

# Annual report

including the  
consolidated  
financial statements

Year ended 31 July 2018

**FALMOUTH**  
UNIVERSITY

# Board of Governors\*

Chair	Chris Pomfret OBE
Deputy Chair	Charles Wace
Vice Chancellor	Professor Anne Carlisle
Audit Committee Chair	Andrew Allen
Independent Governors	Mark Carne CBE Alison Cressey Tim Jones Bertrand Louveaux John Mathers
Academic Staff Representative	Professor Tanya Krzywinska
Professional Services Staff Representative	Alastair Osborn
Students' Union President - Falmouth	Callie Edwards
<b>Other Officers</b>	
Senior Deputy Vice Chancellor	Professor Geoff Smith
Deputy Vice Chancellor (Academic)	Professor Alan Murray
Chief Operating Officer	Peter Cox
Director of Finance	Rob Holmes
Secretary to the Board	Dr Robin Kirby
Clerk to the Board	Robyn Wyatt

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KPMG LLP  
Plym House  
3 Longbridge Road  
PLYMOUTH PL6 8LT

**Internal Auditor**  
Uniac  
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Oxford Street  
MANCHESTER M1 6FQ

**Registered Office Address**  
Falmouth Campus  
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TR11 4RH

**Bankers**  
Barclays Bank plc  
3rd Floor  
Windsor Court  
3 Windsor Place  
CARDIFF  
CF10 3BX

\*at date of signing

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The Heart of our Penryn Campus ©Matt Jessop



# Our Chair

This year has been another year during which I have been proud of Falmouth University's achievements and eagerly look forward to seeing the impact of our bold decision-making further into the future.

It is a fascinating and rewarding time in which to be engaged in the leadership of a Higher Education institution while the sector undergoes a period of change and the wider social and political landscape presents challenges, as well as opportunities, to deliver real benefits to our students, community and society.

Following the enacting into law of the Higher Education and Research Act in April 2017, the Office for Students, our new regulatory body, began operation in April 2018; shaping our thinking about student value for money, teaching and research.

Increased competition among institutions, combined with falling demographics, has presented challenges in terms of student recruitment and intensifying cost pressures, particularly pensions liabilities, have required re-evaluations and creative solution-finding.

I am pleased to be able to report, in this document, that notwithstanding these testing circumstances, Falmouth is flourishing. We have welcomed more students than ever before onto our world-class campuses, we've increased our income and our surplus, which means we have been able to invest in our people and our facilities.

We are awaiting the Government's review of post-18 education and funding, but we can be sure that the public and political debate around value for money and education funding will continue to intensify. However, we remain committed to delivering the best possible student experience in terms of teaching, resources and overall satisfaction, while also widening participation.

Likewise, as we anticipate the impact of Brexit, both on Higher Education, Cornwall and the country, Falmouth continues to make a strategic contribution to the development of the local economy, working with partners to develop knowledge capital, create jobs and foster business innovation.



Chris Pomfret OBE  
Chair of the Board of Governors



**We have welcomed more students than ever before onto our world-class campuses, we've increased our income and our surplus, which means we have been able to invest in our people and our facilities.**

Our Chair Chris Pomfret pictured at the Student Mentor Awards 2018 with Chancellor Dawn French ©Laura Bailey



# Our Vice-Chancellor

This year, I was delighted to launch our 2030 Strategic Plan. Defining our approach and ambition, our vision for the future is founded in a commitment to fostering open innovation, developing a future-focussed academic portfolio and producing satisfied staff, researchers and students.

Working hand-in-hand with regional strategic partners and our global network of industry leaders, we will deliver new thinking, ideas, products and services that have real impact for individuals, economies and societies.

Falmouth's specialisms of creativity and innovation have never been more relevant and our responsibility to support economic growth through education, never more important.

As we consider the implications of the fourth industrial revolution; as technology provides great opportunities as well as challenges, it's clear that creative innovation; creative thinking, problem solving, communication and storytelling, will be key to future economic and cultural success both at a local and global level.

This year saw the graduation of our first full cohort of Launchpad students. This ground-breaking programme embodies how Falmouth is attracting and retaining talent, fostering enterprise and supporting high-tech innovation and generating inward investment, all in partnership with local strategic partners and global industry.

I am delighted that this year we continued to strengthen our relationship with Cornwall Council and deepened our efforts to help grow Cornwall, as we explored opportunities to widen the benefits of Falmouth's activity through projects across the region.

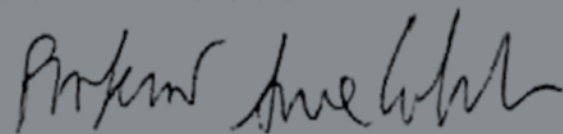
Of course, our achievements as an anchor institution and innovation hub are contingent on our success as a Higher Education institution and therefore the satisfaction of our student body and our ability to recruit future students.

Last year we were delighted to be ranked as TEF Gold and this is something we are very proud to retain. However, it was disappointing that Falmouth's NSS score dropped this year and the result showed that we cannot afford to be complacent; there is more to do in ensuring that our students feel that all aspects of their university experience delivered to and beyond their expectations.

Increased competition among providers and falling demographics made for a challenging recruitment environment this year, however our enrolment figures for 2017/18 were robust and our courses delivered through collaborative provision online and with industry partners are going from strength to strength.

Looking forward, and with regard to our ambitious 2030 targets, we recognise that these challenges remain and that we must therefore take steps to continue investing in our offering, diversify our income streams and acknowledge lower surpluses in the short-term.

Seeing the raw talent on our campuses, witnessing the bold-thinking and brilliant transdisciplinary working, I am, as always, proud of our achievements this year and looking forward to the year ahead.



Professor Anne Carlisle  
Vice-Chancellor



Seeing the raw talent on our campuses, witnessing the bold-thinking and brilliant transdisciplinary working, I am, as always, proud of our achievements this year and looking forward to the year ahead.

Our Vice-Chancellor Professor  
Anne Carlisle ©Matt Jessop





## September

Falmouth's post-graduate business incubation and acceleration programme, Launchpad, welcomed its first full cohort of students



## December

Working in partnership with Porthcurno Museum, academics from Falmouth developed a prototype for an immersive visitor experience by leveraging novel mixed reality technologies.



## March

Falmouth took the Launchpad programme to Hong Kong, one of only four universities chosen by the government to take part in the Department for International Trade's GREAT Britain festival.



## April

Falmouth won the Employability and Entrepreneurship award at The Guardian's University Awards. The University's Photography and Film student agency, MAYN, won the award, in recognition of the agency's success in securing professional work for students, while they study.



# [ctn]

## January

Falmouth University is announced as a partner in the Creative Technologies Network; a £6.5 million project to expand the use of digital technologies throughout the region's creative, health and manufacturing sectors.



## March

Falmouth was ranked 12th of 116 UK Universities in the Times Higher Education Student Experience Survey.



## June

June saw the launch of our 2030 Strategic Plan, an ambitious vision that sees Falmouth University *Doing it for Real.*



# WORKSHOPS FESTIVAL

## July

Opening up our world-class facilities for the first Workshops Festival was a celebration of the best of Falmouth's resources, skilled technicians and an opportunity for students to explore new creative avenues.



# Our position

Falmouth University has a history of more than 100 years of creative thinking and design innovation.

Today, its portfolio of undergraduate and postgraduate courses represents the breadth of the Creative Industries, the fastest growing sector in the UK economy.

The University has recently experienced a period of rapid growth, its on-campus student population tripling in size since 2001 to over 5300 students today.

As well as the courses that are delivered on-campus in Cornwall, Falmouth also provides ground-breaking online distance learning and exciting partnerships with industry-leading bodies including the Academy of Contemporary Music and the Fashion Retail Academy in London.

Thanks to significant investment, Falmouth's facilities are gold-standard and our industry-connected staff are respected and experienced professionals in their fields.

Falmouth's research programmes are built on the principle of open innovation - the idea that the grand challenges of our age can be addressed most effectively when tackled collaboratively across disciplinary boundaries. They focus on delivering impact for lives and economies through the development of new knowledge, solutions, services and products.

Falmouth University acts as an anchor institution in Cornwall, partnering with public and private sector organisations to support the county's economic, skills and enterprise agendas.

**5,315**  
**on-campus**  
**students enrolled**

**694**  
**off-campus**  
**enrolments**

**433** staff

**96.1%**  
**graduate**  
**employability**

**92.7%**  
**student retention**

**80%**  
**student satisfaction**



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# Our people

## On-campus student recruitment

Our on-campus community is at the heart of what we do and we are working hard to maintain and develop our undergraduate student numbers.

As at the HEFCE census date for intake data, 9 October 2017, we had enrolled 1,818 new, undergraduate students and 118 new, postgraduate students on campus. This compares to 1,941 and 139 respectively at the same point the previous year.

These figures represented a 6% fall in on-campus undergraduate recruitment, contrasting with two previous cycles of double-digit growth.

Our EU and international recruitment remained stable, with 171 EU enrolments and 92 International, against 171 and 100 respectively at the same point the previous year.

We recognise the challenges in an increasingly competitive market, the consequences of a falling demographic, as well as a slowdown in art and design at FE level. The prospect of Brexit also presents as yet unknown difficulties for EU recruitment in the future.

For that reason, we are investing in our Market Intelligence capability, expanding our network of international agents, developing our course portfolio, and diversifying our provision into new markets, delivering an authentically creative, compelling, Falmouth education in new ways, for new audiences.

## Flexible and Global recruitment

Falmouth Flexible, our online, global, part-time portfolio of courses is growing significantly. At the census date, there were 82 online enrolments via Falmouth Flexible, but this grew to a whole-year figure of 159 after all three intakes had been accounted for.

We also welcomed 333 enrolments at key partners such as the Fashion Retail Academy and ACM London. We are delighted that education providers with such strong industry links and proven track records want to partner with us and to deliver exciting, industry-facing educational content under a Falmouth banner.

The strong recruitment to Falmouth Flexible and Falmouth Global is encouraging and vindicates our bold approach to diversification. As we look to the future, we are continuing to explore further innovative partnerships and products.

**RISK\*** Failure to achieve enrolment growth targets through poor adaptation to changing market and customer demand

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



### On-campus student recruitment

Actual

Target

5315

5151

### Students on partnership programmes

Actual

Target

694

899



## Fair access

The expansion of the University in the early 2000s was driven by the need to increase the provision of higher level skills in the County, and we retain our commitment to widening participation, and ensuring fair access to our University for people from Cornwall.

Our Access Agreement (2018-19) and Access and Participation Plan (2019-20), lodged with the Office for Students, commits Falmouth to £3.5m of investment per year in fair access, outreach, retention and student success projects. A key component of this agreement is the University's Creative outreach programme: Discover, Believe, Achieve, an umbrella progression programme for talented and creative students who have the potential to go to university, and will benefit from the additional support to reach their full potential.

The programme is aimed at students in year groups 9 – 13 and their parents, teachers and Career Advisors activities include a portfolio of workshops on academic subject-specific skills and careers and information and guidance delivered on Falmouth's campuses or offsite at schools and colleges.

### Regional outreach programme (£5.5m HEFCE/OfS funded programme for 2017-2019)

Falmouth University is working in partnership with all other regional universities and HE providers through the National Collaborative Outreach Programme.

We are a partner in the Next Steps South West consortium led by Plymouth University, covering target wards in Cornwall, Devon and Somerset, focussing 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 are designed and delivered collaboratively by partners in the consortium, with robust evaluation of impact throughout.

## Student Retention

Retention for the 2017/18 academic year was 92.7%, compared to 92.3% in the previous year. This improvement is encouraging, but there is still work to be done.

Last year, Falmouth University initiated a 'Retention Project' to review issues affecting retention, in conjunction with participation in a sector-wide Higher Education Academy (HEA) Retention project.

Some quick-wins were identified and implemented and the impact of these can be seen in this year's results.

Between June and August 2017, Student Mentors made 2,931 phone calls to returning students, with 565 answered calls. 89 students were referred on to one or more Student Support teams.

A brand new 'Refreshers guide' was produced and distributed at the beginning of the academic year to re-orientate and remind returning students of the range of support services available.

In October, the Student Information Portal was launched, enabling academic staff across the institution to access all information relating to the academic progress of an individual student or cohort of students (at course or module level) in one place.

The Workshops Festival was launched in January to ensure that the student experience during Assessment and Feedback weeks is optimised and we are using all our facilities and technicians to the full, to enhance the student experience.

Longer-term projects include the introduction of a University-wide digital Attendance Monitoring system, which will facilitate supportive Learner Analytics and the ability to act upon non-engagement as well as non-attendance.

The University is also developing its understanding of the positive effects of Student Union Clubs and Societies and the strong correlation between club and society membership and improved student retention.

The removal of Wednesday afternoon teaching means that Student Union sports, clubs, volunteer activities and inter-mural opportunities will be more accessible to students next year. The launch of Open Workshops Wednesday also means that students have the weekly opportunity to access our world-class facilities, to broaden their skills and develop their personal practice.

**RISK** Failure to manage student retention within the University's targets



### Student retention

Actual	Target
93%	95%



# The student experience

The student experience is the University's utmost priority.

**RISK** Failure to deliver a high-quality student experience across the University

From the teaching, learning and feedback, to the facilities and environment, accommodation options, student life and graduate outcomes, our students are investing in their on-campus experience as well as their prospects beyond graduation.

This year's National Student Survey (NSS) results were a mixed picture, with a drop in the overall satisfaction measure from 83% to 80% (against a sector average of 83%), but there were stronger scores on the teaching-related questions which inform the Teaching Excellence Framework.

While disappointing, these results provide an important opportunity to consider our approach to the enhancement of the student experience and inform new measures to drive improvements in our future performance.

We were pleased that in the Times Higher Education's high profile National Student Survey, Falmouth was ranked 12th of 116 UK Universities. We were positioned 6th for student welfare, 10th for Industry connections, 17th for safest universities, 19th for facilities and 22nd for student social life.

**RISK** Failure to deliver high levels of student employability and employer engagement

We are proud that Falmouth University's graduate employability figures have risen this year. The Destinations of Leavers in Higher Education Survey (DLHE) shows that 96.1% of our graduates are in employment or further study, representing a 2.1% increase from last year and 1.9% above our benchmark figure.

Of those employed, 78.7% are in professional/managerial level employment, a 4.4% increase on the previous year.

Furthermore, of those employed: 24.5% are self-employed, freelance or starting up their own business.

# Student wellbeing

At a time when student mental health and wellbeing is a matter of high profile concern on campuses across the country, Falmouth University, through our Student Support team and academic colleagues, are working hard to provide an environment where our students feel safe, secure and supported.

Falmouth University's Student Support services are delivered by FX Plus. This year, like all other UK universities, they reported seeing an increase in demand for wellbeing support.

The University's leadership recognises that the institution has a duty of care to support its students' wellbeing and is taking steps to ensure that its support services are meeting the needs of its campus community.

As well as broadening the range of support available, and investing in new resourcing by specialist staff, the University is treating mental health as a strategic priority and taking a 'whole University' approach.

Funding has been delivered for a broad staff training programme, new student resources such as peer support and self-help tools are being introduced and the academic curriculum is being scrutinised to ensure it supports student wellbeing.

# Students' Union activity

The Students' Union, FXU (separate registered charity), represents students from Falmouth University and the University of Exeter (UoE), Cornwall Campus.

The Students' Union provides over 150 sports clubs and societies giving our students a wealth of ways to enrich their social experience.

Last year, students raised a total of £79,551 for charity. Most of the fundraising was achieved by the Union's Raise and Donate Society which organised challenges, events and campaigns, including marathons and sponsored skydives.

Students also donated over 27,647 hours of volunteering time to local, national and international causes.

The Students' Union also provides advice and support and Student Voice representation, meaning that the student experience is understood and considered at every level of the University's decision making.

## NSS results

Actual	Target
80%	90%





# Our Staff

Our staff inspire our students with their own career success, which keeps them at the cutting edge of industry's advances. Whether working for the BBC to broadcast the World Cup from Russia, publishing a debut novel or winning international photography awards, our colleagues' expertise, experience and commitment to their field is invaluable to our vibrant, creative community.

**RISK** Failure to drive, and incentivise, high performance and innovative behaviours from staff

This year staff have also been working on ground-breaking research projects that truly embody the 'creative bridge', delivering real impact and raising Falmouth University's profile as a place for research and open innovation.

To underpin our recognition and reward of their work, and to ensure that across teaching, innovation, research and professional services, our staff are supported in their roles, this year work commenced on the 2030 People Strategy, which will be published in December 2018.

We know that NSS scores are 5% higher for institutions where employees feel positive and engaged in their work. Therefore, we are also introducing a new Staff Opinion Survey to be implemented in November 2018 and the outcomes of this will help drive our activity in this area.



This year staff have also been working on ground-breaking research projects that truly embody the 'creative bridge', delivering real impact and raising Falmouth University's profile.



# Equal Opportunities

Our 2015-2020 Equality and Diversity strategy continues to guide this area of work within Falmouth University. Falmouth University's equality and diversity mission is articulated as: "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 action plan to deliver this mission has been distilled into four specific equality objectives and Falmouth University publishes an annual Equality and Diversity report detailing progress against the components of this action plan.

As part of this plan an Equality and Diversity dashboard has been created to monitor the core diversity metrics within the University.

## Sex

The national average male / female split within higher education has changed slightly from 54.13% female and 45.87% male in 2015/16, to 54.25% female and 45.75% male in the latest HESA figures from 2016/17. The dashboard illustrates that the Falmouth staff profile has had a more significant shift of the balance in favour of female staff, with the male / female split changing from 49.31% female and 50.69% male at Falmouth in 2016/17, to 50.62% female and 49.38% male in 2017/18.

While these figures show a relatively even male / female split in Falmouth's staff group, it should be noted that this balance is not so even when analysed across pay grades and occupational groups and further analysis and action planning is therefore being undertaken in this area.

## Age

In the 2017 Equality and Diversity Annual Report, it was noted that Falmouth's academic staff group had an older age profile than the national average for the same staff group, with less than half of the proportion of staff in the age ranges 25 and under and 26-35 than the national average for this staff group, and 23.69% of academic

staff at or above the minimum retirement age of 55, with an additional 20.55% within 5 years of this age.

The latest equality dashboard data illustrates that this position remains broadly unchanged, with the proportion of staff age 25 or under remaining static, and with only a slight increase in the 26-35 age group for academic staff.

## Disability

The percentage of staff at Falmouth reporting a disability this year (5.47%) is greater than both the previous year (4.3%) and the national sector average (4.72%). This is because of a significant increase in the percentage of academic staff reporting a disability (6.12%) from last year (3.98%), while the figures for professional / support staff remain more stable with a 0.5% decrease in the number reporting a disability.

## Ethnicity

Falmouth has a smaller proportion of staff from non-white ethnic backgrounds (3.72%) than the national average for higher education (12.28%). However, this figure has increased from the previous year (3.30%), and is greater than the proportion in the local population with the 2011 census figures showing only 1.8% of Cornwall residents as being from a non-white ethnic background.

## Sexual Orientation

Since 2015 Falmouth has been working to ensure that better quality data is held with regards to the sexual orientation of staff and this year 5.38% of staff indicated their sexual orientation as either lesbian, gay, bisexual (LGB) or other compared to 4.4% the previous year. This figure is significantly higher than the latest ONS 2016 figures that show only 2% of the UK population over the age of 16 identify as LGB.

We also recognise the diversity amongst our student population with 13.4% of our enrolled undergraduate students indicating their sexual orientation as LGB or other and continue to work to ensure that we develop an inclusive environment for all staff and students that celebrates the diversity of our University community.



# Pensions

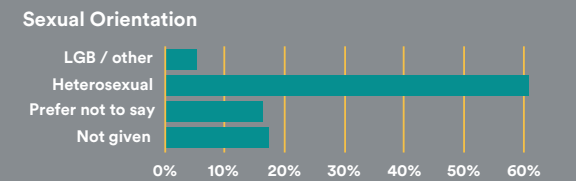
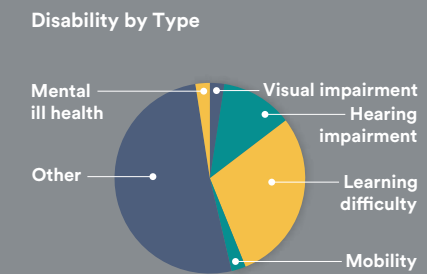
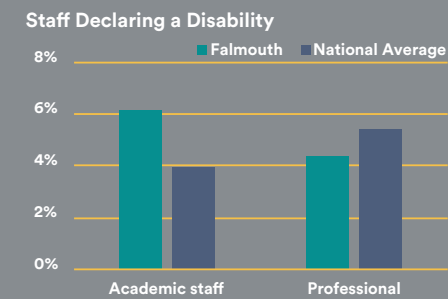
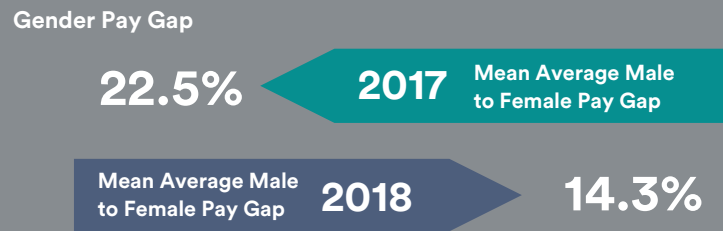
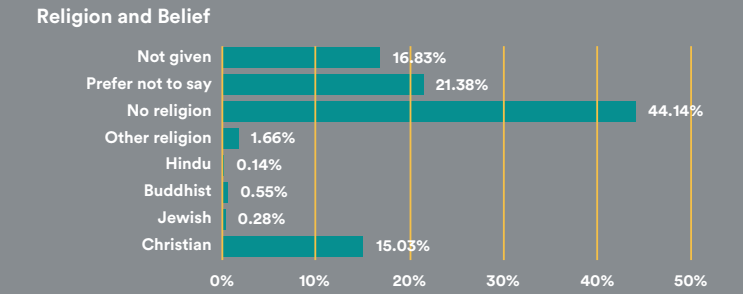
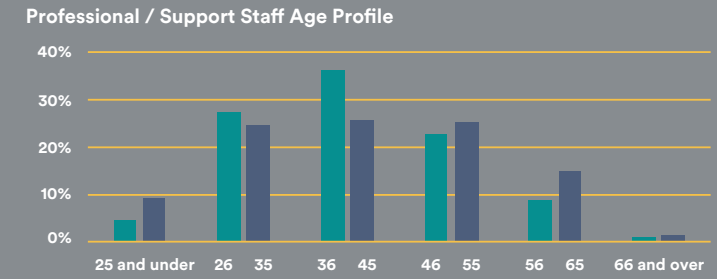
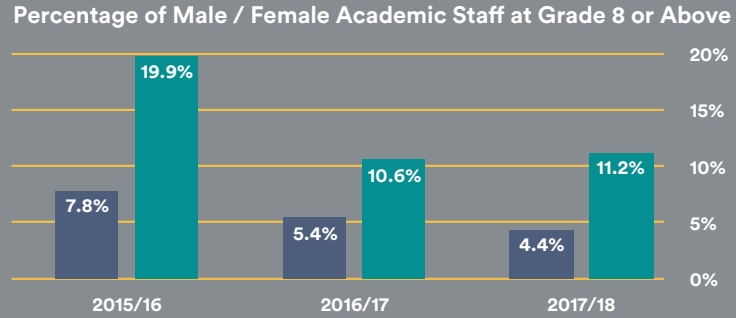
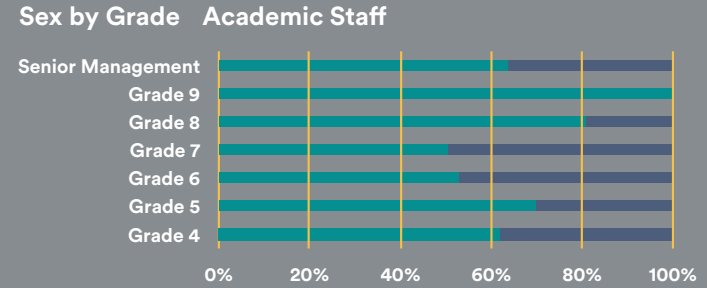
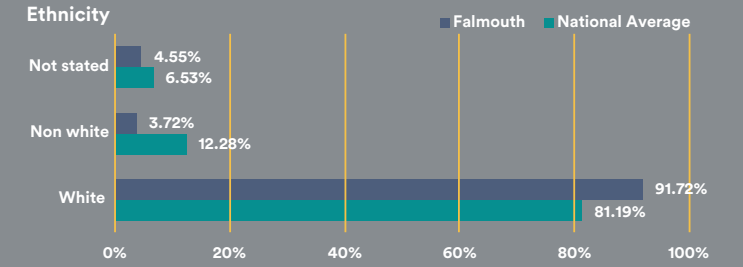
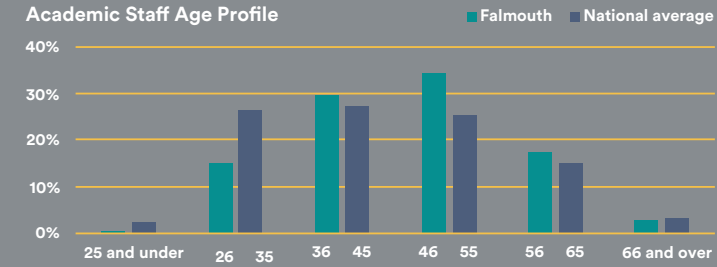
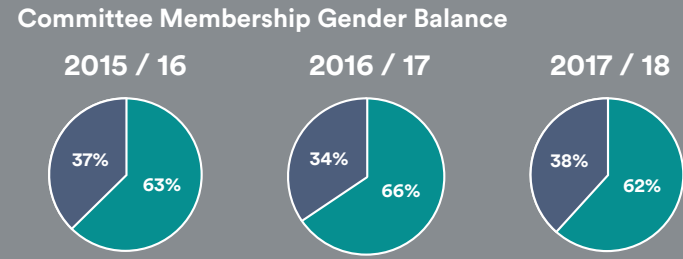
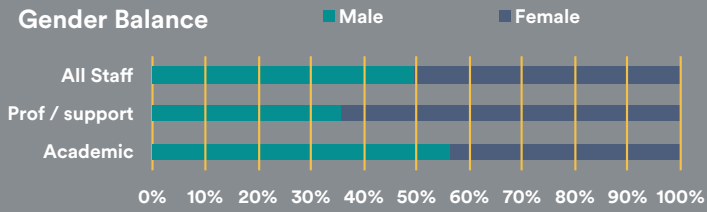
Due to the ongoing cost of pensions and rising deficit contribution rates, the University Board carried out a review of the two main pension schemes, Teachers Pension Scheme and Cornwall Council Local Government Scheme; both of which offer defined benefits.

This review led to a consultation with the representative trade unions and a decision to close the LGPS scheme to new members which took effect from 1 November 2018. Falmouth Staffing Limited was established in September 2018 and expects to employ its first staff from November.

Following announcements by the Government that the contribution rates for TPS are also likely to rise, the University will continue to closely monitor the situation during the current year.









# Our Research and Innovation

This year has been very positive in terms of Falmouth University's research and innovation.

In January we welcomed eight new post-graduate research students.

In December, Professor Mike Rofe attended the annual Reimagine Education conference in Philadelphia, where the Online Orchestra won multiple awards; Gold in the Arts and Humanities category, Silver in the European projects category and Bronze in the ICT Tools for Learning and Teaching category.



Failure to deliver the planned progress of Research & Innovation

Work also commenced on the Augmented Telegrapher project in December. Working in partnership with the Porthcurno Telegraph Museum, academics from Falmouth developed a prototype for an immersive visitor experience by leveraging novel mixed reality technologies. This was significant in supporting our ambition to adopt the creative bridge approach to research activity delivering impact in other sectors, including heritage.

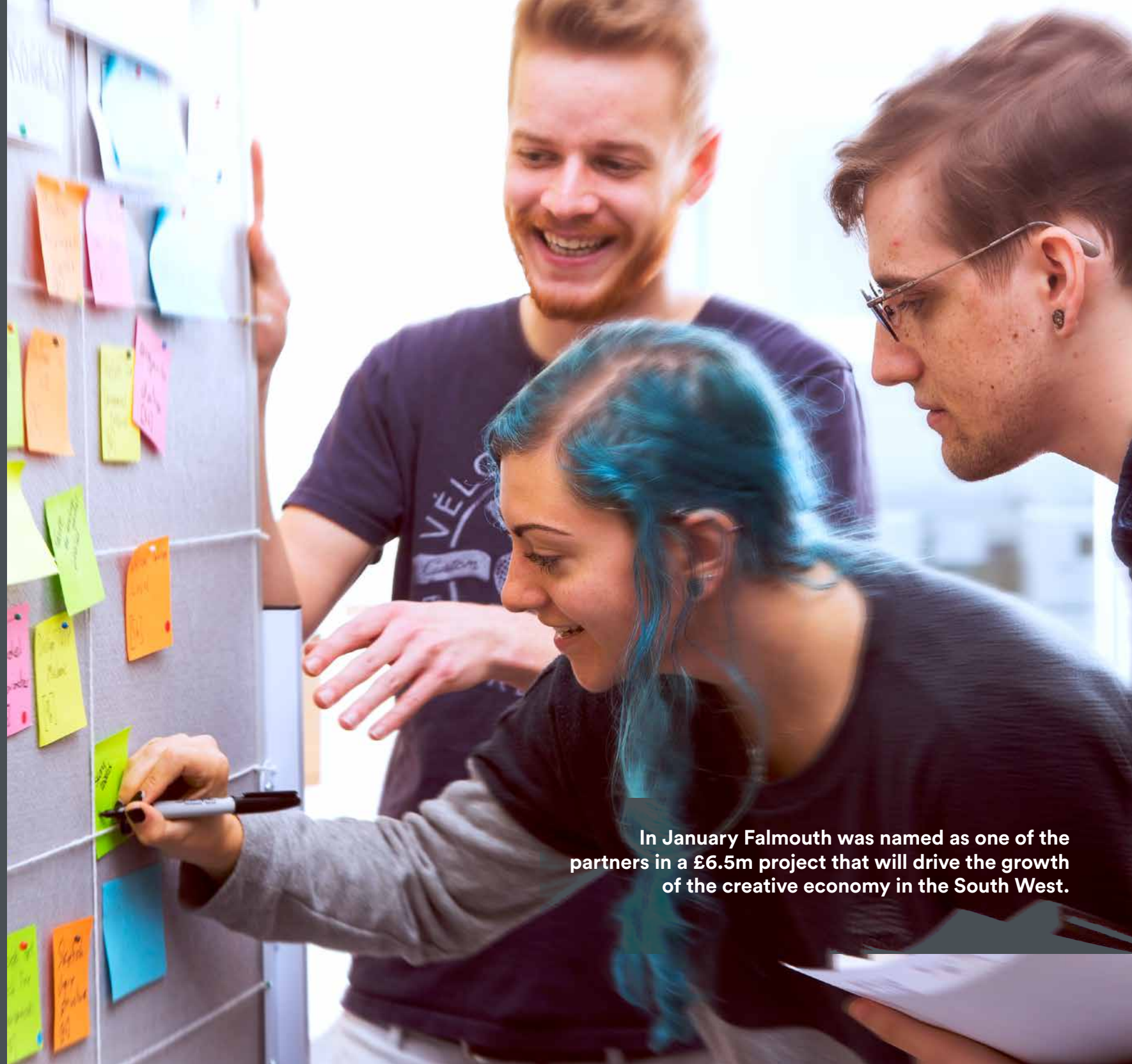
In January Falmouth was named as one of the partners in a £6.5m project that will drive the growth of the creative economy in the South West. The South West Creative Technology Network brings together Universities and industrial partners, pooling their research and innovation expertise to develop cutting-edge practices, techniques and products in creative digital technologies. Falmouth will be focussing on developing our research into mixed reality technology, a key growth sector both for the UK and for Cornwall.

We were also delighted to receive funding from the Global Challenges Research Fund, Research England, for a three-year project which will develop an understanding of ways to empower women and girls in South Africa through creative entrepreneurialism, potentially in part through enhanced relationships with existing international research collaborations.



Failure to achieve Research Degree Awarding Powers by 2020

This year an RDAP & REF Task & Finish Group has been created to provide strategic guidance on the development of both the REF2021 return and Falmouth's application for Research Degree Awarding Powers.



In January Falmouth was named as one of the partners in a £6.5m project that will drive the growth of the creative economy in the South West.



# Launchpad

Launchpad is the University's, post-graduate incubation and acceleration programme that links academic study with enterprise to create new digital businesses to meet identified market demand in just 12 months. Underpinned by an MA in Entrepreneurship, Launchpad places students into teams that build, develop and incorporate their own company in partnership with global businesses, supported by a network of academic staff, business coaches and industry mentors.

The programme will create 526 new jobs and 65 new companies in Cornwall within five years.

This year, Launchpad teams responded to challenges from partners Amazon, Pendennis and BBC Worldwide to develop exciting new products and services. six companies incorporated at the end of the 12 months and are in the acceleration phase.

Through the Launchpad Incubator / Accelerator, Falmouth University has shareholdings in various start-up tech businesses which are shown in the accounts as Associate Companies and are reported at cost. These investments are illiquid and in view of significant uncertainty of outcome it is not possible to calculate valuations as at 31 July 2018. The only observable valuations that occur are when any of these Associate Companies issues new share capital. In that instance the value of the University's shareholding can be calculated as product of the share issue price and the number of shares held by Falmouth University.

In order to provide transparency on these Associate Companies the table opposite outlines those that issued new shares over the last financial year. The table also shows the issue price per share, Falmouth University shareholding in number of shares at 31 July 2018 and the product of these two.

## Companies list

**Hertzian Limited**

**Burning Arrow Limited**

**Cove Entertainment Limited**

**Polygrammatic Limited**

**Relative Dimensions Studios Limited**

**Stormtide Limited**

**Hertzian Ltd**

Share issue price

**£838.22**

Number of shares held as at 31/07/18

**302**

Product

**£253,142.44**

Where an Associate Company has more than one round of share issuance over the year, only the most recent share issuance is issued for this table.





# Our resources

## Estate

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

**RISK** Failure to optimise utilisation of the physical estate over the long term in line with the University's growth plans through appropriate systems maintenance, modification, replacement and limited new build

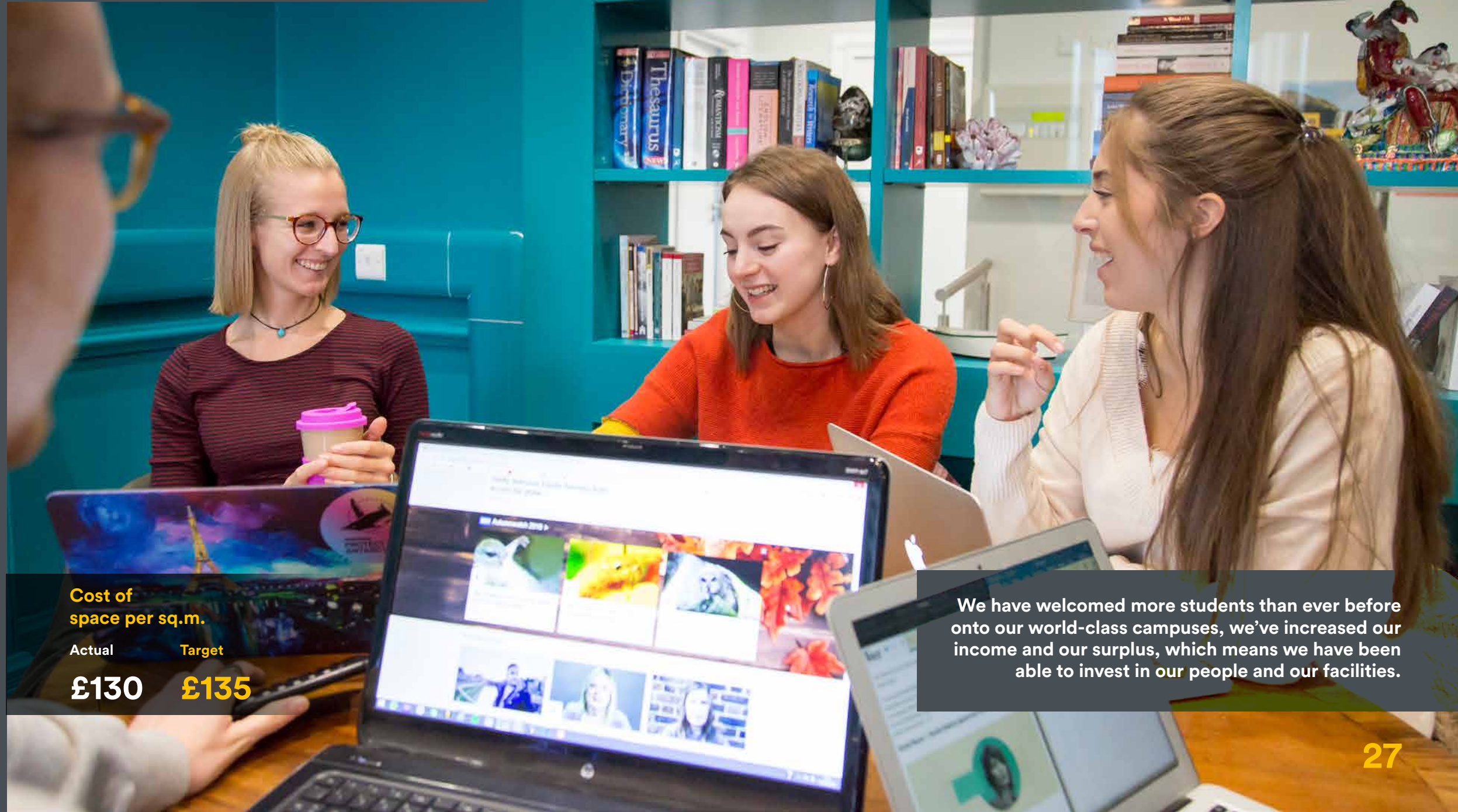
This year has seen further investment in our estate, in order to future-proof our teaching, research and innovation environment. In line with the Business Plan, overall investment levels of between 4% and 4.5% are required to maintain and enhance the facilities.

The programme of works over the year included the completion of infrastructure works at Penryn and construction of the new Launchpad and Bridge buildings. The Launchpad building will house the MA Entrepreneurship course and Launchpad programme and is a dedicated facility for these students and business start-ups. The project secured 100% funding through a combination of grants from European ERDF Structural Funds and Cornwall Council and should open its doors in January 2019.

### Cost of space per sq.m.

Actual Target

£130 £135



We have welcomed more students than ever before onto our world-class campuses, we've increased our income and our surplus, which means we have been able to invest in our people and our facilities.



This year also saw the move of the School of Writing and Journalism, back to its original home on Falmouth Campus. The move has provided a more efficient and flexible working environment that is better suited to the specific needs of SoWJ students and, now only a few minutes' walk from Falmouth town, the location has brought them closer to the businesses, networking and news stories they need to access as part of their course.

**RISK** Failure to ensure sufficient availability of accommodation for students to meet growth plans

Planning for the next stage of the Campus 2020 Plan has also proceeded, including funding approval, planning approval and procurement commenced for delivery during late 2019.

## Information technology

This year there was a significant investment in the University's website, which received a brand refresh and improvements to the user experience. Our key platform for student recruitment, it is essential that Falmouth University's web presence reflects our values, showcases our cutting-edge course portfolio and facilitates engagement.

**RISK** Failure to maintain student related data quality, management, control and resilience

Year 1 of the 3-year SITS Transformation Programme is now complete. This represents an investment in improving data quality, business processes, creating business efficiencies, productivity savings and improvements in the applicant and student experience for the Student Record System (SITS) and its users. It aims to get the best out of the software, utilising its full functionality to support business users, drive adoption, enhance experience and return productivity gains.

Year 1 of delivery has seen vast improvements in data quality, improved education of users, business process efficiency through automation and removal of manual processes, the release of a new mobile responsive and rebranded online application form, applicant portal and online admissions office for faster turnaround of applications. Improving our data quality has allowed us to hit the first HESA submission gates ahead of schedule, with cleaner data and a significant drop in errors compared to last year.

**RISK** Failure to manage the University's Information governance and cyber security obligations and requirements of GDPR

Investment has also been made this year in a new cloud hosted instance of Moodle, our current VLE, to provide increased system resiliency, improved security and release standard functionality available within the new Linux infrastructure to support Learning & Teaching. Content has been redeveloped for the new environment, with a brand new look and feel and updated navigation to support the students in their learning. Feedback received so far has been positive from both staff and students in terms of experience and functionality.

In June 2018 the FX Plus Board agreed to a fundamental shift in resourcing from 2018/19 onwards, with an agreed uplift of revenue of circa £300k and a significant increase (circa 170%) in capital.

Mobilisation of works commenced during July and August 2018, with the first delivery being the successful upgrade of the Wi-Fi infrastructure at Tuke House (completed August 2018) and the commencement of the vision and strategy phase of the modern office program (Microsoft Office 365).





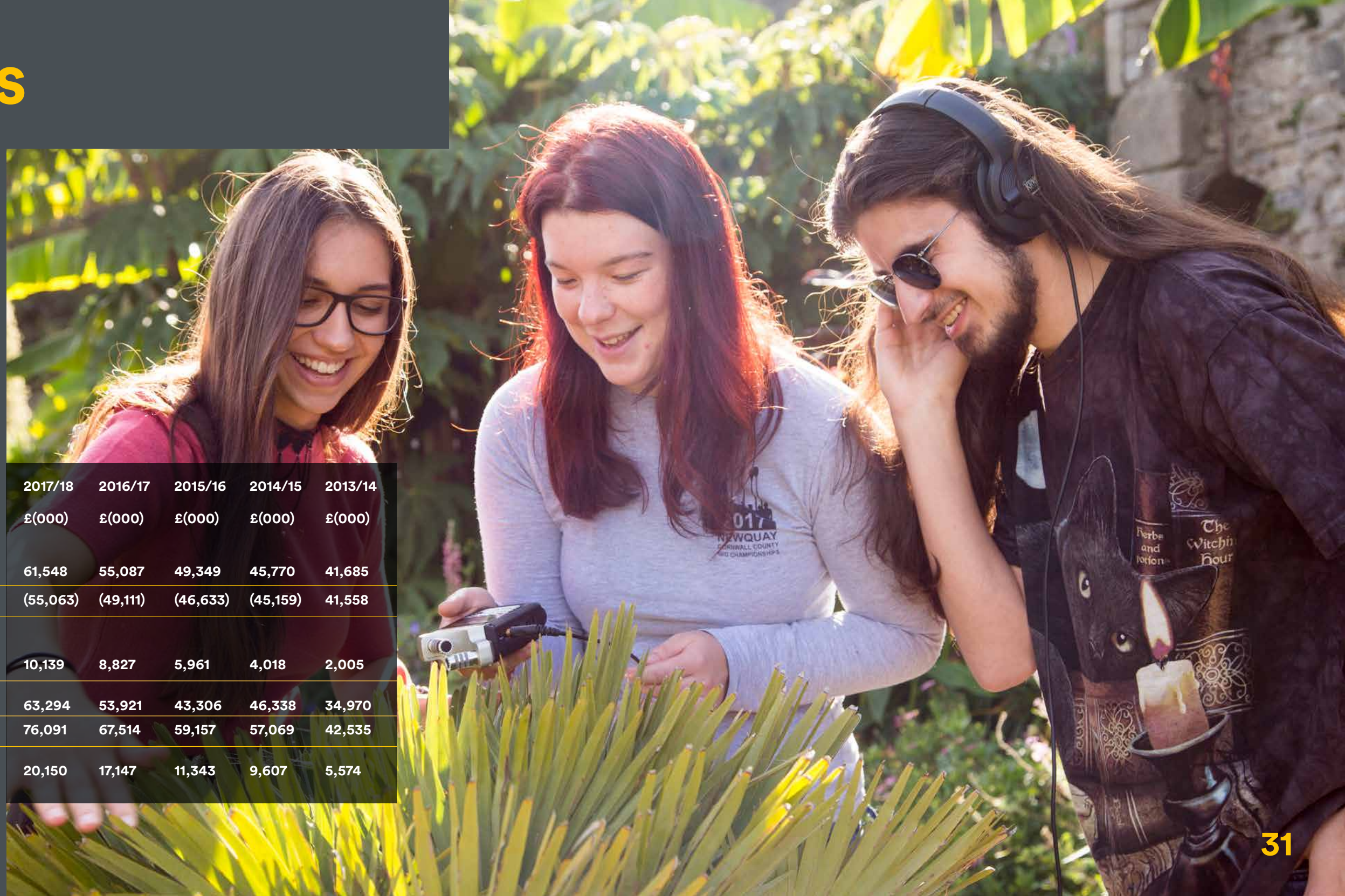
# Our finances

## Overview

The results for the year show that Falmouth remains strong and has achieved or exceeded most of its financial key performance indicators, posting a surplus in excess of target. This comes from higher income through student growth, partnerships and grant-funded activity (Launchpad) together with a large actuarial adjustment to the pension scheme deficit figure.

## Group financial highlights

	2017/18	2016/17	2015/16	2014/15	2013/14
	£(000)	£(000)	£(000)	£(000)	£(000)
Income	61,548	55,087	49,349	45,770	41,685
Expenditure	(55,063)	(49,111)	(46,633)	(45,159)	41,558
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	10,139	8,827	5,961	4,018	2,005
Net assets	63,294	53,921	43,306	46,338	34,970
Net assets excluding pension liability	76,091	67,514	59,157	57,069	42,535
Cash at bank and in hand	20,150	17,147	11,343	9,607	5,574



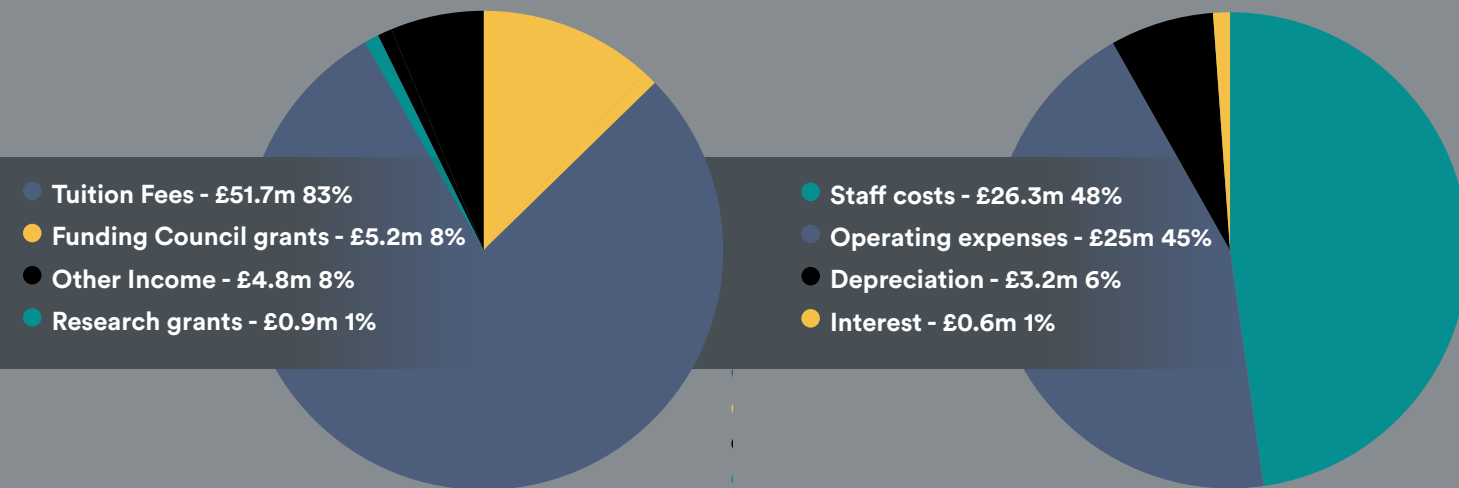


During the financial year 2017/18 income rose due to an increase in undergraduate student numbers and growing fees from partnerships. At the same time, costs went up with additional resources to teaching and research and the payment of franchise fees to partners for their teaching costs.

The Group recorded a surplus for the year of £6.1m (2016/17 – £6.3m) which was above the targeted surplus due to cost control and project delivery, some of which will impact the coming year.

Income rose by 11.6%, despite a fall in grant income, which was more than offset by tuition fee receipts from both on- and off-campus courses. In addition, research income rose by 21% and other income increased by 46% due to grant funding for the Launchpad project.

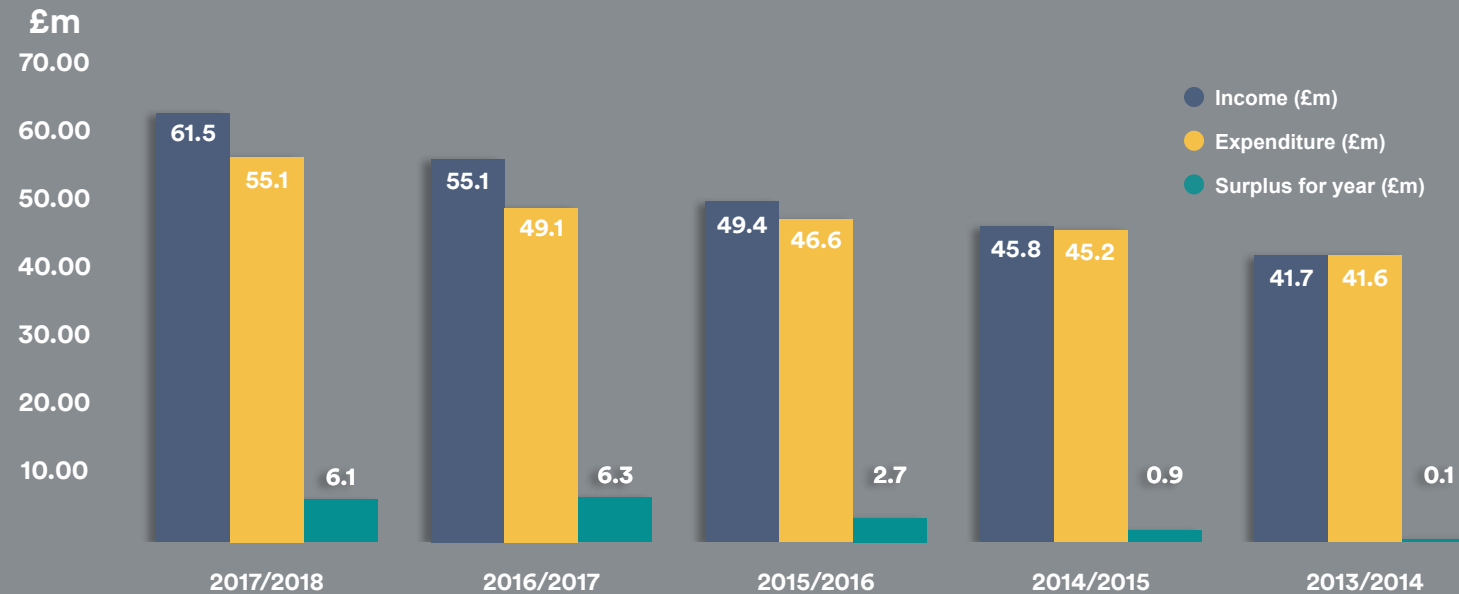
Costs rose by 12.1% during the year with staff costs increasing by nearly 10% to deliver to higher numbers of students, and growing pressure on pension costs which increased by over 18%. Meanwhile other costs rose by 16.5% due to student numbers, partnership teaching and strategic project costs.



**RISK** Failure to manage the University's pensions liabilities

Tangible fixed asset additions during the year amounted to £5.4m, including land and buildings improvements of £7.2m, equipment purchases of £1.4m and depreciation of £3.2m. These related to the completion of the power upgrade and infrastructure works at Penryn, refurbishment works of buildings over the summer to accommodate growth and the construction of the new Launchpad and Bridge buildings on the Penryn Campus.

The University has a subsidiary company, Falmouth Enterprises Limited, the principal activity of which is the provision of commercial services to external parties on behalf of the University. During the year, two other subsidiaries were also established – Falmouth Ventures Ltd, which was dormant for the year but has been set up to channel a number of new initiatives, and Falmouth Agency Ltd which was established as a vehicle for employing students. 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. In the current year, the surpluses generated by Falmouth Enterprises Ltd and Falmouth Agency Ltd were £16k.



Surplus generation (exc. pension)		I&E Reserves (excl pension): Total Income	
Actual	Target	Actual	Target
10.0%	7.6%	100%	90%

Teaching income per academic FTE		Gearing	
Actual	Target	Actual	Target
£195k	£148k	3.7%	3.9%

Liquidity (current ratio)		EBITDA	
Actual	Target	Actual	Target
2.93	1.89	£10.1m	£6.0m

Total debt: Total funds (frozen GAAP)	
Actual	Target
49%	63%



## 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 strong at £7.7m (2016/17 - £8.7m) which allowed investment in estates and facilities.

The overall net cash flow was £3.0m (2016/17 - £5.8m), after a further drawdown of the loan from the Royal Bank of Scotland, which meant that cash held at the year-end rose to £20.1m (2016/17 - £17.1m).

In total, the face of the balance sheet shows that borrowings remain relatively modest although it should however 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 £23.9m.

## Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 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 2018, the University paid 92% of its invoices within 30 days. The University incurred no interest charges in respect of late payment for this period.

**Approved by order of the members of the Board of Governors on 23 November 2018 and signed on its behalf by:**



**C Pomfret  
Chair**

# Falmouth University Public benefit statement

## Legal status

The University was established as a Higher Education Corporation on 1 April 1989 under the Education Reform Act 1988. The University is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The University was incorporated as Falmouth School of Art and Design. On 10 December 2012, the Privy Council granted consent to change the name to Falmouth University. The aims of the University include 'to provide higher education', 'to provide further education' and 'to carry out research and to publish the results of the research'.

## Vision

The vision for the organisation as set out in the 2030 Strategic Plan is that:  
In 2030 Falmouth University has become what we set out to be twenty years before, a creative innovation hub. A place full of clever people. Original and courageous thinkers, who feed the future of the creative industries, not its past.

We look different and we work differently - in different places, in different ways and with different people. Everything we do, is done with partners. Not only does this keep us learning, but it brings our knowledge and skills into other high growth sectors.

Creativity has become a commodity in high demand. We know it's a word that belongs as much to science and technology as art. This is why we work across so many disciplines. Co-creating new interfaces, new products, new narratives, new images, new environments, new business models. Using innovative thinking designed to change lives.

And we are Doing it for Real. Producing future-proofed entrepreneurial graduates. People who excel both as employers and employees. Complex problem solvers and multi-disciplinary team players. Shaped through partnering with industry and by our intensive needs based approach to learning.

We've put real world, real market challenges at the heart of everything we do. We've learnt how to capitalize our abundant raw student talent. We have created the next generation of entrepreneurs. Our approach to design thinking and open innovation has changed us forever. It has magnified our impact in Cornwall and helped us take Falmouth and Cornwall Global.

Falmouth University is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Office for Students for England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 38.

In setting and reviewing the University's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. The principal beneficiaries of the University's services are our students and the public at large.



In delivering its mission, the University provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

The University takes seriously its commitment to ensure that it satisfies the Charity Commission's public benefit test that there be identifiable benefits and that the opportunity to benefit must not be unreasonably restricted. We have a range of schemes to encourage participation in our academic programmes by students from under-represented groups and those from low income households.

In 2017/18 the University provided £988k in means-tested scholarships to support 1,778 undergraduate entrants who might otherwise have been unable to afford the costs of going to university and has committed more than £5,305k through our Access Agreement to student financial support over the next five years.

During 2017/18 we awarded more than 1,663 undergraduate and postgraduate degrees. Our total research income in 2017/18 was £918k. The University expects that useful knowledge acquired through research will be disseminated to the public and others able to benefit from such research. The University normally expects that any private (non-charitable) benefit will be legitimately incidental to the achievement of the University's charitable aims for public benefit. The terms and conditions of all externally funded research activity are assessed prior to acceptance in terms of the public benefit test for charitable purpose.

## Falmouth University Corporate governance

### Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the University to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The University conducts its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to Universities from the Committee of University Chairs (CUC) in:
  - The Higher Education Code of Governance 2014 ("The Code"), formerly adopted on 22 May 2015
  - The Higher Education Senior Staff Remuneration Code 2018 ("The Remuneration Code"), formerly adopted on 13 July 2018; and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the higher education sector.

The University is committed to exhibiting best practice in all aspects of corporate governance which includes full adoption and compliance with the CUC Codes. We have not formally adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the higher education sector and best practice.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In the opinion of the Governors, the University complies with/exceeds all the provisions of The Code.

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board meets six times a year.

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These committees are remuneration, nominations and audit. Full minutes of all meetings, except those deemed to be confidential by the Board, are available from the Secretary to the Board of Governors.



## Membership of the Board of Governors serving during 2017/18

	Date of appointment	Term of office	Expiry of term	Status of appointment	Committees served	Attendance
<b>Chris Pomfret OBE</b>	1 Sep 2015	First term	Aug 2019	Chair of the Board of Governors	Nominations Committee, Remuneration Committee	100%
<b>Andrew Allen</b>	1 Jul 2014	Second term	31 Jul 2019	Independent Governor	Audit Committee	89%
<b>Mark Carne CBE</b>	1 Aug 2013	Second term	31 Jul 2021	Independent Governor	Remuneration Committee	86%
<b>Alison Cressey</b>	1 Sep 2015	First term	31 Aug 2019	Independent Governor	Nominations Committee	100%
<b>Tim Jones</b>	1 Nov 2016	First term	30 Sept 2020	Independent Governor	Audit Committee	100%
<b>Bertrand Louveaux</b>	1 Aug 2013	Second term	31 Jul 2021	Independent Governor	Audit Committee, Nominations Committee	100%
<b>John Mathers</b>	1 Sep 2015	First term	31 Aug 2019	Independent Governor	Audit Committee	100%
<b>Charles Wace</b>	1 Sep 2015	First term	31 Aug 2019	Independent Governor	Remuneration Committee	86%
<b>Professor Anne Carlisle</b>	1 Sep 2009	n/a	n/a	Vice-Chancellor	Nominations Committee	100%
<b>Robert Hillier</b>	1 Sep 2015	-	31 Aug 2018	Staff Governor		100%
<b>Tracy Pritchard</b>	1 Sep 2015	-	31 Aug 2018	Staff Governor		100%
<b>Chris Slesser</b>	1 Sep 2017	-	31 Aug 2018	Student Governor		100%

### In attendance

<b>Mr Peter Cox</b>	Chief Operating Officer	Board of Governors; Audit Committee	86%
<b>Mr Rob Holmes</b>	Director of Finance	Board of Governors; Audit Committee	78%
<b>Dr Robin Kirby</b>	Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors	Secretary to: Board of Governors, Remuneration, Nominations and Audit Committees	90%
<b>Professor Geoff Smith</b>	Senior Deputy Vice-Chancellor	Board of Governors	100%
<b>Professor Alan Murray</b>	Deputy Vice-Chancellor (Academic)	Board of Governors	100%
<b>Mrs Robyn Wyatt</b>	Clerk to the Board of Governors	Clerk to: Board of Governors; Audit Committee, Remuneration Committee	2017 – July 2018 100%
<b>Miss Louise Williamson</b>	Clerk to the Board of Governors	Clerk to: Board of Governors; Audit Committee	September 2017 – November 2017 100%





## Independent Governor Skills Matrix

Governor	Term	Accountancy	Audit	Banking	Business & Commerce	Corporate Giving	Cornish Economy	Creative Industries	Estates Management	EU Investment Programmes	Financial Management	Further Education	Higher Education	Human Resource Management	Internationalisation	Investment	Law	Local Politics	Marketing & Brand Management	Manufacturing Sector	Public Sector	Quality Management	Research / Research Management	Strategic Planning and Review	Westminster Politics
Chris Pomfret	1 Sept 15 – 31 Aug 19	•	•		•		•			•	•				•		•	•	•		•		•	•	
Andrew Allen	1 Jul 14 – 31 Jul 19	•	•		•		•				•						•								
Mark Carne	1 Aug 13 – 31 Jul 21				•				•		•			•	•					•		•		•	
Alison Cressey	1 Sept 15 – 31 Aug 19				•			•				•	•			•				•	•				
Tim Jones	1 Nov 16 – 30 Sep 20		•	•	•	•	•		•	•				•	•			•		•	•			•	•
Bertrand Louveaux	1 Aug 13 – 31 Jul 21				•												•								
John Mathers	1 Sept 15 – 31 Aug 19		•					•					•	•						•	•			•	
Charles Wace	1 Sept 15 – 31 Aug 19		•		•			•	•		•				•				•						

The Clerk to the Board maintains a register of financial and personal interests of the governors. The register is available for inspection at the registered office.

All governors are able to take independent 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.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are provided on an ad hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

## Appointments to the Board

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. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for up to two four year terms of office.

## Remuneration Committee

The Remuneration committee is comprised of:

- Charles Wace, Deputy Chair of the Board of Governors, Independent Governor (Chair of the Remuneration Committee)
- Chris Pomfret, Chair of the Board of Governors
- Mark Carne, Independent Governor

Membership of the Remuneration Committee is approved by the full Board of Governors as are the Terms of Reference for the committee.

Also in attendance for specific items only are:

- Professor Anne Carlisle, Vice-Chancellor
- Daniel Jones, Director of Human Resources
- Dr Robin Kirby, Strategic Advisor to the Vice-Chancellor, and Secretary to the Board of Governors

Whilst members of the Executive are present for some items of the agenda none are present for any item of discussion that may influence their own remuneration. The requirement for individuals to leave the meeting is clearly detailed on the agenda so that the Chair is able to manage this accordingly.

The process is set out in the Terms of Reference and the Senior Management Team Performance Related Pay Scheme. Both documents can be found at: [https://www.falmouth.ac.uk/sites/default/files/download/annual\\_senior\\_staff\\_remuneration\\_report-3.pdf](https://www.falmouth.ac.uk/sites/default/files/download/annual_senior_staff_remuneration_report-3.pdf)

The Remuneration Committee meets on an annual basis and minutes of the meeting can be found at at: [https://www.falmouth.ac.uk/sites/default/files/download/annual\\_senior\\_staff\\_remuneration\\_report-3.pdf](https://www.falmouth.ac.uk/sites/default/files/download/annual_senior_staff_remuneration_report-3.pdf)

The Remuneration Committee is reporting on the remuneration decisions of the Vice-Chancellor and other senior post holders as set out in the terms of reference of the Remuneration Committee. Designated postholders for this purpose are:

- Vice-Chancellor
- Senior Deputy Vice-Chancellor
- Chief Operating Officer
- Deputy Vice-Chancellor (Academic)
- Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors

Throughout the year ending 31 July 2018 the University's Remuneration Committee comprised three members of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Vice-Chancellor and other key management personnel. The Remuneration Committee provide an annual report to the Board of Governors which forms the basis of our annual statement on remuneration as set out in note 7 to the financial statements.

The University formally adopted the Higher Education Senior Staff Remuneration Code (June 2018), on 13 July 2018. Following a review of the Remuneration Committee Terms of Reference against the Remuneration Code, the Board of Governors approved minor changes to the Terms of Reference on 13 July 2018. The Board agreed that Remuneration Committee practice had been appropriately fair, transparent and independent prior to adoption of the Remuneration Code.



## Audit Committee

The Audit Committee comprises four members of the Board (excluding the Accounting Officer). The Committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets on a termly basis and provides a forum for reporting by the University's internal and external auditors, who have access to the Committee for independent discussion, without the presence of University management. The Committee also receives and considers reports from the main funding bodies as they affect the University's business.

The University's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of internal and external auditors and their remuneration for audit and non-audit work as well as reporting annually to the Board.

## Internal control

### Scope of responsibility

The Board is ultimately responsible for the University's system of internal control and for reviewing its effectiveness.

The Board has delegated the day-to-day responsibility to the Vice-Chancellor, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in

the Terms and conditions of funding for higher education institutions between Falmouth University and OfS. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of University policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Falmouth University for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

### Capacity to handle risk

The Board has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

### The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts

- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Falmouth University uses an internal audit service, which operates in accordance with the requirements of the OfS's Audit Code of Practice. The work of the internal audit service 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 analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the audit committee. At least annually the internal auditors provide the governing body 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 system of risk management, controls and governance processes.

As Accounting Officer, the Vice-Chancellor has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

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

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by

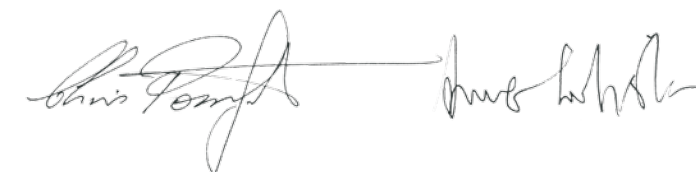
early warning mechanisms, which are embedded within the departments. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. 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.

Based on the advice of the Audit Committee and the Accounting Officer, 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 body and the safeguarding of their assets".

## Going concern

After making appropriate enquiries, the Board considers that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

**Approved by order of the members of the Board on 23 November 2018 and signed on its behalf by:**



**Chris Pomfret**  
Chair of Governors

**Prof A Carlisle**  
Vice-Chancellor



## Statement of responsibilities of the Board of Governors of Falmouth University

### Statement of responsibilities of the Board of Governors in respect of the financial statements

The Board of Governors are responsible for preparing the financial statements in accordance with the requirements of the Terms and conditions of funding for higher education institutions from OfS 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*. Terms and conditions of funding for higher education institutions further requires 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 OfS's Accounts Direction to higher education institutions. The 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 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 adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. 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 under the Terms and conditions of funding for higher education institutions for:

- ensuring that funds from OfS and other funding bodies are used only for the purposes for which they have been given and in accordance with the Terms and conditions of funding for higher education institutions and any other conditions which OfS may from time to time prescribe;
- 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:



23 November 2018

**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 2018 which comprise the Group's and University's Statements of comprehensive income, the Group's and University's Statements of changes in reserves, the Group's and University's Balance Sheets, the Group's Statement of Cash Flow 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 2018, 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 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of OfS's Accounts Direction to higher education institutions for 2017/18 financial statements.

### 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Board of Governors is responsible for the other information, which comprises the Report of the governing body, the public benefit statement and the corporate governance statement. 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 pages 44-45, 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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the OfS Audit Code of Practice (effective 1 April 2018) issued under the Further and Higher Education Act 1992 and the Higher Education Act 2004.

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; and
- income has been applied in accordance with the University's Statutes;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

## 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: 

November 2018  
Victoria Sewell  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Plym House, Plymouth, PL6 8LT



## Falmouth University Consolidated and University Statement of comprehensive income for the year ended 31 July 2018

	Note	Year to	Year to	Year to	Year to
		31/7/18	31/7/18	31/7/17	31/7/17
		Group	University	Group	University
		£ (000)	£ (000)	£ (000)	£ (000)
<b>Income</b>					
Funding body grants	2	4,187	4,187	5,274	5,274
Tuition fees and education contracts	3	51,655	51,655	45,820	45,820
Research grants and contracts	4	918	918	760	760
Other income	5	4,680	4,673	3,193	3,177
Endowment and investment income	6	108	108	40	40
<b>Total income</b>		<b>61,548</b>	<b>61,541</b>	<b>55,087</b>	<b>55,071</b>
<b>Expenditure</b>					
Staff costs	7	26,292	26,292	24,002	24,002
Other operating expenses	8	25,009	24,998	21,459	21,447
Depreciation	11	3,177	3,177	3,064	3,064
Interest and other finance costs	9	585	585	586	586
		<b>55,063</b>	<b>55,052</b>	<b>49,111</b>	<b>49,099</b>
Surplus before other gains and share of jointly controlled entity		6,485	6,489	5,976	5,972
Loss on disposal of assets		(18)	(18)	-	-
Share of operating (deficit)/surplus in jointly controlled entity	12	(341)	-	360	-
Surplus before tax and surplus for year		6,126	6,471	6,336	5,972
Actuarial gain in respect of pension schemes		3,247	2,388	4,279	3,363
<b>Total comprehensive income for the year</b>		<b>9,373</b>	<b>8,859</b>	<b>10,615</b>	<b>9,335</b>

All income relates to continuing operations.  
The notes on pages 52 to 78 form an integral part of the financial statements.

## Falmouth University Consolidated and University Statement of changes in reserves for the year ended 31 July 2018

Group	Income & Expenditure Account	Income & Expenditure Account	Revaluation reserve	Total
	Restricted	Unrestricted		
	£ (000)	£ (000)	£ (000)	£ (000)
Balance at 1 August 2016	27	1,581	41,698	43,306
Surplus from the income and expenditure statement	-	6,336	-	6,336
Other comprehensive income	-	4,279	-	4,279
Transfers between revaluation and income and expenditure reserve (note 1)	-	27,466	(27,466)	-
Balance at 1 August 2017	27	39,662	14,232	53,921
Surplus from the income and expenditure statement	-	6,126	-	6,126
Other comprehensive income	-	3,247	-	3,247
Transfers between revaluation and income and expenditure reserve	-	260	(260)	-
Balance at 31 July 2018	27	49,295	13,972	63,294

University	Income & Expenditure Account	Income & Expenditure Account	Revaluation reserve	Total
	Restricted	Unrestricted		
	£ (000)	£ (000)	£ (000)	£ (000)
Balance at 1 August 2016	27	4,422	27,206	31,655
Surplus from the income and expenditure statement	-	5,972	-	5,972
Other comprehensive income	-	3,363	-	3,363
Transfers between revaluation and income and expenditure reserve (note 1)	-	27,206	(27,206)	-
Balance at 1 August 2017	27	40,963	-	40,990
Surplus from the income and expenditure statement	-	6,471	-	6,471
Other comprehensive income	-	2,388	-	2,388
Transfers between revaluation and income and expenditure reserve	-	-	-	-
Balance at 31 July 2018	27	49,822	-	49,849

The notes on pages 52 to 78 form an integral part of the financial statements.




## Falmouth University Balance sheets as at 31 July 2018

	Note	Group 2018 £ (000)	University 2018 £ (000)	Group 2017 £ (000)	University 2017 £ (000)
<b>Fixed Assets</b>					
Tangible assets	11	110,538	110,510	105,141	105,113
Investment in subsidiary undertakings	12	-	3	-	1
Investment in associates	12	28	28	15	15
Interest in jointly controlled entity	12	13,421	-	12,904	-
		<b>123,987</b>	<b>110,541</b>	<b>118,060</b>	<b>105,129</b>
<b>Current Assets</b>					
Stock		55	55	82	82
Trade and other receivables	13	3,610	3,603	1,877	1,903
Cash at bank and in hand		20,150	20,143	17,147	17,119
		<b>23,815</b>	<b>23,801</b>	<b>19,106</b>	<b>19,104</b>
Less: Creditors – amounts falling due within one year	14	(8,118)	(8,103)	(9,101)	(9,099)
Net current assets		<b>15,697</b>	<b>15,698</b>	<b>10,005</b>	<b>10,005</b>
Total assets less current liabilities		139,684	126,239	128,065	115,134
Less: Creditors - amounts falling due after more than one year	15	(62,937)	(62,937)	(59,872)	(59,872)
<b>Provisions</b>					
Pension provision		(12,797)	(12,797)	(13,593)	(13,593)
Other provisions	16	(656)	(656)	(679)	(679)
Net assets		<b>63,294</b>	<b>49,849</b>	<b>53,921</b>	<b>40,990</b>
<b>Restricted reserves</b>					
Income and expenditure-Endowments	17	27	27	27	27
<b>Unrestricted reserves</b>					
Income and expenditure account		49,295	49,822	39,662	40,963
Revaluation reserve	18	13,972	-	14,232	-
Total reserves		<b>63,294</b>	<b>49,849</b>	<b>53,921</b>	<b>40,990</b>

The notes on pages 52 to 78 form an integral part of the financial statements.

The financial statements on pages 48 to 78 were approved by the Board of Governors  
on 23 November 2018 and signed on its behalf by:



Chris Pomfret  
Chair of Governors



Vice-Chancellor  
Professor Anne Carlisle

## Falmouth University Consolidated cash flow statement for the year ended 31 July 2018

	£ (000)	Year to 31/7/18 £ (000)	Year to 31/7/17 £ (000)
<b>Cash flow from operating activities</b>			
Surplus for the year		6,126	6,336
<b>Adjustment for non-cash items</b>			
Depreciation		3,177	3,064
Deferred capital grants released		(1,569)	(1,460)
Decrease/(increase) in stock		27	(39)
Increase in debtors		(1,541)	(1,159)
(Decrease)/increase in creditors		(578)	1,139
Increase in pension provision		1,209	701
Decrease in other provisions		(23)	(39)
Share of operating deficit/(surplus) in jointly controlled entity		341	(360)
Loss on disposal of assets		18	-
<b>Adjustment for investing or financing items</b>			
Investment income		(108)	(40)
Interest payable		585	586
Net cash inflow from operating activities		<b>7,664</b>	<b>8,729</b>
<b>Cash flow from investing activities</b>			
Deferred capital grants received	2,755		332
Investment income	108		40
Investments	(11)		(15)
Payments made to acquire fixed assets	(9,030)		(4,895)
		(6,178)	(4,538)
<b>Cash flows from financing activities</b>			
Interest paid	(209)		(180)
New bank loan received	2,000		2,075
Loan repayments in year	(291)		(296)
		1,500	1,599
Increase in cash and cash equivalents in the year		<b>2,986</b>	<b>5,790</b>
Cash and cash equivalents at the beginning of the year		17,114	11,324
Cash and cash equivalents at the end of the year		<b>20,100</b>	<b>17,114</b>

The notes on pages 52 to 78 form an integral part of the financial statements.



# Notes to the consolidated financial statements for the year ended 31 July 2018

## 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.

### Basis of consolidation

The consolidated financial statements include the University and its subsidiary companies, Falmouth Enterprises Limited and Falmouth Agency 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.

### 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.

### Going concern

The University and Group have made surpluses for both the current and the prior years, and have net assets.

The University considers that it has sufficient financial resources and is confident that its future income streams will maintain these resources. The Board believes that the University is well placed to effectively manage its business risks, despite the current uncertain economic situation.

The Board has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

### 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 on-going 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 on-going pension of a former member of staff is charged in full to the University's income statement in the year that the member of staff 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 on-going 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 during the previous year as assets are no longer being revalued.

#### *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 2018. They are not depreciated until they are brought into use.



#### *Fixtures, fittings & equipment*

Equipment, including computers and software, costing less than the minimum 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 subsidiary is 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 31/7/18	University 31/7/18	Group 31/7/17	University 31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
<b>HEFCE/OfS recurrent grant</b>	3,298	3,298	4,104	4,104
<b>HEFCE/OfS specific grants</b>				
<i>Catalyst/Strategic Development Funds</i>	43	43	1	1
<i>Collaborative Outreach</i>	-	-	101	101
<b>HEFCE/OfS deferred capital grants released in year</b>				
- Buildings	500	500	321	321
- Equipment	254	254	312	312
EFA/SFA recurrent grant	92	92	435	435
	4,187	4,187	5,274	5,274

## 3 Tuition fees and education contracts

	Group 31/7/18	University 31/7/18	Group 31/7/17	University 31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
<b>Full-time students</b>	47,346	47,346	41,383	41,383
<b>Full-time students charged overseas fees</b>	3,961	3,961	3,958	3,958
<b>Part-time students</b>	265	265	245	245
<b>Research fees</b>	83	83	48	48
<b>FE fees and other charges</b>	-	-	186	186
	51,655	51,655	45,820	45,820

## 4 Research grants and contracts

	Group 31/7/18	University 31/7/18	Group 31/7/17	University 31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Other contracts	918	918	760	760
	918	918	760	760

## 5 Other income

	Group 31/7/18	University 31/7/18	Group 31/7/17	University 31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
<b>Other income generating activities</b>	331	302	322	280
<b>Residences and catering operations</b>	737	737	694	694
<b>Other income (including European grants)</b>	2,476	2,498	1,101	1,127
<b>Recharges for the provision of combined services</b>	321	321	249	249
<b>Deferred capital grants</b>	815	815	827	827
	4,680	4,673	3,193	3,177

## 6 Endowment and investment income

	Group 31/7/18	University 31/7/18	Group 31/7/17	University 31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Bank deposit interest	108	108	40	40
	108	108	40	40



## 7 Staff costs

	Group 31/7/18	University 31/7/18	Group 31/7/17	University 31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Wages and salaries	19,946	19,946	18,470	18,470
Social security costs	1,980	1,980	1,837	1,837
Other pension costs	4,366	4,366	3,695	3,695
	26,292	26,292	24,002	24,002

### Approach to remuneration

#### a) The competitive environment

Falmouth is a specialist University and Creative Innovation Hub, with over 6,000 students. The University operates in the UK, EU and international student markets for undergraduate, Masters 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: <https://www.falmouth.ac.uk/corporate/strategicplan>

#### b) Remuneration Policy

The policy for the Senior Management Team Performance Related Pay Scheme can be found at: [https://www.falmouth.ac.uk/sites/default/files/download/annual\\_senior\\_staff\\_remuneration\\_report-3.pdf](https://www.falmouth.ac.uk/sites/default/files/download/annual_senior_staff_remuneration_report-3.pdf) 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; [https://www.falmouth.ac.uk/sites/default/files/download/annual\\_senior\\_staff\\_remuneration\\_report-3.pdf](https://www.falmouth.ac.uk/sites/default/files/download/annual_senior_staff_remuneration_report-3.pdf) 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

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

In 2017-18, the University met and exceeded its target surplus, as detailed in the published annual accounts (target 7.6%, final outcome 10.3%). 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 2018-19 enrolments, recognising a year-on-year decrease of 9.27% against 2017-18 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 improved year-on-year retention (92.66%) vs. 2016-17 (92.35%)

**Student satisfaction (National Student Survey):** reduction in overall satisfaction score from 83% to 80%. UK average also saw a reduction in overall satisfaction, falling 1% to 83%

### e) Total funds distributed for performance pay

The total value of all payments awarded by the Remuneration Committee for the 2017-18 period is £113,231

Note: the Remuneration Committee decided not to award cost of living increases to base pay for Designated Post Holders for 2018-19.



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

The total funds were paid across 17 people, including the Vice-Chancellor, payment values were 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 2017-18, the Remuneration Committee considered the following:

- Key metrics listed in (b) above, including the challenging recruitment environment for full time, UK undergraduate students, achievement of improved year-on-year student retention, and a reduction in some key National Student Survey metrics
- Full achievement of all personal objectives agreed with the Chair of the Board in 2017-18

**h) Total remuneration for the Vice-Chancellor**

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

Remuneration for the Vice Chancellor	31/7/18	31/7/17
Salary	£224,645	£224,441
Performance Related Pay	£22,465	£33,697
Benefits	£3,382	£3,520
<b>Subtotal</b>	<b>£250,492</b>	<b>£261,658</b>
Pension / payment in lieu of pension costs	£32,529	£47,563
<b>Total</b>	<b>£283,021</b>	<b>£309,221</b>

**i) Pay multiples**

The Remuneration Committee also note 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.

Using the CUC directed calculation, the pay multiple of the Vice-Chancellor and the median earnings of the institution’s whole workforce is 7.39.

Using the OfS directed calculation, the pay multiple of the Vice- chancellor and the median earnings of the institution’s whole workforce is 6.7.

Using the OfS directed calculation, the total remuneration multiple of the Vice-Chancellor and the total remuneration earnings of the institution’s whole workforce is 7.27.

**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:

- A named Director on all of the Launchpad Companies and all Falmouth University subsidiaries. However, oversight of these companies is a key component of the Vice-Chancellor’s role.

Whilst not formal appointments, the Vice-Chancellor 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 and includes the following Boards:

- Cornwall Executive Group
- Cornwall Place Board
- Creative Industries Group (a subsidiary of the C&IoS LEP Board)

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

[https://www.falmouth.ac.uk/sites/default/files/download/annual\\_senior\\_staff\\_remuneration\\_report-3.pdf](https://www.falmouth.ac.uk/sites/default/files/download/annual_senior_staff_remuneration_report-3.pdf)

Basic salary of higher paid staff excluding Vice Chancellor (excluding employer’s pension contributions):				
	Group 31/7/18 Number	University 31/7/18 Number	Group 31/7/17 Number	University 31/7/17 Number
£100,000 - £104,999 pa	1	1	1	1
£105,000 - £109,999 pa	1	1	-	-
£115,000 - £119,999 pa	1	1	1	1
£125,000 - £129,999 pa	1	1	1	1

Average staff numbers (FTEs) by major category:	Number	Number	Number	Number
Academic departments	272	272	270	270
Research & innovation	22	22	15	15
Academic support services	32	32	26	26
Administration	111	111	103	103
Premises	6	6	22	22
Other income generation	-	-	1	1
	<b>443</b>	<b>443</b>	<b>437</b>	<b>437</b>

Compensation for loss of office payable to a senior post-holder:

Group 31/7/18 £ (000)	University 31/7/18 £ (000)	Group 31/7/17 £ (000)	University 31/7/17 £ (000)

### 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.

This consists of 10 roles:

Vice-Chancellor  
Senior Deputy Vice-Chancellor  
Deputy Vice-Chancellor (Academic)  
Chief Operating Officer  
Director of Human Resources  
Director of Communications  
Director of Finance  
Property Development Director (to 31 October 2017)  
Director of Strategic Innovation Projects

Staff costs includes compensation paid to key management personnel.

### Key management personnel remuneration

	Group	University	Group	University
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Key management personnel remuneration	1,051	1,051	1,224	1,224

### Governors acting as Trustees

No governor has received any remuneration or waived payments from the group during the year (2017: none).

The total expenses paid to or on behalf of seven governors was £3,780 (2016/17: £3,684 paid to seven 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
	31/7/18	31/7/18	31/7/17	31/7/17
	£ (000)	£ (000)	£ (000)	£ (000)
Teaching materials and expenses	3,367	3,367	2,452	2,452
Partnership teaching costs	2,965	2,965	729	729
Library and learning resource costs	1,697	1,697	1,612	1,612
IT support costs	2,005	2,005	1,844	1,844
Student support costs	1,672	1,672	1,501	1,501
Recruitment and restructuring costs	232	232	457	457
Research costs	486	486	461	461
Auditors remuneration - external audit fees	39	38	33	32
Auditors remuneration - internal audit fees	25	25	22	22
Auditors remuneration - non audit fees	-	-	-	-
Administrative expenses	2,509	2,509	2,056	2,056
Residential development fees	108	108	450	450
CUC central costs	-	-	65	65
Advertising and promotional expenses	2,270	2,270	1,864	1,864
Bursaries payable	1,368	1,368	1,627	1,627
Heat, light, rates and water	1,411	1,411	1,203	1,203
Repairs and maintenance to premises	3,956	3,956	4,241	4,241
Inter-campus transport	162	162	154	154
Rents and property leases	61	61	127	127
Other income generation costs	676	666	561	550
	25,009	24,998	21,459	21,447



## 9 Interest and other finance costs

	Group 31/7/18 £ (000)	University 31/7/18 £ (000)	Group 31/7/17 £ (000)	University 31/7/17 £ (000)
On bank loans not wholly repayable within five years	202	202	182	182
Pension finance costs	383	383	404	404
	585	585	586	586

## 10 Analysis of 2017/18 expenditure by activity - Group

	Staff costs £ (000)	Other operating expenses £ (000)	Depreciation £ (000)	Interest payable £ (000)	2017/18 Total £ (000)	2016/17 Total £ (000)
Academic departments	15,340	6,508	900	-	22,748	19,009
Academic support services	1,111	4,027	82	-	5,220	4,205
Research grants & contracts	1,087	486	-	-	1,573	1,284
Residences and catering	347	437	-	-	784	695
Premises	716	5,602	2,186	202	8,706	8,767
Administration & central services	7,404	7,706	2	383	15,495	14,685
Other services	287	243	7	-	537	401
Other expenses	-	-	-	-	-	65
<b>Total</b>	<b>26,292</b>	<b>25,009</b>	<b>3,177</b>	<b>585</b>	<b>55,063</b>	<b>49,111</b>

### The depreciation charge has been funded by:

Deferred capital grants	1,569
General income	1,608
	3,177

## 11 Fixed asset schedule

Group	Assets in the course of construction £ (000)	Land and buildings £ (000)	Fixtures, fittings & equipment £ (000)	Total £ (000)
<b>Cost or valuation</b>				
B/f as at 1 August 2017	1,937	107,331	18,210	127,478
Additions	5,457	1,706	1,429	8,592
Transfers	(1,553)	1,553	-	-
Disposals	-	-	(65)	(65)
C/f as at 31 July 2018	5,841	110,590	19,574	136,005

### Depreciation

B/f as at 1 August 2017	-	5,820	16,517	22,337
Charge for the year	-	2,075	1,102	3,177
Depreciation on disposals	-	-	(47)	(47)
C/f as at 31 July 2018	-	7,895	17,572	25,467

### Net book value

As at 31 July 2017	1,937	101,511	1,693	105,141
As at 31 July 2018	5,841	110,590	19,574	136,005

## University

University	Assets in the course of construction £ (000)	Land and buildings £ (000)	Fixtures, fittings & equipment £ (000)	Total £ (000)
<b>Cost or valuation</b>				
B/f as at 1 August 2017	1,937	107,415	17,872	127,224
Additions	5,457	1,706	1,429	8,592
Transfers	(1,553)	1,553	-	-
Disposals	-	-	(65)	(65)
C/f as at 31 July 2018	5,841	110,674	19,236	135,751

### Depreciation

B/f as at 1 August 2017	-	5,820	16,291	22,111
Charge for the year	-	2,075	1,102	3,177
Depreciation on disposals	-	-	(47)	(47)
C/f as at 31 July 2018	-	7,895	17,346	25,241

### Net Book Value

As at 31 July 2017	1,937	101,595	1,581	105,113
As at 31 July 2018	5,841	102,779	1,890	110,510

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 2018	University 2018	Group 2017	University 2017
	£ (000)	£ (000)	£ (000)	£ (000)
Investment in subsidiary companies	-	3	-	1
Interest in associates	28	28	15	15
Interest in jointly controlled entity	-	-	-	-
	28	31	15	16

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

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 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 2018.

All of the above are companies registered in England and Wales.

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:

	2018 £ (000)	2017 £ (000)
Share of fixed assets	40,982	41,689
Share of current assets	3,127	3,543
Share of current liabilities	(3,237)	(3,500)
Share of long-term liabilities	(23,449)	(24,733)
Share of pension liability	(4,002)	(4,095)
	13,421	12,904
Share of income	14,593	14,486
Share of (deficit)/surplus for the year	(341)	360
Share of tax payable	-	-
Share of total comprehensive income	519	1,276

Interest in associates comprises:

Name	Company number	Shares	% shareholding
Hertzian Limited	09753777	302	24.7
Burning Arrow Limited (in voluntary arrangement)	09755439	273	25
Cove Entertainment Limited (in voluntary arrangement)	09767297	50	25
Polygrammatic Limited	09753453	25	25
Relative Dimensions Studios Limited	09757678	250	25
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.





## 16 Provisions for liabilities

	Enhanced Pension Provision	Relocation costs	Total
Group & University	£ (000)	£ (000)	£ (000)
Balance at 1 August 2017	653	26	679
Transferred from Income and expenditure	30	-	30
Utilised in the year	(48)	(5)	(53)
Balance at 31 July 2018	635	21	656

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 2018. 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 5.

## 17 Endowments

	Group and University	
	2018	2017
Permanent and expendable endowments	£ (000)	£ (000)
Balance brought forward	27	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 2018	University 2018	Group 2017	University 2017
	£ (000)	£ (000)	£ (000)	£ (000)
Balance brought forward	14,232	-	41,698	27,206
Transferred to Income and expenditure account (note 1)	-	-	(27,206)	(27,206)
Share of movement in jointly controlled entity's revaluation reserve	(260)	-	(260)	-
	13,972	-	14,232	-

The revaluation reserve was transferred to the income and expenditure reserve in the previous year as assets are no longer being revalued.

## 19 Analysis of changes in net funds

	At 1 Aug 2017	Cashflows	At 31 July 2018
	£ (000)	£ (000)	£ (000)
Cash and cash equivalents	17,147	3,004	20,151
Overdraft	(33)	(18)	(51)
Total	17,114	2,986	20,100

## 20 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:

	31/7/18	31/7/17
	£ (000)	£ (000)
CC Pension Scheme: Charge to the Income and expenditure account (note 7)	2,925	2,230
USS Pension Scheme: contributions paid (note 7)	12	11
Teachers' Pension Scheme: contributions paid (note 7)	1,429	1,454
	4,366	3,695
Enhanced pension charge to Income and expenditure account (note 16)	48	47
Total pension cost for the year	4,414	3,742

## 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.

Not 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 2012. 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 £191,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600m. The assumed real rate of return is 3% in excess of prices and 0.25% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%.

The latest published accounts (2017-18) estimated that the total liabilities of the scheme were £361,500m using the assumptions of a real rate of return of 0.1% in excess of pension increases and 1.35% in excess of earnings decreases. The rate of return was assumed to be 2.55%.

Employees pay tiered contribution rates ranging from 7.4% to 11.7% according to their salary band. Employer rates are 16.48%.



## Retirement benefits disclosure

The University is a member of the Cornwall Pension Fund, a funded defined benefit scheme in the UK. The total contribution made for the year ended 31 July 2018 was £2,275k (2017: £2,020k) of which employer's contributions totalled £1,724k (2017: £1,536k) and employees' contributions totalled £551k (2017: £484k).

The actuarial valuation of the scheme at 31 March 2016 showed a deficit of £486m. Employers' contribution rates during the year were 18.1% plus an annual lump sum of £249,700 to March 2018 and 18.1% plus an annual lump sum of £326,800 from April 2018. In 2019/20 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% (2017: 5.5% to 12.5%).

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 rolled forward to 31 July 2018 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.

## Actuarial assumptions

The major assumptions used by the actuary were:	2018 %	2017 %
Rate of increase in salaries	2.5	2.5
Inflation - CPI	2.4	2.4
Rate of increase for pensions in payment	2.4	2.4
Discount rate for liabilities	2.8	2.7
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	22.1 years	24.5 years
Future Pensioners *	24.0 years	26.4 years

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

## 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 2018 %	Bid value at 31 July 2018 £(000)	Long term rate of return expected at 31 July 2017 %	Bid value at 31 July 2017 £(000)
Equities	2.8	13,191	2.7	11,381
Bonds	2.8	12,349	2.7	10,413
Property	2.8	2,245	2.7	1,695
Cash	2.8	281	2.7	726
Estimated employers' share of scheme assets		28,066		24,215
Present value of scheme liabilities - Funded		(40,863)		(37,808)
Deficit in the scheme		(12,797)		(13,593)

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 2018.

## Actual return on assets

	2018 £'000	2017 £'000
Actual return on assets	2,002	1,320

## Analysis of the amount charged to Income and Expenditure account

	2018 £(000)	2017 £(000)
Current service cost	2,930	2,220
Total operating charge	2,930	2,220

## Analysis of pension finance costs

	2018 £(000)	2017 £(000)
Interest income on plan assets	(678)	(552)
Interest on pension scheme liabilities	1,061	956
Net cost	383	404

## Amount recognised in other comprehensive income (OCI)

	2018 £(000)	2017 £(000)
Actuarial gain recognised in OCI in the year	2,388	3,363
Cumulative actuarial loss recognised in OCI at 1 August	(6,469)	(9,832)
Cumulative actuarial loss recognised in OCI at 31 July	(4,081)	(6,469)

## Asset and Liability Reconciliation

	2018 £ (000)	2017 £ (000)
Reconciliation of Liabilities		
Liabilities at start of period	37,808	37,138
Current service cost	2,930	2,220
Interest cost	1,061	956
Employee contributions	551	484
Remeasurements*	(1,064)	(2,595)
Estimated benefits paid	(426)	(412)
Losses on curtailments	3	17
Liabilities at end of period	40,863	37,808

## Reconciliation of Assets

Assets at start of period	24,215	21,287
Interest income on plan assets	678	552
Remeasurements**	1,324	768
Employer contributions	1,724	1,536
Employee contributions	551	484
Estimated benefits paid (net of transfers in)	(426)	(412)
Assets at end of period	28,066	24,215
* Remeasurements of liabilities	1,064	2,595
** Remeasurements of assets	1,324	768
Actuarial gain recognised in OCI at 31 July- University	2,388	3,363
Share of joint venture's actuarial gain	859	916
Actuarial gain recognised in OCI at 31 July- Group	3,247	4,279

## History of liabilities, assets and experience adjustments

	2018 £(000)	2017 £(000)	2016 £(000)	2015 £(000)	2014 £(000)
Scheme liabilities	(40,863)	(37,808)	(37,138)	(30,397)	(24,527)
Scheme assets	28,066	24,215	21,287	19,666	16,962
Deficit	(12,797)	(13,593)	(15,851)	(10,731)	(7,565)
Experience adjustments on Scheme liabilities	1,064	1,818	275	143	691
Experience adjustments on Scheme assets	1,324	768	(537)	532	(1,214)

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

## Pension scheme – USS (Group and University)

The total cost charged to the Statement of Comprehensive Income is £12K (2017: £11K).

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
<b>Mortality base table</b>	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
<b>Future improvements to mortality</b>	CMI_2016 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.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

## 21 Capital commitments

	Group and University	
	2018	2017
	£ (000)	£ (000)
Authorised but not committed	5,039	6,227
Commitments contracted at 31 July	1,421	6,349

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.

## 22 Financial commitments

Amounts payable under non-cancellable operating leases were as follows:

	Group and University	
	2018	2017
	£ (000)	£ (000)
Land and buildings		
In one year or less	-	55
In more than one year but not more than two years	-	50
In more than two years but not more than five years	-	68
In more than five years	-	-
Total	-	173

The University guarantees 50% of FX Plus' bank loans totalling £24m as at the year end (total loans are £48m). These term loans are repayable over various terms up to 39 years and £16.4m is at a fixed interest rate. The commitment that sits with Falmouth has an annual repayment requirement of £725k whilst the remainder rests with FX Plus and is met through the annual rental income which, for 2018/19, 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.

## 23 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 £35,040. Andrew Allen (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:

	2018	2017
	£ (000)	£ (000)
Authorised but not committed	8,255	10,375
Commitments contracted at 31 July 2018	512	445

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)
2018	11,210	165	-	127
2017	9,947	60	699	-

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 FXU during the year as follows:

	Year to 31/7/18	Year to 31/7/17
	£ (000)	£ (000)
Block grant	516	481
Sports	30	30
	546	511

## 24 Non-adjusting post balance sheet events

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. For the University's USS scheme the provision included within the financial statements at note 20 will only be impacted to the extent the change in benefits increases cash financing.

On 23 November 2018 the consolidated financial statements were authorised for issue by the Governing Body and do not reflect events after this date.

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