

**Falmouth Exeter Plus**

**(a Company Limited by Guarantee)**

**Registered number: 5103240**

**Consolidated Financial Statements**

**for the Year to 31 July 2021**



|  |  |  |
| --- | --- | --- |
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|  |  |  |
|  | Directors (as at date of signing): | Andrew Connolly  |
|  |  |  | Peter CoxAmie FultonVictoria GoslingProfessor David HoskenPaula SandersonJustin Scott |
|  | Auditor: |  | KPMG LLP |
|  |  |  | Regus, 4th Floor |
|  |  |  | Salt Quay House |
|  |  |  | 6 North East Quay |
|  |  |  | Plymouth |
|  |  |  | PL4 0HP |
|  |  |  |  |
|  | Registered Number: | 5103240 |
|  |  |  |  |
|  | Registered Office: | Penryn Campus |
|  |  |  | Penryn |
|  |  |  | Cornwall |
|  |  |  | TR10 9FE |
|  |  |  |  |
|  | Bankers: |  | Barclays Bank plc |
|  |  |  | 3rd FloorWindsor Court |
|  |  |  | 3 Windsor Place |
|  |  |  | Cardiff |
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|  |  |  | Lloyds Bank plc |
|  |  |  | 25 Monument Street |
|  |  |  | London |
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**Strategic Report (incorporating the Financial and Operating Review)**

The Directors submit their report and the financial statements for the year ended 31 July 2021.

**Objectives and activities for the public benefit**

The objects of the Falmouth Exeter Plus Group (the Group) are to advance the education of the public by providing and assisting in the provision of higher education facilities in Cornwall. The Directors confirm that they are aware of their duties with regard to public benefit and are conversant with the Charity Commission guidance in this area. In setting objectives and planning future activities, they have given consideration to the guidance on public benefit.

The Group carries out its objects by:

* Advancing education by providing facilities and services to staff and students, which includes learning support, library, academic skills, IT and audio visual services;
* Supporting students with their welfare needs;
* Providing residential accommodation to students;
* Offering catering, retail, day nursery and reprographics services to students and university staff;
* Making available subsidised transport and sporting facilities to students, the latter in partnership with FXU, the joint student union;
* Providing a safe and healthy environment.

The direct benefits of the Group’s work are the support for students at the Penryn, Falmouth and Truro Campuses to enable individual development on both an academic and personal level, and to facilitate teaching and research. This should also enrich society by providing well educated graduates and potential employees.

As the beneficiaries are students of the two universities (University of Exeter (UoE) and Falmouth University (Falmouth)), the public benefit is inextricably linked to that of the two universities. Further information about the universities’ policies on public benefit including financial support to students and widening participation can be found in their financial statements.

Falmouth Exeter Plus (FX Plus) develops and operates all student accommodation comprising Glasney Parc, a 1,449 room residential development on the Penryn campus, Tuke House, a 156 room residence located in Falmouth and leased from Sanctuary Housing, and The Sidings, a 233 room residence at Penryn, operated under a Nominations Agreement. FX Plus also holds some short term head leases in Falmouth and Truro whilst there is a shortfall of accommodation for first year students. In addition, FX Plus provides catering, retail, nursery, sport and printing services to staff, students and third parties. FX Plus manages the property issues on the Penryn and Falmouth Campuses, including grounds, building maintenance, transport services, cleaning and security. It also provides library and academic skills, IT and AV services and student support services.

Cornwall Plus Limited (Cornwall Plus), a wholly owned subsidiary, operates 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. All taxable profits of Cornwall Plus are gifted to FX Plus.

Tremough Development Vehicle Limited (TDV), a wholly owned subsidiary, acted as the joint agent of Falmouth and UoE in the procurement of shared non-residential building developments on the Penryn Campus but has been dormant for the year and is expected to remain so for the foreseeable future.

The financial statements show the results of the Group, incorporating TDV, Cornwall Plus and FX Plus.

**Results for the year**

Summary consolidated results for 2020/21 are shown below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **£ (000)** | **£ (000)** |
| **Income** |  |  |  |  |  |  |  |
| Central Support, Estates, Library, IT and Student Services Income from Falmouth/UoE | 18,507 |  |
| Commercial Services |  |  |  |  | 12,956 |  |
| Investment Income |  |  |  |  | 3 |   |
|  |  |  |  |  |  |  | 31,466 |
| **Expenditure** |  |  |  |  |  |  |
| Central Support, Estates, Library, IT and Student Services costs | (18,507) |  |
| Commercial Services |  |  |  |  |  |
|  | Staffing and other costs | (8,674) |  |  |
|  | Interest |  | (1,505)  |  |  |
| In accordance with the Education Reform Act 1988, the Board of Governors of Falmouth College of Arts is responsible for the administration and management of the affairs of the College including ensuring an effective system of internal control and is required to present audited financial statements for each financial year.The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of Falmouth College of Arts, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year.In causing the financial statements to be prepared, the Board of Governors has ensured that:- suitable accounting policies are selected and applied consistently;- judgements and estimates are made that are reasonable and prudent;- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Governors is satisfied that the College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements. The Board of Governors has taken reasonable steps to:- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and are in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;- safeguard the assets of the College and to prevent and detect fraud;- secure the economical, efficient and effective management of the College's resources and expenditure.The key elements of the College’s system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:· clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.· a comprehensive medium and short-term planning process, supported by detailed annual income, expenditure, capital and cashflow budgets. **STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF GOVERNORS** **OF FALMOUTH COLLEGE OF ARTS·** clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors.· comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit and Finance Committees.· a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board of Governors with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss. The College’s Board of Governors comprises independent and co-opted members, a student representative, the Principal, and staff representatives appointed under the Instrument and Articles of Government. The majority of Governors are independent, non-executive members and the role of the Chair is separate from the role of the Principal.The matters specifically reserved for decisions by the Board are set out in the Articles of Government, the College’s financial regulations and the Financial Memorandum with the Higher Education Funding Council for England. The Board has responsibility, inter alia, for the strategic direction of the College, the determination of its educational character and mission, the effective and efficient use of resources, and the safeguarding of the Corporation’s assets. The Board approves all major developments and receives regular reports from Executive Officers on operational matters and the business of its subsidiary companies.The Board of Governors and its sub-committees (Finance, Personnel, Audit, Membership, and Remuneration) normally meet at least three times a year (with the exception of Remuneration, which has one formally scheduled meeting to undertake a annual review of senior staff pay and conditions). The membership of the Board’s sub-committees is drawn from the Board’s Independent members and the Principal. Sub-committees have the authority to draw on external advisers as and when appropriate. Vacancies in the Board membership are advertised and nominations considered by the Membership Committee, prior to appointment by the full Board. Appointments to the Board are limited to two four year terms for Independent members and two two-year terms for other categories of members. All members of the Board and senior officers are required to disclose any related party transactions and disclose any interests on the Register of Interests, which is updated annually and held by the Clerk.The Finance Committee recommends to the Board the College’s revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews the financial statements and approves financial policies.The Audit Committee meets to discuss the audit findings of the External Auditors and to consider detailed Internal Audit Reports and recommendations for the improvement of the College’s system of internal control and operations with respect to value for money. The Management’s response and implementation plans are considered. The Audit Committee also approves the introduction and revisions to all financial regulations. An internal audit review of Corporate Governance was completed in June 2000 and the Board is acting on its recommendations, none of which were categorised as fundamental. One of the recommendations was that the Board should undertake a full review of corporate governance arrangements. This review will use the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales issued by the Committee of University Chairmen in 1998, HEFCE guidance, and identified best practice in the sector as benchmarks, to inform its deliberations. The Board plans to complete its review and related action plan by June 2001. Tony SchorahClerk to the BoardDate:  | Depreciation |  | (3,376)  |  |  |
|  |  |  |  |  |  | (13,555)  |  |
|  |  |  |  |  |  |  | (32,062) |
| Losses on disposal of fixed assets |  |  |  |  | (2) |
| **Deficit for the year (exc pension costs)** |  | **(598)** |
| Pension costs included in expenditure |  | (1,649) |
| **Deficit for the year (inc pension costs)** | **(2,247)** |
| Re-measurements in respect of Pension Scheme | (3,525) |
| **Total comprehensive income for the year** |  |  |  | **(5,772)** |

The deficit for the year was £2,247K (2019/20 – deficit of £3,379K) including additional staffing and interest costs advised by the actuaries of £1,649K (2019/20 £1,539K) as part of the annual pension valuation.

**Overview**

The activities for the Group were, naturally, affected by the ongoing Covid-19 pandemic, especially with the national lockdown in Spring 2021.

By recording a small deficit before pension charges, we recognise the tight financial controls – both revenue costs and capital investment plans – together with access to the Government support schemes, namely the Covid Job Retention (or ‘furlough’) Scheme. This allowed the continued employment of staff despite trading operations being closed or operating on significantly reduced capacities.

The national lockdown in January/February meant that most students could not return to their residences on campus and, in a repeat of the prior year, rent was waived for this period. Unlike last year, however, the rent shortfall was passed onto the two partners, Falmouth and UoE, so that no cash was lost by FXP. Added to this was a successful start to the summer 2021 with higher income from conferencing and events than in the previous year.

**Key Performance Indicators**

With plans and targets set against this unusual background and with rent waivers passed onto the partners, financial performance was broadly in line with target, with the exception of external income targets which were affected by the pandemic.

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial strategy KPI** | **Actual** | **Forecast** | **Calculation basis** |
| External Income Targets £'000 | 688 | 100 | Cornwall Plus Limited income |
| External Income Surplus £'000 | 198 | - | Cornwall Plus Limited surplus |
| Deficit Target £’000 | (2,247) | (1,954) | Net Group surplus/(deficit) |
| Cost per student fte £ | 2,858 | 2,890 | Costs shared/student numbers |
| Total property costs per student fte £ | 1,143 | 1,216 | Non residences estates costs/student numbers |
| Adjusted EBITDA £m | £2.8m | £3.2m | Surplus less investment income plus depreciation plus interest payable plus additional pension staff costs |
| Liquidity | 18 days | 37 days | Cash/Costs excl depreciation x 365 |

Other KPIs were reported to the Board during the year on a balanced scorecard approach through customer KPIs (largely National Student Survey (NSS) results), process KPIs (volumes and helpdesk numbers) and people KPIs (through staff engagement). These were mainly positive with some work to be done in relation to NSS results which are directly influenced by FX Plus.

**Central support, Estates, Facilities, IT, Library and Student Services**

Costs for those services provided to the two institutions increased during the year to meet the costs of Covid (enhanced cleaning, additional space for social distancing, test and trace support etc.) as well as pre-approved budgets for new buildings, continued IT investment and to address statutory and backlog estates maintenance issues.

These were offset by a general pay freeze across the Group, a vacancy freeze, including the delay in appointing a new Managing Director, and other savings and service adjustments across all departments.

**Commercial operations**

With summer income for 2020 decimated by the pandemic, the start of term in September 2020 commenced positively with students returning and starting on campus, albeit with reduced capacities and some teaching remaining on-line.

The national lockdown in January/February 2021 did, however, have a huge impact on trading and residential operations. Income was lower than planned and was only mitigated by the two institutions repaying FX Plus for the rent waiver agreed.

Towards the tail end of the year the easing of restrictions and the general ‘staycation’ bounce back for the UK, and Cornwall in particular, meant that income was ahead of target and the signs of a recovery to something more normal looks as if is coming through. The impact of this will be seen in the next financial year.

**Covid-19**

Activities for the year have remained under Covid-Secure guidance. This has been managed through the Partnership Co-ordination Group (PCG), with senior representatives from the universities, the Student Union (SU) and FX Plus Directors.

During the year, the Group incurred in excess of £1.5m of additional costs to make the campuses safe and to provide additional facilities and services. These have largely been passed directly onto the two institutions although some costs were for commercial operations which have been taken straight to the bottom line.

Planning for the next academic and financial year include some continued Covid measures but are largely based on ‘business as usual’.

**Sustainability**

**Global greenhouse gas (GHG) emissions and energy use data for period 1 August 2020 to 31 July 2021:**

|  |  |  |
| --- | --- | --- |
|  | **Current reporting year****2020-2021** | **Comparison reporting year****2019-2020** |
|  | UK and offshore  | Global (excluding UK and offshore) | UK and offshore  | Global (excluding UK and offshore) |
| Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1) / tCO₂e | 3,106 | 0 | 2,902 | 0 |
| Emissions from purchase of electricity, heat, steam and coolingpurchased for own use (Scope 2, location based) / tCO₂e | 1,761 | 0 | 1,916 | 0 |
| Total gross Scope 1 & Scope 2 emissions / tCO₂e | 4,867 | 0 | 4,818 | 0 |
| Energy consumption used to calculate above emissions: /MWh | 25,191,040 | 0 | 24,074,337 | 0 |
| Intensity ratio: tCO₂e (gross Scope 1 + 2) / m² GIA  | 0.0486 | 0 | 0.0468 | 0 |
| Methodology | GHG Reporting Protocol – Corporate Standard |  | GHG Reporting Protocol – Corporate Standard |  |

**Energy Efficiency Action Taken:** In the period covered by the report, the Company has undertaken the following actions to reduce energy consumption and associated GHG emissions:

* Installed LED lighting in the Daphne Du Maurier building
* Upgraded heating, ventilation and air conditioning control strategies on Penryn Campus to enable optimisation
* Undertaken behavioural change measures, particularly through the “Sustainability Week” initiative and activities included within.

**Commercial Services**

Trading income for the Group is shown in note 8 and shows a 13% increase (2019/20 – 20% reduction). This reflects a full year of income from trading, especially from residential income, but reflects footfall on campus and the impact on takings through retail, catering and bars and the fitness centre and print unit.

**Balance sheet**

Fixed asset investments during the year of £1.3m included the fit-out of the new social space at Penryn (£0.7m) and IT projects, including cyber tooling and a refresh of the campus DMZ (totalling £0.5m). The overall value of fixed assets fell slightly with depreciation charges offsetting new spend.

Net current liabilities are £5.9M (2019/20 - £4.5M) and the pension deficit increased to £24.4M (2019/20 - £19.3M) as explained in note 17.

**Cashflow and liquidity**

At the year end the Group’s net cash balances were £1.4M (2019/20 - £0.2M) with the main movements during the year shown in the cashflow statement.

**Strategic Risks**

Risks for the Group are considered regularly by the Board and assigned to a Senior Executive Team (SET) member. Risks are ranked in order of importance and flagged using high (red), medium (orange), and low (green) using impact and probability scores.

Risk management has been monitored through the risk register process which included risks and opportunities across all services. The major risks for the Group are IT infrastructure and resilience, cyber security, fire safety and accommodation demand and supply.

During the year the Board approved a new sign on/sign off process for risks and agreed mitigating actions to reduce the score for each of the strategic, operational, financial and corporate compliance risks facing the Group.

The overall position of risk remains steady however a small number of potentially high impact risks continue to be rising and are being monitored by SET and the risk owners.

The maturity of the risk management regime within FX Plus continues to increase with greater visibility of risks and mitigations allowing for focused decision making and prioritisation.

**Cornwall Plus Limited (Cornwall Plus)**

The profit generated by the company is attributable to non-charitable conferencing and events and is referred to under Commercial Services above.

The results for the year show a profit before tax of £198K (2019/20 - £9K), which has been donated under a gift aid agreement to the parent company FX Plus.

Income more than doubled from the previous year with the campuses re-opening for summer trading from conference and events during July 2021. Whilst still down against 2018/19, signs are positive that the UK events and hospitality business is recovering and confidence is high that results for 2021/22 will improve even further.

**Tremough Development Vehicle Limited (TDV)**

This company is dormant and will remain so for the foreseeable future. It will not be formally wound up due to the major contracts held in its name.

**Looking ahead**

Whilst the vaccine roll-out in the UK seems to have been a success, the Covid-19 pandemic still presents challenges for the year ahead.

Planning for the new financial and academic year has been on the basis of a return to ‘normal’ life with students coming back to campus and providing face-to-face teaching and research.

SET Directors have an agreed list of cross functional strategic projects based on the 10 priority projects agreed with the Board pre-Covid combined with some of the broader cross cutting objectives agreed with SET this year.

A program board has now been set up to support the development, delivery and monitoring of these projects and a full range of project initiation documents (PID) are currently being drafted which will start to more fully scope these areas of business change.

The table below details the current projects:

|  |
| --- |
| Campus 2030 Masterplan  |
| Partnership Wellbeing (Student Support & Mental Health)  |
| Customer Access Strategy  |
| Finance fit for the future  |
| Productivity Improvements (Digital)  |
| Sustainability  |
| Campus Security & Business Continuity  |
| Equality, Diversity and Inclusivity Strategy |
| People Strategy |
| Smarter Working |
| Customer Experience Monitoring |

Each Directorate is working on departmental delivery plans with key areas of focus being:

* Student mental health - there is a need to continue the drive towards embedding prevention and early intervention measures to support student mental health across all activities. In addition, there is an anticipated surge in demand for support (the Covid-19 aftermath). Based on research informed NHS (National Health Service) forecasting tools, it is estimated that the increase in mental health needs that will result from the Covid-19 pandemic could be in the region of +75% demand.
* Reviewing and significantly scaling-up services for online students and developing systems and fit for purpose digital infrastructure for effective service.
* Customer Service Excellence - following the Customer Service Excellence assessment held in March 2021, IT & Digital Services have now been accredited as meeting the requirements of the Cabinet Office's Customer Service Excellence Standard. Although fully compliant, this is a driver for improvement and customer focused change over the next 12 months.
* People - we will look to embed a culture of passion, pace and performance across all areas while also investing in both technical and non-technical professional development.
* Information Security - one of the most crucial areas of focus for 2021/22 will be the continued adaptation of controls in place to react to the ever-changing threat landscape. IT Services will focus on detection and prevention and will also concentrate on greater planning for a live compromise event.
* Estate that works for everyone (including smarter working) - developing Smarter Working objectives for organisation that is “efficient, agile, resilient, supportive and works collaboratively”.
* Going digital - developing protocols to support operations and future planning needs, piloting our app for students and developing a roadmap to a SMART campus to incorporate baseline workstreams i.e. control optimisation.
* Sustainability - produce Campus Sustainable Development principles and employ a toolkit for all projects (such as EAUC scorecards to track progress and promote sustainable/environment achievement and performance), optimised buildings through the completion of the control strategy for the BMS and develop an energy masterplan.
* Hospitality and Events – these sectors are particularly at risk of ongoing disruption which could see limitations placed upon capacities for both catering spaces and events and a number of initiatives go live from the start of the new year to help mitigate these risks.
* Catering - recruitment for current vacancies within the Catering area is particularly difficult at the moment and we are working with the recruitment team to develop some new approaches and market positioning.
* Accommodation Services - increased applications rates and delays to new private sector developments has resulted in the need for leased properties and shared rooms on campus in 2021/22, potentially increasing the campus residential population by 50%. This will put significant pressure on many operational teams, particularly in the support and response to welfare incidents on campus.

**Conclusion**

With all operations having been affected (and likely to continue to be impacted) by Covid-19, Falmouth Exeter Plus delivered what was required to its community especially supporting blended learning and a more flexible approach to work (working from home and on-campus). This was possible thanks to the commitment of staff and the strong links and co-operation from all partners.

The challenges and opportunities facing the Group will continue but under the new leadership of a new Managing Director who was recruited in July 2021. We look forward to working with her and to welcoming our students back to campus en-masse from the autumn.

**By Order of the Board**



Amie Fulton Date: 21 October 2021

Chair

**Directors’ Report**

**Principal activities**

Falmouth Exeter Plus (FX Plus) is a jointly controlled entity established by Falmouth University (Falmouth) and the University of Exeter (UoE) to operate a range of services and facilities on the Penryn Campus (originally), and now also the Falmouth and Truro Campuses, for the joint benefit of the two universities which occupy the sites.

FX Plus has exempt charity status owing to the educational objectives of the university partners which it supports with its services. It was incorporated on 16 April 2004 as a company limited by guarantee with Falmouth and UoE as the sole members.

**Results**

The deficit for the year was £2,247,000 (2019/20 - £3,379,000). For further details on the results for the year see the analysis contained in the Strategic Report on page 3.

**Directors**

The Directors who served during the period and up to the date of signing were as follows:

Jane Chafer (resigned 17 February 2021)

Andrew Connolly

Peter Cox

Amie Fulton (appointed 17 February 2021)

Victoria Gosling

Alan Hill (resigned 15 February 2021)

Professor David Hosken

Dr Robin Kirby (resigned 23 June 2021)

Craig Nowell (resigned 19 May 2021)

Antony Sanders (resigned 31 August 2020)

Paula Sanderson (appointed 19 July 2021)

Justin Scott

Directors’ statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors’ report are listed at the front of the financial statements. Having made enquiries of fellow Directors and of the Group’s auditor, each of these Directors confirms that:

* to the best of each Director’s knowledge and belief, there is no information relevant to the preparation of their report of which the Group’s auditor is unaware; and
* each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group’s auditor is aware of that information.

Reappointment of Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Going concern**

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons set out below.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, including the impact of Covid-19, the group and company will have sufficient funds, through funding from the members (Falmouth University and University of Exeter) to meet its liabilities as they fall due for that period. The members are committed to continuing to make available such funds as are needed by the group and company under the terms of the members’ agreement.

The members each guarantee 50% of the company’s bank loans. Both members have addressed their covenant requirements and Falmouth University obtained credit committee approval for a covenant amendment from Lloyds bank prior to the balance sheet date to prevent a breach occurring when the audited 2020/21 accounts are submitted to the bank.

Consequently, the Directors are confident that the group and company will have sufficient funds to continue to meet its 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.

**By Order of the Board**



Amie Fulton Date: 21 October 2021

Chair

**Corporate Governance Statement**

Falmouth Exeter Plus (FX Plus) is a charitable company, limited by guarantee. It is jointly owned by University of Exeter (UoE) and Falmouth University (Falmouth) (together “the university partners”).

The governance of FX Plus is through a Board of Directors, with Falmouth and UoE each appointing three Directors. Additional Directors can be appointed by the two members, with the support of at least two-thirds of existing Directors. Any decision taken by the Board of Directors requires the support of at least two UoE and two Falmouth Directors.

The Board normally meets three times a year, with provision for additional meetings and approval by email if required. During 2020/21, the Board met three times, with additional communication between meetings.

The Board has an agreed schedule of matters which it reserves to itself and which it reviews annually. The Board is responsible for determining the overall strategic direction of FX Plus and for overseeing and supporting the Managing Director and the Senior Executive Team (SET) in implementing the strategy. The Board is also responsible for monitoring FX Plus’s performance and financial position and for ensuring that FX Plus maintains a sound system of internal control and risk management.

FX Plus has two subsidiary companies. Cornwall Plus Limited (Cornwall Plus) is responsible for commercial service provision. It began trading on 1 August 2013. All profits generated by Cornwall Plus are transferred by gift aid to FX Plus to reinvest in shared services and facilities.

The other subsidiary company, Tremough Development Vehicle Ltd (TDV), became non-trading with effect from 1 August 2015. It was previously the vehicle through which capital development projects at the Penryn (formerly Tremough) Campus were undertaken.

During the accounting period, the Board oversaw the strategic direction of FX Plus. The Board also reviewed the delivery of FX Plus’s strategies and monitored the high-level performance of FX Plus against key performance indicators including financial performance. This required more regular input from the Chair due to the vacant Managing Director post who met regularly with SET throughout the period to assist with day-to-day management issues. The new Partnership Co-ordination Group was also a weekly forum which discussed operational and planning issues.

The Board has five committees reporting directly to it: Joint Systems Committee (JSC), Strategic Infrastructure Committee (SIC), the Combined Strategic Health and Safety Committee (CSHSC), the Cornwall Campuses Environmental and Climate Emergency Board and the FX Plus Finance Committee.

**Terms of Reference**

Cornwall Campuses Environmental and Climate Emergency Board is the consultation forum for strategic sustainability matters at both Falmouth and Penryn campuses. The group’s remit includes aligning current academic research with operations at the Falmouth and Penryn campuses and identifying opportunities for a more collaborative approach towards sustainability both on campus and in the wider local area.

The Combined Strategic Health and Safety Committee is the combined consultation forum for strategic health and safety matters in shared areas and dedicated spaces where FX Plus has a role. Three FX Plus Board Directors sit on the committee, and the chair rotates on an annual basis between Falmouth and UoE.

The membership of both JSC and SIC includes a Board Director from each of the university partners and the MD. JSC is responsible for overseeing significant and/or high impact IT systems projects being undertaken by FX Plus IT Services and for advising the Board on overall priorities and budgets for these projects. SIC is responsible for overseeing progress and completion of strategic live estates and building projects at the Penryn Campus with budgets in excess of £500k. Both committees have delegated financial authority in relation to projects within their remits.

**Internal control**

In terms of ensuring the adequacy of mechanisms for internal control and risk management, and for external audit, the Board continues to rely on agreed “lighter touch” audit arrangements. These arrangements involve SET, the internal and external auditors, the Board and both universities’ Audit Committees. Safeguard mechanisms also exist.

The MD is directly responsible to the Board and there was no change to the schedule of powers delegated to the MD in the accounting period. However, in the absence of an MD being in post, SET Directors were responsible for devising and proposing to the Board strategies to deliver those elements of the university partners’ own strategies for which FX Plus is responsible, and for implementing agreed delivery strategies.

SET comprises the list of staff below. They met monthly during the accounting period with more regular, weekly meetings, in order to discuss actions resulting from the Covid-19 pandemic.

David Dickinson, Director of Student and Library Services

Stuart Gaslonde, Director of IT and Digital

Oliver Lane, Director of Accommodation and Facilities

Sarah Roby, Director of Estates

Lee Hallam, Director of Commercial Operations (from November 2020)

Senior representatives from Finance and Human Resources attend most meetings, along with the head of Programmes and Business Transformation, Senior Marketing and Comms Manager, and the Head of Health and Safety.

The MD and SET consult, through Liaison Groups, with students and staff of Falmouth and UoE as “customers” of the services which FX Plus provides. The Operational Health and Safety Committee (a statutory requirement) reports to the MD (or Chair in the absence of the MD) on health and safety matters, and the MD, in turn, reports key health and safety related matters to the Board at each ordinary meeting.



Amie Fulton Date: 21 October 2021

Chair

**Statement of Directors’ Responsibilities in respect of the Strategic Report, the Directors’ Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors’ Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company 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*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group’s profit or loss for that period. In preparing each of the group and parent company 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 company’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 company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Opinion**

We have audited the financial statements of Falmouth Exeter Plus (“the company”) for the year ended 31 July 2021 which comprise the consolidated and company statement of comprehensive income, consolidated and company statement of changes in equity, consolidated and company balance sheets, consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

* give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 July 2021 and of the group’s loss for the year then ended;
* have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
* have been prepared in accordance with the requirements of the Companies Act 2006.

**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 directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company’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 directors’ conclusions, we considered the inherent risks to the group’s business model and analysed how those risks might affect the group and company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

* we consider that the directors’ 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 directors’ 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 company'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 company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

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, 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.

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 performance targets, 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 is recorded in the wrong period and the risk that 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 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 containing key words, journal entries made to unrelated accounts, journal entries posted to accounts containing significant estimates and period-end adjustments, journals posted to accounts linked to a fraud risk, and unexpected journals posted 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 directors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors 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.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies’ legislation) and pensions legislation, and we assessed the 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.

**Strategic report and directors’ report**

The directors are responsible for the strategic report and the directors’ report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors’ report 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 strategic report and the directors’ report;
* in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
* in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

* adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
* the parent company financial statements are not in agreement with the accounting records and returns; or
* certain disclosures of directors’ remuneration specified by law are not made; or
* we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Directors’ responsibilities**

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent company’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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor’s responsibilities**

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

A fuller description of our responsibilities is provided on the FRC’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members 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 company and the company’s members, as a body, 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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | Note |  | **Year to31/7/21Group£ (000)** | **Year to31/7/21****Company£ (000)** | **Year to31/7/20Group£ (000)** | **Year to31/7/20Company£ (000)** |
| **Income** |  |  |  |  |  |  |  |  |
| Operating Income |  | ***2*** |  | 31,463 | 30,973 | 29,343 | 29,018 |
| Investment Income |  | ***3*** |  | 3 | 3 | 17 | 17 |
| **Total Income** |  |  |  | 31,466 | 30,976 | 29,360 | 29,035 |
|  |  |  |  |  |  |  |  |  |  |
| **Expenditure** |  |  |  |  |  |  |  |  |
| Cost of Sales |  |  | ***4*** |  | 1,111 | 813 | 938 | 771 |
| Staff Costs  |  | ***5*** |  | 14,215 | 14,098 | 15,141 | 15,066 |
| Other Operating Expenses |  | ***6*** |  | 13,225 | 13,150 | 11,116 | 11,032 |
| Depreciation |  |  | ***9*** |  | 3,376 | 3,376 | 3,523 | 3,523 |
| Interest Payable |  | ***7*** |  | 1,784 | 1,784 | 1,958 | 1,958 |
| **Total Expenditure** |  |  | 33,711 | 33,221 | 32,676 | 32,350 |
|  |  |  |  |  |  |  |  |  |  |
| **Deficit before other Gains and Losses** |  | **(2,245)** | **(2,245)** | **(3,316)** | **(3,315)** |
| Losses on Disposal of Fixed Assets |  |  | (2) | (2) | (63) | (63) |
| **Deficit on Continuing Operations Before and**  |  |  |  |
| **After Tax** | (2,247) | (2,247) | (3,379) | (3,378) |
| **Deficit for the Year** | **(2,247)** | **(2,247)** | **(3,379)** | **(3,378)** |
| Actuarial loss in respect of pension scheme | (3,525) | (3,525) | (6,353) | (6,353) |
| **Total comprehensive income for the year** | (5,772) | (5,772) | (9,732) | (9,731) |
| Represented by |  |  |  |  |
| **Unrestricted comprehensive income for the year** | (5,772) | (5,772) | (9,732) | (9,731) |
|  |  |  |  |  |  |  |  |  |  |
| All items of income and expenditure relate to continuing activities.The accompanying notes on pages 22 to 38 form an integral part of the financial statements. |  |
|  |  |  |  |  |  |  |  |  |  |

|  |
| --- |
| **Group** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | Income & |  |  |
|  | Expenditure | Revaluation |  |
|  | Account | reserve | Total |
|  | *Unrestricted* |  |  |
|  | **£ (000)** | **£ (000)** | **£ (000)** |
| **Balance at 1 August 2019** | (2,783) | 27,428 | 24,645 |
| Deficit from the income and expenditure statement | (3,379) | - | (3,379) |
| Other comprehensive income | (6,353) | - | (6,353) |
| Transfers between revaluation and income and expenditure reserve | 519 | (519) | - |
| **Balance at 31 July/ 1 August 2020** | (11,996) | 26,909 | 14,913 |
| Deficit from the income and expenditure statement | (2,247) | - | (2,247) |
| Other comprehensive income | (3,525) | - | (3,525) |
| Transfers between revaluation and income and expenditure reserve | 519 | (519) | - |
| **Balance at 31 July 2021** | (17,249) | 26,390 | 9,141 |

|  |
| --- |
| **Company** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | Income & |  |  |
|  | Expenditure | Revaluation |  |
|  | Account | reserve | Total |
|  | *Unrestricted* |  |  |
|  | **£ (000)** | **£ (000)** | **£ (000)** |
| **Balance at 1 August 2019** | (2,755) | 27,428 | 24,673 |
| Deficit from the income and expenditure statement | (3,378) | - | (3,378) |
| Other comprehensive income | (6,353) | - | (6,353) |
| Transfers between revaluation and income and expenditure reserve | 519 | (519) | - |
| **Balance at 31 July/ 1 August 2020** | (11,967) | 26,909 | 14,942 |
| Deficit from the income and expenditure statement | (2,247) | - | (2,247) |
| Other comprehensive income | (3,525) | - | (3,525) |
| Transfers between revaluation and income and expenditure reserve | 519 | (519) | - |
| **Balance at 31 July 2021** | (17,220) | 26,390 | 9,170 |

Transfers between revaluation and income and expenditure reserve are due to previous revaluations undertaken 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.

The accompanying notes on pages 22 to 38 form an integral part of the financial statements.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  |  | **2021** | **2021** | **2020** | **2020** |
|  |  |  | Note |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| **Fixed Assets** |  |  |  |  |  |  |  |
| Tangible Assets |  | ***9*** |  | 78,079 | 78,079 |  80,149 | 80,149 |
| Investment Assets | ***10*** |  |  - | - | - | - |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | 78,079 | 78,079 | 80,149 | 80,149 |
|  |  |  |  |  |  |  |  |  |
| **Current Assets** |  |  |  |  |  |  |
| Stock |  | ***11*** |  | 123 | 123 | 129 | 129 |
| Trade and other receivables |  | ***12*** |  | 1,288 | 1,081 | 2,080 | 2,131 |
| Cash and cash equivalents |  |  | 1,362 | 1,305 | 219 | 178 |
|  |  |  |  |  | 2,773 | 2,509 | 2,428 | 2,438 |
|  |  |  |  |  |  |  |  |  |
| Creditors - amounts falling due within one year | ***13*** |  | (8,680) |  (8,387) | (6,936) | (6,917) |
|  |  |  |  |  |  |  |  |  |
| Net Current Liabilities |  | (5,907) |  (5,878) | (4,508) |  (4,479) |
|  |  |  |  |  |  |  |  |  |
| Total Assets less Current Liabilities | 72,172 | 72,201 | 75,641 | 75,670 |
|  |  |  |  |  |  |  |  |  |
| Creditors - amounts falling due |  |  |  |  |  |
| after more than one year | ***14*** |  | (38,600) | (38,600) | (41,471) |  (41,471) |
|  |  |  |  |  |  |  |  |  |
| **Provisions** |  |  |  |  |  |  |  |
| Pension Provision | ***17*** |  |  (24,431) |  (24,431) | (19,257) |  (19,257) |
| Total Net Assets |  |  | 9,141 | 9,170 | 14,913 | 14,942 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Unrestricted Reserves** |  |  |  |  |  |  |
| Income and Expenditure Reserve- unrestricted |  | (17,249) | (17,220) | (11,996) | (11,967) |
| Revaluation Reserve |  |  | 26,390 |  26,390 | 26,909 |  26,909 |
| Total Reserves |  |  |  | 9,141 | 9,170 | 14,913 | 14,942 |

The financial statements on pages 18 to 38 were approved by the Board of Directors on 21 October 2021



 

Amie Fulton Peter Cox

Chair Deputy Chair

The accompanying notes on pages 22 to 38 form an integral part of the financial statements.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Year to** |  | **Year to** |
|  |  |  |  |  |  | **31/7/21** |  | **31/7/20** |
|  |  |  |  |  |  | **£ (000)** |  | **£ (000)** |
| **Cash flow from operating activities**  |  |  |  |
| Deficit for the year | (2,247) |  | (3,379) |
| **Adjustment for non-cash items** |  |  |  |
| Depreciation | 3,376 |  | 3,523 |
| Decrease in stock | 6 |  | 11 |
| Decrease/(Increase) in debtors | 792 |  | (243) |
| Increase/(Decrease) in creditors | 2,575 |  | (325) |
| Increase in pension provision | 1,370 |  | 1,275 |
| Loss on disposal of fixed assets | 2 |  | 63 |
| **Adjustment for investing or financing items** |  |  |  |  |
| Investment income |  | (3) |  | (17) |
| Interest payable |  | 1,784 |  | 1,958 |
| **Net cash inflow from operating activities** |  | 7,655 |  | 2,866 |
|  |  |  |  |  |  |  |  |  |
| **Cash flow from investing activities** |  |  |  |  |
| Proceeds from sale of fixed assets |  | - |  | - |  |
| Payments made to acquire fixed assets |  | (1,779) |  | (1,862) |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | (1,779) |  | (1,862) |
| **Cash flows from financing activities** |  |  |  |  |
| Investment income |  | 3 |  | 17 |  |
| Interest paid |  | (1,384) |  | (1,592) |  |
| Interest element of finance lease |  | (130) |  | (130) |  |
| Repayment of amounts borrowed |  | (2,496) |  | (2,424) |  |
| Capital element of finance lease |  | (293) |  | (258) |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | (4,300) |  | (4,387) |
| Increase/(Decrease) in cash and cash equivalents in the year | 1,576 |  | (3,383) |
|  |  |  |  |
| Cash and cash equivalents at the beginning of the year | (254) |  | 3,129 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Cash and cash equivalents at the end of the year** | 1,322 |  | (254) |

The accompanying notes on pages 22 to 38 form an integral part of the financial statements.

1. **Principal Accounting Policies**

#### **Basis of accounting**

The company is a private company limited by guarantee and domiciled in England.

These financial statements are prepared under the historical cost convention modified by the revaluation of derivative financial instruments and in accordance with the Companies Act 2006 and Financial Reporting Standard (FRS) 102. The company is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

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

#### **Basis of consolidation**

The consolidated financial statements include the company and its subsidiary companies Tremough Development Vehicle Limited and Cornwall Plus Limited.

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

**Accounting estimates and judgements**

***Key sources of estimation uncertainty***

The company 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 9 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 company 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 12 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 company’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 £4.3m increase to the defined benefit obligation at 31 July 2021.

***Critical accounting judgements in applying the Company’s accounting policies***

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

**Going concern**

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, including the impact of Covid-19, the group and company will have sufficient funds, through funding from the members (Falmouth University and University of Exeter) to meet its liabilities as they fall due for that period. The members are committed to continuing to make available such funds as are needed by the group and company under the terms of the members’ agreement.

The members each guarantee 50% of the company’s bank loans. Both members have addressed their covenant requirements and Falmouth University obtained credit committee approval for a covenant amendment from Lloyds bank prior to the balance sheet date to prevent a breach occurring when the audited 2020/21 accounts are submitted to the bank.

Consequently, the Directors are confident that the group and company will have sufficient funds to continue to meet its 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.

#### **Recognition of income**

Income is included in the Consolidated Statement of Comprehensive Income and Expenditure to the extent of the goods supplied or completion of the service concerned. For services, this is generally equivalent to the sum of the relevant expenditure incurred during the period and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

### **Accounting for retirement benefits**

Retirement benefits for the employees of the Group are provided by the Cornwall Council (CC) Superannuation Scheme. This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The Scheme is valued every three years by professionally qualified independent actuaries.

|  |
| --- |
| The Group’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 Group. 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 Company is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. |

##### The Group also participates in the Universities Superannuation Scheme (the scheme). The scheme is a defined benefit, multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the Group due to the mutual nature of the scheme and therefore is accounted for as a defined contribution retirement benefit scheme. A scheme-wide contribution rate is set and the Group is therefore exposed to actuarial risks associated with the other institutions’ employees. The Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 “Employee benefits”, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

##### **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 Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay as a result of the unused entitlement.

##### **Finance leases**

Leasing agreements that transfer substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. These 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.

##### **Maintenance of premises**

The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

**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 Further and Higher Education SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

**Land and buildings**

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings and associated capital works are depreciated over their expected useful lives of 50 years (long leasehold) or the period of the lease (short leasehold). Building improvement works, signage and the multi-use games area are depreciated over 10 years.

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. They are not depreciated until they are ready for use.

##### **Equipment**

Equipment, including computers and software, costing less than £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 - between 4 and 7 years

Motor vehicles - 4 years

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

##### **Investments**

Investments in subsidiaries are carried at cost less impairment in the company’s accounts.

##### **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. This includes amounts invested by Falmouth University on the Group’s behalf. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Trade and other debtors and creditors**

The Company measures debtors and creditors at amortised cost less impairment, except for derivatives which are measured at fair value.

**Provisions**

Provisions are recognised when the Group 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

##### **Taxation status**

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

The Group receives no similar exemption in respect of Value Added Tax. 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 Group’s subsidiaries are subject to Corporation Tax in the same way as any commercial organisation.

1. **Operating income**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| Central Support Services |  | 197 | 197 | 638 | 638 |
| Estates Services  | 10,524 | 10,524 | 9,455 | 9,455 |
| Library, IT and Student Services | 7,786 | 7,786 | 7,750 | 7,750 |
| Campus Services (note 8) | 12,956 | 12,268 | 11,500 | 11,166 |
| Gift Aid | - | 198 | - | 9 |
|  |  |  |  | 31,463 | 30,973 | 29,343 | 29,018 |

1. **Interest receivable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| Bank deposit interest |  | 3 | 3 | 17 | 17 |
|  |  |  |  |  |  |

4. **Cost of sales**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Group** | **Company** | **Group** | **Company** |
|  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| Material Purchases | 1,111 | 813 | 938 | 771 |

5. **Staff costs**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| Wages and Salaries |  | 10,419 | 10,302 | 11,300 | 11,225 |
| Social Security Costs | 958 | 958 | 988 | 988 |
| Other Pension Costs | 2,838 | 2,838 | 2,853 | 2,853 |
|  |  |  |  | 14,215 | 14,098 | 15,141 | 15,066 |

|  |  |  |
| --- | --- | --- |
| Average Staff Numbers (FTEs) by Major Category: |  |  |
| **Group and Company** | **31/7/21** | **31/7/20** |
| Management  |  |  |  | 2 | 8 |
| Estates and facilities |  |  |  | 168 | 166 |
| Library, IT and Student Services |  | 131 | 126 |
| Campus Services |  |  |  | 67 | 80 |
|  |  |  |  |  | 368 | 380 |

5. **Staff costs (continued)**

**Directors’ remuneration**

**Group and Company**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  **31/7/21** |  **31/7/20** |
|  |  |  |  |  | **£ (000)** | **£ (000)** |
| Aggregate Remuneration |  |  | 70 | 176 |
| Pension Contributions | 6 | 30 |
|  | 76 | 206 |

Two Directors within the Group are accruing benefits under the company’s defined benefit pension scheme. The highest paid director received remuneration of £73K (2019/20: £125k). The value of the Company’s contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £4k (2019/20: £27K). The directors have considered whether there are any further key management personnel and no such parties were identified.

6. **Other Operating expenses**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| General Office Costs |  | 442 | 430 | 435 | 402 |
| Marketing & Promotions |  | 46 | 42 | 57 | 48 |
| Heat, Light, Rates & Water |  | 2,828 | 2,828 | 2,541 | 2,541 |
| Other Premises Costs | 6,416 | 6,416 | 5,058 | 5,058 |
| IT Costs | 1,267 | 1,262 | 1,079 | 1,053 |
| Library & Learning Resource Costs | 347 | 347 | 401 | 401 |
| Insurance | 325 | 325 | 207 | 207 |
| External Audit Fees | 40 | 30 | 31 | 27 |
| Internal Audit Fees | 14 | 14 | 33 | 33 |
| Bad Debts | 66 | 30 | 79 | 79 |
| Other Professional Fees | 1,434 | 1,426 | 1,195 | 1,183 |
|  |  |  |  | 13,225 | 13,150 | 11,116 | 11,032 |

7. **Interest payable**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| On bank overdraft and loans |  | 1,418 | 1,418 | 1,585 | 1,585 |
| On Finance Leases | 87 | 87 | 109 | 109 |
| Pension Finance Cost (note 17) | 279 | 279 | 264 | 264 |
|  |  |  |  | 1,784 | 1,784 | 1,958 | 1,958 |

Interest charges relating to the finance lease and interest on bank loans are allocated to periods over the term of the liability/debt to produce a charge in the Income and Expenditure account that is a constant percentage of the carrying amount of the liability/debt in the Balance Sheet.

8. **Analysis of Campus Services income by activity**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  | **31/7/21** | **31/7/21** | **31/7/20** | **31/7/20** |
|  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| Retail |  | 565 | 565 | 1,203 | 1,203 |
| Catering & Bar |  | 29 | 29 | 514 | 514 |
| Residences | 10,893 | 10,893 | 8,323 | 8,323 |
| Nursery | 526 | 526 | 577 | 577 |
| Fitness Centre | 177 | 177 | 313 | 313 |
| Reprographics | 78 | 78 | 236 | 236 |
| Campus and Commercial Events | 688 | - | 334 | - |
|  |  |  |  | 12,956 | 12,268 | 11,500 | 11,166 |

9. **Fixed Assets**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Assets in the** | **Long** | **Short** | **Equipment** | **Total** |
| **Group**  | **course of** | **Leasehold** | **Leasehold** |  |  |
|  |  |  | **construction** | **Buildings** | **Buildings** |  |  |
|  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| **Cost**  |  |  |  |  |  |
| B/f as at 1 August 2020 | 165 | 87,270 | 2,899 | 9,192 | 99,526 |
| Additions for the Year | 27 | 778 | - | 503 | 1,308 |
| Disposals for the Year | (2) | - | - | - | (2) |
| Transfers | (163) | 163 | - | - | - |
| C/f as at 31 July 2021 | 27 | 88,211 | 2,899 | 9,695 | 100,832 |
|  |  |  |  |  |  |  |  |
| **Depreciation** |  |  |  |  |  |  |
| B/f as at 1 August 2020 | - | 10,627 | 2,321 | 6,429 | 19,377 |
| Charge for the Year | - | 2,144 | 145 | 1,087 | 3,376 |
| Depreciation on Disposals | - | - | - | - | - |
| C/f as at 31 July 2021 | - | 12,771 | 2,466 | 7,516 | 22,753 |
|  |  |  |  |  |  |  |  |
| **Net book value** |  |  |  |  |  |
| As at 31 July 2020 | 165 | 76,643 | 578 | 2,763 | 80,149 |
|  |  |  |  |  |  |  |  |
| As at 31 July 2021 | 27 | 75,440 | 433 | 2,179 | 78,079 |

9. **Fixed Assets (continued)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Assets in the** | **Long** | **Short** | **Equipment** | **Total** |
| **Company** | **course of** | **Leasehold** | **Leasehold** |  |  |
|  |  |  | **construction** | **Buildings** | **Buildings** |  |  |
|  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| **Cost**  |  |  |  |  |  |
| B/f as at 1 August 2020 | 165 | 87,270 | 2,899 | 9,172 | 99,506 |
| Additions for the Year | 27 | 778 | - | 503 | 1,308 |
| Disposals for the Year | (2) | - | - | - | (2) |
| Transfers | (163) | 163 | - | - | - |
| C/f as at 31 July 2021 | 27 | 88,211 | 2,899 | 9,675 | 100,812 |
|  |  |  |  |  |  |  |  |
| **Depreciation** |  |  |  |  |  |  |
| B/f as at 1 August 2020 | - | 10,627 | 2,321 | 6,409 | 19,357 |
| Charge for the Year | - | 2,144 | 145 | 1,087 | 3,376 |
| Depreciation on Disposals | - | - | - | - | - |
| C/f as at 31 July 2021 | - | 12,771 | 2,466 | 7,496 | 22,733 |
|  |  |  |  |  |  |  |  |
| **Net book value** |  |  |  |  |  |
| As at 31 July 2020 | 165 | 76,643 | 578 | 2,763 | 80,149 |
|  |  |  |  |  |  |  |  |
| As at 31 July 2021 | 27 | 75,440 | 433 | 2,179 | 78,079 |

The cumulative amount of interest capitalised at 31 July 2021 was £1,011,000 (2020: £1,011,000).

Land and buildings were previously 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 were taken as deemed cost.

Long leasehold buildings were revalued by Alder King, Chartered Surveyors on the basis of existing use value on 31 July 2014 at a value of £82,909K. The existing use value did not include directly attributable selling/acquisition costs.

The Tuke House lease (in short leasehold buildings above) was assessed by Vickery Holman Chartered Surveyors on the basis of existing use on 31 March 2005 and was valued at £2,899K. The valuers are external to the Group.

10. **Investments**

The Company owns 100% of the issued share capital of 100 £1 Ordinary shares of the Tremough Development Vehicle Ltd (TDV). TDV was established to provide the construction of earlier buildings at the Penryn Campus.

The Company also owns 100% of the issued share capital of 2 £1 Ordinary shares of Cornwall Plus Limited. The company was established to operate non student letting of residences, non-academic conferences, external events and corporate hospitality and started trading on 1 August 2013.

11. **Stock**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  |  | **2021** | **2021** | **2020** | **2020** |
|  |  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
|  | Shop |  |  | 93 | 93 | 100 | 100 |
|  | Refectory | 11 | 11 | 18 | 18 |
|  | Bar | 4 | 4 | 5 | 5 |
|  | Other | 15 | 15 | 6 | 6 |
|  |  |  |  |  | 123 | 123 | 129 | 129 |

12. **Trade and other receivables**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  |  | **2021** | **2021** | **2020** | **2020** |
|  |  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
|  | Trade Debtors |  |  | 704 | 399 | 527 | 523 |
|  | Bad Debt Provision |  |  | (294) | (258) | (236) | (236) |
|  | Amounts Owed by Group Undertakings | - | 155 | - | 85 |
|  | Amounts Owed by Related Undertakings - |  |  |  |
|  |  | University of Exeter |  | - | - | 749 | 749 |
|  |  | Falmouth University | - | - | 191 | 191 |
|  | Other Debtors |  |  | 115 | 22 | 36 | 6 |
|  | Prepayments & Accrued Income |  | 763 | 763 | 813 | 813 |
|  |  |  |  |  |  |  |
|  |  |  |  |  | 1,288 | 1,081 | 2,080 | 2,131 |

13. **Creditors - amounts falling due in one year**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group** | **Company** | **Group** | **Company** |
|  |  |  |  |  | **2021** | **2021** | **2020** | **2020** |
|  |  |  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
|  | Bank Overdraft |  |  |  40 | 40 |  473 | 473 |
|  | Bank Loans |  |  | 2,567 | 2,567 | 2,496 | 2,496 |
|  | Finance Lease Commitments due in One Year | 390 | 390 | 379 | 379 |
|  | Amounts Owed to Related Undertakings - |  |  |  |  |
|  |  | University of Exeter |  | 692 | 692 | - | - |
|  |  | Falmouth University |  | 695 | 695 | - | - |
|  | Trade Creditors |  |  | 1,664 | 1,648 | 917 | 917 |
|  | Other Taxation and Social Security | 351 | 351 | 480 | 480 |
|  | Other Creditors |  |  | 266 | 266 | 254 | 254 |
|  | Accruals |  |  |  | 2,015 | 1,738 | 1,937 | 1,918 |
|  |  |  |  |  | 8,680 | 8,387 | 6,936 | 6,917 |

14. **Creditors - amounts falling due after more than one year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | **Group and Company** |
|  |  |  |  | **2021** | **2020** |
|  |  |  |  | **£ (000)** | **£ (000)** |
| Not wholly repayable within five years: |  |  |
| Bank Loan 1 |  |  | 11,843 | 12,636 |
| Bank Loan 2 |  |  | 8,753 | 9,173 |
| Bank Loan 3 |  |  | 13,171 | 13,982 |
| Bank Loan 4 | 4,149 | 4,692 |
| Finance Lease Commitments after One Year | 684 | 988 |
|  |  |  |  | 38,600 | 41,471 |

14. **Creditors - amounts falling due after more than one year (continued)**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **Group and Company** |
|  |  |  | **2021** | **2020** |
|  |  |  | **£ (000)** | **£ (000)** |
|  | Amounts repayable on loans: |  |  |  |
|  | In one year or less |  |  |  | 2,567 | 2,497 |
|  | In more than one year but not more than two years | 2,642 | 2,567 |
|  | In more than two years but not more than five years | 8,414 | 8,163 |
|  | In more than five years | 26,860 | 29,753 |
|  |  |  |  |  |  | 40,483 | 42,980 |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **Group and Company** |
|  |  |  | **Amount** | **Term** | **Interest rate** |
|  |  |  | **£ (000)** |  | **%** |
| Lloyds Bank plc (loan 1) |  | 12,636 | 2032 | 5.8875 |
| Lloyds Bank plc (loan 2) | 9,173 | 2036 | 5.215 |
| Barclays Bank plc (loan 3) | 13,982 | 2038 | 3 month LIBOR +0.275% |
|  |  |  |  |
| European Investment Bank (loan 4) | 1,786 | 2027 | 2.24% plus lending margin and costs |
| Lloyds Bank plc (loan 4) | 2,906 | 2031 | 2.0887% |
|  |  |  |  |
|  |  |  | 40,483 |  |  |

Guarantees covering all bank loans have been given by Falmouth University and the University of Exeter on a 50:50 basis. The two universities also have banking covenants that they are required to meet on an annual basis.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group and Company** |
|  |  |  |  |  | **2021** | **2020** |
|  |  |  |  |  | **£ (000)** | **£ (000)** |
|  | Amounts repayable on finance leases: |  |  |
|  | In one year or less | 390 | 379 |
|  | In more than one year but not more than two years | 402 | 390 |
|  | In more than two years but not more than five years | 414 | 816 |
|  | Less future finance charges | (132) | (218) |
|  |  | 1,074 | 1,367 |

15. **Cash and cash equivalents**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group** |  |  |  |
|  |  |  | **At 1 Aug 2020** | **Cashflows** | **At 31 July 2021** |
|  |  |  | **£ (000)** | **£ (000)** | **£ (000)** |
| Cash and cash equivalents | 219 | 1,143 | 1,362 |
| Overdraft | (473) | 433 | (40) |
| **Total** | (254) | 1,576 | 1,322 |

16. **Consolidated reconciliation of net debt**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **31 July 2021** |
|  |  |  | **£ (000)** |
| **Net debt 1 August 2020** | **(44,599)** |
| Movement in cash and cash equivalents | (1,143) |
| Other non cash changes | 5,507 |
| **Net debt 31 July 2021** | **(40,235)** |
|  |  |
| **Change in net debt** | 4,364 |

|  |  |  |
| --- | --- | --- |
| **Analysis of net debt:** | **31 July 2021** | **31 July 2020** |
|  |  |  | **£ (000)** | **£ (000)** |
| **Cash and cash equivalents** | **1,362** | **219** |
|  |  |  |
| **Borrowings: amounts falling due within one year** |  |
| Secured loans | (2,567) | (2,496) |
| Bank Overdraft | (40) | (473) |
| Obligations under finance leases | (390) | (379) |
|  | **(2,997)** | **(3,348)** |
| **Borrowings: amounts falling due after more than one year** |
| Secured loans | (37,916) | (40,483) |
| Obligations under finance leases | (684) | (987) |
|  | **(38,600)** | **(41,470)** |
|  |
| **Net debt** | **(40,235)** | **(44,599)** |

17. **Pension scheme**

 The Group’s employees belong to the Cornwall Council Superannuation Scheme.

 The Group is an admitted body of the Cornwall Council Superannuation Scheme which is a funded defined benefit scheme with the assets held in separate trustee administered funds.

 The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are shown below.

 The Group has set out below the information available on the scheme.

|  |  |
| --- | --- |
| Latest actuarial valuation | 31 March 2020 |
| Period of actuarial valuation | 3 years |
| Actuarial method | Prospective benefits |
| Investment returns per annum | 4.1% |
| Salary scale increases per annum | 2.3% |
| Market value of assets at date of last valuation | £1,926M |
| Proportion of members’ accrued benefits covered by the actuarial value of assets | 90% |
| Employers primary contribution rate (excluding lump sum) | 18.3% |
| Employees average contribution rate | 6.3% |

The Group contributes to the Cornwall Council Superannuation Scheme, a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2020 and updated to 31 July 2021 by a qualified independent actuary. The major assumptions used by the actuary were:

|  | 31 Jul 2021 % pa | 31 Jul 2020% pa | 31 Jul 2019% pa |
| --- | --- | --- | --- |
| Inflation (CPI) | 2.8 | 2.1 | 2.4 |
| Rate of increase in salaries payment | 2.8 | 2.1 | 2.5 |
| Rate of increase in pension | 2.8 | 2.1 | 2.4 |
| Discount rate | 1.6 | 1.4 | 2.2 |

The assumed life expectancy is:

|  |  |  |
| --- | --- | --- |
|  | **Males** | **Females** |
| Current pensioners | 21.5 years | 24.1 years |
| Future pensioners | 22.8 years | 25.8 years |

The assets and liabilities of the scheme and the expected rates of return were:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Long-term rate****expected****31 July 2021****%** | **Assets at****31 July 2021****£(000)** | **Long-term rate****expected****31 July 2020****%** | **Assets at****31 July 2020****£(000)** | **Long-term rate****expected****31 July 2018****%** | **Assets at****31 July 2018****£(000)** |
| Equities | 1.6 | 17,912 | 1.4 | 14,349 | 2.2 | 13,223 |
| Bonds | 1.6 | 11,313 | 1.4 | 10,097 | 2.2 | 8,896 |
| Property | 1.6 | 1,886 | 1.4 | 1,594 | 2.2 | 1,683 |
| Cash | 1.6 | 314 | 1.4 | 531 | 2.2 | 240 |
| Estimated employer’s share of scheme assets | 31,425 |  | 26,571 |  | 24,042 |
| Present value of scheme liabilities | (55,856) |  | (45,828) |  | (35,407) |
| Net pension liability | (24,431) |  | (19,257) |  | (11,365) |

Analysis of the amount charged/(credited) to income and expenditure account

|  |  |  |
| --- | --- | --- |
|  | **2021****£(000)** | **2020****£(000)** |
| Current service cost | 2,618 | 2,622 |
| **Total operating charge** | 2,618 | 2,622 |

Analysis of the amount charged to pension finance costs/(credited) to pension finance income

|  |  |  |
| --- | --- | --- |
|  | **2021****£(000)** | **2020****£(000)** |
| Expected return on pension scheme assets | 381 | 547 |
| Interest on pension scheme liabilities | (660) | (811) |
| **Net charge** | (279) | (264) |

**Amount recognised in Other Comprehensive Income (OCI)**

|  |  |  |
| --- | --- | --- |
|  | **2021****£(000)** | **2020****£(000)** |
| **Actuarial loss recognised in OCI in the year** | (3,525) | (6,353) |
| **Cumulative actuarial loss in OCI at 1 August** | (11,802) | (5,449) |
| **Cumulative actuarial loss in OCI at 31 July** | (15,327) | (11,802) |

**Reconciliation of defined benefit obligation**

|  |  |  |
| --- | --- | --- |
|  | **2021****£(000)** | **2020****£(000)** |
| Opening defined benefit obligation | 45,828 | 35,407 |
| Current service cost | 2,618 | 2,622 |
| Interest cost | 660 | 811 |
| Contributions by members | 352 | 412 |
| Remeasurements | 6,650 | 6,790 |
| Losses on curtailments | 35 | 39 |
| Estimated benefits paid | (287) | (253) |
| **Closing defined benefit obligation** | 55,856 | 45,828 |

**Reconciliation of fair value of employer assets**

|  |  |  |
| --- | --- | --- |
|  | **2021****£(000)** | **2020****£(000)** |
| Opening fair value of employer assets | 26,571 | 24,042 |
| Expected return on assets | 381 | 547 |
| Contributions by members | 352 | 412 |
| Contributions by the employer | 1,283 | 1,386 |
| Remeasurements | 3,125 | 437 |
| Assets acquired | - | - |
| Benefits paid | (287) | (253) |
| **Closing fair value of employer assets** | 31,425 | 26,571 |

**History of experience gains and losses**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Year to 31 July 2021£(000)** | **Year to 31 July 2020£(000)** | **Year to 31 July 2019£(000)** | **Year to 31 July 2018£(000)** | **Year to 31 July 2017£(000)** |
| Difference between the expected and actual return on assets | 3,125 | 437 | 1,614 | 939 | 974 |
| Value of assets | 31,425 | 26,571 | 24,042 | 20,152 | 16,948 |
| **Percentage of assets** | **9.9%** | **1.6%** | **6.7%** | **4.7%** | **5.7%** |
| Experience gains on liabilities | (6,650) | (6,790) | (3,682) | 779 | 858 |
| Present value of liabilities | 55,856 | 45,828 | 35,407 | 28,156 | 25,138 |
| **Percentage of the present value of liabilities** | **(11.9%)** | **(14.8%)** | **(10.4%)** | **2.8%** | **3.4%** |
| Actuarial gains recognised in OCI | (3,525) | (6,353) | (2,068) | 1,718 | 1,832 |
| Present value of liabilities | 55,856 | 45,828 | 35,407 | 28,156 | 25,138 |
| **Percentage of the present value of liabilities** | **(6.3%)** | **(13.9%)** | **(5.8%)** | **6.1%** | **7.3%** |
|  |  |  |  |  |  |
| **Deficit brought forward** | **(19,257)** | **(11,365)** | **(8,004)** | **(8,190)** | **(9,045)** |
| **Movement** | **(5,174)** | **(7,892)** | **(3,361)** | **186** | **855** |
| **Deficit carried forward** | **(24,431)** | **(19,257)** | **(11,365)** | **(8,004)** | **(8,190)** |

**Pension scheme – USS**

The total cost charged to the Statement of Comprehensive Income is £25K (2020: £24K). 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 21Years 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.  |

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% |

18. **Capital commitments**

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

 Amounts authorised are in respect of various construction and other capital projects at the Penryn Campus less commitments to date and are funded by the two universities.

19. **Financial commitments**

Details of loan agreements are provided in note 14.

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Group and Company** |
|  |  |  |  |  | **2021** | **2020** |
|  |  |  |  |  | **£ (000)** | **£ (000)** |
|  | **Land and buildings** |  |  |  |
|  | In one year or less |  | 664 | 653 |
|  | In more than one year but not more than two years | 33 | 65 |
|  | In more than two years but not more than five years | 66 | 99 |
|  | Total |  | 763 | 817 |

Total lease payments in the year were £1,043k (2020:£1,211k).

Included in the total above is £379k which represents the remaining lease commitments for student residence, Henry Scott Tuke House, which commenced on 1 August 1999 and was transferred from Falmouth University in 2004/05 to complement the freehold residences at the Penryn Campus. The remaining period of the lease is 3 years and lease payments are linked to the rate of inflation. The amount recognised in the Statement of Comprehensive Income in the year is £87k.

The balance represents head leases taken out for additional student residences to fulfil the short-term need.

20. **Related party transactions**

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

 For other related parties, the Group/company entered into the following transactions which are all shown on an arms’ length basis.

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Sales to related parties** | **Purchases from related parties** | **Amounts owed by related party** | **Amounts owed to related party** |
|  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| **Year ended 31/7/21** |  |  |  |  |
| University of Exeter | 8,908 | 181 | - | 692 |
| Falmouth University | 14,072 | 140 | - | 695 |
| **Year ended 31/7/20** |  |  |  |  |
| University of Exeter | 8,562 | 37 | 749 | - |
| Falmouth University | 14,754 | 199 | 191 | - |

**Company**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Sales to related parties** | **Purchases from related parties** | **Amounts owed by related party** | **Amounts owed to related party** |
|  |  |  | **£ (000)** | **£ (000)** | **£ (000)** | **£ (000)** |
| **Year ended 31/7/21** |  |  |  |  |
| University of Exeter | 8,908 | 181 | - | 692 |
| Falmouth University | 14,072 | 140 | - | 695 |
| **Year ended 31/7/20** |  |  |  |  |
| University of Exeter | 8,562 | 37 | 749 | - |
| Falmouth University | 14,754 | 199 | 191 | - |

 At the balance sheet date £695,000 was due to Falmouth University (2020: £191,000 due from Falmouth University) and £692,000 was due to University of Exeter (2020: £749,000 due from University of Exeter).

 The parent institutions are as follows:

University of Exeter

 Stocker Road

 Exeter EX4 4PY

 Falmouth University

 25 Woodlane

 Falmouth TR11 4RH