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Bournemouth University

Bournemouth University,
Higher Education Corporation

Report and Financial Statements for the year ended 31 July 2017

Board members and advisers

Board Members (External)

Prof Richard Conder (Chair)
Mr Nicholas Beal
Mr Alistair Brien
Mr Jonathan Clark
Mrs Sheila Collins
Ms Annette D'Abreo
Mr David Furniss (from 1 March 2017)
Prof Timothy Irish
Mr Stuart Jones
Mr David Kane
Mrs Jean Lang (Deputy Chair)
Mr Tim Lee (to 30 November 2016)
Mrs Adetola Oloyede (from 1 December 2016)
Dr Peter Rawlinson (to 28 February 2017)
Dr Chris Shaw
Mr David Skinner
Ms Caroline Troy

Board Members (Internal)

Mr Jim Andrews (Chief Operating Officer)
Mr Daniel Asaya (President Students' Union at Bournemouth University
Mr Graham Beards (Director of Finance & Performance)
Prof Jens Hölscher (from 26 November 2016)
Prof Tim McIntyre-Bhatty (Deputy Vice-Chancellor)
Prof Elizabeth Rosser (Senate Member)
Ms Amanda Stevens (Professional & Support Staff)
Prof John Vinney (Vice-Chancellor)

External Auditors

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

Internal Auditors

Kingston City Group
Kingston University
Room 62, Kenry House,
Kingston Hill Campus,
Kingston upon Thames
KT2 7LB

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 2017. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, BU Innovations Limited and The Bournemouth University Foundation.

Summary of the Group Financial performance for the year

The University's consolidated income, expenditure and results for the year ended 31 July 2017 are summarised as follows:

	2017	2016
	£'000	£'000
Income	155,130	150,485
Expenditure	153,494	148,931
Surplus for the year	1,636	1,554
Pension adjustment	6,678	5,074
Surplus for the year excluding pension adjustment	8,314	6,628

The University's financial performance remained strong in 2016-17, which is essential for ongoing investment in the estate. Building upon the success of previous years, the University's income increased by 3.1% whilst the operating surplus increased by 5.3%. Excluding the pension adjustment, the operating surplus increased by 25.4% from £6.6m to £8.3m.

The pension adjustments arise from those members of staff who are members of the Dorset County Superannuation Scheme (DCSS); essentially the non-academic staff of the University, 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

The University achieved another year of strong financial performance in 2016-17, which is an essential foundation to enable BU to invest in development for the future. BU continues to invest in its estates, having already completed the construction of two new buildings and with construction set to commence on two more buildings in 2017-18.

Mission

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

Strategic Plan

BU's Vision & Values, "BU2018: Creating, Sharing, Inspiring" is based around six key themes: Creating; Sharing; Inspiring; Finance; People; and Environment. BU's Strategic Plan builds on Bournemouth University's distinctive offer based on academic excellence, underpinned by service excellence. The Strategic Plan puts students at the heart of the University and encourages them to become co-creators and co-producers of knowledge.

At the heart of the Strategic Plan is the powerful fusion of research, education and professional practice, creating a unique academic experience where the sum is greater than the component parts. Fusion has become a key differentiator for BU since the start of the Strategic Plan period. Since 2012, BU has embedded the Fusion model into its structures to build an institution in which research and education are both valued, informed by and with strong links to practice and industry.

Rankings

The Teaching Excellence Framework (TEF) results were announced in June 2017. BU was pleased to receive a TEF Silver award. The definition of a silver award is that the Institution is 'delivering high quality teaching, learning and outcomes for its students. It consistently exceeds rigorous national quality requirements for UK higher education'. The award applies to all courses and will remain in place for up to three years.

The University also increased its position by 18 places in the *Guardian University Guide* 2018.

Future Developments

The University was pleased to receive planning permission for two new buildings in 2016-17, the Poole Gateway Building (PGB) and the Bournemouth Gateway Building (BGB), with construction scheduled to commence on both buildings in the 2017-18 academic year. Both are academic buildings, PGB will house the University's Media and Science and Technology Faculties on the eastern edge of The University's Talbot site and will be the new gateway into the University's Talbot Campus. The BGB will serve our Faculty of Health and Social Sciences, but will be open and accessible to all BU staff, students and the community.

Financial Strategy

The University's Financial Strategy has been developed to help and support the delivery of the University's overall strategic goals and aims as outlined in our BU2018 Strategic Plan. The main aims of the financial strategy are the efficient use of resources to secure key and strategic priorities and ensuring overall financial sustainability by embedding Value for Money, increasing productive capacity and ensuring that development and investment is focused on delivering our Vision. The University will ensure financial stability within an agreed financial risk model which defines the controls that the University will operate within.

Financial Performance Indicators

Financial Performance Indicators 2016-17	2016-17 Actual	BU 2018 Target
Current Ratio (current assets: current liabilities)	0.6:1	1.1:1
Annual contribution as a % of income (excluding pension adjustment)	5.4%	5.0%
Gearing (bank borrowings as a % of total assets less current liabilities)	23.1%	41.0%

In 2016-17, the University exceeded the BU2018 target contribution by 0.4%. Loan Capital repayments of £5.5m reduced the gearing percentage from 29.5% in 2015-16 to 23.1% in 2016-17. Although the current ratio of 0.6:1 was below the BU2018 target, the cash receipt from the sale of an accommodation building in September 2017 (see note 19) increased the current ratio above the BU2018 target.

Financial Highlights of the Year

5 year financial summary excluding pension adjustment	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Total income	155,130	150,485	134,984	128,687	120,424
Total expenditure	146,816	143,857	129,760	125,428	117,566
Operating surplus excluding pension adjustment	8,314	6,628	5,224	3,259	2,858
Operating surplus as a % of income	5.4%	4.4%	3.9%	2.5%	2.4%
Net assets excluding pension reserve	98,353	90,121	84,062	76,965	74,057

The University's five year underlying operating surplus, excluding the adjustment for pension, has increased from 2.4% in 2012-13 to 5.4% in 2016-17. Excluding the pension reserve, there has also been a healthy increase in net assets over the same period from £74.1m in 2012-13 to £98.4m in 2016-17.

Student numbers:

	2016-17					2015-16			
	UG	**PGT**	**PGR**	**TOTAL**		**UG**	**PGT**	**PGR**	**TOTAL**
Full-time	13,349	1,243	389	14,981	**Full-time**	12,426	1,212	371	14,009
Part-time	2,599	2,018	231	4,848	**Part-time**	2,322	1,797	210	4,329
TOTAL	**15,948**	**3,261**	**620**	19,829	**TOTAL**	**14,478**	**3,009**	**581**	18,338

In 2016-17, the University increased its undergraduate (UG), postgraduate taught (PGT) and postgraduate research (PGR) student numbers with the overall population increasing by 1,491 students.

Income:

	2017 £'000	2016 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Funding Body Grants	11,954	16,608	(4,654)	(28%)
Tuition fees and education contracts	124,169	113,616	10,553	9%
Research grants and education contracts	4,040	4,647	(607)	(13%)
Other operating income	14,682	15,205	(523)	(4%)
Endowment and investment income	285	409	(124)	(30%)
Total income	**155,130**	**150,485**	**4,645**	**3%**

The increase in student numbers is the main driver for the increase in tuition fees and education contracts income from 2015-16 to 2016-17. Tuition fee and education contract income now accounts for 80% of total income (2015-16 75.5%). The reduction in Funding Body Grants in 2016-17 was the result of 2015-16 benefiting from a £5.0m release of capital STEM grant funding.

Expenditure:

	2017 £'000	2016 £'000	Increase/ (decrease) £'000	Increase/ (decrease)
Staff costs	81,068	76,207	4,861	6%
Depreciation	10,850	9,323	1,527	16%
Other operating expenses	58,220	55,574	2,646	5%
Interest payable	3,356	3,307	49	0%
Exceptional item (note 20)	–	4,520	(4,520)	–
Total expenditure	**153,494**	**148,931**	**4,563**	3%

Academic staff investment in response to increasing student numbers was the main driver for the increase in the staff costs. Other operating expenses increased by £2.6m whilst the £1.5m increase in depreciation was the result of the University's capital investment programme.

Balance sheet

The University invested £16.0m in fixed assets which was offset by a depreciation charge of £10.9m resulting in an increase in fixed assets of £5.1m. The reduction in short term creditors was predominately due to a £5.0m net repayment of the University's Revolving Credit Loan Facility.

The pension provision increased by £5.6m and net assets increased by £2.6m. Excluding the increase in the pension provision, net assets increased by £8.3m.

Cash flow and borrowings

The University generated a strong net cash inflow from operating activities of £17.6m (2016: £18.8m). The net decrease in cash and cash equivalents of £4.8m (2016: £7.7m) was due to the utilisation of our own cash reserves to fund capital expenditure and a reduction in borrowings of £5.5m.

Due to the imminent sale of a student accommodation building (Cranborne House), the University continued to utilise its short-term Revolving Credit Loan Facility to manage cash reserves. There were no long-term borrowings drawn in 2016-17. The sale of Cranborne House was completed in September 2017, generating a cash receipt of £23.6m (see note 19).

Capital Investment

The University continued to invest in buildings and equipment with £16.0m invested in capital projects during 2016-17. This included a land purchase for the creation of a new Talbot Campus link road and travel exchange. The University has invested £59.2m in capital expenditure over a three year period whilst reducing long-term borrowings by £4.5m.

Looking ahead, the University has forecast £78.0m capital investment over the next two academic years funded by a combination of cash generated, new loans and the receipt from the sale of Cranborne House. Of this total, £66.8m will be invested in the estate and £11.2m invested in information technology. Of the investment in the estate, £54.0m relates to the construction of two new buildings, the Bournemouth Gateway and Poole Gateway buildings.

Principal risks and uncertainties

The University's Board has identified a number of high level risks which it monitors on a regular basis. The BU Risk Register is reviewed by the Risk Management Steering Group and the University Leadership Team before submission to the Audit, Risk and Governance Committee. The University Board also receives the Risk Register, including details of mitigating action, as part of the report from each Audit, Risk and Governance Committee meeting. Significant risks are prioritised for action by the University Executive Team and that action, and progress against it, is reported.

The University has identified the following significant risks:

a) Breach to information security.
b) Organisational change and technical aspects of Student Journey implementation may cause disruption to service continuity.
c) University failure to deliver the desired outcomes from the development of digitalised facilities that then limits achievement and benefits of a digitalised university.

Environmental and Sustainability

Sustainability is embedded in our BU2018 strategy. In 2016-17, over one million passengers travelled on the UniBus service for the first time and the University maintained its fair trade status for a further two years. No BU waste was sent to landfill with 55% of waste recycled and the remainder being sent for energy recovery.

Our Estates team continues to work on a number of projects to enhance the sustainability and biodiversity of our estate. Landscaping works will provide additional green space for students and the University continues to install ultra-low energy equipment in our buildings. Our students have opportunities to develop their sustainability knowledge and skills through the curriculum and volunteering, enhancing both the quality of life in the local community and their employability.

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. 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.

The University has signed up to five national equality schemes which reflect sector practice and our commitment to making BU a welcoming place to work and study. BU has achieved 'Disability Confident Status', a quality mark awarded by the Department of Work and Pensions for our positive commitment to the employment, retention and career development of disabled employees. In addition, BU has signed up to the Mindful Employer Charter, DisabledGO, Athena SWAN and Time to Change.

Our people

Since the BU2018 Strategic Plan was launched in 2012, the University 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. This was recognised when BU achieved a Silver award in the Teaching Excellence Framework 2017 as noted above.

The University has continued to invest in staff development for staff across the university and to focus on providing a positive working environment to enable staff to deliver the objectives of the BU2018 Strategic Plan.

Bournemouth University and Public Benefit

The University is required to demonstrate how it meets its responsibilities as a charity and show that activities are of 'public benefit'. University Board Members are trustees. The trustees are aware of their duties with regard to acting for the public benefit and have had 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 124 of the Education Reform Act 1988. Under this section, a higher education corporation has the power to provide higher and further education, to carry out research and to publish the results of the research or any other material arising out of or connected with it in such manner as the corporation thinks fit. These are also the charitable objects of the University.

Education and Widening Access

In 2016-17 the University increased its registered student numbers by 1,491 students from 18,338 to 19,829.

The University is committed to working with students and our ambition is to support learners from under-represented groups to maximise their success. We continue to invest in financial support for those for whom affordability may be an obstacle to studying at BU. We focus our investment in activity that raises aspirations in society to engage in higher education and seek ways to ensure that the benefits are clearly visible and quantifiable.

The University works hard to ensure graduates have the best employment opportunities regardless of background. 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.

All students at BU have the option of a placement and there is great emphasis on student mobility internationally. 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.

The University spent £5.9m on provider specific bursaries in 2016-17, and financial support through hardship funding continued with £0.4m committed. We will continue to support students with mental health problems and Specific Learning Disabilities with £0.3m committed to disability support in 2016-17.

Research

Research at BU is a key element of the BU2018 Strategic Plan. The focus at BU is on research that enriches society. We work closely with industry and practice to ensure that our research is informed by real life challenges, and we engage students in co-creating knowledge with us.

During April 2017, the University hosted the 2017 British Conference of Undergraduate Research. The annual conference was an opportunity to celebrate student research across many different disciplines.

Our research continues to have tangible economic and social benefits, for example:

a) Our researchers worked collaboratively with local schools for children with Special Educational Needs (SEN) to increase access to music technology. Research has shown that music technology is currently being under-used in SEN schools. The project aims to create a music solution that is easy to use and affordable.

b) Research undertaken with Dorset care homes has resulted in the design of a new online workbook to help support better nutrition in people with dementia. Ensuring appropriate food and nutrition is a vital part in delivering dignity in care for people with dementia.

c) BU is undertaking a research project in collaboration with Dorset Police to develop a computer system that can simulate a large and varied range of 'Stop and Search' scenarios that match the complex nature of 'Stop and Search'. The project is specifically targeted at key training and development opportunities that are pivotal to preparing police officers for real-life situations.

d) The Durotriges Project is an intensive, multi-disciplinary investigation into the prehistoric and Roman societies of central South Western Britain. The research is conducted by staff and students of the Department of Archaeology, Anthropology and Forensic Science working in co-operation with students from other universities, schools, sixth form colleges and a team of dedicated volunteers. The project has featured in a number of radio and television programmes including 'A History of Ancient Britain and Digging for Britain'.

Community Engagement

The wider community benefits from our ability to attract high quality, engaged students. Working in close partnership with the Students' Union, BU offers a wide range of opportunities for personal development, including volunteering.

Our students took part in many activities including the 'Stour Barn' project which has been shortlisted for an EAUC 'Green Gowns' Award in the Community category. The project aims to connect the local community with the wildlife on their doorstep.

We held our fifth annual Festival of Learning in 2017. Around 5,000 people enjoyed more than 140 free events which aimed to bring learning to life and share The University's research and expertise in engaging and accessible ways. The Festival provides an excellent opportunity to work closely with the local community, to create and share knowledge.

At a strategic level, The University plays its part in helping shape and deliver economic growth in the county. We are one of 15 members of the Dorset Local Enterprise Partnership, set up to help boost business in the area through investment, lobbying and uniting stakeholders.

In conclusion

2016-17 was the penultimate year of the BU2018 Strategic Plan. Financial performance in 2016-17 was strong, and BU continues to invest to deliver its BU2018 objectives in the final year of the plan period. The University's Board and leadership teams have started work on the next phase of BU's development in planning for the BU2025 Strategic Plan, which will be launched in 2018.

Disclosure of information to auditors

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

Professor Richard Conder
Chair of the Board
24 November 2017

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 (December 2014).

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, including every element at every level of the CUC Code (the "should" and "could") not just the mandatory "must" elements. The University has adopted and applied the CUC Code in full.

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 are responsible for ensuring that the University is compliant with charity legislation. The University must comply with the reporting and other requirements of the Higher Education Funding Council for England (HEFCE) 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 the HE Leadership Foundation, are available to Board Members at the University's expense.

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. 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. Independent members do not normally serve more than two consecutive terms. Elected staff members serve three year terms subject to remaining in an appropriate post at the University and may be elected 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 Committee of University Chairs Higher Education Code of Governance.

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. Its objects and powers and framework of governance are set out in section 124 of the Education Reform Act 1988 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 committee policies and procedures were reviewed in parallel and implemented in 2015-16.

3. The Articles of Government at the University require the institution to have a Board of Governors (the University Board) and an Academic Board (Senate), each with clearly defined functions and responsibilities, to oversee and manage its activities.
   a. The University Board is the 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 is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body.
   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.

4. The Vice-Chancellor is the Chief Executive Officer and is the head of the institution with a general responsibility to the University Board for the organisation, direction and management of the institution. Under the terms of the Memorandum of Assurance and Accountability between the institution and HEFCE, the Vice-Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

5. Although the University Board 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. 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 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, together with management's response and implementation plans. The Committee also receives and considers reports from HEFCE and other external bodies as they affect the University's business and monitors adherence with regulatory requirements. It also has oversight of Health & Safety on behalf of the University Board. Audit, Risk and Governance Committee considers in detail the University's 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.
   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.
   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 University complies with HEFCE guidance including circular 17/2017 "Guidance on severance pay and the remuneration of senior staff". In accordance with that advice the University also has regard to "The Good Pay Guide for Charities and Social Enterprises" published by the Association of Chief Executives of Voluntary Organisations (ACEVO). The University also complies with the Higher Education Code of Governance published by the Committee of University Chairs which contains requirements in respect of remuneration.
   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 Development Funding Committee is responsible on behalf of the University Board for the stewardship of funds donated to the University (including assets and liabilities transferred from the BU Foundation) and any related policies and procedures.
   f. 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.
   g. Members of the University Board are also entitled to attend, as observers, meetings of Senate and its standing committees.

6. The membership of these Board committees consists of a majority of independent members of the University Board. 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. As chief executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The other members of the University Executive Team and members of the University Leadership Team all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the University Board.
8. 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.
9. 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.
10. 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 2016-17, a total of £6,000 (2015-16 £7,000) was paid in respect of claims for travel and subsistence expenses incurred in connection with their duties as trustees by 8 Board members.

Statement of Internal Control

1. The University Board is responsible for the establishment and monitoring of systems of internal control. These control systems are firmly 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. They are subject to review by Internal Audit which is carried out by the Internal Audit Consortium, Kingston City Group (KCG). The University is a member institution of the KCG Consortium – a Higher Education Cost Sharing Group for the provision of Internal Audit services to member institutions.

2. The University Executive delegates the detailed assessment of risk to the Risk Management Steering Group which reports to the University Leadership Team. The Group maintains a comprehensive Risk Register which encompasses all risk types, including financial, operational, reputational and other risks. The review of the Risk Register is an ongoing process and risks are rated and prioritised according to probability and possible impact alongside the prescribed control measures to address the risk.
3. The 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. It is a key element in informing the Internal Auditor's work programme. The Deputy Vice-Chancellor chairs the Risk Management Steering Group and attends Audit, Risk and Governance Committee meetings. The Risk Register is submitted to the Board along with the minutes of the Audit, Risk and Governance Committee meeting. In addition, the Audit, Risk and Governance Committee annually review the risk management process to ensure its ongoing effectiveness. 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 risk management processes.
4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and ViceChancellor on the effectiveness of the University's wider systems of governance which it does through its consideration of the University's accounts, risk management, data quality, internal and external audit reports, emergency planning and other internal control processes.
5. The Board 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 Conflicts of Interest, Fraud, Anti-Bribery, Freedom of Speech, Prevent, Modern Slavery 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.
6. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements and most recently did so during 2016-17. A similar independent review of the Senate and its committees was also undertaken during 2016-17 and the Board receives assurances in respect of academic governance through detailed Senate reports. An internal audit review of Corporate Governance also took place in 2016-17.
7. There have been no material internal control issues to report during the year to 31 July 2017 (31 July 2016 no material internal controls).

Professor Richard Conder
Chair of the Board

Professor John Vinney
Vice-Chancellor and Chief Executive

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;
d) the going concern basis is used unless it is inappropriate to presume that University will continue in operation for the foreseeable future.

The University Board is 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 HEFCE are used only for the purposes for which they have been given and in accordance with the HEFCE Memorandum of Assurance and Accountability (and any other conditions which HEFCE 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.

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 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 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.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
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.
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.

Professor Richard Conder
Chair of the Board
24 November 2017

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 2017 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 2017 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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 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 other information comprises the information included in the report of the Board of Governors other than the financial statements and our auditor's report thereon. The board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the Board of Governors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the Board of Governors has been prepared in accordance with applicable legal requirements.

Opinion on other matters required by the Higher Education Funding Council for England ("HEFCE") Audit Code of Practice

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, if relevant, managed in accordance with relevant legislation;
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- The requirements of the HEFCE's Accounts Direction have been met.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the University, and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the Board of Governors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Governors

As explained more fully in the board members responsibilities statement set out on page 14, the board are 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 University or its subsidiary or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the board members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

Kim Hayward (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Southampton

Date: 28 November 2017

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. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (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.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31 July 2017. Intra-group sales and profits are eliminated on consolidation and relate to external transactions only. The consolidated financial statements do not include those of the Bournemouth University Students' Union as it is separately constituted and the University does not exercise control or significant influence over the Union.

3. Fixed assets

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from 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.

4. Investments

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

5. Cash and cash equivalents

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

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

6. Stocks and work in progress

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

7. 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.

8 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.

9. 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.

10. Maintenance of premises

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

11. 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:

a) Restricted donations: the donor has specified that the donation must be used for a particular objective.

b) 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.

c) 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.

d) 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.

12. 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.

13. Capital grants

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

14. Recognition of income

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

Income from 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.

15. 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 scheme which 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.

16. 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.

17. Borrowing costs

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

18. 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.

19. Research & Development

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

20. 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.

21. 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.

22. Financial assets

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

23. 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.

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

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

a) 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.

b) 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.

c) 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.

d) 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.

e) Tangible fixed assets are depreciated over their useful lives taking into account 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 taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

f) Compensated absences accrual (see Note 11). 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.

Consolidated statement of comprehensive income and expenditure

	Note	2017 Consolidated £'000	2017 University £'000	2016 Consolidated £'000	2016 University £'000
Income					
Funding body grants	1	11,954	11,954	16,608	16,608
Tuition fees and education contracts	2	124,169	124,169	113,616	113,616
Research grants and contracts	3	4,040	4,040	4,647	4,647
Other operating income	4	14,682	14,661	15,205	15,196
Endowment and investment income		285	285	409	409
		155,130	155,109	150,485	150,476
Expenditure					
Staff costs	5	81,068	81,068	76,207	76,207
Depreciation	8	10,850	10,850	9,323	9,323
Other operating expenses	6	58,220	58,220	55,574	55,574
Interest and other finance costs	7	3,356	3,356	3,307	3,290
Exceptional finance lease cost	20	–	–	4,520	4,520
		153,494	153,494	148,931	148,914
Surplus for the year after depreciation of assets at valuation and taxation		1,636	1,615	1,554	1,562
Actuarial gain/(loss) in respect of pension scheme	17	978	978	(28,231)	(28,231)
Total comprehensive gain/(loss) for year		2,614	2,593	(26,677)	(26,669)

All amounts relate to continuing activities.

The notes on pages 25 to 39 form part of these accounts.

Changes in equity for the year ended 31 July 2017

Consolidated	Income and expenditure reserve Restricted £'000	Unrestricted £'000	Total
Balance at 1 August 2015	1,400	29,456	30,856
Surplus from the income and expenditure statement	–	1,554	1,554
Other comprehensive income	–	(28,231)	(28,231)
Release of restricted capital funds spent in year	100	(100)	–
Balance at 31 July 2016	1,500	2,679	4,179
Balance at 1 August 2016	1,500	2,679	4,179
Surplus from the income and expenditure statement	–	1,636	1,636
Other comprehensive income	–	978	978
Balance at 31 July 2017	1,500	5,293	6,793

University	Income and expenditure reserve Restricted £'000	Unrestricted £'000	Total
Balance at 1 August 2015	1,400	29,432	30,832
Surplus from the income and expenditure statement	–	1,562	1,562
Other comprehensive income	–	(28,231)	(28,231)
Release of restricted capital funds spent in year	100	(100)	–
Balance at 31 July 2016	1,500	2,663	4,163
Balance at 1 August 2016	1,500	2,663	4,163
Surplus from the income and expenditure statement	–	1,615	1,615
Other comprehensive income	–	978	978
Release of restricted capital funds spent in year	–	–	–
Balance at 31 July 2017	1,500	5,256	6,756

The notes on pages 25 to 39 form part of these accounts.

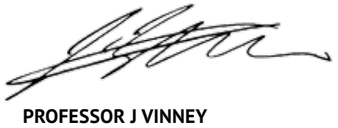
Consolidated and University balance sheet as at 31 July 2017

	Note	2017 £'000		2016 £'000	
		Consolidated	University	Consolidated	University
Fixed assets					
Tangible assets	8	131,220	131,220	126,097	126,097
Investments	8	28	28	28	28
		131,248	131,248	126,125	126,125
Current assets					
Stocks	9	6	6	4	4
Investments		49	49	52	52
Trade and other receivables	10	9,146	9,146	9,979	9,979
Cash and cash equivalents		5,805	5,767	10,708	10,691
		15,006	14,968	20,743	20,726
Creditors: Amounts falling due within one year	11	(25,258)	(25,257)	(33,574)	(33,573)
Net current (liabilities)/assets		(10,252)	(10,289)	(12,831)	(12,847)
Total assets less current liabilities		120,996	120,959	113,294	113,278
Creditors: Amounts falling due after more than one year	12	(22,643)	(22,643)	(23,173)	(23,173)
Pension liability	17	(91,560)	(91,560)	(85,942)	(85,942)
TOTAL NET ASSETS		6,793	6,756	4,179	4,163
Reserves					
Restricted reserve		1,500	1,500	1,500	1,500
Unrestricted excluding pension reserve		96,853	96,816	88,621	88,605
Pension reserve		(91,560)	(91,560)	(85,942)	(85,942)
TOTAL RESERVES		6,793	6,756	4,179	4,163

The notes on pages 25 to 39 form part of these accounts.

Approved and authorised for issue by the University Board on 24 November 2017

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 2017

	2017 £'000	2016 £'000
Cash flow from operating activities		
Surplus for year	1,636	1,554
Adjustment for non-cash items		
Depreciation	10,850	9,323
Decrease/(increase in stock)	(2)	10
(Increase)/decrease in debtors	833	(2,719)
Increase/(decrease in creditors)	(3,205)	272
Pension costs less contributions payable	6,597	4,990
	16,709	13,430
Adjustment for investing or finance activities		
Investment income	(285)	(409)
Financial expenses	1,192	5,839
Profit on sale of fixed assets	–	(105)
Net cash from operating activity	17,616	18,755
Cashflows from investing activities		
Proceeds from sale of fixed assets	39	339
Investment income	285	409
Purchase of fixed assets	(16,009)	(22,399)
	(15,685)	(21,651)
Cashflows from financing activities		
Interest paid	(1,192)	(5,839)
New secured loans	5,000	10,000
Loans repaid	(10,495)	(467)
Capital element of finance lease	–	(8,522)
Net cash	(6,687)	(4,828)
Cash and cash equivalents at beginning of year	8,468	16,192
Cash and cash equivalents at end of year	3,712	8,468
Decrease in cash equivalents in year	(4,756)	(7,724)
Cash and cash equivalents comprise:		
Cash and cash equivalent	5,805	10,708
Bank overdrafts	(2,093)	(2,240)
	3,712	8,468

The notes on pages 25 to 39 form part of these accounts.

Notes to the accounts

	2017 Consolidated £'000	2017 University £'000	2016 Consolidated £'000	2016 University £'000
1. Funding body grants				
HEFCE recurrent grant	10,050	10,050	10,010	10,010
HEFCE non-recurrent specific grant	645	645	655	655
Capital grant release	1,259	1,259	5,943	5,943
	11,954	11,954	16,608	16,608
2. Tuition fees and education contracts				
Full-time students	91,582	91,582	83,242	83,242
Full-time students charged overseas fees	13,115	13,115	12,031	12,031
Part-time fees	2,370	2,370	2,920	2,920
Short course fees	2,377	2,377	1,643	1,643
Other teaching contract course fees	14,725	14,725	13,780	13,780
	124,169	124,169	113,616	113,616
3. Research grants and contracts				
Research Council	791	791	1,210	1,210
UK based charities	550	550	388	388
European commission	1,024	1,024	1,029	1,029
Other grants and contracts	1,675	1,675	2,020	2,020
	4,040	4,040	4,647	4,647
4. Other operating income				
Residences	9,222	9,222	8,802	8,802
Other services rendered	57	57	36	36
Other income including conferences	5,403	5,382	6,367	6,358
	14,682	14,661	15,205	15,196
5. Staff				
Staff costs:				
Salaries and wages	60,764	60,764	58,576	58,576
Social security costs	6,384	6,384	5,351	5,351
Other pension costs	13,292	13,292	11,196	11,196
Redundancy and associated pension costs	628	628	1,084	1,084
	81,068	81,068	76,207	76,207

a) Emoluments of the Vice-Chancellor:	2017 £'000	2016 £'000
Remuneration	249	242
Performance related pay	9	18
Benefits in kind	3	3
	261	263
Pension contributions	43	42
	304	305

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

b) Remuneration of other higher paid staff	**2017** Number	**2016** Number
£130,000 to £140,000	3	3
£150,000 to £160,000	2	2

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 £1.257m (2016: £1.254m). Total compensation includes basic salary, performance bonuses, all taxable benefits, employer's national insurance and employer's pension costs.

d) Average staff numbers employed:

Academic staff (excluding part-time visiting lecturers)	728	677
Administrative, professional, technical and clerical staff	828	802
Manual and maintenance staff	17	12
	1,573	1,491

6. Other operating expenses	**2017 Consolidated** £'000	**2017 University** £'000	**2016 Consolidated** £'000	**2016 University** £'000
Staff development	1,149	1,149	1,426	1,426
External Agencies and staff secondments	4,074	4,074	3,040	3,040
Other staff costs	302	302	516	516
Travel costs	1,965	1,965	2,066	2,066
Consumables and laboratory costs	787	787	778	778
Franchise costs paid to partner colleges	4,278	4,278	4,072	4,072
Student union grant	1,190	1,190	944	944
Student welfare	3,222	3,222	3,510	3,510
Office expenses	362	362	434	434
Books, periodicals and information services	2,165	2,165	2,331	2,331
Non-capitalised equipment	5,582	5,582	5,968	5,968
Audit:				
- External auditors remuneration – audit fees	33	33	32	32
- Auditors remuneration – other fees	3	3	3	3
- Taxation advisory services	7	7	5	5
- Internal auditors remuneration	65	65	64	64

6. Other operating expenses (continued)	**2017 Consolidated** £'000	**2017 University** £'000	**2016 Consolidated** £'000	**2016 University** £'000
Legal and professional	1,674	1,674	1,924	1,924
Bursaries and scholarships	5,938	5,938	5,329	5,329
Promotions costs	2,030	2,030	2,129	2,129
Rent and rates	8,197	8,197	7,847	7,847
Heat, light, water and power	2,019	2,019	1,921	1,921
Repairs, refurbishment and scheduled maintenance	1,765	1,765	1,873	1,873
Insurance	380	380	412	412
Research and Development	3,870	3,870	3,002	3,002
Other expenses	7,163	7,163	5,948	5,948
	58,220	58,220	55,574	55,574

Other operating expenses include	**2017 Consolidated** £'000	**2017 University** £'000	**2016 Consolidated** £'000	**2016 University** £'000
Independent governors expenses	6	6	7	7
Hire of other assets – operating leases	53	53	43	43

7. Interest and other finance costs	**2017 Consolidated** £'000	**2017 University** £'000	**2016 Consolidated** £'000	**2016 University** £'000
On finance leases	–	–	58	58
Pension finance costs	2,164	2,164	1,988	1,988
Interest payable on bank loans:				
Repayable wholly or partly >5 years	1,192	1,192	1,261	1,244
	3,356	3,356	3,307	3,290

8. Tangible assets: University and its Subsidiary Company

Tangible Fixed Assets

	Freehold and Leasehold Land and Buildings £'000	**Leasehold Improvements** £'000	**Equipment** £'000	**Assets in course of construction** £'000	**Total** £'000
Cost/valuation					
At 1 August 2016	140,201	1,891	61,874	33,505	237,471
Additions	2,687	–	3,061	10,261	16,009
Transfers	23,372	–	6,764	(30,136)	–
Disposals	(36)	–	(112)	–	(148)
31 July 2017	166,224	1,891	71,587	13,630	253,332

	Freehold and Leasehold Land and Buildings £'000	Leasehold Improvements £'000	Equipment £'000	Assets in course of construction £'000	Total £'000
Depreciation					
At 1 August 2016	57,150	833	53,391	–	111,374
Charge for the year	6,191	76	4,583	–	10,850
Disposals	(13)	–	(99)	–	(112)
31 July 2017	63,328	909	57,875	–	122,112
Net book value					
31 July 2017	102,896	982	13,712	13,630	131,220
31 July 2016	83,051	1,058	8,483	33,505	126,097

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:	**2017** £'000	**2016** £'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	148,782	122,759
	166,224	140,201

Investment	**Cost at** 31 July 2017	**Cost at** 31 July 2016
Investments - University	£	£
Shares in subsidiary company	2	2
Shares in CVCP Properties plc	28,091	28,091
	28,093	28,093

Subsidiary Company	**Cost at** 31 July 2017	**Cost at** 31 July 2016
BU Innovations Limited	2	2
	2	2

8. Tangible assets: Group and University (continued)

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

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 18. 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. The total issued ordinary share capital of CVCP Properties plc is £4.3m.

9. Stocks	**2017** **Group** £'000	**2017** **University** £'000	**2016** **Group** £'000	**2016** **University** £'000
Stock	6	6	4	4

10. Debtors	**2017** **Group** **£'000**	**2017** **University** **£'000**	**2016** **Group** **£'000**	**2016** **University** **£'000**
Debtors	2,919	2,919	3,523	3,523
Prepayments and accrued income	6,227	6,227	6,456	6,456
	9,146	9,146	9,979	9,979

11. Creditors: amounts falling due within one year

	2017 **Group** £'000	**2017** **University** £'000	**2016** **Group** £'000	**2016** **University** £'000
Bank loans	5,531	5,531	10,496	10,496
Overdraft	2,093	2,093	2,240	2,240
Trade creditors	1,800	1,800	2,334	2,333
Other creditors	1,810	1,810	2,048	2,048
Social security and other taxation payable	1,838	1,838	1,689	1,689
Accruals and deferred income	12,186	12,185	14,767	14,767
	25,258	25,257	33,574	33,573

Accruals and deferred income include £6.4m (2016: £7.5m) of income received in advance in connection with teaching and consultancy work.

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

Group and University	2017 £'000	2016 £'000
Bank loans	22,443	22,973
Other creditor	200	200
	22,643	23,173

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	5,000	1.0	2017

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:

	2017 £'000	2016 £'000
Repayable within 1 year	5,531	10,495
Repayable within 2-5 years	2,281	2,184
Repayable after 5 years	20,162	20,790
	27,974	33,469

13. Financial Instruments

	Consolidated		University	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets that are debt instruments measured at amortised cost	11,095	17,312	11,057	17,295
Financial liabilities measured at amortised cost	(38,900)	(47,419)	(38,900)	(47,418)

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.

14. Analysis of changes in consolidated financing during the year

	Bank loans £'000
At 1 August	33,469
New loans	5,000
Capital repayments	(10,495)
At 31 July	27,974

15. 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 three buildings, Okeford House a 94 bed facility, Lyme Regis House, a 400 bed facility and Chesil House, a 210 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.

16. Operating lease and Capital commitments

At 31 July 2017, the University was committed to making the following payments during the next year in respect of operating leases:

	2017 Land and Buildings £'000	2017 Other £'000	2016 Land and Buildings £'000	2016 Other £'000
Operating leases:				
Expiring within one year	5,934	46	5,862	40
Expiring within two and five years	8,912	47	14,486	75
Expiring within six and thirty years	600	–	960	–
	15,446	93	21,308	115

The 2016 disclosure for land and buildings was restated to include the operating lease for the Executive Business Centre. This has increased the Land and Buildings disclosure by £3.5m from £17.8m to £21.3m.

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

In 2012, the University entered into a 7-year operating lease on Dorchester House, a 540 bed facility purpose built student accommodation block. The lease has a break clause in 2019.

On 1 September 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.

On 22 October 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 has a further break clause in October 2019. The rental is subject to review in 2019.

Capital commitments	**2017** £'000	**2016** £'000
Commitments contracted at 31 July	27,957	6,135
Authorised but not contracted at 31 July	63,047	24,680
	91,004	30,815

17. 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 pension cost for the year ended 31 July 2017 was £13.3m (2016: £11.2m).

Reconciliation to balance sheet	**Year to 31 July 2017** £'000	**Year to 31 July 2016** £'000
DCSS LGPS pension liability	90,092	84,355
USS Pension liability	388	425
Pension enhancement pension liability	1,080	1,162
	91,560	85,942

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 from 1 August 2016 to 31 July 2017.

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

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

USS

The institution participates in the Universities Superannuation Scheme (the scheme). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. 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 wholly defined contribution scheme. As a result, the amount charged to the income and expenditure 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) and therefore an expense is recognised.

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 the income and expenditure account in accordance with section 28 of FRS 102. The Board of Governors are satisfied that the scheme provided by 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 funding plan in existence at the date of approving the financial statements.

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS 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 £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	**2016**
Discount rate	2.57%	3.6%
Pensionable salary growth	N/A	N/A
Price inflation (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted.

The current life expectancies on retirement at age 65 are:

	2017	**2016**
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

Existing benefits	**2017**	**2016**
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

17. Pensions (Continued)

The total pension cost for the institution was £275,218 (2016: £266,264). This includes £22,628 (2016: £23,961) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16.5% of pensionable salaries.

Pension Enhancements

The calculation of the cost of early retirement provisions charged to the Income and Expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.5% in excess of price inflation. An amount of £1.080m (2016: £1.162m), is included in provision for pension liabilities representing the extent to which capital costs charged exceed actual payments made. The provision will be released against the cost to the University of enhanced entitlements over the estimated life expectancy of each relevant scheme member. The value of the liability calculated by the actuaries was based on FRS102 assumptions used for the DCSS LGPS. The scheme is now closed and no new members have been added since the late 1990's.

DCSS

The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering authority for the Fund is Dorset County Council. The Pension Fund Committee oversees the management of the Fund whilst day to day fund administration is undertaken by a team within the administering authority.

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.

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 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The valuation has been updated to 31 July 2017 by qualified independent actuaries who estimate that the net liability as at 31 July 2017 is £90,092m (2016: £84.355m).

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 2017**	**31 July 2016**	**31 July 2015**
	% p.a.	% p.a.	% p.a.
Salary increases	3.5%	3.7%	4.2%
Pension increases	2.7%	2.2%	2.7%
Discount rate	2.7%	2.6%	3.9%

Life expectancy from age 65 (years)

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

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 2017 is estimated to be 15%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Bournemouth University as at 31 July 2017 is as follows.

Asset class	**Asset allocation 31 July 2017** £'000	%	**Asset allocation 31 July 2016** £'000	%
Equities	58,154	55%	50,385	58%
Other Bonds	11,945	11%	11,147	13%
Diversified Growth Fund	–			
Property	4,582	4%	4,089	4%
Cash	9,283	9%	8,861	10%
Gilts	2,834	3%	914	1%
Infrastructure	14,036	13%	9,589	11%
Hedge Fund	4,637	5%	2,237	3%
	15	0%	28	0%
Total	105,486	100%	87,250	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

Net pension deficit as at	**31 July 2017** £'000	**31 July 2016** £'000
Present value of funded obligation	(195,405)	(171,431)
Fair value of scheme assets	105,486	87,250
Net liability	(89,919)	(84,181)
Present value of unfunded obligation	(173)	(174)
Pension liability in balance sheet	(90,092)	(84,355)

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2017 £'000	**Year to 31 July 2016** £'000
Charged to staff costs:	8,453	6,567
Net interest on the defined liability (asset)	2,147	1,932
Administration expenses	69	63
Total loss	10,669	8,562

17. Pensions (Continued)

Asset and benefit obligation reconciliations for the year to 31 July 2017

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**Year to 31 July 2017** £'000	**Year to 31 July 2016** £'000
Opening defined benefit obligation	171,605	132,254
Current service cost	8,164	6,438
Interest cost	4,470	5,148
Change in financial assumptions	12,694	28,356
Change in demographic assumptions	4,018	–
Experience loss/(gain) on defined benefit obligation	(5,943)	(1)
Estimated benefits paid net of transfers in	(1,518)	(2,433)
Past service costs, including curtailments	289	129
Contributions by Scheme participants and other employers	1,812	1,617
Unfunded pension payments	(13)	(13)
Closing defined benefit obligation	**195,578**	**171,605**

Reconciliation of opening and closing balances of the fair value of Fund assets	**Year to 31 July 2017** £'000	**Year to 31 July 2016** £'000
Opening fair value of Fund assets	87,250	81,016
Interest on assets	2,323	3,216
Return on assets less interest	11,208	183
Other actuarial gains	539	–
Administration expenses	(69)	(63)
Contributions by employer including unfunded	3,954	3,617
Contributions by Scheme participants and other employers	1,812	1,727
Estimated benefits paid plus unfunded net of transfers in	(1,531)	(2,446)
Closing fair value of Fund assets	**105,486**	**87,250**

Composition of defined benefit obligation

	Year to 31 July 2017 £'000	**Year to 31 July 2016** £'000
Unfunded	173	174
Funded obligations	195,405	171,431
	195,578	**171,605**

Reconciliation of opening & closing balances of the net pension deficit

	Year to 31 July 2017 £'000	**Year to 31 July 2016** £'000
Deficit at beginning of the year	(84,355)	(51,238)
Service cost	(8,164)	(6,438)
Employer contributions	3,941	3,604
Unfunded pension payments	13	13
Past Service Costs	(289)	(129)
Other finance costs	(2,147)	(1,932)
Actuarial loss	978	(28,172)
Administration expenses	(69)	(63)
Deficit at end of the year	(90,092)	(84,355)

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	190,931	195,578	200,343
Projected service cost	10,318	10,611	10,912
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	196,295	195,578	194,868
Projected service cost	10,611	10,611	10,611
Adjustment to pension increases and deferred revaluation	+0.1%	0%	-0.1%
Present value of total obligation	199,621	195,578	191,636
Projected service cost	10,912	10,611	10,318
Adjustment to life expectancy assumption	+ 1 year	None	- 1 year
Present value of total obligation	203,374	195,578	189,015
Project service cost	10,949	10,611	10,283

5 Year history

Amounts for the current and previous four periods	**Year to 31 July 2017** £'000	**Year to 31 July 2016** £'000	**Year to 31 July 2015** £'000	**Year to 31 July 2014** £'000	**Year to 31 July 2013** £'000
Defined benefit obligation	(195,578)	(171,605)	(132,254)	(110,863)	(91,782)
Scheme assets	105,486	87,250	81,016	69,614	62,879
Deficit	(90,092)	(84,355)	(51,238)	(41,249)	(28,903)

17. Pensions (Continued)

Re-measurements in other comprehensive income

Re-measurement of the net defined liability	**Year to 31 July 2017** £'000	**Year to 31 July 2016** £'000
Return on Fund assets in excess of interest	11,208	183
Other actuarial gains/(losses) on assets	539	–
Change in financial assumptions	(12,694)	(28,356)
Change in demographic assumptions	(4,018)	–
Experience gain/(loss) on defined benefit obligation	5,943	1
Re-measurement of the net defined liability	**978**	**(28,172)**

Projected pension expense for the year to 31 July 2018

Projections for the year to 31 July 2017	**Year to 31 July 2018** £'000
Service cost	10,611
Net interest on the defined liability (asset)	2,378
Administration expenses	84
Total loss (profit)	**13,073**
Employer contributions	**3,984**

The University's best estimate of the contributions expected to be paid in the year beginning on the 1 August 2017 is £3.356m (2016: £3.267m).

18. 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 (2016: £0). No amounts were outstanding at the end of the year.

Bournemouth University Foundation	£
Turnover including interest received	6
Expenditure	(30)
Loss on ordinary activities	(24)
Reserves brought forward	94
Loss for year	(24)
Reserves carried forward	70

Students Union

Bournemouth University considers the Student Union at Bournemouth University to be a related party due to the level and nature of the transactions between organisations. During the year to 31 July 2017, the University paid a block grant of £1,190,000 to the Union (2016: £944,000).

19. Post balance sheet event

In September 2017, the University disposed of a 497-bed accommodation building on a long lease to Campus Living Villages. The University received an upfront payment of £23.6m and the net book value of the building at the time of disposal was £13.0m. The University retained the freehold of the land with an estimated value of £5.1m. The overall gain on disposal is forecast to be £14.6m.

20. Exceptional item

In August 2015, the University bought itself out of a finance lease for a student accommodation building; the lease break payment was £13.6m. £4.5m of the £13.6m break payment related to an exceptional finance lease cost payment which was written off to the statement of comprehensive income and expenditure in year.

Bournemouth University **Higher Education Corporation**