the assets acquired exceeded the consideration paid. Future investment in the site will be netted off against the negative goodwill in the financial year that the investment is incurred.

6. Investments

Listed investments held as fixed assets or endowment assets are stated at market value or cost where no market value is available.

7. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

8. Stocks and work in progress

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

9. 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 Consolidated Statement of Comprehensive Income and Expenditure in equal annual amounts over the periods of the leases.

10. 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.

11. 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 Consolidated Statement of Comprehensive Income and Expenditure.

12. Maintenance of premises

The University charges long-term maintenance costs to the Consolidated Statement of Comprehensive Income and Expenditure as they are incurred.

13. Donations

Non exchange transactions without performance conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

There are four main types of donations and endowments identified within reserves:

- restricted donations: the donor has specified that the donation must be used for a particular objective.
- unrestricted permanent endowments: the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- restricted expendable endowments: the donor has specified a particular objective other than the purchase or

construction of tangible fixed assets, and the University has the power to use the capital.

- restricted permanent endowments: the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

14. Grant funding

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

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

15. Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

16. 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 7.

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

All income from short-term deposits is credited to the Consolidated Statement of Comprehensive Income and Expenditure in the period in which it is earned.

17. 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. Each fund is valued every three years by professionally qualified actuaries.

The USS is a multi-employer hybrid pension scheme which provides defined benefits (for all members) as well as defined contribution benefits. It is not possible to identify the assets and liabilities to University members, due to the mutual nature of the scheme and, therefore, this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded in provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined contribution plan

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

Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current

and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

18. Employment benefits

Short-term employment benefits, such as salaries and compensated absences, are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement. Redundancy costs paid to employees predominately represent cash redundancy payments, pension contributions and payments in lieu of notice which are charged to the Income and Expenditure Account when the redundancy is confirmed with the employee.

19. Borrowing costs

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

20. Hedge accounting

The University has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective; movements in its fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the Statement of Comprehensive Income and Expenditure for the period.

21. 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 and a reliable estimate can be made.

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

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

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

22. Research and development

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

23. Agency arrangements

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

24. Reserves

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

25. Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

26. Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

27. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the University has made the following judgements:

- Determine whether leases entered into by the University either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the University's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- The underlying assumptions in relation to the estimate of the present value of the obligation in respect of the funding deficit plan for the USS pension scheme

such as the salary inflation over the period of the funding deficit plan and the discount rate to be used.

- Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Compensated absences accrual (see Note 14). An estimate is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured as the undiscounted salary cost of the future holiday entitlement as accrued at the balance sheet date.
- The bad debt provision is calculated based on an individual debtor basis.

Consolidated statement of comprehensive income and expenditure

	Note	2020 Consolidated £'000	2020 University £'000	2019 Consolidated £'000	2019 University £'000
Income					
Funding body grants	1	11,745	11,745	11,122	11,122
Tuition fees and education contracts	2	132,974	132,974	127,107	127,107
Research grants and contracts	3	5,440	5,440	6,575	6,575
Other operating income	5	13,989	13,982	15,115	15,103
Endowment and investment income		272	272	269	269
Total income		164,420	164,413	160,188	160,176
Expenditure					
Staff costs	6	95,289	95,289	92,702	92,702
Depreciation	11	11,522	11,522	10,413	10,413
Other operating expenses	7	57,822	57,822	57,220	57,220
Interest and other finance costs	9	3,753	3,753	3,649	3,649
Total expenditure		168,386	168,386	163,984	163,984
Deficit before other gains		(3,966)	(3,973)	(3,796)	(3,808)
Deficit before tax		(3,966)	(3,973)	(3,796)	(3,808)
Taxation		-	-	-	-
Deficit for year		(3,966)	(3,973)	(3,796)	(3,808)
Fair value loss in respect of cash flow hedge	15	(1,161)	(1,161)	-	-
Actuarial gain/(loss) in respect of pension scheme	20	(45,335)	(45,335)	3,389	3,389
Total comprehensive loss for year		(50,462)	(50,469)	(407)	(419)

All amounts relate to continuing activities.

The notes on pages 27 to 44 form part of these accounts.

Changes in equity for the year ended 31 July 2020

Consolidated	Income and expenditure reserve		
	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 1 August 2018	1,500	40,697	42,197
Surplus/(deficit) from the income and expenditure statement	–	(3,796)	(3,796)
Other comprehensive income	–	3,389	3,389
Balance at 31 July 2019	1,500	40,290	41,790
Balance at 1 August 2019	1,500	40,290	41,790
Deficit from the income and expenditure statement	–	(3,966)	(3,966)
Other comprehensive income/(loss)	–	(46,496)	(46,496)
Balance at 31 July 2020	1,500	(10,172)	(8,672)

University	Income and expenditure reserve		
	Restricted £'000	Unrestricted £'000	Total £'000
Balance at 1 August 2018	1,500	40,651	42,151
Surplus/(deficit) from the income and expenditure statement	–	(3,808)	(3,808)
Other comprehensive income	–	3,389	3,389
Balance at 31 July 2019	1,500	40,232	41,732
Balance at 1 August 2019	1,500	40,232	41,732
Deficit from the income and expenditure statement	–	(3,973)	(3,973)
Other comprehensive income/(loss)	–	(46,496)	(46,496)
Balance at 31 July 2020	1,500	(10,237)	(8,737)

The notes on pages 27 to 44 form part of these accounts.

Consolidated and University balance sheet as at 31 July 2020

Note	2020 £'000		2019 £'000	
	Consolidated	University	Consolidated	University
Non-current assets				
Intangible assets and goodwill	10	(872)	(872)	(908)
Tangible assets	11	190,299	190,299	172,661
Investments	11	28	28	28
		189,455	189,455	171,781
Current assets				
Stocks	12	5	5	4
Investments	11	49	49	49
Trade and other receivables	13	10,260	10,230	11,891
Cash and cash equivalents		20,115	19,995	30,219
		30,429	30,279	42,163
Creditors: Amounts falling due within one year	14	(35,862)	(35,776)	(31,491)
Net current (Liabilities)/Assets		(5,433)	(5,497)	10,672
Total assets less current liabilities		184,022	183,957	182,453
Creditors: Amounts falling due after more than one year	15	(56,276)	(56,276)	(57,691)
Pension provision	20	(136,418)	(136,418)	(82,972)
Total Net (Liabilities)/Assets		(8,672)	(8,737)	41,790
Reserves				
Restricted reserve		1,500	1,500	1,500
Unrestricted reserve		(10,172)	(10,237)	40,290
Total Reserves		(8,672)	(8,737)	41,790

The notes on pages 27 to 44 form part of these accounts.

Approved and authorised for issue by the University Board on 18 December 2020



Professor Richard Conder
Chair of the Board



Professor J Vinney
Vice-Chancellor and Chief Executive

Consolidated statement of cash flows for the year ended 31 July 2020

	2020 £'000	2019 £'000
Cash flow from operating activities		
(Deficit)/Surplus for year	(3,966)	(3,796)
Adjustment for non-cash items		
Depreciation	11,522	10,413
(Increase)/Decrease in stock	(1)	1
Decrease/(Increase) in debtors	1,631	(1,994)
(Decrease)/Increase in creditors	(755)	5,531
Pension costs less contributions payable	8,111	9,772
	<u>16,542</u>	<u>19,927</u>
Adjustment for investing or finance activities		
Profit on disposal of fixed asset	96	-
Investment income	(270)	(269)
Interest payable	2,043	1,665
Capital grant income	(996)	(1,094)
Net cash from operating activities	<u>17,415</u>	<u>20,229</u>
Cashflows from investing activities		
Proceeds from sale of fixed assets	-	248
Investment income	270	269
Payments made against negative goodwill	(36)	908
Payments made to acquire tangible assets	(28,885)	(49,726)
Capital grant income	996	1,094
	<u>(27,655)</u>	<u>(47,207)</u>
Cashflows from financing activities		
Interest paid	(2,043)	(1,665)
New unsecured loans	5,000	15,000
Repayments of amounts borrowed	(2,556)	(1,786)
	<u>401</u>	<u>11,549</u>
Decrease in cash equivalents in year	<u>(9,839)</u>	<u>(15,429)</u>
Cash and cash equivalents at beginning of year	28,889	44,318
Cash and cash equivalents at end of year	19,050	26,889
Cash and cash equivalents comprise:		
Cash and cash equivalent	20,115	30,219
Bank overdrafts	(1,065)	(1,330)
	<u>19,050</u>	<u>28,889</u>

The notes on pages 27 to 44 form part of these accounts.

Notes to the accounts

	2020 Consolidated £'000	2020 University £'000	2019 Consolidated £'000	2019 University £'000
1. Funding body grants				
OfS recurrent grant	6,555	6,555	6,269	6,269
Research England recurrent grant	3,460	3,460	3,166	3,166
Non-recurrent specific grant	734	734	593	593
Capital grant receipt	996	996	1,094	1,094
	<u>11,745</u>	<u>11,745</u>	<u>11,122</u>	<u>11,122</u>
2. Tuition fees and education contracts				
Full-time students	104,979	104,979	101,638	101,638
Full-time students charged overseas fees	21,630	21,630	14,172	14,172
Part-time fees	1,988	1,988	2,330	2,330
Short course fees	1,723	1,723	1,615	1,615
Other teaching contract course fees	2,654	2,654	7,352	7,352
	<u>132,974</u>	<u>132,974</u>	<u>127,107</u>	<u>127,107</u>
3. Research grants and contracts				
Research Council	864	864	922	922
UK based charities	660	660	712	712
European commission	1,360	1,360	1,426	1,426
Other grants and contracts	2,556	2,556	3,515	3,515
	<u>5,440</u>	<u>5,440</u>	<u>6,575</u>	<u>6,575</u>
4. Grant and fee income				
Grant income from the OfS	7,342	7,342	7,173	7,173
Grant income from other bodies	9,844	9,844	10,524	10,524
Fee income for taught awards (exclusive of VAT)	129,573	129,573	123,908	123,908
Fee income for research awards (exclusive of VAT)	1,281	1,281	1,281	1,281
Fee income from non-qualifying courses (exclusive of VAT)	2,119	2,119	1,919	1,919
	<u>150,159</u>	<u>150,159</u>	<u>144,805</u>	<u>144,805</u>
5. Other operating income				
Residences	8,112	8,112	9,673	9,673
Other services rendered	50	50	72	72
Other income	5,827	5,820	5,370	5,358
	<u>13,989</u>	<u>13,982</u>	<u>15,115</u>	<u>15,103</u>

	2020 Consolidated £'000	2020 University £'000	2019 Consolidated £'000	2019 University £'000
6. Staff				
Staff costs:				
Salaries and wages	67,043	67,043	65,842	65,842
Social security costs	7,051	7,051	6,886	6,886
The financial effects of LGPS pension scheme	6,868	6,868	7,873	7,873
Other pension costs	11,770	11,770	9,697	9,697
Redundancy and associated pension costs	2,557	2,557	2,404	2,404
	<u>95,289</u>	<u>95,289</u>	<u>92,702</u>	<u>92,702</u>

Redundancy and associated pension costs related to the University's Voluntary Severance Scheme and the disclosed total cost related to 67 members of staff.

	2020 £'000	2019 £'000
a) Emoluments of the Vice-Chancellor:		
Remuneration	277	275
Performance related pay	-	-
Benefits in kind	<u>3</u>	<u>3</u>
	280	278
Pension contributions	<u>64</u>	<u>45</u>
	<u>344</u>	<u>323</u>

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. The increase in pension contributions relates to an increase in the employer's contribution rate from 16.48% to 23.60% in September 2019. The benefit in kind for the Vice-Chancellor relates to membership of a corporate healthcare scheme. No independent governors received remuneration apart from reimbursement of expenses incurred in the course of their duties.

The head of the provider's basic salary is 7.5 times (2019: 7.6 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The head of the provider's total remuneration is 8.0 times (2019: 7.9 times) the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

Justification for the total remuneration package for the Vice-Chancellor

Context in which the University operates

The University operates in a highly competitive national and international market and retention of effective and successful leadership is key to the University's continued success. Our vision is that by 2025 BU will be recognised worldwide as a leading university for inspiring learning, advancing knowledge and enriching society through the fusion of education, research and practice.

Since early 2020 the University has also been operating within the context of the Covid-19 pandemic which has required exceptional leadership from the VC and his executive team.

Value and performance delivered by the Vice-Chancellor

The University has benefited from the Vice-Chancellor's leadership throughout the delivery of the previous strategic plan BU2018, during the development of the new strategic plan BU2025 and the first two years of its delivery.

Progress in 2019-20 has been demonstrated through increases in league table rankings, reflecting strengthened leadership structures and a renewed focus on delivery and cultural change. NSS results were slightly improved on last year's performance but require further improvement. The outcomes for students were evidenced by strong performance in graduate outcomes and salary surveys. The recent HESA Graduate Outcomes survey showed that, at undergraduate level, 91% of BU graduates were in work or further study compared to a sector average of 88%. 81% of BU graduates were reported to be in high-skilled roles compared to 71% in the sector. Data from the DfE Longitudinal Education Outcomes (LEO) survey places BU graduates in the upper quartile for median earnings 1,3 and 5 years after graduating, with BU placed inside the top 40 providers on all three measures.

Recruitment levels were strong despite the demographic dip and the COVID-19 pandemic. BU has continued to invest in improving student experience and was delighted to open the new Bournemouth Gateway Building. The new facilities have a particular focus on supporting Health and Social Sciences and were completed and opened despite the pandemic.

Process for judging performance of the Vice-Chancellor

Objectives are developed for the Vice-Chancellor by the Chair of the University Board based on the agreed strategic plan. The objectives are based on delivering the strategy (and the relevant KPIs) and contain both short (one year) and long term (multiple year) objectives. Performance is assessed annually against delivery of these objectives using performance definitions for the Vice-Chancellor approved by the Remuneration Committee. A summary performance report is presented to Remuneration Committee by the Chair of the Board and discussed by the Committee.

Processes and oversight arrangements involved in making remuneration decisions

Remuneration Committee has delegated authority on behalf of the Board to approve the total remuneration package for the Vice-Chancellor. The Remuneration Committee operates within the Board approved Terms of Reference and an Operating Framework which sets out the comparative data that must be considered and the key comparator institutions as well as the principles underlying remuneration decisions.

Further details about Remuneration Committee decisions and processes are published in the Annual Remuneration Reports for 2017-18 and 2018-19 and 2019-20 and are published on the University website here www.bournemouth.ac.uk/about/governance/transparency.

Justification of level of remuneration and total remuneration package

The Vice-Chancellor's remuneration package is bench-marked against the UCEA all institutions data and the CUC survey of Vice-Chancellor's remuneration, including the more detailed analysis of the comparator set of institutions. The Remuneration Committee also considers the wider context of pay ratio data and the cost of living awards to other staff. In 2019 the Committee also commissioned an external review of the bench-marking of the Vice-Chancellor's remuneration which concluded that the bench-marking adopted by the Committee was appropriate. The Committee has confirmed that it will undertake this external review of bench-marking every three years. The Vice-Chancellor's salary is in line with the comparator set and in the range agreed by the Committee as applicable based on the UCEA all institutions data, his long experience and high performance. The Committee has decided to maintain this market-positioning as a reflection of the importance of retaining the Vice-Chancellor's leadership to the delivery of BU2025.

In recognition of the particular financial challenges that arose during the financial year 2019-20 the Vice-Chancellor voluntarily surrendered his pay increase for 2019-20 with effect from 1st December 2019. The Remuneration Committee noted this position and noted that the voluntary salary surrender was continuing for the whole of the 2020-21 financial year.

The Vice-Chancellor is entitled to health insurance (or the equivalent value) and is entitled to participate in the Teachers' Pension Scheme as for all other academic staff. The employer's contributions are determined by the TPS and have increased significantly with effect from 1st September 2019 as required by the TPS. This is applicable to all staff in the scheme and was not a decision taken by the Remuneration Committee. The Vice-Chancellor receives no further benefits other than those available to all staff at the University.

b) Remuneration of other higher paid staff	2020 Number	2019 Number
£100,000 to £104,999	3	4
£105,000 to £109,999	4	2
£130,000 to £134,999	-	-
£135,000 to £139,999	1	-
£140,000 to £144,999	1	-
£145,000 to £149,999	-	1
£150,000 to £154,999	-	-
£155,000 to £159,999	-	2
£160,000 to £164,999	2	-

Remuneration of other higher paid staff excludes the emoluments of the Vice-Chancellor. Remuneration of other higher paid staff includes basic salary, performance bonuses and all taxable benefits in kind but excludes employer's national insurance and employer's pension costs.

c) Key management personnel include a number of senior managers across the institution who together have authority and responsibility for planning, directing and controlling activities of the institution. The total compensation paid to key management personnel for services provided to the group was £1.144m (2019: £0.964m). Total compensation includes basic salary, performance bonuses, all taxable benefits, employer's national insurance and employer's pension costs.

d) Staff numbers employed:	2020	2019
	Number	Number
Academic staff (excluding part-time visiting lecturers)	715	721
Administrative, professional, technical and clerical staff	814	836
Manual and maintenance staff	32	29
	<u>1,561</u>	<u>1,586</u>

7. Other operating expenses	2020	2020	2019	2019
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Staff development	471	471	1,010	1,010
External Agencies and staff secondments	3,148	3,148	3,366	3,366
Other staff costs	157	157	193	193
Travel costs	1,014	1,014	1,592	1,592
Consumables and laboratory costs	558	558	683	683
Franchise costs paid to partner colleges	1,245	1,245	1,785	1,785
Student union grant	1,229	1,229	1,190	1,190
Student welfare	2,917	2,917	2,735	2,735
Office expenses	205	205	331	331
Books, periodicals and information services	2,213	2,213	2,177	2,177
Non capitalised equipment and software	4,953	4,953	5,428	5,428
Audit:				
- External auditors remuneration – audit fees	53	53	44	44
- Auditors remuneration – other fees	14	14	14	14
- Internal Auditors remuneration	103	103	74	74
Legal and professional	3,086	3,086	2,219	2,219
Bursaries and scholarships	8,338	8,338	6,175	6,175
Promotions costs	1,770	1,770	2,030	2,030
Rent and rates	11,786	11,786	11,284	11,284
Heat, light, water and power	1,803	1,803	2,030	2,030
Repairs, refurbishment and scheduled maintenance	1,455	1,455	1,676	1,676
Insurance	413	413	386	386
Research and Development	3,224	3,224	3,575	3,575
Other expenses	7,667	7,667	7,223	7,223
	<u>57,822</u>	<u>57,822</u>	<u>57,220</u>	<u>57,220</u>

Other operating expenses include	2020	2020	2019	2019
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Independent governors' expenses	5	5	7	7
Hire of other assets – operating leases	33	33	52	52

8. Access and participation expenditure	2019-20
	£'000
Access investment	559
Financial support provided to students	4,364
Research and evaluation expenditure	257
Support for disabled students	1,153
	<u>6,333</u>

Expenditure on financial support provided to students was approximately £1.5m above forecast. This is explained by the historic forecasting method used for bursaries in the 2019/20 Access and Participation Plan. In agreement with The Office for Fair Access (OFFA), when our Bursary model became unlimited, and in anticipation of volatile numbers of eligible students due to the removal of NHS bursary, we forecast only 50% of the anticipated bursary spend. Bursaries in 2019/20 are approximately £500k above the figure for 2018/19. Our internal planning figure for bursaries in 2019/20 is just under 1.5% below actual expenditure. Expenditure on Hardship was in line with forecast whilst as a direct impact of COVID19, outreach activity was £0.4m below forecast.

9. Interest and other finance costs	2020	2020	2019	2019
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Pension scheme finance costs	1,710	1,710	1,985	1,985
Loan interest	2,043	2,043	1,664	1,664
	<u>3,753</u>	<u>3,753</u>	<u>3,649</u>	<u>3,649</u>

10. Negative Goodwill	2020
	£'000
Cost	
As at 1 August 2019	(908)
Amortisation charge for year	36
Net book value	
As at 31 July 2020	<u>(872)</u>

Negative goodwill arose in 2018-19 when the University completed the freehold purchase of Chapel Gate sports site for £0.8m, the site had a fair market value of £2.0m. As part of the purchase agreement, the University will invest a further £1.4m improving the facilities at the site. Future investment in the site will be netted off against the negative goodwill in the financial year that the investment is incurred.

11. Tangible assets: University and its Subsidiary Company

Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings	Leasehold Improvements	Equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost/valuation					
At 1 August 2019	157,458	1,891	79,665	66,936	305,950
Additions	3,168	–	8,388	17,701	29,257
Transfers	29,283	–	2,945	(32,228)	–
Disposals	(1,241)	–	(19,223)	–	(20,464)
31 July 2020	<u>188,668</u>	<u>1,891</u>	<u>71,775</u>	<u>52,409</u>	<u>314,743</u>

11. Tangible assets: University and its Subsidiary Company (continued)

	Freehold and Leasehold Land and Buildings £'000	Leasehold Improvements £'000	Equipment £'000	Assets in course of construction £'000	Total £'000
Depreciation					
At 1 August 2019	65,311	1,061	66,917	–	133,289
Charge for the year	5,850	107	5,565	–	11,522
Disposals	(1,145)	–	(19,222)	–	(20,367)
31 July 2020	70,016	1,168	53,260	–	124,444
Net book value					
31 July 2020	118,652	723	18,515	52,409	190,299
31 July 2019	92,147	830	12,748	66,936	172,661

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 1 April 1989. Similarly, the University also acquired unrestricted title to those moveable assets acquired from funds previously paid by the DCC.

The cost/valuation of Land and Buildings comprises:	2020 £'000	2019 £'000
Freeholds		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	17,292	17,292
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	171,226	140,016
	188,668	157,458

Investment	Cost at 31 July 2020	Cost at 31 July 2019
Investments - University	£	£
Shares in subsidiary company	3	3
Shares in CVCP Properties plc	28,097	28,097
	28,100	28,100
Subsidiary Company	Cost at 31 July 2020	Cost at 31 July 2019
BU Innovations Limited	2	2
BU Community Business Limited	1	1
	3	3

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

BU Community Business Limited was incorporated on 15th May 2019. The company was incorporated to run Chapel Gate, a 65 acres site of established sports facilities.

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 21. 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

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.

12. Stocks	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Stock	5	5	4	4
13. Trade and other receivables due within one year	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Other trade receivables	3,138	3,091	3,373	3,373
Amounts owed by group companies	–	24	–	–
Prepayments and accrued income	7,122	7,115	8,518	8,518
	10,260	10,230	11,891	11,891

14. Creditors: amounts falling due within one year

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Bank loans	7,577	7,577	2,557	2,557
Bank overdraft	1,065	1,065	1,330	1,330
Trade payables	1,959	1,959	747	747
Other creditors	2,365	2,365	2,046	2,046
Amounts owed to Funding Body	-	-	556	556
Social security and other taxation payable	6,242	6,238	1,866	1,866
Accruals and deferred income	16,654	16,572	22,389	22,388
	<u>35,862</u>	<u>35,776</u>	<u>31,491</u>	<u>31,490</u>

Accruals and deferred income include £7.1m (2019: £7.2m) of income received in advance in connection with teaching and consultancy work.

15. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Group and University		
Bank loans	54,915	57,491
Other creditor	200	200
Interest rate cash flow hedge	1,161	-
	<u>56,276</u>	<u>57,691</u>

Loan Summary

Bank loans are represented in the below table, the loan amount represents the original amount drawn.

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
Fixed	25,000	2.9	2037
Fixed	15,000	Base rate + 1.52%	2039

In respect of the £15.0m loan with an interest rate of base +1.52%, the Group has entered into floating to fixed interest rate swaps with a fixed leg of 1.042% and a variable rate leg GBP 3 Month LIBOR.

The other creditor is represented by a repayable grant received for the Revolving Green Fund and a carbon reduction initiative of £0.2m.

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

	2020 £'000	2019 £'000
Repayable within 1 year	7,577	2,557
Repayable within 2-5 years	10,588	10,490
Repayable after 5 years	44,327	47,000
	<u>62,492</u>	<u>60,047</u>

16. Financial Instruments

	Consolidated		University	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost	26,170	36,533	26,027	36,474
Financial liabilities measured at amortised cost	(76,391)	(78,435)	(76,391)	(78,435)
Derivative financial instruments designated as hedges of variable interest rate risk	(1,161)	(1,161)	-	-

Financial assets measured at amortised cost comprise cash, trade receivables, research grant receivables and other receivables.

Financial liabilities measured at amortised cost comprise secured loans, unsecured loans, finance leases, trade payables, salaries and wages, accruals and other payables.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps.

17. Analysis of changes in consolidated financing during the year

	Bank loans £'000
At 1 August	60,047
New loans	5,000
Capital repayments	(2,555)
At 31 July	<u>62,492</u>

18. 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 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 Campus Living Villages (CLV) for the supply of student accommodation in four buildings, Okeford House a 94 bed facility, Lyme Regis House, a 400 bed facility, Chesil House, a 210 bed facility and Cranborne House a 497 bed facility. The buildings are owned and managed by CLV but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students. The nominations agreement provides a minimum income guarantee for the provider in circumstances where there are too few students nominated; and, to date, this has not been called upon.

19. Operating lease and Capital commitments

At 31 July 2020, the University was committed to making the following payments during the next year in respect of operating leases:

	2020		2019	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases:				
Expiring within one year	6,691	51	9,030	53
Expiring within two and five years	20,606	72	21,182	65
Expiring within six and thirty years	9,509	-	13,709	-
	<u>36,806</u>	<u>123</u>	<u>43,921</u>	<u>118</u>

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 lease has now been extended to September 2022. 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 ending on 31 August 2030. 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 April 2018 the lease was extended for a further period to August 2021.

In 2008, the University entered into a 16-year operating lease on the Executive Business Centre which is home to the Faculty of Management. The lease had a break clause in October 2014 and had a further break clause in October 2019. The rental was subject to review in 2019.

In 2012, the University entered into a 7-year operating lease on Dorchester House, a 540 bed facility purpose built student accommodation block. The lease on Dorchester House has now been extended to 2027.

In 2017, the University entered into a 3 year operating lease for Home Park purpose built student accommodation block, the lease has not been renewed at the end of the 3 year period.

Provision has not been made for the following capital commitments at 31 July 2020.

Capital commitments	2020 £'000	2019 £'000
Commitments contracted at 31 July	<u>6,819</u>	<u>26,077</u>

20. Pensions

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 employer's pension cost for the year ended 31 July 2020 was £9.7m (2019: £9.7m).

Reconciliation to balance sheet	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
DCSS LGPS pension liability	134,890	80,994
USS Pension liability	703	1,066
Pension enhancement liability	825	912
	<u>136,418</u>	<u>82,972</u>

Teachers' Pension Scheme (TPS)

Under the definitions set out in Financial Reporting Standard 102 - Retirement Benefits, the 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 16.5% of pensionable salaries to 31 August 2019, increasing to 23.6% of pensionable salaries from 1 September 2019 to 31 July 2020.

The Teachers' Pension Scheme is a statutory, contributory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010 and the Teachers' Pension Scheme Regulations 2014. 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 Government Actuary's report of March 19 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £218.1 billion. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £196.1 billion. The assumed real rate of return is 2.8% in excess of prices and 1.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed gross rate of return is 5.06%.

Universities Superannuation Scheme

The institution participates in Universities Superannuation Scheme (USS). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the profit and loss account.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

Pension Costs

The total cost charged to the income and expenditure account is £305,445 (2019: £267,388).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2018 valuation was the fourth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the statement of Funding Principles.

20. Pensions (Continued)

Pension increases (CPI) Terms dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3%

Discount rate (forward rates) Years 1-10: CPI – 0.14% reducing linearly to CPI – 0.73%
Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21
Years 21 +: CPI + 1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
	Pre-retirement:
Mortality base table	71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females.
	Post retirement:
	97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2020	2019
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	2.59%	1.58%
Pensionable salary growth	4.20%	2.11%

Pension enhancements

Pension enhancements relates to previous members of staff, who receive pension enhancement payments from the University.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

The administering authority for the Fund is Dorset County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Dorset County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The valuation has been updated to 31 July 2020 by qualified independent actuaries who estimate that the net liability as at 31 July 2020 is £134.89m (2019: £80.99m).

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:

Assumptions as at	31 July 2020	31 July 2019	31 July 2018
	% p.a.	% p.a.	% p.a.
Salary increases	2.0%	3.0%	3.3%
Pension increases	1.8%	2.1%	2.4%
Discount rate	1.4%	2.2%	2.7%

Life expectancy from age 65 (years)

	2020	2019
Retiring today		
Males	23.3	22.7
Females	24.8	24.6
Retiring in 20 years		
Males	24.7	24.1
Females	26.2	26.2

20. Pensions (Continued)**Expected return on assets and estimated asset allocation**

The return on the Fund (on a bid to bid value basis) for the year to 31 July 2020 is estimated to be -3%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Bournemouth University as at 31 July 2020 is as follows.

Asset class	Asset allocation 31 July 2020 £'000	%	Asset allocation 31 July 2019 £'000	%
Equities	65,192	52%	65,472	51%
Other Bonds	10,038	8%	9,135	7%
Diversified Growth Fund	7,241	6%	7,490	6%
Property	12,542	10%	13,378	10%
Cash	1,309	1%	3,335	3%
Liability Driven Investment	15,230	12%	16,797	13%
Infrastructure	8,583	7%	6,761	5%
Secured Income Funds	681	1%	-	n/a
Multi Asset Credit	5,714	5%	5,886	5%
Total	126,530	100%	128,254	100%

Based on the above, the Employer's share of the assets of the Fund is approximately 4%.

Reconciliation of DCSS LGPS pension liability recognised in balance sheet

	31 July 2020 £'000	31 July 2019 £'000
Net pension deficit as at		
Present value of funded obligation	(261,283)	(209,102)
Fair value of scheme assets	126,530	128,254
Net liability	(134,753)	(80,848)
Present value of unfunded obligation	(137)	(146)
Pension liability in balance sheet	(134,890)	(80,994)

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
Service cost:	11,727	11,619
Net interest on defined liability	1,693	1,972
Administration expenses	83	91
Total cost	13,503	13,682

Asset and benefit obligation reconciliations for the year to 31 July 2020

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
Opening defined benefit obligation	209,248	190,700
Current service cost	11,344	10,330
Interest cost	4,485	5,148
Change in financial assumptions	26,891	12,474
Change in demographic assumptions	(2,368)	(10,538)
Experience loss/(gain) on defined benefit obligation	13,125	-
Estimated benefits paid net of transfers in	(3,835)	(2,214)
Past service costs, including curtailments	383	1,289
Contributions by Scheme participants and other employers	2,159	2,071
Unfunded pension payments	(12)	(12)
Closing defined benefit obligation	261,420	209,248

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
Opening fair value of Fund assets	128,254	115,452
Interest on assets	2,792	3,176
Return on assets less interest	(6,846)	5,325
Other actuarial gains/(losses)	(841)	-
Administration expenses	(83)	(91)
Contributions by employer including unfunded	4,942	4,547
Contributions by Scheme participants and other employers	2,159	2,071
Estimated benefits paid plus unfunded net of transfers in	(3,847)	(2,226)
Closing fair value of Fund assets	126,530	128,254

Composition of defined benefit obligation

	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
Unfunded	137	146
Funded obligations	261,283	209,102
	261,420	209,248

20. Pensions (Continued)**Reconciliation of opening & closing balances of the net pension deficit**

	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
Deficit at beginning of the year	(80,994)	(75,248)
Service cost	(11,344)	(10,330)
Employer contributions	4,930	4,535
Unfunded pension payments	12	12
Past Service Costs	(383)	(1,289)
Other finance costs	(1,693)	(1,972)
Actuarial (loss)/gain	(45,335)	3,389
Administration expenses	(83)	(91)
Deficit at end of the year	<u>(134,890)</u>	<u>(80,994)</u>

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 life expectancy assumption.

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	254,809	261,420	268,210
Projected service cost	14,076	14,558	15,057
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	262,144	261,420	260,704
Projected service cost	14,565	14,558	14,551
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	267,453	261,420	255,544
Projected service cost	15,047	14,558	14,085
Adjustment to life expectancy assumption	+ 1 year	None	- 1 year
Present value of total obligation	271,111	261,420	252,086
Project service cost	15,055	14,558	14,078

5 Year history

Amounts for the current and previous four periods	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000	Year to 31 July 2018 £'000	Year to 31 July 2017 £'000	Year to 31 July 2016 £'000
Defined benefit obligation	(261,420)	(209,248)	(190,700)	(195,578)	(171,605)
Scheme assets	126,530	128,254	115,452	105,486	87,250
Deficit	<u>(134,890)</u>	<u>(80,994)</u>	<u>(75,248)</u>	<u>(90,092)</u>	<u>(84,355)</u>

Re-measurements in other comprehensive income

	Year to 31 July 2020 £'000	Year to 31 July 2019 £'000
Re-measurement of the net defined liability		
Return on Fund assets in excess of interest	(6,846)	5,325
Other actuarial gains/(losses) on assets	(841)	-
Change in financial assumptions	(26,891)	(12,474)
Change in demographic assumptions	2,368	10,538
Experience gain/(loss) on defined benefit obligation	(13,125)	-
Re-measurement of the net defined liability	<u>(45,335)</u>	<u>3,389</u>

Projected pension expense for the year to 31 July 2021

	Year to 31 July 2021 £'000
Service cost	14,558
Net interest on the defined liability (asset)	1,853
Administration expenses	82
Total loss (profit)	<u>16,493</u>
Employer contributions	5,039

21. Related Party Transactions

The Board has taken advantage of the exemptions provided by FRS102 not to disclose transactions with wholly owned subsidiary companies.

No independent governors received payment for their services as a governor. Independent governors' expenses are disclosed in Note 6.

During the year, The Bournemouth University Foundation did not award any grants to Bournemouth University (2019: £0). No amounts were outstanding at the end of the year.

The University has a close working relationship with Bournemouth University Students Union which remains a separate entity. The Bournemouth University Students Union president is a member of the University's Board of Governors. In 2019/20 the University gave Bournemouth University Students Union a block grant and payments for services totalling £1,227k (2019: £1,190k).

Bournemouth University Foundation	£
Turnover including interest received	
Expenditure	(0)
Loss on ordinary activities	(0)
Reserves brought forward	46
Loss for year	(0)
Reserves carried forward	<u>46</u>

22. Analysis of net debt

	At 1 August 2019 £000	Cashflow £000	Other non-cash movement £000	At 31 July 2020 £000
Cash at bank and in hand	30,219	(10,104)	–	20,115
Bank overdraft	(1,330)	265	–	(1,065)
Bank loans	(60,048)	(2,444)	–	(62,492)
Interest rate swap	–	–	(1,161)	(1,161)
Net debt at end of year	<u>(31,159)</u>	<u>(12,283)</u>	<u>(1,161)</u>	<u>(44,603)</u>

23. Post balance sheet event**Banking facilities**

On 27 November 2020 the University entered into a new £10m Revolving Credit Facility with Barclays providing additional facilities to the University if required. The facility is unsecured and has been provided for an initial three years from the date of signing. The University can request a 12 month extension of the facility before the 3rd anniversary and again, if extended, a second 12 month extension before the 4th anniversary. Barclays have the option to agree to the extension or not.