

Bournemouth
University

Bournemouth University Higher Education Corporation

Report and Financial Statements for the Year Ended 31 July 2010



BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

BOARD MEMBERS AND ADVISERS

Board Members (External)

Mr Alan J Frost (Chair)
Mr Chris Appleton
Dr Peter Barnwell
Mr Ian Carter (appointed Aug 10)
Ms Joanna Dawson
Mr Julian Francis
Prof Christine Hallett (appointed Oct 09)
Rev Dr David Hart (resigned Jan 10)
Mr David Hines
Mr Tim Lee
Ms Hannah McCarthy (appointed Oct 10)
Ms Fiona McMillan
Dr Peter Rawlinson
Mr Glyn Smith (resigned Feb 10)
Mr Roy Spragg
Mr Giles Sturdy (Deputy Chair)
Ms Sue Sutherland

Board Members (Internal)

Prof Paul Curran (resigned Aug 10)
Mr Jim Andrews (appointed Apr 10)
Ms Mandi Barron
Mr Charles Elder
Ms Karen Everett
Mr Toby Horner (appointed Jul 10)
Ms Marian Mayer (appointed Oct 10)
Dr Elizabeth Mytton (term ended Jul 09)
Prof Nick Petford (resigned Aug 10)
Mr James Ricci (term ended Jun 10)
Mr Michael Riordan (retired Mar 10)
Prof John Vinney
Mr David Willey

Auditors

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
Hants
SO14 3TL

Bankers

Barclays Bank PLC
Bournemouth Town Branches
Bournemouth
Dorset
BH1 1ER

Solicitors

Martineau
35 New Bridge Street
London
EC4V 6BW

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CORPORATE GOVERNANCE

Scope and format of the financial statements

The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, Southern Educational Enterprises Limited, Bournemouth University Limited, South Coast Information and Library Services Limited and BU Innovations Limited, and the quasi subsidiary The Bournemouth University Foundation. The subsidiary companies undertake activities which, for legal and commercial reasons, are more appropriately channelled through limited companies. The Bournemouth University Foundation exists to liaise with Alumni and raise funds for the University.

The financial statements adopt the provisions of the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions.

Results for the year

The University's consolidated income, expenditure and results for the year ended 31st July 2010 are summarised as follows:

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| | £000 | £000 |
| Income | 115,130 | 106,122 |
| Expenditure | 108,283 | 103,969 |
| | <hr/> | <hr/> |
| Surplus for the year on operations after taxation | 6,847 | 2,153 |
| Adjustment removing costs of FRS17 | 1,352 | 2,394 |
| | <hr/> | <hr/> |
| Surplus for the year after excluding FRS17 | 8,199 | 4,547 |
| | <hr/> | <hr/> |

Accounting for pensions under FRS17 has resulted in an increase in staff costs of £564k (2009: increase £1,451k), an increase in finance costs of £788k (2009: £943k) and a decrease in surplus for the year of £1,352k (2009: decrease £2,394k). The notes to the accounts disclose all the relevant information concerning the movements in the pension liability.

The FRS17 adjustments only arise from those members of staff who are members of the Dorset County Superannuation Scheme (DCSS) - essentially the non-academic staff of the University. The DCSS is a defined benefit scheme and the assets and liabilities relating to University staff are identifiable. The majority of academic members of staff belong to the Teachers Pension Scheme. This is also a defined benefit scheme but as the assets and liabilities of the Scheme are not separately identifiable the University is not required to adjust its accounts to reflect its share of them.

The surplus for the year prior to the FRS17 adjustments was £8,199k (2009: £4,547k).

Cash flow and treasury management

The consolidated cash flow statement shows that the University had a net cash inflow from operations of £9,140k (2009: £5,259k) before use of liquid resources and financing.

At 31 July 2010 the University had £23.4m of cash and short term deposit balances (2009: £13m), an increase of 80% from the previous year. The level of investment fluctuates throughout the year with materially higher cash balances in February and May due to timing of tuition fees and HEFCE grants. Our investments are made in line with our Treasury Management Policy.

Two years ago the University arranged a long-term bank loan facility for a total value of £40m. Of this, £13m has been drawn down to date including an additional £3m drawn down in 2009-10.

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Report of the Board of Governors and Financial Statements for the Year ended 31 July 2010

Operating and Financial Review

Bournemouth University has come a long way in a short amount of time and currently has over 17,000 students of which 1,500 are international students from around 130 countries.

The University has a strong professional orientation with a focus on academic excellence and graduate employability and areas of research expertise include forensic archaeology and crime scene science.

Bournemouth is world renowned as an international conference centre, and plays host to major academic, professional and of course, political conferences. It also offers one of the largest exhibition and entertainment venues on the south coast. The University is a powerful player in the economic and cultural life of South West England. We are at the hub of a network of educational, business and local government partners and will be playing our part in the region's preparations for the 2012 Olympics.

Ambition

Our student-centred learning environment emphasises both intellectual achievement and employability.

In 2012 the University will be 20 years old; potential UK undergraduate numbers will be falling; core government funding for research will be much more open to us; full economic costing of teaching will be well established; the cap on undergraduate fees will, in all probability, have been raised or removed; student expectations will have increased markedly; our HEFCE grant will provide under a third of our income and we will be in an extremely competitive environment for all of our activities.

In 2012 we envisage a larger University that we will describe as follows:

“Bournemouth University is a vibrant and innovative international institution offering a range of high-quality academic programmes geared to the professions. Our student-centred learning environment emphasises both intellectual achievement and employability. We are proud of our growing strength in research and enterprise and the world-class standing of our centres of academic excellence.”

Strategic Plan

Our Strategic Plan has been refreshed to reflect our achievements and successes and the ever-changing Higher Education environment.

The Strategic Plan 2009-10 to 2013-14 reinforces our Vision for 2012, celebrates our progress towards this vision and recognises the challenges ahead.

It outlines those areas where we need to increase our focus, those that need to be maintained and those where we need to reduce costs. In addition, 10 strategic areas have been identified for further review in 2010. We believe that this Plan will help us to become an institution known both nationally and internationally for excellence in education, research, enterprise and professional practice.

Recent Achievements

- BU is placed 55th out of the 115 Universities listed in this years Complete University Guide and retains its place in the top half of the table.
- BU is placed 59th out of the 113 Universities listed in the 2011 The Times League Table.
- BU is placed 38th out of the 118 Universities listed in the 2011 The Guardian University Guide.
- BU has consistently ranked above its University Alliance, Former Polytechnic, and New University peer group averages every year since its 2008 inception.
- BU is now performing 29 places higher than the average ranking for New Universities; 26 places higher than average ranking for Former Polytechnics and 12 places higher than the average ranking for University Alliance members.
- BU is ranked the No.2 New University in the UK according to the 2011 Guardian University Guide.
- BU has increased its national ranking by 11 places in the Green League this year rising to 20th out of 133 Universities, and has recorded a degree-style First Class award for the first time.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

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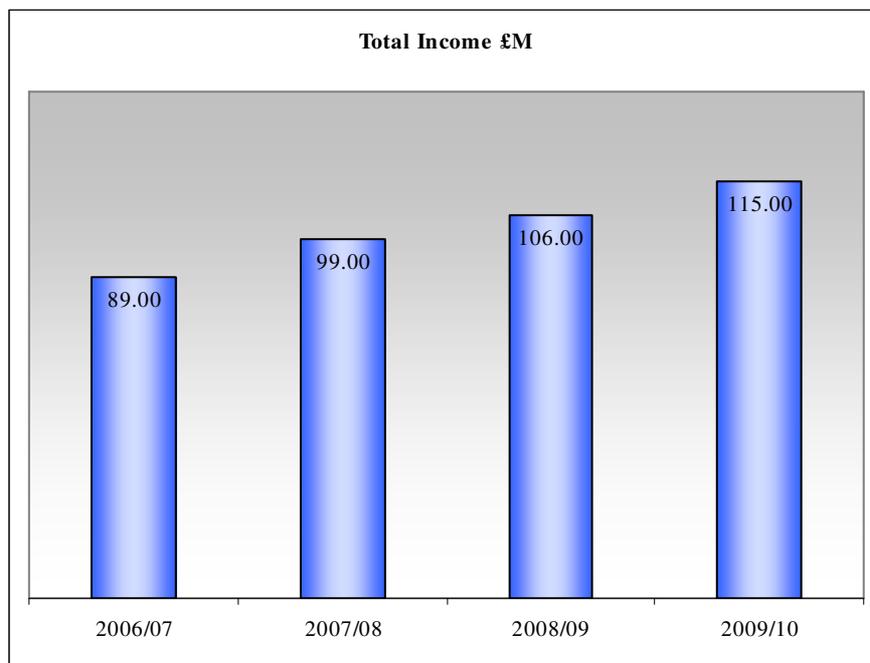
Recent Achievements (continued)

- Fourth most improved University in 2008 RAE, tripling quality-rated HEFCE research grant.
- 74% of BU's research was graded at least 2* (international quality)
- 39% of BU's research was graded 3* (international excellent quality) or 4* (world leading quality).
- Graduate employment in graduate jobs reached 70%.
- 27.5% increase in undergraduate applications (48% international).
- Complete re-engineering of undergraduate curriculum.
- Restructuring of Professional Services.
- The People and the Planet Green League 2010 have rated two of BU's performance measures as "Excellent" with a further four being rated as "Good".

Financial Highlights of the Year

Income

Total income for the University has increased by £9m from £106m in 2008-09 to £115m in 2009-10, an increase of 8.5%.



Funding body grant income increased by £1.7m in 2009/10 and now accounts for 40% of the University's total income in 2009-10, a reduction of 2% from 2008-09.

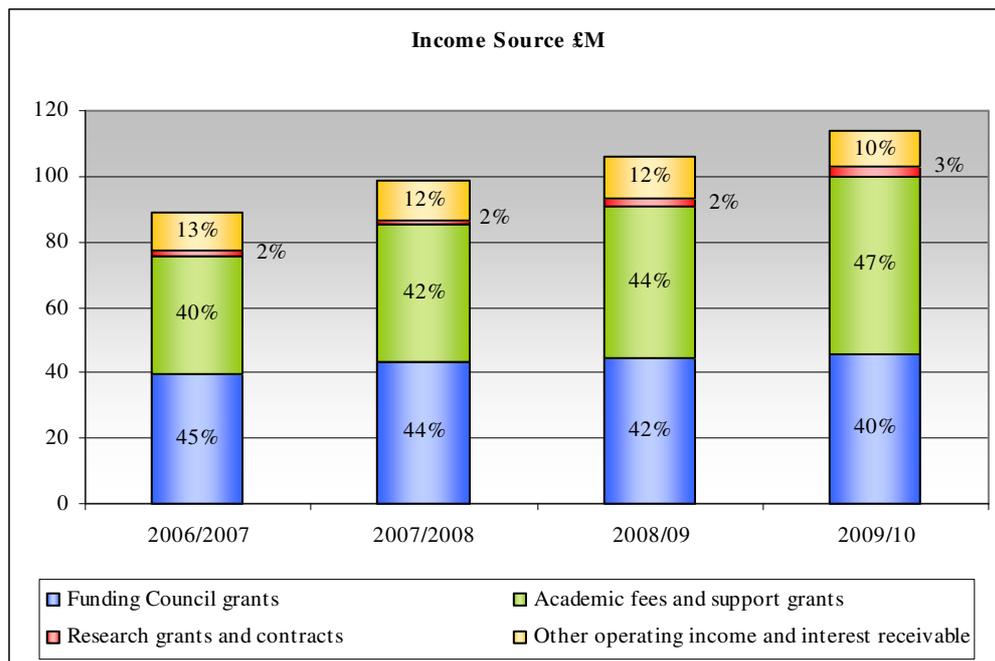
Income from tuition fees and education contracts accounts for 47% of the University's total income and has increased by £8.2m from £46.1m in 2008-09 to £54.3m in 2009-10. The increase is largely due to the fourth year impact of the introduction of variable fee income and additional postgraduate and overseas student recruitment.

Research Grants and Contract Income increased by £0.3m, this represented a 13% increase from 2008-09.

Other operating income reduced by £1.3m from £12.9m in 2008-09 to £11.6m in 2009-10. Income from student residences remained largely unchanged whilst other income including conferences reduced by £1.3m. The reduction in other income including conferences is predominately due to the conclusion of a partnership arrangement with Sports England.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

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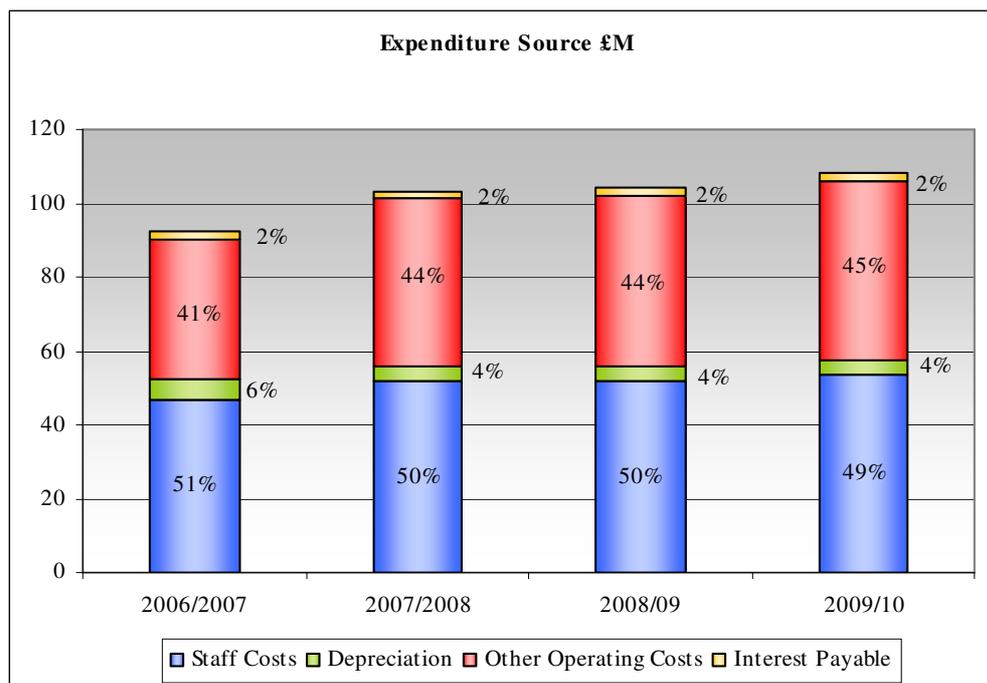


Expenditure

Staff costs increased by £1.4m from £52m in 2008-09 to £53.4m in 2009-10. Excluding the FRS17 adjustment, staff costs increased by £2.3m.

Other operating expenditure increased by £2.9m from £45.7m in 2008-09 to £48.6m in 2009-10, an increase of 6.3%. Computer and equipment costs increased by £1.6m, legal and professional increased by £0.6m, rent by £0.7m and repairs and general maintenance by £0.9m. Franchise costs reduced by £1.3m of which £0.5m related to the conclusion of the South West Life Long Learning Network project during 2009-10.

Depreciation showed a modest reduction of £0.1m whilst interest payable increased by £0.2m.



BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

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The Estate

The Estates Strategy was updated and improved in 2010, a major revision of the previous strategy which covered the period 2007-2017. The revised plan aims to provide better alignment to the strategic objectives and direction of the University including the focus on Student and Staff Experience, Raising the Academic Profile, Research and Enterprise and Improving Institutional Sustainability through reducing CO₂ emission levels and the overall carbon footprint of the University. The plan has been revised to cover the period 2010 – 2019. The physical estate and the way it is managed will be an enabler to the University's core activities.

The Estates Strategy was shaped around a set of key strategic objectives for the Estate over this period, closely aligned to the University's Strategic Plan. These are to:

- Develop an estate which supports Bournemouth University's vision.
- Maintain the quality of the estate.
- Create enabling (headroom) space for academic/learning space expansion, reconfiguration and refurbishment at Talbot Campus
- Reduce energy consumption and carbon emissions
- Reduce maintenance backlog.
- Ensure fitness for purpose and appropriate mix of academic buildings and spaces.
- Provide sufficient Bournemouth University controlled bed-spaces for all 1st Year Undergraduate and International Students who want them.
- Develop facilities to improve the student and staff experiences.
- Work with local authorities and other leisure providers to improve sports and wellbeing provision for students and staff.
- Provide facilities to support more community engagement.

In 2009-10 Bournemouth University completed a multi-million pound investment in a new 30,000 sq ft Executive Business Centre on our Lansdowne Campus. The building is becoming a focal point for the local business community and an ideas exchange for the region. It also hosts the Business School's postgraduate portfolio, including our new flagship programme, the Bournemouth MBA. In addition work started on a new 300 seat new lecture theatre on our Talbot Campus which is due to open in January 2011.

IT Strategy

The University refreshed its IT Strategy during 2009-10, the refresh aims to enhance IT capabilities to improve student experience and support efficiency and carbon savings and underpin institutional sustainability. A capital investment of £22.7m over a six year investment period (2009-10 to 2014-15) was agreed. This represents an additional capital investment of £12.2m above the current level of investment.

Key performance indicators and risks

The Board has worked with University staff to establish an extensive set of key performance indicators ('KPIs') that enable the University to assess progress against the objectives set out in the Strategic Plan. These KPIs can be categorised into four main areas of: student experience; academic profile; research and enterprise performance; and institutional sustainability. The KPIs are regularly reviewed by both senior management and the Board and action is taken accordingly.

The performance of the KPI's for the financial year 2009-10 can be summarised as follows:

- Student experience - all four KPI's achieved or exceeded target.
- Academic profile - all three KPI's exceeded target.
- Research and enterprise - both KPI's not achieved
- Institutional sustainability - six KPI's exceeded target, one KPI not achieved.

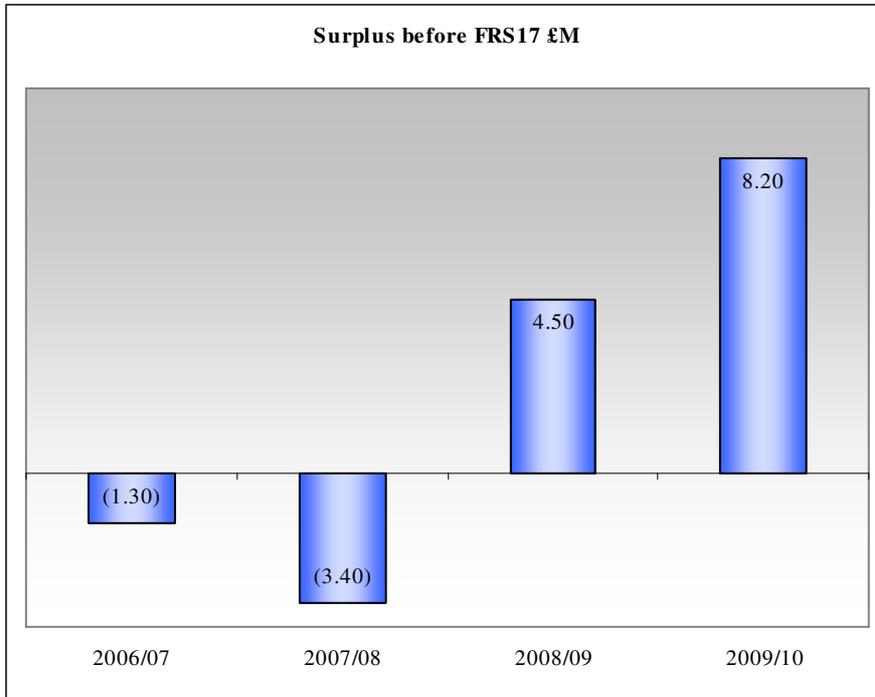
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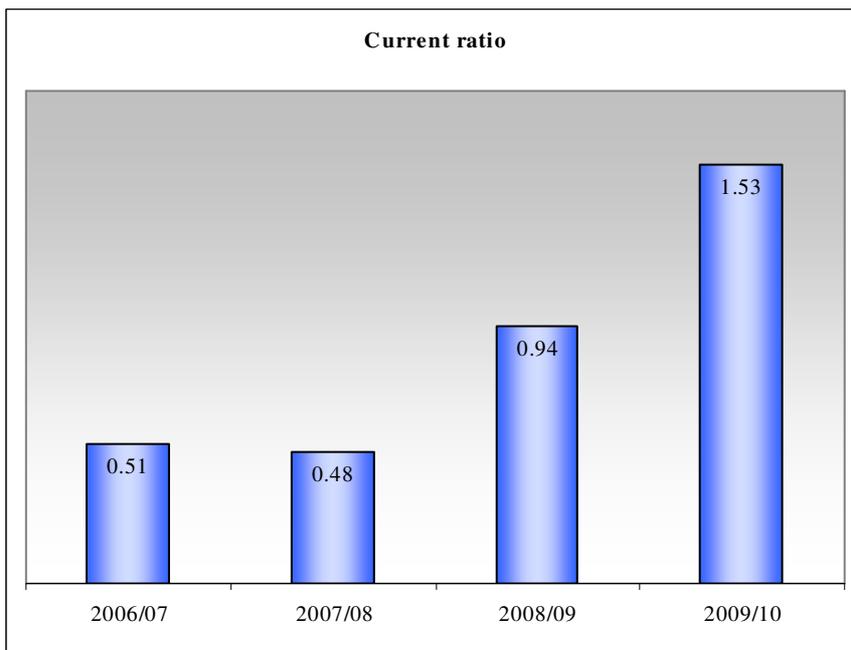
(Key performance indicators and risks continued)

Key Financial KPI's

The University recorded a surplus before FRS17 pension adjustments of £8.2m in 2009-10 which represents 7.1% of turnover, an increase of 2.87% from 2008-09.



As the University continues to improve its financial health, the current ratio has improved considerably over the past two financial years. This reflects the positive financial outturn recorded in 2008-09 and 2009-10.

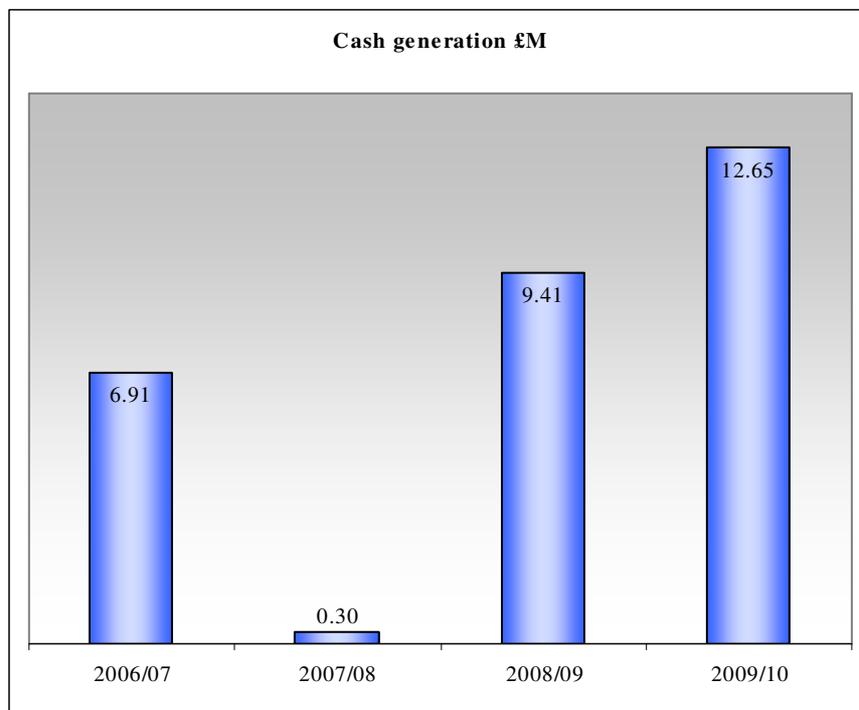


BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

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(Key performance indicators and risks continued)

The University's cash generation from operating activities continued to be strong in 2009-10 with an increase of £12.65m recorded in the financial year.



The University maintains a risk register which is reviewed and updated quarterly, and the outcomes of this process are regularly reported to the Board. The principal risks relate to: international student recruitment; levels of research and enterprise performance; financial sustainability, primarily through cost reductions; effectiveness of communication (both internal and external) and reputational damage. All of these risks are being proactively managed on an ongoing basis.

Financial Plan

Bournemouth University financial health has strengthened during the past three years and through further efficiency savings in administration and management and tight expenditure control, the University will seek to strengthen its financial health still further over the period of the Strategic Plan (2009/10 to 2013/14). The University will review its financial plan at least every six months in order for the University to manage any change in circumstance as appropriate.

With the current uncertainties over HEFCE Grant funding the University will seek to grow postgraduate (Home and overseas) and overseas undergraduate student numbers during the period of the financial plan. In addition the restructuring of support for research and enterprise activity should provide the opportunity for further growth in research and enterprise income and profitability.

Staff

The University has a written policy on Dignity, Diversity and Equality Schemes covering Race, Gender and Disability. It is the responsibility of all members of staff and students to observe the provisions of this policy and the Equality Schemes as part of their normal activities as members of an academic and social community. It is the responsibility of the University Board and the University Executive to initiate, oversee and monitor the implementation of the policy and the Equality Schemes.

The University employs a wide range of techniques to involve staff across the University. Communications about policies, progress and events are delivered by both paper and electronic media. Open meetings with members of the University Executive Team and staff from both campuses take place during the year. The University seeks views on a variety of issues from its staff through participation on a wide range of committees including the Information Consultation of Employees Forum and working groups. Staff members are elected by their peers to sit on the University Board and Senate.

The Board recognises that without the dedication and skill of both academic and support staff of the University the many achievements of the year would not have been secured. The Board therefore wishes to record once again its appreciation of all their continuing efforts.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

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Bournemouth University and Public Benefit

As an exempt charity Bournemouth University is required to demonstrate how it meets the requirement that its activities are of 'public benefit'. The Board members are aware of their duties with regard to public benefit and are conversant with the Charity Commission guidance in this area.

The University, as part of its "advancement of education" activity, develops and supports people who can innovate or inspire others and provide a wider value for society. The University helps to develop learners into socially, as well as economically productive people. The University surpassed the average graduate employability rate for English Universities and offers scholarships, bursaries and financial support to enable people who could not otherwise afford to undertake courses to attend the University.

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

Examples of research and other activities undertaken by the University demonstrating 'public benefit' are described below.

- The School of Applied Sciences has published findings into the potential ecological impacts arising from the introduction of non-native species, particularly fish. The findings have strengthened the existing regulation and management procedures in the UK and supported new European Legislation. The findings are expected to have economic benefits for fisheries, environmental benefits for native species and promote increased public awareness around the world.
- The School of Applied Sciences has undertaken research for the Royal National Lifeboat Institution (RNLI) to improve the lifeboat slipways in the UK and Ireland. This will increase reliability of slipway launches and recoveries, and reduce the risk of exposure to the volunteer lifeboatmen. The improvements will also reduce the operating costs to the RNLI.
- The School of Applied Sciences has published findings demonstrating that ecological restoration consistently has benefits for improved biodiversity and ecosystem services which benefit both the environment and human well-being.
- The Business Schools research into audit regulation and financial reporting has influenced changes in government audit policy, the behaviour of recognised supervisory bodies, and also the audit practices of large, international accounting firms. The public benefit of this is more transparent and robust audit and financial reporting practices, stronger national regulation and increased public confidence.
- The Media School runs events for local school teachers on areas of ICT, education and media. The events focus on current debates and provide a forum for Schools to engage with the University.
- The Media School ran a collaborative event involving a series of workshops and lectures for staff and students of a local primary school looking at the use of animation tools within the learning environment. Students completed a short animated film using cut out/collage direct animation.
- The Bournemouth University Atrium Art Gallery hosts exhibitions throughout the year showcasing a diverse programme of quality exhibitions, promoting work of national reputation and also recognises emerging local talent. Exhibitions are educational as well as visual and are open to the general public.
- The School of Tourism RELAYS project (Regional Education Legacy for the Arts and Youth Sport) has engaged over 1600 schoolchildren through 13 events, also engaging over 220 volunteers to help deliver these events.

In addition to the above the work of Bournemouth University's School of Health and Social Care is integral to the needs of publicly funded health and social care providers, most notably in provision of future workforce through education contracts, but also through other projects arising from our networks and relationships. The Centre for Practice and Development works directly with the NHS providers to improve standards of care and service enjoyed by the public and 'practice development unit accreditation' has been successfully awarded to many NHS organisations across the south of England. In addition Dorset Healthcare has recently been approved as having University Trust status due to their direct affiliation with Bournemouth University.



MR AJ FROST

Chair of the Board - 12 November 2010

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CORPORATE GOVERNANCE

1. The following statement is provided to enable readers of the annual report and accounts of the institution to obtain a better understanding of its governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education from the Committee of University Chairmen in its "Guide for Members of HE Governing Bodies in the UK".
3. The institution is an independent corporation, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the articles of government which were approved by the Privy Council in 1996 and remain unchanged.
4. The articles require the institution to have a governing body (the University Board) and an academic board (Senate), each with clearly defined functions and responsibilities, to oversee and manage its activities.
 - a. The University Board is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

In accordance with the requirements set out in the University's Articles of Government, the University Board has a majority of independent members. The chair is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body. Members of the Board receive no payment other than expenses reasonably incurred for the work they do for that body.
 - b. Subject to the overall responsibility of the governing body and to responsibilities of the Vice-Chancellor, Senate has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. It is particularly concerned with general issues relating to the learning and teaching and research work of the institution.
5. The chief executive officer (known as the Vice-Chancellor) is the head of the institution and has a general responsibility to the University Board for the organisation, direction and management of the institution. Under the terms of the formal Financial Memorandum between the institution and the Higher Education Funding Council for England, the Vice-Chancellor is the accountable officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
6. Although the University Board meets at least four times each academic year, much of its detailed work is initially handled by the five committees set out below. The activities of these committees are formally reported to the governing body.
 - a. Audit and Risk Committee is responsible for overseeing the University's management of risk: monitoring the effectiveness of the University's governance arrangements; and advising the Board on the University's audit strategy. The Committee meets, at least annually, with the external auditors to discuss audit findings; and with the internal auditors at least three times a year to consider detailed internal audit reports and recommendations for the improvement of the University's system of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from the Higher Education Funding Council for England and the National Audit Office 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 and Risk Committee considers in detail the University's annual accounts and makes appropriate recommendations to the Board. With an increasing focus being placed upon accuracy of data, and the need for both University management and the Audit & Risk Committee to gain assurance over the quality of data submitted within institutional returns, a broad ranging data optimisation review process has been introduced with reports being submitted to the Audit & Risk Committee. University senior executives attend meetings of Audit and Risk Committee but are not members of the Committee.
 - b. Strategy and Resources Committee takes a long term view of the University's overall development and advises the Board on the development of the Strategic Plan and major projects. It receives the management accounts of the University and monitors the performance of the University against Key Performance Indicators. The Committee also advises the Board on the effectiveness and efficiency of estates and physical resource provision within the University.
 - c. Human Resources Committee is responsible for setting the framework of pay and conditions of employment of staff other than holders of senior posts. The Committee also advises on relevant personnel and employment policies and (with Strategy and Resources Committee) on the appropriate level of investment in the University's human resources.

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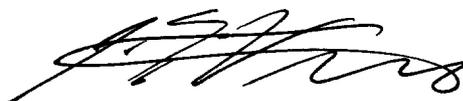
- d. Nominations Committee considers appointments to the Board's membership and nominations for honorary awards.
 - e. Remuneration Committee determines the pay and conditions of service of members of the University Executive Team and the Clerk to the Board. Pay and conditions of service of all other staff are determined by the Vice-Chancellor within a framework set by the Human Resources Committee.
 - f. The University Board is also represented on, and an Independent Member of the Board is Deputy Chair of, the following two Senate Committees: Student Experience Committee and Research & Enterprise Committee. The Board is also represented on the University's Research Ethics Committee.
7. A significant proportion of the membership of these committees consists of independent and co-opted members of the governing body. Co-opted student and staff members may also be eligible to serve on some of these committees, subject to the provisions of the articles. The chairs are selected from the co-opted and independent members.
 8. As chief executive, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The other members of the University Executive Team and members of the University Leadership Team all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the University Board.
 9. The institution maintains a register of interests of members of the University Board and of the University Leadership Team which may be consulted by arrangement with the Clerk.
 10. In accordance with the articles of government the Board has appointed a Clerk to the University Board. The Clerk provides independent advice on matters of governance to all members of the University Board.

Statement of Internal Control

1. The University Board is responsible for the establishment and monitoring of systems of internal control. These control systems are firmly based in the process of identifying and managing risks and risk management is a key element of the operational, financial and project management systems within the University.
2. The University Executive delegates the detailed assessment of risk to the Risk Management Group which reports to the University Leadership Team. The Group maintains a comprehensive Risk Register which encompasses all risk types, including financial, operational, reputational and other risks. The review of the Risk Register is an ongoing process and risks are rated and prioritised according to probability and possible impact alongside the prescribed control measures to address the risk.
3. The Risk Register (as discussed and agreed with the University Leadership Team) is presented for discussion and review to the Audit & Risk 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 Group and attends Audit & Risk Committee meetings. The risk register is submitted to the Board along with the minutes of the Audit & Risk Committee meeting. In addition, the Audit & Risk Committee annually reviews the risk management process to ensure its ongoing effectiveness.
4. The Audit & Risk Committee is also responsible for providing assurance to the Board and Vice-Chancellor on the effectiveness of the University's wider systems of governance which it does through its consideration of the University's accounts, risk management, data quality, internal and external audit reports, emergency planning and other internal control processes.
5. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements. The next such review will be conducted in Autumn 2010.
6. There have been no significant internal control issues to report during the year to 31 July 2010.



MR AJ FROST
Chair of the Board
12 November 2010



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

RESPONSIBILITIES OF THE UNIVERSITY BOARD

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

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution (known as the Vice-Chancellor), as chief executive, for the academic, corporate, financial, estate and personnel management of the institution and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest. The Audit and Risk Committee receives a report at each of its meetings on the major risks facing the University. Any matters of concern are reported to the Board.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the University Board itself. To ensure that similar processes are in place to monitor and evaluate the performance and effectiveness of Senate.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Clerk to the University Board and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.
16. To prepare the annual financial statements, ensuring that:-
 - suitable accounting policies are selected and applied consistently
 - judgements and estimates are made that are reasonable and prudent
 - applicable Accounting Standards have been followed
 - the going concern basis is used unless it is inappropriate to presume that University will continue in operation.



MR AJ FROST
Chair of the Board - 12 November 2010

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF BOURNEMOUTH UNIVERSITY

We have audited the financial statements for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, consolidated statement of total recognised gains and losses, the consolidated balance sheet, the University's balance sheet, the consolidated cash flow statement, the consolidated statement of historical cost surpluses and deficits, the statement of principle accounting policies, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of the Board of Governors and Auditors

As described in the Responsibilities of the University Board, the University's Board of Governors is responsible for the preparation of financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the University has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding the remuneration of the Governors or other transactions is not disclosed.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Report of the Board, statement of Corporate Governance and statement of Responsibilities of the University Board. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the University's statutes and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely on this report by virtue of and for the purpose of the University's statutes or has been expressly authorised to do so by prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF BOURNEMOUTH UNIVERSITY

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2010 and of its surplus for the year ended;
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2010;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the information given in the Report of the Board is consistent with the financial statements;
- income from Higher Education Funding Council for England and grants and income for specific purposes and from restricted funds administered by the University have been applied only for the purpose for which they were received; and
- income has been applied in accordance with the University's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.



BDO LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

1. Accounting convention

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

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31st July 2010. Intra-group sales and profits are eliminated on consolidation and all income and expenditure figures relate to external transactions only. The consolidated financial statements do not include those of the Bournemouth University Students' Union as it is separately constituted and the University does not exercise control or significant influence over the Union.

3. Fixed assets

As a consequence of the Education Reform Act 1988, the freehold interest in the land and buildings occupied by the University was transferred from the local County Council with effect from 1 April 1989. On 1 April 1989 the inherited property was valued at £17,170k, by a firm of chartered surveyors, using the depreciated replacement cost basis. The land was valued at transferred debt. The property is recorded in the financial statements at these values, as adjusted for subsequent disposals. It is the University's policy to recognise a related revaluation reserve in respect of this property.

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

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

Depreciation is not provided on freehold land or assets in the course of construction. 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 2.0% and 5.0% p.a. |
| Leasehold improvements | 4.0% p.a. (or period of lease if shorter) |
| Computers | 20.0% p.a. |
| Other equipment | 20.0% p.a. |

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

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

4. Investments

Investments held as fixed assets are stated at cost.

5. Stocks and work in progress

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

6. Finance leases and operating leases

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

7. Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-788 of the Corporation Tax Act 2010 (CTA2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

All subsidiary companies are liable to Corporation Tax and Value Added Tax in the same way as any other commercial organisation.

The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value added Tax charged by suppliers to the University.

8. Foreign currencies

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

9. Liquid resources

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

10. Maintenance of premises

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

11. Donations

Donations received towards the construction of a specific building or the acquisition of a substantial piece of equipment are credited to deferred capital grants in the balance sheet. The amount is released to the credit of the Income and Expenditure account over the same estimated useful life that is used to determine the depreciation charge. Donations which the donor has restricted the purposes for which it can be used are treated as endowments. All other donations are recognised as income on receipt.

12. Recognition of income

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

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

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

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

13. Pension schemes

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

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

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

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

Changes in the defined benefit pension scheme asset or liability arising from factors other than the cash contribution by the University are charged to the income and expenditure account or the statement of recognised surpluses and deficits in accordance with FRS17 Retirement Benefits.

14. Provision

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

15. Research & Development

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

| | Note | <u>2010</u> £000 | <u>2009</u> £000 |
|---|------|---------------------|---------------------|
| INCOME | | | |
| Funding body grants | 1 | 46,313 | 44,620 |
| Tuition fees and education contracts | 2 | 54,263 | 46,088 |
| Research grants and contracts | 3 | 2,776 | 2,454 |
| Other operating income | 4 | 11,581 | 12,854 |
| Interest receivable | | 197 | 106 |
| | | <u>115,130</u> | <u>106,122</u> |
| EXPENDITURE | | | |
| Staff costs | 5 | 53,371 | 51,960 |
| Depreciation | 8 | 3,948 | 4,068 |
| Other operating expenses | 6 | 48,584 | 45,714 |
| Interest payable | 7 | 2,380 | 2,227 |
| | | <u>108,283</u> | <u>103,969</u> |
| Surplus for the year after depreciation of assets at valuation and taxation | | <u>6,847</u> | <u>2,153</u> |

All amounts relate to continuing activities.

The notes on pages 23 to 37 form part of these accounts.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | <u>2010</u> £000 | <u>2009</u> £000 |
|--|---------------------|---------------------|
| Surplus for the financial year | 6,847 | 2,153 |
| Actuarial gain recognised in the pension scheme | 505 | 1,583 |
| Total recognised gain relating to the financial year | <u>7,352</u> | <u>3,736</u> |

RECONCILIATION

| | |
|---|---------------|
| Opening reserves | 6,627 |
| Surplus for year | 6,847 |
| Actuarial gain recognised in pension scheme | 505 |
| Closing reserves | <u>13,979</u> |

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

**CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES & DEFICITS FOR THE YEAR ENDED
31ST JULY 2010**

| | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| | £000 | £000 |
| Surplus for the financial year | 6,847 | 2,153 |
| Difference between historical cost depreciation charge and actual depreciation charge on revalued fixed assets | 401 | 401 |
| | ————— | ————— |
| Historical cost surplus after taxation | 7,248 | 2,554 |
| | ————— | ————— |

The notes on pages 23 to 37 form part of these accounts.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CONSOLIDATED BALANCE SHEET AS AT 31ST JULY 2010

| | Note | <u>2010</u> £000 | <u>2009</u> £000 |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 70,613 | 68,749 |
| Investments | 8 | 117 | 117 |
| | | <u>70,730</u> | <u>68,866</u> |
| Current assets | | | |
| Stocks | 9 | 21 | 41 |
| Investments | 8 | 71 | 73 |
| Debtors | 10 | 4,104 | 6,182 |
| Short-term deposits | 18 | 23,367 | 12,059 |
| Cash at bank and in hand | 18 | 1,253 | 1,858 |
| | | <u>28,816</u> | <u>20,213</u> |
| Creditors: Amounts falling due within one year | 11 | (18,829) | (21,484) |
| | | <u>9,987</u> | <u>(1,271)</u> |
| Net current assets /(current liabilities) | | | |
| Total assets less current liabilities | | <u>80,717</u> | <u>67,595</u> |
| Creditors: Amounts falling due after more than one year | 12 | (23,047) | (20,099) |
| Pension liability | 21 | (21,476) | (20,629) |
| NET ASSETS | | <u>36,194</u> | <u>26,867</u> |
| | | | |
| Deferred capital grants | 13 | 22,215 | 20,240 |
| Reserves | | | |
| Revaluation | 14 | 6,919 | 7,320 |
| Revenue excluding pension reserve | | 28,536 | 19,936 |
| Pension reserve | 21 | (21,476) | (20,629) |
| Revenue including pension reserve | 15 | <u>7,060</u> | <u>(693)</u> |
| Total reserves | | <u>13,979</u> | <u>6,627</u> |
| TOTAL | | <u>36,194</u> | <u>26,867</u> |

The notes on pages 23 to 37 form part of these accounts.

Approved and authorised for issue by the University Board on 12 November 2010



MR AJ FROST
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

UNIVERSITY BALANCE SHEET AS AT 31ST JULY 2010

| | Note | <u>2010</u> £000 | <u>2009</u> £000 |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 70,613 | 68,749 |
| Investments | 8 | 117 | 117 |
| | | <u>70,730</u> | <u>68,866</u> |
| Current assets | | | |
| Stocks | 9 | 21 | 41 |
| Debtors | 10 | 4,683 | 7,297 |
| Short-term deposits | | 23,367 | 12,059 |
| Cash at bank and in hand | | 44 | 973 |
| | | <u>28,115</u> | <u>20,370</u> |
| Creditors: Amounts falling due within one year | 11 | <u>(19,181)</u> | <u>(22,159)</u> |
| Net current assets/(liabilities) | | 8,934 | (1,789) |
| Total assets less current liabilities | | <u>79,664</u> | <u>67,077</u> |
| Creditors: Amounts falling due after more than one year | 12 | (23,047) | (20,099) |
| Pension liability | 21 | (21,476) | (20,629) |
| NET ASSETS | | <u>35,141</u> | <u>26,349</u> |
| | | | |
| Deferred capital grants | 13 | 22,215 | 20,240 |
| Reserves | | | |
| Revaluation | 14 | 6,919 | 7,320 |
| Revenue excluding pension reserve | | 27,483 | 19,418 |
| Pension Reserve | 21 | (21,476) | (20,629) |
| Revenue including pension reserve | 15 | <u>6,007</u> | <u>(1,211)</u> |
| Total reserves | | 12,926 | 6,109 |
| TOTAL | | <u>35,141</u> | <u>26,349</u> |

The notes on pages 23 to 37 form part of these accounts.

Approved and authorised for issue by the University Board on 12 November 2010



MR AJ FROST
Chairman



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST JULY 2010

| | Note | <u>2010</u> £000 | <u>2009</u> £000 |
|---|------|---------------------|---------------------|
| Net cash inflow from operating activities | 16 | 12,772 | 9,409 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 197 | 106 |
| Interest element of bank loan | | (552) | (236) |
| Interest element of finance lease payment | | (1,040) | (1,048) |
| | | <u>(1,395)</u> | <u>(1,178)</u> |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets (excluding leased assets) | | (5,812) | (6,909) |
| Deferred capital grant received | | 3,575 | 3,937 |
| | | <u>(2,237)</u> | <u>(2,972)</u> |
| Cash inflow before use of liquid resources and financing | | <u>9,140</u> | <u>5,259</u> |
| Management of liquid resources | 18 | (11,308) | (9,498) |
| Financing | 17 | 2,880 | 4,893 |
| Increase in cash | 18 | <u>712</u> | <u>654</u> |
| Reconciliation of net cash flow to movement in net debt | | | |
| | | <u>2010</u> £000 | <u>2009</u> £000 |
| Increase in cash in the year | | 712 | 654 |
| Increase in short term deposits | 18 | 11,308 | 9,498 |
| Net increase in debt | 18 | (2,880) | (4,893) |
| Change in net debt | | <u>9,140</u> | <u>5,259</u> |
| Net debt at beginning of year | 18 | (8,412) | (13,671) |
| Net funds/(debt) at end of year | 18 | <u>728</u> | <u>(8,412)</u> |

The notes on pages 23 to 37 form part of these accounts.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

| | <u>2010</u> £000 | <u>2009</u> £000 |
|--|---------------------|---------------------|
| 1. Funding body grants | | |
| Recurrent grant | 43,198 | 40,570 |
| Specific grant | 1,515 | 3,260 |
| Deferred capital grants released (see note 13) | | |
| - Buildings | 1,408 | 527 |
| - Equipment | 192 | 263 |
| | <hr/> 46,313 | <hr/> 44,620 |
| | <hr/> | <hr/> |
| 2. Tuition fees and education contracts | | |
| Full-time students | 31,086 | 25,555 |
| Full-time students charged overseas fees | 7,560 | 5,130 |
| Part-time fees | 2,125 | 2,681 |
| Short course fees | 1,227 | 1,391 |
| Other teaching contract course fees | 12,265 | 11,331 |
| | <hr/> 54,263 | <hr/> 46,088 |
| | <hr/> | <hr/> |
| 3. Research grants and contracts | | |
| Grants | 511 | 514 |
| Contracts | 2,265 | 1,940 |
| | <hr/> 2,776 | <hr/> 2,454 |
| | <hr/> | <hr/> |
| 4. Other operating income | | |
| Residences | 5,894 | 5,867 |
| Other services rendered | 89 | 131 |
| Other income including conferences | 5,598 | 6,856 |
| | <hr/> 11,581 | <hr/> 12,854 |
| | <hr/> | <hr/> |
| 5. Staff | | |
| • Staff costs: | | |
| Salaries and wages | 42,289 | 41,178 |
| Social security costs | 3,428 | 3,401 |
| Other pension costs | 5,619 | 6,263 |
| Redundancy and associated pension costs | 2,035 | 1,118 |
| | <hr/> 53,371 | <hr/> 51,960 |
| | <hr/> | <hr/> |
| • Emoluments of the Vice-Chancellor | | |
| Remuneration | 203 | 203 |
| Benefits in kind | 3 | 2 |
| Pension contributions | 32 | 28 |
| | <hr/> 238 | <hr/> 233 |
| | <hr/> | <hr/> |

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

5. Staff (continued)

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| | Number | Number |
| • Remuneration of other higher paid staff, excluding employer's pension contributions | | |
| £100,000 to £110,000 | 1 | 1 |
| £110,000 to £120,000 | 2 | 1 |
| £120,000 to £130,000 | - | 1 |
| £140,000 to £150,000 | 1 | - |
| | <hr/> | <hr/> |
| • Average staff numbers employed: | | |
| Academic staff (excluding part-time visiting lecturers) | 513 | 571 |
| Administrative, professional, technical and clerical staff | 643 | 722 |
| Manual and maintenance staff | 35 | 31 |
| | <hr/> | <hr/> |
| | 1,191 | 1,324 |
| | <hr/> | <hr/> |

6. Other operating expenses

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| | £000 | £000 |
| Staff development | 776 | 703 |
| Non-contracted staff | 4,310 | 4,307 |
| Other staff costs | 39 | 55 |
| Staff recruitment | 468 | 357 |
| Staff travel | 985 | 980 |
| Course costs | 397 | 539 |
| Accommodation and catering | 434 | 344 |
| Franchise costs | 11,329 | 12,638 |
| Student union grant | 437 | 337 |
| Student welfare | 1,653 | 1,745 |
| Student travel | 472 | 396 |
| Stationery and reprographics | 1,365 | 1,017 |
| Retail cost of sales | 168 | 443 |
| Books, periodicals and information services | 1,436 | 1,416 |
| Computer and equipment costs | 3,863 | 2,297 |
| Audit - External auditors remuneration – audit fees | 42 | 35 |
| - External auditors remuneration – other fees | 18 | - |
| - Internal auditors remuneration | 72 | 67 |
| Legal and professional | 1,810 | 1,236 |
| Telephones | 195 | 339 |
| Subscriptions | 608 | 554 |
| Postage | 286 | 313 |
| Bad debts | 199 | 113 |
| Finance charges | 686 | 363 |
| Bursaries | 3,534 | 3,693 |
| Registration and accreditation costs | 434 | 403 |
| Promotion costs | 1,753 | 1,573 |
| Vehicle fleet costs | 652 | 651 |
| Rates | 318 | 292 |
| Rent | 3,863 | 3,207 |
| Energy, water and sewerage | 1,914 | 2,215 |
| Repairs and general maintenance | 2,173 | 1,230 |
| Cleaning and security | 1,486 | 1,394 |
| Health and safety | 55 | 73 |
| Insurance | 354 | 389 |
| | <hr/> | <hr/> |
| | 48,584 | 45,714 |
| | <hr/> | <hr/> |

Within Legal and professional expenses are £6k (2009: £55k) of fees paid to the Internal Auditors for activities other than Audit. Reimbursement to governors for travel and subsistence expenses in attending Board and Committee meetings amounted to £1,665 and related to five governors (2009: £880 paid to two governors).

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

| | | |
|--------------------------------|--------------|--------------|
| 7. Interest payable | <u>2010</u> | <u>2009</u> |
| | £000 | £000 |
| On finance leases | 1,040 | 1,048 |
| Interest payable on bank loans | 552 | 236 |
| Pension finance costs | 788 | 943 |
| | <u>2,380</u> | <u>2,227</u> |

8. Tangible assets: Group and University

Tangible Fixed Assets

| | Freehold and Leasehold Land and Buildings £000 | Leasehold Improve- ments £000 | Equipment £000 | Assets in course of construction £000 | Total £000 |
|------------------------------|---|--|-------------------|--|----------------|
| <i>Cost/valuation</i> | | | | | |
| At 1 August 2009 | 87,222 | 1,891 | 39,985 | 5,027 | 134,125 |
| Additions | - | - | 1,780 | 4,032 | 5,812 |
| Transfers | 4,458 | - | - | (4,458) | - |
| | <u>91,680</u> | <u>1,891</u> | <u>41,765</u> | <u>4,601</u> | <u>139,937</u> |
| <i>Depreciation</i> | | | | | |
| Accumulated at 1 August 2009 | 29,340 | 301 | 35,735 | - | 65,376 |
| Charge for the year | 2,565 | 76 | 1,307 | - | 3,948 |
| | <u>31,905</u> | <u>377</u> | <u>37,042</u> | <u>-</u> | <u>69,324</u> |
| <i>Net book value</i> | | | | | |
| 31 July 2010 | <u>59,775</u> | <u>1,514</u> | <u>4,723</u> | <u>4,601</u> | <u>70,613</u> |
| 31 July 2009 | <u>57,882</u> | <u>1,590</u> | <u>4,250</u> | <u>5,027</u> | <u>68,749</u> |

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)

The cost/valuation of Land and Buildings comprises:

| | <u>2010</u> £000 | <u>2009</u> £000 |
|--|---------------------|---------------------|
| Freeholds | | |
| Assets inherited upon incorporation: | | |
| Property, valued at depreciated replacement cost | 17,170 | 17,170 |
| Land, valued at transferred debt | 122 | 122 |
| | <hr/> 17,292 | <hr/> 17,292 |
| Assets valued on an open market basis in 1990 | 150 | 150 |
| Assets stated at cost | 65,038 | 60,580 |
| Assets held under finance leases (short leaseholds) | 9,200 | 9,200 |
| | <hr/> 91,680 | <hr/> 87,222 |

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at the date of implementation have been retained. In July 2006 freehold property was valued by Goadsby, who calculated a Property Insurance Reinstatement value of £163.9m on a Net Book Value of £52.8m

Land and Buildings with a net book value of £59,775k includes assets held under finance leases with a net book value of £6,210k (2009: £6,440k), on which £230k of depreciation was charged during the year.

Investments

| | Cost at 31 July 2010 £ | Cost at 31 July 2009 £ |
|---------------------------------|------------------------------|------------------------------|
| Investments - University | | |
| Shares in group companies | 8 | 8 |
| Shares in CVCP Properties, plc | 28,091 | 28,091 |
| Shares in LeNSE Limited | 50,000 | 50,000 |
| Shares in Talis | 37,373 | 37,373 |
| Shares in AdsFab | 1,000 | 1,000 |
| Shares in Odstock Medical Ltd | 1 | 1 |
| | <hr/> 116,473 | <hr/> 116,473 |

Group Companies

| | | |
|--|---------|---------|
| Southern Educational Enterprises Limited | 2 | 2 |
| BU Innovations Limited | 2 | 2 |
| Bournemouth University Limited | 2 | 2 |
| South Coast Information and Library Services Limited | 2 | 2 |
| | <hr/> 8 | <hr/> 8 |

Group Companies

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)

Their principal activities are as follows:

Southern Educational Enterprises Limited provided educational services to the public health sector, although all such actual was transferred to the University during the year.

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

Bournemouth University Limited provides business incubation services to emerging businesses in the ICT sector.

South Coast Information and Library Services Limited provided library services until 31st July 2007 and has not traded since that date.

The consolidated accounts also include the results of the Bournemouth University Foundation as the University is able to exercise control over its operating policies. The results of the Bournemouth University Foundation are set out in note 23.

CVCP Properties plc £28,091

The University is a shareholder in CVCP Properties plc together with other University members of Universities UK, CVCP Properties plc's principal asset is Universities UK's headquarters, Woburn House. The total issued ordinary share capital of CVCP Properties plc is £4,200,000.

LeNSE Limited £50,000

The University, with ten other universities and institutes of higher education in the south eastern area of England, is a founder member of LeNSE Limited. The principal objects of the company are to provide high speed data connections between the partner institutions from the LeNSE network to SuperJANET and to act as a focus for the development of high speed wide area networking for the academic and research community in the south east of England. The capital of the company is 1,000 ordinary £1 shares. 900 shares have been issued at a premium to partner institutions, 100 of which are held by the University.

Talis £37,373

The University was a customer of the Birmingham Libraries Co-operative Mechanisation Project (BLCMP) and by virtue of that fact when BLCMP launched Talis the University received free shares.

Other Investments

The shares in Talis, AdsFab and Odstock Medical were received without a cash consideration; the Revaluation Reserve has been adjusted accordingly. The Bournemouth University Foundation had investments valued at £71,000 on 31st July 2010 (2009: £73,000) listed under current assets.

9. Stocks

| | <u>2010</u> | | <u>2009</u> | |
|-------|---------------|--------------------|---------------|--------------------|
| | Group £000 | University £000 | Group £000 | University £000 |
| Stock | 21 | 21 | 41 | 41 |
| | ----- | ----- | ----- | ----- |

10. Debtors

| | <u>2010</u> | | <u>2009</u> | |
|---------------------------------|---------------|--------------------|---------------|--------------------|
| | Group £000 | University £000 | Group £000 | University £000 |
| Debtors | 1,445 | 1,463 | 4,006 | 2,472 |
| Amounts owed by group companies | - | 836 | - | 2,750 |
| Prepayments and accrued income | 2,659 | 2,384 | 2,176 | 2,075 |
| | ----- | ----- | ----- | ----- |
| | 4,104 | 4,683 | 6,182 | 7,297 |
| | ----- | ----- | ----- | ----- |

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

11. Creditors: amounts falling due within one year

| | <u>2010</u> | | <u>2009</u> | |
|--|---------------|--------------------|---------------|--------------------|
| | Group £000 | University £000 | Group £000 | University £000 |
| Bank loans and overdrafts | 793 | 793 | 2,110 | 1,386 |
| Obligations under finance leases | 176 | 176 | 120 | 120 |
| Trade creditors | 3,890 | 4,318 | 3,888 | 6,561 |
| Amounts owed to group companies | - | - | - | 2,319 |
| Other creditors | 1,168 | 1,146 | 940 | 940 |
| Social security and other taxation payable | 1,247 | 1,240 | 1,574 | 1,124 |
| Accruals and deferred income | 11,555 | 11,508 | 12,852 | 9,709 |
| | <u>18,829</u> | <u>19,181</u> | <u>21,484</u> | <u>22,159</u> |

Accruals and deferred income include £8,302k (2009: £8,110k) 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 | <u>2010</u> £000 | <u>2009</u> £000 |
|-----------------------------|---------------------|---------------------|
| Bank loans | 13,000 | 10,000 |
| Finance leases | 9,923 | 10,099 |
| Other creditor | 124 | - |
| | <u>23,047</u> | <u>20,099</u> |

The bank loan is represented by £5m fixed rate loan repayable by 2043 at an interest rate of 5.285%, a £5m fixed rate loan repayable by 2043 at an interest rate of 4.93% and a £3m fixed rate loan repayable by 2043 at an interest rate of 4.215%. The other creditor is represented by a repayable grant received for the Revolving Green Fund, a carbon reduction initiative.

In 1998 the University entered into a twenty six year finance lease on Cranborne House, a 499 bed student accommodation facility at an initial annual rent of £755,000 which increases annually by 3.65%. After twenty six years the freehold interest in the building will be transferred to the University at no cost. £9,923,000 is outstanding on finance leases due after more than one year. It is anticipated that the annual rent will be funded from student rental income.

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

| | <u>2010</u> £000 | <u>2009</u> £000 |
|----------------------------|---------------------|---------------------|
| Repayable within 1 year | 176 | 120 |
| Repayable within 2-5 years | 1,401 | 1,104 |
| Repayable after 5 years | 8,522 | 8,995 |
| | <u>10,099</u> | <u>10,219</u> |

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

| | <u>2010</u> £000 | <u>2009</u> £000 |
|----------------------------|---------------------|---------------------|
| Repayable within 1 year | - | - |
| Repayable within 2-5 years | - | - |
| Repayable after 5 years | 13,000 | 10,000 |
| | <u>13,000</u> | <u>10,000</u> |

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

13. Deferred capital grants: Group and University

| | Buildings £000 | Equipment £000 | Donations £000 | Total £000 |
|---|-------------------|-------------------|-------------------|---------------|
| At 1 August 2009 | 19,007 | 428 | 805 | 20,240 |
| Grant received in year | 3,415 | 160 | - | 3,575 |
| Released to Income and Expenditure account (see note 1) | (1,367) | (192) | (41) | (1,600) |
| At 31 July 2010 | <u>21,055</u> | <u>396</u> | <u>764</u> | <u>22,215</u> |

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

14. Revaluation Reserves: Group and University

| | <u>2010</u> £000 | <u>2009</u> £000 |
|------------------------------|---------------------|---------------------|
| Balance at 1 August 2009 | 7,320 | 7,721 |
| Transfer to general reserves | (401) | (401) |
| Balance at 31 July 2010 | <u>6,919</u> | <u>7,320</u> |

The transfer to general reserves represents an amount equal to the depreciation charged in the year on assets acquired in 1988 from Dorset County Council at the inception of Bournemouth Polytechnic (now Bournemouth University). The assets were valued in 1989 at £17,170k.

15. Revenue reserves

| | Group £000 | University £000 |
|--|---------------|--------------------|
| Balance at 1 August 2009 | (693) | (1,211) |
| Retained surplus for the period | 6,847 | 6312 |
| Actuarial gain on pension liability | 505 | 505 |
| Transfer from revaluation reserves | 401 | 401 |
| Balance at 31 July 2010 | <u>7,060</u> | <u>6,007</u> |
| Group retained surplus for year | £000 | |
| University surplus for year | 6,312 | |
| Surplus generated by subsidiary undertakings | 342 | |
| Consolidation adjustments | 193 | |
| | <u>6,847</u> | |

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

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

| | <u>2010</u> £000 | <u>2009</u> £000 |
|--|---------------------|---------------------|
| Surplus after taxation | 6,847 | 2,153 |
| Depreciation | 3,948 | 4,068 |
| Deferred capital grants released | (1,600) | (790) |
| Interest receivable | (197) | (106) |
| Interest payable | 2,380 | 2,227 |
| Pension contribution less amounts charged to operating surplus | 564 | 1,451 |
| Decrease in stock | 20 | 11 |
| Decrease in debtors | 2,078 | 560 |
| Decrease in creditors | (1,270) | (92) |
| Decrease/(Increase) on investments | 2 | (73) |
| | <u>12,772</u> | <u>9,409</u> |

17. Analysis of changes in consolidated financing during the year

| | Finance leases £000 | Bank loans £000 | Total £000 |
|--------------------|---------------------------|-----------------------|---------------|
| At 1 August 2009 | 10,219 | 10,000 | 20,219 |
| New leases/loans | - | 3,000 | 3,000 |
| Capital repayments | (120) | - | (120) |
| At 31 July 2010 | <u>10,099</u> | <u>13,000</u> | <u>23,099</u> |

18. Analysis of changes in net funds

| | At 1 August 2009 £000 | Cash Movement £000 | Non cash Movement £000 | At 31 July 2010 £000 |
|---------------------------|--------------------------|--------------------------|------------------------------|-------------------------|
| Cash at bank and in hand | 1858 | (605) | - | 1,253 |
| Bank overdraft | (2,110) | 1,317 | - | (793) |
| | <u>(252)</u> | <u>712</u> | <u>-</u> | <u>460</u> |
| Short-term deposits | 12,059 | 11,308 | - | 23,367 |
| Debts due within one year | (120) | 120 | (176) | (176) |
| Debts due after one year | (20,099) | (3,000) | 176 | (22,923) |
| | <u>(8,412)</u> | <u>9,140</u> | <u>-</u> | <u>728</u> |

19. Contingent liabilities

Nomination agreement

The university has entered into an arrangement with UNITE for the supply of additional student accommodation in two Buildings, Purbeck a 519 bed accommodation facility and Corfe, 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.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

20. Operating lease commitments

At 31 July 2010 the group was committed to making the following payments during the next year in respect of operating leases:

| | <u>2010</u> | | <u>2009</u> | |
|--------------------------------------|----------------------------------|---------------|----------------------------------|---------------|
| | Land and Buildings £000 | Other £000 | Land and Buildings £000 | Other £000 |
| Operating leases: | | | | |
| Expiring within one year | - | - | - | - |
| Expiring within two and five years | - | 34 | - | 34 |
| Expiring within six and thirty years | 1,047 | - | 1,046 | - |
| | <u>1,047</u> | <u>34</u> | <u>1,046</u> | <u>34</u> |

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

In 2005 the University fitted out and occupied Melbury House which is held under a 25 year operating lease. Rental for 2009/10 was £522k (2008/09: £518k). The building provides accommodation for a number of Professional Service departments and the Business Incubation Centre. The fit out costs are shown in the leasehold improvements section in Note 8.

21. Pensions

FRS17

Retirement benefits for employees of Bournemouth University are provided by defined benefit schemes which are funded by contributions from the University and by members of the schemes. Payments are made to the Teachers' Pensions Scheme (TPS) for academic staff and the Dorset County Superannuation Scheme (DCSS) for non-academic staff. These are both independently administered schemes. In addition, twelve members of staff requested that they remain in the Universities' Superannuation Scheme (USS) upon their transfer from the previous employers. The University also pays pension contributions to the National Health pension scheme (NHS) in respect of general practitioners on part-time contracts with the School of Health and Social Care.

For all but the DCSS scheme the University is unable to identify its share of the underlying assets. Accordingly the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to these schemes as if they were defined contribution schemes.

TPS

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

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

The employers' contribution rates for the University's academic staff were 14.1% of pensionable salaries from 1 August 2009 to 31 July 2010.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

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 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated cost of future contributions together with the proceeds from notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2008, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75% plus supplementary contribution rate of 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced, effective for the first time from 2008 valuation, a 14% cap on employers contributions payable.

The 2006 interim actuarial review, published in June 2007, did not recommend any changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176,600 million.

A copy of the Government Actuary's 2004 valuation report and 2006 interim valuation report can be found in the TeacherNet website at www.teachernet.gov.uk/pensions.

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Ltd.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the project unit method. Using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the assets were sufficient to cover 104% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level on the FRS17 basis was 80%. The estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the institution had 11 active members.

The total pension cost for the institution was £120,767 (2009: £116,920). This includes £15,055 (2009 £13,637) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

DCSS

This is a funded defined benefit scheme where contributions payable are held in a trust separately from the University. Full actuarial valuations are carried out triennially, with the last full valuation being at 31 March 2007.

The valuation has been updated to 31 July 2010 by qualified independent actuaries who estimate that the net liability as at 31 July 2010 is a liability of £21,476,000. In the budget of 22 June 2010 the Government announced that the Consumer Price Index (CPI) will be used for the price indexation of pensions from April 2011, rather than the Retail Price Index (RPI). This statutory change to previous increases has been reflected as a change to actuarial assumptions and included as an actuarial gain on liabilities.

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

| Assumptions as at | 31 July 2010 | | 31 July 2009 | |
|--------------------------|---------------------|-------|---------------------|------|
| | % p.a. Real | | % p.a. Real | |
| RPI increases | 3.2% | | 3.6% | |
| CPI increases | 2.7% | -0.5% | | |
| Salary increases | 4.5% | 1.3% | 4.5% | 0.9% |
| Pension increases | 2.7% | -0.5% | 3.6% | |
| Discount rate | 5.4% | 2.1% | 6.0% | 2.3% |

Life expectancy from age 65 (years)

| | 2010 | 2009 |
|-----------------------|-------------|-------------|
| Non Pensioners | | |
| Males | 20.84 | 20.84 |
| Females | 23.86 | 23.86 |
| Pensioners | | |
| Males | 21.79 | 21.79 |
| Females | 24.80 | 24.80 |

Expected return on assets and estimated asset allocation

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 August 2009 for the year to 31 July 2010). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The following expected returns have been adopted.

| Asset class | Expected return at 1 August 2010 %p.a. | Asset allocation 31 July 2010 £000 | Expected return at 1 August 2009 %p.a. | Asset allocation 31 July 2009 £000 |
|--------------------------|---|---|---|---|
| Equities | 7.9% | 23,433 | 8.3% | 19,827 |
| Other Bonds | 5.4% | 1,890 | 5.3% | 825 |
| Absolute return on funds | 7.9% | 1,890 | 8.3% | 1,443 |
| Property | 7.4% | 3,024 | 7.8% | 1,962 |
| Cash | 3.0% | 1,512 | 3.0% | 2,164 |
| Gilts | 4.3% | 6,047 | 4.3% | 2,638 |
| Total | | 37,796 | | 28,859 |

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

Reconciliation to balance sheet

| | | |
|--------------------------------------|-----------------------|-----------------------|
| Net pension deficit as at | 31 July 2010 £ 000 | 31 July 2009 £ 000 |
| Present value of funded obligation | (59,106) | (49,316) |
| Fair value of scheme assets | <u>37,796</u> | <u>28,859</u> |
| Net liability | (21,310) | (20,457) |
| Present value of unfunded obligation | (166) | (172) |
| Net liability in balance sheet | <u>(21,476)</u> | <u>(20,629)</u> |

The amounts recognised in the income and expenditure statement are:

| | Year to 31 July 2010 £ 000 | Year to 31 July 2009 £ 000 |
|----------------------------------|----------------------------------|----------------------------------|
| Charged to staff costs: | | |
| Current service cost | 2,799 | 3,538 |
| Loss on curtailments | 264 | 12 |
| | <u>3,063</u> | <u>3,550</u> |
| Charges to interest payable: | | |
| Interest on obligation | 3,073 | 3,368 |
| Expected return on scheme assets | (2,285) | (2,425) |
| | <u>788</u> | <u>943</u> |
| Expense recognised | <u>3,851</u> | <u>4,493</u> |
| Actual return on scheme assets | <u>5,727</u> | <u>(4,620)</u> |

Amounts recognised in Statement of Recognised Gains and Losses

| | Year to 31 July 2010 £ 000 | Year to 31 July 2009 £ 000 |
|---|----------------------------------|----------------------------------|
| Actual return less expected return on pension scheme assets | | |
| Experience gains and losses | 3,443 | (7,045) |
| Changes in assumptions underlying the present value of the scheme liabilities | (2,938) | 8,628 |
| | <u>505</u> | <u>1,583</u> |
| Actuarial gain | <u>505</u> | <u>1,583</u> |

An actuarial gain on scheme liabilities of £2.7 million has been included due to the change in inflation rate used to calculate pension increases from RPI to CPI.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Cumulative amount of losses recognised in the statement of recognised gains and losses | (1,706) | (2,211) |

Reconciliation of opening & closing balances of the defined benefit obligation

| | Year to 31 July 2010 £ 000 | Year to 31 July 2009 £ 000 |
|---|----------------------------------|----------------------------------|
| Opening defined benefit obligation | 49,488 | 50,594 |
| Service cost | 2,799 | 3,538 |
| Interest cost | 3,073 | 3,368 |
| Actuarial loss/(gain) | 2,938 | (8,628) |
| Losses on curtailments | 264 | 12 |
| Estimated benefits paid (net of transfers in) | (427) | (504) |
| Contributions by scheme participants | 1,149 | 1,120 |
| Unfunded pension payments | (12) | (12) |
| Closing defined benefit obligation | 59,272 | 49,488 |

Composition of defined benefit obligation

| | £000 | £000 |
|--------------------|--------|--------|
| Unfunded | 166 | 172 |
| Funded obligations | 59,106 | 49,316 |
| | 59,272 | 49,488 |

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

| | Year to 31 July 2010 £ 000 | Year to 31 July 2009 £ 000 |
|---|----------------------------------|----------------------------------|
| Opening fair value of scheme assets | 28,859 | 30,776 |
| Expected return on scheme assets | 2,285 | 2,425 |
| Actuarial gain/(loss) | 3,443 | (7,045) |
| Contributions by employer | 2,499 | 2,099 |
| Contributions by scheme participants | 1,149 | 1,120 |
| Estimated benefits paid (net of transfers in) | (439) | (416) |
| Fair value of scheme assets at end of period | 37,796 | 28,859 |

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. **Pensions (continued)**

Reconciliation of opening & closing balances of the net pension deficit

| | Year to 31 July 2010 £ 000 | Year to 31 July 2009 £ 000 |
|----------------------------------|----------------------------------|----------------------------------|
| Deficit at beginning of the year | (20,629) | (19,818) |
| Service cost | (2,799) | (3,538) |
| Employer contributions | 2,487 | 2,087 |
| Unfunded pension payments | 12 | 12 |
| Other finance costs | (788) | (943) |
| Curtailments | (264) | (12) |
| Actuarial gain | 505 | 1,583 |
| Deficit at end of the year | <u>(21,476)</u> | <u>(20,629)</u> |

Sensitivity analysis

The following table sets out the impact of a +/-0.1% change in the discount rates on the total obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

| Adjustment to discount rate | +0.1% | 0% | -0.1% |
|---|----------|--------|----------|
| | £ 000 | £ 000 | £ 000 |
| Present value of total obligation | 57,869 | 59,272 | 60,710 |
| Projected service cost | 3,151 | 3,266 | 3,384 |
| Adjustment to mortality age rating assumption | + 1 year | none | - 1 year |
| Present value of total obligation | 57,097 | 59,272 | 61,462 |
| Projected service cost | 3,106 | 3,266 | 3,427 |

5 Year history

| Amounts for the current and previous four periods | Year to 31 July 2010 £ 000 | Year to 31 July 2009 £ 000 | Year to 31 July 2008 £ 000 | Year to 31 July 2007 £ 000 | Year to 31 July 2006 £ 000 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Defined benefit obligation | (59,272) | (49,488) | (50,594) | (42,634) | (43,294) |
| Scheme assets | 37,796 | 28,859 | 30,776 | 33,773 | 28,992 |
| Deficit | <u>(21,476)</u> | <u>(20,629)</u> | <u>(19,818)</u> | <u>(8,861)</u> | <u>(14,302)</u> |
| Experience adjustments on scheme liabilities | - | - | 1,952 | - | - |
| Percentage of liabilities | - | - | 3% | - | - |
| Experience adjustments on scheme assets | 3,443 | (7,045) | (6,809) | 765 | 1,086 |
| Percentage of assets | 9.1% | (24.4%) | (22.1%) | 2.3% | 3.7% |
| Cumulative actuarial gain/(loss) | (1,706) | (2,211) | (3,794) | 5,725 | (1,392) |

For consistency with previous disclosures the assets shown are at mid market price (estimated where necessary) for the periods prior to 31 July 2007.

The groups best estimate of the contributions expected to be paid in the year beginning on the 1 August 2010 is £2,255,000.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION**NOTES TO THE ACCOUNTS**22. **Access Funds**

| | <u>2010</u> £000 | <u>2009</u> £000 |
|------------------------|---------------------|---------------------|
| Opening balance | 21 | 13 |
| Funding Council grants | 373 | 420 |
| Interest earned | 2 | 4 |
| | <hr/> 396 | <hr/> 437 |
| Disbursed to students | (369) | (416) |
| | <hr/> 27 | <hr/> 21 |
| Closing Balance | <hr/> <hr/> | <hr/> <hr/> |

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

23. **Related Party Transactions**

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

No governors received payment for their services as a governor.

The Bournemouth University Foundation was formed to create a fund that that would provide an independent source of income and accept donations made to help the University grow and develop further. Donations made to the Bournemouth University Foundation help enhance the student experience and develop academic excellence, including support for individual students financially and investment in University resources.

During the year The Bournemouth University Foundation awarded grants to Bournemouth University of £246,188 (2009 £51,757). No amounts were outstanding at the end of the year.

| | £ |
|--------------------------------------|-----------------|
| Turnover including interest received | 455,146 |
| Expenditure | (246,774) |
| | <hr/> 208,372 |
| Surplus on ordinary activities | <hr/> <hr/> |
| Reserves brought forward | 857,393 |
| Profit for year | 208,372 |
| | <hr/> 1,065,765 |
| Reserves carried forward | <hr/> <hr/> |

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