



## **CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 July 2017

# BOARD OF GOVERNORS

## Board of Governors (at date of signing)

Chairman	Mr C Pomfret
Deputy-Chair	Mr C Wace
Vice-Chancellor & Chief Executive	Professor A Carlisle
Audit Committee Chair	Mr A Allen
Independent Governors	Mr M Carne Ms A Cressey Mr T Jones Mr B Louveaux Mr J Mathers
Academic Board Representative	Mrs T Pritchard
Professional Services Staff Representative	Mr R Hillier
Students' Union President - Falmouth	Mr C Slesser

## Other Officers

Senior Deputy Vice-Chancellor	Professor G Smith
Deputy Vice-Chancellor (Academic)	Professor A Murray
Chief Operating Officer	Mr P Cox
Director of Finance	Mr R Holmes
Secretary to the Board	Dr R Kirby
Clerk to the Board	Miss L Williamson

## Registered Office Address

Falmouth Campus, Woodlane, FALMOUTH TR11 4RH

## Bankers

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

## External Auditor

KPMG LLP - Plym House, 3 Longbridge Road PLYMOUTH PL6 8LT

## Internal Auditor

Uniac - 4th Floor, St James' Building, Oxford Street MANCHESTER M1 6FQ

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# REPORT OF THE GOVERNING BODY

The Board of Governors present their report and the audited financial statements for the year ended 31 July 2017.

## INTRODUCTION

Founded in 1902, Falmouth University has developed over 115 years to become a dynamic centre for creative learning and innovation. Our 2020 Strategic Plan presents our ambition to be an internationally recognised creative innovation hub.

Falmouth has grown rapidly in recent times, tripling in size since 2001 to over 5,200 students today. Our course portfolio matches the needs of the Creative Industries.

This year, Falmouth was awarded Gold in the Government's first Teaching Excellence Framework, recognising our provision as consistently outstanding and of the highest quality found in the UK Higher Education Sector.

Thanks to significant investment, our facilities are of professional standard and our staff are respected and experienced professionals in their fields.

The University's graduates have excellent prospects in the creative economy – one of the fastest growing and largest sectors in the UK, now providing 1 in 11 of all jobs in the UK, and 1 in 6 of all graduate jobs. The following sections present summaries of the University's success in 2016/17 against our Strategic Plan objectives.



## STRATEGIC PLAN OBJECTIVE 1: TO PRODUCE SATISFIED GRADUATES WHO GET GREAT JOBS

The University is committed to delivering an outstanding student experience, and ensuring the highest rates of employment and self-employment for graduates.

Our achievement of 'gold' rating in the Teaching Excellence Framework, which measures teaching quality, student satisfaction, student retention, and graduate outcomes reflects our success against this objective.

In addition to TEF Gold, the University achieved its highest ever ranking of 6th of 122 UK Universities in the Times Higher Education Student Experience Survey 2017; five places higher than our ranking of 11th in both 2015 and 2016.

This is an independent survey of over 15,000 UK students, taking in views on 21 measures of student experience, including academic experience, facilities and student support. In the sub-tables Falmouth achieved notable rankings of 2nd in the UK for 'good environment on campus' and 4th in the UK for 'high quality facilities'.

In the National Student Survey 2017, Falmouth dropped two points from last year's institution-wide overall satisfaction score, to 83%, against a UK average of 84%. However, we maintained our teaching quality scores at the previous level, leading to a ranking of 28th of 129 UK Universities in the Times and Sunday Times Good University Guide 2018.

The University will continue to pursue student experience enhancement initiatives, with a particular focus on improving scores for course organisation and management in 2018.

In 2017 the University returned a very positive set of results in the recent Destination of Leavers in Higher Education (DLHE) survey, matching or exceeding the UK averages for each employment or further study category.

The overall employability figure for UK domiciled graduates was 94.4%, against our national HESA benchmark of 93.5%. This includes graduates working full-time or part time, those in self-employment and those in further study.

Falmouth achieved an overall score of 74% for 'graduate level' employability, 3 percentage points above the UK average.

Self-employment and business start-up amongst Falmouth graduates remains very high at 26%; more than four times the national average of 6%. The University's recruitment strategy is strongly focused on articulating the journey of Falmouth University students and graduates into employment, and self-employment, in the Creative Industries, when they have completed their course of study.



## **STRATEGIC PLAN OBJECTIVE 2: TO HELP GROW CORNWALL**

The University is committed to recruiting and retaining students from Cornwall and the Isles of Scilly, creating new jobs and supporting the growth of the creative and cultural industries in the County.

This objective commits the University to more than double the number of students from Cornwall enrolled, from 468 in 2014 to 1,126 by 2020. While the University has a strong record of recruiting students from disadvantaged backgrounds in Cornwall, the Strategic Plan target recognises the University's belief that raising aspirations and prioritising access to higher education is an essential component of growing Cornwall.

As the number of student places per head of population is lower than the national average, the University is actively developing partnerships with schools, and further and higher education providers to help raise aspiration and improve participation in the region.

Falmouth's cohort of returning or newly enrolled Cornish students was over 700 for the start of the 2017/18 academic year; the highest figure achieved to date.

The University's Access Agreement, which commits £3m per annum of University investment in fair access, retention, and graduate employability for students from disadvantaged backgrounds, is strongly focused on improving access to HE for people from Cornwall.

Further, the University is a full partner of a consortium of South West HEIs and FE Colleges which successfully bid to HEFCE for a £5.5m National Collaborative Outreach Programme for 2017-2020, which targets fair access and outreach work in HE 'cold spots' in the region.

An economic impact study, undertaken by Oxford Economics in May 2016, confirmed that £58.3m p.a. of economic activity was supported by Falmouth University and its students in 2014/15; over £1m per week. This is projected to rise to £2m per week by 2020. 1,300 jobs were supported by the University and its students in 2014/15: 1 in every 200 jobs in Cornwall.

The University's Launchpad graduate entrepreneurship programme, supported by European Regional Development Fund and Cornwall Council, will play a major role in the economic regeneration of Cornwall's economy (see Objective 4, below, for further details).

## **STRATEGIC PLAN OBJECTIVE 3: TO EXPAND AND DIVERSIFY WHAT WE DO**

The Strategic Plan 2015-2020 enshrines the University's target of achieving 8,000 total enrolments in the year 2020; almost double the headcount from 2013/14 levels. The University has taken advantage of the Government's removal of student number controls to grow numbers in current provision, where sustainable, and in new provision, introducing courses in Architecture, Digital Games and Business Entrepreneurship, first introduced in 2014/15.

In 2016/17, the University continued to initiate, develop and roll out a range of new partnership and diversification projects, designed to support total enrolments on diversification programmes of c.1,800 as part of the overall target of 8,000 enrolments by 2020. These range from local progression agreements with further education colleges, to partnerships with major international educational establishments. The models of partnership include a mix of franchise, validation, progression, articulation and dual degrees.

Over 300 students were enrolled on Falmouth's collaborative provision programmes in 2016/17. Current collaborative partners include the Academy of Contemporary Music, Cambridge Education Group (Digital), the Fashion Retail Academy, and Cambridge School of Visual and Performing Arts. Closer to home, the University has put in place a franchise partnership with Bodmin College; a validation partnership with Cornwall College; and a progression agreement with Truro and Penwith College. We have a number of progression partnerships with Cornish schools, giving guaranteed interviews or offers.

## **STRATEGIC PLAN OBJECTIVE 4: TO ESCALATE OUR RESEARCH & INNOVATION**

This objective affirms the University's approach of focusing on fields where it can build significant volume and depth and which respond to the grand challenges identified by the national research agencies.

In 2016/17 the University secured £11.8m for the Launchpad Graduate Entrepreneurship programme, a full rollout of the programme successfully piloted in 2014/15. Launchpad attracted £9.8m from ERDF, and £2m from Cornwall Council, and will build a new generation of 32 digital businesses in Cornwall, creating 128 high value job opportunities across the region within three years.

Across the pilot and the full programme (commencing in 2017), Launchpad has now attracted £14m in external funding.

As well as applying for Research Degree Awarding Powers, the University will prioritise preparation for the 2021 Research Excellence Framework, and sharpen its R&I focus into 3 key themes: Digital Economy, Creative Connected Communities, and Smart Design.

Across these themes, the University pursues innovation-led research within the UK's high growth sectors, including transformative digital technology, satellite and space technologies, smart energy, and others. The University has invested in staffing expertise to build bridges to these sectors, including new staff posts and secondments focused on the health and care sectors.

## **STRATEGIC PLAN OBJECTIVE 5: TO BE INTERNATIONALLY SIGNIFICANT**

The Strategic Plan 2015-2020 sets a target of 969 international student enrolments by 2020, from a base level of 195 in 2013/14.

For 2017/18 entry, new international enrolments reduced to 86 from 109 at the same point last year.

Future growth will be supported by a range of strategic partnerships and recruitment initiatives with educational establishments around the world, in key markets for our creative subjects.

While the full consequences of the UK's forthcoming exit from the European Union are still not clear, there are clear risks to the University's objective 'to be internationally significant'. In particular, while EU applicants to UK HEIs have been guaranteed access to the student loan system for 2018/19 entry for the duration of their studies, the long-term outlook for recruitment of international students to on-campus programmes in the UK is uncertain.

Against this backdrop, the University believes that a range of collaborative partnership programmes, offering varied modes of study, from part time, to online, to blended learning, provide a robust framework for growing international enrolments.

In the past year, the University has made significant progress in achieving national and international recognition for our strengths in entrepreneurship and innovation. As well as securing The Guardian's Entrepreneurship award for HE in 2017, Falmouth reached the final shortlist for the Professionals in International Education Pioneer Awards, and the Higher Education Academy's Global Teaching Excellence Awards.

Falmouth's Launchpad programme won two international education awards in December 2016 at the Reimagine Education Awards and Conference, held in Philadelphia, USA, and organised by QS, the global university rankings agency. Launchpad won the Silver Award for Best European Education Programmes, from 32 shortlisted European University entries. Launchpad also collected a Bronze Award in the Presence Learning for innovative courses taught on campus. Over 500 institutions had entered the competition.

## MAXIMISING OUR RESOURCES

Alongside the five Strategic Plan objectives, the University is committed to making the best possible use of our staffing and physical resources, for the benefit of students and for meeting our sustainability targets.

In 2017 the University continued to roll out its optimisation programme, designed to drive resource efficiency across the university, through a range of projects aimed at boosting productivity, delivering added value, enhancing the customer experience, and ultimately delivering increasing surpluses.

The Business Plan includes an increase in bottom line surplus to 10% by 2019/20. This level of surplus is currently only achieved by the inclusion of an efficiency/cost savings target of c£1.3m per annum by 2019/20.

The University will continue to actively manage the academic portfolio to reflect the global graduate employability market in the creative industries, and leveraging of EU 2020 structural funds in the context of the University's role in the economic development of Cornwall.

## TOWARDS THE 2030 STRATEGY

In 2017, the University launched a major consultation on its draft '2030 Strategy', a bold new vision for Falmouth for the next decade and beyond.

The draft Strategy proposes major student number growth in flexible, online and partnership programmes, and major growth in the University's research, innovation and entrepreneurship portfolio.

The draft Strategy also proposes a continued focus on achieving 'best in class' standards for key University metrics, and the Grow Cornwall agenda. The new strategy and targets will be launched in 2018.

## UNIVERSITY BUSINESS MODEL

Underpinning the Strategic Plan is a Business Plan that sets out annual Key Performance Indicators based primarily around student recruitment and the underlying operations of the University.

Students, both on- and off-campus are fundamental to the University's business and generate the majority of income. To deliver services to students, the University employs appropriate academic and support staff to deliver a portfolio of courses aimed at existing and new markets.

The business plan assumes that the maximum fee chargeable by UK Universities, £9,000 in 2016/17, is payable by all UK/EU students. This income funds course delivery and support services both within the University and bought in through the joint venture company, FX Plus. The resourcing structure utilises a model that funds courses at a common rate to ensure comparability and equity of student experience whilst support services are funded in line with demand, informed by external benchmarking.

Together, this ensures that students receive value for money from the fee paid by them and ensures that the finances of the University are understood and transparent.



## FINANCIAL OBJECTIVES

The University's financial objectives are driven by long-term sustainability and value for money. These are laid out in the annual Business Plan which sets out the institutional business model as follows:

- A** Achieve an upward trajectory of operating surplus towards 10% and cash generation
- B** Ensure that the full costs of activities are properly understood to improve the financial contribution from Academic Departments such that all courses 'converge' at a level that ensures transparency and equity
- C** Increase revenue from a broader range of income sources
- D** Invest in estates and facilities, through a mixture of capital and revenue to ensure they are fit for purpose and support an excellent student experience
- E** Develop and operate systems and processes that ensure proper budgetary and financial control and deliver value for money
- F** Manage risk effectively with robust policies and practices
- G** manage borrowing arrangements to enable growth, contain debt service costs and limit exposure to movements in borrowing costs

## FINANCIAL OVERVIEW

The details below show the key institutional measures for the year which include the financial measures. 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 well in excess of target. This comes from higher income through student growth and cost control (optimisation) measures, together with a large actuarial adjustment to the pension scheme deficit figure.

## PERFORMANCE INDICATORS

In order to monitor financial health and sustainability the University Key Performance Indicators linked to the institutional ‘measures of success’ are monitored on a regular basis and are supplemented by financial KPIs which have been informed by the work of the sector body, the Financial Sustainability Strategy Group. These feed into the annual return to HEFCE as a condition of the Memorandum of Assurance and Accountability.

	Area of performance	KPIs used in each area	Actual	Target	Notes
1	Teaching and learning and the student experience	Student recruitment	5,428	5,579	Headcount as at 1 December
		Cornwall recruitment	698	938	Headcount as at 1 December
		Student retention	93%	95%	Taking in-year drop out
		Students on partnership programmes	301	334	Headcount as at 30 June
		NSS results	83%	86%	2016 published result
		Teaching income per academic FTE	<b>£176k</b>	<b>£158k</b>	Fee and grant income per academic staff number FTE
2	Research outputs and sustainability	R&I income as % of total income	3.5%	4.3%	Research and innovation income, including HEFCE QR funds, and EU support
3	Financial performance for sustainability	EBITDA	<b>£8.8m</b>	<b>£5.6m</b>	Published surplus plus depreciation, interest and pension costs less deferred capital grant
4	Financial health	Surplus generation (exc. pension)	11.5%	6.4%	Published surplus less pension charge as % of income
		Liquidity (current ratio)	2.10	1.41 or better	Current assets as proportion of current liabilities
		Gearing/ASC	4%	7% or lower	Annual costs of borrowing (HEFCE definition) as proportion of income
		Total debt : Total funds (frozen GAAP)	56%	70% or less	Total loan finance (including loan guarantees) as proportion of income
		I&E Reserves (exc pension) : Total Income	72%	25% or more	Unrestricted reserves less pension liability as proportion of income
5	Other areas deemed appropriate by the institution	Cost of space per sq.m.	<b>£157</b>	<b>£128</b>	Running cost of estates/facilities as proportion of 41,000 sq.m occupied
		Earned income generation	3.1%	5%	Non-teaching income, including shared services and FX Plus agency

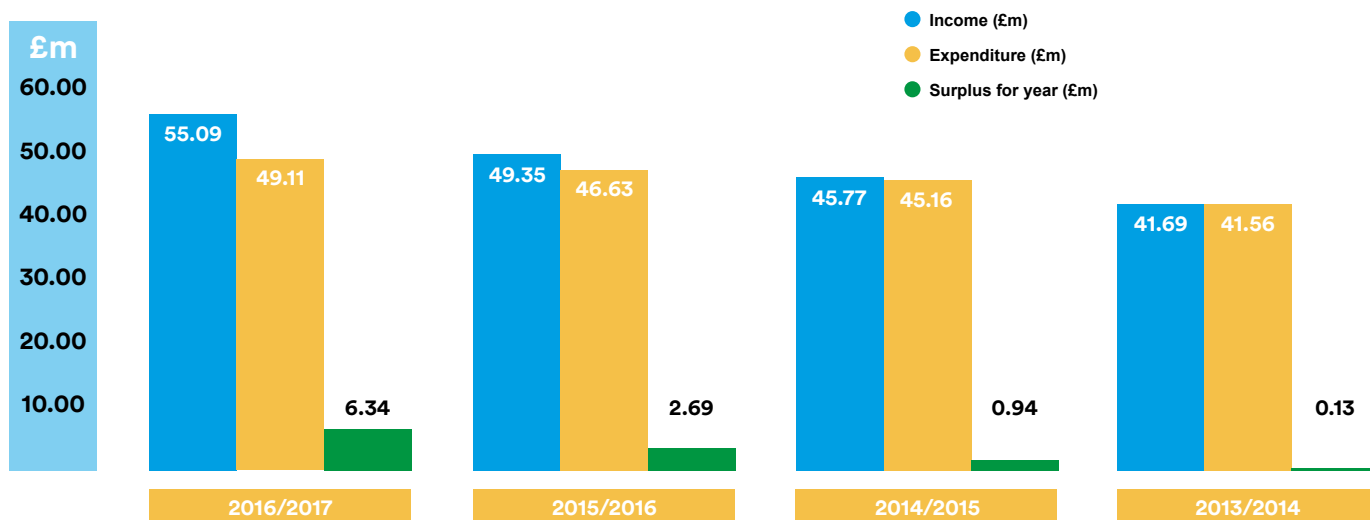
The University is assessed by HEFCE each year and was rated as ‘not being at higher risk’ which is considered an acceptable outcome.

# FINANCIAL POSITION

## FINANCIAL RESULTS

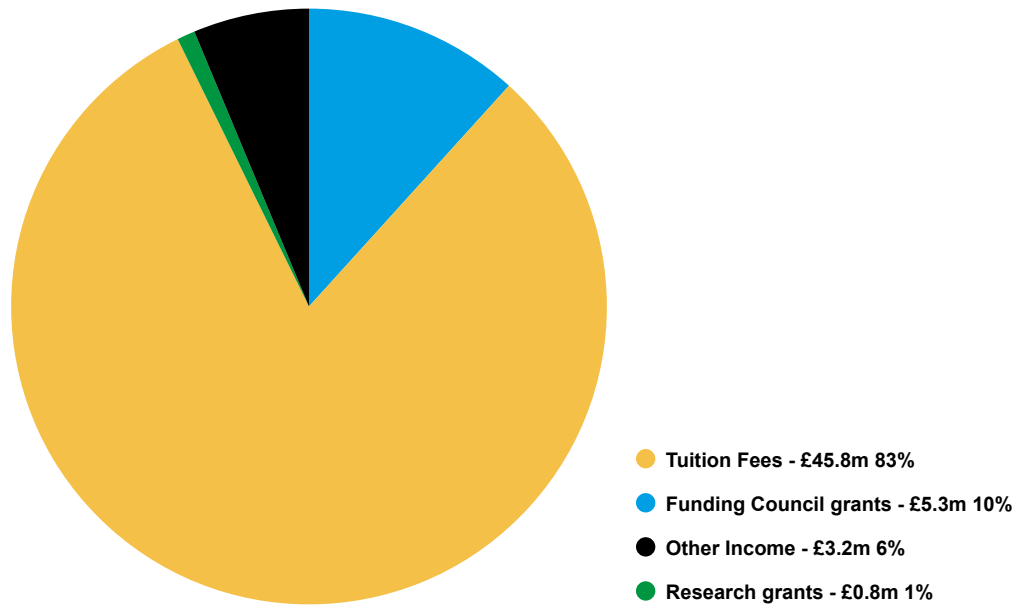
Group financial highlights include:

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

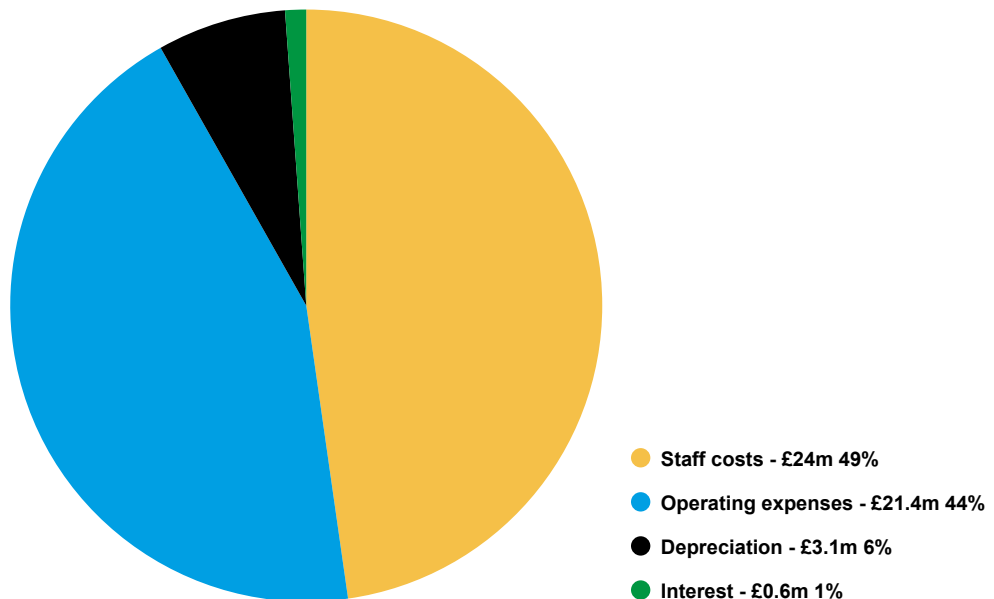


During the financial year 2016/17 income rose due to increases in student numbers which more than offset the fall in income from revenue grants. Against this, costs were controlled following the implementation of an 'optimisation' project that only provided resources to the frontline of teaching and research. For the most part Professional Services absorbed student growth.

**The GROUP recorded a surplus for the year of £6.3m 2015/16 – £2.7m) which was an over-achievement of targeted surplus. Some expected costs will not materialise until the coming year but the University will maintain the required trajectory of improving surpluses year on year for future investment.**



**Income rose by 11.6%**, despite a fall in grant income, which was more than offset by tuition fee receipts from both traditional and new markets with partners in the UK. In addition, research income rose by 58% due to a significant EU-funded project.



**Costs rose by 5.3%** during the year with staff costs continuing to account for the majority of expenditure. The staff pay award, introduction of the new Apprenticeship Levy and continued increases in pension contributions led to an 8% increase in staff costs whilst other operating costs rose due to student numbers, franchise costs and student residence estates investments.

Following the reclassification of the Revaluation Reserve, the University has Income and Expenditure Reserves of £39.7m and cash and short term investment balances of £17.1m.

Tangible fixed asset additions during the year amounted to £5.3m, split between land and buildings improvements of £4.3m and equipment purchased of £1m. These related to the completion of the Fox Atrium building extension and refurbishment at the Falmouth Campus, completion of the power upgrade together with continued infrastructure works at Penryn, the acquisition of a new building to house the Games Academy and the shared costs of a new nursery 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, a new subsidiary was also established, Falmouth Ventures Ltd, which was dormant for the year but has been set up to channel a number of new initiatives. In addition, the University owns 50% of 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 surplus generated by Falmouth Enterprises Limited was £26k.

## 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 and complies with the requirements of the Memorandum of Assurance and Accountability.

## CASH FLOWS AND LIQUIDITY

Cash flow from operating activities was strong at £8.7m (2015/16 - £5.6m) which allowed investment in estates and facilities. The overall net cashflow of £5.8m was greater than the previous year (2015/16 - £1.7m) due to the higher surplus and bank loan drawdown.

In total, the face of the balance sheet shows that borrowings are relatively modest although a new loan of £15m was negotiated during the year with the Royal Bank of Scotland and only £2m was received during the year. It should however be noted that the University guarantees 50% of the loans within Falmouth Exeter Plus although these are funded by income from student residences. At the year end the value of this guarantee stood at £25m.

## 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 2017, the University paid 92% of its invoices within 30 days. The University incurred no interest charges in respect of late payment for this period.

## PENSIONS

With the media coverage over the past year, it is appropriate to note how the University has responded to the issues surrounding the pension schemes it offers.

The main pensions, as set out in the notes, are the Teacher's Pension Scheme and the Local Government Pension Scheme – both of which are final salary arrangements. The University is statutorily tied into these schemes and has seen contributions rise over recent years. It has also seen the deficit in the LGPS rise significantly to a value that is 25% of net assets.

University Governors approved a review and subsequent implementation of a new, defined contribution scheme, for the joint venture Falmouth Exeter Plus, and have requested a review of Falmouth's arrangements.

The impact of this review will be reported next year but vagaries of pension valuations is highlighted in the financial statements with the £4.2m credit being shown in the Statement of Income (against a £5.7m deficit last year).

## REMUNERATION

The Remuneration policy each year is defined either by national agreements or agreed by the Remuneration committee, on behalf of the Board of Governors within the agreed Strategy and financial plans. In particular the Remuneration Committee reviews senior management remuneration packages including the Vice Chancellor taking into consideration performance against set personal objectives, overall University performance, inflation and the current competitive situation.



# CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

## STUDENT NUMBERS

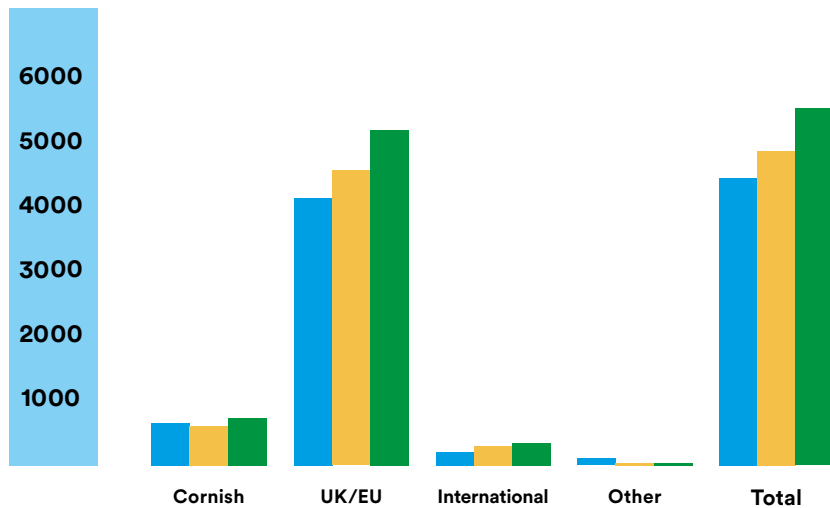
In 2016/17 the University welcomed a total student intake of over 5,200 students with the 11.5% increase in Home/EU undergraduate numbers more than offsetting reductions in FE and postgraduate. International student numbers remained static year on year recognising the challenging market and the loss in confidence in UK HE generally following the Brexit referendum.



## STUDENT ACHIEVEMENTS

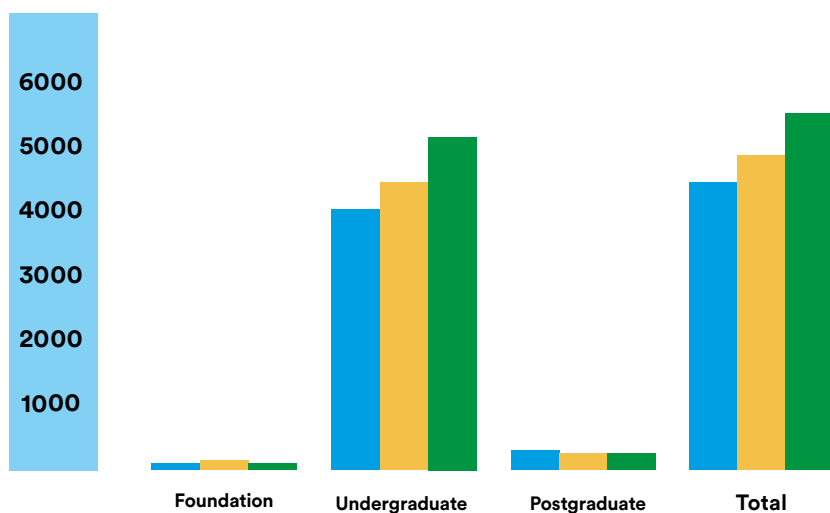
Overall, this has been a very successful year of double-digit enrolment growth. As at 31 October 2016, the University had enrolled 2,265 new, on-campus students – the biggest ever cohort and an increase of 10.5% on last year's record (2,049). Falmouth has significantly out-performed the sector, in line with our Project 8000 ambitions.

Behind this top-line achievement, of course, performance was more varied: new UK enrolments were up 9.8% on last year and, within this, Cornish enrolments up 21.4%; but whilst EU enrolments were up 122%, International (non-EU) enrolments were down 31% (110 fewer students than planned).



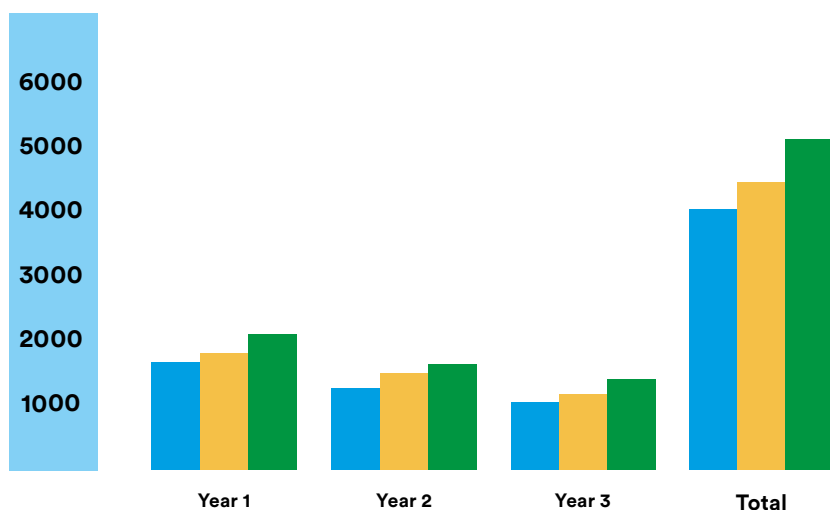
## ANALYSIS OF ENROLMENTS BY STATUS

UK/EU enrolments make up the lion's share of Falmouth's enrolment total (across all levels, stages and modes) and are rising in line with expectations. The rise in International enrolments, however, has been slowed by this year's lower intake. At the same time, Cornish enrolments have risen significantly, by 11.5%.



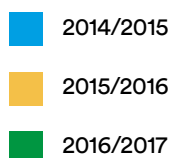
## ANALYSIS OF ENROLMENTS BY LEVEL OF STUDY

Although the total number of enrolments continues to rise, this is entirely due to the rise in undergraduate numbers. Measures to increase postgraduate enrolments – particularly through the introduction of our collaborative, online courses – are beginning to have an impact, but so far this has not yet arrested the continued decline in PGT – and which has typified the HE sector at large. Further growth in PGT is expected in 2017/18 and beyond as the online MA portfolio expands and Launchpad kicks in, but meeting ambitious undergraduate targets will continue to be essential.



## ANALYSIS OF ENROLMENTS BY YEAR OF STUDY

In 2013/14, enrolment to Years 2 and 3 was similar, with the first year intake somewhat larger. In 2014/15 and 2015/16 the difference became much more substantial, as Project 8000 initiatives began to take effect. In 2016/17, the first of the Project 8000 cohort has reached the third year, and will swell the numbers expected to graduate next summer.





## STUDENT RETENTION

The Retention position at the close of the 2016/17 academic year was -7.67%, compared to -7.46% at the same point last cycle.

At University level, a number of actions have been taken to mitigate withdrawals:

- The improvement of Course Organisation & Management has been a key focus this year. Improvements include: publication of a 5-year academic calendar; early publication of the teaching timetable and resistance to requests for short-notice changes; ensuring that all Falmouth courses and modules conform to the University's academic model; development and release of a Falmouth student app and a student portal; closer scrutiny of students whose attendance is giving cause for concern; monthly checking by Heads of Subject that Tier 4 International students are engaging as required with their course; semester-by-semester module evaluation rather than evaluation after the end of the year.
- The University keeps in regular contact with intermitting students and has recently approved measures to allow them to access library, IT and other support facilities. (Approximately 45% of students return from intermittence as expected, whilst another 12% return after an extended period.)
- 'Do-IT Profiler', an online profiler to identify those needing assessment for Specific Learning Differences, so they can be addressed as early as possible, is now in place.
- Falmouth's regulations previously prohibited withdrawn students from resuming the same course. This is needlessly prohibitive, and was removed.
- Wherever possible, the University engages in discussions with students contemplating withdrawal to determine whether an alternative trajectory would be appropriate.
- A senior role in each Department has been appointed to oversee the work of Personal Tutors and ensure a consistent and effective approach.

In addition to the above, work is underway to add detailed, course-level retention data to the Management Information System (rather than as one-off commissions) that show withdrawal and intermittence data by a range of characteristics such as gender and age. It is the intention that analysis of this data will inform curricular design and pedagogical enhancement and promote a more inclusive learning environment. This data will also feed into course monitoring reports and Departments will be required to respond to specific questions on retention strategies and achievement.

Other measures introduced during the year included Module Analysis Reporting which enabled better management information, at module level, showing pass rates, deferral and non-submissions rates, numbers of assessment elements, module evaluation scores, etc. to diagnose problematic areas more readily.

## ATTAINMENT

The University's high standards of teaching, student retention and progression, student attainment and graduate jobs, were confirmed by the University's achievement of 'Gold', in the first Teaching Excellence Framework (TEF), published in June 2017.

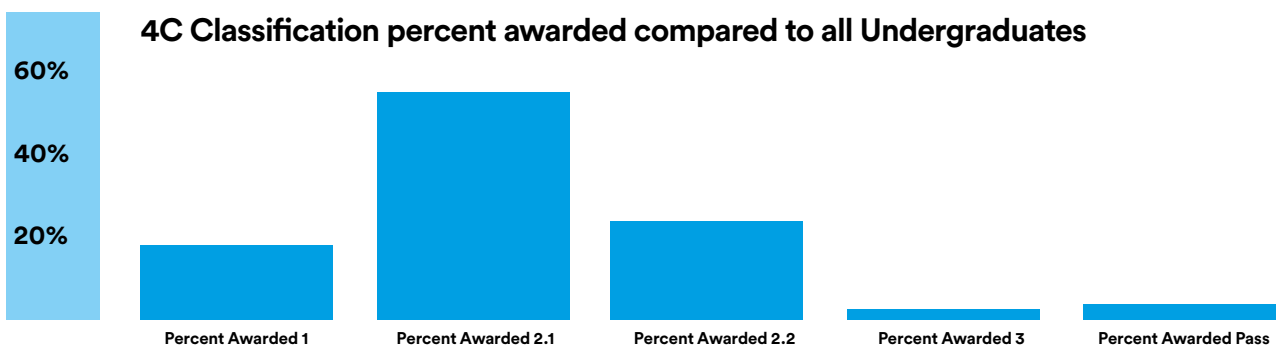
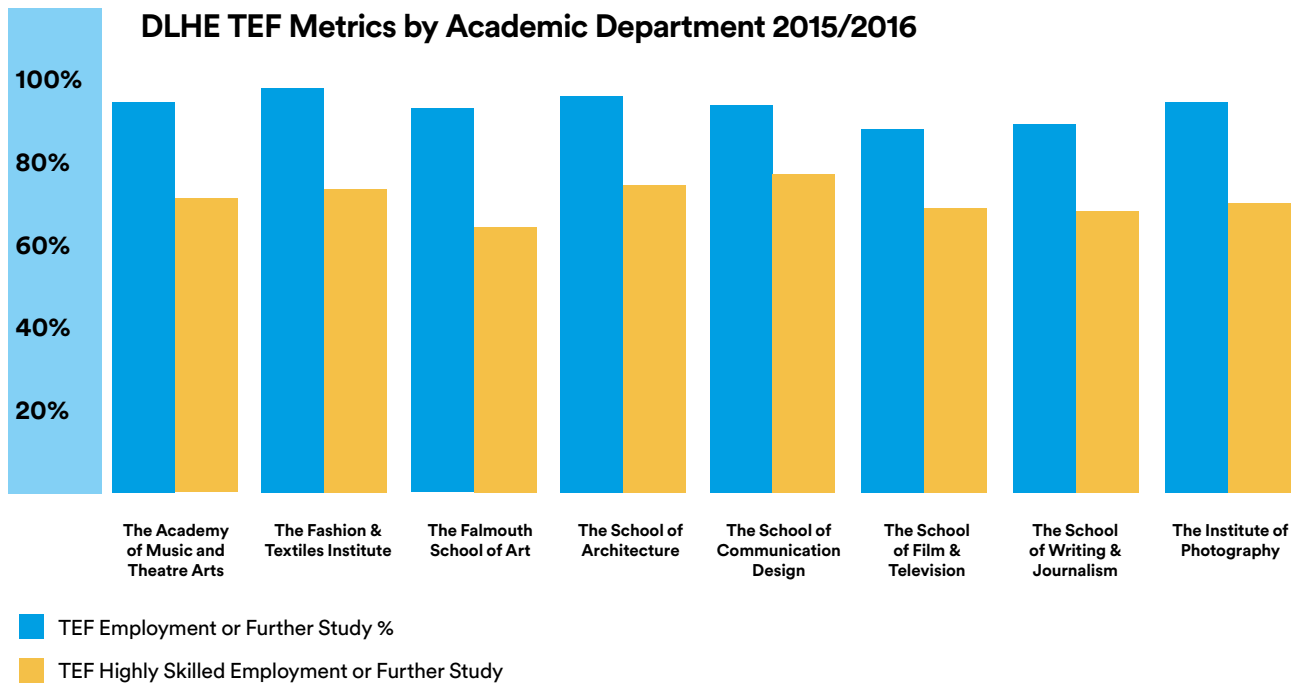
The University's TEF metrics were rated as significantly above the benchmark for four of the six TEF areas:

- Assessment and feedback
- Academic support
- Employment or further study
- Highly skilled employment or further study

These scores, combined with the provider submission, led to a Gold award, achieved by only 20% of UK HE providers. The Statement of Findings, a public document summarising the findings of the independent TEF panel, stated the following:

'The Panel considered all the information in the provider submission in relation to the TEF criteria and its judgement reflects, in particular, evidence of:

- outstanding employment outcomes and an effective strategic focus on vocational and professional education which indicate that students acquire knowledge, skills and understanding that are most highly valued by employers
- exemplary levels of student engagement and commitment to learning which are secured through excellent teaching and assessment practices
- course design and assessment practices providing scope for high levels of consistent stretch which ensures all students are significantly challenged
- personalised learning which is supported by a personal tutor system, support for different learning approaches, individual timetabling and a data-driven approach to monitoring contact and teaching patterns
- an embedded university-wide culture that facilitates, recognises and rewards excellent teaching with continuing professional development support for staff and staff excellence awards
- highest quality physical and digital resources appropriate to industry and which are used by students to enhance learning.



## NATIONAL STUDENT SURVEY

The 2017 edition of the NSS, the annual national survey of final year undergraduate students, saw Falmouth's overall satisfaction score drop 2 points from 85% to 83%; the national average also dropped 2 points from 86% to 84%. The survey included, for the first time in the survey's 13-year history, new sets of questions, and reworded versions of previously used questions.

Falmouth scored strongly on the Teaching Excellence Framework linked questions on teaching quality and assessment and feedback, and met or exceeded the UK average for learning opportunities, academic support, learning community, and student voice. Falmouth's scores were below the national average for course organisation and management, and learning resources. A targeted improvement plan is being developed for particular courses and for the areas where Falmouth scored below the UK average.

## PARTNERSHIP DEVELOPMENTS

In its first year of operation, 'Falmouth Flexible', our partnership with CEG Digital, accounted for nearly half of all postgraduate applications to Falmouth. We developed and launched five online MA courses from scratch across three entry points.

CEG Digital's research shows that international demand for higher education is forecast to grow rapidly, driven by a range of political, economic and demographic factors. However, the capacity of many countries to respond to this demand, at scale and with quality, is heavily constrained.

There is rising demand for tertiary education around the globe, in particular demand for high quality education credentials from the UK, and a growing capacity to afford overseas study or premium distance learning. Our first year of provision has demonstrated this and further work will consider how we can grow the portfolio in keeping with Falmouth's 2030 off-campus ambitions.

We are also building on the successful starts made this year in our collaborations with ACM London and the Fashion Retail Academy (FRA) and believe we have made a good start in developing our off-campus provision by addressing new markets where demand is strong and in which we have been able to devise product quickly and effectively.

## ESTATES AND FACILITIES DEVELOPMENT AND PLANNING

Investment in estates and facilities during the year is in accordance with the Estates Strategy which confirmed a two-campus strategy.

A significant amount of time was spent with planners to secure an increase in the student number cap at the Penryn Campus which is vital to enable further growth for both Falmouth and Exeter Universities. A major requirement is to provide purpose built student accommodation which is being pursued with several possible private sector providers.

Meanwhile, the programme of works over the year included the completion of the Fox Atrium project which enhanced and extended teaching and social spaces on the Falmouth Campus whilst activities at Penryn included the completion of a new nursery (shared with Exeter), further infrastructure works, and the commencement of work on the new Launchpad/Link building.

During the year, a new building was acquired to house the Games Academy. This site, situated on the Kernick Industrial Estate, adjacent to the Penryn Campus, saw the purchase and conversion of an old industrial unit to bring the whole Academy together in one space. These works were completed over the summer 2017 ready for occupation for the 2017/18 academic year.

The Launchpad/Link building will house the successful 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 aims to be completed by September 2018.

In accordance with the Business Plan, overall investment levels of between 4% and 4.5% are required to maintain and enhance the facilities required for students and staff in order for the teaching to be relevant and industry-focused. A replacement plan exists for the main resource areas with c£1m being invested each year to update Photography, Film & Television, Art & Design, and Music & Theatre Arts.

## LOOKING INTO THE FUTURE

The University continues on a trajectory of growth despite applications being lower than the previous cycle. The decrease in applications to these same subject areas at our primary competitors was -10%.

Through the focused efforts of multiple groups of staff (academic, sales, communications, events), 1,890 applicants accepted their offers – a decrease of -5.7% against this point in the previous cycle which was helped by a strong performance throughout the Clearing period – up 67%, and partly offset by a higher-than-planned performance off-campus.

'Falmouth Flexible' acceptances have more than doubled and new, accelerated degrees at the Fashion Retail Academy have attracted acceptances ahead of target. Music provision at the Academy of Contemporary Music has attracted more than double the number of acceptances for the same point in 2016.

Uncertainty remains over fee levels, which latest announcements suggest will remain fixed at £9,250 for the foreseeable future. Under a different Government this may even fall to £7,500, which would equate to a loss of income of around £10m and would clearly be unsustainable without an injection of grant income from HEFCE.

The University faces a great deal of uncertainty in common with most institutions and companies in the country as well as those outlined above. The Board has taken a somewhat cautious approach to the future and as such, detailed scenario planning is underway at the University. However, continued demand for its courses, including the launch of Falmouth Business School, and a growing number of students from partnerships, allows Falmouth University to consider itself to be a going concern in accordance with The Higher Education Code of Governance and will be able to meet its liabilities as they become due. The University has approved the business plan to 2020 and taken account of principal risks over that period. Over the coming year the latest Plan to 2030 will be considered, presented and approved.



## RESOURCES

**THE UNIVERSITY HAS VARIOUS RESOURCES THAT IT CAN DEPLOY IN PURSUIT OF ITS STRATEGIC OBJECTIVES.**

**TANGIBLE RESOURCES INCLUDE THE TWO UNIVERSITY CAMPUSES, VALUED AT £105m.**

## FINANCIAL

The Group has £54m of net assets (including £13.6m pension liability) and long-term debt of £31m (including guarantees through the joint venture).

## PEOPLE

The University employs 437 people (expressed as full-time equivalents), of whom 311 are teaching, research and academic support staff. In addition, the University indirectly employs 167 staff through Falmouth Exeter Plus (i.e. 50% of the jointly controlled entity), with 67 of these supporting teaching activity.

## ESTATE

In total, the physical estate covers over 43,000 sq.m. (excluding residences) across two main campuses in Penryn and in Falmouth – the Penryn Campus is shared with the University of Exeter. 30,000 sq.m. is at Penryn and 13,000 sq.m. is in Falmouth. Across both sites 60% is allocated to teaching and research on the basis of suitability of accommodation for the course portfolio offered.

The Falmouth School of Art, School of Communication Design and School of Architecture and Interiors are based at Falmouth with the balance being at Penryn. For the year, the Games Academy was split across both campuses prior to acquisition of a dedicated space at Penryn from September 2017.

## REPUTATION

The University has a good reputation locally and nationally. Maintaining a quality brand is essential for the University's success at attracting students and external relationships.

League table positions are important and the award of Gold in the Teaching Excellence Framework reinforces the University's strong brand. The award is valid for three years from June 2017 and confirms that Falmouth meets the highest standards of teaching excellence, retention of students, and graduate employability.

Only 60 of 295 UK Higher Education Providers (20%) achieved Gold status in the Teaching Excellence Framework 2017. Only 43 of 134 Higher Education Institutions (32%) achieved Gold.

## PRINCIPAL RISKS AND UNCERTAINTIES

Based on the strategic plan, the Vice Chancellor's Executive Group (VCEG) undertakes comprehensive risk reviews each quarter. These identify systems and procedures, including specific preventable actions that should mitigate any potential impact on the University. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, VCEG also consider any risks which may arise as a result of new areas of work being undertaken by the University.

A risk register is maintained at the University level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The conclusions of their review are presented to the full Board for ratification. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the University and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme as part of the Governor induction process to raise awareness of risk throughout the University.

Outlined below is a description of the principal risk factors that may affect the University. Not all the factors are within the University's control. Other factors besides those listed below may also adversely affect the University.

#	Risk description	Rating
01	Failure to recruit to student targets, for Cornwall, UK, European Union (EU) and international students	RED
02	Failure to deliver alternative modes of delivery, including part time, distance learning and continuing professional development, to support expansion plans	RED
03	Failure to deliver a high quality student experience across the University	RED
04	Failure to ensure sufficient availability of accommodation for students to 2020	RED
05	Failure to manage student retention within the University's targets	AMBER
06	Failure to optimise utilisation of the physical estate and equipment over the long-term in line with the University's growth plans through appropriate maintenance, replacement and limited new build	AMBER
07	Failure to maintain student related data quality, management, control and resilience	AMBER
08	Failure to drive, and incentivise, high performance and innovative behaviours from staff	AMBER
09	Failure to deliver high levels of student employability and employer engagement	AMBER
10	Failure to deliver the planned progress of Research & Innovation	AMBER
11	Failure to achieve Research Degree Awarding Powers by 2020	AMBER
12	Failure to retain UKV Visas and Immigration (UKVI) Highly Trusted status	AMBER
13	Failure to manage the University's pensions liabilities	AMBER

With risk management being a dynamic process, these risks were considered by VCEG and the Board each quarter. Risks relating to Prevent were deleted whilst estate utilisation was downgraded from red to amber. Conversely, student retention was increased from amber to red recognising its significance on the overall business plan.

The new risks added during the year were:

Decision date	Risk name	Previous net risk status	New net risk status
Nov 2016	New risk: Failure to manage student retention within the University's targets	n/a	LH (amber)
Nov 2016	New risk: Failure to ensure sufficient availability of accommodation for students to 2020	n/a	MM (amber)

Additionally, following the EU Referendum, a separate list of risks associated with the UK's forthcoming exit from the EU have been highlighted. These range from student recruitment and access to EU research funding to uncertainty of EU Structural funds in Cornwall and the ability to meet the University's 'internationalisation' objective.

The University is also scheduled to revisit the Strategic Risk Register in the context of the 2030 Strategy. In particular:

- 1. It is intended that the first two risks (student recruitment and development of alternative modes of delivery) are merged, and focused on the specific challenges of identifying markets and providing products to market at the right time.**
- 2. The University will establish a communications-themed risk, reflecting the importance of effective internal and external communications as the University enters a new strategic plan period; and**
- 3. The risk on data quality, management, control and resilience will be refocused to reflect the challenges of IT infrastructure resilience, and cyber security.**





## SUSTAINABILITY

**FX Plus' carbon target is to reduce the Penryn Campus carbon footprint to 51.4kg CO<sub>2</sub>e per m<sup>2</sup> of gross internal area (GIA) by 2019/20 compared to a 2005/06 baseline of 93.4 kg CO<sub>2</sub>e per m<sup>2</sup>, a 45% reduction.**

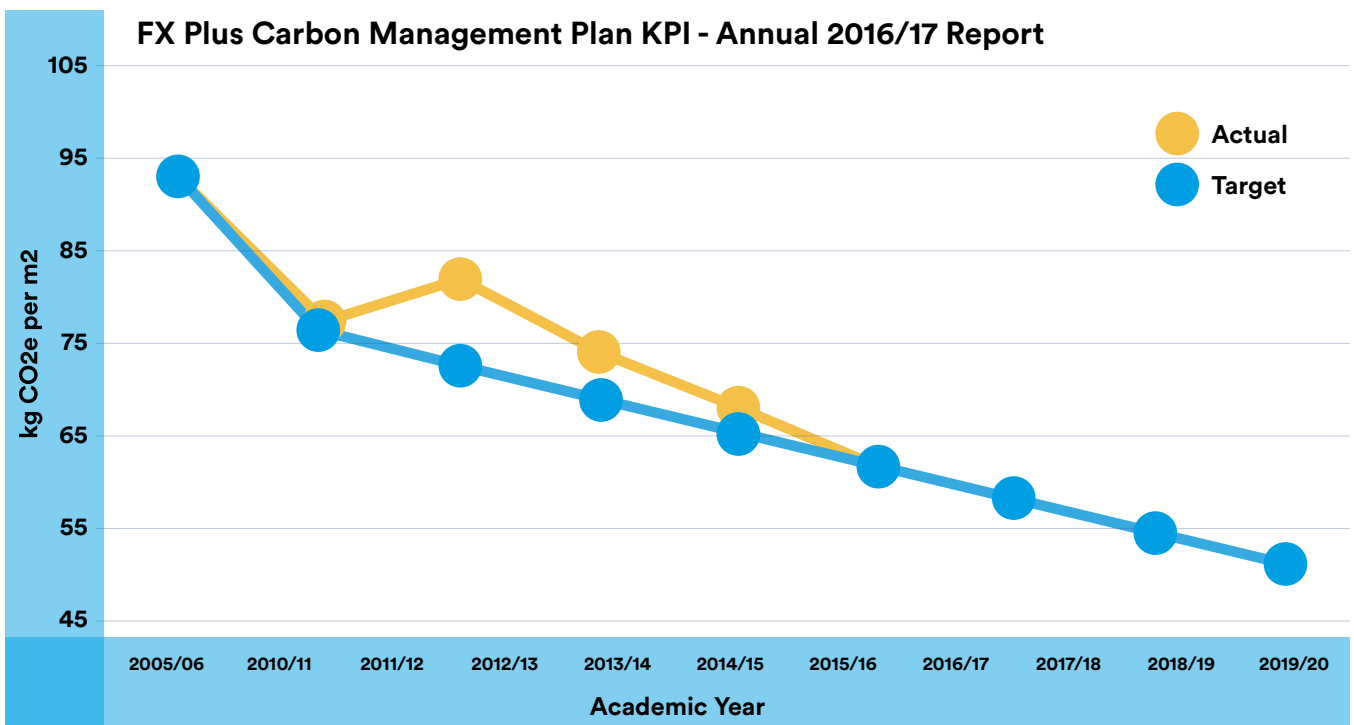
We are currently almost on track to meet our carbon reduction target. Emissions are now just 0.6 kg per m<sup>2</sup> above our 2016/17 interim target, and our Emissions per m<sup>2</sup> of GIA are 32.6% lower than our baseline year (2005/06).

However, it should be noted that this year's reduction is mainly due to decarbonisation of the national grid (as a result of a very favourable Defra conversion factor for electricity) combined with an increase in total campus GIA, rather than decreases in campus energy demand. Absolute energy consumption actually increased total electricity demand by 2.85% and natural gas by 4.84%

Decarbonisation of the national grid is expected to slow significantly in the next few years; this means that without a significant investment in on-campus carbon reduction projects and behavioural change initiatives, we are unlikely to achieve our 2019/20 reduction target.

Please note that after we published our 2015/16 annual carbon figures, Defra revised their electricity factors downwards from 0.44662 to 0.41205. This report uses the correct factors which means our carbon footprint for the 2015/16 academic year is lower than previously stated.

Our carbon reporting year is the academic year (1st August to 30th July).



# STAKEHOLDER RELATIONSHIPS

In line with most Universities, Falmouth University has many stakeholders.

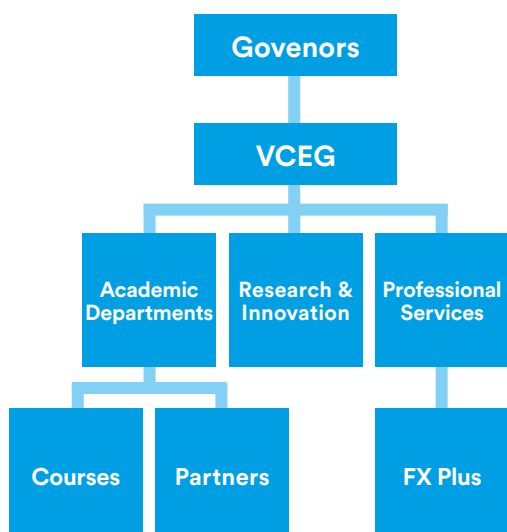
## THESE INCLUDE:

- **STUDENTS**
- **STAFF**
- **OTHER HE INSTITUTIONS**  
(PARTICULARLY THE UNIVERSITY OF EXETER)
- **EDUCATION SECTOR FUNDING BODIES**  
(ESPECIALLY HEFCE AS REGULATOR)
- **CORNWALL COUNCIL AND THE LOCAL ENTERPRISE PARTNERSHIP (LEP)**
- **THE LOCAL COMMUNITY**
- **EMPLOYERS**
- **TRADE UNIONS**
- **PROFESSIONAL BODIES**
- **LENDERS OF LOAN FINANCE**

The University recognises the importance of these relationships and engages in regular communication with them. Engagement with students is largely through liaison groups and close working with the student union, FXU, who sit on the Board and are involved in all major strategic decisions. Equally, staff are represented by two trade unions, the UCU (for academic staff) and GMB (for Professional Services).

Each year, the FXU present a list of priorities for consideration by the University and takes into account all student feedback during the course of the previous year featuring areas such as Communication, Accommodation, mental health and wellbeing, and cost of living. In partnership with the FXU, the University publishes a financial transparency document which sets out how the University finances are allocated, how a student's fee is spent and what this means at a School level.

The University has structured itself into ten academic departments around subject disciplines and is supported by a staffing structure led by the Vice Chancellor's Executive Group, Academic Directors and core Professional Services, some of which are provided through the jointly controlled entity, Falmouth Exeter Plus.



In order to amplify the University's voice and to influence policy making at a national level, the institution is engaging meaningfully with sector organisations, providing input and information to bodies including Guild HE, Universities UK and the Creative Industries Federation.

The University is also working closely with local partners, including the town councils, Cornwall Council, the Local Enterprise Partnership and the Cornwall Chamber of Commerce, both to foster relationships with the Falmouth and Penryn community and to deliver on the strategic objective of growing the Cornish economy.

All staff are paid under a formal pay and grading system which allows for incremental progression year on year and promotion through grade boundaries upon re-evaluation of job descriptions and duties. All staff are offered one of two final salary pension schemes both of which are a statutory requirement but are under constant review by Governors due to the increasing annual cost and growing liability. In fact, during the year Falmouth Exeter Plus agreed to close the pension scheme to new members and a new defined contribution scheme has been established.

## EQUAL OPPORTUNITIES

Since the last Equality and Diversity Annual Report in 2016, Falmouth has published an Equality and Diversity Strategy for the period until 2020. In this strategy, the action plan set out in the 2016 Annual Report has been distilled into four specific equality objectives, with associated measures of success to track progress against them. As part of this strategy, Falmouth'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 four objectives, set out below, describe how Falmouth, together with relevant partners, will work towards achieving this mission.

### **Objective 1: To enhance access for disadvantaged students by:**

- Promoting an inclusive environment, reducing barriers, and raising aspirations
- Introducing new roles to support these students in each academic department
- Prioritising access for specific groups on selected courses
- Ensuring our staff have the right knowledge and skills to support disadvantaged groups

### **Objective 2: To provide students with an inclusive experience by:**

- Extending support for students from minority groups at all stages of the student journey
- Enhancing awareness of the support for transgender students
- Enhancing the inclusivity of our teaching through training, support and bespoke resources
- Increasing students' knowledge and capability to use assistive technology
- Improving the accessibility and inclusiveness of the student journey

### **Objective 3: To extend and benchmark data collection and analysis by:**

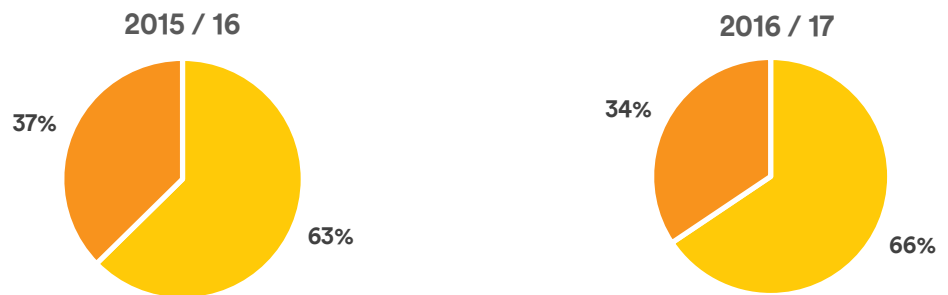
- Developing tools to help better understand the protected characteristics of our workforce
- Undertaking detailed analysis of our student profile at each stage of the student journey
- Embedding equality analysis as an integral part of policy and strategy development

**Objective 4: To further promote and improve gender equality by:**

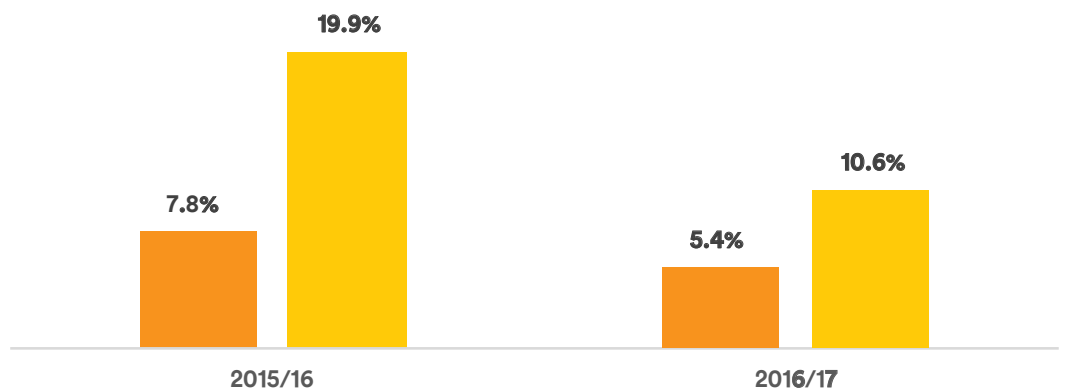
- Reviewing the staff gender balance across grades, occupational groups, and committees
- Identifying, analysing and responding to any gender pay gap within our workforce

The Workforce Equality and Diversity Dashboard provides an overview of the protected characteristics of Falmouth’s staff group.

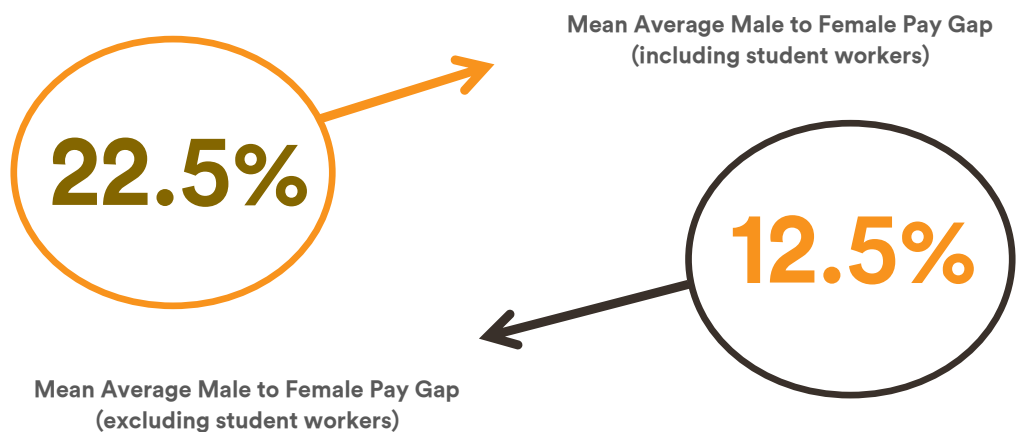
**Committee Membership Gender Balance**



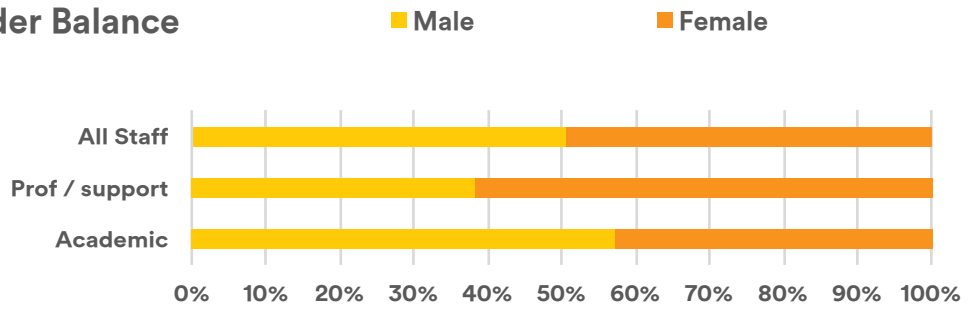
**Percentage of Male / Female Academic Staff at Grade 8 or Above**



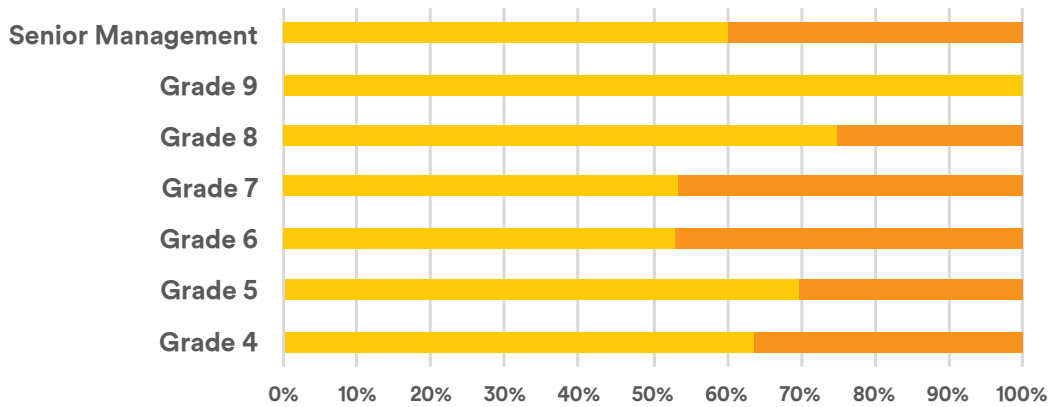
**Gender Pay Gap**



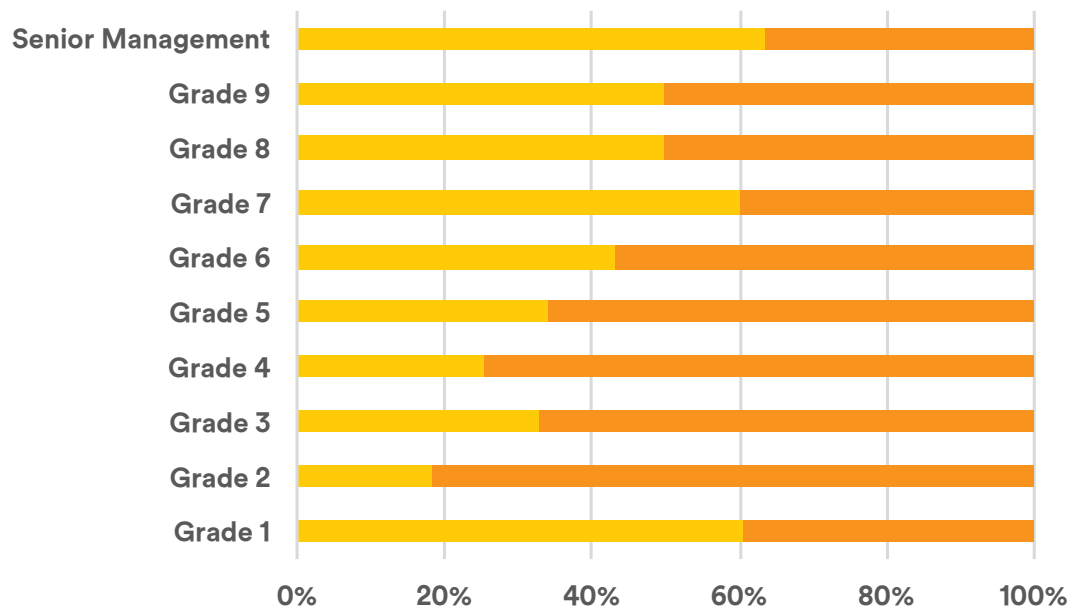
## Gender Balance



## Sex by Grade - Academic Staff



## Sex by Grade - Professional / Support Staff



## SEX

There is a relatively even split of males and females across the staff group as a whole (49.31% female and 50.69% male), which is a slightly more even distribution than the 2015/16 national average within higher education (54.13% female and 46.01% male). However, this balance is not so even when analysed across pay grades and occupational groups.

## AGE

Falmouth's academic staff group has an older age profile than the national average for the same staff group, with significantly more staff in the age groups 36-45, 46-55, and 56-65, and 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. This may have an impact on future turnover, and succession planning in this staff group, as 23.69% of academic staff at Falmouth are at or above the minimum retirement age of 55, and an additional 20.55% are within 5 years of this age.

Within the professional / support staff group more staff are concentrated in the middle age ranges than the national average, with 32.67% of staff in the 36-45 age range, and less staff in the older (56 – 65 / 66 and over) age ranges, and the youngest age range (25 and under).

## DISABILITY

The percentage of staff at Falmouth reporting a disability (4.30%) is close to the national average (4.55%), and is slightly smaller than the percentage reported in Falmouth's 2015 Equality Data Audit of 4.5%. The most common disability type recorded by Falmouth staff was learning difficulties, accounting for 41% of the staff reporting a disability.

The figures are also close to the national average when broken down into occupational group, with 3.98% of academic staff reporting a disability (compared to 3.89% nationally) and 4.85% of professional / support staff reporting a disability (compared to 5.20% nationally).

Reporting levels for disability status at Falmouth are high, with only 6.71% of staff stating that they 'prefer not to say' or leaving the record blank when asked about their status.

## ETHNICITY

Falmouth has a smaller proportion of staff from non-white ethnic backgrounds (3.30%) than the national average for higher education (11.76%). This is likely to be a reflection of the lack of ethnic diversity in the local population as only 1.8% of the population in Cornwall state they are from a non-white ethnic group.

## SEXUAL ORIENTATION

At the time of Falmouth's 2015 Equality Data Audit 47% of staff did not disclose their sexual orientation (either selecting 'prefer not to say' or leaving the field blank). This figure has now dropped to 36.26% indicating a significant improvement in the quality of the data available at Falmouth. Benchmarking sexual orientation data in relation to national HE figures has not been completed, as data on sexual orientation in HEIs is limited. However, the percentage of Falmouth staff indicating their sexual orientation as either lesbian, gay, bisexual or other is 4.4%, compared to the Office for National Statistics 2016 figure of 2% of the UK population over the age of 16 identifying as LGB.

## RELIGION AND BELIEF

As for sexual orientation, data on religion and belief in HEIs is limited, and so no benchmarking has been completed on this data. The data does show that the levels of staff not disclosing their religion or belief (by indicating 'prefer not to say' or leaving the field blank) has decreased since Falmouth's 2015 Equality Data Audit from 55.3% to 43.82%.

## OTHER PROTECTED CHARACTERISTICS

Falmouth does not request or collect information on staff gender identity, as best practice guidance suggests that, because of the very sensitive nature of this information, and the additional privacy rights afforded to anyone with a Gender Recognition certificate, organisations should carefully consider the reasons that they are collecting this information prior to doing so. As the number of staff at Falmouth identifying themselves as being of a different gender to that they were assigned at birth is likely to be too small to undertake any statistical analysis of, the disadvantages of collecting this information are considered to outweigh any advantages.



## DISCLOSURE OF INFORMATION TO AUDITORS

The Governors who held office at the date of approval of the financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each Governor has taken all the steps that he/she ought to have taken as a Governor to make himself/herself aware of any relevant audit information and to establish that the University's auditors are aware of that information.

## IN CLOSING

The positive financial results and overall positioning of the University provide a solid foundation for the coming year where the funding environment, Brexit and the national demographic trend suggest that there is a rocky road ahead.

The University continues to invest in its students, staff and facilities whilst looking beyond traditional markets to diversify income streams and de-risk the business. These will all be under focus through the 2030 Strategic Plan currently being developed.



This longer term Plan will look at priorities for the next decade and are likely to focus on:

- Diversification
- Doing it for real
- Open innovation
- New internationalism

Further details of these will emerge following appropriate stakeholder consultation and is expected to be confirmed by the Board in Autumn 2017.

In the meantime, the senior team and Board of Governors would like to record their thanks to all staff over the past year for their contributions towards Falmouth University's successes, and progress towards delivery of the Strategic Plan and Measures of Success.

**Approved by order of the members of the Board of Governors on 24 November 2017 and signed on its behalf by:**

**C Pomfret**  
Chair



# 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 Strategic Plan is:

### **“TO BE AN INTERNATIONALLY RECOGNISED CREATIVE INNOVATION HUB”**

The Strategic Plan 2015-2020 outlines five key objectives to help Falmouth achieve its goals:

- **TO PRODUCE SATISFIED GRADUATES WHO GET GREAT JOBS**
- **TO EXPAND AND DIVERSIFY WHAT WE DO**
- **TO BE CELEBRATED FOR OUR RESEARCH AND INNOVATION**
- **TO HELP GROW CORNWALL**
- **TO BE INTERNATIONALLY SIGNIFICANT**

## PUBLIC BENEFIT

Falmouth University is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Higher Education Funding Council for England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 39.

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.

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**

## EQUALITY & DIVERSITY (E&D)

As a public sector organisation, Falmouth has duties under the Equality Act 2010 to promote the Equality Duty in relation to the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

As a public body, the University has additional duties to promote equality. This is known as the Equality Duty which requires that the University has 'due regard' in carrying out its activities to:

- **Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010**
- **Advance equality of opportunity between people from different groups by considering the need to:**
  - **Remove or minimise disadvantages suffered by people due to their protected characteristics**
  - **Meet the needs of people with protected characteristics**
  - **Encourage people with protected characteristics to participate in public life or other activities where their participation is low**
  - **Foster good relations between people from different groups**

This duty gives public authorities legal responsibilities to demonstrate that they are taking action on equality in policymaking, in the delivery of services and in the public sector including the need to publish one or more equality objectives that support the aims of the Equality Duty.

At Falmouth University we believe that positively engaging with equality and diversity will mean we are better placed to provide the best possible experience for our students, improve our staff satisfaction, strengthen our decision-making, and our overall performance.

National focus on driving fairness of opportunity and widening participation is reflected in Falmouth's Strategic Plan 2015-20 which sets out ambitious targets and measures of success in relation to student satisfaction levels, diverse modes of study and student headcount, with major increases in the numbers of international students and students from Cornwall.

## CORPORATE SOCIAL RESPONSIBILITY

Falmouth University is committed to making a positive difference to its local community; applying its resources, knowledge, connections and creative capital for the benefit of its neighbours and providing the driving force behind the economic development of Cornwall.

Working in partnership with Falmouth Exeter Plus (FX Plus), the University of Exeter, and Falmouth and Exeter Students' Union (FXU) the University works to ensure its activities, attitudes and ambitions are in step with the expectations and needs of students, staff and local communities.

The University supports the Town Council and the Business Improvement District as it develops Falmouth's thriving cultural programme, underpinned by 21st century infrastructure. This year, the University sponsored free WiFi in the town, the appearance of the Red Arrows during Falmouth Week and the Fal River Festival.

This year, Falmouth also provided sponsorship and staffing by Student Ambassadors for the Inland arts festival, a free programme of events that showcased internationally acclaimed and emerging regional art.

This season, Falmouth is also pleased to sponsor the local Penryn Saracens Basketball Team.

In keeping with its commitment to the regional economy, Falmouth backed the Western Morning News' Business Awards 2016, celebrating the best of the South West's innovation and industry.

On campus, Falmouth organises a high-profile guest speaker series, an annual Summer Show exhibition and the Academy of Music and Theatre Arts (AMATA) runs a year-round public programme of events, including student performances as well as music, theatre, comedy and dance that are all open to the local community.

The University's other world-class facilities are also open and available to the public; our sports centre, boasting a four-court sports hall, fitness studio and gym, day nurseries on both campuses, libraries, reprographics facilities and gardens. The Penryn Campus plays host to a number of community events throughout the year including a St Piran's Day programme of events, Urban Downhill, Cornwall's Tattoo Convention and the annual apple-pressing day.

Falmouth has strong links with local education providers and many of the academic departments work directly in and with schools; sharing knowledge, inspiring young people and raising aspirations. The University's annual CreatEd exhibition showcases and celebrates outstanding coursework by local secondary school students studying creative subjects and the Debate Create workshops see pupils from local schools visit the University to consider social, economic and political issues and consider creative responses.

The University continues to work with FXPlus, Exeter University and community partners to understand the impact of the student body on the population of the two towns of Falmouth and Penryn and to address any concerns. It works together with the Council's Public Protection and Anti-social behaviour teams, Devon and Cornwall Police and local landlords to ensure everyone in our community feels safe and supported if they need help to solve a problem.

The quarterly CommUNITY newsletter, delivered to every home in the area, keeps local residents up to date with developments and news from Falmouth and Exeter Universities. Representatives of the University also attend Town Council meetings and council surgeries, so we can hear from local residents face-to-face.

# STATEMENT ON FAIR ACCESS

## 1) INTRODUCTION

The University has an Access Agreement, approved annually by the Office for Fair Access, which commits the University to over £3million per year of investment in fair access initiatives.

The University's current, past and future Access Agreements are public documents, and can be viewed on the OFFA website: [www.offa.org.uk](http://www.offa.org.uk)

Our 'whole institution' approach to fair access is secured in the University's Learning, Teaching and Employability Strategy, a key supporting strategy behind the Strategic Plan.

## 2) FAIR ACCESS TARGETS

The following list sets out the University's fair access, progression and student success targets, from the latest agreement. The University reports annually to OFFA on achievements against the following:

### Access Targets

1. Recruit 1,126 students from Cornwall by 2019/20 (this target of doubling Cornish student numbers from 2013/14 to 2019/20 meets the requirement for a 'long term outreach' target in the Access Agreement).
2. Achieve the benchmark for the HESA T1A low participation neighbourhoods performance indicator (Falmouth is currently at 9.9% vs. location adjusted benchmark of 13.1%).
3. Maintain current performance against the HESA T1A State School indicator (Falmouth is currently exceeding its HESA target in this area – 94.8% vs. benchmark of 92.9%).
4. Increase recruitment of mature students, with a particular focus on mature students from Cornwall, by at least 5% per year.
5. Achieve engagement with the Falmouth Creative programme from all 31 secondary schools in Cornwall, by the end of 2018/19.

### Success Targets

1. Achieve our Strategic Plan student retention rate (institutional target of 95% retention)
2. Achieve 95% or better for the HESA T3A measure for continuing or qualifying at same HEP (all students) (2015/16 figure was 92.1%)
3. Meet or exceed current targets for the Student Mentor Scheme and Peer Assisted Study Support (PASS); continuation of current targets for these institution-wide schemes

### Progression Targets

1. Increase the proportion of leavers in graduate-level employment 6 months after graduation from the baseline of 75% to at least 80% (current level 82%).
2. Increase the proportion of leavers in self-employment 6 months after graduation from the baseline of 26% to 32%.
3. Increase the proportion of leavers working or studying in the South West six months after graduation from the baseline of 43% to 48%.

### 3) FAIR ACCESS AND THE CORNWALL CONTEXT

A key objective of the University's Strategic Plan is 'To help grow Cornwall', which includes a commitment to increase the number of students recruited from the county from 2013/14 levels by 2020. This objective will be achieved through a sharpened focus on recruiting students from disadvantaged backgrounds.

The University has made significant progress since 2013/14 in the recruitment of students from Cornwall, and is on track to double the number of enrolled students from Cornwall from 2013/14 levels by 2019/20.

This is a central strategic commitment for the University, reflecting the major investment in the HE infrastructure in Cornwall from the European Union and UK Government over two decades, designed to address low levels of HE places per head in the county, and to deliver higher skills for the benefit of the county's economy.

Falmouth University is also working in partnership with all other regional universities and HE providers through the National Collaborative Outreach Programme. Falmouth University is a partner in the Next Steps South West consortium led by Plymouth University, covering target wards in Cornwall, Devon and Somerset. This collaboration builds on the success of the former regional NNCO networks: the Devon Collaborative Outreach Network and Next Steps Cornwall.

Working within the targeted remit of the NCOP initiative, this programme focuses on pupils in Years 9-13, identified as medium or high achievers, with low HE aspiration, and domiciled within nominated postcodes (HEFCE POLAR3 and Gaps Analysis). A diverse range of outreach projects will be designed and delivered collaboratively by partners in the consortium, with robust evaluation of impact throughout.

## BURSARIES

As part of its obligations under the Access Agreement, Falmouth wishes to offer assistance to students who may not have sufficient financial resources to support their studies in higher education. The Institution has closely examined its student demographic and has focused its bursary allocation on both targeted support and a range of outreach projects. Falmouth believes that for those students in the lowest income bracket, the main barriers to HE are not only financial but also include knowledge of opportunities and limited aspirations. As such, funds are redirected for outreach and raising aspirations in addition to those monies allocated to direct student support.

Falmouth has appointed highly trained and dedicated staff to administer bursaries and advise on funding issues, in addition to the Hardship Fund, providing a coherent and simple process for all students in need of financial support. Whilst being responsible for managing these funds, the Student Funding Manager also contributes to Open Days and Marketing events in order to best raise awareness of financial support to prospective and current students.

In 2016/17, Falmouth expended £1.4m in bursaries; £400,000 in US Federal Loans and approximately £140,000 in Hardship Fund awards. In addition, the team managed the £80,000 International Scholarship fund; numerous international travel and placement awards; private awards and scholarships and managed the launch of departmental focused EDGE Awards. The team also handled over 4,000 student and applicant enquiries, which included 537 face to face appointments.

Falmouth is aware that all potential students need to be able to access clear and accurate information about the financial support available to them. This includes both the institutional support and other external sources of financial support for which they may be eligible. To address this need, Falmouth publishes a range of 'Money Matters' guides aimed at informing school leavers; applicants and current students of their funding options. These are published on the website, together with information on private awards and bursaries, funded by alumni and external arts organisations. Falmouth works with its undergraduate students and local 6th Formers to ensure these guides are presented in accessible language and contain the information that they require.

# 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 2016 to 31 July 2017 and up to the date of approval of the annual report and financial statements.

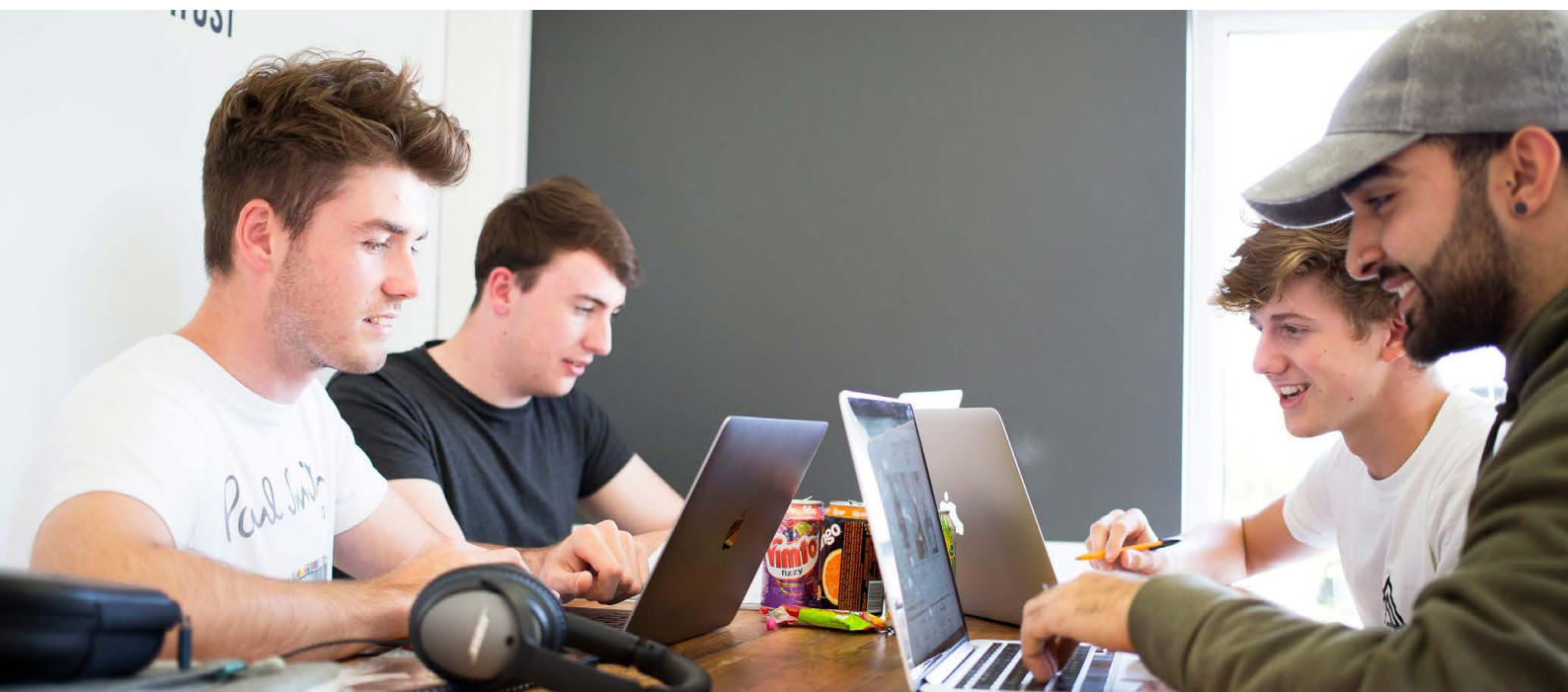
**The University endeavours to conduct its business:**

- 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 in The Higher Education Code of Governance (“the Code”); and**
- iii. **having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the higher education sector.**

The University is committed to exhibiting best practice in all aspects of corporate governance and in particular, the University has adopted and complied with the Code. We have not 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.

In the opinion of the Governors, the University complies with/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. 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 carrying out its responsibilities, it takes full account of The Higher Education Code of Governance issued by the Committee of University Chairs in March 2015, which it formally adopted on 22 May 2015.

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.



## MEMBERSHIP OF THE BOARD OF GOVERNORS SERVING DURING 2016/17

	Date of appointment	Term of office	Expiry of term	Status of appointment	Committees served	Attendance
Chris Pomfret	1 Sep 2015	First term	31 Aug 2019	Chair of the Board of Governors	Nominations Committee, Remuneration Committee	100%
Andrew Allen	1 Jul 2014	First term	31 Jul 2018	Independent Governor	Audit Committee	100%
Mark Carne	1 Aug 2013	Extended first term	31 Jul 2018	Independent Governor	Remuneration Committee	67%
Alison Cressey	1 Sep 2015	First term	31 Aug 2019	Independent Governor	Nominations Committee	100%
Tim Jones	1 Nov 2016	First term	30 Sept 2020	Independent Governor	Audit Committee	100%
Bertrand Louveaux	1 Aug 2013	Extended first term	31 Jul 2018	Independent Governor	Audit Committee, Nominations Committee	67%
John Mathers	1 Sep 2015	First term	31 Aug 2019	Independent Governor	Audit Committee	83%
Charles Wace	1 Sep 2015	First term	31 Aug 2019	Independent Governor	Remuneration Committee	83%
Professor Anne Carlisle	1 Sep 2009	n/a	n/a	Vice-Chancellor & Chief Executive	Nominations Committee, Remuneration Committee	100%
Robert Hillier	1 Sep 2015	-	31 Aug 2018	Staff Governor		100%
Tracy Pritchard	1 Sep 2015	-	31 Aug 2018	Staff Governor		100%
Chris Slesser	1 Sep 2017	-	31 Aug 2018	Student Governor		100%
<b>In attendance</b>						
Mr Peter Cox	Chief Operating Officer			Board of Governors; Audit Committee		100%
Mr Rob Holmes	Director of Finance			Board of Governors; Audit Committee		100%
Dr Robin Kirby	Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors			Secretary to: Board of Governors, Remuneration, Nominations and Audit Committees		100%
Professor Geoff Smith	Senior Deputy Vice-Chancellor			Board of Governors		100%
Professor Alan Murray	Deputy Vice-Chancellor (Academic)			Board of Governors		100%
Mrs Robyn Wyatt	Clerk to the Board of Governors			Clerk to: Board of Governors; Audit Committee		Sep 2016 - Nov 2016 100%
Miss Louise Williamson	Clerk to the Board of Governors			Clerk to: Board of Governors; Audit Committee		Jan 2017 – July 2017 75%





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.

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 four 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 a term of office not exceeding four years.

## REMUNERATION COMMITTEE

Throughout the year ending 31 July 2017 the University's Remuneration Committee comprised four 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.

Details of remuneration for the year ended 31 July 2017 are set out in note 7 to the financial statements.

## 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 auditors 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. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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 Memorandum of Accountability and Assurance between Falmouth University and HEFCE. 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 2017 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 2017 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 HEFCE'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.

### Review of effectiveness

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 24 November 2017 and signed on its behalf by:**

Signed:.....

**Chris Pomfret**  
Chair of Governors

Signed .....

**Prof A Carlisle**  
Vice-Chancellor & Chief Executive

## 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 Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability 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 HEFCE'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 Memorandum of Assurance and Accountability for:

- **ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE 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.

**Approved by order of the members of the Board on 18 November 2017  
and signed on its behalf by:**

Signed:..........

**24 November 2017**

**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 2017 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 2017, 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 HEFCE's Accounts Direction to higher education institutions for 2016-17 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 45-46, 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 HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

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; 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.



**Victoria Sewell**

For and on behalf of KPMG LLP, Statutory Auditor

**Chartered Accountants**

Plym House  
Plymouth  
PL6 8LT

November 2017

**FALMOUTH UNIVERSITY CONSOLIDATED AND UNIVERSITY  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 JULY 2017**

	Note	Year to 31/7/17 Group £ (000)	Year to 31/7/17 University £ (000)	Year to 31/7/16 Group £ (000)	Year to 31/7/16 University £ (000)
<b>Income</b>					
Funding body grants	2	5,274	5,274	5,781	5,781
Tuition fees and education contracts	3	45,820	45,820	39,982	39,982
Research grants and contracts	4	760	760	482	482
Other income	5	3,193	3,177	3,036	3,022
Endowment and investment income	6	40	40	68	68
<b>Total income</b>		<b>55,087</b>	<b>55,071</b>	<b>49,349</b>	<b>49,335</b>
<b>Expenditure</b>					
Staff costs	7	24,002	24,002	22,264	22,264
Other operating expenses	8	21,459	21,447	20,552	20,538
Depreciation	11	3,064	3,064	3,283	3,283
Interest and other finance costs	9	586	586	534	534
		<b>49,111</b>	<b>49,099</b>	<b>46,633</b>	<b>46,619</b>
<b>Surplus before other gains and share of joint venture</b>		<b>5,976</b>	<b>5,972</b>	<b>2,716</b>	<b>2,716</b>
Loss on disposal of assets		-	-	(294)	(294)
Share of operating surplus in joint venture	13	360	-	260	-
<b>Surplus before tax and surplus for year</b>		<b>6,336</b>	<b>5,972</b>	<b>2,682</b>	<b>2,422</b>
Actuarial gain/(loss) in respect of pension schemes		4,279	3,363	(5,714)	(4,257)
<b>Total comprehensive income for the year</b>		<b>10,615</b>	<b>9,335</b>	<b>(3,032)</b>	<b>(1,835)</b>

All income relates to continuing operations.

The notes on pages 53 to 81 form an integral part of the financial statements.

**FALMOUTH UNIVERSITY CONSOLIDATED AND UNIVERSITY  
STATEMENT OF CHANGES IN RESERVES FOR THE YEAR  
ENDED 31 JULY 2017**

Group	Income & Expenditure Account Restricted £ (000)	Income & Expenditure Account Unrestricted £ (000)	Revaluation reserve £ (000)	Total £ (000)
<b>Balance at 1 August 2015</b>	27	3,867	42,444	46,338
Surplus from the income statement	-	2,682	-	2,682
Other comprehensive income	-	(5,714)	-	(5,714)
Transfers between revaluation and income and expenditure reserve	-	746	(746)	-
<b>Balance at 31 July 2016</b>	27	1,581	41,698	43,306
Surplus from the income statement	-	6,336	-	6,336
Other comprehensive income	-	4,279	-	4,279
Transfers between revaluation and income and expenditure reserve	-	27,466	(27,466)	-
<b>Balance at 31 July 2017</b>	27	39,662	14,232	53,921

University	Income & Expenditure Account Restricted £ (000)	Income & Expenditure Account Unrestricted £ (000)	Revaluation reserve £ (000)	Total £ (000)
<b>Balance at 1 August 2015</b>	27	5,771	27,692	33,490
Surplus from the income statement	-	2,422	-	2,422
Other comprehensive income	-	(4,257)	-	(4,257)
Transfers between revaluation and income and expenditure reserve	-	486	(486)	-
<b>Balance at 31 July 2016</b>	27	4,422	27,206	31,655
Surplus from the income statement	-	5,972	-	5,972
Other comprehensive income	-	3,363	-	3,363
Transfers between revaluation and income and expenditure reserve	-	27,206	(27,206)	-
<b>Balance at 31 July 2017</b>	27	40,963	-	40,990

# FALMOUTH UNIVERSITY BALANCE SHEETS AS AT 31 JULY 2017

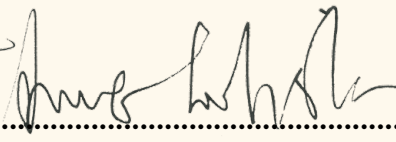
		Group 2017	University 2017	Group 2016	University 2016
	Note	£ (000)	£ (000)	£ (000)	£ (000)
<b>Fixed Assets</b>					
Benefit arising from the acquisition of Dartington College of Arts	12	-	-	-	-
Tangible assets	11	105,141	105,113	102,883	102,855
Investment in subsidiary undertakings	13	-	1	-	1
Interest in associates	13	15	15	-	-
Interest in jointly controlled entity	13	12,904	-	11,628	-
		118,060	105,129	114,511	102,856
<b>Current Assets</b>					
Stock		82	82	43	43
Trade and other receivables	14	1,877	1,903	1,137	1,162
Cash at bank and in hand		17,147	17,119	11,343	11,320
		19,106	19,104	12,523	12,525
Less: Creditors - amounts falling due within one year	15	(9,101)	(9,099)	(7,505)	(7,503)
<b>Net current assets</b>		10,005	10,005	5,018	5,022
<b>Total assets less current liabilities</b>		128,065	115,134	119,529	107,878
Less: Creditors - amounts falling due after more than one year	16	(59,872)	(59,872)	(57,453)	(57,453)
<b>Provisions</b>					
Pension provision		(13,593)	(13,593)	(15,851)	(15,851)
Other provisions	17	(679)	(679)	(2,919)	(2,919)
<b>Net assets</b>		53,921	40,990	43,306	31,655

<b>Restricted reserves</b>					
Income and expenditure-Endowments	18	27	27	27	27
<b>Unrestricted reserves</b>					
Income and expenditure account		39,662	40,963	1,581	4,422
Revaluation reserve	19	14,232	-	41,698	27,206
<b>Total Reserves</b>		53,921	40,990	43,306	31,655

The notes on pages 53 to 81 form an integral part of the financial statements.

The financial statements on pages 49 to 81 were approved by the Board of Governors on 24 November 2017 and signed on its behalf by:

Signed:   
**Chris Pomfret**  
 Chair of Governors

Signed:   
**Prof A Carlisle**  
 Vice-Chancellor & Chief Executive Officer

**FALMOUTH UNIVERSITY CONSOLIDATED CASH FLOW  
STATEMENT FOR THE YEAR ENDED 31 JULY 2017**

		Year to 31/7/17		Year to 31/7/16
	£ (000)	£ (000)	£ (000)	£ (000)
<b>Cash flow from operating activities</b>				
Surplus for the year		6,336		2,682
<b>Adjustment for non-cash items</b>				
Depreciation		3,064		3,283
Amortisation		-		(2)
Deferred capital grants released		(1,460)		(1,472)
(Increase)/decrease in stock		(39)		10
(Increase)/decrease in debtors		(1,159)		1,261
Increase/(decrease) in creditors		1,139		(1,083)
Increase in pension provision		701		457
Decrease in other provisions		(39)		(19)
Share of operating surplus in jointly controlled entity		(360)		(260)
Loss on disposal of assets		-		294
<b>Adjustment for investing or financing items</b>				
Investment income		(40)		(68)
Interest payable		586		534
<b>Net cash inflow from operating activities</b>		<b>8,729</b>		<b>5,617</b>
<b>Cash flow from investing activities</b>				
Deferred capital grants received	332		396	
Investment income	40		68	
Investments	(15)		-	
Payments made to acquire fixed assets	(4,895)		(3,984)	
		(4,538)		(3,520)
<b>Cash flows from financing activities</b>				
Interest paid	(180)		(123)	
New bank loan received	2,075		-	
Loan repayments in year	(296)		(239)	
		1,599		(362)
<b>Increase in cash and cash equivalents in the year</b>		<b>5,790</b>		<b>1,735</b>
Cash and cash equivalents at the beginning of the year		11,324		9,589
<b>Cash and cash equivalents at the end of the year</b>		<b>17,114</b>		<b>11,324</b>

# FALMOUTH UNIVERSITY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

## 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 company, Falmouth Enterprises 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 14 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 17 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 are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The revaluation reserve has been transferred to the income and expenditure reserve 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 2017. They are not depreciated until they are brought into use.

### Fixtures, fittings & equipment

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

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

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

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

## ACCOUNTING FOR GOODWILL AND INTANGIBLE FIXED ASSETS

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

The accounting treatment for negative goodwill is set out in the note on accounting for business combinations (note 12).

## 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

	<b>Group</b> <b>31/7/17</b> <b>£ (000)</b>	<b>University</b> <b>31/7/17</b> <b>£ (000)</b>	<b>Group</b> <b>31/7/16</b> <b>£ (000)</b>	<b>University</b> <b>31/7/16</b> <b>£ (000)</b>
HEFCE recurrent grant	4,104	4,104	4,135	4,135
HEFCE specific grants:				
- Catalyst/Strategic Development Funds	1	1	47	47
- Collaborative Outreach	101	101	186	186
- Postgraduate support scheme	-	-	100	100
HEFCE deferred capital grants released in year				
- Buildings	321	321	321	321
- Equipment	312	312	264	264
EFA/SFA recurrent grant	435	435	728	728
	<b>5,274</b>	<b>5,274</b>	<b>5,781</b>	<b>5,781</b>

## 3 TUITION FEES AND EDUCATION CONTRACTS

	<b>Group</b> <b>31/7/17</b> <b>£ (000)</b>	<b>University</b> <b>31/7/17</b> <b>£ (000)</b>	<b>Group</b> <b>31/7/16</b> <b>£ (000)</b>	<b>University</b> <b>31/7/16</b> <b>£ (000)</b>
Full-time students	41,383	41,383	35,995	35,995
Full-time students charged overseas fees	3,958	3,958	3,367	3,367
Part-time students	245	245	278	278
Research fees	48	48	32	32
FE fees and other charges	186	186	310	310
	<b>45,820</b>	<b>45,820</b>	<b>39,982</b>	<b>39,982</b>

## 4 RESEARCH GRANTS AND CONTRACTS

	<b>Group</b> <b>31/7/17</b> <b>£ (000)</b>	<b>University</b> <b>31/7/17</b> <b>£ (000)</b>	<b>Group</b> <b>31/7/16</b> <b>£ (000)</b>	<b>University</b> <b>31/7/16</b> <b>£ (000)</b>
Other contracts	760	760	482	482
	<b>760</b>	<b>760</b>	<b>482</b>	<b>482</b>

## 5 OTHER INCOME

	<b>Group 31/7/17 £ (000)</b>	<b>University 31/7/17 £ (000)</b>	<b>Group 31/7/16 £ (000)</b>	<b>University 31/7/16 £ (000)</b>
Other income generating activities	322	280	326	285
Residences and catering operations	694	694	655	655
Other income (including European grants)	1,101	1,127	741	768
Negative goodwill released on acquisition	-	-	2	2
Recharges for the provision of combined services	249	249	331	331
Deferred capital grants	827	827	887	887
Other income (CUC pooled funds)	-	-	94	94
	<b>3,193</b>	<b>3,177</b>	<b>3,036</b>	<b>3,022</b>

## 6 ENDOWMENT AND INVESTMENT INCOME

	<b>Group 31/7/17 £ (000)</b>	<b>University 31/7/17 £ (000)</b>	<b>Group 31/7/16 £ (000)</b>	<b>University 31/7/16 £ (000)</b>
Bank deposit interest	40	40	68	68
	<b>40</b>	<b>40</b>	<b>68</b>	<b>68</b>

## 7 STAFF COSTS

	<b>Group 31/7/17 £ (000)</b>	<b>University 31/7/17 £ (000)</b>	<b>Group 31/7/16 £ (000)</b>	<b>University 31/7/16 £ (000)</b>
Wages and salaries	18,470	18,470	17,512	17,512
Social security costs	1,837	1,837	1,510	1,510
Other pension costs	3,695	3,695	3,242	3,242
	<b>24,002</b>	<b>24,002</b>	<b>22,264</b>	<b>22,264</b>
Emoluments of the Vice-Chancellor & Chief Executive	231	231	222	222
Performance-related bonus	39	39	31	31
Benefits in kind	3	3	3	3
	<b>273</b>	<b>273</b>	<b>256</b>	<b>256</b>
Pension contributions	36	36	42	42
	<b>309</b>	<b>309</b>	<b>298</b>	<b>298</b>
Remuneration of higher paid staff excluding Vice-Chancellor & Chief Executive (excluding employer's pension contributions):	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
£100,000 - £109,999 pa	-	-	2	2
£110,000 - £119,999 pa	1	1	-	-
£120,000 - £129,999 pa	-	-	1	1
£130,000 - £139,999 pa	1	1	-	-
£140,000 - £149,999 pa	1	1	1	1
<b>Average staff numbers (FTEs) by major category:</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Academic departments	270	270	252	252
Research & innovation	15	15	19	19
Academic support services	26	26	23	23
Administration	103	103	111	111
Premises	22	22	21	21
Other income generation	1	1	1	1
	<b>437</b>	<b>437</b>	<b>427</b>	<b>427</b>
<b>Compensation for loss of office payable to a senior post-holder:</b>	<b>Group 31/7/17 £ (000)</b>	<b>University 31/7/17 £ (000)</b>	<b>Group 31/7/16 £ (000)</b>	<b>University 31/7/16 £ (000)</b>
Compensation payable recorded within staff costs	42	42	-	-

## 7 STAFF COSTS

### 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 & Chief Executive
- Senior Deputy Vice-Chancellor
- Deputy Vice-Chancellor (Academic)
- Chief Operating Officer
- Director of Human Resources
- Director of Communications
- Registrar and Director of Student Administration
- Director of Finance
- Director of Estates
- Director of Strategic Innovation Projects

Staff costs includes compensation paid to key management personnel.

	<b>Group</b> <b>31/7/17</b> <b>£ (000)</b>	<b>University</b> <b>31/7/17</b> <b>£ (000)</b>	<b>Group</b> <b>31/7/16</b> <b>£ (000)</b>	<b>University</b> <b>31/7/16</b> <b>£ (000)</b>
Key management personnel compensation	1,224	1,224	1,277	1,277

## GOVERNORS ACTING AS TRUSTEES

No governor has received any remuneration or waived payments from the group during the year (2016: none).

The total expenses paid to or on behalf of seven governors was £3,684 (2015/16: £3,580 paid to six governors). This represents travel and subsistence expenses incurred in attending Board, committee meetings and charity events in their official capacity.



## 8 OTHER OPERATING EXPENSES

	<b>Group</b> <b>31/7/17</b> <b>£ (000)</b>	<b>University</b> <b>31/7/17</b> <b>£ (000)</b>	<b>Group</b> <b>31/7/16</b> <b>£ (000)</b>	<b>University</b> <b>31/7/16</b> <b>£ (000)</b>
Teaching materials and expenses	2,452	2,452	2,628	2,628
Franchise fees	729	729	242	242
Library and learning resource costs	1,612	1,612	1,608	1,608
IT support costs	1,844	1,844	1,644	1,644
Student support costs	1,501	1,501	1,049	1,049
Recruitment and restructuring costs	457	457	316	316
Research costs	461	461	375	375
Auditors remuneration - external audit fees	33	32	47	46
Auditors remuneration - internal audit fees	22	22	31	31
Auditors remuneration - non audit fees	-	-	-	-
Administrative expenses	2,056	2,056	1,598	1,598
Residential development fees	450	450	935	935
CUC central costs	65	65	174	174
Advertising and promotional expenses	1,864	1,864	1,518	1,518
Bursaries payable	1,627	1,627	1,969	1,969
Heat, light, rates and water	1,203	1,203	1,126	1,126
Repairs and maintenance to premises	4,241	4,241	4,668	4,668
Inter-campus transport	154	154	103	103
Rents and property leases	127	127	53	53
Other income generation costs	561	550	468	455
	<b>21,459</b>	<b>21,447</b>	<b>20,552</b>	<b>20,538</b>
Auditors' remuneration includes the following				
External audit fees	33	32	47	46
Internal audit fees	22	22	31	31

## 9 INTEREST AND OTHER FINANCE COSTS

	<b>Group</b> <b>31/7/17</b> <b>£ (000)</b>	<b>University</b> <b>31/7/17</b> <b>£ (000)</b>	<b>Group</b> <b>31/7/16</b> <b>£ (000)</b>	<b>University</b> <b>31/7/16</b> <b>£ (000)</b>
On bank loans not wholly repayable within five years	182	182	128	128
Pension finance costs	404	404	406	406
	<b>586</b>	<b>586</b>	<b>534</b>	<b>534</b>

## 10 ANALYSIS OF 2016/17 EXPENDITURE BY ACTIVITY - GROUP

	Staff costs £ (000)	Other operating expenses £ (000)	Depreciation £ (000)	Interest payable £ (000)	2016/17 Total £ (000)	2015/16 Total £ (000)
Academic departments	14,914	3,226	869	-	19,009	17,010
Academic support services	672	3,506	27	-	4,205	4,261
Research grants & contracts	820	461	3	-	1,284	1,280
Residences and catering	316	379	-	-	695	652
Premises	756	5,673	2,156	182	8,767	8,891
Administration & central services	6,312	7,968	1	404	14,685	14,021
Other services	212	181	8	-	401	331
Other expenses (including CUC)	-	65	-	-	65	187
<b>Total</b>	<b>24,002</b>	<b>21,459</b>	<b>3,064</b>	<b>586</b>	<b>49,111</b>	<b>46,633</b>

The depreciation charge has been funded by:	
Deferred capital grants	1,460
General income	1,604
	<b>3,064</b>

## 11 FIXED ASSET SCHEDULE

<b>Group</b>	<b>Assets in the course of construction</b>	<b>Land and buildings</b>	<b>Fixtures, fittings &amp; equipment</b>	<b>Total</b>
	£ (000)	£ (000)	£ (000)	£ (000)
<b>Cost or valuation</b>				
B/f as at 1 August 2016	2,711	102,265	17,260	122,236
Additions	1,518	2,774	1,030	5,322
Transfers	(2,292)	2,292	-	-
Disposals	-	-	(80)	(80)
<b>C/f as at 31 July 2017</b>	<b>1,937</b>	<b>107,331</b>	<b>18,210</b>	<b>127,478</b>
<b>Depreciation</b>				
B/f as at 1 August 2016	-	3,810	15,543	19,353
Charge for the year	-	2,010	1,054	3,064
Depreciation on disposals	-	-	(80)	(80)
<b>C/f as at 31 July 2017</b>	<b>-</b>	<b>5,820</b>	<b>16,517</b>	<b>22,337</b>
<b>Net book value</b>				
As at 31 July 2016	2,711	98,455	1,717	102,883
<b>As at 31 July 2017</b>	<b>1,937</b>	<b>101,511</b>	<b>1,693</b>	<b>105,141</b>
<b>University</b>				
<b>Cost or valuation</b>				
B/f as at 31 July 2016	2,711	102,349	16,922	121,982
Additions	1,518	2,774	1,030	5,322
Transfers	(2,292)	2,292	-	-
Disposals	-	-	(80)	(80)
<b>C/f as at 31 July 2017</b>	<b>1,937</b>	<b>107,415</b>	<b>17,872</b>	<b>127,224</b>
<b>Depreciation</b>				
B/f as at 31 July 2016	-	3,810	15,317	19,127
Charge for the year	-	2,010	1,054	3,064
Depreciation on disposals	-	-	(80)	(80)
<b>C/f as at 31 July 2017</b>	<b>-</b>	<b>5,820</b>	<b>16,291</b>	<b>22,111</b>
<b>Net Book Value</b>				
As at 31 July 2016	2,711	98,539	1,605	102,855
<b>As at 31 July 2017</b>	<b>1,937</b>	<b>101,595</b>	<b>1,581</b>	<b>105,113</b>

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 BENEFIT ARISING FROM THE ACQUISITION OF DARTINGTON COLLEGE OF ARTS (NEGATIVE GOODWILL)

The University undertook a business combination with Dartington College of Arts on 6 April 2008. The business combination was treated as an acquisition and accounted for by the “acquisition method of accounting” in order to comply with the requirements of FRS 6, Acquisitions and Mergers. Fair values are attributed to the net separable assets and liabilities. The benefit, arising as a consequence of no consideration having been paid by the Institution for the net value of the assets acquired, is included in the consolidated balance sheet as a deduction from tangible and intangible assets. The fair value of the benefit is released to the Income and Expenditure account over the periods in which the non-monetary assets are recovered, whether through depreciation or disposals. The release is aligned with the corresponding depreciation charge relating to the assets, which is on a straight line basis over 10 years for instruments and two years for other assets.

<b>Fair value</b>	£ (000)
B/f as at 1 August 2016	(502)
Adjustment to valuation	-
<b>C/f as at 31 July 2017</b>	<b>(502)</b>
<b>Released to Income and Expenditure account</b>	
B/f as at 1 August 2016	502
Release for the year	-
<b>C/f as at 31 July 2017</b>	<b>502</b>
<b>Net book value</b>	
At 31 July 2016	-
<b>At 31 July 2017</b>	<b>-</b>

## 13 INVESTMENT ASSETS

	<b>Group 2017 £ (000)</b>	<b>University 2017 £ (000)</b>	<b>Group 2016 £ (000)</b>	<b>University 2016 £ (000)</b>
Investment in subsidiary companies	-	1	-	1
Interest in associates	15	15	-	-
Interest in jointly controlled entity	12,904	11,628	-	-

The University owns 100% of the issued share capital of Falmouth Enterprises Limited (FEL), a company registered in England and Wales with company registered number 2517317. 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.

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 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:

	<b>2017 £ (000)</b>	<b>2016 £ (000)</b>
Share of fixed assets	41,689	41,790
Share of current assets	3,543	3,675
Share of current liabilities	(3,500)	(3,339)
Share of long-term liabilities	(24,733)	(25,976)
Share of pension liability	(4,095)	(4,522)
	<b>12,904</b>	<b>11,628</b>
Share of income	<b>14,486</b>	<b>12,882</b>
Share of surplus for the year	360	260
Share of total tax payable	-	-
Share of total comprehensive income	1,276	(1,197)

Interest in associates comprises:

<b>Name</b>	<b>Company number</b>	<b>Shares</b>	<b>% shareholding</b>
Burning Arrow Limited	09755439	273	24.7
Hertzian Limited	09753777	302	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. An additional investment of £15k was made during the year in Hertzian Limited.

Other non-current investments of the University comprise:

<b>Name</b>	<b>Company number</b>	<b>Shares</b>	<b>% shareholding</b>
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.

## 14 DEBTORS

	<b>Group 2017 £ (000)</b>	<b>University 2017 £ (000)</b>	<b>Group 2016 £ (000)</b>	<b>University 2016 £ (000)</b>
Fees and charges	249	249	338	338
Trade debtors	661	660	212	212
Prepayments and accrued income	273	273	194	196
ERDF and ESF grants due	800	800	-	-
Amounts owed by group undertakings	-	27	-	23
Amounts owed by jointly controlled entity	-	-	403	403
Sundry debtors	31	31	13	13
Bad debt reserve	(137)	(137)	(23)	(23)
	<b>1,877</b>	<b>1,903</b>	<b>1,137</b>	<b>1,162</b>

## 15 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>	<b>£ (000)</b>
Bank loan	251	251	256	256
Salix loan	40	40	40	40
HEFCE	222	222	289	289
Bank overdraft	33	33	19	19
Trade creditors	857	857	856	856
Accruals and deferred income	6,167	6,165	5,220	5,218
Social security and other taxation	810	810	769	769
Amounts owed to jointly controlled entities	699	699	-	-
Other creditors	22	22	24	24
CUC creditors and accrued income	-	-	32	32
	<b>9,101</b>	<b>9,099</b>	<b>7,505</b>	<b>7,503</b>

Deferred income includes grants receivable in respect of funding for construction costs of the buildings at Penryn.

## 16 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>Group &amp; University</b>	
	<b>2017</b>	<b>2016</b>
	<b>£ (000)</b>	<b>£ (000)</b>
Accruals and deferred income	54,521	53,886
Bank loan	5,351	3,527
Salix fund	-	40
	<b>59,872</b>	<b>57,453</b>

## 16 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

	Group and University	
	2017	2016
Amounts repayable on loans:	£ (000)	£ (000)
In one year or less	291	296
In more than one year but not more than two years	251	290
In more than two years but not more than five years	918	755
In more than five years	4,182	2,522
	<b>5,642</b>	<b>3,863</b>

	Amount	Term	Interest rate
	£ (000)		%
Lloyds Bank plc	349	2022	0.2% above base rate
Lloyds Bank plc	3,178	2035	2.25% above base rate
RBS	2,075	2027	1.3% above base rate
	<b>5,602</b>		

## 17 PROVISIONS FOR LIABILITIES

Group & University	Enhanced Pension Provision £ (000)	Relocation costs £ (000)	Grant clawback £ (000)	Total £ (000)
Balance at 31 July 2016	684	34	2,201	2,919
Transferred from Income and expenditure	16	-	-	16
Utilised in the year	(47)	(8)	(2,201)	(2,256)
<b>Balance at 31 July 2017</b>	<b>653</b>	<b>26</b>	<b>-</b>	<b>679</b>

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 2017. 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 9.

The grant clawback relates to a correction by the European Court of Auditors. The European Court of Auditors carried out a re-performance of an Article 16 audit of the Performance Centre in July 2011. This audit asserted that some of the procurement criteria were too restrictive and disproportionate. The University has commenced repayment of the clawback and the balance is included within accruals.



## 18 ENDOWMENTS

	Group and University	
	2017	2016
<b>Permanent and expendable endowments</b>	<b>£ (000)</b>	<b>£ (000)</b>
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.

## 19 REVALUATION RESERVE

	Group 2017 £ (000)	University 2017 £ (000)	Group 2016 £ (000)	University 2016 £ (000)
Balance brought forward	41,698	27,206	42,444	27,692
Transferred to Income and expenditure account (note 1)	(27,206)	(27,206)	(486)	(486)
Share of movement in jointly controlled entity's revaluation reserve	(260)	-	(260)	-
	<b>14,232</b>	<b>-</b>	<b>41,698</b>	<b>27,206</b>

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

## 20 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Aug 2016 £ (000)	Cashflows £ (000)	At 31 July 2017 £ (000)
Cash and cash equivalents	11,343	5,804	17,147
Overdraft	(19)	(14)	(33)
<b>Total</b>	<b>11,324</b>	<b>5,790</b>	<b>17,114</b>

## 21 PENSION SCHEMES (GROUP AND UNIVERSITY)

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

	<b>31/7/17</b>		<b>31/7/16</b>
	<b>£ (000)</b>		<b>£ (000)</b>
CC Pension Scheme: Charge to the Income and expenditure account (note 7)	2,230		1,837
USS Pension Scheme: contributions paid (note 7)	11		10
Teachers' Pension Scheme: contributions paid (note 7)	1,454		1,395
Enhanced pension charge to Income and expenditure account (note 17)	47		47
<b>Total pension cost for the year</b>	<b>3,742</b>		<b>3,289</b>

### 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 (2013-14) estimated that the total liabilities of the scheme were £250,200m using the assumptions of a real rate of return of 1.8% in excess of pension increases and 0.15% in excess of earnings decreases. The rate of return was assumed to be 4.35%.

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 Council Pension Scheme, a funded defined benefit scheme in the UK. The total contribution made for the year ended 31 July 2017 was £2,020k (2016: £1,863k) of which employer's contributions totalled £1,536k (2016: £1,397k) and employees' contributions totalled £484k (2016: £466k).

The actuarial valuation of the scheme at 31 March 2016 showed a deficit of £486m. Employers' contribution rates during the year were 17.6% plus an annual lump sum of £210k to March 2017 and 18.1% plus an annual lump sum of £249,700 from April 2017. In 2018/19 the rate will be 18.1% and the lump sum will be £326,800 and 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% (2016: 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 2017 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:	2017 %	2016 %
Rate of increase in salaries	2.5	3.9
Inflation - CPI	2.4	1.9
Rate of increase for pensions in payment	2.4	1.9
Discount rate for liabilities	2.7	2.5
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 2017	Bid value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Bid value at 31 July 2016
	%	£(000)	%	£(000)
Equities	2.7	11,381	2.5	10,643
Bonds	2.7	10,413	2.5	8,728
Property	2.7	1,695	2.5	1,490
Cash	2.7	726	2.5	426
Estimated employers' share of scheme assets		<b>24,215</b>		<b>21,287</b>
Present value of scheme liabilities- Funded		(37,808)		(37,138)
Deficit in the scheme		<b>(13,593)</b>		<b>(15,851)</b>

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 2017.

### Actual return on assets

	2017 £ (000)	2016 £ (000)
Actual return on assets	<b>1,320</b>	<b>216</b>

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

	2017 £ (000)	2016 £ (000)
Current service cost	2,220	1,847
Total operating charge	<b>2,220</b>	<b>1,847</b>

### Analysis of pension finance costs

	2017 £ (000)	2016 £ (000)
Interest income on plan assets	(552)	(753)
Interest on pension scheme liabilities	956	1,159
<b>Net cost</b>	<b>404</b>	<b>406</b>

### Amount recognised in other comprehensive income (OCI)

	<b>2017</b>	<b>2016</b>
	<b>£ (000)</b>	<b>£ (000)</b>
Actuarial gain/(loss) recognised in OCI in the year	3,363	(4,257)
Cumulative actuarial loss recognised in OCI at 1 August	(9,832)	(5,575)
<b>Cumulative actuarial loss recognised in OCI at 31 July</b>	<b>(6,469)</b>	<b>(9,832)</b>

### ASSET AND LIABILITY RECONCILIATION

	<b>2017</b>	<b>2016</b>
	<b>£(000)</b>	<b>£(000)</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	<b>37,138</b>	<b>30,397</b>
Current service cost	2,220	1,847
Interest cost	956	1,159
Employee contributions	484	466
Remeasurements	(2,595)	3,720
Estimated benefits paid	(412)	(458)
Losses on curtailments	17	7
<b>Liabilities at end of period</b>	<b>37,808</b>	<b>37,138</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	<b>21,287</b>	<b>19,666</b>
Interest income on plan assets	552	753
Remeasurements	768	(537)
Employer contributions	1,536	1,397
Employee contributions	484	466
Estimated benefits paid (net of transfers in)	(412)	(458)
<b>Assets at end of period</b>	<b>24,215</b>	<b>21,287</b>

## HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

	2017 £(000)	2016 £(000)	2015 £(000)	2014 £(000)	2013 £(000)
Scheme liabilities	(37,808)	(37,138)	(30,397)	(24,527)	(20,525)
Scheme assets	24,215	21,287	19,666	16,962	16,078
Deficit	(13,593)	(15,851)	(10,731)	(7,565)	(4,447)
Experience adjustments on Scheme liabilities	1,818	275	143	691	-
Experience adjustments on Scheme assets	768	(537)	532	(1,214)	1,771



## PENSION SCHEME – USS (GROUP AND UNIVERSITY)

The total cost charged to the Statement of Comprehensive Income is £11K (2016: £10K).

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.

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:

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.2%

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

**Male members’ mortality** 98% of S1NA [“light”] YoB tables - no age rating

**Female members’ mortality** 99% of S1NA [“light”] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% p.a long-term rate were also adopted. The current life expectancies on retirement at age 65 are:

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

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

## 22 CAPITAL COMMITMENTS

	Group and University	
	2017	2016
	£ (000)	£ (000)
Authorised but not committed	6,227	1,774
Commitments contracted at 31 July 2017	6,349	1,801

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

## 23 FINANCIAL COMMITMENTS

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

	Group and University	
	2017	2016
	£ (000)	£ (000)
<b>Land and buildings</b>		
In one year or less	55	52
In more than one year but not more than two years	50	52
In more than two years but not more than five years	68	100
In more than five years	-	15
<b>Total</b>	<b>173</b>	<b>219</b>

The University guarantees 50% of FXPlus' bank loans totalling £25m as at the year end (total loans are £50m). These term loans are repayable over various terms up to 39 years and £16.4m is at a fixed interest rate.

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.



## 24 RELATED-PARTY TRANSACTIONS

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

The financial statements include fees payable to Francis Clark LLP of £780. Andrew Allen (Board member) is a partner in this organisation. In addition, fees of £4,380 were payable to Francis Clark Tax Consultancy Limited and these were outstanding at the year end.

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:

	<b>2017</b>	<b>2016</b>
	£ (000)	£ (000)
Authorised but not committed	10,375	3,625
Commitments contracted at 31 July 2017	445	838

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:

	<b>Purchases from related parties</b>	<b>Sales to related parties</b>	<b>Amounts owed to related party</b>	<b>Amounts owed by related party</b>
Falmouth Exeter Plus Group	£ (000)	£ (000)	£ (000)	£ (000)
<b>2017</b>	9,947	60	699	-
<b>2016</b>	8,857	85	-	403

Balances due to and from the jointly controlled entity are shown in note 14 Debtors and note 15 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:

	<b>Year to 31/7/17 £ (000)</b>	<b>Year to 31/7/16 £ (000)</b>
Block grant	481	434
Sports	30	30
	<b>511</b>	<b>464</b>

## 25 POST BALANCE SHEET EVENTS

There were no post balance sheet events to report.

On 24 November 2017 the consolidated financial statements were authorised for issue by the Governing Body and do not reflect events after this date.