

Consolidated financial statements

Year ended 31 July 2015

Falmouth University

Board of Governors (at date of signing)

Chairman	Mr C Pomfret
Deputy-Chair	Dame Janet Ritterman
Vice-Chancellor & Chief Executive	Professor A Carlisle
Audit Committee Chair	Mr A Allen
Independent Governors	Mr M Carne
	Mrs A Cressey
	Mr B Louveaux
	Mr J Mathers
	Mr H Milton
	Mr C Wace

Academic Board Representative	Mrs T Pritchard
Professional Services Staff Representative	Mr R Hillier
Students' Union President - Falmouth	Mr F Mallin

Other Officers

Senior Deputy Vice-Chancellor	Professor G Smith
Deputy Vice-Chancellor (Academic)	Professor A Murray
Pro Vice-Chancellor (Research & Innovation)	Professor P Moore
Registrar & Director of Student Information	Professor J Press
Chief Operating Officer	Mr P Cox
Director of Finance	Mr R Holmes
Director of Human Resources	Mrs K Coombs
Secretary to the Board	Dr R Kirby
Clerk to the Board	Mrs R Wyatt

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Falmouth University
Consolidated financial statements
for the year ended 31 July 2015

Index

	Pages
Joint Statement by the Chairman of the Board of Governors and Vice-Chancellor & Chief Executive	1 – 5
Operating and financial review	6 – 13
Public benefit statement	14 - 17
Corporate governance	18 – 21
Statement of responsibilities of the Board of Governors	22 – 23
Independent auditors' report to the Board of Governors	24 – 25
Consolidated income and expenditure account	26
Note of consolidated historical cost surpluses and deficits	27
Statement of consolidated total recognised gains and losses	27
Balance sheets	28
Consolidated cashflow statement	29
Notes to the consolidated financial statements	30 – 52

Falmouth University

Joint Statement by the Chairman of the Board of Governors and Vice-Chancellor & Chief Executive

Introduction

For over 110 years, Falmouth University has been a dynamic centre for creative learning and innovation. In our Strategic Plan 2015-2020 we present a vision that will enable us to build on this legacy and achieve our ambition to be an internationally recognised creative innovation hub.

Falmouth has grown rapidly in recent years, almost doubling in size since 2006. We have a comprehensive portfolio that uniquely and equally spans all of the creative art forms, and we are proud to have been named as the UK's Number 1 Arts University for a second consecutive year in The Times & Sunday Times Good University Guide. Thanks to significant investment, our facilities are pitched at industry 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 economic sectors in the UK – which now provide 1 in 11 of all jobs in the UK, and 1 in 6 of all graduate jobs.

The world-renowned performer and writer Dawn French was formally installed as the University's first Chancellor in March 2015. Over 250 business, civic and educational leaders attended the ceremony and celebrations in Falmouth - events which earned the University significant levels of positive, global media attention.

Financial Overview

The Operating and Financial Review explains in more detail the results for the year which have been extremely positive for Falmouth in many areas, all of which have influenced the University's healthy financial outturn. In line with the financial strategy, surplus levels have risen and need to continue to rise to enable investment in further facilities for both students and staff to meet our growth ambitions. The results for the year show that the institution remains strong and has achieved or exceeded all of its financial key performance indicators.

Strategic Plan: progress against our objectives

In 2015, the University refreshed its Strategic Plan for the planning period 2015-2020, keeping the five main objectives of the previous plan, and introducing more ambitious plans to grow student numbers and diversify the portfolio.

The following sections present summaries of the University's success in 2014-15 against its Strategic Plan objectives. As a result of the progress detailed below, the University has risen to prominent positions in UK Higher Education league tables and other external indicators of quality. The University rose to 31st of 119 UK Universities in the 2016 Guardian league table – ranking Falmouth at 2nd among the 75 modern Universities established since 1992. The University also achieved top 20 positions in five different subject tables.

Strategic Plan Objective 1: To Expand And Diversify What We Do

The Strategic Plan 2015-2020 commits the University to 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, including courses in Architecture, Digital Games and Business Entrepreneurship, first introduced in 2014-15. New enrolments to undergraduate courses have grown by 28.8% - 374 students - since 2013-14. The University's income from new enrolments for 2015-16 stands at £18,124,000, exceeding the overall financial target for new enrolments.

In 2014-15, the University has taken an increasingly data-driven and project-driven approach to student recruitment and to the management, and development, of the academic portfolio. The University has developed a suite of market analytics ranging from demographic projections to projections for growth in creative industries sub-sectors, and widening participation data, to ensure

Falmouth University

Joint Statement by the Chairman of the Board of Governors and Vice-Chancellor & Chief Executive

that the University's portfolio is attractive to students, geared towards demand from the creative industries, and financially sustainable in the static £9,000 fee environment. In particular, the University is targeting increased enrolments from Cornish students, and students from the European Union.

This approach is essential in order to counter a series of connected challenges, common to the UK Higher Education sector, including the demographic downturn in 18-20 year olds (which will not begin to recover until 2022), and a significant downturn in demand for part time undergraduate courses, and for postgraduate taught study. In addition, the University's student numbers and academic portfolio must remain sustainable in the envelope of the £9,000 full time undergraduate fee, which has not been uplifted for inflation since its introduction in 2012-13.

In 2014-15, the University has initiated, developed and formally introduced a range of new partnership and diversification projects, designed to support total enrolments on diversification programmes of 1,500 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.

Strategic Plan Objective 2: To Produce Satisfied Graduates Who Get Great Jobs

In 2014-15, the University made strong progress against this objective, improving National Student Survey results, and graduate employability survey results (the Destinations of Leavers from Higher Education Survey).

Satisfied Graduates – National Student Survey (NSS)

In the 2015 NSS, Falmouth scored 84% for overall satisfaction; an improvement of two percentage points on 2014, and an improvement of nine percentage points since the score of 75% in 2011. These results led to the University achieving the ranking of 15th of 127 UK Universities for teaching quality, in The Times and Sunday Times Good University Guide 2016.

The University also improved its scores in each of the six question categories in the NSS, as well as its scores for the overall satisfaction question, and for the satisfaction with Students' Union question. The University met or exceeded the UK average for all question areas other than course organisation and management (5 points below the average) and for overall satisfaction (2 points below the average).

The Strategic Plan Measure of Success for the NSS is for all undergraduate courses to achieve an overall satisfaction score of 90% by 2017. In 2015, 14 Falmouth courses achieved overall satisfaction scores of over 90%. A further 6 courses achieved overall satisfaction scores at or above the University's average score of 84%, and 9 courses scored below 84%. 21 of 29 courses matched or outscored the sector average for their subject area.

The University will continue to pursue student experience enhancement initiatives, with a particular focus on improving scores for course organisation and management in 2016.

Satisfied Graduates – Times Higher Education Survey

Falmouth achieved the rank of 11th of 113 Universities in the UK, in the Times Higher Student Experience Survey 2015, published in April 2015. The overall ranking combines scores in 21 key areas of student satisfaction, including teaching quality, pastoral care and the quality of the campus and the facilities. Falmouth achieved some outstanding rankings in these individual categories, including first in the UK for three categories: good environment on campus, good support and welfare, and good library and opening hours.

Falmouth University

Joint Statement by the Chairman of the Board of Governors and Vice-Chancellor & Chief Executive

Great Jobs

In 2015 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 increased by 1.3% and stands at 95.8%. This includes graduates working full time or part time, those in self-employment and those in further study. The University achieved an increase of 1% in overall graduate level employability, to 75%; this outcome placed Falmouth 44th of 127 Universities for graduate prospects in The Times and Sunday Times Good University Guide 2016, a full 42 places above the next Arts University for this measure. The rate of unemployment among Falmouth graduates fell from 5.5% last year to 2.7% this year. Self-employment and business start-up amongst Falmouth graduates rose one point to 25%, more than four times the national average of 5.9%.

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.

As well as the higher levels of graduate debt now attached to the university experience, a number of other factors and data sets support this choice of focus. A November 2014 Which? Report cited graduate employment performance as the number one factor graduates would have researched about universities, in hindsight.

Further, the Creative Industries Economic Estimates published by the Department for Culture, Media and Sport in January 2015, confirmed that 1 in 11 jobs in the UK now sit in the Creative Economy. This provides a clear message about the strength of the sector for Falmouth applicants, students and graduates. Finally, independent research conducted for the University by the Centre for Economics and Business Research projected continued growth in creative industries employment in the UK in the current decade.

Strategic Plan Objective 3: 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. The objective also confirms the University's commitment to achieving Research Degree Awarding Powers by 2020.

Research Excellence Framework (REF) 2014

The REF 2014 results were published by HEFCE on 17 December 2014. Research was submitted from 55 staff across two areas (known as Units of Assessment or UoA): Art & Design, and Music, Drama, Dance & Performing Arts. Each submission was assessed in terms of three elements: (i) quality of research outputs, (ii) social, economic and cultural impact of research, and (iii) the research environment; to produce an overall 'quality profile' awarded to each submission.

The University's strongest results were in UoA 35 (Music, Drama, Dance and Performing Arts); Falmouth notably achieved a combined impact score of 50% for 4* and 3* research in this UoA. The University's Grade Point Average (GPA) score was lower than the overall GPA for Arts University Bournemouth, University of the Arts London, University for the Creative Arts, and Norwich University of the Arts. For Research Impact, Falmouth's GPA was higher than that of Arts University Bournemouth but significantly lower than the other Arts Universities.

Research and Innovation Review 2015-10-22

In 2015, the Vice-Chancellor & Chief Executive led a review of the University's Research and Innovation functions, to examine Falmouth's journey between 2010 and 2015, and to ensure that all

Falmouth University

Joint Statement by the Chairman of the Board of Governors and Vice-Chancellor & Chief Executive

research and innovation activity supported in future is fully aligned to the University's Strategic Plan 2015–2020.

The review coincided with the end of a major EU funding period for Falmouth and takes place after the publication of the REF 2014 results. The review sought to embed research and innovation in and across all of the University's Academic Departments and provide the necessary dedicated support to achieve critical mass in both the fields of research and innovation across the whole University.

The principles of strategic alignment, embeddedness, critical mass and sustainability will underpin the University's future research and innovation activities, and will strengthen the University's application for Research Degree Awarding Powers in c.2018-2019.

The University established a Centre for Smart Design following completion of the Research and Innovation Review, and the Centre achieved its first external funding, for a partnership project with the University of Exeter (UoE) in August 2015.

Having secured €2.4million in funding from the EU Framework Programme 7 in 2014, the largest research grant yet achieved by the University, the internationally renowned Professor Simon Colton was recruited to position of the European Research Area Chair for Digital Games Technology, in Autumn 2014. A team of nine researchers have been appointed to the project, which runs from 2015-2019, and in 2015 the Centre for Digital Games secured an EPSRC Award, the first of this kind for the University, for the Digital Creativity Hub project.

In 2015, Falmouth made a successful application to the Higher Education Academy's 'Strategic Excellence Initiative for Vice-Chancellors'. This high profile award is designed to support the creation and delivery of pilot postgraduate learning interventions in creativity for business, which draw on the University's creative disciplines. This pilot content will be offered to members of Cornwall's business community. The project will run for one year, from June 2015 to June 2016.

Other major innovation initiatives and awards are summarised in the following section.

Strategic Plan Objective 4: To Help Grow Cornwall

This objective confirms the University's commitment 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.

To this end, the University has been closely involved in the work of the Cornwall & Isles of Scilly Local Enterprise Partnership (LEP) in 2014-15. The Vice-Chancellor & Chief Executive is a Director of the LEP Board and is Chair of the LEP's Future Economy Board. Other senior staff in the University have regularly engaged with the Board's committees and working groups to broaden understanding throughout the University, and the LEP, of the University's pivotal role in the economic regeneration of the County.

A leading example of the University's ability to help grow Cornwall is Falmouth Launchpad (Games), a distinctive graduate entrepreneurship programme, launched in May 2014 with £1.1million support from the European Regional Development Fund. The programme, centred on the Digital Games industry, has delivered its objectives: 20 graduates and 4 new high value, high growth businesses headquartered in Cornwall. The programme also secured match funding of £653,000 from the Higher Education Funding Council for England (HEFCE), to support development of the innovate Masters' programme in Entrepreneurship which ran in parallel to the Launchpad programme, and from which all 20 students successfully graduated in September 2015.

The provision of adequate 'grow-on' space for graduate start-ups in Cornwall remains a challenge for

Falmouth University

Joint Statement by the Chairman of the Board of Governors and Vice-Chancellor & Chief Executive

the University in terms of retaining talented graduates in the County, and will be addressed in a major bid to the 2014-2020 European Regional Development Fund programme.

The Strategic Plan 2015-2020 signals a major commitment to more than double the number of students from Cornwall enrolled at the University, 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.

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 2015-16 entry, new international enrolments grew by 30% or more for the third consecutive year, with over 300 international students currently enrolled, from 103 different countries.

Future growth will be supported a range of strategic partnerships and recruitment initiatives with educational establishments around the world, in key markets for our creative subjects. For example, the University is currently developing '2+2' and '3+1' partnerships in which international students are enrolled at Falmouth for a portion of the undergraduate degree.

An expansion of online provision targeted at international students is also in development, building on the successful establishment of the Detroit Institute of Music Education in 2014, which offers undergraduate degrees in music education, awarded by Falmouth University, delivered both at DIME in Detroit, Michigan, and online.

The Strategic Plan also establishes targets for increased international student and staff exchanges to support the overall objective of making the University internationally significant.

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.

Some of the major strategic initiatives at Falmouth linked to resources in 2015-16 include the delivery of the new Estates Strategy, which will drive resource optimisation and efficiency, while maintaining industry standard teaching facilities. The University will continue to manage actively 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.

In Closing

The senior team and Board of Governors believe that the quality of staff across academic departments and professional services provide an excellent student experience, and 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.



Professor Anne Carlisle
Vice-Chancellor & Chief Executive



Chris Pomfret
Chair, Board of Governors

Falmouth University
Operating and financial review

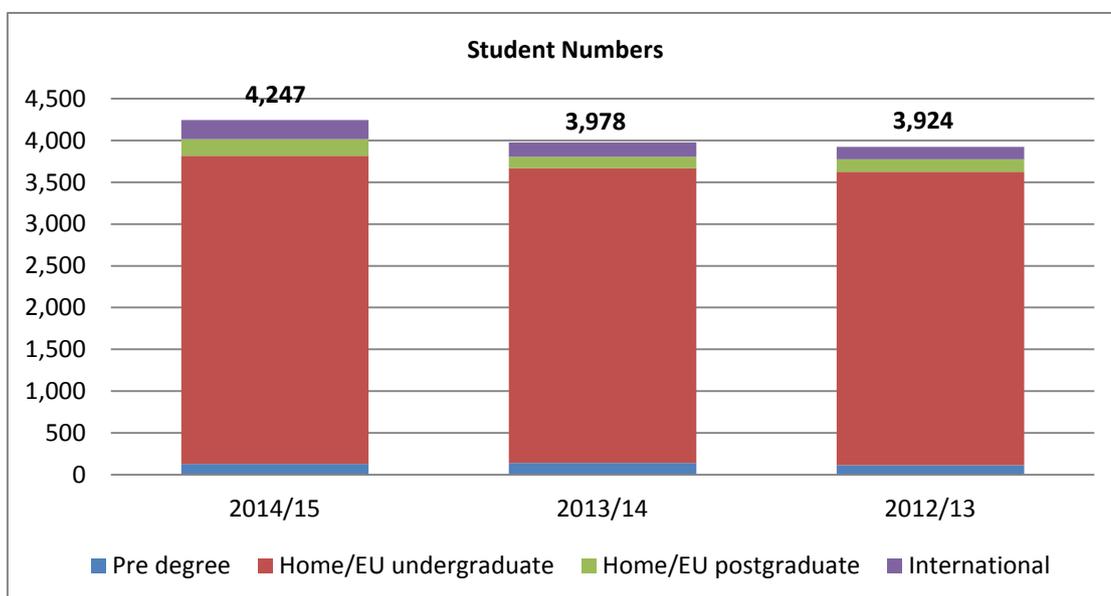
Operating and financial review

1. Overview

1.1 The joint statement from the Chairman and Vice Chancellor show that Falmouth University has had a successful year against our Strategic Plan 'measures of success'. This is reinforced by some extremely positive financial results.

1.2 The financial results for the year ended 31 July 2015 show growth in total income of 9% and an increase in historical cost surplus to £2.0m (from £659k). This positive financial result reflects the strong growth in student numbers in an environment where the main undergraduate tuition fee remained static at £9,000. After allowing for FRS17 pension adjustments the financial key performance indicators are even stronger with the surplus rising to 4.4% of total income at £2.6m.

1.3 Falmouth enrolled a record number of students during 2014/15 representing a 7% increase in student numbers.

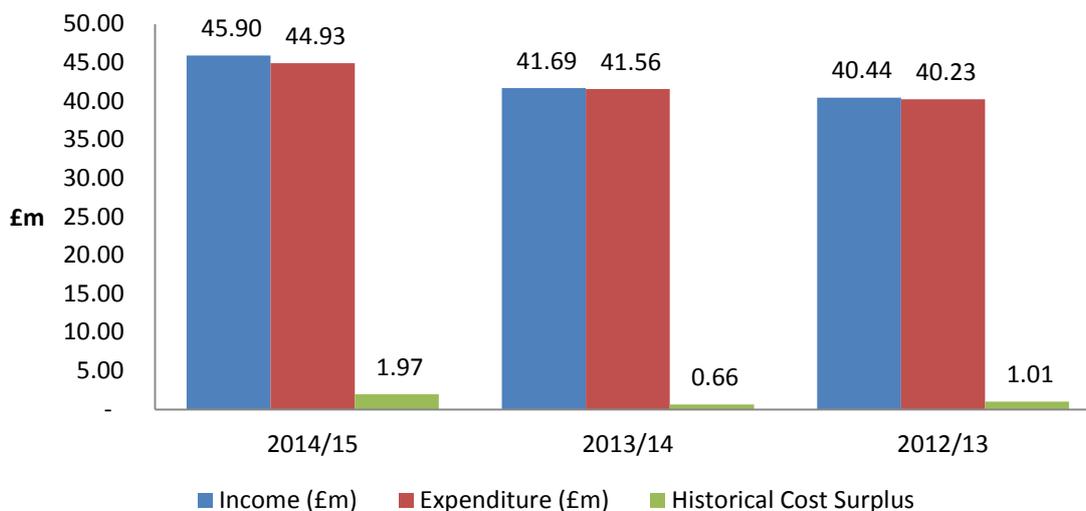


1.4 Financial highlights include:

	2014/15 £(000)	2013/14 £(000)	2012/13 £(000)
Income	45,902	41,685	40,439
Expenditure	(44,929)	(41,558)	(40,233)
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	4,369	2,005	1,509
Net assets	89,095	94,524	99,755
Net assets excluding FRS17	99,826	102,089	104,202
Cash at bank and in hand	13,032	5,574	5,928

Falmouth University
Operating and financial review (continued)

The following graph shows income, expenditure and historical cost surplus



- 1.5 Falmouth monitors a number of measures of success including key financial performance indicators as shown below:

KPI	Actual	Target
Historical cost surplus excluding FRS17 (as a % of income)	4.4%	4.2% or higher
EBITDA	£4.4m	£3.8m
Current ratio	1.64	1.41 or better
Gearing ratio (measured as Annualised Service Cost)	4.3%	4.9% or lower
General reserves (excluding pension) as % of net income	33.2%	32.0% or above

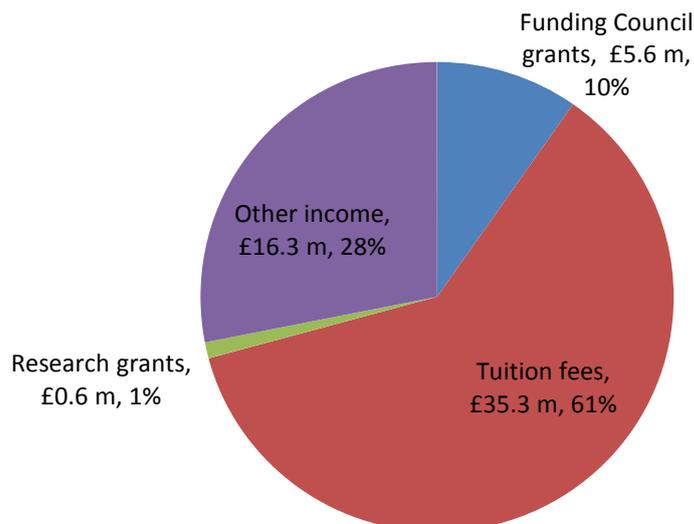
- 1.6 All financial KPIs have been achieved during the year and all bank covenant requirements satisfied.
- 1.7 The above results represent a very positive year for Falmouth and complement other successes in student satisfaction, NSS results, and league table positions which have confirmed Falmouth as the Number 1 Arts University in the UK.
- 1.8 Against all this the University recognised, as experienced in many defined benefit schemes across the country, an actuarial loss in the Statement of Recognised Gains and Losses which has significantly increased again since last year. This is primarily due to changes in actuarial assumptions and has resulted in charges to income as well as significant increases to the pension liability for both the University and the joint venture (of which half is included on the balance sheet).

2. Financial analysis

2.1 Income

Total income of £58m (including share of the joint venture) increased by 9.2% (£4.9m) during the year largely due to higher student numbers and related fee income which more than offsets the fall in grants receivable from the Higher Education Funding Council.

Falmouth University
Operating and financial review (continued)



2.1.1 Funding body grants (see note 2)

Falmouth experienced further reductions in recurrent funding of £3.6m to £5.6m with lower block grants and capital funding replaced by tuition fees from students. An award from HEFCE's Catalyst Fund was secured during the year towards a collaborative project as match funding for a larger EU-funded bid.

2.1.2 Tuition fees and contracts (see note 3)

Fee income from students increased by £8.4m reflecting student number growth, both Home/EU and international, and the final year for all students paying higher fees.

2.1.3 Research grants and contracts (see note 4)

Research grant income increased 25% to £0.6m following successful applications, including a major multi-million pound ERA Chair bid.

2.1.4 Other income (including share of joint venture) (see note 5)

Other income fell by £0.1m due to a fall in capital grant income as grants are written off and a drop in income from the CUC project as the partnership team wound down. This was wholly offset by the increase in Falmouth's share of income from the joint venture, Falmouth Exeter Plus (FX Plus), which was largely generated through higher residential and trading income.

2.1.5 Endowment and investment income (see note 6)

Continued low rates of interest mean that the rate of return remains small at 0.4% based on average cash balances of £9m (including cash balances held on behalf of FX Plus).

2.2 Joint venture – Falmouth Exeter Plus Group (FX Plus)

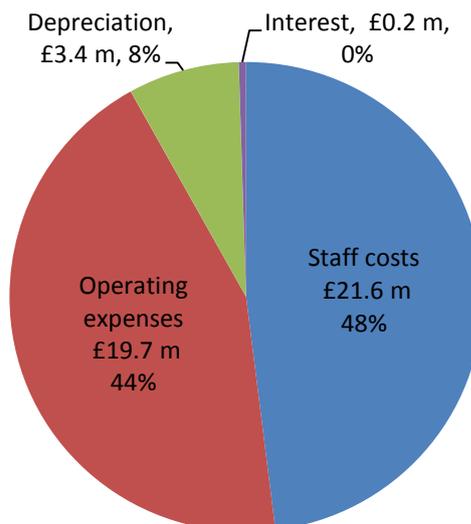
FX Plus achieved an historical surplus of £1.5m excluding FRS17 pension costs, which was higher than the previous year, following positive commercial activities, high levels of residential occupancy and successful summer trading.

The final historical cost surplus of £1.3m, after FRS17 adjustments, represents an improvement on the prior year of £440k.

3. Staff costs and other operating expenses

Total costs of £44.9m rose by 8.1% (£3.3m) reflecting general inflation, higher investment in academic delivery and student bursaries, and increased expenditure on estates and facilities maintenance and renewal.

Falmouth University
Operating and financial review (continued)



3.1.1 Staff costs (see note 7)

Staff costs rose by 5.9% (£1.2m) excluding FRS17. The increase in gross wages and salaries costs of £0.9m reflects an overall increase in staff numbers in support of student growth. The increase in pension costs of £0.3m recognises that higher contributions are payable for both pension schemes as part of the deficit recovery plans required.

3.1.2 Other operating expenses (see note 8)

Non staffing costs rose by 10.9% (£1.9m) due to growth in student numbers and teaching costs, bursary payments as required by the Access Agreement, and increased investment in building maintenance to address backlog repairs and renewals as well as servicing costs for new space completed in the prior year.

3.1.3 Interest and other finance costs (see note 9)

The main increase in interest costs reflects the new loan taken out during the year to finance the property acquisition, refurbishment and extension.

4. Balance sheet movements

4.1 Total net assets fell by £5.4m to £89m due to the increase in the pension deficit and a grant clawback of £2.2m for ERDF grants received in previous years.

4.2 Current assets rose during the year due to the positive cash generation and the increase in the institutional surplus.

4.3 Longer term creditors increased following the drawdown of a new loan to fund the School of Communication Design building on the Falmouth Campus, which was completed in September 2014. This new loan of £3.5m has been secured on a 20 year basis from Lloyds Bank.

4.4 Following receipt of the actuarial report a further increase in the pension deficit of £3.2m has been recorded taking the balance to £10.7m. This is due to changes in actuarial assumptions explained in note 24.

4.5 At the year end, general reserves had grown to £15.2m before pension reserve as a result of the surplus for the year.

Falmouth University
Operating and financial review (continued)

4.6 Cash flow

4.6.1 The cash flow for the University shows that cash continues to be generated from operating activities which has been re-invested in new equipment and facilities related to teaching operations.

4.6.2 Cash holdings and investments at the year end amounted to £13m including £3.4m held on behalf of the joint venture.

4.6.3 The current ratio is higher than the previous year and reflects the higher surplus and some deferred capital projects, the cash for which will be spent during the coming financial year.

4.7 Long term borrowings

4.7.1 During the year a new loan was taken out to fund capital developments as explained above.

4.7.2 This new borrowing now takes the total to just under £4m on the balance sheet. In addition, Falmouth also guarantees 50% of the loan finances for FX Plus which were taken out to fund student residences. The size of this guarantee is £27m for Falmouth being the University's 50% share of the outstanding debt at the year end. The servicing costs for these loans is covered by activities run through FX Plus which itself generates cash surpluses each year.

4.7.3 Falmouth has complied with all bank covenants relating to the loans to Falmouth from Lloyds Bank and the FX Plus loans from Lloyds Bank and Barclays Bank.

5. Estates and capital developments

5.1 Major works invested during the year included the completion of the new centre for the School of Communication Design together with other refurbishment works in the Academy of Music & Theatre Arts and School of Film & Television and to the entrance to the Falmouth Campus.

5.2 At the end of the year additional costs had also been incurred on the Penryn Campus for further design and development of "The Heart". This will comprise a new reception, shop and entrance to the joint campus making a more obvious welcome to visitors and new students.

5.3 Other projects included the fit out of new buildings and the ongoing investment in equipment and facilities in film and television, photography, fashion and performance.

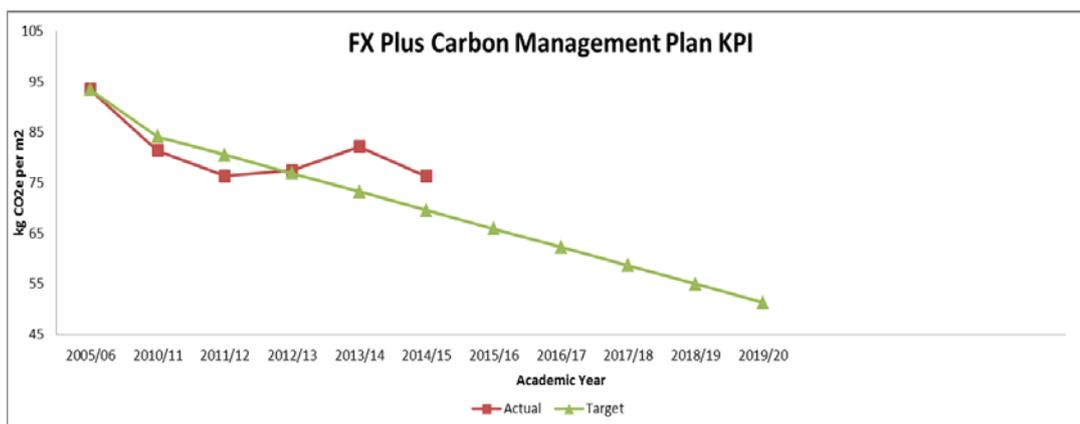
6. Sustainability

6.1 Falmouth sits on a jointly operated Environmental Sustainability Working Group with colleagues from UoE and FX Plus. This group manages energy and water management, procurement, transport, biodiversity, waste and recycling and information technology.

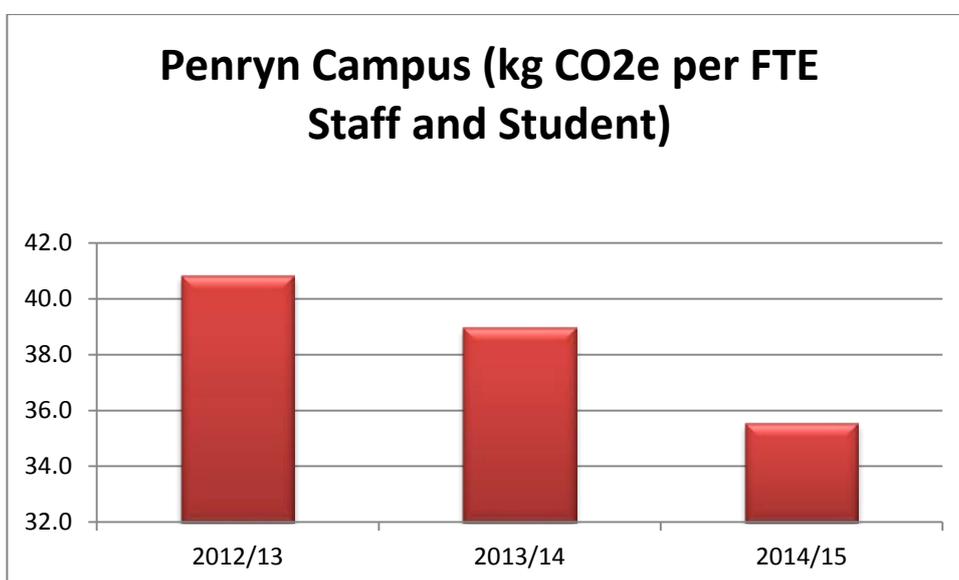
6.2 Together there is a carbon reduction target of CO₂ emissions per m² of internal floor area (GIA) by 2019/20. In 2014/15 over £142k was invested in carbon/water reduction projects, estimated to achieve savings of up to 208 tonnes CO₂e per annum.

6.3 Even with continued investment in carbon reduction projects, and improvements in the maintenance and operation of plant and equipment on campus, carbon reduction targets were not met but there was a significant improvement compared to the previous academic year (a fall of 6.4% per m²). Carbon emissions per m² are now 18% lower than in 2005/06.

**Falmouth University
Operating and financial review (continued)**



2014/15 also saw a continued reduction in carbon per FTE (full time equivalent) staff and student.



6.4 2014/15 saw the successful rollout of the new bus contract with First Kernow. A total of 423,000 bus journeys were taken between 1st September 2014 and 31st August 2015. According to the Travel Survey (2014) 21% of the respondents walk to campus whilst 4% cycle. This will be used as the baseline within a new Green Travel Strategy, planned for adoption early 2016.

7. Stakeholder involvement (students and staff)

7.1 Students and staff continue to be at the core of everything that Falmouth does with 'valuing and developing our staff' being a key theme within the Strategic Plan.

7.2 The Vice Chancellor holds all-staff briefings, departmental meetings and continues to issue regular e-mail updates to all staff to ensure they are fully informed and have the opportunity to provide feedback as well as the chance to ask questions.

7.3 Working relationships with trade unions are positive and the Joint Negotiating Committee meets on a termly basis to help the process of managing staff pay and conditions.

7.4 Falmouth's communications with the student body include Student Liaison Groups for immediate course-related issues and, more formally, the FXU student union. The Falmouth Student Union President attends senior meetings and the Board of Governors.

Falmouth University
Operating and financial review (continued)

- 7.5 Building on the previous year, the FXU's "Top 10" priorities were assigned to senior staff to lead on items such as academic practice, welfare and facilities and space being considered.
- 7.6 Notable successes raised by FXU included agreement to fund and build a new Sports centre on the Penryn Campus, securing use of the campus as a polling station for the general election and a joint publication showing how a student's fees are spent – the latter being used as a case study on HEFCE's web site.
- 8. Health and Safety**
- 8.1 All matters relating to health and safety are addressed as a high priority. Regular health and safety audits and risk assessments are undertaken with remedial action following hazard identification. Falmouth has a dedicated Health and Safety Adviser who leads on all areas of health and safety and provides regular training across the institution.
- 8.2 A follow-up audit of health and safety matters during the year confirmed that improvements had been made in health and safety management and the risk register has been downgraded recognising that practices have become embedded across the institution.
- 9. Corporate Social Responsibility**
- 9.1 FX Plus continues to work in partnership with Falmouth, UoE and FXU to ensure alignment of collective values and behaviours with the expectations and needs of students, staff and local communities.
- 9.2 As a partnership, the aim is to make a positive difference to people's lives; to help students feel welcome in the local area; to support world class research; to build productive relationships with community partners; to minimise our impact on the environment; and contribute to Cornwall's regeneration by sharing knowledge and skills.
- 9.3 To help students feel welcome, opportunities for students to become involved in community-led are embedded in the annual list of events. In addition, the Sports Centre supported FXU's annual Tremough Community Games, which encourages local families and students to try out new sports and recreational activities.
- 9.4 The multi-faith chaplaincy has continued to support Falmouth's Safe Space initiative and Street Pastor scheme, providing opportunities for student volunteering that focus on the wellbeing of others.
- 9.5 Falmouth works with Falmouth Town Council on the Town & Gown Committee and represents the partnership on various groups to understand the impact of the student body on the population of the two towns of Falmouth and Penryn.
- 9.6 In terms of sharing knowledge and skills, many staff members continue to play an active role in local life as town councillors, non-executive Board members, supporters of community groups, and participants in sports teams.
- 10. Risk management**
- 10.1 Falmouth has an established and rigorous approach to risk management. Key risks currently being monitored include:
- Failure to recruit to student targets, for Home, European Union (EU) and international students
 - Failure to deliver alternative modes of delivery, including part time, distance learning and continuing professional development, to support expansion plans
 - Failure to deliver a high quality student experience across the University

Falmouth University
Operating and financial review (continued)

- 10.2 Reports on recent activity and actions planned are reviewed by the Board on a regular basis to ensure that “red” risks are being actively managed and to highlight any new risks that have arisen. These are assigned to senior team members and are linked to the institution’s measures of success.
- 10.3 Other risks facing the institution include:
- supply of student accommodation
 - student related data quality, management, control and resilience
 - staff performance, reward and management
 - maintenance and replacement of physical estate and equipment
 - delivery of Equality and Diversity (E&D) and Widening Participation (WP) targets
 - planned progress of Research & Innovation
- 10.4 The annual review of risk management undertaken by the University’s internal auditors provided assurance that risk was being actively and appropriately managed.
- 11. Future developments**
- 11.1 The coming year for Falmouth shows many positive signs including an even higher level of recruitment of new students as well as a number of new initiatives with partners.
- 11.2 The updated Strategic Plan agreed by Governors from 2015-2020 confirms that growth remains a key factor and the business plan for the period reflects the fact that this growth must be absorbed by Professional Service departments in order to be sustainable.
- 11.3 Achieving higher economies of scale will counteract the impact of an unchanged tuition fee and in part addresses the confirmed loss of the £1.4m Institution Specific Targeted Allocation (ISTA) grant from HEFCE from 2016/17.
- 11.4 An increasing profile, a further improvement in university league tables and the appointment of a new Chancellor show that Falmouth’s profile is on the rise and demand for open days and recruitment events is very strong.
- 12. 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.
- 13. Conclusion**
- 13.1 The past year has been extremely good for Falmouth in many areas, all of which have influenced the University’s healthy financial outturn.
- 13.2 In line with the financial strategy, surplus levels need to rise for investment in facilities for both students and staff and growth is a key part in achieving this ambition.

Signed:.....
Rob Holmes
Director of Finance

20 November 2015

Falmouth University Public benefit statement

Falmouth University is an exempt charity under the terms of the Charities Act 2011.

In setting and reviewing Falmouth's objectives and activities, the Board has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

Aims and Objectives

The University was set up as a Higher Education Corporation on 1 April 1989. The overall aims of Falmouth are those set out in the Education Reform Act 1988. These include powers 'to provide higher education', 'to provide further education' and 'to carry out research and to publish the results of the research'.

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 expand and diversify what we do
- To produce satisfied graduates who get great jobs
- To be celebrated for our research and innovation
- To help grow Cornwall
- To be internationally significant

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 public sector employment. Falmouth University has further duties to publish one or more equality objectives that support the aims of the Equality Duty and to publish information demonstrating our compliance with the Equality Duty on an annual basis through an Annual Report.

Falmouth launched its Single Equality Scheme (SES) in 2014, aligning the scheme to the strategic plan to:

- Recruit and retain excellent and diverse staff and students;
- Establish equality principles in every aspect of our activities;
- Incorporate diverse perspectives as a matter of course in our approaches to all we do;
- Become a model for creative learning as an arts institution that celebrates diversity and excellence.

Falmouth University
Public benefit statement (continued)

These aims underpin a commitment in the Single Equality Scheme to six key equality principles by:

- Ensuring that we work and study in a non-discriminatory environment
- Ensuring that all our activities embed and promote equality and diversity
- Ensuring that we admit and progress students fairly
- Providing fair access to education, facilities and information
- Resourcing and employing people fairly
- Responding to and learning from complaints, grievances and incidents in a positive and proactive way.

Falmouth University is committed to excellence in all that it does – Teaching, Research and Innovation by ensuring that there is equality of opportunity for all, fostered in an environment of mutual respect and dignity.

Our inclusive approach fully recognises the value of the differing qualities, knowledge, skills and abilities that our staff and students bring to the University and is reflected in our approach and expectation that Equality and Diversity (E & D) is the responsibility of **all** members of the University community. As members of this community, it is expected that we will all contribute to ensuring that Falmouth University continues to be a safe, welcoming and productive environment.

Falmouth is transitioning from central responsibility for the delivery of its E&D responsibilities, to the adoption of a mainstreaming approach, which recognises the shared responsibility for the delivery of the E&D agenda. The E&D Group has been established under the chair of the Director of HR and has identified immediate priorities, risks and challenges in relation to its remit. Projects are in place to address these priorities and an interim action plan to support the SES has been approved.

Following completion of an audit and refresh of the E&D data held in relation to staff and students, an E&D report will be produced in the Autumn term and results will inform the further development of the SES Action Plan based on identified needs.

The Equality and Diversity (E&D) Group meet once a term to take oversight, and to discuss, monitor and review matters, and make recommendations to the Vice-Chancellor. This group consists of membership from each of the areas identified above and is chaired by the Director of Human Resources. It reports to the Vice Chancellor's Executive Group (VCEG).

Regional development and community engagement

Throughout 2014-15, the Vice Chancellor has engaged with the Cornwall & Isles of Scilly Local Enterprise Partnership (LEP) on policy initiatives, with a particular focus on the LEP's Research and Innovation Strategy. The University's Academy for Innovation & Research (AIR) has regularly engaged with the LEP, Cornwall Council and other stakeholders in economic regeneration on the implementation of the EU 'Smart Specialisation' policy concept, which is designed to promote the efficient and effective use of public investment in research. The University's deep and regular interaction with the economic regeneration agenda extends through all of the projects hosted and led by AIR, with a particular focus on enabling Cornish businesses to develop new products and services, new routes to market, and to access investors and suppliers locally, nationally and internationally.

Falmouth continues to work in partnership with Cornwall Council and the Town Councils of Falmouth and Penryn. From discussions about student housing and planning policy to the student volunteering scheme run through the student union, FXU, Falmouth is determined to foster positive relations between town and gown.

Falmouth has been an active member various community groups, working with the local Schools, and dozens of youth groups to promote and develop creative activity in the community.

Falmouth University
Public benefit statement (continued)

Falmouth is committed through its Access Agreement to produce a generation of students who are socially engaged practitioners and it is working through curriculum linked projects with its local communities.

Falmouth is playing a key role in the regeneration of the town's economy by participating in the town's Business Improvement District scheme which aims to market the town as a destination for visitors and businesses alike.

Student Admissions and Widening Participation

A new CRM is in final stages of development and due to be fully released for use in January 16. In addition, some HEFCE funding has been used to purchase the license for HEAT (Higher Education Access Tracker) to allow tracking of progression to any HE institution by those who engage with outreach activity (rather than just those who progress to Falmouth University).

As part of the National Network for Collaborative Outreach, Falmouth University is currently lead institution on the CUC Outreach Network project that aims to raise aspiration of 11-16 year olds across Cornwall's low participation Neighbourhoods (LPNs). Working with other HE providers in the county, this project is developing e-resources and a calendar of events for use by parents and influencers, careers advisors and students.

Additional funding has also been awarded as part of this project to run an extensive social media campaign concentrating on raising awareness of opportunities and changing perception of HE among target groups across LPNs in Cornwall.

A consistent programme of outreach activities is in development, to be delivered equitably across our subject disciplines including taster days and portfolio advice sessions and invitations to events, Saturday art club (Sorrell foundation), workshops and presentations in select schools/colleges. This is accompanied by outreach work in partnership with local agencies including Cornwall Music Hub, The Big Draw, Film Academy. Participation in the annual CreatEd Exhibition increased again this year (21 schools engaged).

A programme of 'Individual Learner focused' programmes that will work with students in specific subject areas to raise attainment before application is also under development. At present this includes Fashion Futures (Fashion design) and Press Gang (Press and Editorial Photography)

The formulation of education partnership between teachers under the 'Open Doors' tag line- is creating opportunities for lecturers to connect with teachers in relevant subject areas for example at interviews and assessments.

This work will form a part of the Partnership Progression Agreements that will roll out from October throughout the academic year. These agreements are designed to build on established relationship with formalised pathways to study at Falmouth.

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 University
Public benefit statement (continued)

Falmouth has appointed highly trained and dedicated staff to administer bursaries, 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 2014/15, Falmouth expended £1.5m in bursaries; £320,000 in US Federal Loans and approximately £135,000 in Access to Learning Fund awards.

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 its 'Money Matters' guide and a range of funding guides, covering all student groups, in both paper and electronic format. 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.

Falmouth University Corporate governance

Corporate governance

Falmouth is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which Falmouth has applied the principles set out in the Governance Code of Practice adopted by the Committee of University Chairs and set out in its "Guide for Members of Higher Education Governing Bodies in the UK". In May 2015, the Falmouth University Board of Governors adopted the updated Higher Education Code of Governance, published by the Committee of University Chairs in December 2014.

Falmouth University's Board of Governors (the Board) comprises independent, co-opted, staff and student members and the Vice-Chancellor & Chief Executive, all appointed under the Instrument and Articles of Government. The majority of Governors are independent non-executive members and the role of the Chair is separate from the role of the Vice-Chancellor & Chief Executive.

The matters specifically reserved for decisions by the Board are set out in the Articles of Government, Falmouth's Financial Regulations and the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England (HEFCE). The Board has responsibility, inter alia, for confirming Falmouth's strategic direction, its educational character and mission, the effective and efficient use of resources, and for safeguarding its assets. The Board approves all major developments and receives regular reports from Executive Officers on operational matters and the business of its subsidiary and related companies. The Board's operating practices comply with the provisions of the Committee of University Chairs' 'Guide for Members of Higher Education Governing Bodies in the UK', and with its successor document, the Higher Education Code of Governance (2014).

The Board met six times in the year and the Audit Committee met three times in the year; the Nominations Committee and the Remuneration Committee each have one formally scheduled meeting annually, with other meetings held as required.

The membership of the Board's sub-committees is drawn from the Board's Independent members, the Vice-Chancellor & Chief Executive, and the Senior Deputy Vice-Chancellor. Sub-committees have the authority to draw on external advisors as and when appropriate.

Nominations for Board vacancies are managed and considered by the Nominations Committee, prior to appointment by the full Board. Nominations for new members of the Board are considered by the Nominations Committee against a matrix of experience and expertise, which is regularly reviewed. This ensures that the Board maintains the balance of experience and expertise necessary to meet its current and future responsibilities and obligations. Appointments to the Board are limited to a maximum of two four-year terms for Independent members and two two-year terms for other categories of membership (with the exception of the Vice-Chancellor & Chief Executive).

From May to December 2014, a Search Committee of Independent Governors managed the identification and appointment of a new Chair of the Board of Governors; James Williams completed his maximum eight year term as Chair in August 2015. In December 2014, the Board formally approved the appointment of Christopher Pomfret to succeed James Williams as Chair, from September 2015. In Summer 2015, the University placed a number of advertisements in regional and national newspapers, as well as suitable recruitment websites, to attract applications to three vacancies for Independent Governors, which had opened up due to Governors completing their terms in 2015, or through retirement from the role through illness. From a pool of 38 applications, five candidates were interviewed, and three appointments made, with effect from September 2015.

All members of the Board and Executive Officers are required to disclose any related party transactions and disclose any interests on Falmouth's Register of Interests, which is updated annually and held by the Secretary to the Board. A Gift and Hospitality Register is also held by the Secretary.

Falmouth University
Corporate governance (continued)

The Board approved revenue and capital budgets and monitored performance in relation to the approved budgets. It also monitored development projects and related strategies. The Board also reviewed and approved the financial statements and financial policies

The Audit Committee considers the audit findings of the external auditors and internal audit reports and recommendations for the improvement of Falmouth's system of internal control and operations with respect to value for money. The external and internal auditors attend meetings at which their reports are discussed. The committee also plays a key role in monitoring and reporting to the full Board on the Risk Management Strategy (see below) and reviews new and revised financial regulations. Whilst Executive Officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. Annually the Audit Committee reports to the full Board on their work and their assessment of internal control.

The Board nominates Falmouth's three Directors, from its senior management team, the Vice-Chancellor's Executive Group (VCEG), to the Board of FX Plus (previously named Tremough Campus Services Group) and its subsidiary company Tremough Development Vehicle (TDV). The Falmouth Board and its sub-committees receive regular reports on the performance and internal control arrangements of these joint venture companies.

Falmouth's Vice-Chancellor's Executive Group meets every three weeks to advise the Vice-Chancellor & Chief Executive and oversee the management of academic and professional service areas. The Vice-Chancellor's Executive Group considers risk as part of its formal agenda on a quarterly cycle. Falmouth's Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors is responsible for providing support to the Vice-Chancellor's Executive Group on risk management and Key Performance Indicators (KPIs). This dedicated professional support has proved to be essential to support strategic decision making and planning processes.

The main Board has approved a process for determining and reviewing high level KPIs consistent with its responsibility to monitor Falmouth's performance against plans and approved KPIs which, where possible and appropriate, are benchmarked against other institutions.

In March 2015, the University's Board of Governors approved an updated Strategic Plan for the period 2015-2020. This plan retains the five main objectives of the 2012-2017 plan, and introduces more ambitious targets for growth in student numbers and diversification of modes of provision. The new plan also aligns the University to the priorities of the "Horizon 2020" EU Research and Innovation programme, and in particular the Strategic Economic Plan and the EU Investment Strategy of the Cornwall and Isles of Scilly LEP.

The Plan is outcomes-focused and incorporates "measures of success" and targets. KPIs are aligned to these measures and targets are monitored by the Audit Committee and the main Board. The measures of success will be subject to annual review by the Board, typically at the January meeting.

Statement of internal control

As the governing body of Falmouth University, the Board has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the Instrument and Articles of Government and the Memorandum of Assurance and Accountability with HEFCE.

The Board's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Falmouth University
Corporate governance (continued)

The system of internal control is designed to manage rather than eliminate the 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 on-going process designed to identify on a systematic basis the principal risks to the achievement of policies, aims and objectives, measures of success and targets; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Falmouth contracts out its internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors, whose work is determined by Falmouth's risk priorities, submit regular reports to the Audit Committee which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Over the course of the last year the following specific actions have been undertaken to consolidate the risk management work within Falmouth:

- The Audit Committee reviewed progress on risk management at its meetings during the year.

Following receipt of the internal auditors' opinion, it reported at the year end to the Board on the effectiveness of the risk management policy. The Audit Committee also received the annual internal audit report for Falmouth Exeter Plus, the joint venture company with the University of Exeter (UoE).

The Internal Auditors' programme of work concentrated on high level strategic risks identified by Falmouth in relation to its Strategic Objectives. This assisted the Audit Committee in focusing their attention and discussions on the critical issues and it received assurances on them as appropriate.

- The Vice-Chancellor's Executive Group met on a quarterly basis to review institutional risk in relation to Falmouth's Strategic Plan, using the Strategic Plan's measures and sub-measures of success as key performance indicators and key risk indicators in relation to each strategic risk. Falmouth's Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors supports the risk work within the University.
- Sub-groups and sub-committees of Vice-Chancellor's Executive Group and the Academic Board review their own risk registers quarterly, and the Chairs of those sub-committees use these risk registers to feed into the University's risk management process.
- All new significant proposals and projects are subject to a risk assessment.

The Board of Governors is of the view that there is an on-going process for identifying, evaluating and managing Falmouth's significant risks, that it has been in place for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts, and that it is regularly reviewed by the Audit Committee on behalf of the Board.

The Board recognises that risk management must involve continuous improvement. Over the coming year the University will continue to update and refine risk management processes and policies, in accordance with best practice in the sector.

Falmouth University
Corporate governance (continued)

Membership of the Board of Governors serving during 2014/15

	Date of appointment	Term of office	Expiry of term	Status of appointment	Committees served
Mr James Williams	01.09.04	2 nd term	31.08.15	Independent Member	Board of Governors (Chair); Remuneration Committee (Chair); Nominations Committee (Chair)
Mr Andrew Allen	01.08.14	1 st term	31.07.18	Independent Member	Audit Committee (Chair from 01.08.15)
Mr Mark Carne	01.08.13	1 st term	31.07.17	Independent Member	Remuneration Committee
Ms Carleen Kelemen	01.04.12	1 st term	31.08.15	Independent Member	Nominations Committee
Mr Bertrand Louveaux	01.08.13	1 st term	31.07.17	Independent Member	Audit Committee
Mr Howard Milton	01.08.12	1 st term	31.07.16	Independent Member	
Dame Janet Ritterman	01.08.08	2 nd term	31.07.16	Independent Member	Audit Committee; Nominations Committee; Remuneration Committee
Mr Tom Van Oss	01.08.07	2 nd term	31.07.15	Independent Member	Audit Committee (Chair until 31.07.15); Remuneration Committee
Prof. Anne Carlisle	01.09.09	n/a	n/a	Vice Chancellor & Chief Executive	Nominations Committee; Remuneration Committee
Mr Phil Rice	01.08.13	2 years	31.07.15	Staff Governor	
Mr Jon Unwin	01.08.12	3 years	31.07.15	Academic Board Representative	
Ms Ellie Scouller	01.08.14	1 year	31.07.15	Student Governor	

In attendance

Mr Peter Cox	Chief Operating Officer	Board of Governors; Audit Committee
Mrs Karen Coombs	Director of Human Resources	Secretary to Remuneration Committee
Mr Rob Holmes	Director of Finance	Board of Governors; Audit Committee
Dr Robin Kirby	Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors	Secretary to: Board of Governors and Nominations and Audit Committees
Professor Geoff Smith	Senior Deputy Vice Chancellor	Board of Governors; Nominations Committee (member)
Professor Alan Murray	Deputy Vice Chancellor (Academic)	Board of Governors
Mrs Robyn Wyatt	Clerk to the Board of Governors	Clerk to: Board of Governors; Audit Committee

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

Statement of responsibilities of the Board of Governors

In accordance with the Education Reform Act 1988, the Board of Governors of Falmouth University is responsible for the administration and management of the affairs of Falmouth including ensuring an effective system of internal control and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Falmouth and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE and Falmouth, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the surplus or deficit and cash flows for that year.

In preparing those financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Falmouth will continue in operation. The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The maintenance and integrity of Falmouth's website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, (HEFCE) are used only for the purposes for which they have been given and are in accordance with the Memorandum of Assurance and Accountability with HEFCE and any other conditions which HEFCE may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of Falmouth and to prevent and detect frauds and other irregularities; and
- secure the economic, efficient and effective management of Falmouth's resources and expenditure.

**Statement of responsibilities of the
Board of Governors of
Falmouth University (continued)**

Whilst these steps have been taken it should be noted that any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board do however rely on key elements of Falmouth's system of internal financial control, which is designed to discharge the responsibilities set out above, including the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supported by detailed annual income, expenditure, capital and cash flow budgets;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Board of Governors;
- robust systems for the monitoring of actual income and expenditure against budgets; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board of Governors with a report on internal audit activity within Falmouth and an opinion on the adequacy and effectiveness of its system of internal control, including internal financial control.

Signed:



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

20 November 2015

**Independent auditor's report to the
Board of Governors of
Falmouth University**

We have audited the group and University financial statements (the "financial statements") of Falmouth University for the year ended 31 July 2015 which comprise the primary financial statements such as the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities of the Board of Governors Statement set out on pages 22 and 23 the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*.

**Independent auditor's report to the
Board of Governors of
Falmouth University**

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's articles of government
- 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; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.



Emma Holiday
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House
Plymouth
PL6 8LT

25th November 2015

Falmouth University
Consolidated income and expenditure account
for the year ended 31 July 2015

	Note	Year to 31/7/15 £ (000)	Year to 31/7/14 £ (000)
Income			
Funding body grants	2	5,636	9,240
Tuition fees and education contracts	3	35,347	26,898
Research grants and contracts	4	639	511
Other income (including share of joint venture)	5	16,235	16,318
Endowment and investment income	6	37	33
Total income		<u>57,894</u>	<u>53,000</u>
Less: share of income from joint venture	13	<u>(11,992)</u>	<u>(11,315)</u>
Net income		<u>45,902</u>	<u>41,685</u>
Expenditure			
Staff costs	7	21,573	20,367
Other operating expenses	8	19,722	17,781
Depreciation	11	3,412	3,330
Interest and other finance costs	9	222	80
		<u>44,929</u>	<u>41,558</u>
Surplus after depreciation of fixed assets at valuation and before tax		973	127
Share of operating profits in joint venture	13	583	134
		<u>1,556</u>	<u>261</u>
Surplus before profit on disposal of assets		1,556	261
Loss on disposal of assets		<u>(119)</u>	<u>(138)</u>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and before and after tax		<u>1,437</u>	<u>123</u>

All income relates to continuing operations.

The notes on pages 30 to 52 form an integral part of the financial statements.

Falmouth University
Note of historical cost surpluses and deficits and
Statement of total recognised gains and losses
for the year ended 31 July 2015

Note of consolidated historical cost surpluses and deficits for the year ended 31 July 2015

	Year to 31/7/15 £ (000)	Year to 31/7/14 £ (000)
Surplus on continuing operations after taxation	1,437	123
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	<u>536</u>	<u>536</u>
Historical cost surplus for the year before and after taxation	<u>1,973</u>	<u>659</u>

Statement of consolidated total recognised gains and losses for the year ended 31 July 2015

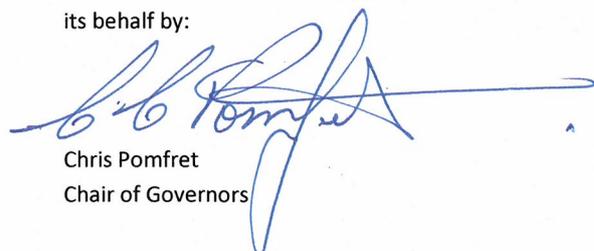
	Year to 31/7/15 £ (000)	Year to 31/7/14 £ (000)
Surplus on continuing operations after taxation	1,437	123
Movement on endowment assets (see note 14)	-	(6)
Actuarial loss in respect of pension scheme	(2,734)	(2,590)
Share of joint venture actuarial loss in respect of pension scheme	<u>(894)</u>	<u>(797)</u>
Total recognised losses since last report	<u>(2,191)</u>	<u>(3,270)</u>
Reconciliation		
Opening reserves and endowments		34,970
Total recognised (losses)/gains for the year		<u>(2,191)</u>
Closing reserves and endowments		<u>32,779</u>

Falmouth University
Balance sheets
as at 31 July 2015

	Note	Group		University	
		2015 £ (000)	2014 £ (000)	2015 £ (000)	2014 £ (000)
Fixed Assets					
Benefit arising from the acquisition of Dartington College of Arts	12	(2)	(8)	(2)	(8)
Tangible assets	11	98,332	99,489	98,309	99,466
Investment in subsidiary undertakings	13	-	-	1	1
Interest in joint venture					
Share of gross assets		35,160	35,103	-	-
Share of gross liabilities		(32,730)	(32,361)	-	-
Interest in joint venture	13	2,430	2,742	-	-
		100,760	102,223	98,308	99,459
Endowment Assets	14	27	27	27	27
		100,787	102,250	98,335	99,486
Current Assets					
Stock		53	47	53	47
Debtors	15	1,980	2,812	2,006	2,817
Cash at bank and in hand		13,032	5,574	13,001	5,546
		15,065	8,433	15,060	8,410
Less: Creditors - amounts falling due within one year	16	(9,184)	(7,363)	(9,181)	(7,342)
Net current assets		5,881	1,070	5,879	1,068
Total assets less current liabilities		106,668	103,320	104,214	100,554
Less: Creditors - amounts falling due after more than one year	17	(3,904)	(481)	(3,904)	(481)
Less: Provisions for liabilities	18	(2,938)	(750)	(2,938)	(750)
Net assets excluding pension liability		99,826	102,089	97,372	99,323
Net pension liability	24	(10,731)	(7,565)	(10,731)	(7,565)
Net assets including pension liability		89,095	94,524	86,641	91,758
Deferred capital grants	19	56,316	59,554	56,316	59,554
Endowment funds	14	27	27	27	27
Reserves					
Income and expenditure account excluding pension reserve		15,234	13,723	17,174	15,438
Pension reserve		(10,731)	(7,565)	(10,731)	(7,565)
Income and expenditure account including pension reserve	21	4,503	6,158	6,443	7,873
Revaluation reserve	20	28,249	28,785	23,855	24,304
Total funds		89,095	94,524	86,641	91,758

The notes on pages 30 to 52 form an integral part of the financial statements.

The financial statements on pages 26 to 52 were approved by the Board of Governors on 20 November 2015 and signed on its behalf by:


Chris Pomfret
Chair of Governors


Professor Anne Carlisle
Vice Chancellor & Chief Executive Officer

Falmouth University
Consolidated cash flow statement
for the year ended 31 July 2015

	Year to 31/7/15 £ (000)	Year to 31/7/14 £ (000)
Net cash inflow from operating activities (see note 22)	5,548	3,544
Returns on investments and servicing of finance		
Interest received	37	33
Other interest paid	<u>(100)</u>	<u>(15)</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance	(63)	18
Capital expenditure and financial investment		
Payments to acquire tangible assets	(2,270)	(4,207)
Receipts from sale of tangible assets	-	-
Deferred capital grants received	<u>704</u>	<u>322</u>
Net cash outflow from capital expenditure	(1,566)	(3,885)
Net cash inflow/(outflow) before financing	<u>3,919</u>	<u>(323)</u>
Financing		
Loans received	3,660	-
Loan repayments in year	<u>(104)</u>	<u>(65)</u>
Net cash inflow/(outflow) from financing	<u>3,556</u>	<u>(65)</u>
Increase/(Decrease) in cash in the year (see note 23)	<u><u>7,475</u></u>	<u><u>(388)</u></u>
Reconciliation of net cashflow to movement in net funds		
Increase/(decrease) in cash in the year	7,475	(388)
Cash inflow from loans received	(3,660)	-
Cash outflow from loan repayments	<u>104</u>	<u>65</u>
Movement in net funds in the period	3,919	(323)
Net funds at 1 August	<u>4,993</u>	<u>5,316</u>
Net funds at 31 July	<u><u>8,912</u></u>	<u><u>4,993</u></u>

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015

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 2007 and in accordance with applicable Accounting Standards.

The Board, through the Audit Committee, has reviewed the University's accounting policies and estimation techniques, as required in FRS18 Accounting Policies, and they consider that they are the most appropriate for the Group.

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 believe that the University is well placed to effectively manage its business risks, despite the current uncertain economic situation.

The Board have 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.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University and its subsidiary company, Falmouth Enterprises Limited. However, the income and expenditure account of the University alone is not materially different to the consolidated position because the subsidiary is significantly smaller than the University itself. In accordance with FRS 2 a separate income and expenditure account for the University is not therefore disclosed within the Group Accounts.

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 joint venture and is accounted for using the gross 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.

Intra-group sales and profits are eliminated fully on consolidation.

Recognition of income

Income from grants and other services rendered is included to the extent of the completion of the service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the Income and Expenditure account in the period in which it is earned.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

Fee income is stated gross and credited to the Income and Expenditure account 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.

Recurrent grants and non-recurrent revenue grants from Funding Bodies are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Bodies received in respect of acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Repairs and maintenance

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

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the institution and its joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity; and the University's share of the assets is reflected in the consolidated balance sheet.

Investments

Fixed asset investments are included in the balance sheet at cost.

Endowment asset investments are carried at market value. Such investments held at the previous year-end, and carried at market value at that date, may be sold during the year. This crystallises the value and any difference between the opening market value and the sale proceeds represents a revaluation movement. Consequently the financial statements do not distinguish between the valuation adjustment relating to sales and those relating to continuing holdings as they are together treated as changes in the value of the investment portfolio; however the value of endowment asset investments in the financial statements is currently inconsequential.

Current asset investments are included at the lower of cost and net realisable value.

Financial instruments

Cash, bank and loan balances are recorded at current values. Interest earned on bank accounts and interest charged on loans are recorded as interest receivable and interest payable respectively in the period to which they relate. Bank charges are recorded as operating expenditure in the period to which they relate.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

- a) 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 institution.
- b) Restricted expendable endowments: the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
- c) 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.

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. These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

TPS is a multi-employer scheme and it is not possible to identify the University's share of the underlying assets and liabilities of the scheme. Therefore, as required by FRS 17 the contributions are charged directly to the Income and Expenditure account as if the scheme were a defined contribution scheme.

The assets of the CC scheme are measured using bid value. CC scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs or income as appropriate. Actuarial gains and losses are recognised in the Statement of total recognised gains and losses.

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 and Expenditure account 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 18 and will be released each year in line with payments made and changes in the assumptions.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

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 separable net assets at the date of acquisition. Goodwill is amortised over its estimated economic life. Where goodwill and intangible assets are regarded as having limited useful economic lives, they are amortised over those lives up to a maximum of 20 years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment. Where there is impairment in the carrying value of goodwill, the loss is incurred in the results for the period.

Negative goodwill is separately disclosed on the face of the balance sheet in fixed assets and is released to the Income and Expenditure account. The accounting treatment is set out in the policy note on accounting for business combinations (note 12).

Tangible fixed assets

Land and buildings

Freehold land is not depreciated. Buildings are stated at cost or valuation 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).

In accordance with FRS 15, valuations will be undertaken on land and buildings every five years. The basis of valuation will be at current depreciated replacement cost for specialised buildings and open market value for other buildings. 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 2015. They are not depreciated until they are brought into use.

Where the land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the Income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Fixtures, fittings & equipment

Fixtures, fittings & equipment costing over £5,000 is capitalised with all other fixtures, fittings and equipment being written off to the Income and expenditure account in the year of acquisition.

Capitalised fixtures, fittings and 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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

Where the fixtures, fittings and equipment is acquired with the aid of specific grants it is capitalised and depreciated as above with the related grant being credited to a Deferred Capital grant account and released to the Income and expenditure account over the expected useful economic life of the related fixtures, fittings and equipment.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements that transfer substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks.

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.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a probable, rather than present, asset arising from a past event.

Taxation status

The University is considered to pass the tests set out in paragraph 1, schedule 6, Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

Falmouth is partially exempt in respect of Value Added Tax (VAT), 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 and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

2 Funding body grants	31/7/15	31/7/14
	£ (000)	£ (000)
HEFCE recurrent grant	3,903	7,356
HEFCE specific grants		
- Catalyst/Strategic Development Funds	357	44
- Business relations (HEIF)	286	281
HEFCE deferred capital grants released in year		
- Buildings	308	387
- Equipment	188	537
EFA/SFA recurrent grant	594	635
	<u>5,636</u>	<u>9,240</u>
3 Tuition fees and education contracts	31/7/15	31/7/14
	£ (000)	£ (000)
Full-time students	32,294	24,691
Full-time students charged overseas fees	2,553	1,786
Part-time students	325	379
FE fees and other charges	175	42
	<u>35,347</u>	<u>26,898</u>
4 Research grants and contracts	31/7/15	31/7/14
	£ (000)	£ (000)
Other contracts	639	511
	<u>639</u>	<u>511</u>
5 Other income (including share of joint venture)	31/7/15	31/7/14
	£ (000)	£ (000)
Other income generating activities	709	793
Residences and catering operations	6,071	5,615
Other income (including European grants)	4,598	4,656
Negative goodwill released on acquisition	6	6
Recharges for the provision of combined services	3,833	3,658
Deferred capital grants	928	1,342
Other income (CUC pooled funds)	90	248
	<u>16,235</u>	<u>16,318</u>
6 Endowment and investment income	31/7/15	31/7/14
	£ (000)	£ (000)
Bank deposit interest	37	33
	<u>37</u>	<u>33</u>

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

7 Staff costs

	31/7/15	31/7/14
	£ (000)	£ (000)
Wages and salaries	17,419	16,560
Social security costs	1,316	1,238
Other pension costs (including FRS17 adjustments)	2,838	2,569
	<u>21,573</u>	<u>20,367</u>
	£	£
Emoluments of the Vice Chancellor & Chief Executive	248,090	198,793
Benefits in kind	2,829	2,648
Pension contributions	34,981	27,068
	<u>285,900</u>	<u>228,509</u>
Remuneration of higher paid staff excluding Vice Chancellor & Chief Executive (excluding employer's pension contributions):		
£100,000 - £109,999 pa	-	1
£110,000 - £119,999 pa	1	-
£120,000 - £129,999 pa	1	1
£140,000 - £149,999 pa	1	-
	<u> </u>	<u> </u>
Average staff numbers (FTEs) by major category:		
Academic departments	231	213
Research & enterprise	35	27
Academic support services	23	22
Administration	118	115
Premises	21	19
Other income generation	1	1
CUC Central	-	2
	<u>429</u>	<u>399</u>

Governors acting as Trustees

No governor has received any remuneration or waived payments from the group during the year (2014: none).

The total expenses paid to or on behalf of five governors was £3,061 (2013/14: £3,398 paid to six governors). This represents travel and subsistence expenses incurred in attending Board, committee meetings and charity events in their official capacity.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

8 Other operating expenses

	31/7/15	31/7/14
	£ (000)	£ (000)
Teaching materials and expenses	2,635	2,092
Franchise fees	156	-
Library and learning resource costs	1,375	1,282
IT support costs	1,552	1,302
Student support costs	1,336	1,445
Recruitment and restructuring costs	746	461
Research costs	698	810
Auditors remuneration - external audit fees	36	37
Auditors remuneration - internal audit fees	30	49
Auditors remuneration - non audit fees	-	-
Administrative expenses	2,174	2,427
CUC central costs	27	133
Advertising and promotional expenses	1,457	1,124
Examination fees	20	18
Bursaries payable	1,707	1,179
Business Relations costs	147	135
Heat, light, rates and water	1,191	1,150
Repairs and maintenance to premises	3,910	3,346
Inter-campus transport	12	94
Rents and property leases	74	137
Other income generation costs	439	560
	<u>19,722</u>	<u>17,781</u>

Auditors' remuneration includes the following in respect of the University:

External audit fees	36	37
Internal audit fees	<u>30</u>	<u>49</u>

9 Interest and other finance costs

	31/7/15	31/7/14
	£ (000)	£ (000)
On bank loans not wholly repayable within five years	100	15
Pension finance costs	122	65
	<u>222</u>	<u>80</u>

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

10 Analysis of 2014/15 expenditure by activity

	Staff costs £ (000)	Other operating expenses £ (000)	Depreciation £ (000)	Interest payable £ (000)	2014/15 Total £ (000)	2013/14 Total £ (000)
Academic departments	12,855	3,239	884	-	16,978	14,733
Academic support services	555	2,967	245	-	3,767	4,193
Research grants & contracts	1,253	832	32	-	2,117	1,875
Residences and catering	288	314	-	-	602	659
Premises	713	5,185	2,171	100	8,169	7,382
Administration & central services	5,646	6,886	80	122	12,734	11,853
Other services	201	272	-	-	473	610
Other expenses (including CUC)	62	27	-	-	89	253
Total	21,573	19,722	3,412	222	44,929	41,558

The depreciation charge has been funded by:

Deferred capital grants	1,425
Revaluation reserve release	449
General income	1,538
	<u>3,412</u>

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

11 Fixed asset schedule

Group	Assets in the course of construction £ (000)	Land and buildings £ (000)	Fixtures, fittings & equipment £ (000)	Total £ (000)
Cost or valuation				
B/f as at 1 August 2014	2,832	98,021	15,452	116,305
Additions	540	671	1,163	2,374
Transfers	(2,845)	2,852	(7)	-
Disposals	-	(202)	(10)	(212)
C/f as at 31 July 2015	<u>527</u>	<u>101,342</u>	<u>16,598</u>	<u>118,467</u>
Depreciation				
B/f as at 1 August 2014	-	3,691	13,125	16,816
Charge for the year	-	1,920	1,492	3,412
Depreciation on disposals	-	(8)	(85)	(93)
C/f as at 31 July 2015	<u>-</u>	<u>5,603</u>	<u>14,532</u>	<u>20,135</u>
Net book value				
As at 31 July 2014	<u>2,832</u>	<u>94,330</u>	<u>2,327</u>	<u>99,489</u>
As at 31 July 2015	<u>527</u>	<u>95,739</u>	<u>2,066</u>	<u>98,332</u>
University				
Cost or valuation				
B/f as at 1 August 2014	2,832	98,107	15,117	116,056
Additions	540	671	1,163	2,374
Transfers	(2,845)	2,852	(7)	-
Disposals	-	(202)	(10)	(212)
C/f as at 31 July 2015	<u>527</u>	<u>101,428</u>	<u>16,263</u>	<u>118,218</u>
Depreciation				
B/f as at 1 August 2014	-	3,691	12,899	16,590
Charge for the year	-	1,920	1,492	3,412
Depreciation on disposals	-	(8)	(85)	(93)
C/f as at 31 July 2015	<u>-</u>	<u>5,603</u>	<u>14,306</u>	<u>19,909</u>
Net Book Value				
As at 31 July 2014	<u>2,832</u>	<u>94,416</u>	<u>2,218</u>	<u>99,466</u>
As at 31 July 2015	<u>527</u>	<u>95,825</u>	<u>1,957</u>	<u>98,309</u>

In accordance with the University's policy to revalue assets on a regular basis, land and buildings were professionally valued on the basis of depreciated replacement cost by Alder King, Chartered Surveyors, Newham Road, Truro on 31 May 2012. Properties have been valued on the basis of depreciated replacement cost. The Board are satisfied that there have been no material changes in the market or to the properties since the date of the valuation.

The historical cost of land and buildings would show a net book value of £71m at the year end.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

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.

Fair value	£ (000)
B/f as at 1 August 2014	(502)
Adjustment to valuation	-
C/f as at 31 July 2015	<u>(502)</u>
Released to Income and Expenditure account	
B/f as at 1 August 2014	494
Release for the year	6
C/f as at 31 July 2015	<u>500</u>
Net book value	
At 31 July 2014	<u>(8)</u>
At 31 July 2015	<u>(2)</u>

13 Investment asset and interest in joint venture

	Group		University	
	2015	2014	2015	2014
	£ (000)	£ (000)	£ (000)	£ (000)
Investment in subsidiary companies	-	-	1	1
Interest in joint venture company	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

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 the Tremough Development Vehicle Ltd (TDV) and 100% of the issued share capital (2 £1 Ordinary Shares) in Cornwall Plus Limited. These joint venture companies 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.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

In accordance with FRS9 Accounting for Associates and Joint Ventures, the Group is required to disclose its share of assets and liabilities in FX Plus. As at the year end these were as follows:

	2015	2014
	£ (000)	£ (000)
Share of fixed assets	31,445	32,067
Share of current assets	3,715	3,036
Share of current liabilities	(2,837)	(2,441)
Share of long-term liabilities	(27,180)	(28,273)
Share of pension liability	(2,713)	(1,647)
	<u>2,430</u>	<u>2,742</u>
Share of income	<u>11,991</u>	<u>11,315</u>
Share of profit/(loss) before tax	583	134
Share of tax payable	-	-
Share of profit/(loss) after tax	<u>583</u>	<u>134</u>

Other investments of the University comprise:

Name	Company number	Shares
Atlantic Press Limited	05122849	10
Fizcast Limited	07938085	1,846
Stream TV Limited	08471003	100

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 Endowment assets

	Group and University	
	2015	2014
	£ (000)	£ (000)
Permanent and expendable endowments		
Balance brought forward	27	33
Bursaries awarded	-	(6)
Balance carried forward	<u>27</u>	<u>27</u>

Endowment assets relate to two Denis Mitchell sculptures and a Michael Finn painting donated to and held in the University at valuation and a bequest from the Ferdynand Zweig Memorial Scholarship Fund held as cash in the University's bank account.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

15 Debtors

	Group		University	
	2015	2014	2015	2014
	£ (000)	£ (000)	£ (000)	£ (000)
Fees and charges	374	425	374	425
Trade debtors	306	833	302	814
Prepayments and accrued income	214	332	214	332
ERDF and ESF grants due	1,086	1,172	1,086	1,172
Amounts owed by group undertakings	-	-	30	24
Sundry debtors	17	28	17	28
CUC debtors and accrued income	-	29	-	29
Bad debt reserve	(17)	(7)	(17)	(7)
	<u>1,980</u>	<u>2,812</u>	<u>2,006</u>	<u>2,817</u>

The major debtors reflect timing differences on grants due against construction works from major funders. All capital grants from European Regional Development Funds are claimed after the related expenditure has been paid.

16 Creditors – amounts falling due within one year

	Group		University	
	2015	2014	2015	2014
	£ (000)	£ (000)	£ (000)	£ (000)
Bank loan	158	65	158	65
Salix loan	40	-	40	-
HEFCE	359	-	359	-
Bank overdraft	18	35	18	35
Trade creditors	938	943	938	943
Accruals and deferred income	2,791	2,079	2,788	2,058
Social security and other taxation	738	758	738	758
Amounts owed to joint ventures	4,002	3,225	4,002	3,225
Other creditors	32	95	32	95
CUC creditors and accrued income	108	163	108	163
	<u>9,184</u>	<u>7,363</u>	<u>9,181</u>	<u>7,342</u>

Included within the balance owed to joint ventures is £3,425,000 (2014: £2,566,000) held on behalf of FX Plus in a higher interest deposit account.

17 Creditors – amounts falling due after more than one year

	Group and University	
	2015	2014
	£ (000)	£ (000)
Bank loan	3,824	481
Salix fund	80	-
	<u>3,904</u>	<u>481</u>

The University drew down a loan from Lloyds Bank plc of £936k in 2006/07 from a facility of £1.25m, repayable on a quarterly basis over 15 years. Interest is calculated at 0.2% per annum above the Bank's Base Rate. At 31 July 2015 the balance outstanding is £481,000 (2014: £546,000).

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

17 Creditors – amounts falling due after more than one year (continued)

During the year, the University drew down a further loan of £3.5m from Lloyds Bank plc, repayable on a quarterly basis over 20 years. There is a capital repayment holiday for the first year. Interest is calculated at 2.25% per annum above Base Rate. At 31 July 2015 the balance outstanding is £3.5m.

	Group and University	
	2015	2014
	£ (000)	£ (000)
Amounts repayable on loans:		
In one year or less	198	65
In more than one year but not more than two years	290	65
In more than two years but not more than five years	793	199
In more than five years	2,821	217
	4,102	546

18 Provisions for liabilities

	Enhanced	Relocation	Grant	Total
	Pension			
	Provision	costs	clawback	
Group & University	£	£	£	£
Balance at 1 August 2014	724	26	-	750
Transferred from Income and expenditure	31	13	2,201	2,245
Utilised in the year	(46)	(11)	-	(57)
Balance at 31 July 2015	709	28	2,201	2,938

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 2015. 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 8.

The grant clawback relates to a proposed correction by the European Court of Auditors (see note 19 below).

19 Deferred capital grants

	HEFCE	HEFCE	SWRDA	European	Total
	building	equipment	and	Regional	
Group and University	grants	grants	other	Dev't	
	£ (000)	£ (000)	£ (000)	Fund	£ (000)
Balance at 1 August 2014	16,003	298	11,596	31,657	59,554
Received during the year	-	273	-	115	388
Grant clawback	-	-	-	(2,201)	(2,201)
Released to Income and Expenditure	(308)	(188)	(330)	(599)	(1,425)
Balance at 31 July 2015	15,695	383	11,266	28,972	56,316

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

19 Deferred capital grants (continued)

Grants received relate to funding for construction costs of the buildings at Penryn. Funds have been awarded through HEFCE, European Regional Development Funds and the South West of England Regional Development Agency.

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 unproportionate. The University has contested the alleged clawback and awaits details of a hearing. In light of the above, in the year to 31 July 2015, a clawback of £2,201,000 has been accrued in the financial statements.

20 Revaluation reserve

	Group		University	
	2015	2014	2015	2014
	£ (000)	£ (000)	£ (000)	£ (000)
Balance brought forward	28,785	29,321	24,304	24,753
Transferred to Income and expenditure account - depreciation	(449)	(449)	(449)	(449)
Share of movement in joint venture's revaluation reserve	(87)	(87)	-	-
	<u>28,249</u>	<u>28,785</u>	<u>23,855</u>	<u>24,304</u>

21 Income and expenditure account

	Group		University	
	2015	2014	2015	2014
	£ (000)	£ (000)	£ (000)	£ (000)
Retained surplus brought forward	6,158	8,886	7,873	10,025
Surplus after depreciation of assets at valuation and tax	1,437	123	855	(11)
Transfer from revaluation reserve	536	536	449	449
Actuarial loss on pension liability	(3,628)	(3,387)	(2,734)	(2,590)
	<u>4,503</u>	<u>6,158</u>	<u>6,443</u>	<u>7,873</u>
Retained surplus carried forward				
Represented by:				
Income and expenditure account reserve excluding pension reserve	15,234	13,723	17,174	15,438
Pension reserve	(10,731)	(7,565)	(10,731)	(7,565)
	<u>4,503</u>	<u>6,158</u>	<u>6,443</u>	<u>7,873</u>
Total	<u>4,503</u>	<u>6,158</u>	<u>6,443</u>	<u>7,873</u>

The surplus for the year comprises the surplus from the University of £824k (2014: £22k), gift aid receivable from Falmouth Enterprises Limited of £30k (2014: £11k) and a share in the surplus of the joint venture of £583k (2014: £134k).

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

22 Reconciliation of consolidated operating surplus to net cash from operating activities

	Note	31/7/15 £ (000)	31/7/14 £ (000)
Surplus before tax		1,437	123
Depreciation	11	3,412	3,330
Loss on disposal		119	138
Amortisation of negative goodwill	12	(6)	(6)
Pension costs less contributions payable		310	463
Deferred capital grants released	19	(1,425)	(2,266)
Share of joint venture (profit)/loss		(583)	(134)
Investment income	6	(37)	(33)
Interest payable	9	222	80
Increase in stocks		(6)	(14)
Decrease in debtors		517	103
Increase in creditors		1,601	1,787
Decrease in provisions		(13)	(27)
		<u>5,548</u>	<u>3,544</u>
Net cash inflow from operating activities		<u>5,548</u>	<u>3,544</u>

23 Analysis of changes in net funds

	At 1 Aug 2014 £ (000)	Cashflow: £ (000)	At 31 July 2015 £ (000)
Cash in hand, and at bank	5,574	7,458	13,032
Overdrafts	(35)	17	(18)
	<u>5,539</u>	<u>7,475</u>	<u>13,014</u>
Debt due within 1 year	(65)	(133)	(198)
Debt due after 1 year	(481)	(3,423)	(3,904)
Total	<u>4,993</u>	<u>3,919</u>	<u>8,912</u>

24 Pension schemes

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:

	31/7/15 £ (000)	31/7/14 £ (000)
CC Pension Scheme: Charge to the Income and expenditure account (note 7)	1,587	1,464
Teachers Pension Scheme: contributions paid (note 7)	1,251	1,105
Enhanced pension charge to Income and expenditure account (note 18)	46	45
Total pension cost for the year	<u>2,884</u>	<u>2,614</u>

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.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

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 6.4% to 12.4% according to their salary band. Employer rates are 16.48% from September 2015 (14.4% from September 2014 to August 2015).

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

FRS 17 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 2015 was £1,760k (2014: £1,481k) of which employer's contributions totalled £1,294k (2014: £1,063k) and employees' contributions totalled £466k (2014: £418k).

The actuarial valuation of the scheme at 31 March 2014 showed a deficit of £460m. Employers' contribution rates during the year were 15.6% plus an annual lump sum of £160,000 to March 2015 and 16.6% plus an annual lump sum of £190,000 from April 2015. The agreed contribution rates from April 2016 are 17.6 per cent plus a lump sum payment of £210k. Employees pay tiered contributions and these were between 5.5% and 12.5% (2014: 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 2015 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:	2015	2014
	%	%
Rate of increase in salaries	4.6	4.5
Inflation - CPI	2.7	2.7
Rate of increase for pensions in payment	2.7	2.7
Discount rate for liabilities	3.7	4.1
Commutation of pensions to lump sums- membership post 1 April 2012	70.0	70.0

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At	At
	31 July	31 July
	2015	2014
<i>Retiring today</i>		
Males	87.2	87.2
Females	89.4	89.4
<i>Retiring in 20 years</i>		
Males	89.4	89.4
Females	91.8	91.8

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

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 2015	Bid value at 31 July 2015	Long-term rate of return expected at 31 July 2014	Mid market value at 31 July 2014
	%	£(000)	%	£(000)
Equities	3.7	8,457	6.5	9,159
Bonds	3.7	9,636	3.6	6,615
Property	3.7	1,180	4.7	1,018
Cash	3.7	393	3.6	170
Estimated employers' share of scheme assets		19,666		16,962
Present value of scheme liabilities- Funded		(30,397)		(24,527)
Deficit in the scheme		(10,731)		(7,565)

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 2015.

Actual return on assets

	2015 £'000	2014 £'000
Actual return on assets	1,256	966

Analysis of the amount charged to Income and Expenditure account

	2015 £(000)	2014 £(000)
Current service cost	1,587	1,464
Total operating charge	1,587	1,464

Analysis of pension finance costs

	2015 £(000)	2014 £(000)
Expected return on pension scheme assets	(919)	(916)
Interest on pension scheme liabilities	1,041	981
Net cost	122	65

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2015 £(000)	2014 £(000)
Actuarial loss recognised in STRGL in the year	(2,734)	(2,590)
Cumulative actuarial loss recognised in STRGL at 1 August	(5,626)	(3,036)
Cumulative actuarial loss recognised in STRGL at 31 July	(8,360)	(5,626)

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

Asset and Liability Reconciliation

	2015	2014
Reconciliation of Liabilities	£'000	£'000
Liabilities at start of period	24,527	20,525
Current service cost	1,587	1,464
Interest cost	1,041	981
Employee contributions	466	418
Actuarial loss	3,071	1,376
Estimated benefits paid	(312)	(299)
Losses on curtailments	17	62
Liabilities at end of period	30,397	24,527
 Reconciliation of Assets		
Assets at start of period	16,962	16,078
Expected return on assets	919	916
Actuarial gain/(loss)	337	(1,214)
Employer contributions	1,294	1,063
Employee contributions	466	418
Estimated benefits paid (net of transfers in)	(312)	(299)
Assets at end of period	19,666	16,962

History of liabilities, assets and experience adjustments

	2015	2014	2013	2012	2011
	£(000)	£(000)	£(000)	£(000)	£(000)
Scheme liabilities	(30,397)	(24,527)	(20,525)	(19,528)	(16,213)
Scheme assets	19,666	16,962	16,078	15,252	13,908
Deficit	(10,731)	(7,565)	(4,447)	(4,276)	(2,305)
Experience adjustments on Scheme liabilities	143	691	-	(94)	(484)
Experience adjustments on Scheme assets	337	(1,214)	1,771	(689)	1,062

25 Capital commitments

	Group and University	
	2015	2014
	£ (000)	£ (000)
Authorised but not committed	415	614
Commitments contracted at 31 July	549	128

Amounts authorised are in respect of works on capital projects for the Falmouth campus less commitments to date. Commitments contracted relate to the design work that had been awarded to contractors at the year end date.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

26 Financial commitments

At 31 July 2015 the University had annual commitments under non-cancellable operating leases as follows:

	Group and University	
	2015	2014
	£ (000)	£ (000)
Land and buildings expiring between two to five years	18	18

The University guarantees 50% (£9.3m) of a 25 year £18.6m bank loan by Lloyds Bank plc to FX Plus. FX Plus drew the loan down in 2006 and exercised an option to fix the interest rate at 5.779% but was converted to a full term fixed rate in March 2012 of 5.215%.

A further loan of £10m (£12.5m including rolled up interest) was taken out by FX Plus in 2007 to fund the construction of 300 new student residences. This loan is for a term of 30 years and 50% is guaranteed by the University.

FX Plus drew down a loan of £20.5m for new residences in 2009. The loan is repayable over 30 years and 50% is guaranteed by the University.

FX Plus has also drawn down a loan of £8m for new residences. The loan is repayable over 16 years and 50% is guaranteed by the University.

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.

27 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 University has taken advantage of the exemption under FRS 8 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 joint venture company 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.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

Cornwall Plus Limited is a wholly owned subsidiary of FX Plus. It has been established to operate the commercial, non-charitable activities of the joint venture 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 has been established to provide the construction of the main campus for the Combined Universities in Cornwall project based at Penryn. The UoE and the University receive capital grants that are released to TDV to fund the academic development at the Penryn campus.

The FX Plus Group has capital commitments as follows:

	2015	2014
	£ (000)	£ (000)
Authorised but not committed	2,584	1,798
Commitments contracted at 31 July 2015	<u>280</u>	<u>342</u>

Amounts authorised are in respect of various projects at the Penryn campus less commitments to date.

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

	Purchases	Sales to	Payments	Amounts	Amounts
	from	related	to third	owed to	owed by
	related	parties	parties	related	related
	parties	parties	through	party	party
	£ (000)	£ (000)	joint	£ (000)	£ (000)
	£ (000)	£ (000)	venture	£ (000)	£ (000)
Falmouth Exeter Plus Group					
2015	8,096	263	100	4,002	-
2014	<u>7,920</u>	<u>549</u>	<u>152</u>	<u>3,225</u>	<u>-</u>

Balances due to and from the joint venture are shown in note 15 Debtors and note 16 Creditors – amounts due within one year. 'Payments to third parties through joint venture' represents amounts paid to contractors for the University's share of the design and construction of buildings and facilities at the Penryn campus.

Students' Union (FXU)

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

	Year to	Year to
	31/7/15	31/7/14
	£ (000)	£ (000)
Block grant (including withheld for staffing)	399	323
Sports	30	30
	<u>429</u>	<u>353</u>

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2015 (continued)

28 CUC central costs

	Year to 31/7/15 £ (000)	Year to 31/7/14 £ (000)
Income		
ERDF Convergence grant	8	84
Contributions from partner institutions	58	61
European Social Fund	24	103
	<u>90</u>	<u>248</u>
Expenditure		
Staffing	62	120
Office & administration	28	27
Marketing & PR	-	91
Professional fees	-	10
	<u>90</u>	<u>248</u>

CUC central costs relate to pooled costs for the Combined Universities in Cornwall Project Office which are managed on behalf of the partners by the University. These amounts are included within the Income and Expenditure notes 2 to 8 above.

29 Post balance sheet events

There were no post balance sheet events to report.

On 20 November 2015 the consolidated financial statements were authorised for issue by the Governing Body and do not reflect events after this date.