

Bournemouth
University

Bournemouth University Higher Education Corporation

**Report and financial statements
for the year ended 31 July 2012**



BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

BOARD MEMBERS AND ADVISERS

Board Members (External)

Ms Sue Sutherland
Mr Chris Appleton
Dr Peter Barnwell
Mr Ian Carter
Prof Richard Conder (appointed December 2011)
Ms Joanna Dawson
Mr Julian Francis
Mr James Granger (appointed January 2012)
Prof Christine Hallett
Mr David Hines
Mr John Knowles (appointed June 2012)
Mr Tim Lee (Deputy Chair)
Mr Donald McQueen (appointed January 2012)
Dr Peter Rawlinson
Mr Roy Spragg
Mr Giles Sturdy (resigned November 2011)

Board Members (Internal)

Mr Jim Andrews
Ms Mandi Barron
Prof Matthew Bennett
Ms Louise Bryant (appointed July 2012)
Mr Charles Elder (resigned September 2011)
Mr Toby Horner (resigned July 2012)
Ms Marian Mayer
Prof Tim McIntyre-Bhatty
Mr Andy Riggs (appointed July 2012)
Prof Elizabeth Rosser (appointed January 2012)
Prof John Vinney
Mr David Willey (resigned July 2012)

Auditors

BDO LLP
Arcadia House
Maritime Walk
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Southampton
Hants
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Bankers

Barclays Bank PLC
Bournemouth Town
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Solicitors

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BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

REPORT OF THE BOARD OF GOVERNORS

Scope and format of the financial statements

We are pleased to present the University's financial statements, including the Operating and Financial Review for 2012. The financial statements comprise the consolidated results of the University and its wholly-owned subsidiaries, Bournemouth University Limited (BUL), BU Innovations Limited (BUIL), BU Enterprise Ltd (BUEL) and The Bournemouth University Foundation. BUL, BUEL and BUIL donate the bulk of their profits to the University using gift aid. 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 2007.

Results for the year

The University's consolidated income, expenditure and results for the year ended 31st July 2012 are summarised as follows:

	<u>2012</u>	<u>2011</u>
	£000	£000
Income	117,145	121,048
Expenditure	115,569	111,571
Surplus for the year	<u>1,576</u>	<u>9,477</u>
FRS17 pension adjustment	1,986	1,617
Surplus for the year excluding FRS17 adjustment	<u>3,562</u>	<u>11,094</u>

Accounting for pensions under FRS17 has resulted in an additional staff pension cost of £1,133k (2011: £1,058k) and an additional finance cost of £853k (2011:£559k). The total impact of the FRS17 adjustment on the surplus for the year is £1,986k (2011: £1,617k). 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.

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Overview

The academic period 2011-12 has been hugely significant in the ongoing development of Bournemouth University as an institution of international standing and reputation. As the world of higher education has changed around us, we have set out a new direction in the University's Vision - BU 2018: Creating, Sharing, Inspiring – which was approved by the Board earlier this year. BU's aim is to provide a highly personalised experience where students are actively engaged in all aspects of their learning - receiving an excellent education from academics who are at the top of their field; working collaboratively and sharing knowledge with their peers, getting involved in research relevant to their subject areas, and experiencing the joy of discovery; being prepared for professional practice by undertaking work placements and studying a curriculum that has been developed in close collaboration with industry.

Operating and Financial Review

Legal Status

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

Mission

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

Strategic Plan and future developments

In 2011 Bournemouth University launched Bournemouth University's new Vision & Values, BU2018: "Creating, Sharing, Inspiring", all staff and students were invited to help us shape the strategies that will support and underpin our vision. The strategies are based around four key themes: Creating, Sharing, Inspiring; Finance; People; and Environment.

The key points of the plan are:

- At the heart of BU will be a powerful fusion of research, education and professional practice, creating a unique academic experience where the sum is greater than the component parts. Fusion is the combination of inspirational teaching, world class research and the latest thinking in the professions which creates a continuous and fruitful exchange of knowledge that stimulates new ideas, learning and thought leadership. Fusion will be the key differentiator of BU, and this will inform and shape our marketing strategy.
- We will invest in the delivery of Fusion through the establishment of a Fusion Investment Fund. The fund will support a range of practical initiatives that will underpin and deliver Fusion.
- Areas of focus will include encouraging staff and students to work together to co-create and co-produce knowledge and research; driving excellent teaching and pedagogic innovation; improving staff and student mobility and networking; aligning our research themes to societal need; and increasing our share of the de-regulated higher education market (students entering with AAB and above or equivalent at A-level, international and postgraduate students).

Over the period of the strategic plan the University will need to be adaptable to the demands of the sector. The University must ensure development and investment is focused on delivering our vision. It is imperative that resource is focused in meeting the needs of that strategy.

In 2011/12 the HEFCE recurrent grant funding remained a core part of the University's income. Funding for undergraduate teaching will reduce substantially from 2012-13 but will be offset by an increase in home student tuitions fees. Although uncertainty remains around the recruitment of students, as part of the Finance Strategy the University plans to increase overseas and non-regulated student numbers thereby generating progressively growing operating surpluses. The surpluses together with the use of

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Strategic Plan and future developments (continued)

borrowing facilities and the utilisation of existing cash balances are sufficient to invest in a major capital programme that enables long sustainability of the University estate and infrastructure.

Financial Strategy

In 2012 the Board approved a new Financial Strategy. The Financial Strategy will be aligned and integrate with all other strategies to ensure there is no conflict, that all funding needs have been identified together with their timing, that all areas of potential impact have been identified and assessed and that there is a common shared timeline associated with their implementation.

The University has determined that its overall attitude to financial risk is slightly risk averse. As a consequence of this the following criteria have been proposed to be used by the University to control and monitor its overall financial risks. All are before any adjustment for FRS17.

- **Gearing** – defined as the ratio of bank borrowings to reserves.
The maximum gearing percentage will be **35%**.
- **Contribution** – defined as the percentage of net profit to income.
The minimum required is **3%** with a maximum of **6%**.
- **Reserves** – the magnitude of retained reserves.
A minimum of **£60m** will be achieved by July 2016.
- **Debt service cover** – defined as the percentage of net debt service cost to income, after netting off any interest earned. Capital repayments are excluded.
This will be capped at a maximum of **4%**.
- **Current ratio** – the ratio of current assets to current liabilities.
This should always be at least **1:1** with a desired level of **1.2:1**.
- **Debt to income ratio** – the percentage of total bank debt / borrowings to income.
The maximum will be **20%**.

It is recognised that some of the above will need to be achieved over a period of time however it is intended that all will be targeted to be realised preferably by 2015.

Financial Performance Indicators

From August 2012 the University will measure its progress for the period of the Strategic Plan through a Performance Management Framework consisting of 14 Key Performance Indicators (KPIs). The KPIs are directly linked to the strategic objectives and each strategic objective has at least one specific assigned Performance Indicator (PI).

The performance measurement framework will need to be sufficiently flexible to allow PIs to change over time dependent on changes to the internal or external environment and any subsequent agreed re-prioritisation of objectives and/or targets over the period of the development and achievement of the BU Strategic Plan.

As well as key financial indicators aligned to the Finance Strategy, the performance measurement framework includes KPIs to monitor academic excellence, graduate employability, student satisfaction and staff satisfaction. The KPIs will be reviewed at every Board meeting.

Financial Highlights of the Year

The University recorded its fourth consecutive annual surplus.

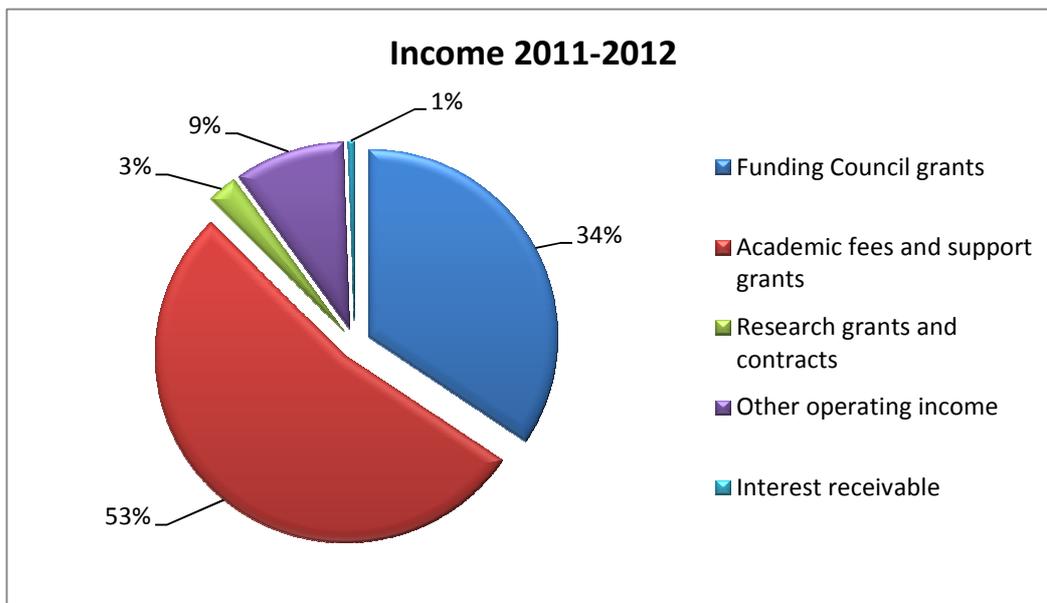
Income

Income reduced by £4m from £121m in 2011 to £117m in 2012, this represented a reduction of 3.2%.

- Income from Funding Council grants reduced by £5.1m (-11.3%) from £45.4m in 2011 to £40.3m in 2012 due to in year funding reductions.

Financial Highlights of the Year (continued)

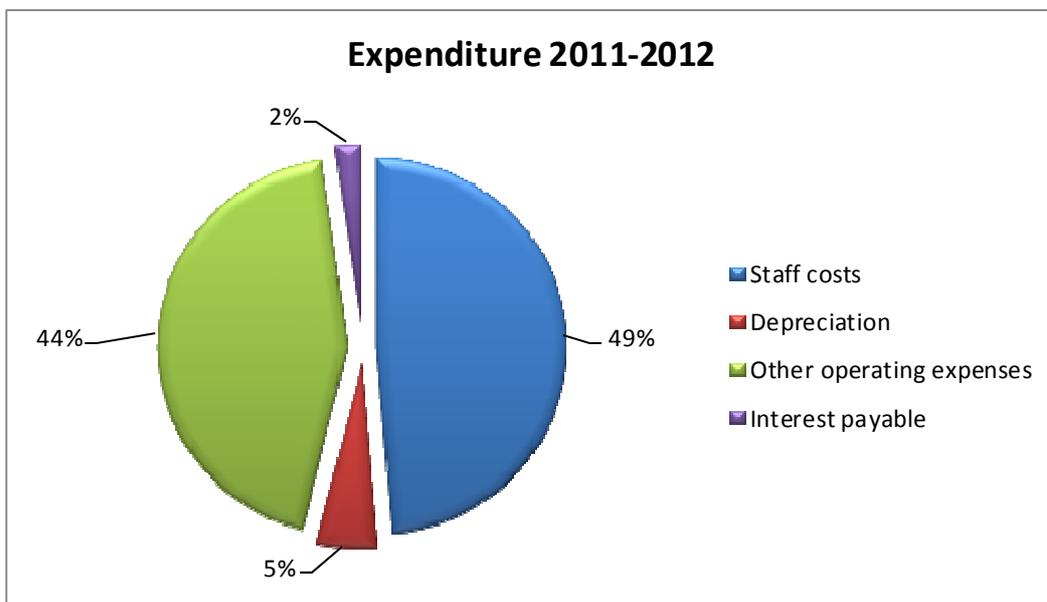
- Income from tuition fees and education contracts increased by £3.5m (5.9%) from £58.7m in 2011 to £62.2m in 2012.
- Income from Research grants and contracts reduced by £0.1m (-4%).
- Other operating income reduced by £2.3m (-17.6%) from £13.3m in 2011 to £11m in 2012.
- Interest receivable increased by £0.2m (47.6%) due to an increase in invested cash reserves.



Expenditure

Total expenditure increased by £4m (3.6%) from £111.6m in 2011 to £115.6m in 2012.

- Staff costs increased by £2.2m from £54.1m in 2011 to £56.3m in 2012, an increase of 4.1%.
- Depreciation increased by £1.2m (24.5%) predominately due to the capitalisation of two major IT projects.
- Other operating expenses increased by £0.3m from £50.6m in 2011 to £50.9m in 2012, an increase of 0.6%.
- Interest payable increased by £0.3m (14%)



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Financial Highlights of the Year (continued)

Balance sheet

Current assets increased by £6.4m from £35.3m in 2011 to £41.7m in 2012. Short-term deposits increased by £7m whilst debtors increased by £0.5m. Cash at bank and in hand reduced by £1.2m. Short-term debt reduced by £0.1m giving net current assets of £22.4m, an increase of £6.4m from 2011. Long term debt increased by £5.8m due to an additional drawdown of the University long term loan facility.

The pension liability increased by £11.1m from £24.5m in 2011 to £35.6m in 2012 primarily due to losses on scheme assets and liabilities. Retained surpluses increased by £4m from £40m in 2011 to £44m in 2012.

Cash flow and treasury management

Net cash inflow from operating activities for the year was £9.6m (2011: £14.5m). Net funds as at 31 July 2012 amounted to £6.7m, an increase of £0.7m compared to 2011 (£6m). Receipts from capital grants totalled £0.5m (2011 £1.9m) and in year cash outflows in respect of capital expenditure amounted to £8.1m (2011: £9.9m). Short term, deposits increased by £7.1m from £28.4m in 2011 to £35.5m in 2012.

In 2012 the Board approved a new Treasury Management Policy. The policy caps the total amount that can be placed with any bank or building society at any one time at £10m. The policy also states that the minimum acceptable Fitch ratings will be no lower than A- for long term investments over 365 days and F1 for short term investments with UK and European banks and UK building societies.

Liquidity

Long-term bank loan debt increased by £6.3m from £12.9m in 2011 to £19.2m in 2012, this represents 16.5% of income, an increase of 5.8% from 2011. The increase was predominately due to an additional loan drawdown of £6.4m offset by capital loan repayments of £0.1m. The borrowings have been used to fund The Estates Strategy and at the balance sheet date £21m of the loan facility was still available for drawdown.

Capital Investment

Capital Investment in Estates Buildings for the year 2011/12 amounted to £7.3m implementing numerous elements of the Estates Strategy 2010-19, including aspects of the carbon management plan. The more significant projects included:

- Sports Studio Facilities in Poole House
- Poole House rear courtyard external paving , canopies and landscaping
- Enterprise Engagement Centre on the 6th Floor EBC
- 2 Storey modular building for academic space at Talbot Campus
- Biomass Boiler and Housing to Poole House

In addition there has been significant financial commitment in Information Technology at Bournemouth University including investments in our wireless network, storage infrastructure and in new equipment to support the planned increase in academic staff numbers. In March the University embarked on a 15 month, £1.2m capability enhancement programme across our IT estate based on the findings of an external review by Deloitte which will improve our ability to support BU2018 and ultimately improve our student experience.

Principal risks and uncertainties

The strategic plan for 2012 – 18 has been accepted and approved by the Board and is now starting to be implemented. It contains a number of initiatives and proposals that will be commenced over the life of the plan. It also includes relatively major capital investment proposals exceeding £130m in total.

The financial assumptions that underpin the plan are based substantially on the recruitment of students at both undergraduate and postgraduate levels. If the assumed levels are not reached then there may be significant implications on the financial results of the University. This would also have an impact on the financial ratios, both KPIs and PIs, recently agreed as part of the plan and consequently will affect the financial risk that the board have determined. Critically important it will impact on cash balances.

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Principal risks and uncertainties (continued)

Because of the relative uncertainty around the recruitment of students especially in the first two or three years of the plan it is proposed that a number of identified savings are formulated which if implemented would reduce the financial risk exposure. These would be based upon those discretionary areas that the executive have direct control over and can be implemented without major short term impact. It is recognised, however, that such actions would delay the full roll out of the plan and would only be implemented if absolutely necessary to protect the financial stability of the University.

Stakeholder Relationships

The University recognises the importance of stakeholder relationships and adopts a strategic approach to service excellence, recognising the varied nature of our stakeholder groups and their needs. The University will deliver excellent service to all stakeholders, through all our activities at all times.

Research and Knowledge Exchange

Research activity has continued to grow year-on-year and income has increased by 21.8% since 2008-09. During the last year there have been significant increases in research income from EU government and other EU sources (41%) and UK industry, commerce and public corporations (61.8%).

	2008-09	2009-10	2010-11	2011-12	% change 08-09 - 11-12
Research Councils	514,347	511,178	828,314	479,298	-6.8%
UK based charities	599,167	590,076	463,237	347,781	-42%
UK government, health and hospital authorities	844,870	1,386,527	1,034,398	1,061,110	25.6%
UK industry, commerce & public corporations	211,648	156,576	205,647	332,722	57.2%
EU government and other	209,448	100,719	475,013	669,564	219.7%
Other sources	74,663	30,983	108,647	99,312	33%
Totals	2,454,143	2,776,059	3,115,256	2,989,787	21.8%

Table 1: research income by category by year, 2008-09 to 2011-12

Income from knowledge exchange activities has increased by 2.7% in the last year, to £2.5m. During the last year there has been an increase (90.8%) in income from UK industries, primarily through consultancy contracts and projects aimed to help create and exchange knowledge between universities and businesses via Knowledge Transfer Partnerships (KTPs).

	2008-09	2009-10	2010-11	2011-12	% change 08-09 to 10-11
Knowledge exchange income	2,459,925	2,266,902	2,416,769	2,482,792	0.9%

Table 2: knowledge exchange income by year, 2008-09 to 2011-12

Highlights and Achievements

Bournemouth University has one of the highest graduate employability rates in the UK. 90.1% of all 2009 Bournemouth University first degree graduates were in employment or undertaking further study within six months of completing their studies with us (Destination of Leavers from Higher Education Survey, 2009/10).

BU has more full-time undergraduate students on a sandwich (placement) course than any other English, Welsh and Scottish University (HESA statistics 09/10 Table E1a).

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Highlights and Achievements (continued)

In 2011, BU was awarded the Queen's Anniversary Prize for Higher and Further Education for four years, for world-leading excellence and pioneering development in computer animation. This prestigious award is the education equivalent of the national honours system.

Our research offering is amongst the best in the country. In the last Research Assessment Exercise, eight out of 10 areas assessed featured research that was adjudged to be 'world leading' and BU was the fourth most improved university in the UK for the quality of its research.

The Quality Assurance Agency (QAA) awarded BU the highest category of confidence in our academic standards.

BU focuses on a fusion of excellent education, research and professional practice. It has appointed 150 academics in recent years to facilitate the transformation of its staff profile and foster the development of an academically-led culture.

According to a report by the National Endowment for Science Technology and Art (NESTA), nearly half of all graduates from the UK's specialist visual effects courses who gained employment in the industry graduated from our National Centre for Computer Animation. Fifty-five graduates alone were involved in the production of the visual effects for *Avatar*, the highest grossing film of all time. NCCA graduate Andy Lockley won an Oscar in 2011 for his visual effects work on the 2010 blockbuster *Inception*.

BU has been designated as the only Centre for Excellence in Media Practice in the UK by HEFCE.

The BU Media School, recognised as a Skillset Media Academy, is the largest centre of professional higher education for the media industries in the UK.

The School of Tourism is recognised as a global leader in Tourism, Leisure, Hospitality and Retail.

The School of Health and Social Care leads the South West for nursing, midwifery and social work. It has also achieved UNICEF baby friendly status.

BU is home to recognised Centres of Excellence in the Environment; Postgraduate Medical Research and Education; Executive Education and Forensics

BU has its own crime scene training centre, featuring fully furnished domestic rooms, which enables students from our forensic courses to carry out full-scale simulated crime scene investigations and protocols.

BU climbed to 30th in the 2011 British Universities & Colleges Sport league table thanks to the championship form displayed by individuals and teams representing BU in sports ranging from Basketball to Windsurfing.

Environmental Responsibility

Our commitment

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

The University is strongly committed to improving its environmental performance and is undertaking initiatives across a range of areas to ensure it is working towards a more environmentally responsible low carbon future.

Green League 2012

BU was named seventh greenest University in the UK in the People & Planet Green League in 2012. Published in the Guardian, the national league table ranked 145 institutions across the UK on their environmental and ethical performance. This year BU earned a 'First Class' degree-style rating for the third year.

BU was rated excellent in key areas such as Environmental Policy, Environmental Auditing and Management Systems, Sustainable Food, Staff and Student Engagement and Curriculum.

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Environmental Responsibility (continued)

Environmental Programme

The University has a comprehensive environmental programme, which includes objectives and targets across seven key areas; energy and carbon management, waste and recycling, water consumption, travel plan, sustainable construction, sustainable procurement, and biodiversity management.

Carbon Management Plan

In January 2010, the University Board approved a Carbon Management Plan, which committed the University to a challenging target to reduce emissions by 30 per cent by 2015/16.

Progress on planned projects has been excellent, with almost 30 completed to date. Major projects this year have included the Poole House biomass project, a capital investment of £766k with expected annual net savings of £41.8k and 259 tonnes of carbon; and the Metering & Monitoring project, a capital investment of £120k with expected savings of £30k per annum and 400 tonnes of carbon.

Carbon Reduction Commitment

The University is a mandated participant in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which introduced carbon reporting from July 2011 and an annual carbon tax starting at £12 per tonne of carbon (based on energy consumption) from July 2012. The cost of purchasing carbon allowances will be approximately £97,000 in 2012.

Diversity and Equality

We are committed to ensuring Bournemouth University is an institution that is open and accessible to all, and that values people for what they bring as individuals. The Diversity and Equality team works closely with staff and students, develops and initiates projects and co-ordinates training and events, all with the aim of supporting individuals, increasing knowledge and understanding of diversity and equality issues, and embedding diversity and equality into areas of the working and learning environment.

Staff

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

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

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

Bournemouth University and Public Benefit

Bournemouth University is an exempt charity under the terms of Schedule 2 of the Charities Act 1993 and is responsible to HEFCE as its principal regulator. The University is required to demonstrate how it meets its responsibilities as a charity that its activities are of 'public benefit'. University Board Members are aware of their duties with regard to acting for the public benefit and have had regard to the Charity Commission's guidance in this area.

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

The University's Vision for 2018 is "Creating the most stimulating, challenging and rewarding university experience in a world-class learning community by sharing our unique fusion of excellent education, research and professional practice and inspiring our students, graduates and staff to enrich the world." A key aspect of this is the integration of professional practice and career development in the curriculum.

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Bournemouth University and Public Benefit (continued)

The education programme of the University benefits students and their families by enhancing the career prospects of students. The education programme can also provide a wider public benefit, for example the School of Health & Social Care is teaching the next generation of healthcare professionals including nurses, midwives, physiotherapists and social workers. The University also benefits the public at large through its research programme.

Education and Widening Access

At Bournemouth University we are committed to the recruitment of students from our region and to increase its appeal to students both nationally and internationally. We are committed to the development of our students as self-motivated, independent, lifelong learners, empowered to make significant contributions in their chosen careers.

During the financial year 2012 some 17,700 students studied at the University, an increase of 800 from 2011. In addition 93.3% of full-time first degree entrants were from state schools compared to the UK average of 88.7% and 8.1% were from Low Participation Neighbourhoods.

The University Board recognises that both the current level of tuition fees and the possibility of future increases in tuition fees could act as a barrier to potential students entering higher education. In 2012 the University introduced a highly targeted, simple, transparent and clearly communicated programme of financial support. This included elements such as guaranteed year-round accommodation for those leaving care (free of charge for the first year of study) and a combination of fee waivers, bursaries and accommodation bursaries for students from Low Participation Neighbourhoods.

As part of its package of fees and support for the new fees regime, BU has set out its plans to invest some £3.6m during 2013 of which £1.4m is new investment. This will extend the University's ambitions to engage with students who are currently under-represented in higher education.

These new measures will include developing an outreach programme with specific focus on learners from areas which traditionally have low participation rates in higher education, those who are leaving care and students with disabilities.

We will seek to achieve a gradual year-on-year increase in the entry qualifications of our undergraduate students and match this with a year-on-year increase in added value whilst aiming to improve our ranking of graduate level employment. High quality and challenging education geared to employability will be sustained by the services and support that will allow each student to achieve their potential.

Working with the Community

Bournemouth University's work with the community is diverse and dynamic bringing together a range of activities relating to widening participation, outreach and collaborative work, working in partnership with schools, colleges and employers.

This includes our Summer Schools, which are targeted at under-represented groups in higher education, giving the opportunity to get a taste of university life. Summer Schools aim to raise learners' aspirations to progress to university level study, boosting their confidence and knowledge so that they are more likely to apply for a course, and ultimately to successfully complete their studies. The Summer School programme also provides a vital link to our local and regional community, building on our relationships with our partner schools and colleges.

Research

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.

Research undertaken by the University academics has again been shortlisted in the prestigious Times Higher Education (THE) Awards 2012 and the research support department won a gold award at the HEIST Awards 2012.

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Bournemouth University and Public Benefit (continued)

Notable achievements in 2011-12 include:

- Research into prosopagnosia (face blindness) which is estimated to affect one in 50 people. Thousands of people have contacted BU's Centre for Face Processing and undertaken diagnostic tests and BU researchers are working with peers at Dartmouth College in the United States to investigate and develop training programmes to improve face recognition.
- BU's recently launched BU Dementia Institute (BUDI) is undertaking research into dementia-friendly tourism.
- A team of researchers are creating a 'smart socket' – a lower-limb prosthetic which can adjust itself to fit the changing shape of the limb stump it connects with.
- The world number one research centre for fish biology is housed at Bournemouth University. The research centre investigates the biological risks threatening freshwater fish that are relied on by millions worldwide for food, business and leisure.
- Students from the Student Environment Research Team (SERT) and recent BU graduates, under the guidance of Dr Diaz, worked with the National Trust and with the Royal Society for the Protection of Birds (RSPB) to monitor the quantity, distribution and impacts of Sika deer in Purbeck after they were introduced to the UK from Japan.
- Research that has helped shape the future of social work and informed Government policy at the highest level, Professor Keith Brown's ground-breaking report, (co-authored by Jane Holroyd MBE on behalf of Learn to Care), into effective leadership is a prime example of how BU works collaboratively and cross sector. Professor Brown has shared his expertise, and that of BU's Centre for Post-Qualifying Social Work, to come up with a blueprint for effective leadership and across both social work and social care. Entitled Leadership and Management Development for Social Work and Social Care: Creating Leadership Pathways of Progress his report has provided the first framework for establishing an effective Leadership and Management pathway in social care and social work, as well as show evidence of positive impacts made by authorities who have piloted the leadership module within the pathway.

The University Board recognises that any private benefit to the University from research must be incidental to the public benefit of the research. The University has policies and procedures in place so that all research contracts are checked with a view to ensuring the results of the research can be used by the University for future public benefit. The University encourages the dissemination of research results to those who will benefit from them most and its institutional repository, Bournemouth University Research Online (BURO), is open to anyone to search online.

Regional Development

As part of the University's new Vision & Values, BU2018, the University will contribute to the economic, cultural and social development of the surrounding areas through a contribution to policy development, business innovation, and charitable and volunteering activity. The University will ensure it plays a full, socially responsible and active role within its surrounding region by supporting, as appropriate, local initiatives which enhance the economic, environmental, social and cultural fabric of our region.

In conclusion

In 2011-12 Bournemouth University launched its new strategic plan, recorded its fourth consecutive annual surplus and increased its cash reserves. Despite uncertainties within higher education the University's financial health continues to strengthen and the University is well positioned to deal with the challenges ahead.

Disclosure of information to auditors

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



MS S SUTHERLAND
Chair of the Board
16 November 2012

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the University Board, the University complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2012.

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

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board meets each term. The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board.

All University Board Members are able to take independent professional advice in furtherance of their duties at the University's expense and have access to the Clerk to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole. Formal agendas, papers and reports are supplied to Board Members in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

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

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a search committee, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Independent members of the Board are appointed for an initial 3 year term of office. Independent members do not normally serve more than 2 consecutive terms. Elected staff members serve three year terms subject to remaining in an appropriate post at the University.

1. Further to the above the following statements are provided to enable readers of the annual report and accounts to obtain a better understanding of the Institution's specific governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the Guidance to Institutions of Higher Education from the Committee of University Chairmen in its "Guide for Members of HE Governing Bodies in the UK".
3. The institution is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Government which were approved by the Privy Council in 1996 and remain unchanged.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CORPORATE GOVERNANCE

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

In accordance with the requirements set out in the University's Articles of Government, the University Board has a majority of independent members. The Chair is elected from among those independent members. There is also provision for the appointment of co-opted members, and representatives of the academic and professional service staff, and the student body. Members of the Board receive no payment other than expenses reasonably incurred for the work they do for that body.
 - b. Subject to the overall responsibility of the governing body and to responsibilities of the Vice-Chancellor, Senate has oversight of the academic affairs of the institution and draws its membership from the staff and the students of the institution plus the Principal of the Anglo-European College of Chiropractic (a partner institution of the University). It is particularly concerned with general issues relating to the learning, teaching and research work of the institution.
5. The Vice-Chancellor is the Chief Executive Officer and is the head of the institution with a general responsibility to the University Board for the organisation, direction and management of the institution. Under the terms of the formal Financial Memorandum between the institution and 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 sub-committees. In addition to these sub-committees the Board establishes fixed term ad-hoc Task Groups in order to consider particular issues. In 2011/12 these have comprised an Enterprise & Commercialisation Task Group (considering the development of the University's Enterprise Strategy) and an Honorary Awards Task Group which met in March 2012. The activities of these committees and Task Groups are formally reported to the governing body.
 - a. Audit, Risk and Governance Committee is responsible for overseeing the University's management of risk: monitoring the effectiveness of the University's governance arrangements; 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, Risk and Governance Committee considers in detail the University's annual accounts and makes appropriate recommendations to the Board. The Committee also gains assurance over the quality of data submitted within institutional returns via the established data optimisation review process. University senior executives attend meetings of Audit, Risk and Governance Committee but are not members of the Committee. During the course of the year the Committee has undertaken a review of its own effectiveness in accordance with best practice guidelines, and subsequently introduced some administrative improvements.
 - b. Finance and Resources Committee takes a long term view of the University's overall development and advises the Board on the development of the Strategic Plan and major projects. It receives the management accounts of the University and additional performance reports. The Committee also advises the Board on the effectiveness and efficiency of estates and physical resource provision within the University as well as matters relating to Human Resources.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CORPORATE GOVERNANCE

- c. Remuneration Committee determines the pay and conditions of service of members of the University Executive Team and the Clerk to the Board. Pay and conditions of service of all other staff are determined by the Vice-Chancellor within a framework set by the Finance & Resources Committee.
 - d. The University Board is also represented on the following Senate Committees: Education and Student Experience Committee, Research & Knowledge Exchange Committee, and the University's Research Ethics Committee.
7. A significant proportion of the membership of these 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 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.

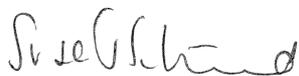
Statement of Internal Control

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. They are subject to review by Internal Audit which is carried out by the Internal Audit Consortium, Kingston City Group (KCG). The University is a member institution of the KCG Consortium – a Higher Education shared services organisation for the provision of Internal Audit services to member institutions.
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 and Governance Committee at each of its meetings with new or changing risks highlighted. It is a key element in informing the Internal Auditor's work programme. The Deputy Vice-Chancellor Chairs the Risk Management Group and attends Audit, Risk and Governance Committee meetings. The risk register is submitted to the Board along with the minutes of the Audit, Risk and Governance Committee meeting. In addition, the Audit, Risk and Governance Committee annually reviews the risk management process to ensure its ongoing effectiveness.
4. The Audit, Risk and Governance Committee is also responsible for providing assurance to the Board and Vice-Chancellor on the effectiveness of the University's wider systems of governance which it does through its consideration of the University's accounts, risk management, data quality, internal and external audit reports, emergency planning and other internal control processes.
5. The Board periodically contracts with appropriate consultants to conduct a review of its own effectiveness and governance arrangements. Pending the next full independent review, the Board will be undertaking its own interim review of effectiveness during 2012/13.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CORPORATE GOVERNANCE

6. There have been no material internal control issues to report during the year to 31 July 2012, however Internal Audit observed that the University bank reconciliation was not performed on a timely basis during the year but had been brought up to date by the financial year end.



MS S SUTHERLAND
Chair of the Board
16 November 2012



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

RESPONSIBILITIES OF THE UNIVERSITY BOARD

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

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

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

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

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

The maintenance and integrity of the University website is the responsibility of the University Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

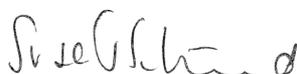
Further to this the University Board has adopted this Statement as a summary of its responsibilities. The Statement conforms to the model Statement of Responsibilities published by the Committee of University Chairmen.

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution (known as the Vice-Chancellor), as chief executive, for the academic, corporate, financial, estate and personnel management of the institution and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest. The Audit, Risk and Governance Committee receives a report at each of its meetings on the major risks facing the University. Any matters of concern are reported to the Board.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the University Board itself. To ensure that similar processes are in place to monitor and evaluate the performance and effectiveness of Senate.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

RESPONSIBILITIES OF THE UNIVERSITY BOARD

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 for the foreseeable future.



MS S SUTHERLAND
Chair of the Board
16 November 2012

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF BOURNEMOUTH UNIVERSITY

We have audited the financial statements of Bournemouth University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets for the Group and the University, the Consolidated Cash Flow Statement, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the University's Governing Body and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2012 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Education Reform Act 1988;
- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes 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
Statutory Auditor
Southampton
United Kingdom
Date: 21 November 2012

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 2007, the accounts direction handbook 2011/12 published jointly by the SFA and EFA, and applicable Accounting Standards.

2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its wholly-owned subsidiaries and those entities it exercises control or significant influence over for their financial years ended 31st July 2012. 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.

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

Freehold buildings	Between 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

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

5. Stocks and work in progress

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

6. Finance leases and operating leases

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

7. Taxation

The Institution is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993), and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

8. Foreign currencies

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

9. Liquid resources

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

10. Maintenance of premises

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

11. Donations

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

12. Recognition of income

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

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

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

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

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

13. Pension schemes

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

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

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

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

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

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.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

15. Research & Development

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

16. Agency arrangements

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

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

	Note	<u>2012</u> £000	<u>2011</u> £000
INCOME			
Funding body grants	1	40,319	45,444
Tuition fees and education contracts	2	62,195	58,728
Research grants and contracts	3	2,990	3,115
Other operating income	4	11,012	13,335
Endowment and investment income		629	426
		<u>117,145</u>	<u>121,048</u>
EXPENDITURE			
Staff costs	5	56,293	54,065
Depreciation	8	5,871	4,715
Other operating expenses	6	50,877	50,573
Interest payable	7	2,528	2,218
		<u>115,569</u>	<u>111,571</u>
Surplus for the year after depreciation of assets at valuation and taxation		<u>1,576</u>	<u>9,477</u>

All amounts relate to continuing activities.

The notes on pages 28 to 45 form part of these accounts.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2012</u> £000	<u>2011</u> £000
Surplus for the financial year	1,576	9,477
Actuarial loss in respect of the pension scheme	(9,140)	(1,395)
Total recognised gains and losses relating to the financial year	<u>(7,564)</u>	<u>8,082</u>

RESERVES RECONCILIATION

Opening reserves	22,061
Surplus for the year	1,576
Actuarial loss recognised in pension scheme	(9,140)
Closing reserves	<u>14,497</u>

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

**CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES & DEFICITS FOR THE YEAR ENDED
31ST JULY 2012**

	<u>2012</u> £000	<u>2011</u> £000
Surplus for the financial year	1,576	9,477
Difference between historical cost depreciation charge and actual depreciation charge on revalued fixed assets	401	401
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Historical cost surplus after taxation	1,977	9,878
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The notes on pages 28 to 45 form part of these accounts.

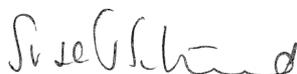
BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CONSOLIDATED BALANCE SHEET AS AT 31ST JULY 2012

	Note	<u>2012</u> £000	<u>2011</u> £000
Fixed assets			
Tangible assets	8	78,054	75,838
Investments	8	116	117
		<u>78,170</u>	<u>75,955</u>
Current assets			
Stocks	9	8	19
Investments	8	61	63
Debtors	10	4,412	3,942
Short-term deposits	18	35,501	28,431
Cash at bank and in hand	18	1,713	2,894
		<u>41,695</u>	<u>35,349</u>
Creditors: Amounts falling due within one year	11	<u>(19,258)</u>	<u>(19,352)</u>
Net current assets		22,437	15,997
Total assets less current liabilities		<u>100,607</u>	<u>91,952</u>
Creditors: Amounts falling due after more than one year	12	(28,929)	(23,121)
Pension liability	21	(35,614)	(24,488)
NET ASSETS		<u>36,064</u>	<u>44,343</u>
Deferred capital grants	13	21,567	22,282
Reserves			
Revaluation	14	6,117	6,518
Revenue excluding pension reserve		43,994	40,031
Pension reserve	21	(35,614)	(24,488)
Revenue including pension reserve	15	<u>8,380</u>	<u>15,543</u>
Total reserves		14,497	22,061
TOTAL		<u>36,064</u>	<u>44,343</u>

The notes on pages 28 to 45 form part of these accounts.

Approved and authorised for issue by the University Board on 16 November 2012



MS S SUTHERLAND
Chair of the Board



PROFESSOR J VINNEY
Vice-Chancellor and Chief Executive

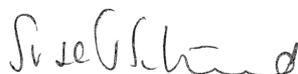
BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

UNIVERSITY BALANCE SHEET AS AT 31ST JULY 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	8	78,054	75,838
Investments	8	116	117
		<u>78,170</u>	<u>75,955</u>
Current assets			
Stocks	9	8	19
Debtors	10	4,349	3,803
Short-term deposits		35,501	28,431
Cash at bank and in hand		463	1,708
		<u>40,321</u>	<u>33,961</u>
Creditors: Amounts falling due within one year	11	<u>(19,153)</u>	<u>(19,325)</u>
Net current assets		21,168	14,636
Total assets less current liabilities		<u>99,338</u>	<u>90,591</u>
Creditors: Amounts falling due after more than one year	12	(28,929)	(23,121)
Pension liability	21	(35,614)	(24,488)
NET ASSETS		<u>34,795</u>	<u>42,982</u>
Deferred capital grants	13	21,567	22,282
Reserves			
Revaluation	14	6,117	6,518
Revenue excluding pension reserve		42,725	38,670
Pension Reserve	21	(35,614)	(24,488)
Revenue including pension reserve	15	<u>7,111</u>	<u>14,182</u>
Total reserves		13,228	20,700
TOTAL		<u>34,795</u>	<u>42,982</u>

The notes on pages 28 to 45 form part of these accounts.

Approved and authorised for issue by the University Board on 16 November 2012



MS S SUTHERLAND
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BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST JULY 2012

	Note	<u>2012</u> £000	<u>2011</u> £000
Net cash inflow from operating activities	16	9,593	14,497
Returns on investments and servicing of finance			
Interest received		369	426
Interest element of bank loan		(665)	(631)
Interest element of finance lease payment		(1,010)	(1,028)
		<u>(1,306)</u>	<u>(1,233)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets (excluding leased assets)		(8,111)	(9,940)
Deferred capital grant received		492	1,946
		<u>(7,619)</u>	<u>(7,994)</u>
Cash inflow before use of liquid resources and financing		<u>668</u>	<u>5,270</u>
Management of liquid resources	18	(7,070)	(5,064)
Financing	17	5,976	246
(Decrease)/Increase in cash	18	<u>(426)</u>	<u>452</u>

Reconciliation of net cash flow to movement in net debt

		<u>2012</u> £000	<u>2011</u> £000
(Decrease)/Increase in cash in the year		(426)	452
Increase in short term deposits	18	7,070	5,064
Net increase in debt	18	(5,976)	(246)
Change in net funds		<u>668</u>	<u>5,270</u>
Net funds/(debt) at beginning of year	18	5,998	728
Net funds at end of year	18	<u>6,666</u>	<u>5,998</u>

The notes on pages 28 to 45 form part of these accounts.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

	<u>2012</u> £000	<u>2011</u> £000
1. Funding body grants		
HEFCE recurrent grant	38,526	41,199
HEFCE non-recurrent specific grant	586	2,366
Deferred capital grants released (see note 13)		
- Buildings	1,050	1,747
- Equipment	157	132
	<u>40,319</u>	<u>45,444</u>
2. Tuition fees and education contracts		
Full-time students	34,309	32,028
Full-time students charged overseas fees	11,295	10,058
Part-time fees	2,229	2,998
Short course fees	1,363	1,175
Other teaching contract course fees	12,999	12,469
	<u>62,195</u>	<u>58,728</u>
3. Research grants and contracts		
Research Council	479	828
UK based charities	348	463
European commission	627	444
Other grants and contracts	1,536	1,380
	<u>2,990</u>	<u>3,115</u>
4. Other operating income		
Residences	6,244	6,008
Other services rendered	94	96
Other income including conferences	4,674	7,231
	<u>11,012</u>	<u>13,335</u>
5. Staff		
• Staff costs:		
Salaries and wages	45,260	43,327
Social security costs	3,793	3,514
Other pension costs	6,622	6,218
Redundancy and associated pension costs	618	1,006
	<u>56,293</u>	<u>54,065</u>
• Emoluments of the Vice-Chancellor		
Remuneration	178	174
Benefits in kind	3	2
Pension contributions	25	24
	<u>206</u>	<u>200</u>

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

5. Staff (continued)

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

	<u>2012</u> £000	<u>2011</u> £000
• Emoluments of senior post holders		
Remuneration	632	724
Benefits in kind	5	14
Pension contributions	89	88
	<u>726</u>	<u>826</u>

Emoluments of senior post holders related to 6 members of staff in 2012 (2011: 6 members of staff)

	<u>2012</u> Number	<u>2011</u> Number
• Remuneration of other higher paid staff, excluding employer's pension contributions		
£100,000 to £110,000	1	1
£110,000 to £120,000	1	1
£120,000 to £130,000	2	1
£130,000 to £140,000	-	-
£140,000 to £150,000	-	-
£180,000 to £190,000	-	1
£190,000 to £200,000	-	-
£200,000 to £210,000	1	-
	<u>1,299</u>	<u>1,243</u>
• Average staff numbers employed:		
Academic staff (excluding part-time visiting lecturers)	546	532
Administrative, professional, technical and clerical staff	725	672
Manual and maintenance staff	28	39
	<u>1,299</u>	<u>1,243</u>

6. Other operating expenses

	<u>2012</u> £000	<u>2011</u> £000
Staff development	1,115	924
External Agencies and staff secondments	4,632	4,485
Other staff costs	479	530
Travel costs	1,479	1,546
Consumables and laboratory costs	499	1,405
Franchise costs paid to partner colleges	9,825	10,660
Student union grant	500	500
Student welfare	2,339	1,895
Office expenses	1,331	1,348
Books, periodicals and information services	1,697	1,838
Non capitalised equipment	4,140	4,365
Audit - External auditors remuneration – audit fees	49	46
- Auditors remuneration – other fees	15	16
- Internal auditors remuneration	53	51
Legal and professional	2,858	2,642
Bursaries	3,277	2,959
Promotions costs	1,798	1,606
Rent and rates	4,901	4,646
Heat, light, water and power	2,116	1,901

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

6. Other operating expenses (continued)

Repairs, refurbishment and scheduled maintenance	2,364	1,697
Insurance	400	409
Other expenses	5,010	5,104
	<u>50,877</u>	<u>50,573</u>

Other operating expenses include

	<u>2012</u>	<u>2011</u>
	£'000	£'000
Governors expenses	6	4
Hire of Plant and Machinery – operating leases	15	15
Hire of other assets – operating leases	26	17

Reimbursement to governors for travel and subsistence expenses in attending Board and Committee meetings relating to five governors (2011: six governors).

7. Interest payable

	<u>2012</u>	<u>2011</u>
	£000	£000
On finance leases	1,010	1,028
Pension finance costs	853	559
Interest payable on bank loans: Repayable wholly or partly >5 years	665	631
	<u>2,528</u>	<u>2,218</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 2011	98,119	1,891	42,306	7,561	149,877
Additions	-	-	800	7,311	8,111
Disposals	-	-	(74)	-	(74)
Transfers	4,024	-	5,369	(9,393)	-
	<u>102,143</u>	<u>1,891</u>	<u>48,401</u>	<u>5,479</u>	<u>157,914</u>
<i>Depreciation</i>					
At 1 August 2011	34,949	453	38,637	-	74,039
Charge for the year	3,621	76	2,174	-	5,871
Disposals	-	-	(50)	-	(50)
	<u>38,570</u>	<u>529</u>	<u>40,761</u>	<u>-</u>	<u>79,860</u>
<i>Net book value</i>					
31 July 2012	<u>63,573</u>	<u>1,362</u>	<u>7,640</u>	<u>5,479</u>	<u>78,054</u>
31 July 2011	<u>63,170</u>	<u>1,438</u>	<u>3,669</u>	<u>7,561</u>	<u>75,838</u>

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)

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.

The cost/valuation of Land and Buildings comprises:

	<u>2012</u> £000	<u>2011</u> £000
Freeholds		
Assets inherited upon incorporation:		
Property, valued at depreciated replacement cost	17,170	17,170
Land, valued at transferred debt	122	122
	<u>17,292</u>	<u>17,292</u>
Assets valued on an open market basis in 1990	150	150
Assets stated at cost	75,501	71,477
Assets held under finance leases (short leaseholds)	9,200	9,200
	<u>102,143</u>	<u>98,119</u>

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

Land and Buildings with a net book value of £62,883k includes assets held under finance leases with a net book value of £5,750k (2011: £5,980k), on which £230k of depreciation was charged during the year.

Exchequer Funded Assets

The net book value of exchequer funded assets at the balance sheet date was £20m. Where assets are acquired with the aid of Exchequer funded grants, the related grants are treated as deferred capital grants and released to income over the expected useful life of the assets. (See note 13.)

Investment

	Cost at 31 July 2012	Cost at 31 July 2011
Investments - University	£	£
Shares in group companies	5	4
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
Shares in Odstock Medical Ltd	1	1
	<u>115,470</u>	<u>116,469</u>

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)

Group Companies

BU Innovations Limited	2	2
Bournemouth University Limited	2	2
BU Enterprise Limited	1	-
	<hr/>	<hr/>
	5	4
	<hr/>	<hr/>

Group Companies

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

Their principal activities are as follows:

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

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

BU Enterprise Limited was incorporated on 1 February 2012, the accounting period has been extended to 31 July 2013. Management account figures up to 31 July 2012 have been used for the purposes of these consolidated the accounts. The company provides business incubation, business acceleration, the creation of a community of practice (COP) and the enhancement of curricula.

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 £4,250,000.

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. 800 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 £61,000 on 31st July 2012 (2011: £63,000) listed under current assets.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

9. Stocks

	<u>2012</u>		<u>2011</u>	
	Group £000	University £000	Group £000	University £000
Stock	8	8	19	19
	<hr/>	<hr/>	<hr/>	<hr/>

10. Debtors

	<u>2012</u>		<u>2011</u>	
	Group £000	University £000	Group £000	University £000
Debtors	1,674	1,571	1,434	1,453
Amounts owed by group companies	-	48	-	51
Prepayments and accrued income	2,738	2,730	2,508	2,299
	<hr/>	<hr/>	<hr/>	<hr/>
	4,412	4,349	3,942	3,803
	<hr/>	<hr/>	<hr/>	<hr/>

11. Creditors: amounts falling due within one year

	<u>2012</u>		<u>2011</u>	
	Group £000	University £000	Group £000	University £000
Bank loans and overdrafts	1,387	1,319	2,045	2,045
Other loans	125	125	125	125
Obligations under finance leases	307	307	237	237
Trade creditors	4,273	4,221	4,408	4,396
Amounts owed to group companies	-	32	-	32
Other creditors	1,716	1,716	1,551	1,530
Social security and other taxation payable	1,299	1,297	1,236	1,232
Accruals and deferred income	10,151	10,136	9,750	9,728
	<hr/>	<hr/>	<hr/>	<hr/>
	19,258	19,153	19,352	19,325
	<hr/>	<hr/>	<hr/>	<hr/>

Accruals and deferred income include £6,957k (2011: £6,830k) 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>2012</u> £000	<u>2011</u> £000
Bank loans	19,161	12,921
Finance leases	9,380	9,687
Other creditor	200	200
Other loans	188	313
	<hr/>	<hr/>
	28,929	23,121
	<hr/>	<hr/>

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% a £3m fixed rate loan repayable by 2043 at an interest rate of 4.215% and a £6.4m loan fixed from Feb 2013 at 3.6075%. The other creditor is represented by a repayable grant received for the Revolving Gree

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

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

Fund and a carbon reduction initiative of £200k. The other loan is represented by a repayable grant received for a joint HEFCE and Salix Finance Ltd initiative to reduce greenhouse gases of £313k.

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. £9,380,000 is outstanding on finance leases due after more than one year.

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

	<u>2012</u> £000	<u>2011</u> £000
Repayable within 1 year	307	237
Repayable within 2-5 years	2,112	1,736
Repayable after 5 years	7,268	7,951
	<u>9,687</u>	<u>9,924</u>

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

	<u>2012</u> £000	<u>2011</u> £000
Repayable within 1 year	160	63
Repayable within 2-5 years	1,011	728
Repayable after 5 years	18,150	12,193
	<u>19,321</u>	<u>12,984</u>

An analysis of other loans is set out below:

	<u>2012</u> £000	<u>2011</u> £000
Repayable within 1 year	125	125
Repayable within 2-5 years	188	313
	<u>313</u>	<u>438</u>

13. Deferred capital grants: Group and University

	HEFCE Grants		Other Grants	
	Buildings £000	Equipment £000	Donations £000	Total £000
At 1 August 2011	21,085	474	723	22,282
Grant received in year	316	176	-	492
Released to Income and Expenditure account (see note 1)	(1,003)	(157)	(47)	(1,207)
At 31 July 2012	<u>20,398</u>	<u>493</u>	<u>676</u>	<u>21,567</u>

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

13. Deferred capital grant: Group and University (continued)

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>2012</u> £000	<u>2011</u> £000
Balance at 1 August 2011	6,518	6,919
Transfer to general reserves	(401)	(401)
Balance at 31 July 2012	<u>6,117</u>	<u>6,518</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 2011	15,543	14,182
Retained surplus for the period	1,576	1,668
Actuarial loss on pension liability (See note 21)	(9,140)	(9,140)
Transfer from revaluation reserves	401	401
Balance at 31 July 2012	<u>8,380</u>	<u>7,111</u>

Group retained surplus for year	£000
University surplus for year	1,668
Loss generated by subsidiary undertakings	(92)
	<u>1,576</u>

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

	<u>2012</u> £000	<u>2011</u> £000
Surplus after taxation	1,576	9,477
Depreciation	5,871	4,715
Loss on disposal	24	-
Deferred capital grants released	(1,207)	(1,879)
Interest receivable	(629)	(426)
Interest payable	2,528	2,218
Pension contribution less amounts charged to operating surplus	1,133	1,058
Decrease in stock	11	2
(Increase)/Decrease in debtors	(210)	162
Increase/(Decrease) in creditors	493	(830)
Decrease/(Increase) on investments	3	-
	<u>9,593</u>	<u>14,497</u>

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

17. Analysis of changes in consolidated financing during the year

	Finance leases £000	Other loans £000	Bank loans £000	Total £000
At 1 August 2011	9,924	437	12,984	23,345
New leases/loans	-	-	6,400	6,400
Capital repayments	(237)	(124)	(63)	(424)
At 31 July 2012	9,687	313	19,321	29,321

18. Analysis of changes in net funds

	At 1 August 2011 £000	Cash Movement £000	Non cash Movement £000	At 31 July 2012 £000
Cash at bank and in hand	2,894	(1,181)	-	1,713
Bank overdraft	(1,982)	755	-	(1,227)
	912	(426)	-	486
Short-term deposits	28,431	7,070	-	35,501
Debts due within one year	(424)	424	(592)	(592)
Debts due after one year	(22,921)	(6,400)	592	(28,729)
	5,998	668	-	6,666

19. Contingent liabilities

Nomination agreements

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

The University has entered into an arrangement with Spectrum (Signpost Homes Limited) for the supply of additional student accommodation in three buildings, Okeford House a 94 bed accommodation facility, Lyme Regis House, a 400 bed facility and Chesil House, a 210 bed facility. The buildings are owned and managed by Spectrum but the University has a nomination agreement in place such that it guarantees a certain occupation level by its students (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 and Capital commitments

At 31 July 2012 the group was committed to making the following payments during the next year in respect of operating leases:

	<u>2012</u>		<u>2011</u>	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases:				
Expiring within one year	-	3	-	3
Expiring within two and five years	927	40	-	19
Expiring within six and thirty years	1,101	-	2,017	-
	<u>2,028</u>	<u>43</u>	<u>2,017</u>	<u>22</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. 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.

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

Capital commitments	2012 £000	2011 £000
Commitments contracted at 31 July	6,485	4,325
Authorised but not contracted at 31 July	8,350	1,745
	<u>14,835</u>	<u>6,070</u>

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 - Retirement benefits, the Teacher's pension scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

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 2008 to 31 July 2009.

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 future contributions together with the proceeds from the 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 a 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 the 2008 valuation, a 14% cap on employer contributions payable. The 2008 valuation has not yet been completed.

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.

USS

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

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

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

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

Standard mortality tables were used as follows:

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

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

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the schemes' technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protected Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; and on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company.

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

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

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

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

At 31 March 2011, USS had over 142,000 active members and the institution had 15 active members.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

The total pension cost for the institution was £138,703 (2011: £125,637). This includes £12,783 (2011 £12,115) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

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 2011.

The valuation has been updated to 31 July 2012 by qualified independent actuaries who estimate that the net liability as at 31 July 2012 is £35,614,000.

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

Assumptions as at	31 July 2012		31 July 2011		31 July 2010	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	2.6%		3.5%		3.2%	
CPI increases	1.8%	-0.8%	2.7%	-0.8%	2.7%	-0.5%
Salary increases	3.8%	1.2%	4.8%	1.3%	4.5%	1.3%
Pension increases	1.8%	-0.8%	2.7%	-0.8%	2.7%	-0.5%
Discount rate	3.9%	1.3%	5.3%	1.7%	5.4%	2.1%

Life expectancy from age 65 (years)

	2012	2011
Retiring today		
Males	20.0	19.8
Females	24.0	23.9
Retiring in 20 years		
Males	22.0	21.9
Females	25.9	25.8

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 2011 for the year to 31 July 2012). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The following expected returns have been adopted.

Asset class	Expected return at 1 August 2012 % p.a.	Asset allocation 31 July 2012 £000	Expected return at 1 August 2011 % p.a.	Asset allocation 31 July 2011 £000
Equities	6.4%	30,355	7.6%	26,132
Other Bonds	-	-	5.3%	-
Target Return				
Portfolio	4.8%	2,488	5.0%	2,658
Property	5.9%	4,479	7.1%	3,543
Cash	0.5%	2,488	3.0%	2,658
Gilts	2.8%	9,952	4.0%	9,301
Total		49,762		44,292

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

Reconciliation to balance sheet

	31 July 2012 £ 000	31 July 2011 £ 000
Net pension deficit as at		
Present value of funded obligation	(85,210)	(68,639)
Fair value of scheme assets	<u>49,762</u>	<u>44,292</u>
Net liability	(35,488)	(24,347)
Present value of unfunded obligation	(166)	(141)
Pension liability in balance sheet	<u>(35,614)</u>	<u>(24,488)</u>

The amounts recognised in the income and expenditure statement are:

	Year to 31 July 2012 £ 000	Year to 31 July 2011 £ 000
Charged to staff costs:		
Current service cost	3,893	3,449
Loss on curtailments	59	38
	<u>3,952</u>	<u>3,487</u>
Charges to interest payable:		
Interest on obligation	3,748	3,252
Expected return on scheme assets	(2,895)	(2,693)
	<u>853</u>	<u>559</u>
Expense recognised	<u>4,805</u>	<u>4,046</u>
Actual return on scheme assets	<u>2,672</u>	<u>4,058</u>

Amounts recognised in Statement of Recognised Gains and Losses

	Year to 31 July 2012 £ 000	Year to 31 July 2011 £ 000
Actual return less expected return on pension scheme assets	(224)	1,364
Experience gains and losses	(24)	951
Changes in assumptions underlying the present value of the scheme liabilities	(8,892)	(3,710)
Actuarial (loss)/gain recognised in the statement of recognised gains and losses	<u>(9,140)</u>	<u>(1,395)</u>
Cumulative amount of losses recognised in Statement of total Recognised gains and losses	(12,241)	(3,101)

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

Reconciliation of opening & closing balances of the defined benefit obligation

	Year to 31 July 2012 £ 000	Year to 31 July 2011 £ 000
Opening defined benefit obligation	68,780	59,272
Service cost	3,893	3,449
Interest cost	3,748	3,252
Actuarial loss	8,916	2,553
Losses on curtailments	59	38
Estimated benefits paid (net of transfers in)	(1,246)	(973)
Past service costs	-	-
Contributions by scheme participants	1,238	1,201
Unfunded pension payments	(12)	(12)
Closing defined benefit obligation	<u>85,376</u>	<u>68,780</u>

Composition of defined benefit obligation

	Year to 31 July 2012 £000	Year to 31 July 2011 £000
Unfunded	166	141
Funded obligations	85,210	68,639
	<u>85,376</u>	<u>68,780</u>

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

	Year to 31 July 2012 £ 000	Year to 31 July 2011 £ 000
Opening fair value of scheme assets	44,292	37,796
Expected return on scheme assets	2,895	2,693
Actuarial (loss)/gain	(224)	1,158
Contributions by employer	2,819	2,429
Contributions by scheme participants	1,238	1,201
Estimated benefits paid (net of transfers in)	(1,258)	(985)
Fair value of scheme assets at end of period	<u>49,762</u>	<u>44,292</u>

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 2012 £ 000	Year to 31 July 2011 £ 000
Deficit at beginning of the year	(24,488)	(21,476)
Service cost	(3,893)	(3,449)
Employer contributions	2,807	2,417
Unfunded pension payments	12	12
Past Service Costs	-	-
Other finance costs	(853)	(559)
Curtailments	(59)	(38)
Actuarial loss	(9,140)	(1,395)
Deficit at end of the year	<u>(35,614)</u>	<u>(24,488)</u>

Sensitivity analysis

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

Adjustment to discount rate	+0.1%	0%	-0.1%
	£ 000	£ 000	£ 000
Present value of total obligation	82,868	85,376	87,963
Projected service cost	4,338	4,521	4,710
Adjustment to mortality age rating assumption	+ 1 year	none	- 1 year
Present value of total obligation	82,208	85,376	88,583
Projected service cost	4,308	4,521	4,736

5 Year history

Amounts for the current and previous four periods	Year to 31 July 2012 £ 000	Year to 31 July 2011 £ 000	Year to 31 July 2010 £ 000	Year to 31 July 2009 £ 000	Year to 31 July 2008 £ 000
Defined benefit obligation	(85,376)	(68,780)	(59,272)	(49,488)	(50,594)
Scheme assets	49,762	44,292	37,796	28,859	30,776
Deficit	<u>(35,614)</u>	<u>(24,488)</u>	<u>(21,476)</u>	<u>(20,629)</u>	<u>(19,818)</u>

	Year to 31 July 2012 £ 000	Year to 31 July 2011 £ 000	Year to 31 July 2010 £ 000	Year to 31 July 2009 £ 000	Year to 31 July 2008 £ 000
Experience adjustments on scheme liabilities	(24)	1,157	-	-	1,952
Percentage of liabilities	-	1.7%	-	-	3.9%
Experience adjustments on scheme assets	(24)	1,158	3,443	(7,045)	(6,809)
Percentage of assets	(0.5%)	2.6%	9.1%	(24.4%)	(22.1%)
Cumulative actuarial gain/(loss)	(14,944)	(5,804)	(4,409)	(2,211)	(3,794)

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

21. Pensions (continued)

The Groups best estimate of the contributions expected to be paid in the year beginning on the 1 August 2012 is £2,669,000. (2011: £2,539,000).

22. Access Funds

	<u>2012</u> £000	<u>2011</u> £000
Opening balance	18	27
Funding Council grants	286	310
Interest earned	1	1
	<hr/>	<hr/>
Disbursed to students	305 (288)	338 (320)
	<hr/>	<hr/>
Closing Balance	17	18
	<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 subsidiary companies.

No governors received payment for their services as a governor.

During the year The Bournemouth University Foundation awarded grants to Bournemouth University of £130,865 (2011: £166,161). No amounts were outstanding at the end of the year.

Bournemouth University Foundation	£
Turnover including interest received	39,741
Expenditure	(132,331)
	<hr/>
Loss on ordinary activities	(92,590)
	<hr/>
Reserves brought forward	1,393,930
Loss for year	(92,590)
	<hr/>
Reserves carried forward	1,301,340
	<hr/>

Students Union

Bournemouth University considers the Student Union at Bournemouth University to be a related party due to the level and nature of the transactions between organisations. During the year to 31 July 2012, the University paid a grant of £500,000 to the Union (2011: £500,000).

The Bournemouth University Foundation

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 helps enhance the student experience and develop academic excellence, including support for individual students financially and investment in University resources.

BOURNEMOUTH UNIVERSITY, HIGHER EDUCATION CORPORATION

NOTES TO THE ACCOUNTS

23. Related Party Transactions (continued)

The charitable purpose of the Bournemouth University Foundation is the advancement of education in particular through the award of grant bursaries to assist students studying at Bournemouth University and through the provision of financial support to the University not provided from other sources.

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