

FALMOUTH
UNIVERSITY

**ANNUAL
REPORT
2019/20**

**DOING IT
FOR REAL**

Board of Governors*

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Chair of the Board of Governors

I am honoured to introduce you to another Annual Report, in which you will find great successes despite a very challenging 12 months.

COVID-19 swept the globe earlier this year, bringing whole sectors, economies and countries to their knees. However, I am pleased to report that Falmouth University was able to meet the challenge both on a sound financial footing with healthy surpluses achieved over a number of years, and with a spirit of innovation and creativity.

Today, our cashflow statement confirms that we remain a cash-generative business, achieving more than £4m of cash from operations. Net funds also remains positive and, in my view, provides the buffer we need to see us through the challenging times that lie ahead. Also, with liquidity at the year-end of 139 days - nearly five months of running costs - and a Reserves to Income ratio of over 100%, we remain well placed. Despite posting a £10m increase in the pension reserve, this is excluded from our bank covenant calculations and has not, to date, affected cash contributions. These will be updated at the next triennial review due in 2022.

In terms of managing the core business, maintaining standards and the quality of the student experience, the Board were impressed by the innovative way the University responded to the pandemic. While safety has been a priority throughout, within a short time plans were formed to not only deliver teaching remotely for the remainder of the 19/20 academic year, but also to accelerate the development of the University's 2030 Digital Learning & Teaching Plan. This plan had already anticipated rising demand for high quality blended/on-line learning.

Like the HE sector as a whole, Falmouth now anticipates demand will increase for multi-modal delivery as a result of the pandemic. As the University is being externally recognised for our innovative work in this area - Falmouth was invited onto the Advisory Board of Learning & Teaching Re-imagined(i) – we feel well placed to respond positively to emerging shifts in student and market behaviour.

Recruitment of on-campus undergraduates remains challenging and highly competitive. The downward trend in on-campus undergraduate numbers has been partly offset by our diversification strategy which seeks to broaden the choice for students via collaborative and off-campus learning. We will continue to build our portfolio based on clear evidence of market demand, both in terms of student demand for higher education and employers' demand for graduate skills.

Looking ahead, it is difficult to estimate how COVID-19 and the ongoing Brexit negotiations will impact the sector but we have carried out robust scenario planning and have contingency plans in place. We have reviewed the organisation and consider that it demonstrates the financial sustainability needed to consider Falmouth as a going concern. The Board continues to endorse the University's 2030 agile management approach and ambitious 2030 Strategy, and recognises that the University is accelerating delivery of key strands of the Strategy in response to events in 2019/20. I am confident that Falmouth's creative, digital-first approach, along with its strong industry links and network of partners puts the University in a very strong position.

Chris Pomfret OBE

Chair of the Board of Governors

(i) Learning & Teaching Reimagined - A cross-sector initiative led by Advance HE, Emerge Education, JISC, and Universities UK that evaluates the strategic impact and innovation opportunities for UK HE in a post pandemic world.



Our Chair Chris Pomfret OBE pictured at the Creative Bridge Opening Ceremony

Vice-Chancellor & Chief Executive

In October 2019, I designated 2019/20 as the 'Year of Transition', one that would see Falmouth take great strides towards delivering key elements of our 2030 Strategy. These elements include the ongoing diversification of our portfolio and learning environments, an increasingly transdisciplinary approach and the support for our graduates to acquire the future skills needed in the future economy.

The pandemic added another dimension to this Year of Transition, and required Falmouth to respond rapidly and make time-sensitive changes to our operations. The past year has also led the University to consider the longer term shifts taking shape in Higher Education and in the Creative Economy, and our strategic response. In some ways, 2030 has simply arrived earlier than originally planned.

In order to deliver this transformational agenda, we created the 2020 Challenges, in which we broke down each element of our 2030 Strategy into distinct work packages. These challenges have been taken forward by cross-departmental teams from both academic and professional services, who have collectively developed and shaped the content.

There are 12 Challenges in all, ranging from creating a new Integrated Academic, Research & Innovation Framework, to a Widening Access & Participation plan. We have also created initiatives to increase our engagement with the public and the local community in addition to expanding our partnerships on a regional, national and international scale as outlined in our new Partnerships Plan.

Many of the actions outlined in the 2020 Challenges are well underway, providing us with a clear roadmap to 2030 and Falmouth's positioning as a global hub of digital innovation.

Our groundbreaking Launchpad programme has continued to expand, and has been named as one of only 20 new University Enterprise Zones by the Government's Research and Innovation body. Launchpad companies incorporated in the early years of the programme, such as Codices, continue to flourish and win awards. We have also secured additional funding this year, enabling us to continue delivery until August 2022 and to support the regional business ecosystem through Launchpad Outreach activities.

Work has started on our Immersive Business project, which will provide established local SMEs with the opportunity to access virtual, mixed and augmented reality technologies and strengthen our links within a variety of industries.

We've also cemented our link with another major Cornwall-based institution, the Eden Project, with the creation of two new degrees focusing on sustainable tourism and sustainable festival management. These exciting courses, which include a year spent in industry, are the first in the world to be accredited by A Greener Festival.

In addition, we've further widened our portfolio, with new online courses in Creative Writing, Visual Communications and Interior Design, as well as Costume Design for Film & Television, which sees students work across disciplines to create stunning and sustainable creations, and our Prosthetic Effects MA, which is being delivered in partnership with the world-famous Gorton Studios and Millennium FX.

Despite the exceptional circumstances of this year and the volatile and uncertain times ahead, Falmouth, its staff and its students have adapted admirably, proving that our focus on creativity and technology is future-proof. I am very proud to be leading this innovative organisation.

Professor Anne Carlisle OBE

Vice-Chancellor & Chief Executive



Vice-Chancellor
Professor

Our year in successes



September 2019

Launchpad – Falmouth's ground breaking programme supporting the creation of innovative digital businesses – is named as one of only 20 new University Enterprise Zones by the Government's UK Research and Innovation body.

October 2019

Falmouth receives formal acceptance to extend the Launchpad project until August 2022. This comes with an additional £4.6m of European Development Funds and a further £900,000 of Cornwall Council funding.



November 2019

In partnership with the Eden Project, the School of Entrepreneurship launches two new undergraduate degree courses that centre on sustainability and environmental impact. Our Sustainable Tourism Management BA(Hons) and Sustainable Festival Management BA(Hons) courses are also the first in the world to be accredited by A Greener Festival – the non profit organisation dedicated to enhancing sustainability in the live events industry.



December 2019

Launchpad wins the Tech South West People's Choice Award after being nominated by the public via social media and voted for at the ceremony in Exeter.



January 2020

Falmouth is ranked second in the UK for the number of graduates that go on to lead a business or establish their own start up. According to the survey by Hitachi Capital Invoice Finance, almost one in five Falmouth graduates are currently managing a business or have created their own.



BAFTA

WINNER

OUTSTANDING DEBUT
BY A BRITISH WRITER,
DIRECTOR OR PRODUCER

February 2020

Bait, a feature film by lecturer Mark Jenkin, produced in association with Falmouth University, is not only nominated for the Outstanding British Film at the 2020 BAFTAs, but wins the BAFA for Outstanding Debut for a British Writer, Director or Producer category.



March 2020

Falmouth University's Games Academy is featured as one of the top 50 games schools in the world by the Princeton Review for the second year. The Academy is rated fourth in Europe and the only English institution to be featured on the list.



April 2020

We launch our new Prosthetic Effects MA in partnership with world-class experts Gorton Studio and Millenium FX. The unique practice based course will give students experience in this growing industry from day one.



May 2020

Falmouth University's Fashion and Textiles Institute supports our NHS workers during the COVID 19 pandemic by collaborating with Cornwall Scrubs to produce NHS standard scrubs for frontline staff in Cornish hospitals. Our SADI staff and students also use their 3D printing facilities to create vital components for NHS visors.



June 2020

In response to the COVID 19 pandemic and social distancing, Falmouth's summer shows go online. The Falmouth Showcase 2020 allows people to explore the work of Falmouth's graduates from wherever they are in the world.



July 2020

Falmouth receives funding for two health and wellbeing projects. The ESF Health and Wellbeing project will see Falmouth working with local colleges to improve wellbeing and employability through creativity. The Connected Healthcare project will look at using satellites and network infrastructure to improve healthcare in remote areas.



August 2020

Work begins on the European-funded Immersive Business project, a unique immersive technology facility designed to enhance Falmouth's links with industry and provide local SMEs with access to new virtual, mixed and augmented reality technologies. The facility is due to open in early 2021 and the project aims to complete by 2023.

Our position

With more than a hundred years' experience in creativity, collaboration and innovation, along with a focus on the future, Falmouth University is a place where new ideas, new ways of working and new solutions are celebrated.

Equipped with world-class facilities, TEF Gold rated teaching, strong industry links and a 'doing it for real' approach, we provide our students with everything they need to succeed once they graduate.

With a dynamic course portfolio that spans the breadth of the Creative Economy and an interdisciplinary approach, our students are experiencing and working in sectors as diverse as eHealth, agri-tech, film, fintech, fashion, tourism and immersive technology.

Our researchers work in this environment of Open Innovation – sharing ideas across disciplines to stimulate invention and entrepreneurship – to make a positive impact on lives, communities and economies.

As an anchor institution in Cornwall, one of our key priorities is to support the development of new high-growth, high value businesses in the region. This is not only done by producing graduates that are able to harness creativity in the face of real-world challenges, but by partnering with public and private sector organisations to support the county's economic, environmental and enterprise ambitions.




Our people

What really makes Falmouth special is our people. Our vibrant, inspiring and inclusive student community, our outstanding academic staff, talented professional services teams and growing research community all contribute to Falmouth's success and will be critical in our journey to 2030.

Our student body

In an era of increased student investment in their education, we are committed to delivering increased student satisfaction and great graduate outcomes. This will be evidenced by our National Student Survey scores, along with our TEF Gold-rated teaching.

KPI  **Teaching Excellence and Student Outcomes Framework: retain teaching excellence framework gold status, with sub targets for:**

- The teaching on my course (National Student Survey data)
- Continuation (retention) (Higher Education Statistics Agency data)

Student satisfaction

In the 2020 edition of the National Student Survey, the University achieved Overall Satisfaction of 81% (up 1 point from 2019). In comparison, the sector average was 83% (down 1 point from 2019), reducing the gap between Falmouth and the sector average to 2%.

Falmouth saw stable or increased performance in six out of eight theme scores. Of note, is increased performance in Academic Support and Assessment and Feedback, which should position us well for future iterations of the Teaching Excellence Framework.

In 2019, 14 courses fell below the University benchmark for Overall Satisfaction of 80% and were identified for enhanced monitoring. Out of these 14 courses, all but three improved with an average increase of 13%, again demonstrating the impact of our interventions.

The results illustrate a positive trajectory in our NSS position, from stabilising to improvement across theme scores in 2020. Despite this positive result, courses will now be supported to evaluate their data to inform their blended delivery in 2020/21, as we recognise that the impact of COVID-19 on the student experience may be felt in the next National Student Survey.

Theme	KPI Ref	Measure	Target Year			Actuals
			2019/20	2020/21	2029/30	2019/20
Being Gold	FAL 01	The teaching on my course	85%	84%	89%	83%
		Continuation (retention)	93%	93%	Baseline+4	92.5%



Student retention

We know that leaving higher education part way through a course of study can make it harder for students to obtain a level 6 (degree) qualification and consequently can have significant and long-lasting implications. It also has a significant impact on the University, through a reduction of fee income and, through the use of continuation data for regulatory and quality measurement, the reputation of the institution.

Headline data shows that, students and staff responded well to the challenging circumstances posed by the global pandemic: in 2019/20 18 fewer students left the University in-year than during the 18/19 year.

There remain opportunities to improve retention and we are taking a holistic approach to doing so. Starting at the point of application, with course teams interviewing or reviewing the portfolios of applicants to ensure they are a strong match for their chosen course and progresses through to the academic and ancillary support provided upon their arrival.

At the start of 2020, the University began a comprehensive review of the student support environment. Due to report at the end of 2020, the review has already resulted in a number of significant changes being implemented including:

The introduction of Student Advisors within the Learning and Teaching Directorate. This investment of £1 Million (over two years) in student support is intended to create a break-through innovation in the student support environment at a time when, as we see less of our students face-to-face, ensuring they remain engaged will be essential.

Student Advisors have two primary objectives:

- a. Supporting students with online systems, to step in where there might be issues, and to speed up the identification of support and engagement issues
- b. Be a first point of call and driver for action for engagement, taking a proactive casework/account management approach to ensure that students are effectively interacting with the specialist second line resources

The two-year pilot has been set clear retention targets for its first year and year two/three by which its success will be measured.

Following Academic Board discussion at the start of the year, the University has agreed to roll-out the compulsory completion of a diagnostic tool to support students to identify their individual learning style and areas for development. The tool also acts as an early indication of whether students require additional support or may be eligible for a Disabled Students Allowance (DSA) assessment.

This latter point is a significant factor in student success: almost a third of our students declare a disability but only a third of those declaring a disability are in receipt of DSA which itself is strongly correlated to better outcomes for disabled students.

The University has also looked closely at its systems, introducing improved results release functionality so that students can access and understand the implications of their results. Coupled with a more streamlined change of circumstances processes and advice, this is anticipated to support student decision making and, in turn, retention.





Student wellbeing

During 2019/20, demand for student wellbeing services continued its rising trend, having increased year-on-year for the past three years with approximately 8,000 individual contacts with the University's wellbeing or living support teams, which continued to operate effectively.

Pleasingly, there was also a significant drop in the number of students citing mental health as a reason for withdrawal, although this was partly counteracted by an understandable uptick in the number of students leaving us in order to pursue studies closer to home.

Conscious of the societal disruption caused by the first wave of the pandemic in Spring 2020, the University sought to take active steps to reassure and provide a 'safety net' for students directly or indirectly affected by COVID-19. This included:

- Extending and extensively promoting the University's Financial Hardship Fund availability to support students adversely affected. As part of our commitment towards access and participation we are also working on a collaborative project to evaluate the effectiveness
- Waiving rents for all University Owned and Managed Accommodation from study block three onwards
- Providing dedicated support for students 'locked down' in our local community during the 'first wave'
- All of the University's specialist support services successfully moved online in the spring and, as a consequence, have seen engagement with booked sessions increase, significantly improving the efficiency of the services. The pandemic has also enabled us to accelerate digital services provision and we have launched two new initiatives to support wellbeing and resilience as a result
- Revising planned student assessments to ensure they could be undertaken online, removing the need for access to physical resources while increasing access and availability of online resources

- Ensuring students had ready access to the University's extenuating circumstances process, allowing them more time to complete assignments where their studies had been disrupted. By the end of the academic year, almost a third of students had taken advantage of the additional time afforded
- The introduction of statistical modelling to ensure that, despite adjustments to assessment, student performance remained in-line with their peers from previous years. This saw just over 10% of modules adjusting marks to bring them in line with prior performance

Both the redesign of assessment and the adjustment of marks have been undertaken in discussion with the University's external examiners to ensure that the right balance was achieved between supporting students and maintaining academic standards. To this end, there was only a 0.6 per cent change in the number of students receiving a good honours outcome in 2019/20 against the previous year.

Over the summer period, the University worked extensively with its delivery partner and other stakeholders to introduce a Rapid Response Team to support the implementation of a private COVID-19 testing contract and support for students self-isolating. This included information on practical help and support (including food deliveries (hot food and/or grocery deliveries, postal deliveries and medical supplies), a referral and sign posting process to Student Support Services, and a wellbeing assessment.

In addition, the University has launched a new ongoing proactive peer-led 'welfare call' check-in services for those students who are self-isolation for longer periods (where students are either a positive case or housemates of a positive case).

Students' Union activity

The Students' Union (The SU) – a separate registered charity – represents students from Falmouth University and the University of Exeter (UoE) Cornwall Campuses. The SU provides more than 150 sports clubs and societies, giving students a wealth of ways to enrich their social experience. It also provides advice and Student Voice representation, meaning that the student experience is understood and considered at every level of the University's decision making.

Last year, The SU dealt with more than 500 advice cases, supported nearly 400 student representatives across all school programmes, recorded more than 15,000 hours of volunteering from 188 students, and raised a surplus of £34,000 for charity.

The SU was represented nationally in many sports events. For example, seven competitors reached the top 20 in their divisions in the BUCS Surf Championships. One student reached a semi-final, while another placed second in their division.

Student groups were supported to arrange a wide variety of other activities throughout the year, including the Green Council, who put together campaigns and events such as The Green Gathering and Meat Free Mondays. The SU supported the Teaching Excellent Foundation (TEF)-funded Coral Project to install a large tank, allowing students to gain experience growing and

maintaining endangered corals. TEF funding has also allowed students to carry out many other activities, from hosting guest speakers to planting fruit trees and bushes.

Collaboration between the Student Voice team, our Officers, FX Plus and the Universities has resulted in many developments to the student experience, including a new welfare training programme and a new hate crime reporting tool. In addition, the SU also worked on a review of hidden course costs, input into the review of the Falmouth's feedback standards and prioritisation of gender-neutral toilets in future builds.

Engagement continued throughout the COVID-19 lockdown, with online activities and events, as well as an online forum event attended by more than 40 groups to approve new societies. Significant progress is now being made on developing digital solutions to support students over the next year and beyond, including a 2020 Welcome Microsite, Virtual Welcome Fayre, improved digital democracy systems and streamlined student processes.

The SU Awards took place live online this year, with all winners receiving trophies by post. The Daniel Palmer award for the most outstanding contribution to the student experience was presented to Sebastian Davis for the creation of Soft+, which encourages student access to TV and film facilities out of class time.



Graduate outcomes

During 2019/20, the University has successfully re-shaped its employability services to support the delivery of the 2030 Strategy. Launched at the height of the pandemic, RealWORKS connects the University and students to employers, entrepreneurs and coaches ensuring our students have opportunities to do it for real during their course and to follow their chosen career upon graduation.

During the year the University has connected with approximately 400 employers, offering jobs, placements, internships and events to our students and alumni. We've pleased to have been able to connect students to some big names including the BBC, Dyson, Google and Warner Bros.

As an anchor institution within the region we are also proud to be supporting local businesses through our high-performing ESF funded placement scheme matching dozens of Cornish SME businesses with students to help grow their capacity. As we look toward the post Brexit future, we are considering how we can build on the success of this project to ensure that our local businesses can continue to benefit from the creative power of our students.

RealWORKS has also seen the introduction of new tools and software which have increased student engagement in this crucial area by more than 100 per cent on the previous year and we are growing our embedded employability content into the curriculum, aligned with learning outcomes. Demonstrating its effectiveness, since August 2020, we have already thousands of engagements with this new digital content so far this academic year.

Developed during 2020 and Launched in September, we have also produced an extensive range of co-curricular materials to support our students. Some highlights include our 'Start-Up Club' – bringing together entrepreneurs and aspiring student entrepreneurs and alumni together socially and to network. We have also developed a series of workshops supporting job hunting and preparation for employment.

Finally, and echoing the Hitachi Capital report, the 2020 Graduate Outcome Survey results for the 2017/2018 leavers showed over four-times the national average of students entering self-employment, and Falmouth University contributing over 1% of all UK graduates entering self-employment, illustrating that we continue to deliver on our strategy of equipping student with the skills they need to succeed on their own terms.

Our student growth

Our 2030 Strategy commits us to growing our student body. However, at a time when applicant choices are changing and employers are increasingly looking for students with transdisciplinary skills, we are committed to pushing the limits of traditional boundaries and disciplines as we recognise that creativity is an invaluable resource in the future economy.

We therefore need to provide a portfolio and student experience that is bold, different and disruptive so we can continue to produce future-proofed entrepreneurial graduates who are complex problem solvers and multi-disciplinary team players.

By 2024, our recruitment to off-campus and global programmes is expected to exceed recruitment to on-campus courses.



Student growth: achieve student number growth target of 15,500 by 2030, with subtargets for:

- a. On campus UG and PG
- b. Falmouth Flexible
- c. Falmouth Global

Theme	KPI Ref	Measure	Target			Actuals
			2019/20	2020/21	2029/30	2019/20
Student Growth Projections	FAL 02	Student Growth Projections	6,869	6,998	15,500	6,624
		(a) Student Number On Campus UG (across all years)	4,626	4,339	6,525	4,676
		(b) Student Number On Campus PG (across all years)	291	285	475	247
		(c) Student Number Falmouth Flexible & Global (cumulative)	1,952	2,374	8,500	1,701

On-campus recruitment

Our on-campus community is at the heart of what we do, and we are committed to preparing our students for the future economy and new types of employment.

As of 7 October 2019, we enrolled 1,565 new undergraduate students and 147 new postgraduate students on campus. This compares to 1,621 and 145 students respectively at the same point the previous year.

These figures represent a 3% fall in on-campus undergraduate recruitment and a 1% increase in on-campus postgraduate recruitment.

Since 2014, higher education growth has slowed which is further compounded by a decline in creative arts subjects being undertaken at GCSE level. Students who are also now digital natives recognise their consumer power and share their experiences online which means the market is increasingly competitive.

For that reason, we use our Market Research and Insight capability to determine market demand as we recognise that applicant choices are rapidly changing, and employers require multi-skilled graduates. We continue to develop our on-campus course portfolio to ensure that Falmouth continues to deliver an authentic education in a creative and compelling way.

Flexible and global recruitment

Our off-campus activities continue to do well. Delivery via our ground-breaking online distance learning platform, Falmouth Flexible, continues to flourish with 514 online students this year.

Our partnerships with organisations such as the Fashion Retail Academy in London also continue to deliver. We are delighted that education providers with such strong industry links and proven track records partner with us to deliver exciting, industry-facing educational content under a Falmouth banner.

This strong recruitment performance encourages us to progress the 2030 Strategy and do things differently. We will continue to build relationships and work collaboratively with quality global education partners so we can continue to develop new models of content distribution that build on existing markets and open up new ones.

We recognise that failure to achieve enrolment growth targets through poor adaptation to the changing market could pose a potential risk* to the University, but we are confident that our offerings are attractive to prospective students.

*These risks have been identified in the institution's Strategic Risk Register



Income growth and diversification: achieve income target of £134m p.a. by 2030, with sub targets for:

- a. Income from UG and PG tuition fees
- b. Income from innovation, research and commercial ventures

Theme	KPI Ref	Measure	Target Year			Actuals
			2019/20	2020/21	2029/30	2019/20
Rebalancing Income Sources	FAL 03	Financial - Total Income (£m)	64.0	58.3	114.3	62.8
		(a) Income from UG tuition fees	41	40.4	55.1	46.4
		(b) Income from PG tuition fees	1.0	1.3	2.1	1.1
		(c) Research Income	0.9	1.4	2.0	1.0
		(d) Commercialisation income / asset valuation	16.1	15.2	55.1	14.3

Access and participation

The growth of the University in the early 2000s was driven by the need to increase the provision of higher-level skills in Cornwall and we retain our commitment to widening participation and ensuring legal status to our University for people from Cornwall.

Our Access Agreement (2019/20), lodged with the Office for Students (OfS), committed Falmouth to £3.5m of investment per year in fair access, outreach, retention and student success projects.

Following two years of focus and investment in widening access and participation for Cornish students, the University has seen a 20% year-on-year rise in acceptances from people from Cornwall.

During 2019/20 the University laid the foundations for our new Access and Participation Plan: a five year, £9.8m plan for achieving ambitious targets to improve access, continuation, achievement and career outcomes for disadvantaged students, in line with new national targets. Falmouth has appointed new staffing expertise in recruitment, student retention and data analysis to support the delivery of this University-wide plan.

Falmouth University continues to work in partnership with other regional universities and HE providers through the Uni Connect programme. We are a partner in the Next Steps South West consortium led by University of Plymouth. This covers target wards in Cornwall, Devon and Somerset, focusing on pupils in Years 9-13, identified as medium or high achievers, with low HE aspiration and living in nominated postcodes. A diverse range of outreach projects have been designed and delivered collaboratively by partners in the consortium, with robust evaluation of impact throughout.

In 2019/20 the University provided £1.1m in means-tested scholarships to support 1,787 undergraduate entrants who might otherwise have been unable to afford the costs of going to university.

Looking ahead, we are launching a new Raising Aspirations Programme, that will deliver sessions to students in Years 7-13 looking at overcoming barriers to Higher Education. The activity, which will target students from a diverse range of demographics, will also include an online Saturday series, with webinars and interactive sessions to support people from underrepresented backgrounds.



Our staff

In line with our People Charter and, in an environment of rapid and continual progress, we believe that we need people who are equipped, able and confident to work with change. We also recognise that the relationship between employee and employer is reciprocal and this charter sets out the expectations for both parties.

This was proven even more so in what was an unusual year to say the least.

Working through the University's leadership team, line managers and our partners in Falmouth Exeter Plus, in March all staff moved from on-campus to largely homeworking. This was possible with support around flexible working and other domestic circumstances and, where necessary, equipment to enable effective homeworking was made available. This enabled the majority of staff to continue to deliver teaching, research and administrative support remotely.

For those employees unable to work from home, we implemented both social distancing and elevated health measures to ensure the safety of our staff and students. All staff classified as vulnerable or with a vulnerable family member were identified early on and special measures put in place to support and safeguard them.

A small number of staff had their working hours reduced with support from the Government's Job Retention Support Scheme but the University was able to top salaries up to the full 100% of pay.

As you would expect, we have adopted all Government and Public Health guidelines to support the health and wellbeing of all employees in these uncertain times and the results from a homeworking wellbeing survey conducted showed 61% of staff responded favourably overall to Wellbeing questions, with 22% responding neutrally.

Survey results were shared with line managers to discuss the outcome with their teams and address any areas for improvement. In addition, there were actions taken across the University to address key areas of focus; options to address additional work pressures, new ways of working and the lack of social interaction whilst working remotely.

Celebrating the positives from the survey; staff gave favourable responses for manager support for staff wellbeing, flexibility whilst working remotely and being able to work productively from home. They also showed a preference to continue occasional remote working in the future.





Equal opportunities

Our Equality, Diversity & Inclusion Charter sets out our commitment to equality for all, and key objectives for our staff and student populations.

Our mission: “To support Falmouth in being a world class place to study and work, by providing an inclusive environment where there is equal opportunity for a diverse student and staff community to reach their full creative, academic and entrepreneurial potential”.

The Equality, Diversity & Inclusion Annual Report provides a review of our progress against our objectives and action plan, key achievements in year, as well as an overview of our staff and student profile in relation to the protected characteristics.

Key highlights from the Equality, Diversity & Inclusion Annual Report include:

- The development, through the University's 2020 Challenges programme, of the University's Digital Learning & Teaching Plan, Widening Access & Participation Plan, and Integrated Academic, Research & Innovation Framework, each with equality, diversity and inclusion considerations at its heart
- Investment in new staffing posts to support the Access & Participation Plan, which will be pivotal in developing the University's understanding of demographic challenges to access, success in and progression from higher education
- The development, in collaboration with The Students' Union and the University of Exeter, of Falmouth and Exeter Speak Out to simplify and improve reporting and support for our combined student community in relation to bullying and harassment

We celebrate the diversity of our University community and continue to work to ensure that we develop an inclusive environment for all staff and students and continue to develop partnerships with external organisations locally to enable us to play a key role in supporting a more connected and inclusive environment across the local region.

The Equality, Diversity & Inclusion Charter, Equality, Diversity & Inclusion Annual Report, and Gender Pay Gap reporting information are public.

Our suppliers

Whilst expenditure on staff remains our highest cost, the importance of working with our suppliers is also vital to the running of the University, especially through Falmouth Exeter Plus. We recognise that our impact locally is important with 38% of non-staff spend being spent with suppliers based in Cornwall and Devon.

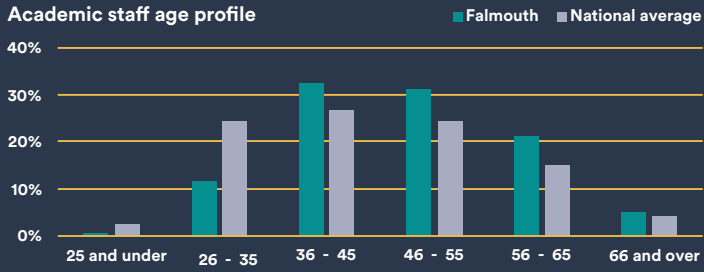
During the year, our Procurement team achieved savings of over £700k and worked closely with nearly 100 businesses to establish sustainability within the supply chain (introducing a tool kit to develop and monitor supplier sustainability levels in line with our organisational strategies.)

Since the pandemic, we have also worked closely with suppliers and contractors to support them and the health of their teams, to apply best practice for construction and essential building works during lockdown. Suppliers worked closely with our Health & Safety team to ensure that their own teams remained safe and secure.

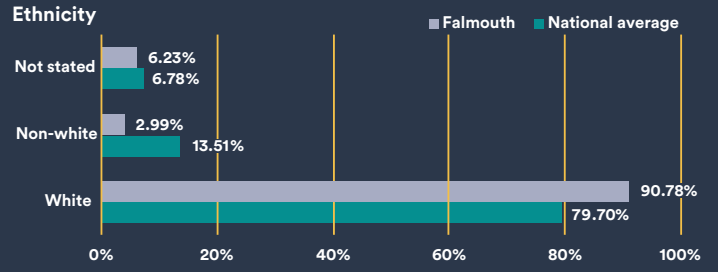
We ensured that suppliers were paid in accordance with standard payment terms such that no business struggled due to cash owed by the University and to aid their cash flow.



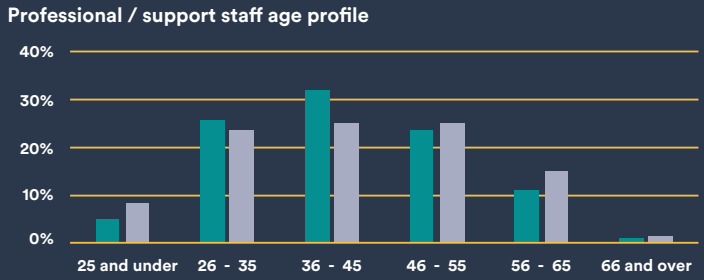
Academic staff age profile



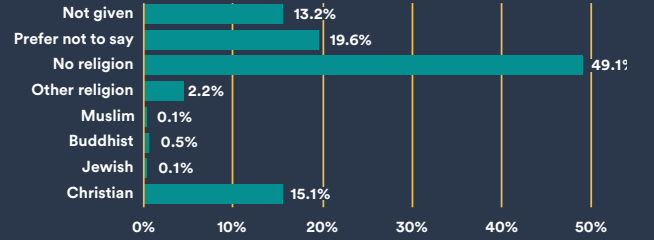
Ethnicity



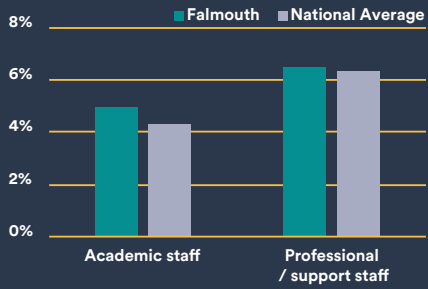
Professional / support staff age profile



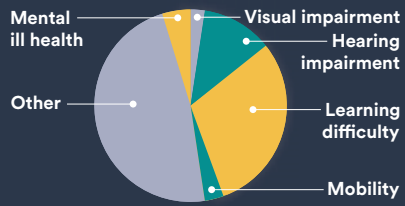
Religion and belief



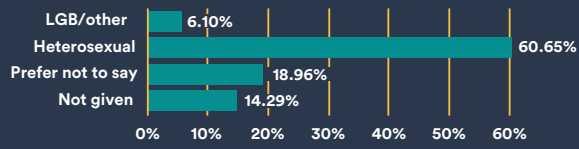
Staff declaring a disability



Disability by type



Sexual orientation



Our Research & Innovation

Research at Falmouth University is guided by the principle of open innovation – employing collaboration across disciplines to solve real world problems.

This year has been an exciting one for Research & Innovation at Falmouth, with funding confirmed for several major projects and further support for our ground-breaking Launchpad programme.

In September, the University was informed by Research England that its bid for £1m to support Launchpad during 2019/20 under the UKRI University Enterprise Zone (UEZ) scheme had been successful – one of only 20 projects selected nationally.

In October, this was followed by the news that an extension application for additional European Regional Development Funding had been accepted. The additional £4.6m of funding ensures delivery of the Launchpad project until August 2022 and unlocked a further £900,000 of Cornwall Council funding – taking the total project investment to £21m.

With this additional funding, we were able to take Launchpad's award-winning methodology into rural and remote parts of Cornwall and the Isles of Scilly. Our Launchpad Outreach activities have been delivering business and innovation support to help the growth of established local businesses.

In March 2020, the Immersive Business project received formal approval. The £2.04m project – run in partnership with the University of Exeter – will create a new Virtual, Augmented and Mixed Reality resource on the Penryn campus. It will provide local businesses from a wide range of sectors with access to the technology, skills and support to generate new types of immersive content for distribution across this emerging, high-value marketplace.

In April, we became involved in the immersive Kerdroya project, a local heritage project celebrating Cornwall's protected landscapes. Falmouth's role will be to design, develop and test a locative phone-based app, with the aim of engaging hard to reach audiences, particularly 12 to 18-year-olds, with heritage and landscapes.

We also received funding approval on another landscape-related project in spring 2020, in which we have partnered with the National Trust to use stories to ensure everyone feels welcome to use National Trust spaces and contribute to people's feelings of wellbeing and their connection to nature.

This year saw the appointment of several new roles, which will greatly benefit Research and Innovation at Falmouth. In May 2020, Professor Patric Eriksson joined the team as the new Deputy Vice-Chancellor Research & Innovation, while Professor Minhua Eunice Ma joined as Falmouth's Provost in June.

In June, Falmouth was also one of five winning projects to be awarded funding from the StoryFutures Academy, the UK's National Centre for Immersive Storytelling run by the National Film and Television School and Royal Holloway, University of London, for its Train the Trainer scheme. This new initiative is aimed at growing the number of trainers and training available to help build a pipeline of next generation immersive storytelling talent so the UK can retain its position as leader in this field.



In July, we received news that our partnership for the ESF Health and Wellbeing project had been approved for funding. The partnership between Falmouth and two local further education colleges will look at how wellbeing and employability can improve through creative participatory experiences. The project is worth £377,000 to Falmouth.

In addition, the collaborative Connected Healthcare project received funding from the European Space Agency this summer. Led by Goonhilly Earth Station, in partnership with Falmouth University, Kernow Health and Aberdeen University, the project aims to explore the use of secure satellite communication and data network infrastructure in rural and remote areas to enable the delivery of clinical and educational solutions. This includes community mental health services, community diabetes services and clinical education in primary care settings. The satellite communication and data network will be complementary to the existing NHS network, offering intelligent routing capability for congested networks and have the ability for rapid, secure and resilient deployment in remote and rural areas.

Research Excellence Framework

Between November 2019 and March 2020, a comprehensive mock Research Excellence Framework exercise was undertaken, comprising both internal and external peer reviews of more than 190 research outputs. This exercise, and subsequent feedback, will help to ensure that we submit the highest quality work for REF 2021.

Research Degree Awarding Powers

The research culture at Falmouth continues to grow, providing further support for the future submission of an application for Research Degree Awarding Powers (RDAP). A review of research and innovation governance was undertaken in January 2020, resulting in the introduction of Departmental Committee Research & Innovation reports. These provide greater intelligence on the delivery of the 2030 Research & Innovation Strategy at the level of academic department, something that is vital for establishing a sustainable research and innovation ecosystem.

Postgraduate research

Five postgraduate research students have successfully completed their studies this academic year and been awarded PhDs. Seven students started in September 2019 and a further eight have been recruited to start in September 2020. Postgraduate research student survey results for this year reported 89.5% overall satisfaction, up from 85% in 2018/19.



KPI Enhancing our Research Excellence Framework performance: achieve internal targets for:
c. level of Investment

Theme	KPI Ref	Measure	Target			Actuals
			2019/20	2020/21	2029/30	2019/20
Research & Innovation	FAL04	Enhancing our REF performance				
		c) Level of investment in research and innovation infrastructure (cumulative since 2009)	26.9	31.7	55.1	30.0

KPI Research Degree Awarding Powers: secure research degree awarding powers:
(a) Number of PhD completions since 2010 (cumulative)
(b) Number of Professors

Theme	KPI Ref	Measure	Target			Actuals
			2019/20	2020/21	2029/30	2019/20
Research & Innovation	FAL05	Achieving RDAP				
		(a) Number of PhD completions since 2010 (cumulative)	91	93	127	91
		(b) Number of Professors	10	8	35	6

KPI Doing it for Real: achieve company creation and new job targets:
a. Create 111 new companies by 2030
b. Achieve target of 1,575 new jobs created through start-ups by 2030

Theme	KPI Ref	Measure	Target			Actuals
			2019/20	2020/21	2029/30	2019/20
Making Future People	FAL06	Making Future People				
		(a) Number of new companies / start ups (cumulative since 2015)	16	22	111	12
		(b) Number of jobs created through start ups	102	50	1,575	28



Launchpad case studies



Codices

Tech company, Codices, develops tools for online broadcasters to easily make, manage and monetise live interactive gameshows. It is best known for Quiz Kit, which received more than a million sign-ups via Twitch during June alone.

The company recently secured £800,000 of seed funding, led by the Cornwall and Isles of Scilly Investment Fund (CIOSIF) and Haatch Ventures. The Codices team is made up of 11 people and the company is currently valued at an estimated £3.5m



Glas Data Ltd

Glas Data is an agri-tech company that provides simplistic data management and decision support tools for the agricultural industry and food supply chain.

The company recently received £141K from the Cornwall & Isles of Scilly Investment Fund (CIOSIF) to develop their universal dashboard to make data management easier for farmers and food producers. Glas Data has also celebrated new partnerships with Cumbria-based poultry software specialist, Eggbase – to develop a new precision farming solution for poultry farmers – and Hartpury University in Gloucester, which will give students access to Glas Data's latest precision farming technology.

Including founders Rob Sanders and Colin Phillipson, Glas Data employs nine people and is currently valued at £2m.



Moonshine

Moonshine Studios is an independent games company that takes an unconventional market-led approach to games development. Their first title, *Get Packed*, a comedic physics-based cooperative game for one to four players where the team takes on the role of a removals company tasked with moving and packing a variety of objects for increasingly bizarre clients and locales.

The game was released on Google Stadia in April 2020 with good reviews and is due to be released on all other platforms next year. The studio, which is worth an estimated £1m, is already considering options for its second game.



Waving Bear

Waving Bear Studio is an indie game studio made up of animators, modellers and graphic designers. Bringing a wealth of experience, including creating VR simulations for the military, chemotherapy patients and the fashion industry, the team makes fun, cooperative games for all ages.

Waving Bear's first title *Stuffed* is a fast-paced action shooter game that takes place in the dreams of a little girl, whose stuffed teddy bear defends her from waves of nightmares every night. The game has been added to the Wishlist of Steam – a platform that hosts thousands of PC games and attracts millions of players every day.

The company is thriving, with an estimated valuation of £1.2m, up from £201,000 in early 2020, and a Swiss advisor has just been appointed to sit on their board.

Launchpad Outreach

The Launchpad Outreach project (LPO) – part-funded by European Regional Development Funding – is now delivering business support to SMEs across Cornwall.

Utilising the resources of Falmouth University, Launchpad Outreach offers SMEs in Cornwall funded consultancy, in line with exploring a new market opportunity and developing a new product or service.

LPO support can take several forms, prioritising the needs of the clients. A key way in which we are enabling realistic and sustainable business growth is by providing market research reports to assist in the research of market opportunities. LPO works with each of its clients to create a bespoke brief to best suit their needs. For example, LPO explores consumer trends, collates competitor analysis, provides marketing expertise. Further to this time LPO can also offer clients access to industry experts to support them in their product/service development and launch.

LPO has also worked with the university's other teams and resources to offer businesses comprehensive support and access to our Student Placement Scheme and explore further Research and Innovation opportunities.



BF Adventure

The outdoor activity centre, BF Adventure was looking to expand its client offering and better utilise its site. BF Adventure sought market intelligence analysis to support a business plan for and validation of a new 'Via Ferrata' activity. Subsequent to LPO's market analysis the plan gained board approval and BF Adventure's Via Ferrata was launched this summer. Industry expert support was also given to bolster their social media marketing strategy around the launch.



The Cornish Funeral Company

A family-run business, The Cornish Funeral Company, was looking to respond to its clients' needs and develop the services offered. In line with a market opportunity to offer a more transparent, flexible, inclusive service in what is traditionally a very 'conventional' sector, The Cornish Funeral Company seeks to offer its clients facilities and a venue that facilitates individuals' wishes and responds to industry trends for more 'environmentally conscious' options.

LPO is working with this client to provide market analysis in line with sector trends to inform the development of new services, as well as give 1:1 support with website development and marketing activity in line with the client's values and potential for sustainable business growth.

Our environment

Estate

We are proud of our two campuses. The stunning grounds offer opportunities for inspiration and recreation, while the outstanding facilities provide our students and researchers with access to world-class equipment and spaces.

In order to future-proof our teaching, research and environment of innovation, we've continued to invest in our estate. This investment has resulted in the further growth of our Games Academy facilities at Penryn Campus, including an immersive lab. The School of Entrepreneurship has also moved into newly refurbished facilities, which reflect their ambitions for growth, sustainability and collaboration. In addition, a new Special FX Studio has been created at the Falmouth Campus to facilitate the new Prosthetic Effects MA course in partnership with Gorton Studios.

Over the summer, work began on the European-funded Immersive Business project to enhance Falmouth's links with industry. We have repurposed existing estate for this exciting pilot project, which is planned to open in early 2021, without growing the overall Campus footprint.

Due to the COVID-19 pandemic, we've placed significant focus on preparing the campuses to be 'COVID Secure' in time for September 2020 activity. This has involved a significant collaborative programme of works in order to revise our capacities, redesign and repurpose our physical teaching and research environments, which has fast-tracked many of the plans in our 2030 Strategy to support digital teaching and learning.

Together with campus partner University of Exeter, we have invested in shared spaces at Penryn Campus. The Future Spaces project is the result of extensive consultation with campus users and will transform the heart of the Penryn Campus – creating high-quality, flexible learning environments and vibrant social spaces. Summer 2020 saw the completion of the Exchange Courtyard building, housing 16 new academic buildings and learning spaces. In addition, the two-storey extension to the Stannary has progressed during the global pandemic, and a café bar and sustainable café are due to open in January 2021.

The shared investment has also extended to our Estates systems, with the computer-aided facilities management system Planon. The system, which started being deployed in phases from December 2019, will provide a single reference point for estate management. Alongside the introduction of iPads to streamline workflows and enhance reporting functions, Planon will help to modernise our approach.

Information technology

This has been a year of digital transformation. In responding to COVID-19, we were able to accelerate our plans across our operations, along with our learning and teaching processes. We were also able to continue developing our strategic portfolio for the Digital Experience department.

The Modern Office Programme, a £1.5 million major investment programme across both Falmouth University and FX Plus, played a major part in the success of our pandemic response. The programme was first introduced in the 2018/2019 academic year to transform how we work, teach and learn, and has been invaluable during the pandemic. To date, we have delivered a resilient cloud solution as our core business and productivity platform, which resulted in an easy transition to remote working for the majority of staff, and a swiftly implemented new solution using Microsoft Teams and Stream to support the move to online learning and teaching.

As well as providing a stable and resilient platform, we've been able to start developing new and innovative solutions to our business problems, and are currently working on a new intranet for staff, an ambassador app for our student ambassadors, as well as promoting the benefits and features of the wider Microsoft Office 365 applications.

Additionally, we have continued to support a number of transformative projects, such as the launch of a new intranet for FX Plus, enabling better access to information for Falmouth University colleagues.

A key focus has been on ensuring the security of our digital systems, allowing for greater visibility and automated discovery of potentially suspicious activity.

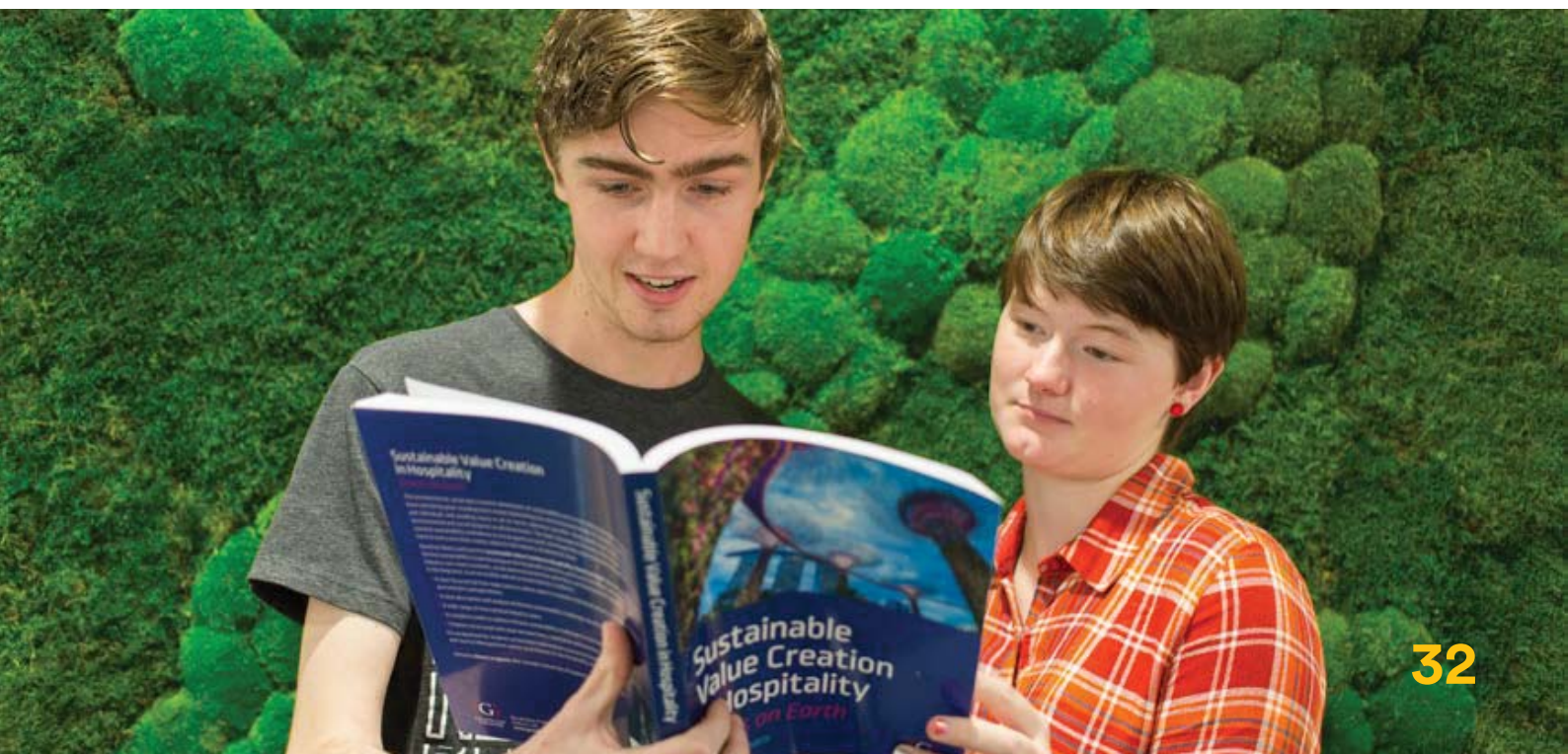
The Digital Learning Team has been working hard to support students and academic staff in the transition to both online and blended delivery. New tools have been purchased to support learning and teaching, while new designs and approaches have been created for curriculum design and learning content within Learning Space, our virtual learning environment. A wealth of guidance, support materials and resources has been created to assist in this transition. The wider Digital Experience team has also been providing ongoing core support, including the launch of a new Digital Learning & Teaching Support site and a reimagined core academic and technical training event to train all staff in the teaching approach for September.

Transformation of the Student Record System (SITS) continued for a final year, redeveloping the system to support business efficiency, drive adoption, increase engagement, enhance user experience and increase data quality. This includes a new individual learning plan system to help students with additional support needs, a new solution for tracking and monitoring extenuating circumstance claims, as well as a clearer, mobile responsive results release process that helps students to understand their results and next steps. We have also provided a new fund manager tool to manage hardship fund claims, a new automated tuition fee calculation process and a new SITS integration with the finance systems to improve efficiency across the organisation.

We completed the second year of delivery on the Digital Attendance project, rolling out the new solution to more departments across both campuses to monitor attendance and to support wellbeing and retention challenges. This has been extended to support student engagement reporting in light of the new blended delivery model.

Moving into the second year of delivery, the Loan & Sale Project implemented a new online Falmouth Stores system, enabling students to borrow and buy goods and equipment. As a result of the pandemic, we have also expanded the scope of this programme to include booking technical inductions and workspaces, to ensure a safe and secure on-campus experience. Next year, the system will include all departments, allowing students to buy and borrow items regardless of course.

We've also established a Digital Accessibility working group in response to the Public Sector Bodies Web Accessibility Regulation. We have provided a new Digital Accessibility information site and training has been provided for all system owners and content producers to support all staff in ensuring compliance and providing students with a more inclusive experience.



Our planet

In June 2019, we declared a climate and ecological emergency. Following this, we created a sustainability policy, focusing on the three key themes of learning and teaching, our environment and operations, and people and behaviours. We have set firm goals for each of these themes, providing a clear roadmap to achieve the targets set out within our 2030 Strategy.

This year's events, and the campus closure due to the COVID-19 pandemic, have posed a challenge to some of our goals. However, the 2019/2020 academic year has seen us take important steps to reduce on-campus carbon emissions, to decrease plastic consumption and to encourage green behaviours.

We have cut our scope 1 and 2 emissions (direct emissions and emissions from the energy used by the University) by 45%, compared to the 2005/06 baseline. We've made this reduction using a variety of methods, including heating and lighting optimisation around the campus, ventilation control in the AMATA building, and the Estates team switching to electric vehicles. We have also moved to a 100% renewable energy tariff provider for both Penryn and Falmouth campuses.

In our outer estate, we've increased our wildflower areas by a tremendous 60% and our students have helped to plant 400 new trees around the Penryn campus. This has had a positive impact on biodiversity, with research suggesting that the habitat of Penryn campus now supports more than 163,000 bees each day during the summer months.

We are also committing to supporting reforestation through local tree planting here in Cornwall. We plan to do this by investing a financial sum each year that equates to our total scope 1 & 2 carbon emissions in carbon cost terms. An appropriate carbon cost/price per tonne of £15 for UK reforestation projects applied to our total scope 1 & 2 emissions of 2,812 tonnes means an investment for the coming year of some £42,000. We are confident that this approach will not only contribute to our carbon goals, but provides wider ecological, social and psychological benefits. We have also made strides in influencing people and behaviours, with more meat free options being served at the University than ever before and thousands fewer single-use items been thrown away.

As part of our aim to embed sustainability into our learning and teaching, we participated in the UN Sustainable Development Goals Teach In event in February. Our academic staff were challenged to include the theme of sustainability into their teaching and there was good take-up, with 209 students reached as a result.

This year, we have also created a new sustainability website, full of resources for staff and students and have held a range of sustainability-based events and activities to encourage engagement.

In the coming year, we will continue to educate and inspire our staff and students to think sustainably in their work and their homelives too. We will build on the positive results of our first UN Sustainable Development Goals Teach In event and reach even more students with innovative projects, topics and challenges. We will also build on our portfolio of courses that have sustainability at their core, ensuring that everyone at Falmouth contributes to a more sustainable future.

Full details of our sustainability policy and activities can be found in our Sustainability Report:

falmouth.ac.uk/sustainability

KPI Environmental sustainability: achieve carbon reduction target of 75% by 2030

Theme	KPI Ref	Measure	Target Year			Actuals
			2019/20	2020/21	2029/30	2019/20
Being Sustainable	FAL 09	Carbon Footprint: Carbon reduction target - Scope 1 & 2 emissions (against 2005 baseline)	N/A	N/A	75%	45%

From 1 April 2019, the Government introduced new reporting requirements for all companies through the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These regulations require us to disclose energy emissions and usage data through Streamlined Energy and Carbon Reporting (SECR).

For 2019/20 our global greenhouse gas (GHG) emissions and energy use data for period 1 August 2019 to 31 July 2020 were as follows:

	Current reporting year 2019-2020		Comparison reporting year 2018-2018	
	UK and offshore	Global (exc UK and offshore)	UK and offshore	Global (exc UK and offshore)
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1)/tCO ₂ e	2,902	0	2,786	0
Emissions from purchase of electricity, heat, steam, cooling purchased for own use (Scope 2, location based)/tCO ₂ e	1,916	0	2,282	0
Total gross Scope 1 & Scope 2 emissions / tCO ₂ e	2,812	0	5,068	0
Energy consumption used to calculate emissions: / kWh	24,074,334	0	23,998,657	0
Intensity ratio: tCO ₂ e (gross Scope 1 + 2) / m ² GIA	0.0468	0	0.0492	0
Methodology	GHG Reporting Protocol – Corporate Standard		GHG Reporting Protocol – Corporate Standard	



Our community

Falmouth University is proud to be an active member of the community here in Cornwall. We are committed to supporting the growth of the Cornish economy by building knowledge and skills, attracting talent and investment, fostering the growth of new high-value businesses and by creating jobs.

Over the last year, we have supported the community in many ways, from student-organised fundraising events for local charities to workshops with Cornish schoolchildren and exhibits in locations around the county. We have also made our photographic equipment and facilities available to local photographers, companies, charities and the general public. This service is not only beneficial to Cornwall, but helps to bring in additional revenue for the University.

In addition to making our equipment and facilities available to the community, we've also been sharing our skills and expertise in a £700,000 collaboration between Falmouth University, the Cornwall and Isles of Scilly LEP and the Cornwall Museums Partnership. The wAVE project – which was created to build bespoke virtual and augmented reality apps for visitors to six museums across Cornwall - has continued despite months of closures due to COVID-19.

We engaged 150 people from the six different communities to participate in user testing, focus groups, content development groups and 'tea and tech' groups. To date, we have also engaged 42 businesses with the project – running immersive technology sessions on 3D tours, chatbots and 360 video to support businesses during the pandemic.

As the COVID-19 pandemic took hold in March 2020, our staff and students were quick to help the NHS and essential services. We repurposed our 3D printers on Falmouth Campus and at the Games Academy in order to make face shield components for NHS staff and other key workers.

The Fashion & Textiles Institute also supported the NHS by working with Cornwall Scrubs to produce NHS-standard scrubs for frontline staff in hospitals around the county.



Our finances

Overview

The results for the year show that the University achieved or exceeded most of its financial key performance indicators, posting a surplus in excess of target. The target is expected to fall in the short term recognising the challenging recruitment environment whilst also investing in 2030.



Group financial highlights

Income

Expenditure

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Net assets

Net assets excluding pension liability

Cash at bank and in hand

Net funds

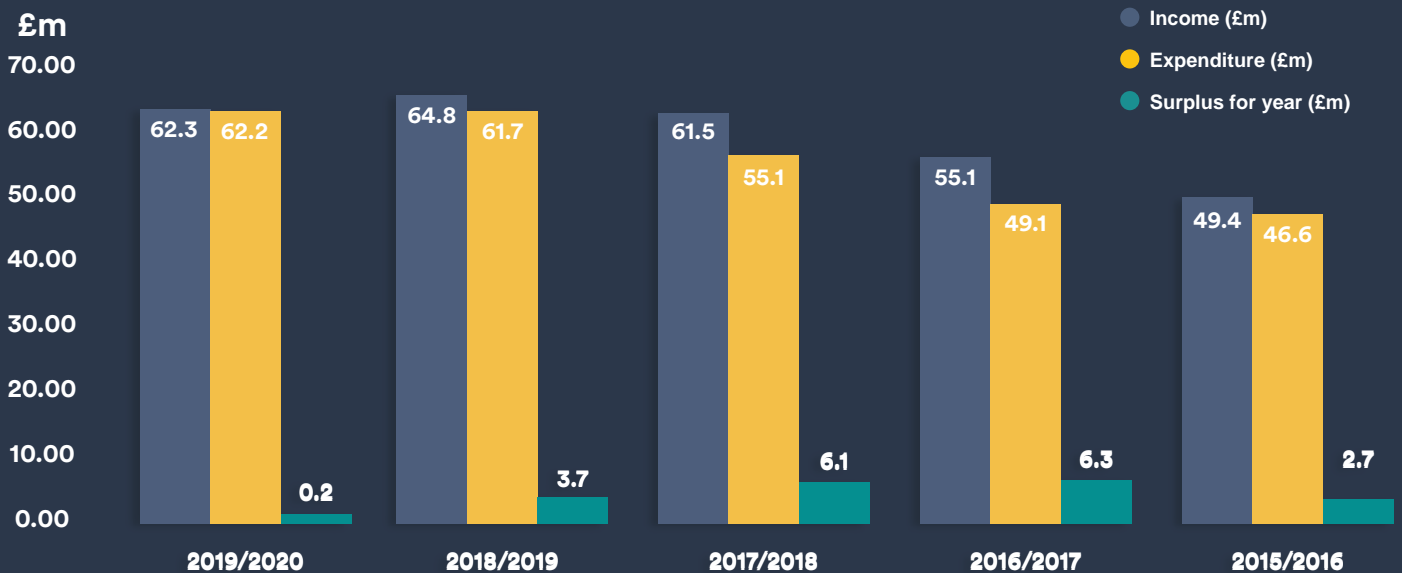
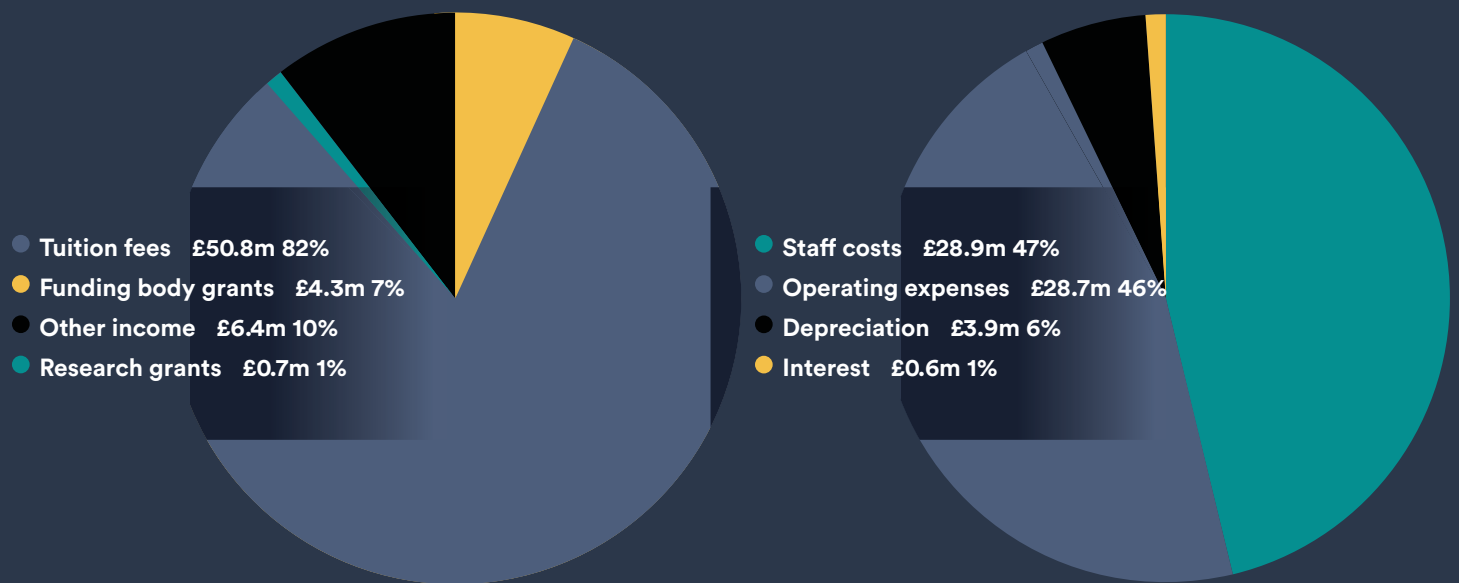
	2019/20	2018/19	2017/18	2016/17	2015/16
	£(000)	£(000)	£(000)	£(000)	£(000)
Income	62,280	64,828	61,548	55,087	49,349
Expenditure	(62,130)	(61,646)	(55,063)	(49,111)	(46,633)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,520	7,287	10,139	8,827	5,961
Net assets	49,386	62,521	63,294	53,921	43,306
Net assets excluding pension liability	76,840	79,641	76,091	67,514	59,157
Cash at bank and in hand	29,060	25,199	20,150	17,147	11,343
Net funds	16,249	16,091	12,749	11,512	7,461

XPI Financial sustainability:
achieve EBITDA target of £17.3m by 2030

The University's response to COVID-19, the necessary public health measures that followed, and the impact on teaching and learning, have been the focus of attention since March 2020.

At this time all activity moved online, and the campuses were closed to all staff and students bar a small number that remained in halls of residence.

As a result, the Board spent time considering the financial implications of lockdown, including confirmation that summer term rent would not be charged. The impact of this was agreed in May 2020 although mitigating actions were possible such that the agreed surplus was still achieved.



After allowing for pension adjustments, the Group recorded a loss for the year of £1.5m (2018/19 – surplus £3.1m).

Income fell due to fewer on-campus student numbers compared with the previous year whilst costs were marginally higher through staffing costs (TPS pension contributions having risen by 7.2%) and partnership franchise fees (increased partner student numbers).

Income decreased by 3.9% through lower tuition fee receipts, primarily from on-campus courses, lower research grant income and reduced catering agency income following the closure of our campuses in response to the COVID-19 pandemic.

Costs rose by 0.8% during the year with staff costs increasing by 6.4% through pay award and pension increases, whilst other costs fell by 5% with lower expenditure on bursaries and estates running costs.

Tangible fixed asset additions during the year amounted to £5m, including assets in the course of construction of £2.4m and equipment purchases of £1.9m. These related primarily to the building cost of shared academic and social spaces at the Penryn Campus which commenced during the year.

The University has a number of subsidiary companies:

- Falmouth Enterprises Limited – the principal activity of which is the provision of commercial services to external parties on behalf of the University (including consultancy, project work and commercial research projects)
- Falmouth Ventures Ltd – a holding company for the University’s interests in all spin-out activity
- Falmouth Agency Ltd – for employing students (for example, Student Ambassadors, MAYN commissions)
- Falmouth Staffing Ltd – for employing staff with an alternative pension scheme than LGPS
- Falmouth Launchpad Ventures Ltd – a company to deal with shareholdings in Launchpad spin-out companies for cohorts 1 to 3 and related transactions. Its shares are owned 80% by the University and 20% by Cornwall Council

In the current year, the surpluses generated by subsidiaries were £8k.

Surplus generation (exc. pension)

Actual	Target
0.6%	0.6%

Teaching income per academic FTE

Actual	Target
£202k	£197k

Cost of space (per sq.m.)

Actual	Target
£120	£128

Liquidity (current ratio)

Actual	Target
4.08	1.7

Liquidity (days)

Actual	Target
139	89

EBITDA

Actual	Target
£2.5m	£3.3m

Debt service costs

Actual	Target
4.0%	3.5%

Total debt: Total funds

Actual	Target
69%	62%

I&E Reserves (excl pension): Total income

Actual	Target
123%	96%

In addition, the University owns 50% in Falmouth Exeter Plus, a jointly controlled entity with the University of Exeter. Any surpluses generated by the subsidiaries are transferred under deed of covenant although, due to the decision to refund summer term rents to students following the national lockdown, a loss was recorded.

During the year, the University entered into a new agreement for the construction and operation of new student residences on a site adjacent to the Penryn Campus. As part of the transaction, the University has obligations in the event of a default which include indemnity provisions that will apply following the practical completion of the development in autumn 2021. At the year end, no financial obligation had crystallised as building works only commenced in May 2020.

Treasury policies and objectives

Treasury management is the management of the University's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The University has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Director of Finance. All other borrowing requires the authorisation of the Board of Governors.

Cash flows and liquidity

Cash flow from operating activities was £4.4m (2018/19 - £6.3m) with overall net cash flow increasing by £3.8m (2018/19 - £5.1m). This included the final drawdown of £3.9m from the loan with Royal Bank of Scotland, which meant that cash held at the year-end rose to £29.0m (2018/19 - £25.2m).

In total, the balance sheet shows borrowings of £12.8m although it should be noted that the University guarantees 50% of the loans within Falmouth Exeter Plus which are funded by income from student residences. At the year end, the value of this guarantee stood at £21.5m.

At the year end, all banking covenants were achieved with a temporary waiver necessary from one of our lenders based on the forecast deficits for the coming year.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires Universities, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 90%. During the year ended 31 July 2020, the University paid 85% of its invoices within 30 days. The University incurred no interest charges in respect of late payment for this period.

Trade Union (Facility Time Publication Requirements) Regulations 2017

These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation to assure value for money.

Number of trade union representatives: 5

Percentage of working hours spent on facility time:

0% of working hours: 1 representative

1 to 50% of working hours: 4 representatives

51 to 99% of working hours: 0 representatives

100% of working hours: 0 representatives

Percentage of pay spent on facility time: 0.01%

Percentage of total paid facility time hours spent on paid TU activities: 0.00%

Legal status

Falmouth University was established as a Higher Education Corporation on 1 April 1989 under the Education Reform Act 1988. The University was initially incorporated as Falmouth School of Art and Design. On 9 March 2004, the Privy Council granted the power to award taught degrees. On 10 December 2012, the Privy Council granted consent to change the name to Falmouth University.

The University is an exempt charity, registered with and regulated by the Office for Students (OfS). The members of the Board of Governors, who include the Vice-Chancellor & Chief Executive and Staff and Student Members, are the trustees of the charity (the membership of the Board of Governors is disclosed on page 44).

Falmouth University

Public Benefit Statement

Public Benefit Statement

As an exempt charity, Falmouth University and its Board of Governors have due regard to the Charity Commission's guidance on the reporting of public benefit and the supplementary public benefit guidance on the advancement of education. The University takes seriously its commitment to satisfy public benefit obligations.

The principal beneficiaries of the University's services are our students and the public at large (see 'Our Community', page 35).

In delivering our strategy, approved by the Board of Governors, the University provides the following key identifiable public benefits through the advancement of education:

- High quality courses and strong teaching and support services, that produce entrepreneurial graduates with strong career prospects, who are prepared to address the needs of the future economy
- Improving equality of opportunity for under-represented groups to access, succeed in and progress from Higher Education. Our Access and Participation Plans, approved by the sector regulator, the Office for Students, enable participation in our academic programmes by students from under-represented groups and those from low income households
- Long-term benefit to the regional economy through engagement with regional skills and enterprise agendas, and the creation of new companies, headquartered in Cornwall, in high growth sectors, through the Launchpad programme (inclusive of the Launchpad Outreach Project, see page 30)
- Carrying out research with social impact and publishing the results of the research, in accordance with our 2030 Research and Innovation Strategy. The terms and conditions of all externally funded research activity are assessed prior to acceptance in terms of public benefit



Statement of Corporate Governance

The Articles & Instrument of Government ('Articles') define the responsibilities of the Board of Governors, Academic Board and Vice-Chancellor & Chief Executive. The Articles are published in full on the University's Governance web page:

falmouth.ac.uk/governance

This statement covers the year ended 31 July 2020 and the period up to the date of approval of the financial statements.

The University is committed to exhibiting best practice in all aspects of corporate governance and conducts its business:

1. In accordance with the Office for Students' Good Governance Conditions of Registration (inclusive of upholding the public interest governance principles)
2. In accordance with the guidance to universities from the Committee of University Chairs (CUC) in:
 - The Higher Education Code of Governance 2020 ('The Code')
 - The Higher Education Senior Staff Remuneration Code 2018 ('The Remuneration Code')
3. Having due regard to the UK Corporate Governance Code as applicable to the higher education sector
4. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)

Board of Governors

The Board of Governors ('the Board') is the University's governing body, established in accordance with the Articles.

Responsibilities of the Board of Governors

The Board's responsibilities include determining the educational character and mission of the University, establishment and monitoring of systems of control and accountability, ensuring that systems are in place for meeting the University's legal and regulatory obligations, ensuring effective and efficient use of resources, and approving the annual budget and financial statements. The Board's responsibilities are published in full in the Statement of Primary Responsibilities on the University's Governance webpage:

falmouth.ac.uk/corporate/governance



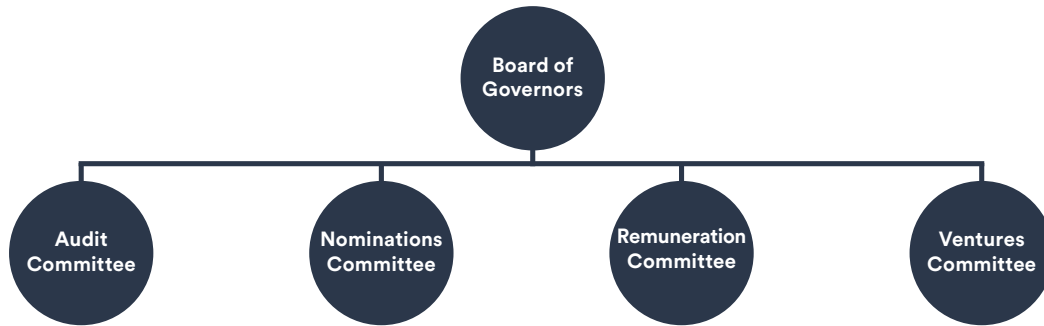
In respect of the financial statements, the Board of Governors responsibilities include:

- Appointment of the external auditors to ensure the financial statements give a true and fair view of the state of affairs of the group and parent University, of income and expenditure, gains and losses, and changes in reserves for that period
- Appointment of external auditors to ensure the financial statements have been prepared in accordance with the requirements of the terms and conditions of funding for higher education institutions from the Office for Students (OfS) and applicable law and regulations
- Assessing the group and parent University's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern (See 'Going Concern' page 47)
- Approval of the financial statements

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 targets, proposed capital expenditure, quality matters and personnel-related matters including performance against health and safety requirements and benchmarks.

The Board meets six times a year with provision for extraordinary meetings as required, and briefings are provided to Board Members in-between meetings as appropriate.

During the period of lockdown prompted by the COVID-19 pandemic, all scheduled Board and sub-committee meetings took place by video conference. In addition, a number of informal question and answer sessions were held between formal meetings from March 2020 onwards, to provide Board members with additional opportunities to consider the University's response to the pandemic and subsequent lockdown.



Membership of the Board of Governors

Each sub-committee of the Board has a Terms of Reference, approved by the Board and published in full on the University's Governance webpage:

falmouth.ac.uk/governance

Minutes of all meetings, except those deemed to be confidential by the Board, are available upon request from the Secretary to the Board of Governors.

All Members of the Board are able to undertake independent training and seek professional advice in furtherance of their duties at the University's expense and have access to the Secretary 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 Secretary are matters for the Board as a whole.

The Board has a strong and independent non-executive majority 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. Members of the Board of Governors acting as the Trustees of the University do not receive remuneration for their service on the Board, but are entitled to claim reasonable expenses incurred in undertaking their duties as Trustees. See page 68 for a breakdown of expenses.

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Nominations Committee, consisting of three members of the Board, which is responsible for the selection and nomination of any new member for the Board's consideration. Prior to the appointment of new Members of the Board of Governors an assessment is undertaken in respect of the nominee meeting the University's fit and proper person requirements. Members of the Board are appointed for up to two terms of office, each of four years.

Corporate governance effectiveness

In accordance with the Statement of Primary Responsibilities, the University undertakes periodic reviews of its corporate governance arrangements. The most recent review concluded in July 2017 and was undertaken by Uniac, Falmouth University's internal auditors. The University has appointed AdvanceHE to undertake the next external review of governance arrangements which will initiate in autumn 2020 using the Office for Students' ongoing conditions of registration as a key framework for the review.

Academic governance

The Academic Board is the University's senior academic governing body, established in accordance with the Articles.

The Academic Board's responsibilities include the quality and continuous improvement of the student academic experience, the quality and standards of the University's awards, and approval of new editions and revisions to academic regulations and policy. Academic Board provides the Board of Governors with assurance that the University's academic strategy, academic governance and academic practices are appropriate and effective. Academic Board's responsibilities are published in the Articles on the University's Governance webpage:

falmouth.ac.uk/corporate/governance

The University undertakes periodic reviews of academic governance arrangements. The most recent review concluded in February 2019, the outcomes of which were approved by the Board of Governors.



Membership of the Board of Governors serving during 2019-20

	Date of appointment	Term of office	Expiry of term	Status of appointment	Committees served	Attendance
Chris Pomfret OBE	1 Sep 2015	Second term	31 Aug 2023	Chair of the Board of Governors (Independent Member)	Nominations Committee (Chair), Remuneration Committee, Ventures Committee (Chair)	100%
Charles Wace	1 Sep 2015	Second term	31 Aug 2023	Deputy Chair of the Board of Governors (Independent Member)	Remuneration Committee (Chair), Ventures Committee	100%
Professor Anne Carlisle OBE	1 Sep 2009	Ex officio	-	Vice-Chancellor & Chief Executive		100%
Mark Carne CBE	1 Aug 2013	Second term	31 Jul 2021	Independent Member	Remuneration Committee	86%
Alison Cressey	1 Sep 2015	Second term	31 Aug 2023	Independent Member	Audit Committee, Nominations Committee	90%
Mandy Jandrell	24 May 2019	First term	23 May 2021	Academic Staff Member	-	100%
Tim Jones	1 Nov 2016	Second term		Independent Member	Audit Committee	100%
Duncan Leslie	1 May 2019	First term	30 Apr 2023	Independent Member	Audit Committee (Chair)	78%
Callie Edwards	1 Sep 2018	Second term	31 Aug 2020	Elected Student Member	-	100%
Bertrand Louveaux	1 Aug 2013	Second term	31 Jul 2021	Independent Member	Nominations Committee	100%
John Mathers	1 Sep 2015	Second term	31 Jul 2021	Independent Member	Audit Committee	89%
Alastair Osborn	1 Sep 2018	First term	31 Aug 2020	Co-opted Professional Services Staff Member	-	100%
Helen Owers	1 July 2019	First term	31 Aug 2023	Independent Member	Remuneration Committee (from 2020-21)	100%
Nanette Van Vliet	1 Sep 2019	First term	31 Aug 2020	Co-opted Member (Independent)	Audit Committee	100%

Leadership and management

The Vice-Chancellor & Chief Executive is the Accountable Officer, accountable to the Board of Governors and Office for Students (OfS). The Vice-Chancellor & Chief Executive's responsibilities include the organisation, direction and management of the University and leadership of its staff. The Vice-Chancellor & Chief Executive's responsibilities are published in the Articles on the University's Governance webpage.

The Vice-Chancellor & Chief Executive is advised by the Vice-Chancellor's Executive Group (VCEG), the senior advisory and executive decision-making group for the University, and its three sub-groups (Digital & IT Group, Equality, Diversity & Inclusion Group, and Health & Safety Group). VCEG's key purpose is to advise on the management and strategic direction of the University,

with a particular focus on the management of the University's financial and physical resources, staffing, monitoring of strategic and corporate compliance risks, and on the markets in which the University operates.

Register of interests

The University maintains a register of financial and personal interests of the Members of the Board and key post holders, which is updated and provided to the Board annually. Further to the annual update of the register, Members of the Board are required to declare any new interests, or interests related to the agenda at the start of each meeting.



Statement of Internal Control

The system of internal control includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors
- Regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against forecasts
- A clearly defined schedule of limits of authority, which is reviewed and agreed by the Board of Governors
- An ongoing process designed to identify and prioritise the risks to the achievement of University's strategic aims and compliance obligations, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically
- Setting targets to measure financial and other performance
- The adoption of formal project management disciplines, where appropriate

The Board is ultimately responsible for the University's system of internal control and for reviewing the effectiveness of these arrangements. The Board has delegated the day-to-day responsibility to the Vice-Chancellor & Chief Executive, as Accountable Officer, for maintaining a sound system of internal control that supports the achievement of the University's strategy, whilst safeguarding the public funds and assets for which she is personally responsible.

The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The system of internal control has been in place in Falmouth University for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Risk management

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments.

The Audit Committee and Board of Governors have regularly reviewed the key strategic, corporate compliance and financial risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate the risks.

The annual risk horizon scanning exercise has been undertaken by the senior management team and Audit Committee, and reported to the Board of Governors.

There is a formal ongoing process for identifying, evaluating and managing the University's risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts.

During the period, enhancements to risk management policy, processes and tools were implemented - digitising the approach to the management of risk information, and further embedding risk management culture across the University.

Internal audit

Falmouth University uses an internal audit service, whose work is informed by an analysis of the risks to which the University is exposed, and annual internal audit plans are based on this analysis. The work of the internal audit service, and the management response to recommendations of the internal auditors, is scrutinised by the Audit Committee.

At least annually the internal auditors provide the Board of Governors with a report on internal audit activity in the University. The report includes an independent opinion on the adequacy and effectiveness of the University's risk, internal control, and assurance framework.

Effectiveness of the system of internal control

The Vice-Chancellor's Executive Group has undertaken its annual review of the effectiveness of internal control arrangements for the period. No significant internal control weaknesses or failures had been identified during the financial year or prior to the signing of the financial statements.

This review is informed by:

- The work of the internal auditors and other external sources of assurances
- Comments made by the University's external auditors in their management letters and other reports
- The work of the executive managers within the University who have responsibility for the development and maintenance of the internal control framework

A proactive approach to the continuous improvement of the internal control framework had been demonstrated throughout the period.

The outcome of the review of the effectiveness of the University's internal control arrangements has been reviewed and endorsed by the Audit Committee.

Based on the advice of the Audit Committee and the Vice-Chancellor & Chief Executive, the Board is of the opinion that the University has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

Going concern

As part of the Board's consideration of the appropriateness of adopting the going concern basis in preparing the annual report and financial statements, a range of scenarios have been reviewed. The assumptions modelled were based on the estimated potential impact of COVID-19 restrictions, particularly in relation to student recruitment and retention, and our proposed responses and mitigating actions.

At the time of approving the financial statements, recruitment for the coming year is known with much more certainty; numbers have held up and are broadly in line with the forecasts and Business Plan approved by the Board. This Plan approved a deficit for the financial year 2020/21 drawing on reserves to enable us to invest in strategically important projects, including investment in online teaching and new product development.

As such, the Board considers that the University has adequate resources to continue in operational existence for the at least the next twelve months and it is appropriate to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Board on 20 November 2020 and signed on its behalf by:



Chris Pomfret OBE

Chair of the
Board of Governors

Professor Anne Carlisle OBE

Vice-Chancellor &
Chief Executive

Responsibilities of the Board of Governors in respect of the financial statements

The Board of Governors are responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Board of Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

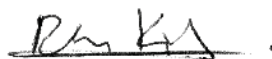
The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed:



20 November 2020

Dr Robin Kirby

**Strategic Advisor to the Vice-Chancellor
& Secretary to the Board of Governors**

Independent Auditor's Report to the Board of Governors of Falmouth University

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Falmouth University ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, Balance Sheets, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Report of the Governing Body, Public Benefit Statement and Statement of Corporate Governance. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors' responsibilities

As explained more fully in their statement set out on page 48, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions); and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 10b has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 6 to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988 (*for post-1992 institutions*). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Signed: 

Victoria Sewell

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP
22 January 2021



Falmouth University Consolidated and University Statement of Comprehensive Income for the Year Ended 31 July 2020

	Note	Year to	Year to	Year to	Year to
		31/7/20	31/7/20	31/7/19	31/7/19
		Group	University	Group	University
		£ (000)	£ (000)	£ (000)	£ (000)
Income					
Funding body grants	2	4,275	4,275	3,967	3,967
Tuition fees and education contracts	3	50,821	50,821	53,143	53,143
Research grants and contracts	4	746	746	1,026	1,026
Other income	5	6,248	6,247	6,504	6,483
Investment income	6	190	190	188	188
Total income		62,280	62,279	64,828	64,807
Expenditure					
Staff costs	7	28,920	28,950	27,182	27,193
Other operating expenses	8	28,662	28,629	30,172	30,136
Depreciation	11	3,904	3,904	3,651	3,651
Interest and other finance costs	9	644	644	641	641
		62,130	62,127	61,646	61,621
Surplus before other gains and share of jointly controlled entity		150	152	3,182	3,186
Loss on disposal of assets		-	-	(60)	(60)
Share of operating (deficit) in jointly controlled entity	12	(1,690)	-	(66)	-
(Deficit)/surplus before tax and surplus for year		(1,540)	152	3,056	3,126
Actuarial (loss) in respect of pension schemes		(11,595)	(8,419)	(3,839)	(2,805)
Total comprehensive income for the year		(13,135)	(8,267)	(783)	321

All income relates to continuing operations.

The notes on pages 56 to 83 form an integral part of the financial statements.

Falmouth University Consolidated and University Statement of Changes in Reserves for the Year Ended 31 July 2020

Group	Income & expenditure account	Income & expenditure account	Revaluation reserve	Non controlling interest	Total
	Restricted	Unrestricted			
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Balance at 1 August 2018	27	49,295	13,972	-	63,294
Surplus from the income and expenditure statement	-	3,056	-	-	3,056
Other comprehensive income	-	(3,839)	-	-	(3,839)
Non-controlling interest share capital	-	-	-	10	10
Transfers between revaluation and income and expenditure reserve	-	260	(260)	-	-
Balance at 31 July 2019	27	48,772	13,712	10	62,521
Surplus from the income and expenditure statement	-	(1,538)	-	(2)	(1,540)
Other comprehensive income	-	(11,595)	-	-	(11,595)
Transfers between revaluation and income and expenditure reserve	-	260	(260)	-	-
Balance at 31 July 2020	27	35,899	13,452	8	49,386

University	Income & expenditure account	Income & expenditure account	Revaluation reserve	Total
	Restricted	Unrestricted		
	£ (000)	£ (000)	£ (000)	£ (000)
Balance at 1 August 2018	27	49,822	-	49,849
Surplus from the income and expenditure statement	-	3,126	-	3,126
Other comprehensive income	-	(2,805)	-	(2,805)
Balance at 31 July 2019	27	50,143	-	50,170
Surplus from the income and expenditure statement	-	152	-	152
Other comprehensive income	-	(8,419)	-	(8,419)
Balance at 31 July 2020	27	41,876	-	41,903

The notes on pages 56 to 83 form an integral part of the financial statements.

Consolidated and University Statement of Financial Position at 31 July 2020

		Group 2020	University 2020	Group 2019	University 2019
	Note	£ (000)	£ (000)	£ (000)	£ (000)
Fixed assets					
Tangible assets	11	112,829	112,800	111,756	111,727
Investment in subsidiary undertakings	12	-	4	-	4
Investment in associates	12	28	28	28	28
Interest in jointly controlled entity	12	7,457	-	12,323	-
		120,314	112,832	124,107	111,759
Current assets					
Trade and other receivables	13	2,301	2,510	3,790	3,885
Cash at bank and in hand		29,060	28,773	25,199	25,025
		31,361	31,283	28,989	28,910
Less: Creditors – amounts falling due within one year	14	(7,680)	(7,603)	(8,387)	(8,311)
Net current assets		23,681	23,680	20,602	20,599
Total assets less current liabilities					
Less: Creditors – amounts falling due after more than one year	15	(66,516)	(66,516)	(64,425)	(64,425)
Provisions					
Pension provision		(27,454)	(27,454)	(17,120)	(17,120)
Other provisions	16	(639)	(639)	(643)	(643)
Net assets		49,386	41,903	62,521	50,170
Restricted reserves					
Income and expenditure – endowments	17	27	27	27	27
Unrestricted reserves					
Income and expenditure account		35,899	41,876	48,772	50,143
Revaluation reserve	18	13,452	-	13,712	-
Minority interest		8	-	10	-
Total reserves		49,386	41,903	62,521	50,170

The notes on pages 56 to 83 form an integral part of the financial statements.

The financial statements on pages 52 to 83 were approved by the Board of Governors on 20 November 2020 and signed on its behalf by:



Chris Pomfret OBE
Chair of the
Board of Governors

Professor Anne Carlisle OBE
Vice-Chancellor
& Chief Executive

Falmouth University Consolidated Cash Flow Statement for the Year Ended 31 July 2020

	Year to 31/7/20		Year to 31/7/19	
	£ (000)	£ (000)	£ (000)	£ (000)
Cash flow from operating activities				
(Deficit)/surplus for the year		(1,540)		3,056
Adjustment for non-cash items				
Depreciation		3,904		3,651
Deferred capital grants released		(1,819)		(1,789)
Decrease in stock		-		55
Increase/(decrease) in debtors		620		(1,123)
(Decrease)/increase in creditors		(451)		761
Increase in pension provision		1,521		1,144
Decrease in other provisions		(4)		(13)
Share of operating deficit in jointly controlled entity		1,690		66
Loss on disposal of assets		-		60
Minority interest		(2)		10
Adjustment for investing or financing items				
Investment income		(190)		(188)
Interest payable		644		641
Net cash inflow from operating activities		4,373		6,331
Cash flow from investing activities				
Deferred capital grants received	760		1,922	
Investment income	196		181	
Investments	-		(2)	
Payments made to acquire fixed assets	(4,941)		(4,830)	
		(3,985)		(2,729)
Cash flows from financing activities				
Interest paid	(229)		(260)	
New bank loan received	3,925		2,000	
Loan repayments in year	(251)		(251)	
		3,445		1,489
Increase in cash and cash equivalents in the year		3,833		5,091
Cash and cash equivalents at the beginning of the year		25,190		20,099
Cash and cash equivalents at the end of the year		29,023		25,190

The notes on pages 56 to 83 form an integral part of the financial statements.

Notes to the consolidated financial statements for the year ended 31 July 2020

1 - Principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention.

Judgements made by management, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed below.

Going concern

The Group and parent University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Report of the Governing Body. The Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors considers to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. Scenarios modelled included the impact of modified delivery for an extended period, reductions in student enrolments, and even delays to the start of the academic year. After reviewing these forecasts the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Consequently, the Board of Governors has prepared the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the University and its subsidiary companies, Falmouth Enterprises Limited, Falmouth Staffing Limited, Falmouth Agency Limited and Falmouth Ventures Limited. Intra-group sales and profits are eliminated fully on consolidation.

The 50% holding in the FX Plus Group represents an interest on a long-term basis which is jointly controlled with another party. As such the arrangement is treated as a jointly controlled entity and is accounted for using the equity method.

The University's policy is to consolidate the Students' Union only if its operations are material and if the University, at such time, is exercising significant influence on Union policy. Should the operation expand and become material it is likely that it would be more autonomous and independent of the University. The University does not currently consolidate the Students' Union on the basis that it does not exercise control.

Accounting estimates and judgements

Key sources of estimation uncertainty

The University makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 11 for the carrying amount of the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Impairment of debtors

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

Pensions

FRS102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the University's retirement benefit obligation and pension assets.

There has been a change of accounting estimate under FRS102 10.18 in relation to the derivation of the CPI assumption, with the CPI assumption now being 0.1% higher than it would have been under the previous methodology. The impact is expected to be a circa £1,630k increase in the defined benefit obligation.

Provisions

The University calculates provisions for enhanced pension payments using the 10 year gilt yield index. The provision for relocation costs assume that eligible staff will claim the maximum agreed sum.

Critical accounting judgements in applying the University's accounting policies

There are no such judgements in either the current or prior year.

Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income on a receivable basis.

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

Grant funding

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

Donations and endowments

Non exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Pension schemes

Retirement benefits for the employees of the University are provided by the Teachers' Pension Scheme (TPS) for academic staff and by the Cornwall Council (CC) Superannuation Scheme for non-academic staff. A small number of employees are members of the Universities Superannuation Scheme (USS). These are defined benefit schemes which are contracted out of the State Earnings Related Pension Scheme. CC and USS are funded schemes and are valued every three years by professionally qualified independent actuaries.

TPS and USS are multi-employer schemes for which it is not possible to identify the assets and liabilities to the University's members due to the mutual nature of the schemes and therefore these schemes are accounted for as defined contribution retirement benefit schemes.

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

Defined Contribution Plan

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

Defined Benefit Plan

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

The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University's income statement in the year that the staff member retires. The provision is calculated based on the total capital cost with an allowance for future investment returns in excess of inflation.

The provision set up is shown in note 16 and will be released each year in line with payments made and changes in the assumptions.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Repairs and maintenance

The University has a five-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. Expenditure on long term maintenance which does not either enhance an asset beyond its original condition or increase its expected economic life; and expenditure on all routine corrective maintenance, is charged to the income statement as incurred.

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the whole term of the lease including extension options.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Resulting exchange differences are included in the Statement of Comprehensive Income for the financial year.

Tangible fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on the date of transition to the 2015 FE HE SORP were measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The revaluation reserve was transferred to the income and expenditure reserve as assets are no longer being revalued.

A gain or loss on disposal of fixed assets is calculated as disposal proceeds less net book value brought forward at the date of disposal.

Land and buildings

Freehold land is not depreciated. Buildings are stated at cost and endowment assets are valued at market valuation on donation. Buildings and associated capital works are depreciated over their expected useful lives of 50 years (freehold) or the period of the lease (leasehold).

An impairment review of a fixed asset is carried out if events or changes in circumstance indicate that the carrying amount of the fixed asset may not be recoverable.

Finance costs on associated loans from third parties that are directly attributable to the purchase of land or the construction of buildings are capitalised during the construction period but, thereafter, are not capitalised as part of the costs of those assets but are shown as interest payable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates, contractor claims that are substantiated and other direct costs incurred to 31 July 2020. They are not depreciated until they are brought into use.

Fixtures, fittings and equipment

Equipment, including computers and software, costing less than the de minimis threshold of £5,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Computers and equipment	- 4 years
Motor vehicles	- 4 years
Musical instruments	- 10 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Accounting for goodwill and intangible fixed assets

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its net assets at the date of acquisition. Goodwill is amortised over its estimated economic life. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment.

Investments

Non-current investments are included in the balance sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit for the year.

Stock

Stocks of materials for sale are valued at the lower of cost and net realisable value where cost is taken as that incurred in bringing each product to its present location and condition.

Cash and cash equivalents

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

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

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

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

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

Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The University accounts for its share of jointly controlled entities using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Comprehensive Income.

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) 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 University receives no similar exemption in respect of Value Added Tax and falls under the partial exemption regime so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

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 provided where they are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Reserves

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

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

The revaluation reserve has been transferred to the income and expenditure reserve as assets are no longer being revalued.



2 Funding body grants

	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
OfS recurrent grant	3,453	3,453	3,156	3,156
OfS deferred capital grants released in year				
- Buildings	321	321	321	321
- Equipment	501	501	490	490
	4,275	4,275	3,967	3,967

3 Tuition fees and education contracts

	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Full-time students	47,831	47,831	49,387	49,387
Full-time students charged overseas fees	2,758	2,758	3,492	3,492
Part-time students	106	106	161	161
Research fees	126	126	103	103
	50,821	50,821	53,143	53,143

4 Research grants and contracts

	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Other contracts	746	746	1,026	1,026
	746	746	1,026	1,026

5 Other income

	Group 31/7/20	University 31/7/20	Group 31/7/19	University 31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Other income generating activities	84	64	182	132
Residences and catering operations	691	691	945	945
Other income (including European grants)	4,230	4,249	4,077	4,106
Recharges for the provision of combined services	246	246	322	322
Deferred capital grants	997	997	978	978
	6,248	6,247	6,504	6,483

6 Endowment and investment income

	Group 31/7/20	University 31/7/20	Group 31/7/19	University 31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Bank deposit interest	190	190	188	188
	190	190	188	188

The source of grant and fee income, included in notes 2 to 4 is as follows:

	Group 31/7/20	University 31/7/20	Group 31/7/19	University 31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Grant income from the OfS	4,275	4,275	3,967	3,967
Grant income from other bodies	746	746	1,026	1,026
Fee income for research awards	126	126	103	103
Fee income from non-qualifying courses	-	-	-	-
Fee income for taught awards	50,695	50,695	53,040	53,040
	55,842	55,842	58,136	58,136

7 Staff costs

	Group 31/7/20	University 31/7/20	Group 31/7/19	University 31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Wages and salaries	21,038	21,362	20,581	20,592
Social security costs	2,137	1,991	2,056	2,056
Other pension costs	5,745	5,597	4,545	4,545
	28,920	28,950	27,182	27,193

Note: included in staff costs is a payment for loss of office of £nil (2019: £9,309 for one member of staff).

Approach to remuneration

a) The competitive environment

Falmouth is specialist University and Creative Innovation Hub, with more than 6,000 students. The University operates in the UK, EU and international student markets for undergraduate, master's level and PhD programmes. The University operates innovation, research and commercial ventures programmes for regional, national and international impact.

The University's ambitious 2030 Strategy commits the institution to major growth in student numbers over the next decade through diversification of academic programmes, and to a major rebalancing of income sources through innovation, research and commercial ventures. The full strategy can be viewed here:

falmouth.ac.uk/corporate/strategicplan

b) Remuneration Policy

The policy for the Senior Management Team Performance Related Pay Scheme can be found here:

falmouth.ac.uk/corporate/regulatory-information

and this sets out the principles and process to be followed in determining variable pay across the institution.

Variable pay is determined following an assessment of both the financial performance of the institution and also an assessment of performance against personal objectives as set out in the annual performance appraisal process.

Base pay is reviewed for each designated post-holder and this is considered in two distinct areas:

Cost of living: Consideration is given on whether any inflationary increase to base pay should be made to reflect cost of living pressures. In reaching this decision the committee consider a range of inflation indices, the trend of these over the year as well as considering the outcome of the annual New JNCHES pay negotiations. Any decision to apply a cost of living increase to base pay would be applied equally to all designated post-holders.

Individual base pay: Separately to the decision on cost of living the committee will also consider individual base pay to see whether the remuneration for the role has become out of kilter with the market. In order to undertake this analysis data published by the Universities and Colleges Employers Association is used to benchmark across relevant institutions in the sector as well as looking at analysis of internal salary distributions and giving consideration to any changes or developments to the role during the period that may justify an amendment to remuneration.

Institutional performance

c) Performance pay

As set out in the Remuneration Policy:

falmouth.ac.uk/corporate/regulatory-information

performance pay is based on two components: (i) institutional performance based on achievement of the target annual surplus; and (ii) individuals' achievement of their personal objectives in relation to the Strategic Plan (2030 Strategy). For (ii) individuals work to annually agreed, measurable objectives agreed with their line manager. For (ii), the Remuneration Committee considers written reports on achievement of, or progress against, their objectives, with relevant supporting commentary and data. Staff are not grouped into categories of performance but are considered on an individual basis.

In reaching any decision about performance related pay the committee give due consideration to a range of factors including:

- The financial performance of the University
- Levels of student recruitment
- Retention and satisfaction
- Development of partnerships, research and innovation programmes, commercial ventures, and external relations that help to diversify Falmouth University's academic portfolio and income streams as well as embed the University as an anchor institution for supporting the Cornish economy

To assist in these deliberations the committee are presented with the following:

- Information detailing the institution-wide performance metrics
- An assessment of each individual's performance against agreed objectives
- Benchmarking data for base salary of comparator roles

Important note on deferral of performance related pay awards

Due to the unique context in which Remuneration Committee decisions were made in 2020, including ongoing financial risks to the Higher Education sector in the context of COVID-19 and associated public health measures, the Remuneration Committee decided to **defer the confirmation and payment of all PRP awards pertaining to 2019-20, until February 2021.**

Confirmation and payment of PRP awards will be subject to the Committee's review of student retention rates for 2020-21 at the key census point of 1 February 2021.

If PRP is not awarded for 2019-20, the relevant amounts will be credited to the 2020-21 accounts.

d) Institutional performance in relation to key indicators for performance pay

In 2019/20, the University met and exceeded its target surplus, as detailed in the published annual accounts. Therefore, this component of Performance Related Pay was released. Other key indicators considered in relation to personal objectives included the following:

Student recruitment: achievement of revised, undergraduate full time target for 2019/20 enrolments, recognising a year-on-year decrease of 9.2% against the previous years' enrolments at the same date. Whilst this does represent a year-on-year decrease this was considered within the context of a reduction in student numbers across the entire sector due to demographic factors and a more marked decrease in applications to subjects in the creative industries, highlighting that the University's recruitment performance remained in line within the wider sector changes.

Student retention: achievement of 92.7% retention against a target of 93%.

National student survey: achievement of target of 82% for satisfaction with student support; achievement of target of 77% for satisfaction with assessment and feedback; score of 83% against a target of 85% for satisfaction with teaching on the course.

e) Total funds distributed for performance pay

Subject to the note on deferral of confirmation of awards on the previous page, the total value of all payments awarded by the Remuneration Committee for the 2019/20 period would be £113,231.

Note: the Remuneration Committee decided not to award cost of living increases to base pay for Designated Post Holders for 2019/20.

f) Aggregate disclosure of how funds for performance pay were distributed

Subject to the note on deferral of confirmation of awards on the previous page, the total funds would be paid across 17 people, including the Vice-Chancellor & Chief Executive, in the following bands:

Value of performance pay	Number of recipients
Less than £5,000	6
£5,000 – £9,999	7
£10,000 - £14,999	3
£15,000 – 19,999	0
£20,000 +	1

g) Assessment of the Vice-Chancellor's performance

In assessing the Vice-Chancellor's performance for 2019-20, the Remuneration Committee considered the following:

- Key metrics, including the challenging financial environment, partial achievement of institutional targets for income, and partial achievement of teaching excellence metrics including key NSS scores and student retention rates
- Full achievement of all personal objectives agreed with the Chair of the Board in 2019-20

h) Total remuneration for the Vice-Chancellor

Following deliberations at Remuneration Committee the decisions for the Vice-Chancellor's remuneration, along with comparisons against the previous year, are shown in the table below:

Remuneration for the Vice Chancellor & Chief Executive	2019 20	2018-19
Salary	£228,689	£224,645
Performance-related pay	£18,295*	£25,273
Benefits	£3,371	£3,302
Subtotal	£250,355	£253,220
Pension / payment in lieu of pension costs	£33,114	£32,529
Total	£283,469	£285,749

*confirmation of performance related pay deferred to February 2021, per the note on the previous page.

i) Pay multiples

The Remuneration Committee also notes the requirement to consider and publish the pay multiple of the Vice-Chancellor in comparison to the rest of the organisation.

It is noted that the calculation required by the Committee of University Chairs' Senior Staff Remuneration Code differs slightly from the calculation required by the Office for Students Accounts Directions and therefore for clarity each ratio is published below. The following ratios factor in payment of Performance Related Pay for 2019-20, confirmation of which has been deferred to February 2021.

Using the CUC directed calculation, the pay multiple of the Vice- chancellor and the median earnings of the institutions whole workforce is 6.99.

Using the OfS directed calculation, the pay multiple of the Vice- chancellor and the median earnings of the institutions whole workforce is 6.4.

Using the OfS directed calculation, the total remuneration multiple of the Vice- chancellor and the total remuneration earnings of the institutions whole workforce is 6.63.

External appointments and expenses

It is often helpful to the University for its staff to hold non-executive director or trustee roles. Any such appointment is agreed in advance with the line manager, including any declaration of income to be received.

The Vice-Chancellor holds the following external appointments:

- Current Directorships of:
 - Falmouth Staffing Ltd
 - Falmouth Agency Ltd
 - Falmouth Enterprises Ltd
 - Falmouth Ventures Ltd
 - CIRCA Publications

Whilst not formal appointments, the Vice-Chancellor & Chief Executive also sits on a number of boards where this develops a wider network that is advantageous to the University (none of these appointments are remunerated):

- Pydar Street Strategic Advisory Panel
- Cornwall & Isles of Scilly Executive Group
- Cornwall & Isles of Scilly LEP Creative Industries Taskforce
- JISC Learning & Teaching Reimagined Advisory Board
- Universities UK
- Universities UK All-Party Parliamentary Group
- Universities UK Innovation & Growth Policy Network

The University has a single scheme for payment of expenses that is applicable to all employees.



Basic salary of higher paid staff excluding Vice Chancellor (excluding employer's pension contributions):				
	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	Number	Number	Number	Number
£100,000 - £104,999 pa	1	1	1	1
£105,000 - £109,999 pa	-	-	1	1
£110,000 - £114,999 pa	1	-	-	-
£115,000 - £119,999 pa	-	-	1	1
£120,000 - £124,999 pa	1	1	-	-
£125,000 - £129,999 pa	-	-	1	1

Average staff numbers (FTEs) by major category:	Number	Number	Number	Number
Academic departments	301	280	296	296
Research & innovation	13	10	10	10
Academic support services	53	40	41	41
Administration	113	88	114	114
Premises	-	-	-	-
	480	418	461	461

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The University views its Vice-Chancellor's Executive Group (VCEG) as its key management personnel.

Vice-Chancellor's Executive Group:

Vice-Chancellor & Chief Executive

Provost (from July 2020)

Deputy Vice-Chancellor Research and Innovation (from May 2020)

Chief Operating Officer

Director of Human Resources (to February 2020)

Director of Finance

Director of Innovation and Research Funding (to March 2020)

Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors

Chief Marketing Officer

Staff costs includes compensation paid to key management personnel.

	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Key management personnel remuneration	1,000	1,000	1,097	1,097

Governors acting as Trustees

No governor has received any remuneration or waived payments from the group during the year (2019: none).

The total expenses paid to or on behalf of five governors was £3,689 (2018/19: £5,710 paid to nine governors). This represents travel and subsistence expenses incurred in attending Board, committee meetings and charity events in their official capacity.



8 Other operating expenses

	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
Teaching materials and expenses	3,890	3,890	3,969	3,969
Partnership teaching costs	5,877	5,877	5,461	5,461
Library and learning resource costs	1,650	1,650	1,767	1,767
IT support costs	2,230	2,230	2,016	2,016
Student support costs	1,913	1,913	1,697	1,697
Recruitment and restructuring costs	298	298	232	232
Research costs	582	582	604	604
Auditors remuneration - external audit fees	63	62	54	49
Auditors remuneration - internal audit fees	40	40	47	47
Auditors remuneration - non audit fees	-	-	-	-
Administrative expenses	3,125	3,107	2,742	2,738
Residential development fees	-	-	50	50
Advertising and promotional expenses	1,889	1,889	2,186	2,186
Bursaries payable	755	755	1,728	1,728
Heat, light, rates and water	1,239	1,239	1,490	1,490
Repairs and maintenance to premises	4,425	4,425	5,243	5,243
Inter-campus transport	133	133	204	204
Rents and property leases	140	140	64	64
Other income generation costs	413	399	618	591
	28,662	28,629	30,172	30,136

9 Interest and other finance costs

	Group	University	Group	University
	31/7/20	31/7/20	31/7/19	31/7/19
	£ (000)	£ (000)	£ (000)	£ (000)
On bank loans not wholly repayable within five years	250	250	267	267
Pension finance costs	394	394	374	374
	644	644	641	641

10a Analysis of 2019/20 expenditure by activity - Group

	Staff costs	Other operating expenses	Depreciation	Interest payable	2019/20 Total	2018/19 Total
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Academic departments	17,219	9,860	1,044	-	28,123	26,712
Academic support services	1,917	4,440	399	-	6,756	6,084
Research grants and contracts	1,130	582	-	-	1,712	1,884
Residences and catering	337	338	-	-	675	1,007
Premises	-	5,937	2,432	250	8,619	9,714
Administration and central services	8,021	7,424	13	394	15,852	15,903
Other services	296	81	16	-	393	342
Total	28,920	28,662	3,904	644	62,130	61,646

The depreciation charge has been funded by:

Deferred capital grants	1,425
General income	2,479
	3,904

10b Access and participation

	Group	University
	31/7/20	31/7/20
	£ (000)	£ (000)
Access investment	1,373	1,373
Financial support	805	805
Disability support	599	599
Research and evaluation	142	142
	2,919	2,919

Costs of £1.031m are included in the staff cost figures included elsewhere in the financial statements, see note 7.

The basis of preparation for the above expenditure is:

- Financial support includes the direct payments of bursaries, hardship awards, and other direct financial support given to underrepresented and disadvantaged students
- Other expenditure headings include direct expenditure incurred plus allocations of staff time and non-pay expenditure
- Disability support costs are partly funded by student fee income and partly by Student Premium funding received from the Office for Students specifically for disabled student support. A proportion of capital spend has been included relating to provisions for disabled access

The OfS guidance allows for the selection of different, but acceptable categorisation techniques which can result in different measurements of categories of eligible access and participation expenditure and can affect comparability. The precision of different categorisation techniques may also vary.

11 Fixed asset schedule

Group	Assets in the course of construction £ (000)	Land and buildings £ (000)	Fixtures, fittings and equipment £ (000)	Total £ (000)
Cost or valuation				
B/f as at 1 August 2019	911	118,211	21,514	140,636
Additions	2,380	648	1,949	4,977
Transfers	(223)	52	171	-
Disposals	-	-	(9)	(9)
C/f as at 31 July 2020	3,068	118,911	23,625	145,604
Depreciation				
B/f as at 1 August 2018	-	10,122	18,758	28,880
Charge for the year	-	2,241	1,663	3,904
Depreciation on disposals	-	-	(9)	(9)
C/f as at 31 July 2020	-	12,363	20,412	32,775
Net book value				
As at 31 July 2019	91	108,089	2,756	111,756
As at 31 July 2020	3,0681	106,548	3,213	112,829

University

Cost or valuation				
B/f as at 1 August 2019	911	118,295	21,175	140,381
Additions	2,380	648	1,949	4,977
Transfers	(223)	52	171	-
Disposals	-	-	(9)	(9)
C/f as at 31 July 2020	3,068	118,995	23,286	145,349
Depreciation				
B/f as at 1 August 2019	-	10,122	18,532	28,654
Charge for the year	-	2,241	1,663	3,904
Depreciation on disposals	-	-	(9)	(9)
C/f as at 31 July 2020	-	12,363	20,186	32,549
Net Book Value				
As at 31 July 2019	911	108,173	2,643	111,727
As at 31 July 2020	3,068	106,632	3,100	112,800

Land and buildings have previously been revalued in accordance with the old basis of accounting (2007 SORP) and on transition to FRS 102. The valuations as at the date of transition have been taken as deemed cost.

Land and buildings were professionally valued on the basis of depreciated replacement cost by Alder King, Chartered Surveyors, Newham Road, Truro on 31 July 2014. Properties have been valued on the basis of depreciated replacement cost.

12 Investment assets

	Group 2020	University 2020	Group 2019	University 2019
	£ (000)	£ (000)	£ (000)	£ (000)
Investment in subsidiary companies	-	4	-	4
Interest in associates	28	28	28	28
Interest in jointly controlled entity	-	-	-	-
	28	32	28	32

The University owns 100% of the issued share capital of the following companies:

Name	Company registered number
Falmouth Enterprises Limited (FEL)	2517317
Falmouth Ventures Limited	10720916
Falmouth Agency Limited	11105902
Falmouth Staffing Limited	11578921

The principal activity of FEL is the provision of services to businesses which include the use of the Media, Photography, Performance and Design Centres' facilities and staff expertise.

Falmouth Ventures Limited has been set up to hold Launchpad activity. The accounts of Falmouth Ventures Limited are unaudited as it has claimed exemption under s479A Companies Act 2006. The University has provided a guarantee in respect of all of the company's outstanding liabilities at 31 July 2020.

The principal activity of Falmouth Agency Limited is the operation of an employment agency for student workers. The accounts of Falmouth Agency Limited are unaudited as it has claimed exemption under s479A Companies Act 2006. The University has provided a guarantee in respect of all of the company's outstanding liabilities at 31 July 2020.

The principal activity of Falmouth Staffing Limited is the provision of human resources for professional services staff. The accounts of Falmouth Staffing Limited are unaudited as it has claimed exemption under s479A Companies Act 2006. The University has provided a guarantee in respect of all of the company's outstanding liabilities at 31 July 2020.

All of the above are companies registered in England.

The University also owns 50% of Falmouth Exeter Plus (FX Plus); a company limited by guarantee which in turn owns 100% of the issued share capital (100 £1 Ordinary Shares) in Tremough Development Vehicle Ltd (TDV) and 100% of the issued share capital (2 £1 Ordinary Shares) in Cornwall Plus Limited. These jointly controlled entities with University of Exeter (UoE) have been established to provide the operational aspects (through FX Plus and Cornwall Plus) and construction (through TDV) of the Penryn campus.

The objects of FX Plus are to advance the education of the public by providing and assisting in the provision of higher education facilities in Cornwall.

In accordance with FRS 102, the Group is required to disclose its share of assets and liabilities in FX Plus. As at the year end these were as follows:

	2020 £ (000)	2019 £ (000)
Share of fixed assets	40,075	40,848
Share of current assets	1,214	2,623
Share of current liabilities	(3,468)	(3,348)
Share of long-term liabilities	(20,736)	(22,118)
Share of pension liability	(9,628)	(5,682)
	7,457	12,323
Share of income	14,680	16,205
Share of deficit for the year	(1,690)	(66)
Share of total comprehensive income	(4,866)	(1,100)

Interest in associates comprises:

Name	Company number	Shares	% shareholding
Hertzian Limited	09753777	302	24.7
Stormtide Limited	09757655	255	25

The above companies are spin-out companies mentored by the University. Shares in these companies are gifted on incorporation. No value has been included in the financial statements on the basis that they are not material.

Other non-current investments of the University comprise:

Name	Company number	Shares	% shareholding
Atlantic Press Limited	05122849	10	10
Stream TV Limited	08471003	100	5

Shares in these companies were gifted to the University and no value was attributed on acquisition.

All companies are registered in England and Wales and operate in the UK.

13 Debtors

	Group	University	Group	University
	2020	2020	2019	2019
	£ (000)	£ (000)	£ (000)	£ (000)
Fees and charges	861	861	489	489
Trade debtors	325	324	360	354
Prepayments and accrued income	786	781	696	695
ERDF and ESF grants due	275	275	2,002	2,002
Amounts owed by group undertakings	-	215	-	102
Sundry debtors	530	530	557	557
Bad debt reserve	(476)	(476)	(314)	(314)
Total	2,301	2,510	3,790	3,885

14 Creditors – amounts falling due within one year

	Group	University	Group	University
	2020	2020	2019	2019
	£ (000)	£ (000)	£ (000)	£ (000)
Bank loan	408	408	251	251
Bank overdraft	37	37	9	9
Trade creditors	310	310	660	658
Accruals and deferred income	5,670	5,649	6,044	5,993
Social security and other taxation	1,019	963	890	868
Amounts owed to jointly controlled entities	191	191	501	501
Other creditors	45	45	32	31
	7,680	7,603	8,387	8,311

Deferred income includes grants receivable in respect of funding for construction costs of the buildings at Penryn. Funders include the Ministry of Housing, Communities and Local Government, and Cornwall Council.

15 Creditors – amounts falling due after more than one year

	Group and University	
	2020	2019
	£ (000)	£ (000)
Accruals and Deferred income	54,150	55,577
Bank loans	12,366	8,848
	66,516	64,425

	Group and University	
	2020	2019
	£ (000)	£ (000)
Amounts repayable on loans:		
In one year or less	408	251
In more than one year but not more than two years	831	347
In more than two years but not more than five years	2,441	1,773
In more than five years	9,094	6,728
	12,774	9,099

	Amount	Term	Interest rate
	£ (000)		%
Lloyds Bank plc	149	2022	0.2% above base rate
Lloyds Bank plc	2,625	2035	2.25% above base rate
RBS	10,000	2027	1.3% above base rate
	12,774		

16 Provisions for liabilities

Group & University	Enhanced Pension Provision	Relocation costs	Total
	£ (000)	£ (000)	£ (000)
Balance at 1 August 2019	614	29	643
Transferred from Income and expenditure	-	72	72
Utilised in the year	(47)	(29)	(76)
Balance at 31 July 2020	567	72	639

The enhanced pension provision represents an estimate of the expected future cost of enhancements to the pensions of qualifying staff. These have been negotiated on an individual basis with staff taking early retirement, or in two cases, have been inherited as part of contractual terms. The number of employees to which the pension relates was 16 at 31 July 2020. The provision is calculated based on the total capital cost with an allowance for future investment returns in excess of inflation.

Provision has also been made for relocation costs of up to £8,000 less amounts already claimed per employee expected to relocate. The number of employees to which the provision relates was 17.

17 Endowments

Permanent and expendable endowments	Group and University	
	2020	2019
Balance brought forward	£ (000) 27	£ (000) 27
Bursaries awarded	-	-
Balance carried forward	27	27

Endowment assets relate to two Denis Mitchell sculptures and a Michael Finn painting donated to and held in the University at valuation.

18 Revaluation reserve

	Group 2020	University 2020	Group 2019	University 2019
	£ (000)	£ (000)	£ (000)	£ (000)
Balance brought forward	13,712	-	13,972	-
Share of movement in jointly controlled entity's revaluation reserve	(260)	-	(260)	-
	13,452	-	13,712	-

19 Analysis of changes in net funds

	At 31 July 2019	Cashflows	At 31 July 2020
	£ (000)	£ (000)	£ (000)
Cash and cash equivalents	25,199	3,861	29,060
Overdraft	(9)	(28)	(37)
Total	25,190	3,833	29,023

20 Consolidated reconciliation of net funds

	31 July 2020	
	£ (000)	
Net funds 1 August 2019	16,091	
Movement in cash and cash equivalents	3,833	
Other non-cash changes	(3,675)	
Net funds at 31 July 2020	16,249	

Analysis of net funds:	31 July 2020	31 July 2019
	£ (000)	£ (000)
Cash and cash equivalents	29,060	25,199
Borrowings: amounts falling due within one year		
Secured loans	(408)	(251)
Bank Overdraft	(37)	(9)
	(445)	(260)
Borrowings: amounts falling due after more than one year		
Secured loans	(12,366)	(8,848)
	(12,366)	(8,848)
Net funds	16,249	16,091



21 Pension schemes (Group and University)

The University's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) and the Cornwall Pension Fund. The total pension cost for the period was as follows:

	31/7/20 £ (000)	31/7/19 £ (000)
CC Pension Scheme: Charge to the Income and expenditure account (note 7)	3,335	3,045
USS Pension Scheme: contributions paid (note 7)	10	11
Teachers' Pension Scheme: contributions paid (note 7)	2,205	1,489
	5,550	4,545
Enhanced pension charge to Income and expenditure account (note 16)	47	47
Total pension cost for the year	5,597	4,592

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme is accounted for as a defined contribution pension scheme on the basis that it is not possible for the scheme to separately identify the University's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities (LAs), to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or a change of contract. Teachers are able to opt out of the TPS.

Although teachers are employed by LAs and various other bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account will be credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

No less than every four years, with a supporting interim valuation in-between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

Contributions are assessed in two parts. Firstly, a standard contribution is determined. This is the contribution, expressed as a percentage of the salary of a teacher/lecturer entering service, which would defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by normal contributions to be paid in future and by the fund built up from past contributions.

The last valuation of the TPS was carried out as at 31 March 2016. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £218,100m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £196,100m. The assumed real rate of return is 2.4% in excess of prices. The rate of real earnings growth is assumed to be 2.2%. The assumed gross rate of return is 4.45%.

Employees pay tiered contribution rates ranging from 7.4% to 11.7% according to their salary band. Employer rates are 23.68%.

Retirement benefits disclosure

The University is a member of the Cornwall Council Pension Scheme, a funded defined benefit scheme in the UK. The total contribution made for the year ended 31 July 2020 was £2,398k (2019: £2,275k) of which employer's contributions totalled £1,853k (2019: £1,724k) and employees' contributions totalled £545k (2019: £551k).

The actuarial valuation of the scheme at 31 March 2019 showed a deficit of £207m. Employers' contribution rates during the year were 18.1% plus an annual lump sum of £326,800 to March 2020 and 18.1% plus an annual lump sum of £376,000 from April 2020. In 2021/22 the rate will be 18.1% and the lump sum £376,000. Employees pay tiered contributions and these were between 5.5% and 12.5% (2019: 5.5% to 12.5%).

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 rolled forward to 31 July 2020 by a qualified independent actuary. For this purpose the rate used to discount the liabilities is based on the rate of return of an AA rated corporate bond and the investments have been valued at bid value the default financial assumptions at 31 July 2020 result in a significantly lower net discount rate compared to 31 July 2019, mainly arising from a fall in AA corporate bond yields. This serves to increase the value placed on the past service obligations, and for most employers will significantly outweigh the asset performance.¹

Actuarial assumptions

The major assumptions used by the actuary were:	2020 %	2019 %
Rate of increase in salaries	2.1	2.5
Inflation - CPI	2.1	2.4
Rate of increase for pensions in payment	2.1	2.4
Discount rate for liabilities	1.4	2.2
Commutation of pensions to lump sums- membership post 1 April 2012	70.0	70.0

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

	Males	Females
Current Pensioners	21.4 years	23.6 years
Future Pensioners *	22.3 years	25.1 years

* Figures assume members aged 45 as at the last formal valuation date

The pension liability includes an allowance for the potential impact of the McCloud judgment. This is to allow for the potential "leveling up" of benefits and the possible knock-on impact of the "cost-cap" calculation.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long-term rate of return expected at 31 July 2020 %	Bid value at 31 July 2020 £(000)	Long-term rate of return expected at 31 July 2019 %	Bid value at 31 July 2019 £(000)
Equities	2.2	18,339	2.2	18,213
Bonds	2.2	12,905	2.2	12,253
Property	2.2	2,038	2.2	2,318
Cash	2.2	679	2.2	331
Estimated employers' share of scheme assets		33,961		33,115
Present value of scheme liabilities- Funded		(61,415)		(50,235)
Deficit in the scheme		(27,454)		(17,120)

The University employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the Fund as at 31 July 2020.

Actual return on assets

	2020 £'000	2019 £'000
Actual return on assets	1,796	3,048

Analysis of the amount charged to Income and Expenditure account

	2020 £(000)	2019 £(000)
Current service cost	3,343	2,995
Total operating charge	3,343	2,995

Analysis of pension finance costs

	2019 £(000)	2019 £(000)
Interest income on plan assets	(751)	(813)
Interest on pension scheme liabilities	1,145	1,187
Net cost	394	374

Amount recognised in other comprehensive income (OCI)

	2020 £(000)	2019 £(000)
Actuarial (loss)/gain recognised in OCI in the year	(8,419)	(2,805)
Cumulative actuarial loss recognised in OCI at 1 August	(6,886)	(4,081)
Cumulative actuarial loss recognised in OCI at 31 July	(15,305)	(6,886)

Asset and liability reconciliation

	2020 £ (000)	2019 £ (000)
Reconciliation of liabilities		
Liabilities at start of period	50,235	40,863
Current service cost	3,343	2,995
Interest cost	1,145	1,187
Employee contributions	545	586
Remeasurements*	6,623	5,040
Estimated benefits paid	(507)	(468)
Losses on curtailments	31	32
Liabilities at end of period	61,415	50,235

Reconciliation of assets

Assets at start of period	33,115	28,066
Interest income on plan assets	751	813
Remeasurements**	(1,796)	2,235
Employer contributions	1,853	1,883
Employee contributions	545	586
Estimated benefits paid (net of transfers in)	(507)	(468)
Assets at end of period	33,961	33,115

* Remeasurements of liabilities (6,623) (5,040)

** Remeasurements of assets (1,796) 2,235

Actuarial (loss)/gain recognised in OCI at 31 July- University (8,419) (2,805)

Share of joint venture's actuarial (loss)/gain (3,176) (1,034)

Actuarial (loss)/gain recognised in OCI at 31 July- Group (11,595) (3,839)

History of liabilities, assets and experience adjustments

	2020 £(000)	2019 £(000)	2018 £(000)	2017 £(000)	2016 £(000)
Scheme liabilities	(61,415)	(50,235)	(40,863)	(37,808)	(37,138)
Scheme assets	33,961	33,115	28,066	24,215	21,287
Deficit	(27,454)	(17,120)	(12,797)	(13,593)	(15,851)
Experience adjustments on Scheme liabilities	(6,623)	(5,040)	1,064	1,818	275
Experience adjustments on Scheme assets	(1,796)	2,235	1,324	768	(537)



Pension scheme – USS (Group and University)

The total cost charged to the Statement of Comprehensive Income is £11K (2019: £12K). No liability has been included for deficit payments as these are not considered to be material.

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

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

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

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

Discount rate (forward rates)

Years 1-10:	CPI + 0.14% reducing linearly to CPI – 0.73%
Years 11-20:	CPI + 2.52% reducing linearly to CPI + 1.55% by year 21
Years 21 +:	CPI + 1.55%

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

2018 valuation

Mortality base table

Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.

Post retirement: 97.6% of SAPS S1NMA “light” for males and 102.7% of RFV00 for females.

Future improvements to mortality

CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

The funding position of the scheme has since been updated on an FRS102 basis:

	2020	2019
Scheme assets	£66.5bn	£67.4bn
Total scheme liabilities	£79.4bn	£79.2bn
FRS 102 total scheme deficit	£12.9bn	£11.8bn
FRS 102 total funding level	84%	85%

Key assumptions used are:

	2020	2019
Discount rate	2.59%	2.44%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	4.20%	2.11%

22 Capital commitments

	Group and University	
	2020	2019
	£ (000)	£ (000)
Authorised but not committed	5,039	1,704
Commitments contracted at 31 July	1,421	2,806

Amounts authorised are in respect of works on capital projects for the Penryn campus less commitments to date. Funding for these projects will be from new loan finance or internally generated cash. Commitments contracted relate to the design work that had been awarded to contractors at the year end date.

23 Financial commitments

The University guarantees 50% of FX Plus' bank loans totalling £22m as at the year end (total loans are £43m). These term loans are repayable over various terms up to 39 years and £13.1m is at a fixed interest rate. The commitment that sits with Falmouth has an annual repayment requirement of £1.1m whilst the remainder rests with FX Plus which is met through the annual rental income which, for 2020/21, is projected to be £10m.

The University and UoE have undertaken to pass on sufficient funds (including specific grants) to the FX Plus group to enable it to meet its contractual commitments to deliver the campus buildings and student accommodation at Penryn and to enable the group to continue to trade.

During the year, the University entered into a new agreement for the construction and operation of new student residences on a site adjacent to the Penryn Campus. As part of the transaction, the University has obligations in the event of a default which include indemnity provisions which will apply following the practical completion of the development and ensure that the amount of rent payable is guaranteed in the event of a default.

Commercial terms have been negotiated to reflect the University's contribution to making the development viable, namely the University will receive:

1. The option to purchase the freehold land and buildings, on the expiry of the 40-year term for a nominal sum of £1. Based on the current development appraisal, the residual value is anticipated to be in the range of £5m-8m
2. An optional nomination right each year in respect of the 528 rooms available in the Development during the 40-year term. Under the terms of this arrangement the University may nominate rooms

for an academic year, and would be liable to cover the rent on those rooms if they remained unlet

3. A 50% share of profits for the duration of the 40-year term, above aspecified occupancy level

There will be no lease or direct transfer of land and, at the year end, we have assessed that no disclosure of this agreement is required within the financial statements as no financial obligation had crystallised with building works having only commenced in May 2020.

24 Related-party transactions

Due to the nature of the University's operations and the composition of the Board (with members being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a Board member may have an interest. All transactions involving organisations in which a Board member may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest.

The financial statements include fees payable to Francis Clark LLP of £2,700 (2018/19: £2,400). Duncan Leslie (Board member) is a partner in this organisation.

The University has taken advantage of the exemption under FRS 102 not to disclose transactions with subsidiaries that are 100% owned.

The University holds a 50% share of FX Plus, a company limited by guarantee, having no share capital and for which exempt charitable status has been obtained. FX Plus is a jointly controlled entity owned equally by the University and UoE.

FX Plus has been established to operate student and commercial services for the Penryn Campus under a shared services agreement.

The University and UoE have continued to guarantee sums of £9.3m and £6.25m each to Lloyds Bank Plc, in respect of the borrowings of £18.6m and £12.5m respectively to FX Plus. They have also guaranteed £10.25m each to Barclays Bank plc in respect of borrowings of £20.5m and £4m each to the European Investment Bank and Lloyds Bank plc in respect of borrowings of £8m.

Cornwall Plus Limited is a wholly owned subsidiary of FX Plus. It has been established to operate the commercial, non-charitable activities of the jointly controlled entity primarily relating to non-student letting of residences, non-academic conferences, external events and corporate hospitality for third parties.

TDV is a wholly owned subsidiary of FX Plus. It was established to provide the construction of the main campus for the Combined Universities in Cornwall project based at Penryn and became dormant at the end of the previous year.

The FX Plus Group has capital commitments as follows:

	2020	2019
	£ (000)	£ (000)
Authorised but not committed	278	2,945
Commitments contracted at 31 July 2020	821	4,933

Amounts authorised are in respect of various projects at the Penryn campus less commitments to date. These projects will be fully funded by the two institutions.

Transactions between the University and FX Plus (which are all shown on an arms' length basis) were as follows:

	Purchases from related parties	Sales to related parties	Amounts owed to related party	Amounts owed by related party
Falmouth Exeter Plus Group	£ (000)	£ (000)	£ (000)	£ (000)
2020	14,754	199	218	-
2019	13,344	423	501	-

Balances due to and from the jointly controlled entity are shown in note 13 Debtors and note 14 Creditors – amounts due within one year.

Students' Union (FXU)

The Students' Union has not been consolidated in the University's financial statements because the University does not exercise a significant influence over its operations. Grants were paid to the Students' Union during the year as follows:

	Year to 31/7/20	Year to 31/7/19
	£ (000)	£ (000)
Block grant	610	536
Sports	30	30
	640	566

