



Financial
Statements
to 31 July 2021

Falmouth University

Board of Governors (at date of signing)

Chair	Chris Pomfret OBE
Deputy Chair	Charles Wace
Vice-Chancellor & Chief Executive	Professor Anne Carlisle OBE
Audit Committee Chair	Duncan Leslie
Independent Governors	Alison Cressey
	Julie Fielding
	Tim Jones
	Duncan Leslie
	John Mathers
	Helen Owers
	Professor Keith Straughan
Academic Staff Governor	Mandy Jandrell
Professional Services Staff Governor	Vicky Gosling
Students' Union President - Falmouth	Ben Statham-Wilkins

Other Officers

Provost	Professor Eunice Ma
Deputy Vice-Chancellor Research & Innovation	Professor Patric Eriksson
Chief Operating Officer	Peter Cox
Chief Marketing Officer	Justin Scott
Director of Business Services	Rob Holmes
Secretary to the Board	Dr Robin Kirby
Clerk to the Board	Robyn Wyatt

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Falmouth University
Consolidated financial statements
for the year ended 31 July 2021

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Falmouth University
Report of the governing body

Strategic Review and 2020 Challenges

2020/21 was another year where the Covid-19 pandemic continued to grip the country.

Having prepared and welcomed students back to our campuses in autumn 2020, ongoing uncertainties and the knock-on of Brexit had an impact on recruitment and retention which was then compounded by the third national lockdown in spring 2021 – all of which affected our finances for the year.

The attached report sets out how Falmouth dealt with a second year of disruption and represents a change in approach as we return to a more traditional presentation for the financial statements and Operating & Financial Review which sits separately from a summary Annual Review that is scheduled for publication in November 2021.

Throughout the year, our main concerns were around providing safe and secure campuses amid changing Government advice on Covid rules and restrictions. This meant changes to delivery but the University was in a strong position as we built on lessons learned during the previous year and the acceleration of work that was already underway to adapt our pedagogy to meet the needs and demands of students in the 21st Century.

In support of these developments and our commitment to the 2030 Strategic Plan, the University launched its 2020 Challenges. These Challenges were designed to break down each element of the 2030 Strategy into distinct work packages, which could then be taken forward by dedicated mixed staff teams drawn from across the University. The role of these mixed teams was to develop and shape the content, as well as produce a time-lined implementation plan.

This approach deliberately used a highly visible two stage process – A Green Paper phase which, after relevant committee approval, went out to consultation with staff and key stakeholders. After this consultation phase, proposals were finalised into a White Paper, which was used as a full road-map implementation document.

All students were also invited to take part in the consultation on student-facing challenges. This level of transparency is based on the University's strategic commitment to the principles of Open Innovation and will ensure that all proposals are informed by the expertise and experience of relevant stakeholders.

Inclusion and transparency are important tenets for the University and the following report should be read for the openness and inclusivity that we aim to achieve in all our operations.

As we welcome students back to a new academic year, we believe that the work we have done together with our university communities will make us a stronger organisation that will thrive as we continue on our journey to 2030 and beyond.

Falmouth University Report of the governing body

On-campus student recruitment

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

By the Office for Students census date for intake data, 1 December 2020, we had enrolled 4,390 undergraduate students and 276 postgraduate students on campus. This compares to 4,633 and 254 respectively at the same point the previous year. Of this, EU and international recruitment was 440 EU enrolments and 116 International, against 458 and 170 respectively at the same point the previous year.

We recognise the challenges in an increasingly competitive market, the consequences of a falling demographic, as well as a slowdown in art and design at FE level and have taken significant steps towards increasing our reach through investment in on-line delivery. Some of this is through our partnership with the Cambridge Education Group and a proportion created in-house. By developing our course portfolio, and diversifying our provision into new markets, Falmouth is delivering an authentically creative, compelling, education in new ways, for new audiences.

Flexible and Global recruitment

Falmouth Flexible, our online, global, part-time portfolio of courses is growing significantly. At the census date, there were 733 online enrolments via Falmouth Flexible, up from 510 in the prior year.

We also welcomed 631 enrolments at key partners such as the Fashion Retail Academy and Waterbear. We are delighted that education providers with such strong industry links and proven track records want to partner with us and to deliver exciting, industry-facing educational content under a Falmouth banner.

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

KPI	Actual	Target
On-campus student recruitment	4,666	4,624
Students on partnership programmes	2,652	2,200

Student Retention

Headline undergraduate retention has reduced since the last report to 91.5%, representing a loss of 26 more students than the previous year. The equivalent figure for postgraduate courses offered on campus improved by 1.9% (93.8% in 2021 vs. 91.9% in 2020).

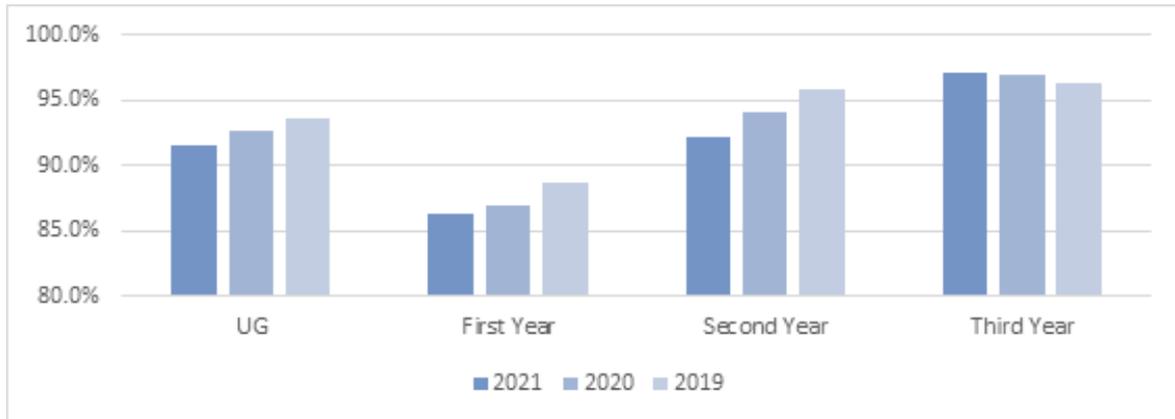
The increase can be largely attributed to more students using intermittence, a temporary form of withdrawal, to pause their studies. This provides an opportunity for the University to recover its position as the impact of COVID on the student experience diminishes in the current year.

Up to September 2021, the University retained 91.5% of undergraduate students, down 3.8% on the retention position in May 2021. At the same point in time last year undergraduate retention was 1.1% above the current position. The equivalent figure for postgraduate courses offered on campus was 93.8% against 91.9% 2020 (improved by 1.9%).

Given the timing of assessment boards at the end of May, the movement between the two reports can be expected as these determine student progression and academic fails.

Falmouth University Report of the governing body

Established patterns of student withdrawal continue with more students leaving earlier in their course:



This translates to a small increase of students, leaving the University against the same point in the previous year which was significantly less impacted by COVID. Of this increase the majority can be attributed to the first two weeks of the academic year which saw significantly more withdrawals as students arrived to a very different style of learning constrained by public health guidance.

Guided by the Student Advice Pilot, students have made use of intermitence to protect their future academic position. This means that although more students have left, less have done so intending for it to be on a permanent basis.

This means that only 50% of in-year withdrawals were processed on a permanent basis. This pattern of withdrawal is likely to have a positive effect on the University's continuation data as early withdrawals do not count towards the University's external data and there is the opportunity to recover the intermitting students, many of which will be expected to return in September 2021 and Spring 2022.

Department performance also varies, but there continues to be no clear pattern of the pandemic impacting retention figures across departments. Following significant intervention last year the Institute of Photography (IoP) has transformed from a poor performer in this area to the strongest. The practices employed by the IoP team are being considered for their applicability to other subject areas.

COVID itself is not a significant driver of student withdrawal. However, an ancillary aspect, mental health, continues to be the reason most often cited with just under third of all students leaving selecting this option. This represents a significant increase from 2020 when the equivalent figure was much closer to one fifth. The next largest reason for students leaving was for academic failure followed by an extensive list of personal reasons.

KPI	Actual	Target
Student retention	92%	93%

The University operates two types of academic collaborative provision: franchise and validation partnerships. Although the OfS continues to consider its approach to ensuing awarding bodies are accountable for all awards made in their name, only the franchise partners impact on the University's regulatory performance data⁶ although retention is part of the due diligence for all partnerships.

Falmouth University Report of the governing body

Partners' retention performance continues to have a positive effect on the University's retention data with overall retention increasing by 0.7% to 92.2% when franchise partners are included. This impact was noted by the University's Collaborative Provision Committee in July and Academic Partnership Managers have been asked to explore the good practice, again to assess applicability to the University context. Notably the University's largest franchise partner by enrolments, Fashion Retail Academy, performed exceptionally well retaining c95% of students although due to the nature of their courses some further movement can be expected.

The student experience – National Student Survey

In common with the sector at an institutional level Falmouth saw a drop across overall satisfaction and all theme scores within the NSS.

The University's overall satisfaction score (Q27) dropped by 8.51% to 72.49%. The sector dropped by 8% to 75%. Rounding means our distance to the sector average has increased by 1% to 3%. When Partners are included, our overall satisfaction drops marginally to 72.43% illustrating a significant benefit to the removal of a previous partner from our portfolio.

Within the individual themes scores, Falmouth outperforms the sector on 6 of the 8 themes, with only Teaching (-2.6%) and Organisation and Management (-6.7%) under-performing the UK averages.

When compared to our competitors, the Q27 average for competitors fell by 11.5%. Although we remain fifth overall within our competitor set, notably our subject and theme scores have seen significant upwards movement. For example, within our competitors our:

- a) Architecture course is ranked first;
- b) Academic Support and learning resources themes are second;
- c) Assessment and Feedback is third.

Given the sweeping nature of the changes made to adapt courses for COVID (e.g. digital assessment, limited access to specialist resources etc.) performance across the academic support, assessment and feedback and learning resource themes is an achievement. These scores are also used by league tables to present performance and is therefore likely to be a positive influence relative to our competitors and the sector generally. This will be tempered slightly by the weaker performance in the Teaching theme score.

The difference between the performance of our competitor set and the sector suggests, unsurprisingly, that subject mix has been a factor in the results and in view of our own subject mix our performance compared to competitors is, again, an achievement. Internally there is no clear split between the results for practice based and more theoretical courses and a number of the former performed comparatively well (e.g. Dance and Choreography and Acting, both of which improved on previous year's scores).

Only ten courses underperformed the institutional average for Q27, a reduction on previous years although due to their size they will have a significant bearing on the overall results: large courses including Fine Art, TV, Film and Illustration were all below average.

Contrasting this, a number of courses have improved their results in 2021 over their 2020 results. These include Acting, Architecture, Dance and Choreography, Fashion Photography.

The student experience is the University's utmost priority.

Falmouth University
Report of the governing body

KPI	Actual	Target
NSS results	72%	82%

The student experience – Graduate Outcome Survey

Through the second years’ data from HESA of the Graduate Outcomes Survey (GOS), we can assess our leavers’ performance 15 months after leaving. We are also able to utilise two years of data in the overall analysis.

This survey is made up of 2018/19 leavers from Higher Education, where the majority of UG leavers were surveyed between September and November 2020. In context, this means the following analysis is looking at students who graduated into the pandemic and were surveyed during a period of UK restrictions.

In summer 2021, HESA announced they were no longer developing a UK Performance Indicator (UKPI) for Graduate Outcomes. This is challenging as the data will be interpreted in different ways by different audiences.

Key findings from the latest survey show that:

- Response rates for Falmouth graduates remain higher than the sector average.
- Self-employment rates remain exceptionally high, having increased from the previous survey to 26%, and 1.3% of all UK Self-Employed Graduates coming from Falmouth University.
- Unemployment has increased across the sector, with higher than average sector increases from Falmouth. According to HESA definitions for Unemployment, Falmouth’s unemployed rose by 6% to 9% compared to a sector increase from 4% to 5%.
- TEF Measures remain challenging, with lower-levels of graduates in professional-level work (-4%) against a sector-wide drop of 1%.
- Salary levels are low, when compared to subject and national average salary-levels.
- HESA have not released detailed low-level (e.g. Course) datasets to compare courses nationally, but data exists at top-level (e.g. Subject - Creative Arts and Design) subjects to form a comparison.
- ‘Graduate Voice’ questions ask graduates about how their university experience has prepared them for their next steps after study. There remain significant gaps between our institutional scores and the national averages.

KPI	Actual	Target
Graduate Outcome Survey results	62%	65%

For medium to longer-term strategic performance increases, the University Challenges (particularly 5,6,9) should deliver increased performance in Graduate Outcomes measures – recognising that there is a significant data lag. Our 2025/26 UG intake will form the majority of our 2030 results, leaving only four-years to ensure the strategy is taking effect.

The departmental targets have been designed to deliver top-quartile performance by 2030, from our current position of the lower end of the bottom quartile. As-such, these targets are extremely stretching and require high-levels of institutional time and any associated investment to deliver this performance.

Falmouth University **Report of the governing body**

The areas to address tactically over the next two years are:

- Students are uncertain of the skills they are developing as-part of their degree at 15 months after graduation, however internal career-registration data demonstrates there is a higher-level of confidence in the metric with current students. This metric drops by 4% for final-year students.
- Students are unaware about routes after graduation as students (Career Registration) and this is reflected in the Graduate-Level job outcomes, and our high-levels of non-graduate level work.
- Students have very low-levels of experience (only around a third stating they do) related to their plans, indicating they require more experience built into (and around) their studies that will support successful transitions into graduate-level employment.
- Falmouth has low-levels of UG-PG conversion, reflecting a need to develop a holistic plan and associated recruitment targets (Growth Team) on UG-PG conversion.
- Further develop the pipeline, culture and support associated with Self-Employment to drive students from 'portfolio development' at 15 months into Freelancing and Business Start-Up.
- RealWORKS embedded (assessment-linked) interventions into UG provision prior to Level 6, utilising a digital-first (scalable) approach adopting the 'REAL' model.
- Further build on industry and alumni connections to showcase diverse career-paths and careers outside of the Creative industries and outside of Cornwall to fully capitalise on access to the Graduate Labour Market.
- Although part of Challenge 6, early adoption of Sandwich routes will provide beach-head into the wider cultural adoption of these routes by using student experiences to 'sell' the benefits to current students. This will have a slow adoption until students who have signed up to the course with an expectation of a SW route get to this point, and that there is strong endorsement from courses for students to undertake these routes.
- Institutional investment in staffing RealWORKS for growth in a range of activities will be critical to ensuring the quality and success of ongoing development work.

Student wellbeing

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

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

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

Student Union activity

The Student's Union represents students from Falmouth University and the University of Exeter (UoE), Cornwall Campus and provides advice and support and Student Voice representation, meaning that the student experience is understood and considered at every level of the University's decision making.

Falmouth University Report of the governing body

Staff

The People Strategy for the University was introduced in 2018 as a supporting document for the new 2030 Strategic Plan. This sub-strategy laid down the following principles and what these mean in practice for our people.

Our people in 2030 – we are a world-leading university for creative innovation where inspired and inspiring individuals achieve their potential and help students from around the world to achieve theirs.

Open to ideas – the way in which we work is different. We no longer align to traditional, functional silos. Instead, we anticipate and address real-world challenges through innovation and co-creation across departments and with our industry partners. To that end, we have the latest technology and novel work environments across our campuses so we can operate in a way that best suits our needs and delivers the best results.

Results driven – we are able to harness the diversity of thought and talent across our entire workforce to produce world class research and product development and to enable the next generation of creative entrepreneurs.

The road to 2030 – while innovation and collaboration were already happening in our University, the 2030 People Strategy forced us to focus on this behaviour and embed this culture of Open Innovation, enabling us to both anticipate and dictate change in the creative industries. We delivered our strategy through clear, outcomes focused projects steered by cross-functional working groups where solutions were co-created with colleagues from across the institution. These plans aligned to four pillars.

Our People Vision – unlocking people’s creative potential in a unique workplace shaping the future of the creative industries.

Our Mission – to inspire and empower our workforce to be independent thinkers and collaborative doers who share information openly, strive for continuous improvement, and seek opportunities to extend their network across the University and beyond.

Our Values:

1. **Creative** – Open Innovation underpins all that we do, enabling us to unlock individual and collective creativity
2. **Connected** – We do it for real, building internal and external networks
3. **Courageous** – We are not afraid to try new things, fail fast and learn from our mistakes

In our day-to-day approach we focus on our People, recognising it’s about us; we focus on our Processes, seeking to reduce as much as we can and respond to feedback; and we focus on Play, trying new things and accepting failure.

Equal Opportunities

Our Equality and Diversity strategy continues to guide this area of work within Falmouth University. Falmouth University’s equality and diversity mission is articulated as “To support Falmouth in being a world class place to study and work, by providing an inclusive environment where there is equal opportunity for a diverse student and staff community to reach their full creative, academic and entrepreneurial potential”.

Falmouth University **Report of the governing body**

The action plan to deliver this mission has been distilled into four specific equality objectives and Falmouth University publishes an annual Equality and Diversity report detailing progress against the components of this action plan.

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

COVID-19

Whilst the pandemic paused a number of activities and resulted in new ways of working, the focus on keeping staff and students safe remained throughout. The University responded to the changing advice from the Government during the lockdown periods in 2020 and 2021 and, since that time, have updated this guidance to enable a safe return to campus.

Working closely with the Trade Unions and our health and safety advisers in FX Plus, we developed safe working practices that moved online throughout the pandemic and enabled us to continue to deliver education to our students.

To enable staff to continue to do their jobs, mechanisms were introduced including equipment necessary for home working and IT systems development projects (primarily Microsoft Office 365) were accelerated.

Throughout the past 18 months, staff have been kept up to date through regular newsletters which has provided guidance and links to resources to ensure that staff wellbeing has been recognised and supported.

The pandemic also provided challenges for our students who, having started a more 'normal' year in September 2020, were disrupted in January 2021 when the Government announced a further national lockdown.

Using lessons learned during 2019/20, we were able to switch to online teaching and, as soon as practicable, safely opened our campuses in March to allow access to equipment and workshops for our practical courses.

For this third national lockdown, the University chose to support students by waiving rent for those who were unable to return to campus which means that, since the start of the pandemic, the University has spent nearly £3m on Covid-related costs:

Covid support cost	£000
Rent waiver for students in University Accommodation for the Summer Term 2020	1,000
Rent waiver for students in University Accommodation for 7 weeks in Spring 2021	800
Enhanced cleaning across campuses	300
Campus works to make COVID Safe (signage, marquees, temporary toilets, etc)	300
Converting content to online (inc digital interns)	250
5,000 free Adobe licences for home use	200
Digital hardship fund and temporary loan IT equipment	100
Total	2,950

Pensions

The University offers three main pension schemes – Teachers Pension Scheme (TPS), Cornwall Council Local Government Scheme (LGPS) and the Scottish Widows scheme. The first two offer defined benefits, whilst the latter is based on employee/employer contributions.

Falmouth University **Report of the governing body**

As a key risk for the University, the rising cost of pensions has been further mitigated during the year with the decision to cease offering new staff membership into the TPS.

Research

The 2020/21 financial year began with the new Deputy Vice Chancellor: Research & Innovation heading the R&I directorate. The 2020 professorial call resulted in the promotion of four academic staff members from across academic departments to Associate Professors. Eight new postgraduate research students joined the University, whilst five PGR students completed their PhD. The partnership with the University of the Arts, London for validating research degrees underwent a successful 5-yearly review. There were 35 Falmouth respondents (78% response rate compared to 36% national benchmark) to the Postgraduate Research Experience Survey (PRES) with overall satisfaction at 83%, 16% higher than the national benchmark. Compliance with the Concordat to Support Research Integrity was assessed, presented to the Board of Governors in line with expectations and subsequently published on the University website.

Research Excellence Framework (REF)

We made our submission to REF2021 at the end of March 2021. Our REF submission represented a cross-section of the research staff have undertaken since the last exercise in 2014, the impact of our work on the economy and society and a summary of our research environment. We submitted 161 outputs from 86 staff alongside 5 impact case studies, based on our work in immersive museum experiences, sustainable design, online music making, the launchpad programme and our sound/image cinema lab.

Project portfolio

Falmouth has nationally recognised impact driven research and innovation programmes in games, immersive technologies, film & television and entrepreneurship, which is attracting students, technologists and academics to the area from across the UK and beyond.

At a time when technologies such as big data, AI and robotics are disrupting traditional industries and changing the way we live, creative skills are providing the solutions to today's challenges across every sector - we call this the Creative-Bridge. For example, the video games and film, performing arts industries are working with engineering companies to find innovative solutions to global challenges such as climate change. This type of collaboration and innovation is not only necessary to secure the growth of Cornwall's creative enterprises, but the growth of the UK economy at large.

Falmouth has continued along its path to delivering transdisciplinary impact driven research and innovation this year. In addition to our live portfolio of 19 R&I projects amounting to c£27m, we submitted 21 bids across 12 different funding bodies during the financial year 2020/21 amounting to £34.23m total gross value. This included applications to the AHRC, ESRC, MRC, Arts Council England, BBSRC, LGF/LEP, Leverhulme, Innovate UK and Research England, demonstrating our commitment to working across disciplinary boundaries in response to the grand challenges of our age.

Knowledge Exchange Framework

In 2020 Falmouth received funding from Higher Education Innovation Fund (HEIF) for the first time. The award was £282k, enabling the university to increase our Knowledge Exchange Activity and support the 2030 strategy and the knowledge exchange scheme in Challenge 9 of the 2020 Challenges. The University submitted its HEIF accountability statement for 2020/21 which has been approved by UK Research & Innovation (UKRI). A HEIF/Knowledge Exchange Plan for 2021-25 was submitted and approved by UKRI summer 2021.

Falmouth University
Report of the governing body

Knowledge Exchange Concordat

As recipient of HEIF the University has committed to the Knowledge Exchange Concordat. The university started to map its performance against each of the Concordats guiding principles. A self-evaluation including gap/risk analysis was undertaken and an action plan identifying the top five priorities was developed.

Launchpad

Launchpad is the University's post-graduate business incubation programme that combines academic study with strategic industry partners, working to create new digital businesses developed to meet identified market gaps, demand and pain points. The Launchpad Programme is underpinned by an MSc in Entrepreneurship, which culminates in the development of an MVP and a business plan based around a defined challenge, prior to incorporation. Launchpad places students into teams that build, develop, and incorporate new companies which are co-founded in partnership with the University.

The programme was affected by Covid-19 with delivery for a period moving on-line and recruitment for January 2021 Cohort being postponed due to lockdown restrictions. However, candidates who had accepted a place were given the possibility to join in later cohorts and, with a broader focus on international candidates introduced for the 2021/22 year, a more diversified cohort started with us in September 2021.

An investment team was established to work with the current and future Launchpad Company Portfolio, who focus on early scrutiny of business concepts, ongoing appraisal of businesses, incorporation, portfolio monitoring and reporting, investor readiness and guidance around capital raising activities. 12 new business were incorporated during the period, and the portfolio currently consists of 38 companies.

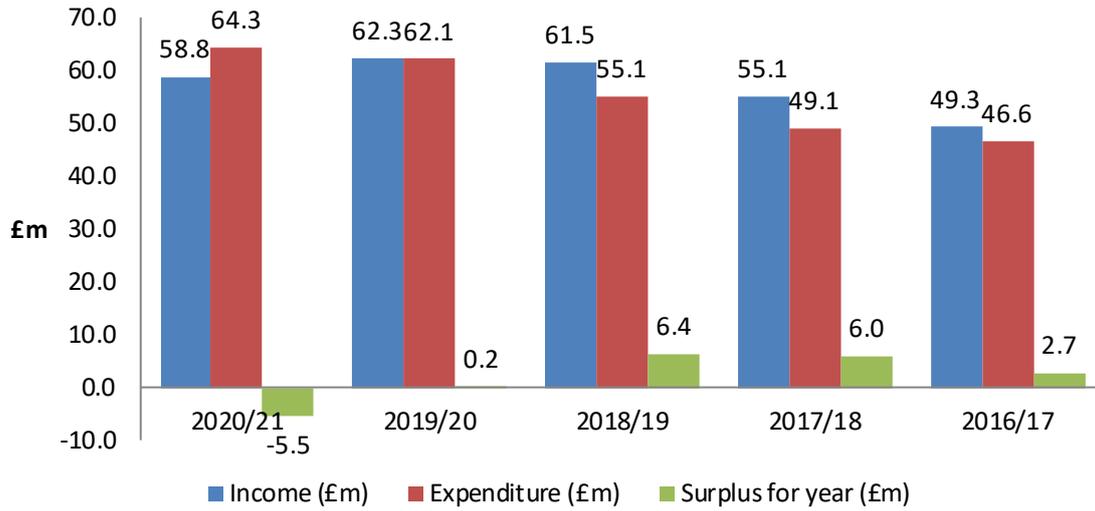
Financial overview:

The results for the year reflect a significant deficit which was approved by the Board in July 2020. This investment utilises reserves built up over recent previous years with a focus on online learning and our own platform to enable growth in new online markets. Despite this deficit, Falmouth remains strong and has achieved most of its financial key performance indicators.

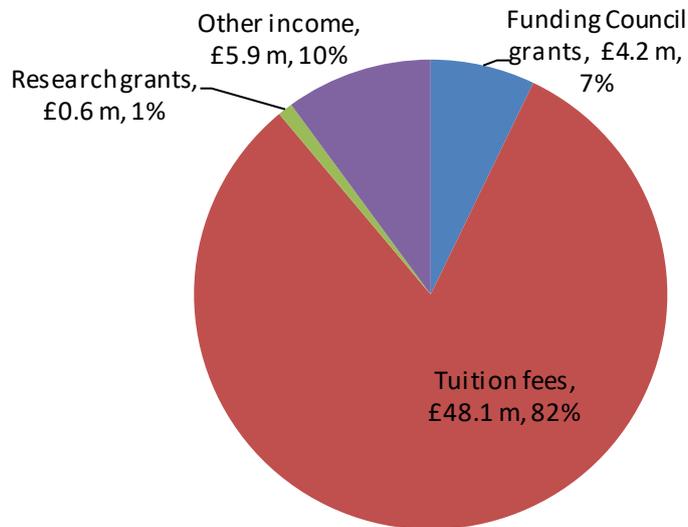
Group financial highlights:

	2021/21	2019/20	2018/19	2017/18	2016/17
	£(000)	£(000)	£(000)	£(000)	£(000)
Income	58,790	62,280	64,828	61,548	55,087
Expenditure	(64,303)	(62,130)	(61,646)	(55,063)	(49,111)
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	(2,289)	2,520	7,287	10,139	8,827
Net assets	35,702	49,386	62,521	63,294	53,921
Net assets excluding pension liability	70,108	76,840	79,641	76,091	67,514
Cash at bank and in hand	24,714	29,060	25,199	20,150	17,147
Net funds	12,111	16,249	16,091	12,749	11,512

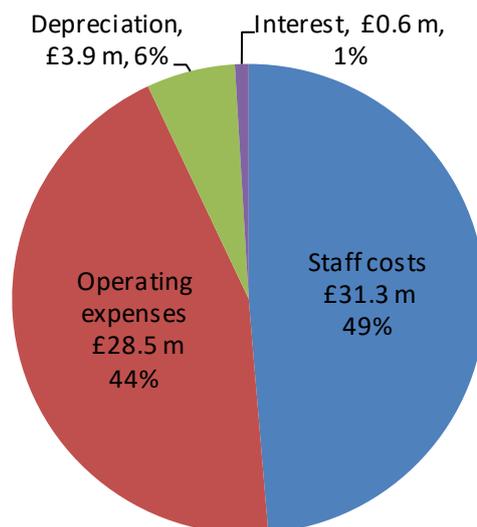
Falmouth University Report of the governing body



During the financial year 2020/21 income fell due to a decrease in undergraduate student numbers. At the same time, costs went up with additional staffing costs and the payment of franchise fees to partners.



**Falmouth University
Report of the governing body**



The Group recorded a deficit for the year of £7.1m (2019/20 – deficit £1.5m) which was in line with the level approved by the Board after allowing for FRS102 pension adjustments.

KPI	Actual	Target
Surplus/(deficit) generation (exc. pension)	(8.5)%	(8.5)%

Income fell by 5.6% due to lower tuition fee receipts from on-campus courses.

KPI	Actual	Target
Teaching income per academic FTE	£174k	£193k

Costs rose by 3.5% during the year with staff costs increasing by over 8% while other costs remained static as costs were controlled in line with the expected lower income.

Tangible fixed asset additions during the year amounted to £2m, including new building developments of £1.2m, equipment purchases of £0.8m and depreciation of £3.9m. These related to the completion of the new academic and social spaces on the Penryn Campus and were a shared cost with the University of Exeter.

During the year, the University invested £0.5m in a new partner – Waterbear Education Ltd, based in Brighton. This company became a franchise partner in 2019 but have ambitious growth plans elsewhere across the UK and a direct investment was agreed by the Board as a way of diversifying risk and growing our national and global reach.

The University operated four subsidiary companies during the year: Falmouth Enterprises Limited, Falmouth Agency Limited, Falmouth Staffing Limited and Falmouth Ventures Ltd. In addition, the University owns 50% in Falmouth Exeter Plus, a jointly controlled entity with the University of Exeter. Any surpluses generated by the subsidiaries are transferred under deed of covenant. In the current year, the surpluses generated by these subsidiaries was £38k.

Treasury policies and objectives

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

Falmouth University Report of the governing body

The University has a separate treasury management policy in place.

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

Cash flows and liquidity

Cash flow from operating activities recorded a net outflow of £2.2m (2019/20 – inflow £4.4m).

The overall net cash outflow was £4.4m (2019/20 – inflow £3.8m) which meant that cash held at the year-end fell to £24.6m (2019/20 – £29.1m).

In total, the face of the balance sheet shows that borrowings remain relatively modest although it should however be noted that the University guarantees 50% of the loans within Falmouth Exeter Plus which are funded by income from student residences. At the year end the value of this guarantee stood at £20.2m.

KPI	Actual	Target
Liquidity (current ratio)	3.08	3.21

KPI	Actual	Target
EBITDA	£(2.3)m	£(2.5)m

KPI	Actual	Target
Det servicing cost	4.1%	3.8%

KPI	Actual	Target
Total debt: Total funds	56%	67%

KPI	Actual	Target
I&E Reserves (excl pension): Total Income	97%	104%

KPI	Actual	Target
I&E Reserves £	£36m	£31m

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Universities, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 90%. During the year ended 31 July 2021, the University paid 82% of its invoices within 30 days. The University incurred no interest charges in respect of late payment for this period.

Estate

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

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

Falmouth University
Report of the governing body

KPI	Actual	Target
Cost of space per sq.m.	£145	£155

The programme of works over the year included the completion of new academic spaces at Penryn together with the extension to the Stannary; the main dining and social space on the Penryn Campus.

The experience of the last 9 months as we have lived through Covid-19 and the emergence of hybrid pedagogy has confirmed that a strategic estates review is necessary, especially given the future financial challenges we may face in the coming months/years

The University formally commenced the Master Planning exercise with FX Plus, the University of Exeter and Cornwall Council. There is approximately a two-and-a-half-year timeline for this process.

In addition, discussions are ongoing with Cornwall Council regarding possible occupation of new premises in Truro. Whilst any involvement in Truro is subject to approval by the Board (possibly as early as Spring 2022), the likely completion of the first phase of the Pydar Street development is still four years away and would be for the start of the 2025/26 academic year.

Information technology

This year saw continued investment in cyber security (through FX Plus) alongside our regular refresh of IT suites. In addition, to support our students and their remote working, we paid for 5,000 Adobe licences to enable students to access learning and design resources.

Risk management

There are clear risks (and some opportunities) for Falmouth in the shape of the future Teaching Excellence and Student Outcomes Framework (TEF) and employment data. These are important for Falmouth, especially in terms of the treatment of graduate employment and salary data. The future TEF will move from being an annual exercise, whereby universities could attempt to trade up once a year if their data improve enough to earn a higher medal award, to a 4 or 5 year exercise. So, as with the Research Excellence Framework, we will live with our TEF assessment for much of the current strategic plan period.

The present Strategic Risk Register covers three TEF-related risks: employability, student retention, and student experience.

The University also has risks associated with tuition fees and student finance system changes, particularly a potential cut to the headline tuition fee and a possible cut to the overall income we receive, per undergraduate student. At present there is not a finance-related risk articulated at the Strategic Risk Register level.

There is both risk and opportunity for Falmouth in terms of advocating for our creative subjects, and the value of the creative industries. The risk is in doing nothing, or nothing more than our present efforts. Key figures in Government come and go, and, the whole HE sector currently has limited support from the Government or the media. In terms of creative subjects, the present government has not demonstrated enthusiasm for creative education or the creative industries – the notion of valuable subjects has narrowed in the past year to STEM and healthcare subjects.

Falmouth University
Report of the governing body

The opportunity lies in Falmouth’s strengths – specialism in creative subjects, understanding the industries our students and staff work in, and articulating the Creative Bridge concept and the economic and cultural benefits of what we do. This can and will be related to key government concepts of ‘levelling up’ opportunity across the country and building back better from the pandemic. This risk and opportunity will be addressed through the 2021 Challenge ‘Getting the Story Out There: Lobbying and Influencing’.

Broader risks linked to the pandemic and recovery include an articulation of changes to the risk environment brought about by the UK government’s response to the coronavirus pandemic, principally national lockdowns from March to July 2020, November to December 2020, and January 2021 onwards, with ongoing social distancing and associated measures intended to safeguard public health and limit the spread of the virus. Rather than articulating a generic ‘Covid-19 risk’, the current register considers the impact of the lockdown and public health measures on the overall risk environment, through ‘the trajectory narrative’ field.

Work took place throughout 2019/20 and 2020/21, to enhance and digitise the University’s risk and compliance framework. Risk Owners and Operational Leads receive automated reminders each month to review and update their risks, with a larger risk review request and exercise scheduled each term (three times per year) for Strategic and Corporate Compliance Risks. In addition, all risks (including Operational risks) are regularly reviewed via the cycle of business of the relevant monitoring forum(s) for each risk.

Risk category	Risk title	Trajectory
Strategic	Graduate outcomes	Rising
Strategic	Student accommodation	Rising
Strategic	Student growth	Steady
Strategic	Research Degree Awarding Powers	Steady
Strategic	Knowledge Exchange Framework	Steady
Strategic	Information security	Steady
Strategic	Pension liabilities	Falling
Operational	Teaching Excellence Framework	Steady
Compliance	Condition of registration A	Rising
Compliance	Condition of registration C	Steady
Compliance	Data protection	Steady

Looking ahead

Heading into a new academic year, 2021/22, all signs indicate that the University will return to growth with more students entering higher education nationally than ever before. In fact, enrolments in autumn 2021 confirm that 10% more students have enrolled than the prior year and enable us to recover some of the financial challenges that have faced us over the past two years.

The coming year will also see a major change for Falmouth as we bid farewell to Professor Anne Carlisle, our Vice-Chancellor & Chief Executive, who leaves the University at the end of December 2021.

Falmouth University
Report of the governing body

Conclusion

The Governing Body would like to record its thanks for the contribution and leadership that the Vice-Chancellor has given during her 12 years in charge. Despite the difficulties of the past two years of a global pandemic, the University has continued to provide high quality education and support for its students and has managed to innovate and amend its model of learning and teaching in the only way it can, by being Creative, Connected and Courageous.

Approved by order of the members of the Board of Governors on 19 November 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C. Pomfret', with a long horizontal line extending to the right.

Chris Pomfret OBE
Chair of the Board of Governors

Falmouth University Public benefit statement

Legal status

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

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

Vision

The vision for the organisation as set out in the 2030 Strategic Plan is that:

In 2030 Falmouth University has become what we set out to be twenty years before, a creative innovation hub. A place full of clever people. Original and courageous thinkers, who feed the future of the creative industries, not its past.

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

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

And we are Doing it for Real. Producing future-proofed entrepreneurial graduates. People who excel both as employers and employees. Complex problem solvers and multi-disciplinary team players. Shaped through partnering with industry and by our intensive needs-based approach to learning. We've put real world, real market challenges at the heart of everything we do. We've learnt how to capitalize our abundant raw student talent. We have created the next generation of entrepreneurs. Our approach to design thinking and open innovation has changed us forever. It has magnified our impact in Cornwall and helped us take Falmouth and Cornwall Global.

Falmouth University is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Higher Education Funding Council for England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 22.

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

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

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

Falmouth University Public benefit statement

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

In 2020/21 the University provided £1.2m in means-tested scholarships to support undergraduate entrants who might otherwise have been unable to afford the costs of going to university and has committed more than £3.1m through our Access Agreement to student financial support over the next five years.

Equality, diversity and inclusion considerations have been embedded into the development of the University's 2020 Challenges. The following Challenges have particular alignment to our equality, diversity and inclusion mission: Digital Learning & Teaching Plan; Widening Access & Participation Plan; Integrated Academic, Research & Innovation Framework and are currently being implemented. Under review currently is our Joined-up Student Support challenge, which will look at reframing our student support offer beyond just the pastoral or academic, but also the social and wellbeing aspects.

The University's plans for growing franchise off campus provision also have the potential to deliver some of the diversification required by the Access & Participation Plan's access-related targets, with limited environmental impact compared to the campus-based model of Higher Education.

A recent UCAS report stated that in a survey with LGBTQ+ students, LGBT report, Falmouth University were listed in the top 5 institutions in the Country as offering an exceptionally positive experience.

The Student Advisors pilot project commenced in 2020/21 and will run for two years (due to end July 2022). It was designed to pilot longitudinal and pro-active pastoral support to students, acting as a critical point of contact to enhance student wellbeing and has been useful in promoting higher quality outcomes (e.g. continuation) for students recruited through the access and participation agenda. The pilot and its outcome will also inform our Joined-up Student Support challenge moving forward.

New posts to support the University's Access & Participation Plan have been pivotal in developing the University's understanding of demographic challenges to access, success and progression, and the widening participation agenda in HE. These new posts form the APP Hub and are driving forward the APP agenda in conjunction with Equality, Diversity and Inclusion. All activities have been defined through a theory of change model, align with the APP 'Strategic Measures' and increase performance across the whole student lifecycle.

The development, in collaboration with The Students' Union and the University of Exeter, of Falmouth and Exeter Speak Out to simplify and improve reporting and support for our combined student community. As highlighted by the 2020 Equality and Human Rights Commission report on Tackling Racial Harassment in Universities recognising that such events are under-reported and institutions have insufficient information to effectively address bullying and harassment, initiatives such as this will allow anonymous and first stage (formal) reporting of bullying/harassment incidents and provide support and resources to students who do not wish to formally engage.

Adoption and implementation of an institute-wide short digital course made available to all existing, new and returning students. This course is related to awareness raising of "sexual consent" and has formed part of our institutional induction programme.

Falmouth University
Public benefit statement

The University normally expects that any private (non-charitable) benefit will be legitimately incidental to the achievement of the University's charitable aims for public benefit. The terms and conditions of all externally funded research activity are assessed prior to acceptance in terms of the public benefit test for charitable purpose.

Falmouth University Corporate governance

Statement of Corporate Governance and Internal Control

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

This statement covers the year ended 31 July 2021 and the period up to the date of approval of the financial statements. The University is committed to exhibiting best practice in all aspects of corporate governance and conducts its business:

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

Board of Governors

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

Responsibilities of the Board of Governors

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

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

- Appointment of the external auditors to ensure the financial statements give a true and fair view of the state of affairs of the group and parent University, of income and expenditure, gains and losses, and changes in reserves for that period
- Appointment of external auditors to ensure the financial statements have been prepared in accordance with the requirements of the terms and conditions of funding for higher education institutions from the Office for Students (OfS) and applicable law and regulations
- Assessing the group and parent University's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern (See 'Going Concern' page 37)
- Approval of the financial statements The Board is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against targets, proposed capital expenditure, quality matters and personnel-related matters including performance against health and safety requirements and benchmarks.

The Board meets six times a year with provision for extraordinary meetings as required, and briefings are provided to Board Members in-between meetings as appropriate. During the period of lockdown prompted by the COVID-19 pandemic, all scheduled Board and sub-committee meetings took place

Falmouth University Corporate governance

by video conference. In addition, a number of informal question and answer sessions were held between formal meetings from March 2020 onwards, to provide Board members with additional opportunities to consider the University's response to the pandemic and subsequent lockdown.

Membership of the Board of Governors

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

Members of the Board of Governors acting as the Trustees of the University do not receive remuneration for their service on the Board, but are entitled to claim reasonable expenses incurred in undertaking their duties as Trustees. See page 49 for a breakdown of expenses.

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

Each sub-committee of the Board has a Terms of Reference, approved by the Board and published in full on the University's Governance webpage: www.falmouth.ac.uk/governance

All Members of the Board are able to undertake independent training and seek professional advice in furtherance of their duties at the University's expense and have access to the Secretary to the Board, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Secretary are matters for the Board as a whole.

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

**Falmouth University
Corporate governance**

Membership of the Board of Governors serving during 2020/21

	Date of appointment	Term of office	Expiry of term	Status of appointment	Committees served	Attendance
C Pomfret OBE	1 Sep 2015	Second term	31 Aug 2023	Chair of the Board of Governors	Nominations Committee, Remuneration Committee, Ventures Committee	67%
M Carne CBE	1 Aug 2013	Second term	31 Jul 2021	Independent Governor	Remuneration Committee	83%
A Cressey	1 Sep 2015	Second term	31 Aug 2023	Independent Governor	Nominations Committee	83%
T Jones	1 Nov 2016	First term	31 Oct 2024	Independent Governor	Audit Committee	100%
D Leslie	1 May 2019	First term	30 Apr 2023	Independent Governor	Audit Committee	100%
B Louveaux	1 Aug 2013	Second term	31 Jul 2021	Independent Governor	Audit Committee, Nominations Committee	100%
J Mathers	1 Sep 2015	Second term	31 Aug 2023	Independent Governor	Audit Committee	100%
H Owers	1 July 2019	First term	30 Jun 2023	Independent Governor	Audit Committee	100%
C Wace	1 Sep 2015	Second term	31 Aug 2023	Independent Governor	Remuneration Committee, Ventures Committee	83%
Professor A Carlisle OBE	1 Sep 2009	n/a	n/a	Vice-Chancellor	Nominations Committee, Ventures Committee	100%
M Jandrell	24 May 2019	-	23 May 2023	Staff Governor		100%
V Gosling	1 Sep 2020	-	31 Aug 2022	Staff Governor		100%
L Marshall	1 Sep 2020	-	31 Aug 2021	Student Governor		67%

In attendance

P Cox	Chief Operating Officer	Board of Governors, Audit Committee, Ventures Committee	83%
Professor P Eriksson	Deputy Vice-Chancellor (Research & Innovation)	Board of Governors, Ventures Committee	100%
R Holmes	Director of Business Services	Board of Governors, Audit Committee, Ventures Committee	100%
Dr R Kirby	Strategic Advisor to the Vice-Chancellor, & Secretary to the Board of Governors	Secretary to: Board of Governors, Remuneration, Nominations, Audit and Ventures Committees	100%
Professor E Ma	Provost	Board of Governors	100%
J Scott	Chief Marketing Officer	Board of Governors	100%
K Shannon	Clerk to the Board of Governors	Clerk to: Board of Governors; Audit Committee, Remuneration Committee, Ventures Committee	100%
R Wyatt	Clerk to the Board of Governors	Clerk to: Board of Governors; Audit Committee, Remuneration Committee, Ventures Committee	100%

Falmouth University Corporate governance

Corporate governance effectiveness

In accordance with the statement of Primary Responsibilities, the University undertakes periodic reviews of its corporate governance effectiveness. The most recent review concluded in May 2021 and was undertaken by AdvanceHE. The review outcomes were very positive, with the report noting that: *“the approach to governance at Falmouth University is effective. A strong commitment from members and collegiate atmosphere was evident, with a good degree of challenge being brought to the Executive. Coupled with an experienced and effective secretariat who are keen to continuously develop practice at Falmouth, the University is well placed to build on strong foundations and evolve governance even further in coming years. This chimes well with the University’s reputation for innovation and creativity.”*

The report set out a suite of developmental recommendations to further strengthen governance and support good practice; the Board approved the recommendations in May 2021 for implementation over a 12 month period.

Academic governance

The Academic Board is the University’s senior academic governing body, established in accordance with the Articles. The Academic Board’s responsibilities include the quality and continuous improvement of the student academic experience, the quality and standards of the University’s awards, and approval of new editions and revisions to academic regulations and policy. Academic Board provides the Board of Governors with assurance that the University’s academic strategy, academic governance and academic practices are appropriate and effective. Academic Board’s responsibilities are published in the Articles on the University’s Governance webpage: www.falmouth.ac.uk/corporate/governance

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

Leadership and management

The Vice-Chancellor & Chief Executive is the Accountable Officer, accountable to the Board of Governors and Office for Students (OfS). The Vice-Chancellor & Chief Executive’s responsibilities include the organisation, direction and management of the University and leadership of its staff.

The Vice-Chancellor & Chief Executive’s responsibilities are published in the Articles on the University’s Governance webpage. The Vice-Chancellor & Chief Executive is advised by the Vice-Chancellor’s Executive Group (VCEG), the senior advisory and executive decision-making group for the University, and its three sub-groups (Digital & IT Group, Equality, Diversity & Inclusion Group, and Health & Safety Group).

VCEG’s key purpose is to advise on the management and strategic direction of the University with a particular focus on the management of the University’s financial and physical resources, staffing, monitoring of strategic and corporate compliance risks, and on the markets in which the University operates.

Register of interests

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

Falmouth University Corporate governance

Statement of internal control

The system of internal control includes:

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

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

The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The system of internal control has been in place in Falmouth University for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Risk management

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

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

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

There is a formal ongoing process for identifying, evaluating and managing the University's risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. During the period, further enhancements to risk management policy, processes and tools were implemented - digitising the approach to the management of risk information, and further embedding risk management culture across the University.

Internal audit

Falmouth University uses an internal audit service, whose work is directed by the University's 2030 Strategy, the high-level targets of the Strategy, and the University's Strategic and Corporate Compliance Risk Registers. The work of the internal audit service, and the management response to recommendations of the internal auditors, is scrutinised by the Audit Committee.

Falmouth University
Corporate governance

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

Effectiveness of the system of internal control

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

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

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

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

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

Going concern

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

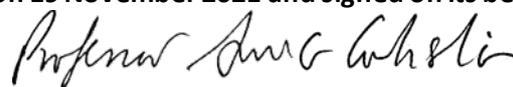
At the time of approving the financial statements, recruitment for the coming year is known with much more certainty; numbers have held up and are broadly in line with the forecasts and Business Plan approved by the Board. This Plan approved a deficit for the financial year 2020/21 drawing on reserves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

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

Approved by order of the members of the Board on 19 November 2021 and signed on its behalf by:



Chris Pomfret OBE
Chair of the Board of Governors



Professor Anne Carlisle OBE
Vice-Chancellor & Chief Executive

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

Statement of responsibilities of the Board of Governors in respect of the annual report and the financial statements

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

They are required to prepare the group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students.

The Board of Governors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period. In preparing each of the group and parent University financial statements, the directors are required to:

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

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors are also responsible for ensuring that:

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

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

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



Signed:

19 November 2021

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Falmouth University ("the University") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Statement of Financial Position, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2021, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Basis for opinion

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

Going concern

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

In our evaluation of the Board of Governors conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Governors use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Governors assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board of Governors, the audit committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Group’s fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees and research grants and contracts is recorded in the wrong period or incorrectly recognised and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to accounts linked to a fraud risk, journal entries containing key words, journal entries made to unrelated accounts, journals posted to accounts that contain significant estimates and period-end adjustments and unusual journal entries to cash and borrowings.
- Inspecting transactions relating to revenue in the period prior to and following 31 July 2021 by verifying revenue had been recognised in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board of Governors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the Board of Governors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation and related legislation and we assessed the

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

extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Report of the Governing Body, the Public Benefit Statement and the Corporate Governance Statement, is consistent with the financial statements.

Board of Governors responsibilities

As explained more fully in their statement set out on pages 26-27, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that

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

an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes (or articles of government for post 1992 institutions);
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 7 has been materially misstated.

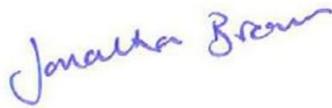
We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 6 to the financial statements has been materially misstated.

We have nothing to report in these respects.

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

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

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



Jonathan Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

17 December 2021

Falmouth University
Consolidated and University
Statement of comprehensive income
for the year ended 31 July 2021

	Note	Year to 31/7/21 Group £ (000)	Year to 31/7/21 University £ (000)	Year to 31/7/20 Group £ (000)	Year to 31/7/20 University £ (000)
Income					
Funding body grants	2	4,219	4,219	4,275	4,275
Tuition fees and education contracts	3	48,117	48,117	50,821	50,821
Research grants and contracts	4	580	580	746	746
Other income	5	5,846	5,883	6,248	6,247
Endowment and investment income	6	28	28	190	190
Total income		58,790	58,827	62,280	62,279
Expenditure					
Staff costs	7	31,337	31,402	28,920	28,950
Other operating expenses	8	28,459	28,417	28,662	28,629
Depreciation	11	3,911	3,911	3,904	3,904
Interest and other finance costs	9	596	596	644	644
		64,303	64,326	62,130	62,127
(Deficit)/Surplus before other gains and share of jointly controlled entity					
		(5,513)	(5,499)	150	152
Loss on disposal of assets		(438)	(438)	-	-
Share of operating deficit in jointly controlled entity	12	(1,124)	-	(1,690)	-
(Deficit)/Surplus before tax and (deficit)/surplus for year					
		(7,075)	(5,937)	(1,540)	152
Actuarial loss in respect of pension schemes	21	(6,607)	(4,844)	(11,595)	(8,419)
Total comprehensive income for the year		(13,682)	(10,781)	(13,135)	(8,267)

All income relates to continuing operations.

The notes on pages 37 to 65 form an integral part of the financial statements.

Falmouth University
Consolidated and University
Statement of changes in reserves
for the year ended 31 July 2021

Group

	Income & Expenditure Account <i>Restricted</i> £ (000)	Income & Expenditure Account <i>Unrestricted</i> £ (000)	Revaluation Reserve £ (000)	Non- controlling Interest £ (000)	Total £ (000)
Balance at 1 August 2019	27	48,772	13,712	10	62,521
Deficit from the income and expenditure statement	-	(1,538)	-	(2)	(1,540)
Other comprehensive income	-	(11,595)	-	-	(11,595)
Transfers between revaluation and income and expenditure reserve	-	260	(260)	-	-
Balance at 1 August 2020	27	35,899	13,452	8	49,386
Deficit from the income and expenditure statement	-	(7,075)	-	(2)	(7,077)
Other comprehensive income	-	(6,607)	-	-	(6,607)
Transfers between revaluation and income and expenditure reserve	-	260	(260)	-	-
Balance at 31 July 2021	27	22,477	13,192	6	35,702

University

	Income & Expenditure Account <i>Restricted</i> £ (000)	Income & Expenditure Account <i>Unrestricted</i> £ (000)	Revaluation reserve £ (000)	Total £ (000)
Balance at 1 August 2019	27	50,143	-	50,170
Surplus from the income and expenditure statement	-	152	-	152
Other comprehensive income	-	(8,419)	-	(8,419)
Transfers between revaluation and income and expenditure reserve	-	-	-	-
Balance at 1 August 2020	27	41,876	-	41,903
Deficit from the income and expenditure statement	-	(5,937)	-	(5,937)
Other comprehensive income	-	(4,844)	-	(4,844)
Transfers between revaluation and income and expenditure reserve	-	-	-	-
Balance at 31 July 2021	27	31,095	-	31,122

The notes on pages 37 to 65 form an integral part of the financial statements.

Falmouth University
Statement of Financial Position
as at 31 July 2021

	Note	Group 2021 £ (000)	University 2021 £ (000)	Group 2020 £ (000)	University 2020 £ (000)
Fixed Assets					
Tangible assets	11	110,471	110,442	112,829	112,800
Investment in subsidiary undertakings	12	-	4	-	4
Investment in associates	12	527	527	28	28
Interest in jointly controlled entity	12	4,570	-	7,457	-
		<u>115,568</u>	<u>110,973</u>	<u>120,314</u>	<u>112,832</u>
Current Assets					
Trade and other receivables	13	4,860	5,296	2,301	2,510
Cash at bank and in hand		24,714	24,151	29,060	28,773
		<u>29,574</u>	<u>29,447</u>	<u>31,361</u>	<u>31,283</u>
Less: Creditors – amounts falling due within one year	14	<u>(9,614)</u>	<u>(9,472)</u>	<u>(7,680)</u>	<u>(7,603)</u>
Net current assets		<u>19,960</u>	<u>19,975</u>	<u>23,681</u>	<u>23,680</u>
Total assets less current liabilities		135,528	130,948	143,995	136,512
Less: Creditors - amounts falling due after more than one year	15	(64,807)	(64,807)	(66,516)	(66,516)
Provisions					
Pension provision	21	(34,406)	(34,406)	(27,454)	(27,454)
Other provisions	16	(613)	(613)	(639)	(639)
Net assets		<u>35,702</u>	<u>31,122</u>	<u>49,386</u>	<u>41,903</u>
Restricted reserves					
Income and expenditure-Endowments	17	27	27	27	27
Unrestricted reserves					
Income and expenditure account		22,477	31,095	35,899	41,876
Revaluation reserve	18	13,192	-	13,452	-
Minority interest		6	-	8	-
Total reserves		<u>35,702</u>	<u>31,122</u>	<u>49,386</u>	<u>41,903</u>

The notes on pages 37 to 65 form an integral part of the financial statements.

The financial statements on pages 33 to 65 were approved by the Board of Governors on 19 November 2021 and signed on its behalf by:



C Pomfret OBE
Chair of Governors



Professor A Carlisle OBE
Vice-Chancellor & Chief Executive

Falmouth University
Consolidated statement of cashflows
for the year ended 31 July 2021

	Year to 31/7/21	Year to 31/7/20
	£ (000)	£ (000)
Cash flow from operating activities		
Deficit for the year	(7,075)	(1,540)
Adjustment for non-cash items		
Depreciation	3,911	3,904
Deferred capital grants released	(1,846)	(1,819)
(Decrease)/Increase in debtors	(2,571)	620
Increase/(Decrease) in creditors	1,532	(451)
Increase in pension provision	1,712	1,521
Decrease in other provisions	(26)	(4)
Share of operating deficit in jointly controlled entity	1,124	1,690
Loss on disposal of assets	438	-
Minority interest	(2)	(2)
Adjustment for investing or financing items		
Investment income	(28)	(190)
Interest payable	596	644
Net cash outflow from operating activities	<u>(2,235)</u>	<u>4,373</u>
Cash flow from investing activities		
Deferred capital grants received	1,008	760
Investment income	30	196
Investments	(499)	-
Payments made to acquire fixed assets	<u>(2,241)</u>	<u>(4,941)</u>
	(1,702)	(3,985)
Cash flows from financing activities		
Interest paid	(201)	(229)
New bank loan received	-	3,925
Loan repayments in year	<u>(253)</u>	<u>(251)</u>
	<u>(454)</u>	<u>3,445</u>
(Decrease)/Increase in cash and cash equivalents in the year	(4,391)	3,833
Cash and cash equivalents at the beginning of the year	<u>29,023</u>	<u>25,190</u>
Cash and cash equivalents at the end of the year	<u><u>24,632</u></u>	<u><u>29,023</u></u>

The notes on pages 37 to 65 form an integral part of the financial statements.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021

1 Principal accounting policies

Basis of preparation

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

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

Going concern

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

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

The Board of Governors has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the going concern period), which indicate that, taking account of severe but plausible downsides, including the anticipated impact of the COVID-19 pandemic, the Group and parent University will have sufficient funds to meet their liabilities as they fall due. In reaching this conclusion, the Board of Governors has considered the following factors.

Scenarios modelled included the impact of modified delivery for an extended period, reductions in student enrolments, and even delays to the start of the academic year. The key input to forecasts are student enrolments and retention and these have been stress-tested. Mitigating actions which could be taken following a decline in student numbers include a reduction in staff and direct costs. Currently, no need for further borrowing is foreseen.

The Board of Governors believe the Group and parent University have sufficient funding in place and expect the parent University to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of consolidation

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021

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

Accounting estimates and judgements

Key sources of estimation uncertainty

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

Useful economic lives of tangible assets

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

Impairment of debtors

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

Pensions

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

In response to the ongoing reform of RPI Hymans Robertson have changed their approach to setting the CPI assumption: an increase in the Inflation Risk Premium and a reduction in the long-term difference between RPI and CPI. The combined impact of this change is a circa £5.7m increase to the defined benefit obligation at 31 July 2021.

The mortality rate is based on publicly available mortality tables for the specific country. COVID-19 has caused a short-term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the University believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time.

Provisions

The University calculates provisions for enhanced pension payments using the 10 year gilt yield

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021

index. The provision for relocation costs assume that eligible staff will claim the maximum agreed sum.

Critical accounting judgements in applying the University's accounting policies

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

Recognition of income

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

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

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

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

Grant funding

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

Donations and endowments

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

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

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

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

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

Capital grants

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

Pension schemes

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

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

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

Defined Contribution Plan

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

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the University's income statement

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

in the year that the member of staff retires. The provision is calculated based on the total capital cost with an allowance for future investment returns in excess of inflation.

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

Employment benefits

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

Repairs and maintenance

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

Finance leases

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

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

Operating leases

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

Foreign Currencies

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

Tangible fixed assets

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

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

Land and buildings

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

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 2021. They are not depreciated until they are brought into use.

Fixtures, fittings & equipment

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

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

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

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

Accounting for goodwill and intangible fixed assets

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

Investments

Non-current investments are included in the balance sheet at amortised cost less impairment. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

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

Stock

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

Cash and cash equivalents

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax and falls under the partial exemption regime so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

Reserves

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

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

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

2 Funding body grants

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
OFS recurrent grant	3,375	3,375	3,453	3,453
OFS deferred capital grants released in year				
- Buildings	321	321	321	321
- Equipment	523	523	501	501
	4,219	4,219	4,275	4,275

3 Tuition fees and education contracts

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Full-time students	44,882	44,882	47,831	47,831
Full-time students charged overseas fees	2,199	2,199	2,758	2,758
Part-time students	900	900	106	106
Research fees	136	136	126	126
	48,117	48,117	50,821	50,821

4 Research grants and contracts

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Other contracts	580	580	746	746
	580	580	746	746

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

5 Other income

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Other income generating activities	42	25	84	64
Residences and catering operations	280	280	691	691
Other income (including European grants)	4,214	4,268	4,230	4,249
Recharges for the provision of combined services	308	308	246	246
Deferred capital grants	1,002	1,002	997	997
	5,846	5,883	6,248	6,247

6 Endowment and investment income

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Bank deposit interest	28	28	190	190
	28	28	190	190

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

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Grant income from the OfS	4,219	4,219	4,275	4,275
Grant income from other bodies	580	580	746	746
Fee income for research awards	136	136	126	126
Fee income for taught awards	47,981	47,981	50,695	50,695
	52,916	52,916	55,842	55,842

7 Staff costs

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Wages and salaries	22,963	23,749	21,038	21,362
Social security costs	2,283	1,933	2,137	1,991
Other pension costs	6,091	5,720	5,745	5,597
	31,337	31,402	28,920	28,950

Approach to remuneration

a) The competitive environment

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

b) Remuneration Policy

The policy for the Senior Management Team Performance Related Pay Scheme can be found at: <https://www.falmouth.ac.uk/file/39735/download> and this sets out the principles and process to be followed in determining variable pay across the institution.

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

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

- **Cost of Living:** Consideration is given on whether any inflationary increase to base pay should be made to reflect cost of living pressures. In reaching this decision the committee consider a range of inflation indices, the trend of these over the year as well as considering the outcome of the annual New JNCHES pay negotiations. Any decision to apply a cost of living increase to base pay would be applied equally to all designated post-holders.
- **Individual base pay:** Separately to the decision on cost of living the committee will also consider individual base pay to see whether the remuneration for the role has become out of kilter with the market. In order to undertake this analysis data published by the Universities and Colleges Employers Association is used to benchmark across relevant institutions in the sector as well as looking at analysis of internal salary distributions and giving consideration to any changes or developments to the role during the period that may justify an amendment to remuneration.

Institutional performance

c) Performance pay

As set out in the Senior Management Team Performance Related Pay Scheme (linked above) performance pay is based on two components: (i) institutional performance based on achievement of annual targets for achievement of the budgeted surplus, budgeted income targets, income diversification metrics, and metrics related to teaching excellence; and (ii) individuals' achievement of their personal objectives in relation to the Strategic Plan (2030 Strategy). For (ii) individuals work to annually agreed, measurable objectives agreed with their line manager. Remuneration Committee considers written reports on achievement of, or progress against, their objectives, with relevant supporting commentary and data. Staff are not grouped into categories of performance but are considered on an individual basis.

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

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

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

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

In 2020/21, the University met its target deficit, as detailed in the published annual accounts (target - 8.4%, final outcome -8.5%). Therefore, this component of Performance Related Pay was achieved. However, other annual institutional targets were not achieved.

e) Total funds distributed for performance pay

The total value of all payments awarded by the Remuneration Committee for the 2020/21 period is £nil following the decision by the Remuneration Committee to only award a cost of living increases to base pay for Designated Post Holders for 2021/22.

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

No performance award was allocated for the 2020/21 financial year.

g) Assessment of the Vice-Chancellor & Chief Executive's performance

In assessing the Vice-Chancellor & Chief Executive's performance for 2020/21, the Remuneration Committee considered the following:

- Key metrics listed in (b) above, including the challenging recruitment environment for full time, UK undergraduate students, achievement of improved year-on-year student retention, and a reduction in some key National Student Survey metrics
- Full achievement of all personal objectives agreed with the Chair of the Board in 2020/21

h) Total remuneration for the Vice-Chancellor

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

Remuneration for the Vice-Chancellor	2020/21	2019/20
Salary	£228,689	£228,689
Performance Related Pay	-	-
Benefits	£3,479	£3,371
Subtotal	£232,168	£232,060
Pension / payment in lieu of pension costs	£33,114	£33,114
Total	£265,282	£265,174

i) Pay multiples

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

It is noted that the calculation required by the Committee of University Chairs' Senior Staff Remuneration Code differs slightly from the calculation required by the Office for Students Accounts Directions and therefore for clarity each ratio is published below.

Using the CUC directed calculation, the pay multiple of the Vice-Chancellor & Chief Executive and the median earnings of the institutions whole workforce is 6.39 (2019/20: 6.38).

Using the OfS directed calculation, the pay multiple of the Vice-Chancellor & Chief Executive and the median earnings of the institutions whole workforce is 6.4 (2019/20: 6.4).

Using the OfS directed calculation, the total remuneration multiple of the Vice-Chancellor & Chief Executive and the total remuneration earnings of the institutions whole workforce is 6.25 (2019/20: 6.19).

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

External Appointments and Expenses

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

The Vice-Chancellor & Chief Executive holds the following external appointments:

Current directorships of:

- Falmouth Enterprises Ltd
- Falmouth Ventures Ltd
- Falmouth Staffing Ltd
- Falmouth Agency Ltd
- Cornwall Chamber of Commerce

Whilst not formal appointments, the Vice-Chancellor & Chief Executive also sits on a number of Boards where this develops a wider network that is advantageous to the University. None of these appointments are remunerated and includes the following Boards:

- Universities UK Economic & Social Recovery Task & Finish Group
- Shape of Tomorrow Group
- Cornwall & Isles of Scilly Executive Group
- City of Culture Steering Group
- Tyller A North Strategic Development for Culture Board
- Screen Cornwall Steering Board
- Creative Industries Federation Creative Education and Careers Working Group
- Emerge Education Advisory Board
- HE Edtech Advisory Board
- Local Outbreak Engagement Board

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

Basic salary of higher paid staff excluding Vice-Chancellor (excluding employer's pension contributions):

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	Number	Number	Number	Number
£100,000 - £104,999 pa	-	-	-	-
£105,000 - £109,999 pa	-	-	-	-
£110,000 - £114,999 pa	2	2	1	1
£115,000 - £119,999 pa	-	-	-	-
£120,000 - £124,999 pa	-	-	1	1
£125,000 - £129,999 pa	2	2	1	1

Average staff numbers (FTEs) by major category:

	Number	Number	Number	Number
Academic departments	310	280	301	280
Research & innovation	30	17	13	13
Academic support services	84	43	53	40
Administration	119	66	113	88
	543	406	480	418

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

Key management personnel

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

This consists of 7 roles:

Vice-Chancellor & CEO

Provost

Deputy Vice-Chancellor (Research and Innovation)

Chief Operating Officer

Chief Marketing Officer

Director of Business Services

Strategic Advisor to the Vice-Chancellor

Staff costs includes compensation paid to key management personnel.

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Key management personnel remuneration	941	941	1,096	1,096

Governors acting as Trustees

No governor has received any remuneration or waived payments from the group during the year (2020: none).

The total expenses paid to or on behalf of three governors was £253 (2019/20: £3,689 paid to five governors). This represents travel and subsistence expenses incurred in attending Board, committee meetings and charity events in their official capacity.

Access and Participation

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Access Investment	902	902	864	864
Financial Support	-	-	-	-
Disability Support	100	100	112	112
Research and Evaluation	107	107	71	71
	<u>1,109</u>	<u>1,109</u>	<u>1,047</u>	<u>1,047</u>

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

8 Other operating expenses

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
Teaching materials and expenses	3,302	3,302	3,890	3,890
Partnership teaching costs	4,728	4,728	5,877	5,877
Library and learning resource costs	1,635	1,635	1,650	1,650
IT support costs	2,708	2,708	2,230	2,230
Student support costs	1,515	1,515	1,913	1,913
Recruitment and restructuring costs	226	226	298	298
Research costs	722	722	582	582
Auditors remuneration - external audit fees	69	66	63	62
Auditors remuneration - internal audit fees	14	14	40	40
Auditors remuneration - non audit fees	-	-	-	-
Administrative expenses	3,186	3,163	3,125	3,106
Advertising and promotional expenses	1,834	1,834	1,889	1,889
Bursaries payable	1,351	1,351	755	755
Heat, light, rates and water	1,419	1,419	1,239	1,239
Repairs and maintenance to premises	5,203	5,203	4,425	4,425
Inter-campus transport	40	40	133	133
Rents and property leases	159	159	140	140
Other income generation costs	348	332	413	399
	28,459	28,417	28,662	28,629

9 Interest and other finance costs

	Group	University	Group	University
	31/7/21	31/7/21	31/7/20	31/7/20
	£ (000)	£ (000)	£ (000)	£ (000)
On bank loans not wholly repayable within five years	200	200	250	250
Pension finance costs	396	396	394	394
	596	596	644	644

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

10a Analysis of 2020/21 expenditure by activity - Group

	Staff costs £ (000)	Other operating expenses £ (000)	Depreciation £ (000)	Interest payable £ (000)	2020/21 Total £ (000)	2019/20 Total £ (000)
Academic departments	18,497	8,030	985	-	27,512	28,123
Academic support services	2,286	4,654	466	-	7,406	6,756
Research grants & contracts	1,349	723	-	-	2,072	1,712
Residences and catering	203	884	-	-	1,087	675
Premises	-	6,822	2,438	200	9,460	8,619
Administration & central services	8,674	6,996	13	396	16,079	15,852
Other services	328	350	9	-	687	393
Total	31,337	28,459	3,911	596	64,303	62,130

The depreciation charge has been funded by:

Deferred capital grants	1,846
General income	2,065
	<u>3,911</u>

10b Access and Participation

	Group 31/7/21 £ (000)	University 31/7/21 £ (000)	Group 31/7/20 £ (000)	University 31/7/20 £ (000)
Access Investment	1,304	1,304	1,373	1,373
Financial Support (i)	1,203	1,203	805	805
Disability Support	524	524	728	728
Research and Evaluation (ii)	335	335	142	142
	<u>3,366</u>	<u>3,366</u>	<u>3,048</u>	<u>3,048</u>

- (i) Included in Financial Support in 2020/21 is additional expenditure following the receipt of hardship funding from OfS.
- (ii) £107k (2019/20: £71k) of these costs are already included in the overall staff costs figures included in the financial statements, see note 7.

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (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 2020	3,068	118,911	23,625	145,604
Additions	1,202	139	650	1,991
Transfers	(3,287)	3,287	-	-
Disposals	(42)	(390)	(3,534)	(3,966)
C/f as at 31 July 2021	941	121,947	20,741	143,629
Depreciation				
B/f as at 1 August 2020	-	12,363	20,412	32,775
Charge for the year	-	2,302	1,609	3,911
Depreciation on disposals	-	(12)	(3,516)	(3,528)
C/f as at 31 July 2021	-	14,653	18,505	33,158
Net book value				
As at 31 July 2020	3,068	106,548	3,213	112,829
As at 31 July 2021	941	107,294	2,236	110,471
University				
Cost or valuation				
B/f as at 1 August 2020	3,068	118,995	23,286	145,349
Additions	1,202	139	650	1,991
Transfers	(3,287)	3,287	-	-
Disposals	(42)	(390)	(3,534)	(3,966)
C/f as at 31 July 2021	941	122,031	20,402	143,374
Depreciation				
B/f as at 1 August 2020	-	12,363	20,186	32,549
Charge for the year	-	2,302	1,609	3,911
Depreciation on disposals	-	(12)	(3,516)	(3,528)
C/f as at 31 July 2021	-	14,653	18,279	32,932
Net Book Value				
As at 31 July 2020	3,068	106,632	3,100	112,800
As at 31 July 2021	941	107,378	2,123	110,442

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

12 Investment assets

	Group	University	Group	University
	2021	2021	2019	2019
	£ (000)	£ (000)	£ (000)	£ (000)
Investment in subsidiary companies	-	4	-	4
Interest in associates	527	527	28	28
Interest in jointly controlled entity	-	-	-	-
	<u>527</u>	<u>531</u>	<u>28</u>	<u>32</u>

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

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

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

Falmouth Ventures Limited has been set up to hold Launchpad activity. The accounts of Falmouth Ventures Limited are unaudited as it has claimed exemption under s479A Companies Act 2006. The University has provided a guarantee in respect of all of the company's outstanding liabilities at 31 July 2021.

The principal activity of Falmouth Agency Limited is the operation of an employment agency for student workers. The accounts of Falmouth Agency Limited are unaudited as it has claimed exemption under s479A Companies Act 2006. The University has provided a guarantee in respect of all of the company's outstanding liabilities at 31 July 2021.

The principal activity of Falmouth Staffing Limited is the provision of human resources for professional services staff. The accounts of Falmouth Staffing Limited are unaudited as it has claimed exemption under s479A Companies Act 2006. The University has provided a guarantee in respect of all of the company's outstanding liabilities at 31 July 2021.

All of the above are companies registered in England and Wales

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

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

	2021	2020
	£ (000)	£ (000)
Share of fixed assets	39,040	40,075
Share of current assets	1,386	1,214
Share of current liabilities	(4,340)	(3,468)
Share of long-term liabilities	(19,300)	(20,736)
Share of pension liability	(12,216)	(9,628)
	<u>4,570</u>	<u>7,457</u>
Share of income	<u>15,733</u>	<u>14,680</u>
Share of deficit for the year	(1,124)	(1,690)
Share of tax payable	-	-
Share of total comprehensive income	(2,886)	(4,866)

Interest in associates comprises:

Name	Company number	Shares	% shareholding
Hertzian Limited	9753777	302	24.7
Waterbear Education Limited	11023994	4,037,222	9

In August 2020 the University invested £0.5m for a 10% share in Waterbear Education Ltd. This company provides music education in Brighton with values that mirror those of the University.

Hertzian is a spin-out company mentored by the University. Shares in this company were gifted on incorporation. No value has been included in the financial statements on the basis that it is not material.

Other non-current investments of the University comprise:

Name	Company number	Shares	% shareholding
Atlantic Press Limited	5122849	10	10
Stream TV Limited	8471003	100	5

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

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

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

13 Debtors

	Group	University	Group	University
	2021	2021	2020	2020
	£ (000)	£ (000)	£ (000)	£ (000)
Fees and charges	1,727	1,727	861	861
Trade debtors	805	804	325	324
Prepayments and accrued income	1,234	1,226	786	781
ERDF and ESF grants due	990	990	275	275
Amounts owed by group undertakings	-	445	-	215
Amounts owed by jointly controlled entities	695	695	-	-
Sundry debtors	17	17	530	530
Bad debt reserve	(608)	(608)	(476)	(476)
	4,860	5,296	2,301	2,510

14 Creditors – amounts falling due within one year

	Group	University	Group	University
	2021	2021	2020	2020
	£ (000)	£ (000)	£ (000)	£ (000)
Bank loan	878	878	408	408
Bank overdraft	82	82	37	37
Trade creditors	1,058	1,057	310	310
Accruals and deferred income	6,500	6,469	5,670	5,649
Social security and other taxation	1,052	942	1,019	963
Amounts owed to jointly controlled entities	-	-	191	191
Other creditors	44	44	45	45
	9,614	9,472	7,680	7,603

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

15 Creditors – amounts falling due after more than one year

	Group and University	
	2021	2020
	£ (000)	£ (000)
Accruals and Deferred income	53,164	54,150
Bank loans	11,643	12,366
	64,807	66,516
	Group and University	
	2021	2020
	£ (000)	£ (000)
Amounts repayable on loans:		
In one year or less	878	408
In more than one year but not more than two years	820	831
In more than two years but not more than five years	2,428	2,441
In more than five years	8,395	9,094
	12,521	12,774

Falmouth University
Notes to the consolidated financial statements
for the year ended 31 July 2021 (continued)

	Amount £ (000)	Term	Interest rate %
Lloyds Bank plc	79	2022	0.2% above base rate
Lloyds Bank plc	2,442	2035	2.25% above base rate
RBS	10,000	2027	1.3% above base rate
	12,521		

16 Provisions for liabilities

Group & University	Enhanced Pension Provision £ (000)	Relocation costs £ (000)	Total £ (000)
Balance at 1 August 2020	567	72	639
Transferred from Income and expenditure	-	79	79
Utilised in the year	(33)	(72)	(105)
Balance at 31 July 2021	534	79	613

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 2021. 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 per employee less amounts already claimed expected to relocate. The number of employees to which the provision relates was 24.

17 Endowments

	Group and University	
	2021	2020
	£ (000)	£ (000)
Permanent and expendable endowments		
Balance brought forward	27	27
Bursaries awarded	-	-
Balance carried forward	27	27

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

18 Revaluation reserve

	Group 2021 £ (000)	University 2021 £ (000)	Group 2020 £ (000)	University 2020 £ (000)
Balance brought forward	13,452	-	13,712	-
Share of movement in jointly controlled entity's revaluation reserve	(260)	-	(260)	-
	13,192	-	13,452	-

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19 Analysis of changes in net funds

	At 1 Aug 2020 £ (000)	Cashflow: £ (000)	At 31 July 2021 £ (000)
Cash and cash equivalents	29,060	(4,346)	24,714
Overdraft	(37)	(45)	(82)
Total	<u>29,023</u>	<u>(4,391)</u>	<u>24,632</u>

20 Consolidated reconciliation of net funds

	31 July 2021 £ (000)	
Net funds 1 August 2020	16,249	
Movement in cash and cash equivalents	(4,391)	
Other non cash changes	253	
Net funds 31 July 2021	<u>12,111</u>	
Analysis of net funds:	31 July 2021	31 July 2020
	£ (000)	£ (000)
Cash and cash equivalents	24,714	29,060
Borrowings: amounts falling due within one year		
Secured loans	(878)	(408)
Bank Overdraft	(82)	(37)
	<u>(960)</u>	<u>(445)</u>
Borrowings: amounts falling due after more than one year		
Secured loans	(11,643)	(12,366)
	<u>(11,643)</u>	<u>(12,366)</u>
Net funds	<u>12,111</u>	<u>16,249</u>

21 Pension schemes (Group and University)

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

	31/7/21 £ (000)	31/7/20 £ (000)
CC Pension Scheme: Charge to the Income and expenditure account (note 7)	3,330	3,335
USS Pension Scheme: contributions paid (note 7)	6	10
Teachers' Pension Scheme: contributions paid (note 7)	2,384	2,205
	<u>5,720</u>	<u>5,550</u>
Enhanced pension charge to Income and expenditure account (note 16)	33	47
Total pension cost for the year	<u>5,753</u>	<u>5,597</u>

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Teachers' Pension Scheme (TPS)

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

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

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

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

Not less than every four years, with a supporting interim valuation in-between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

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

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

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

Retirement benefits disclosure

The University is a member of the Cornwall Council Pension Scheme, a funded defined benefit scheme in the UK. The total contribution made for the year ended 31 July 2021 was £2,115k (2020: £2,398k) of which employer's contributions totalled £1,639k (2020: £1,853k) and employees' contributions totalled £476k (2020: £545k).

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

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 rolled forward to 31 July 2021 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:	2021	2020
	%	%
Rate of increase in salaries	2.8	2.1
Inflation - CPI	2.8	2.1
Rate of increase for pensions in payment	2.8	2.1
Discount rate for liabilities	1.6	1.4
Commutation of pensions to lump sums- membership post April 2008	70.0	70.0

Commutation

An allowance is included for future retirements to elect to take 40% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 70% of the maximum tax-free cash for post-April 2008 service.

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2020 model with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of improvement of 1.5% p.a.

	Males	Females
Current Pensioners	21.5 years	24.1 years
Future Pensioners *	22.8 years	25.8 years

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

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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 2021	Bid value at 31 July 2021	Long-term rate of return expected at 31 July 2020	Bid value at 31 July 2020
	%	£(000)	%	£(000)
Equities	2.8	22,818	2.2	18,339
Bonds	2.8	14,411	2.2	12,905
Property	2.8	2,402	2.2	2,038
Cash	2.8	400	2.2	679
Estimated employers' share of scheme assets		40,031		33,961
Present value of scheme liabilities- Funded		(74,437)		(61,415)
Deficit in the scheme		(34,406)		(27,454)

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 2021.

Actual return on assets

	2021	2020
	£'000	£'000
Actual return on assets	3,987	1,796

Analysis of the amount charged to Income and Expenditure account

	2021	2020
	£(000)	£(000)
Current service cost	3,351	3,343
Total operating charge	3,351	3,343

Analysis of pension finance costs

	2021	2020
	£(000)	£(000)
Interest income on plan assets	(486)	(751)
Interest on pension scheme liabilities	882	1,145
Net cost	396	394

Amount recognised in other comprehensive income (OCI)

	2021	2020
	£(000)	£(000)
Actuarial gain recognised in OCI in the year	(4,844)	(8,419)
Cumulative actuarial loss recognised in OCI at 1 August	(15,305)	(6,886)
Cumulative actuarial loss recognised in OCI at 31 July	(20,149)	(15,305)

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Asset and Liability Reconciliation

	2021	2020
	£ (000)	£ (000)
Reconciliation of Liabilities		
Liabilities at start of period	61,415	50,235
Current service cost	3,351	3,343
Interest cost	882	1,145
Employee contributions	476	545
Remeasurements *1	8,831	6,623
Estimated benefits paid	(518)	(507)
Losses on curtailments	-	31
Liabilities at end of period	<u>74,437</u>	<u>61,415</u>

Reconciliation of Assets

Assets at start of period	33,961	33,115
Interest income on plan assets	486	751
Remeasurements *2	3,987	(1,796)
Employer contributions	1,639	1,853
Employee contributions	476	545
Estimated benefits paid (net of transfers in)	(518)	(507)
Assets at end of period	<u>40,031</u>	<u>33,961</u>

	2021	2020
	£(000)	£(000)
*1 Remeasurements of liabilities	(8,831)	(6,623)
*2 Remeasurements of assets	3,987	(1,796)
Actuarial gain recognised in OCI at 31 July- University	<u>(4,844)</u>	<u>(8,419)</u>
Share of joint venture's actuarial gain	(1,763)	(3,176)
Actuarial gain recognised in OCI at 31 July- Group	<u>(6,607)</u>	<u>(11,595)</u>

History of liabilities, assets and experience adjustments

	2021	2020	2019	2018	2017
	£(000)	£(000)	£(000)	£(000)	£(000)
Scheme liabilities	(74,437)	(61,415)	(50,235)	(40,863)	(37,808)
Scheme assets	40,031	33,961	33,115	28,066	24,215
Deficit	(34,406)	(27,454)	(17,120)	(12,797)	(13,593)
Experience adjustments on Scheme liabilities	(8,831)	(6,623)	(5,040)	1,064	1,818
Experience adjustments on Scheme assets	3,987	(1,796)	2,235	1,324	768

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Pension scheme – USS (Group and University)

The total cost charged to the Statement of Comprehensive Income is £6K (2020: £11K). No liability has been included for deficit payments as these are not considered to be material.

The latest available complete actuarial valuation of the Retirement Income Builder of the scheme is at 31 March 2018 (“the valuation date”), which was carried out using the projected unit method.

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

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

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

Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21+: CPI + 1.55%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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

2018 valuation

Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post retirement: 97.6% of SAPS S1NMA “light” for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

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The current life expectancies on retirement at age 65 are:

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

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

	2021	2020
Scheme assets	£80.6bn	£66.5bn
Total scheme liabilities	£95.8bn	£79.4bn
FRS 102 total scheme deficit	£15.2bn	£12.9bn
FRS 102 total funding level	84%	84%

Key assumptions used are:

	2021	2020
Discount rate	0.87%	0.73%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	4.20%	4.20%

22 Capital commitments

	Group and University	
	2021	2020
	£ (000)	£ (000)
Authorised but not committed	-	1,704
Commitments contracted at 31 July	55	2,806

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

23 Financial commitments

The University guarantees 50% of FX Plus' bank loans totalling £20m as at the year end (total loans are £40m). These term loans are repayable over various terms up to 39 years and £13.1m is at a fixed interest rate. The commitment that sits with Falmouth has an annual repayment requirement of £725k whilst the remainder rests with FX Plus and is met through the annual rental income which, for 2021/22, is projected to be £10m.

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

24 Related-party transactions

Due to the nature of the University's operations and the composition of the Board (with members being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a Board member may have an interest. All transactions involving organisations in which a Board member may have an interest are

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conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest.

The financial statements include fees payable to Francis Clark LLP of £120 (2019/20: £2,700). Duncan Leslie (Board member) is a partner in this organisation.

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

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

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

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

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

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

The FX Plus Group has capital commitments as follows:

	2021	2020
	£ (000)	£ (000)
Authorised but not committed	-	278
Commitments contracted at 31 July 2021	110	821

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

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

	Purchases	Sales to	Amounts	Amounts
	from	related	owed to	owed by
	related	parties	related	related
	parties	£ (000)	party	party
	£ (000)	£ (000)	£ (000)	£ (000)
Falmouth Exeter Plus Group				
2021	14,072	140	-	695
2020	14,754	199	218	-

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

Students' Union

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

	Year to 31/7/21 £ (000)	Year to 31/7/20 £ (000)
Block grant	516	540
Exceptional grant	-	70
Sports	30	30
	<u>546</u>	<u>640</u>