

**BATH SPA UNIVERSITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

*Year ended 31 July 2013*

**CONTENTS**

	<b>Page</b>
University information	1
Report of the Board of Governors	2
Independent auditor's report	21
Statement of principal accounting policies	23
Income and expenditure account	27
Statement of total recognised gains and losses	28
Note of historical cost surpluses and deficits	28
Balance sheet	29
Cash flow statement	31
Notes to the accounts	32

## UNIVERSITY INFORMATION

- Governors:**
- Mr I Ahluwalia (to 21 November 2012)
  - Mr J Arney
  - Professor R Alexander (from 22 November 2012)
  - Mr P Bird
  - Professor P Davies
  - Ms A Dawson
  - Ms T Fisk (from 22 November 2012)
  - Mr M Francis
  - Mr A Harris (to 21 November 2012)
  - Ms J Henderson
  - Professor P Luna
  - Professor P Martin
  - Revd E Mason
  - Mr S McGall
  - Professor T Middleton
  - Mr P Parker (Deputy Chair)
  - Mr D Pester (from 22 November 2012)
  - Mr I Phillips (to 21 November 2012)
  - Ms S Pirie (Chair) OBE
  - Mr M Roy
  - Professor C Slade (Vice-Chancellor and Chief Executive)
  - Ms M Toman
- Senior Staff:**
- |                      |                                     |
|----------------------|-------------------------------------|
| Professor C Slade    | Vice-Chancellor and Chief Executive |
| Professor N Sammells | Deputy Vice-Chancellor and Provost  |
| Mr J P Brady         | Deputy Vice-Chancellor              |
- Auditors:**
- Grant Thornton UK LLP  
Chartered Accountants  
Hartwell House  
55-61 Victoria Street  
Bristol BS1 6FT
- Bankers:**
- Lloyds Bank TSB  
47 Milsom Street  
Bath  
Bath BA1 1DN
- Solicitors:**
- Burges Salmon  
Narrow Quay House  
Narrow Quay  
Bristol BS1 4AH
- Address for Enquiries:**
- Bath Spa University  
Newton Park  
Newton St Loe  
Bath BA2 9BN

## REPORT OF THE BOARD OF GOVERNORS

The members present their report and the audited financial statements for the year ended 31 July 2013.

### Glossary

BA	Bachelor of Art
B&NES	Bath and North East Somerset Council
BSc	Bachelor of Science
BSU	Bath Spa University
DEFRA	Department for Environment, Food and Rural Affairs
EU	European Union
FdSc	Foundation Degree – Science
FdA	Foundation Degree - Arts
FE	Further Education
FEC	Further Education College
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HCI	School of Humanities and Cultural Industries
HE	Higher Education
HEA	Higher Education Academy
HEIs	Higher Education Institutions
HEFCE	Higher Education Funding Council for England
ISO	International Office for Standardisation
LGPS	Local Government Pension Scheme
MA	Master of Arts
MSc	Master of Science
PGT	Post Graduate Teaching
PGCE	Post Graduate Certificate in Education
PhD	Doctor of Philosophy
QAA	Quality Assurance Agency
SME	Small and Medium-sized Enterprise
TA	Teaching Agency (formerly known as Training and Development Agency)
TNE	Trans-National Education
TPS	Teachers' Pension Scheme

## 1. Operating and Financial Review

### 1.1 Nature, Objectives and Strategies:

#### (i) Legal status

The Corporation was founded in 1947, and incorporated under the Education Reform Act 1988. The Corporation was incorporated as Bath College of Higher Education and in 1999 adopted the name of Bath Spa University College. In March 2005 the institution won University status, and became Bath Spa University in August 2005.

#### (ii) Vision

Bath Spa University's Vision is to be a leading educational institution in creativity, culture and enterprise. Through innovative teaching and research, the University will provide a high quality student experience. Based in a world heritage city and connected to a network of international partners, Bath Spa University will ensure that its graduates are socially engaged global citizens.

#### (iii) Strategic Objectives

In June 2012 governors approved the following strategic objectives that underpin the University's vision statement:

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 1. Operating and Financial Review (continued)

#### 1.1 Nature, Objectives and Strategies: (continued)

##### (iii) Strategic Objectives (continued)

- To align the University's arrangements for collaborative provision with the Vision of Bath Spa as the University of choice for the study of creativity, culture and enterprise;
- To refocus the University's energies with respect to collaborative provision from the local and regional to the international;
- To enhance the reputation of the University and to improve its recognition on the international stage;
- To contribute to building sustainable, cornerstone relationships with overseas institutions;
- To help to internationalise the student body on our home campuses (at both undergraduate and postgraduate levels);
- To diversify our provision in areas of demonstrable academic strength;
- To generate financial surpluses, where appropriate, to support other activities;
- To support local partnerships, particularly with FECs, which are integral to the work of a particular curriculum area such as Education;
- To continue to work with local FECs with a demonstrable commitment to HE of quality and volume, in order to maintain a degree of local and regional presence and continue to support the University's work in widening participation;
- To withdraw from small and uneconomic partnerships; and
- To protect the academic reputation of the University in relation to regulatory bodies.

##### (iv) Financial Strategy and Objectives

The University adopts a prudent financial strategy in support of its strategic plan, which provides for the maintenance and development of the infrastructure, ensures the delivery of high quality programmes of study to as wide a range of students as possible, and normally requires year on year the formulation of balanced annual budgets.

The key elements of the University's financial strategy are as follows:

- To prepare and implement robust financial plans that ensure the long term viability of the University and which support the development of a new campus.
- To prepare balanced annual budgets that provide appropriate resources to enable high quality learning opportunities.
- To ensure the full costs of all activities are properly understood and to ensure pricing strategies are implemented that reflect the full economic costs.
- To continue to embed risk management procedures across the institution, ensuring risk is carefully considered in all significant management decisions.
- To work closely with other senior managers to ensure financial and other corporate plans are complementary.

##### (v) Performance indicators

The University has adopted several performance indicators that enable it to assess the institution's performance against other universities nationally and within its peer group. The performance indicators adopted by the University focus on student experience, research and teaching excellence, internationalisation, and student engagement, but also impact on rankings and reputation.

## REPORT OF THE BOARD OF GOVERNORS (continued)

## 1. Operating and Financial Review (continued)

## (v) Performance indicators (continued)

The University regularly monitors the data, identifies those areas where there is scope for improvement, and implements plans to ensure these areas are brought up to the high standard of other performance indicators.

## 1.2 Financial Position

## (i) Financial results

The University is operating successfully, ensuring that necessary resourcing is in place for all its major activities. The income, expenditure and results for the year to 31 July 2013 are summarised as follows:

	2013 £'000	2012 £'000
Income	52,526	48,686
Expenditure	(51,646)	(45,251)
Surplus on continuing operations	880	3,435
Reversal of Impairment provision on fixed asset	1,007	1,155
Surplus after depreciation of assets at valuation, impairment, and before taxation	1,887	4,590
Release from revaluation reserve	137	137
Historical cost surplus after tax	2,024	4,727
Actuarial gain/(loss) on pension fund	1,996	(2,007)
Net assets excluding pension liability	57,203	55,204
Net assets including pension liability	48,505	44,847
Net cash inflow from operating activities	4,840	5,560

In 2012/13 income from tuition fees grew some £11.6m following the implementation of variable fees for all new entrants. The increase in fees mitigated a £7.8m reduction in funding council recurrent grants, and enabled the University to generate a surplus on continuing operations of some £880k.

## REPORT OF THE BOARD OF GOVERNORS (continued)

## 1. Operating and Financial Review (continued)

## 1.2 Financial Position (continued)

## (i) Financial results (continued)

Income	2013	2012	% +/-
	£'000	£'000	
Funding Council grants	14,431	22,280	-35%
Tuition fees and education contracts	32,467	20,871	55%
Research grants and contracts	527	298	77%
Other income	4,495	4,465	1%
Net investment income	606	772	-22%
<b>Total Income</b>	<b>52,526</b>	<b>48,686</b>	<b>8%</b>

As expected, HEFCE and TA teaching grants were significantly reduced in 2012/13 in line with cuts in national government spending, but increases in fees for new entrants more than compensated for this. Research activity increased by 77%, whilst interest earned on surplus cash balances fell 22% as a consequence of falling interest rates.

Expenditure	2013	2012	% +/-
	£'000	£'000	
Staff costs	27,223	23,838	14%
Other operating expenses	22,161	19,129	16%
Depreciation	1,842	1,837	0.3%
Interest payable	420	447	-6%
<b>Total Expenditure</b>	<b>51,646</b>	<b>45,251</b>	<b>14%</b>

An increase in staff numbers (8%), holiday pay accrual (4%), annual pay settlement (1%), and annual pay increments (1%), contributed in an overall increase in staff costs of 14%.

During the year we completed £1.8m of new estates schemes to improve the student experience; contributed £500k to establish a Chair in the name of Sir Howard Hodgkin, and began work on establishing a new joint venture pathway college and new campus at Hartham Park for which we incurred legal and professional fees of some £160k.

Interest payable comprises net interest on LGPS pension assets, (£260k) and external borrowing costs of £160k in respect of a £30m loan facility from Lloyds TSB to finance the University's academic and residential developments.

**Balance Sheet**

Tangible fixed asset additions during the year were as follows:

	<b>£'000</b>
Assets in the course of construction	20,499
Building improvements	393
Equipment	804
<b>Total additions</b>	<b>21,696</b>

Assets in the course of construction included construction costs and professional fees incurred in respect of new academic teaching space, and new residential accommodation at Newton Park.

Creditors (amounts falling due within one year) were £7.5m higher than 2012 as a consequence of amounts owed to contractors in respect of the University's academic and residential developments, and a new holiday pay accrual of £922k.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 1. Operating and Financial Review (continued)

#### 1.2 Financial Position (continued)

##### (i) Financial results (continued)

###### Balance sheet (continued)

The University's share of the LGPS net pension liability fell by £1.7m to £8.7m at 31 July 2013.

##### (ii) Treasury policies and objectives

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

The University has a treasury management policy in place. Surplus cash is placed with a number of highly-rated counterparty banks. Any borrowing by the University must first be specifically agreed by the Board of Governors.

##### (iii) Cash flows

At £4.8 million, (2011/12 £5.6 million), operating cash in-flow was strong and reflects the healthy operating surplus achieved in the year.

##### (iv) Liquidity

During the year interest rates on money market deposits remained modest, and the University continued to seek out opportunities for securing higher interest rates on surplus cash deposits. To ensure the University has adequate working capital during the construction of the new academic and residential developments, a £30m loan facility has been secured with Lloyds TSB. In June 2013 the University drew down the first £10m of this facility.

##### (v) Outlook for 2013/14

HEFCE and TA funding has been reduced by some £4.4m in 2013/14, and intake quotas for HEFCE-controlled full-time home undergraduate students have been reduced by 146 fte (from the previous 1,512 fte), this reduction has been offset by the recruitment of students with A-level grades equal to or better than one grade A and two grade Bs. The student recruitment process continues to hold significant financial risk, however early enrolment data suggests the University has been largely successful in meeting its enrolment targets.

#### 1.3 Current and Future Development and Performance

##### (i) Student numbers

The University recruited extremely well for 2012 entry, despite it being a particularly difficult year for undergraduate admissions. Although Home & EU full time undergraduate applications fell by around 20%, this coincided in a commensurate reduction in the number of places available. The University was therefore able to maintain an applications to places ratio of around 7:1, only a marginal drop on the 2011 ratio of 7.5:1 (which had increased from 6.3:1 in 2010). Because of changes to the controls on student numbers, the University adopted a more cautious approach to the cycle and as a result needed to recruit 100 students in Clearing, following the publication of A level results. This was achieved with



## REPORT OF THE BOARD OF GOVERNORS (continued)

### 1. Operating and Financial Review (continued)

#### 1.2 Current and Future Development and Performance (continued)

##### (i) Student numbers (continued)

relative ease, and without any significant marketing, within 48 hours of Clearing opening.

The subjects highlighted as the best performers in 2011 - Business & Management; Education Specialised (with guaranteed progression to PGCE Primary); and Psychology - continued to do very well indeed, with History also showing a significant upturn. Only Art & Design subjects struggled to recruit to target, with Fine Art and Three-Dimensional Design having a particularly difficult year.

The University also continued to recruit well against its TA target, especially in Primary teacher training, but, at least partly because of government changes in bursary arrangements for trainee teachers, fell some twenty students short of the overall allocation of 478, the shortfall coming entirely in Secondary shortage subjects.

The total number of home and EU students in 2012/13 remained at around 6,400 fte, as in both 2011/12 and 2010/11.

##### (ii) Academic developments

The major academic developments during 2012/13 were:

The University continued to address the major strategic imperatives central to the new institutional vision, in particular internationalisation and the expansion and diversification of its postgraduate-taught provision - in order to meet key targets to be achieved by 2015: for 15% of student intake to be international and for 15% of the student body to be at postgraduate-taught level.

The University entered into two Transnational Educational Partnerships with institutions in Hong Kong and Singapore: franchising Business and Management degrees. These partnerships are fully aligned with the new Collaborative Provision strategy and will help the University towards its 15% target for overseas students. Further, the University signed a joint-venture agreement with a US-based provider, Shorelight, to establish a pathway college in Bath which, over time and beginning in 2014, will recruit up to 2,000 overseas students, giving them the opportunity to progress onto a range of the University's degree programmes.

A variety of new masters' courses have been developed across the 5 academic schools, including 3 four-year integrated programmes: in Fashion, Commercial Music and Creative Technologies and Enterprise. The latter has been designed with a particular view to exploit the technical infrastructure and industry links of the Corsham Institute (a public-private collaborative venture in which the University is a major player) at Hartham Park in Wiltshire. (It is planned that the University's PGCE provision will be delivered in new premises on the Hartham Park estate from 2014). Regulatory changes to the Taught Postgraduate Framework were introduced in order to give students greater flexibility and choice in their studies and to make masters courses more attractive to prospective students.

Preparations for the QAA Institutional Review in January 2014 (the original review in December 2012 having been set aside because of a significant procedural error on the part of the QAA), and the 2014 Research Excellence Framework, were an institutional priority during this period (the latter led by the Vice-Provost for Research and Graduate Affairs). The academic schools and academic services staff were also involved in action planning in order to improve the University's performance in the National Student Survey. This work was led by the Vice Provost for Learning and Teaching Quality, as Head of a Task Force.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 1. Operating and Financial Review (continued)

#### 1.3 Current and Future Development and Performance (continued)

##### (ii) Academic developments (continued)

This work has borne fruit with a significant improvement in overall satisfaction levels to 87%: exceeding the target set for 2015. The University's research profile has been enhanced significantly by the appointment of some 19 professors, with a particularly strong cohort in Creative Writing.

The Vice Provost for Research and Graduate Affairs represented the University and secured its place in a bid made by the Wales and West Consortium which seeks to secure funding for PhD studentships from the Arts & Humanities Research Council for the next 9 years - BSU will be working with the Universities of Aberystwyth, Bath, Bristol, Cardiff, Exeter, Reading & Southampton to deliver an innovative programme of research supervision involving interdisciplinary projects and engagement with creative and cultural sector partners such as the BBC, National Museum of Wales, Engage, and Crafts Council. The Graduate School also secured a small (£10k) grant from the Higher Education Academy for a project on the way BSU supports PhD students in the practice led area of Creative Writing.

The Research Office supported the academic schools in preparation for the upcoming Research Excellence Framework, which will allocate funds to Universities producing world class research. Support was provided via workshops and through feedback on draft submissions produced for two full dry run exercises - the final submission will be agreed by the Research, Consultancy & Scholarship committee on 7 November in time for submission at the end of November 2013. April 2013 saw the launch of Bath Spa's institutional repository - ResearchSPAcE - showcasing the University's research outputs. 1,203 items have been deposited to date, 7% of which are full text and open access.

In addition the Research Office supported a more focused round of research bidding - securing £443k of external research funding as of 31 July 2013 (success rate of 13%) compared to £201k as of 31 July 2012 (success rate of 5%). The appointment of new professors has boosted the quality of bids but the research councils' regime remains very competitive. For 2013 /14 the Research Office will work with Deans to target its support on those staff best placed to secure external grant income, via additional staffing in the areas of Researcher Development, Knowledge Exchange and EU funding to support an increase in bidding for research funding.

Work continued throughout the year on ensuring that the major new academic building project at Newton Park (which will be completed by the spring of 2014) will meet the needs of future staff and students. The Deputy Vice-Chancellor and Provost chairs a group which oversees the progress of the building, ensuring that its design and function are academically-led.

##### **Courses due to start in academic year 2013/14**

- BSc Global Development and Sustainability
- BA Business and Management (Accounting) – new pathway for existing award
- MA Business and Management (Accounting) – new pathway for existing award
- BA Youth and Community Studies
- Integrated MA Commercial Music
- Integrated MA Textile Design for Fashion and Interiors
- Integrated MSc Creative Technologies and Enterprise
- MSc Creative Technologies (name tbc)

## 1. Operating and Financial Review (continued)

### 1.3 Current and Future Development and Performance (continued)

#### (ii) Academic developments (continued)

##### Courses due to start in academic year 2013/14 (continued)

- PGCE (Primary & Early Years) Specialist routes: English, Mathematics, Science, SEN/D, Modern Languages
- PGCE (Primary & Early Years and Secondary) School Direct
- PGCE assessment only route
- PGCE Teach First provision
- MA Education: Leadership & Management
- MA Education: Early Years
- MA Education: Learning Technology
- MA Education: International Education
- MA Arts Management – *February 2014 start*
- MA Advertising Practice – *scheduled for February 2014 start*
- BA Business and Management – TNE
- BA Business and Management (three-year award + top-up; recruiting to top-up only in 2013-14) – TNE
- BA Music Production (directly-funded)
- BA Event Management (Music) (directly-funded)
- FdA Film and Media Arts Production (directly-funded)
- BA Performing Arts - top up (indirectly-funded)
- FdSc Tourism Management – move from indirectly-funded to directly-funded (in process)

#### (iii) Research and knowledge transfer

The University continues to enhance its research and knowledge transfer activities with funded grants from:

- The European Commission via the TEMPUS programme on a project developing Eastern European HE leaders to manage educational transformations in higher education, led by the Armenian State Pedagogical University.
- The HEA - an international scholarship scheme to research assessment and feedback in creative subjects in America; a grant to research the personal and professional development of Creative Writing PhD candidates.
- The Leverhulme Trust - two International Visiting Research fellowships for researchers to spend a period of time at the University from Australia (HCI) and China (HCI).
- The ESRC (Economic and Social Research Council) for an International Partnerships Grant to fund a project relating to Global Citizenship, with Hong Kong Polytechnic University, and for a research seminar series on Arts, creativity and spirituality in criminal justice systems.
- The Teaching Agency (TA) for research consultancy services.
- Astra Zeneca Science Teaching Trust to set up a Regional Hub for research in the teaching assessment of primary science, and for a follow-on project researching the teaching of science in primary schools.
- Research consultancy with various schools through Teaching School Alliances to research pupil premium payments.
- A 3 month fellowship at the University of Aarhus in Denmark for Professor Elaine Chalus.

## 1. Operating and Financial Review (continued)

### 1.3 Current and Future Development and Performance (continued)

#### (iii) Research and knowledge transfer (continued)

- The Arts Council for a strategic touring programme of a community based programme of workshops and performances in multi-media performance.
- The EU through the North Devon Fisheries Local Action Group (FLAG) to support a series of cultural activities run by local museums.
- The Arts and Humanities Research Council (AHRC) through the CREATE consortium for consultancy in creative writing and digital publishing and the Research and Enterprise in Arts and Creative Technologies (REACT) consortium for a knowledge exchange project.
- The Big Lottery, Arts Alliance and the EU through the Talet 4 programme for research consultancy in psychology.
- DEFRA and Wessex Water for a research project on Payments for Ecosystem Services.

#### (iv) Resources

##### *Financial*

The University has net assets of £48.5m, net of a £8.7m pension liability.

##### *People*

The University employs 627 people (expressed as full time equivalents), of whom 307 are teaching staff.

##### *Reputation*

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

#### (v) Capital Projects

Contractors made good progress in the year on the construction of the University's new 8,000m<sup>2</sup> academic development, and at 31 July 2013 the University had capitalised some £19.1m of expenditure.

In November 2012 the University's new 561 student bed-space residential development was approved by the relevant agencies and enabling works were commenced in spring 2013. The particularly fine summer weather enabled contractors to make good progress on the construction and at 31 July 2013 the University had capitalised some £6.5m of expenditure.

### 1.4 Principal Risks and Uncertainties

The University maintains a high level risk register which classifies and quantifies all risks which may impact on the University's ability to achieve its objectives. A named senior manager is identified as being responsible for the management of each recorded risk. The Policy & Resources Committee acts as the Risk Committee of the Board of Governors, responsible for reviewing the level of risk exposure within the University. Its deliberations include:

- The nature and extent of the risks facing the University.
- The extent and categories of risk which it regards as acceptable.
- The likelihood of risks concerned materialising.
- The University's ability to reduce the incidence and impact on the University of risks that do materialise.

## **REPORT OF THE BOARD OF GOVERNORS (continued)**

### **1. Operating and Financial Review (continued)**

#### **1.4 Principal Risks and Uncertainties (continued)**

Twice each year the Committee receives reports on the management of risk at Bath Spa and confirms its opinion on the approach the University is taking in relation to risk.

The greatest risks to the University include competition for students (UK and International), infrastructure (consequences of building works and quantity of residential accommodation), and reputation (impact of increased focus on internationalisation and research). These risks carry financial implications. We will have to manage the risks and the financial commitments carefully. We may not achieve all that we aspire to by 2015, but we will be well on the way to doing so.

#### **1.5 Creditor Payment Policy**

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later.

#### **1.6 Stakeholder Relationships**

In line with other universities, Bath Spa University has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- Local Authorities, and landowners;
- National Government;
- Local, national and international community;
- HE and FE institutions in UK and beyond;
- Trade unions;
- Academic and professional bodies; and
- International partners.

The University recognises the importance of these relationships and engages in regular communication with them through the University's internet site and by meetings.

#### **1.7 Equal opportunities and employment of disabled persons**

Bath Spa University is fully committed to being an equal opportunities employer and providing equality of opportunity for all its staff and students, applicants and visitors. The University will not tolerate unfair or unlawful discrimination on the grounds of gender, ethnicity, colour, disability, religion, nationality, age, occupation, marital status or sexual orientation or any distinction which is not relevant to the employee/employer relationship or its student body. This policy applies to all staff of the University and all its activities. The University's Equal Opportunities Policy, including its Disability Equality Scheme, Race Equality Policy, and Gender Equality Duty, are all published on the University's internet site.

### **2. Demonstrating the Public Benefit of our Work**

#### **2.1 Charitable status and delivery of charitable objectives**

Bath Spa University is a Higher Education Corporation, and as such, is an exempt charity with the charitable objects of providing higher education, and of carrying out research and to publish the results of the research. Since 1 June 2010 the University has been regulated by HEFCE as the principal regulator of English HEIs as charities. The members of the Board of Governors, who

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 2. Demonstrating the Public Benefit of our Work (continued)

#### 2.1 Charitable status and delivery of charitable objectives (continued)

include the Vice-Chancellor and staff and student members, are the trustees of the charity. As such, the Board of Governors has due regard to the Charity Commission's general guidance on public benefit. The University has no linked charities attached to it.

The charity's immediate beneficiaries are its students, and the preceding sections (1.3 i,ii,iii.) of this report provide examples that show the University is continuing to expand its teaching and research provision, whilst at the same time improving the quality of its academic programmes.

#### 2.2 Developing people to make a contribution to society

The University's graduates apply their higher-level skills across a wide range of occupations and professions, with 95% in work or further study within six months of graduation. Of those in employment, 73% enter professional and managerial roles and a number establish successful business start-ups or freelance careers, particularly across the creative and cultural sector, supporting local economic growth.

Whilst at university, students undertake a wide range of volunteering activities and community-related employment impacting directly society throughout their student life, many as part of their course. The School of Education in the University is committed to the education and skilling of all those in the children's workforce and its Education Studies Degrees produce graduates who are employed in a wide range of posts such as qualified teachers, teaching assistants and family support workers.

The University engages increasingly with many external partners, locally, nationally and internationally. External partners range from commercial businesses, organisations in the not-for-profit sector, and local and national government departments, to schools, research councils and international education partners. Research, consultancy and knowledge exchange activities continue to support practical outcomes relevant to a number of sectors including education policy, arts and humanities, and most recently creative technologies. Research across the creative and cultural industries regularly culminates in public events hosted by the University in its own theatre or gallery spaces, and through external partnerships nationally and internationally.

The University's Research, Enterprise and Employer Liaison teams work closely with external partners in ensuring that research, and the outcomes of research are of direct relevance to the wider community. Strategic partnerships have been developed with local partners - from The Holburne Museum and Bath Festivals, to community radio station Somer Valley FM, Sirona Care & Health and - to support local business and to benefit local people.

The University's staff and students make a substantial contribution to the cultural life of Bath and the surrounding area, with over 250 live performances and exhibitions annually by creative students attracting in the region of 10,000 member of the public. Since 2012, Creative Futures has contributed to the local creative and cultural calendar, presenting a month-long season of screenings, performances, degree shows, networking events and more - the majority of which are free and open to members of the public.

Throughout the year students perform at Bath Abbey, the Guildhall, 'the egg' and theatre projects with Theatre Royal Bath, The Rondo, Mission Theatre and others. Our students undertake placement work in museums, schools, art galleries and performance venues. Many more are involved in education-led projects with schools, community groups and museums, such as the 40-50 students each year who volunteer with the Museum of East Asian Art in the city. Many of our courses feature an entrepreneurial learning path in which students establish real-world small businesses as part of the programme of study; these businesses frequently involve engagement with groups and businesses in the city.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 2. Demonstrating the Public Benefit of our Work (continued)

#### 2.2 Developing people to make a contribution to society (continued)

The University is a major local employer, employing over 1,000 academic and professional services staff, whilst students fill many part-time employment opportunities with local businesses. The University works with its local authority to promote graduate retention and to meet the needs of local and sub-regional employers. Additionally, its links with several hundred local schools help benefit young people and the continued professional development of teachers and educational leaders.

Senior members of staff inform and influence local economic development through participation in special interest groups such as Business West Bath, B&NES Learning & Skills Partnership, and both the West of England and Swindon & Wiltshire Local Enterprise Partnerships. In particular, its staff help to drive development through membership of the strategic boards of local creative and cultural businesses. The University also provides support to local businesses, particularly SMEs, through training, placements and projects.

The University is committed to producing students who are aware of their responsibilities and opportunities as global citizens and has recently introduced a new (non-credit-bearing) certificate in Global Citizenship: this enables some of its best-qualified students to work and study abroad and to have the international spread of their studies officially recognised.

#### 2.3 Admissions policy and widening participation

Bath Spa University is committed to encouraging as broad a range of students as possible to participate in, and benefit from, higher education. We believe that our University is enriched by a student body that reflects wider society. We seek to recruit students who have varying experiences of education, ranging from those who are well qualified academically, to those who have followed non-traditional pathways to higher education. We welcome applications from students who come from families new to higher education, students with disabilities, students from different socio-economic, cultural and ethnic backgrounds, mature students and those without standard entrance qualifications. The University's widening participation activity is closely linked to the HEFCE student life-cycle model and our strategic aims are to:

- raise aspirations and attainment among potential applicants from under-represented groups by providing a well-targeted and progressive programme of effective outreach activities.
- increase the participation of people from under-represented groups by promoting fair access to the University's full range of provision from foundation degree to postgraduate programmes.
- improve retention and student success, with a strong focus on encouraging those from groups with relatively low retention rates to access the relevant elements of the University's student support package, where needed.
- contribute to national and regional widening participation and access agendas through collaborative working.

**Outreach Activities** The University has developed an extensive and successful widening participation outreach programme for young people and adults to raise aspiration, support attainment and encourage progression to higher education. A wide range of targeted, incremental programmes and activities are delivered to young people aged from 9 to 19 in schools, colleges and community groups, and their parents, and carers. The University also works with local higher and further education partners to provide a programme of outreach activities to support progression to higher education for Access to Higher Education Diploma learners. In 2012/13 the University's widening participation outreach activities reached over 7,000 people.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 2. Demonstrating the Public Benefit of our Work (continued)

#### 2.3 Admissions policy and widening participation (continued)

**Supporting students with a disability or specific learning need** All outreach activity is made accessible to students with a disability or specific learning need. The University provides numerous bespoke events, including an early induction programme that was highlighted as a national example of good practice by Action on Access.

**Supporting children in care and care-leavers** The University works with local higher education partners and the south west network of Virtual School Heads, who are responsible for the education of young people in care, to offer a support package for each Local Authority in our region. The University holds the Frank Buttle Trust Quality Mark in recognition of the support we provide for care-leavers.

**Improving transition, progression and student success** Mature students are invited to attend a two-day 'Return to Learning' transitional summer school to prepare them for undergraduate study. Year 1 students at the University are offered a peer mentor. All students are encouraged to engage with the range of induction activities that are provided by the University and Students' Union during Welcome Week. On registration, students are allocated to a personal tutor to ensure they receive pastoral and academic guidance and support. In addition, the University provides integrated and accessible welfare, finance, disability, medical and spiritual support and a counselling service through Student Support Services. Extra academic support through the Student Writing and Learning Centre is also available to all students. The University aims to help all students to develop their career potential and to achieve successful career outcomes, particularly those from non-traditional backgrounds. This entails a range of activities, within and outside the curriculum, both to raise students' career aspirations and confidence, and to help them develop a good understanding of their personal and professional skills and competencies in the context of the graduate labour market.

#### 2.4 Bursaries and Student Financial Support

Tuition fees for full-time undergraduate courses and postgraduate certificate in education (PGCE) courses for home and EU students are regulated by the Office for Fair Access (OFFA).

The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Our aim is that no-one should be deterred from applying to the University, or considers leaving their course due to financial issues. Under its Access Agreement with OFFA, Bath Spa provides students with a range of financial support, including bursaries and scholarships which go significantly beyond statutory requirements. For example, in 2012/13 we provided £1.85m in means-tested bursaries to support 2,374 students from the lowest household incomes who would otherwise not have been able to afford tuition and accommodation fees totalling approximately £7,900.

In 2012 Bath Spa University charged tuition fees of £9,000 for full time students starting campus-based undergraduate degree courses. Students do not have to pay the fees up-front, but can get a government fee loan which only needs to be repaid when they have left university and are earning more than £21,000.

From the April following graduation, and when earning over £21,000, graduates will pay back 9% of their income over this amount; e.g. salary of £25,000, repay £30/month. There is a "progressive tapering" system for interest rate payments:

- Earn less than £21,000, interest at rate of inflation
- Earn between £21,000 - £41,000, interest at rate of inflation + up to 3%
- Earn over £41,000, interest at rate of inflation + 3%
- If the student loan debt is still outstanding after 30 years, it will be written off.



## REPORT OF THE BOARD OF GOVERNORS (continued)

### 2. Demonstrating the Public Benefit of our Work (continued)

#### 2.4 Bursaries and Student Financial Support (continued)

The Government review leading to these measures involved wide-ranging changes including the withdrawal of significant funding to universities. The increased tuition fees allow universities to make up this lost revenue, and most universities are charging fees at or towards £9,000 for most courses.

The increased tuition fees only applied to students starting from 2012. Continuing students who started earlier than 2012 will remain on the same level of fees as at present (£3,465, subject to inflationary increases) for the duration of their course. Bath Spa students progressing in 2013 without break from a foundation degree to the third year of an honours degree will also be exempt from the new fee regime. Most of these students are eligible for UK Government tuition fee loan support and will only have to begin repaying the loan once they have graduated and are earning in excess of £15,795.

Fees for most foundation degree students based at partner institutions will be £7,500.

In measures designed to help ensure that students from lower income backgrounds will not be put off applying to university, Bath Spa introduced a support package of widening participation initiatives and financial assistance worth some £3.5m in 2012/13 - significantly more than the amount it spent in 2011/12. This package will continue in 2013/14.

Bath Spa provided 177 bursaries under the National Scholarship Programme (NSP). The bursaries are worth £3,000, and in 2012/13 £1,000 was applied towards living costs and £2,000 towards tuition fees. The bursaries are for Year 1 only, and one of the criteria for possible eligibility is residual household income of under £25,000. In 2013/14 the University will provide 378 such bursaries.

Bath Spa is also providing BSU bursaries up to £500 to students from families with incomes under £25,000 (the amount ranges from £350 to £500 per year, depending on family income levels). This bursary scheme is already in operation and is unchanged for 2012 entry. Students in receipt of the NSP bursary will not also receive a BSU bursary.

#### 2.5 Energy and Environmental Sustainability

We recognise that our activities have an impact on the environment. Our overall environmental objectives are to ensure that this impact is minimised, that the University grows and develops in a sustainable way and that continuous improvement in environmental performance is embedded into our business model and the culture of the University.

To this end we will:

- Establish and maintain an Environmental Management System (EMS) through EcoCampus and ISO 14001 accreditation in order to ensure that the environmental impact of the University including associated risks is monitored, controlled and minimised, and that we continue to make improvements.
- Comply fully with all relevant environmental legislation, regulations and agreements.
- Reduce our carbon emissions through our carbon management plan which includes measures to ensure we meet and exceed statutory sector targets.
- Promote sustainable modes of transport including walking, travelling by bus, car-sharing and cycling.
- Minimise the impact and use of natural resources by reducing water use, preventing pollution, reusing materials, recycling and reducing waste to landfill.
- Manage the University's property portfolio in a manner that encourages and maintains biodiversity; this will include adopting sustainable construction practices where possible.
- Adopt sustainable purchasing and the use of environmentally sound goods and services.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 2. Demonstrating the Public Benefit of our Work (continued)

#### 2.5 Energy and Environmental Sustainability (continued)

- Engage with other institutions and the wider community to share environmental best practice and demonstrate environmental responsibility.
- Promote education for sustainable development in the curriculum to all students.
- Promote environmental awareness and responsibility amongst all staff and students through awareness campaigns and training programmes.

Our EMS provides the thrust for this policy, and the human and financial resources required for its implementation are in place. The objectives, targets and procedures set within the EMS will ensure that our policy statements are realised and will also form the basis for the independent audit of performance, enabling us to measure our progress against similar institutions and sector standards.

EcoCampus is a national Environmental Management System (EMS) and award scheme designed specifically for the higher education sector. The aims of EcoCampus are to assist institutions in moving towards environmental sustainability through good operational and management practices. As a consequence of its considerable work in this area Bath Spa now holds the Platinum award. This is a notable achievement and signifies major progress in BSU's environmental management journey.

The University has also prepared a Carbon Reduction Management Plan (CRMP) that sets out its approach to reducing carbon emissions, in line with the sector targets published by HEFCE in January 2010.

The University does not engage in activities that are likely to cause harm or detriment, and none of its research activities involves use of animals.

### 3. Corporate governance

#### 3.1 Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2013, the University has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to universities. The University has also fully considered, and where appropriate implemented, all of the recommendations of the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

The University's Board of Governors comprises lay and academic persons appointed under the Instrument of Government of the University, the majority of whom are non-executive. The roles of Chair and Deputy Chair of the Board of Governors are separated from the role of the University's Vice-Chancellor and Chief Executive. The matters specifically referred to the Board of Governors for decisions are set out in the Articles of Government of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England and the Funding Agreement with the Teaching Agency. The Board of Governors holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

#### 3.2 Summary of the University's structure of corporate governance

The Board of Governors meets four times a year; and has several Committees including a Policy & Resources Committee, a Remuneration Committee, a Committee of Independent Members, a Nominations Committee, and an Audit Committee. All of these Committees are formally constituted with terms of reference, and comprise mainly lay members of the Board of Governors, one of whom is designated to chair meetings.

The *Policy & Resources Committee* inter alia recommends to the Board of Governors the University's annual income and expenditure budget and monitors performance in relation to the approved budgets. It reviews the University's annual financial statements together with the accounting policies.

The *Remuneration Committee* determines the annual remuneration of senior postholders.

The *Committee of Independent Members* determines, where required by the instrument of Government, the appointment of Independent Members to the Board of Governors.

The *Audit Committee* meets at least twice annually with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence with the regulatory requirements. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee do meet with the External Auditors and the Internal Auditors on their own for independent discussions.

The *Nominations Committee* manages the process whereby nominations are sought from the Board of Governors, Academic Board, Vice Chancellor's Executive Group, Unions, and by advertisement where appropriate. Such nominations are subject to the formal approval of the Board of Governors or by the Committee of Independent Members under the arrangements prescribed by the Instrument of Government.

#### 3.3 Statement of the primary responsibilities of the Board of Governors

The following are the responsibilities of the Board of Governors as stipulated in the Articles of Government (also available on the University's website): <http://www.bathspa.ac.uk>

The Board of Governors shall be responsible for:

- (a) the determination of the educational character and mission of the University and for oversight of its activities;
- (b) the effective and efficient use of resources, the solvency of the University and the Corporation and for safeguarding their assets;
- (c) approving annual estimates of income and expenditure;
- (d) the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts
- (e) setting a framework for the pay and conditions of service and all other staff.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

#### 3.3 Statement of the primary responsibilities of the Board of Governors (continued)

- To approve long term plans aimed at securing the mission and strategic objectives.
- To approve key performance indicators prepared by the Chief Executive and to consider monitoring reports against those indicators.
- To agree a list of major policies for the Institution and formally to approve each policy.
- To require from the Chief Executive regular updates of those policies and progress reports on their implementation.
- In addition to the above policies, the Board of Governors places particular emphasis on establishing and monitoring systems of financial control and accountability. To ensure that proper books of account are kept. (This is further explained in para. 3.4 below)
- To ensure that adequate procedures are in place for handling internal grievances and complaints.
- To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
- To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership.
- To safeguard the good name of Bath Spa University.
- To be the employing authority for all staff in the Institution.
- To ensure that the University has proper arrangements for obtaining legal advice and authority in order to conduct its business.
- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

#### 3.4 Statement of the responsibilities of the Board of Governors for the financial statements

In accordance with the University's Articles of Government, the Board of Governors of Bath Spa University is responsible for the administration and management of the affairs of the University, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, 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 the University, 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 University and of the surplus or deficit and cash flows for that year.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

#### 3.4 Statement of the responsibilities of the Board of Governors for the financial statements (continued)

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; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, and from the Teaching Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum of each Funding Council and any other conditions which the Funding Councils 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 University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

In April 2011 the Board of Governors carried out an effectiveness review, the results of which have been published on the University's web-site. Whilst the review identified a small number of action points, there was general acceptance that the Board's affairs are conducted in a professional, independent and business-like manner.

#### 3.5 Disclosure of information to auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

#### 3.6 Statement of Internal Control

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies aims and objectives while safeguarding the public and other funds and assets for which they are responsible, in accordance with the Articles of Government and the Financial Memoranda with the Funding Councils.

The system of internal control is designed to manage rather than eliminate the risk of failure, and to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

#### 3.6 Statement of Internal Control (continued)

The system of internal control is based on an on-going process designed to identify the principal risks to the University's policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, and in accordance with HEFCE guidance.

The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Board of Governors meets regularly four times a year to consider the plans and strategic direction of the University.
- The Board of Governors receives periodic reports from the Audit Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Board of Governors has established the Policy & Resources Committee as the risk committee to oversee risk management.
- The Audit Committee receives regular reports from the Head of Internal Audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A regular programme of meetings of senior staff is held to identify and keep up to date the record of risks facing the University.
- A system of key performance and risk indicators is maintained and is regularly reviewed.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis is maintained and subject to regular review.
- An organisation-wide risk register is maintained and subject to regular review.
- Reports are received from budget holders, department heads and project managers on internal control activities.

Review of the effectiveness of the system of internal control is informed by the Internal Audit Service which operates to standards defined in the HEFCE Audit Code of Practice and which is regularly reviewed for effectiveness by the HEFCE Audit Service. The Internal Auditors submit regular reports which include their opinion on the adequacy and effectiveness of the University's system of internal control, with recommendations for improvement.

Review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

By Order of the Board of Governors



C Slade  
Vice-Chancellor



S J Pirie OBE  
Chair

6 November 2013

## **Independent auditor's report to the governing body of Bath Spa University**

We have audited the financial statements of Bath Spa University ('the University') for the year ended 31 July 2013 which comprise the statement of principal accounting policies, the income and expenditure account, the statement of total recognized gains and losses, the statement of historical cost surpluses and deficits, the University balance sheets, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with paragraph 13 of the University's articles of government, section 124B (3) of the Education and Reform Act 1988. Our audit work has been undertaken so that we might state to the University's members and trustees 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 charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Governing Body's Responsibilities Statement set out on page 18, the governing body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Education and Reform Act 1988 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council'). We read the Report of the Board of Governors and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as 31 July 2013 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

### **Opinion on other matters**

In all material respects:

- income from the funding council, the Teaching Agency and the Chief Executive of Skills Funding, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Teaching Agency and the funding agreement with the Chief Executive of Skills Funding.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Bristol  
26 November 2013



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

#### Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### Basis of accounting

These financial statements are prepared under the historical cost convention as modified to include buildings taken over from Avon County Council at valuation.

#### Basis of consolidation

The financial statements do not include those of Bath Spa University Students' Union as it is an association with charitable status in which the University has no financial interest and no control or significant influence over policy decisions.

#### Grants from Funding Council

Revenue based grants are credited to revenue in the same period in which the revenue expenditure to which they relate is charged. Capital based grants are credited to revenue over the useful life of the asset by treating the amount of the grant as a deferred credit, a portion of which is transferred to revenue annually.

#### Tuition fees and other income

Tuition fees and other income, which exclude value added tax, represent the invoiced value of services supplied. Tuition fees are accounted for on an accruals basis.

#### Pension arrangements

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme and the Avon Pension Fund. Employers' pension contributions to the Teachers' Pension Scheme are charged to the income and expenditure account in the year to which the salaries on which they are payable relate.

Avon Pension Fund assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the University's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/charges. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's deficit is recognised in full and presented on the face of the balance sheet.

#### Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University monthly. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### Enhanced pensions (continued)

member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet based upon discount factors provided by HEFCE.

### Leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the periods of the leases.

### Maintenance of premises

The total cost of maintenance of premises is charged to the income and expenditure account in the period it is incurred.

### Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

### Tangible fixed assets

Tangible fixed assets taken over from Avon County Council at 1 April 1989 are stated at a valuation adjusted for depreciation. The bases of valuation are explained in note 12. Tangible fixed assets acquired since 1 April 1989 are stated at cost less accumulated depreciation.

The transitional rules set out in FRS 15 Tangible Fixed Assets were adopted as at 31 July 2000 and book values of property assets were frozen accordingly.

Equipment costing less than £2,500 per individual item or group of related items is written off in the year of acquisition.

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Building improvements	10% per annum
Music equipment	20% per annum
Motor vehicles	25% per annum
Equipment, fixtures and fittings	25% per annum
Computer software and hardware	33 <sup>1</sup> / <sub>3</sub> % per annum

Freehold buildings are amortised over their useful economic lives on a basis consistent with the Vigers estimate of remaining property life (this ranges from 13 to 50 years). Leasehold buildings are amortised

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### Tangible fixed assets (continued)

over the lesser of the life of the lease and their useful economic lives. The Newton Park estate is held on a 99 year lease that expires in 2044. Freehold land is not depreciated.

- **Assets under construction**

Assets under construction are accounted for at cost based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

- **Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- asset capacity increases;
- substantial improvement in the quality of output or reduction in operating costs; and
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

- **Impairment**

Assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amounts.

### Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits.

### Accounting for Charitable Donations and Investments

Where charitable donations, other than for tangible fixed assets, are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments.

Charitable donations that are not to be retained for the benefit of the institution are treated as income and recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

In November 2012 governors approved a new endowment policy for the establishment of a Chair in the name of Sir Howard Hodgkin, and determined that a Chair will be established once £1,000,000 or more has been placed in an endowment that provides in perpetuity the annual funds needed for support. Governors also approved that £500,000 of the 2011/12 financial surplus be utilised to establish the Chair in 2012/13, and this has been charged as a cost (Other operating expenses – Other), in the annual financial statements. Interest on the University's contribution has also been added to the fund during the year. Whilst we recognise that the accounting treatment is not in line with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, it does reflect the wishes of the University.

### **Deferred Income**

Deferred income representing the buy-out of inherited liabilities at Corsham Court by HEFCE is being released to revenue over the remaining 53 years of the Corsham Court lease to match associated expenditure under the lease covered by the buy-out agreement. Deferred income is measured on a discounted balance to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that expenditure under the lease buy-out agreement will be made. The discount rate used reflects the average yield on investment deposits with similar maturity dates.

### **Provisions**

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 July 2013**

	Note	2013 £'000	2012 £'000
<b>INCOME</b>			
Funding Council grants	1	14,431	22,280
Tuition fees and education contracts	2	32,467	20,871
Research grants and contracts	3	527	298
Other income	4	4,495	4,465
Net investment income	5	606	772
<b>Total income</b>		<u>52,526</u>	<u>48,686</u>
<b>EXPENDITURE</b>			
Staff costs	6	27,223	23,838
Other operating expenses	7	22,161	19,129
Depreciation		1,842	1,837
Interest payable	8	420	447
<b>Total expenditure</b>	7	<u>(51,646)</u>	<u>(45,251)</u>
<b>Surplus after depreciation of assets at valuation and before impairment and taxation</b>		880	3,435
Impairment provision on fixed asset	9	1,007	1,155
<b>Surplus after depreciation of assets at valuation, impairment, and before taxation</b>		1,887	4,590
Taxation	10	-	-
<b>Surplus after depreciation of assets at valuation and after taxation</b>	11	<u>1,887</u>	<u>4,590</u>

The income and expenditure of the University relate wholly to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 July 2013**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Surplus after depreciation of assets at valuation and taxation	1,887	4,590
Actuarial (loss)/gain relating to the pension scheme	1,996	(2,007)
<b>Total recognised gains and losses relating to the year</b>	<u><u>3,883</u></u>	<u><u>2,583</u></u>

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**For the year ended 31 July 2013**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Surplus after depreciation of assets at valuation and after taxation	1,887	4,590
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	<u>137</u>	<u>137</u>
<b>Historical cost surplus after taxation</b>	<u><u>2,024</u></u>	<u><u>4,727</u></u>

**BALANCE SHEET**  
**At 31 July 2013**

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	42,993	22,278
<b>ENDOWMENT ASSET INVESTMENTS</b>			
	13	539	-
<b>CURRENT ASSETS</b>			
Stocks		72	28
Debtors	14	1,638	1,610
Investments – cash on money market deposit		34,000	44,000
Cash at bank and in hand		17,813	9,758
		53,523	55,396
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(12,786)	(5,265)
<b>NET CURRENT ASSETS</b>		40,737	50,131
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		84,269	72,409
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(25,818)	(15,957)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	(1,248)	(1,248)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		57,203	55,204
<b>PENSION LIABILITY</b>	22	(8,698)	(10,357)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		48,505	44,847
<b>DEFERRED CAPITAL GRANTS</b>	19	3,868	4,632
<b>ENDOWMENTS</b>			
Expendable	20	539	-
<b>RESERVES</b>			
Revaluation reserve	21	4,174	4,311
General reserves	21	39,924	35,904
Total reserves		44,098	40,215
<b>TOTAL</b>		48,505	44,847

These financial statements were approved by the Board of Governors on 6 November 2013 and signed on its behalf by:



C Stade  
Vice-Chancellor



S J Pirie OBE  
Chair

The notes on pages 32 to 47 form part of these financial statements.



**CASH FLOW STATEMENT**  
**For the year ended 31 July 2013**

	Note	2013 £'000	2012 £'000
<b>Cash flow from operating activities</b>	23	4,840	5,560
Returns on investments and servicing of finance	24	346	601
Capital expenditure and financial investment	25	(16,538)	(3,658)
Management of liquid resources	26	10,000	2,000
Financing	27	9,946	(55)
<b>Increase in cash in year</b>		<u>8,594</u>	<u>4,448</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**For the year ended 31 July 2013**

	2013 £'000	2012 £'000
Increase in cash in the year	8,594	4,448
(Decrease) in short term deposits	(10,000)	(2,000)
Change in net funds	(1,406)	2,448
Net funds at 1 August	53,758	51,310
<b>Net funds at 31 July</b>	<u>52,352</u>	<u>53,758</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**1. FUNDING COUNCIL GRANTS**

	HEFCE £'000	TA £'000	2013 £'000	2012 £'000
Recurrent grant	12,933	516	13,449	21,403
Inherited liability grant released in year	243	-	243	226
Deferred capital grants released in year:				
- Buildings	542	-	542	410
- Equipment	197	-	197	241
	<u>13,915</u>	<u>516</u>	<u>14,431</u>	<u>22,280</u>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	2013 £'000	2012 £'000
Full-time students	30,543	19,269
Full-time students charged overseas fees	1,275	1,061
Part-time fees	649	541
	<u>32,467</u>	<u>20,871</u>

**3. RESEARCH GRANTS AND CONTRACTS**

	2013 £'000	2012 £'000
Research councils	118	145
Other grants and contracts	409	153
	<u>527</u>	<u>298</u>

**4. OTHER INCOME**

	2013 £'000	2012 £'000
Residences, catering and conferences	2,087	2,324
Other income	2,360	2,111
Donations	24	6
Deferred capital grants released in year – Buildings	24	24
	<u>4,495</u>	<u>4,465</u>

**5. NET INVESTMENT INCOME**

	2013 £'000	2012 £'000
Income from short term investments	1,130	1,443
Finance cost of long term maintenance provision	(514)	(584)
Finance cost of enhanced pension provision	(10)	(87)
	<u>606</u>	<u>772</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

<b>6. STAFF COSTS</b>	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Wages and salaries	21,543	19,432
Social security costs	1,697	1,509
Other pension costs	3,061	2,677
	<u>26,301</u>	<u>23,618</u>
Holiday Pay Accrual	922	-
Restructuring costs	-	220
	<u>27,223</u>	<u>23,838</u>

The University has included an accrual for holiday pay in 2012/13 totalling £922,000. This will become a mandatory requirement under FRS102 from 2015.

Other pension costs comprise:

Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	1,575	1,432
Current service cost of defined benefit scheme (LGPS)	1,486	1,245
	<u>3,061</u>	<u>2,677</u>

Average staff numbers by major category (full-time equivalent):	No.	No.
Academic staff	253	233
Hourly- paid lecturers	54	50
Technicians	38	35
Support staff - administration	228	211
Support staff - manual workers	54	50
	<u>627</u>	<u>579</u>

Emoluments of the Vice-Chancellor and Chief Executive: Professor Christie Slade - appointed on 7 January 2012.	£'000	£'000
Remuneration	216	113
	<u>216</u>	<u>113</u>

Pension contributions	<u>36</u>	<u>9</u>
-----------------------	-----------	----------

Professor Frank Morgan - retired on 31 December 2011.	2013	2012
	£'000	£'000
Remuneration	-	85
Residential emolument	-	5
	<u>-</u>	<u>90</u>
Pension contributions	<u>-</u>	<u>12</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**6. STAFF COSTS (continued)**

Remuneration of higher paid staff excluding Vice-Chancellor and Chief Executive

	2013 No.	2012 No.
£110,001 - £120,000	-	2
£120,001 - £130,000	1	-
£130,001 - £140,000	1	-
£140,001 - £150,000	-	1
	<u>          </u>	<u>          </u>

The governors, other than the Vice-Chancellor, did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

**7. ANALYSIS OF EXPENDITURE BY ACTIVITY**

	Staff costs	Dep'n	Other operating expenses	Interest Payable	2013 Total	2012 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	16,542	208	6,628	-	23,378	21,313
Academic services	2,740	536	1,925	-	5,201	3,758
Research grants and contracts	327	-	408	-	735	655
Residences, catering and conferences	625	78	896	-	1,599	2,100
General education expenditure	1,222	13	1,749	-	2,984	1,527
Premises	1,340	957	5,754	260	8,311	6,413
Administration	3,360	50	3,803	160	7,373	8,087
Staff and student services	1,028	-	471	-	1,499	1,309
Other expenses	39	-	527	-	566	89
	<u>27,223</u>	<u>1,842</u>	<u>22,161</u>	<u>420</u>	<u>51,646</u>	<u>45,251</u>

	2013 £'000	2012 £'000
The depreciation charge has been funded by:		
Deferred capital grants	637	674
Revaluation reserve released	137	137
General income	1,068	1,026
	<u>          </u>	<u>          </u>
Depreciation	<u>1,842</u>	<u>1,837</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**7. ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)**

	2013 £'000	2012 £'000
Other operating expenses include:		
Auditors' remuneration - external audit	19	18
- internal audit	20	16
- tax services	3	4
- US federal loan	2	2
Hire of land and buildings - operating leases	514	524
Hire of plant and machinery - operating leases	17	10
Loss on sale of fixed assets	20	10
Howard Hodgkin Endowment - University Contribution	514	-
Student Union grant	288	252
	<u>          </u>	<u>          </u>

**8. INTEREST AND OTHER FINANCE CHARGES**

	2013 £'000	2012 £'000
Loans not wholly repayable within five years	260	171
Net interest on local government pension scheme (Note 22)	160	276
	<u>          </u>	<u>          </u>
	420	447
	<u>          </u>	<u>          </u>

**9. IMPAIRMENT PROVISION ON FIXED ASSET**

	2013 £'000	2012 £'000
Impairment reversal	(1,007)	(1,655)
Impairment new	-	500
	<u>          </u>	<u>          </u>
	(1,007)	(1,155)
	<u>          </u>	<u>          </u>

In November 2012 the University's residential development was approved by the relevant agencies and following the appointment of the principal contractor Miller Construction (UK) Ltd enabling works began in spring 2013. As a consequence £1,007,000 of impairment provision in respect of the residential development was released in the year.

**10. TAXATION**

The University, having charitable status, is liable to UK Corporation Tax only on activities which are additional to its principal educational activities. The University's activities did not give rise to any significant taxable profit.

**11. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR**

The surplus on continuing operations for the period is made up as follows:

	2013 £'000	2012 £'000
University's surplus for the year	1,887	4,590
	<u>          </u>	<u>          </u>
Total	1,887	4,590
	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

## 12. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold properties	Assets under construct- ion	Building improve- ments	Fixtures, equip- ment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2012						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	11,102	5,286	8,432	6,052	30,872
Additions at cost	-	-	20,499	393	804	21,696
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(683)	(500)	(1,183)
At 31 July 2013						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	11,102	25,785	8,142	6,356	51,385
	1,600	16,653	25,785	8,142	7,645	59,825
<b>Accumulated depreciation and impairments</b>						
At 1 August 2012	363	4,695	1,007	4,795	6,174	17,034
Charge for year	17	351	-	615	859	1,842
Impairment reversal	-	-	(1,007)	-	-	(1,007)
Disposals	-	-	-	(552)	(485)	(1,037)
At 31 July 2013	380	5,046	-	4,858	6,548	16,832
<b>Net book value at 31 July 2013</b>	1,220	11,607	25,785	3,284	1,097	42,993
At 31 July 2012	1,237	11,958	4,279	3,637	1,167	22,278
Inherited	1,220	2,871	-	-	-	4,091
Financed by capital grant	-	2,042	-	1,775	51	3,868
Other	-	6,694	25,785	1,509	1,046	35,034
<b>Net book value at 31 July 2013</b>	1,220	11,607	25,785	3,284	1,097	42,993

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2013

**12. TANGIBLE FIXED ASSETS (continued)**

The statement of asset valuation practice and guidance notes prepared by the Royal Institution of Chartered Surveyors provides that the normal basis of valuation for assets is open market value for existing use (SAVP 1). However, SAVP 1 is qualified to the extent that this may not be appropriate in respect of specialised properties which rarely, if ever, change hands and for which there is no clear evidence of open market transactions involving comparable properties. In these cases the alternative basis of valuation provided by the guidance notes is that of depreciated replacement cost (DRC).

Land and buildings were revalued by Vigers - International Property Consultants at 31 March 1991. The property owned by the University at Sion Hill is considered by Vigers to be sufficiently general in its design to be comparable with other educational buildings in the area and has been valued at open market value for existing use. Those on the campus at Newton Park are considered to be most appropriately valued by the DRC basis described above and have therefore been valued accordingly.

The leasehold property at Corsham Court has been valued at £Nil. Vigers do not recommend placing a value on this property since the lease could be regarded as onerous. The costs associated with the lease will be met from releases from the deferred income accrual.

Land and buildings with a net book value of £4,091,000 have been funded from Treasury sources. Should these particular properties be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the financial memorandum with the Higher Education Funding Council for England.

**Equipment**

Equipment taken over from Avon County Council at 31 March 1989 was brought into the accounts at 1 April 1990 at a value which reflects its replacement cost at the date of original purchase less depreciation representing usage since that date.

**13. ENDOWMENT ASSET INVESTMENTS**

	2013 £'000	2012 £'000
Balance at 1 August	-	-
New endowments	539	-
	<hr/>	<hr/>
Balance at 31 July	539	-
	<hr/>	<hr/>
Cash and other short term investments	539	-
	<hr/>	<hr/>
Total endowment asset investments	539	-
	<hr/>	<hr/>

The endowment assets comprise a £514,000 University contribution and an external donation of £25,000 to establish a chair in the name of Sir Howard Hodgkin.

**14. DEBTORS**

	2013 £'000	2012 £'000
Trade debtors	419	305
Other debtors	18	341
Prepayments and accrued income	1,201	964
	<hr/>	<hr/>
	1,638	1,610
	<hr/>	<hr/>

No debtors were due after more than one year.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £'000	2012 £'000
Bank Loan	357	-
Trade creditors	4,070	2,689
Taxation and social security	594	532
Other creditors	619	299
Accruals and deferred income	7,146	1,745
	<u>12,786</u>	<u>5,265</u>

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2013 £'000	2012 £'000
Accruals and deferred income	16,094	15,822
Lloyds TSB Loan	9,643	-
Salix Finance Loan (Note 17)	81	135
	<u>25,818</u>	<u>15,957</u>

The accruals and deferred income above relates to the University's obligation to maintain and insure its property at Corsham Court in the period to 2066.

**17. BORROWINGS**

	2013 £'000	2012 £'000
Bank loans and overdrafts are repayable as follows:		
In one year or less	357	-
Between one and two years	1,429	-
Between two and five years	1,429	-
In five years or more	6,785	-
	<u>10,000</u>	<u>-</u>

In June 2013 the University drew down a £10m EIB loan, being part of a £30m loan facility with Lloyds TSB. The EIB loan is repayable in quarterly instalments commencing June 2013 and ending May 2027. Interest has been fixed at 2.1% plus Margin and MLA. The current interest rate is 3.283%.

The Salix Finance Loan is repayable as follows:

In one year or less	-	55
Between one and two years	55	54
Between two and five years	26	26
	<u>81</u>	<u>135</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2013

## 17. BORROWINGS (continued)

The University has received interest-free loans totalling £217,000 from Salix Finance to fund two new energy conservation projects. The loans are repayable by 8 equal instalments over 4 years commencing March 2013 and ending September 2014.

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	Enhanced pension provision £'000	Landlords' guarantees provision £'000	Total provisions £'000
At 1 August 2012	1,060	188	1,248
Charge to income and expenditure	(4)	258	254
Utilised in year	(66)	(188)	(254)
At 31 July 2013	<u>990</u>	<u>258</u>	<u>1,248</u>

An amount of £990,000 (2012: £1,060,000) is included in provisions representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. The provision represents an undiscounted amount as the directors consider the affect of discounting would not have a material effect on the amount provided.

To ensure that there is sufficient residential accommodation for its first year students the University contracts with external providers. In return for guaranteed availability of places the University will pay a proportion of the rent for any unfilled places. The landlords' guarantees provision reflects the number of study bedrooms for which the University has a potential liability. In 2012/13 the University paid £80,000 in respect of unfilled places from a total of 558 study bedrooms. The University has also entered into an arrangement whereby it will compensate Unite for letting some 320 student bedrooms at Charlton Court to Bath Spa University students on contracts that are consistent with the length of Bath Spa University owned accommodation, but which are shorter than those let by Unite to other tenants. The cost of such compensation is expected to be £119,000. To ensure the University is able to secure as much student accommodation as possible it also has guaranteed to meet the costs of vacant rooms at Charlton Court. At 31 July 2013 a small number of vacant rooms were identified that if left unfilled may result in an additional cost of £10,000 which has been fully provided for in 2012/13.

The Board of Governors consider that the provision will be paid during the forthcoming year and consequently have not discounted the provision to net present value.

## 19. DEFERRED CAPITAL GRANTS

	HEFCE Buildings £'000	HEFCE Equipment £'000	Other grants Buildings £'000	Total £'000
At 1 August 2012	3,416	414	802	4,632
Released to income and expenditure account	(526)	(214)	(24)	(764)
At 31 July 2013	<u>2,890</u>	<u>200</u>	<u>778</u>	<u>3,868</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**20. ENDOWMENTS**

	Restricted Expendable £'000	2013 Total £'000	2012 Total £'000
Balance at 1 August 2012	-	-	-
New endowments	539	539	-
<b>Balance at 31 July 2013</b>	<b>539</b>	<b>539</b>	<b>-</b>
<b>Representing:</b>			
Capital	539	539	-
	539	539	-

**21. RESERVES**

	Revaluation Reserve £'000	General reserves £'000	Total £'000
Balance at 1 August 2012	4,311	35,904	40,215
Surplus for the year	-	1,887	1,887
Transfer from revaluation reserve to income and expenditure account	(137)	137	-
Actuarial gain on pension fund	-	1,996	1,996
<b>Balance at 31 July 2013</b>	<b>4,174</b>	<b>39,924</b>	<b>44,098</b>

**22. PENSION COSTS**

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, Avon Pension Fund, (LGPS). The total pension cost for the period was £3,061,000 (2011/12 £2,677,000).

**Teachers' Pension Scheme (TPS)**

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	4.5% per annum
Market value of assets at date of last valuation	£163,240 million

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2013

## 22. PENSION COSTS (continued)

*Teachers' Pension Scheme (TPS) (continued)*

Proportion of members' accrued benefits covered by the actuarial value of the assets 98%

For the year ended 31 July 2013 the employer contribution rate was 14.1%. The total pension cost for the period was £1,575,000 (2011/12 £1,432,000).

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

*Avon Pension Fund (LGPS)*

The University participates in the Avon Pension Fund (LGPS) which is a funded defined benefit pension scheme with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2013 was £1,855,000 of which employers' contributions totalled £1,309,000 and employees' contributions totalled £546,000. The agreed contribution rates for future years are 16.8% for employers, and salary-determined rates for employees ranging from 5.5% - 7.5%.

The following information under FRS 17 is based upon a full actuarial valuation of the Fund at 31 March 2013 updated to 31 July 2013 by a qualified independent actuary.

	2013	2012
Rate of increase in salaries	3.9%	3.6%
Rate of increase in pensions in payment	2.4%	2.1%
Discount rate	4.5%	4.3%
Inflation assumption CPI	2.4%	2.1%

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

	2013	2012
<i>Retiring today</i>		
Males	22.9	22.8
Females	25.9	25.7
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	28.2	28.1

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

22. PENSION COSTS (continued)

*Avon Pension Fund (LGPS) (continued)*

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 July 2013 %	Value at 31 July 2013 £'000	Long term rate of return expected at 31 July 2012 %	Value at 31 July 2012 £'000
Equities	7.0	18,164	7.0	13,437
Government Bonds	3.3	3,013	2.5	2,848
Other Bonds	4.3	2,478	3.4	2,779
Property	5.7	2,000	6.0	1,700
Cash	0.5	507	0.5	413
Other	7.0	2,000	7.0	1,792
		<u>28,162</u>		<u>22,969</u>

The following amounts at 31 July 2013 were measured in accordance with the requirements of FRS17:

	2013 £'000	2012 £'000
University estimated share of assets	28,162	22,969
Present value of scheme liabilities	<u>(36,860)</u>	<u>(33,326)</u>
Deficit in the scheme – Net pension liability	<u>(8,698)</u>	<u>(10,357)</u>

**Analysis of amount charged to staff costs within operating surplus**

	2013 £'000	2012 £'000
Current service cost	<u>1,486</u>	<u>1,245</u>
Total operating charge	<u>1,486</u>	<u>1,245</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**22. PENSION COSTS (continued)**

*Avon Pension Fund (LGPS) (continued)*

**Analysis of amount that is charged to interest payable**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Expected return on pension scheme assets	1,302	1,305
Interest on pension scheme liabilities	<u>(1,462)</u>	<u>(1,581)</u>
Net finance charge	<u>(160)</u>	<u>(276)</u>

**Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Actual return less expected return on pension scheme assets	(724)	(710)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>2,720</u>	<u>(1,297)</u>
Actuarial gain/(loss) recognised in STRGL	<u>1,996</u>	<u>(2,007)</u>

**Movement in deficit during year**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Deficit in scheme at 1 August	(10,357)	(8,034)
Movement in year:		
Current service cost	(1,486)	(1,245)
Curtailments and settlements	-	-
Contributions	1,309	1,205
Net interest	(160)	(276)
Actuarial gain/(loss)	<u>1,996</u>	<u>(2,007)</u>
Deficit on scheme at 31 July	<u>(8,698)</u>	<u>(10,357)</u>

**Analysis of the movement in the present value of the scheme liabilities**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
At beginning of the year	33,326	29,193
Current service cost	1,486	1,245
Interest cost	1,462	1,581
Contributions by scheme participants	546	489
Actuarial losses	724	1,297
Benefits paid	<u>(684)</u>	<u>(479)</u>
At end of the year	<u>36,860</u>	<u>33,326</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**22. PENSION COSTS (continued)**

*Avon Pension Fund (LGPS) (continued)*

**Analysis of the movement in the market value of the scheme assets**

	2013 £'000	2012 £'000
At beginning of the year	22,969	21,159
Expected rate of return on scheme assets	1,302	1,305
Actuarial gains/(losses)	2,720	(710)
Contribution by the employer	1,309	1,205
Contributions by scheme participants	546	489
Benefits paid	(684)	(479)
	<u>28,162</u>	<u>22,969</u>

**History of experience gains and losses**

	2013	2012	2011	2010	2009
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount (£'000)	2,720	(710)	839	1,448	(1,578)
% of scheme assets	9.7%	(3.1%)	4.0%	8.2%	(10.9%)
<b>Experience gains and losses on scheme liabilities:</b>					
Amount (£'000)	-	-	(344)	-	-
% of scheme liabilities	-	-	(1.2%)	-	-
<b>Total amount recognised in the statement of total recognised gains and losses:</b>					
Amount (£'000)	1,996	(2,007)	212	1,660	764
% of the present value of the scheme liabilities	5.4%	(6.0%)	(0.1%)	(6.5%)	(3.2%)

The estimate for the contribution for the defined benefit scheme for the year 2013/14 is £1,250,000. The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £5,537,000 loss (2012 £7,533,000 loss).

**Sensitivity Analysis**

Actuaries appointed by Avon Pension Fund have prepared the following sensitivity analysis that indicates the likely changes to pension liabilities, asset values, costs and returns on assets in the event of changes to key assumptions used by the actuary in determining the valuation of the fund at 31 July 2013.

	Base £000's	Sensitivity 1 +0.1% p.a. discount rate	Sensitivity 2 +0.1% p.a. Inflation	Sensitivity 3 1 year increase in life expectancy
<b>Liabilities</b>	36,860	36,137	37,599	37,531

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2013

## 22. PENSION COSTS (continued)

*Avon Pension Fund (LGPS) (continued)*

	Base £000's	Sensitivity 1 +0.1% p.a. discount rate	Sensitivity 2 +0.1% p.a. Inflation	Sensitivity 3 1 year increase in life expectancy
Assets	(28,162)	(28,162)	(28,162)	(28,162)
Deficit	8,698	7,975	9,437	9,369
Projected Service Cost 2014	1,540	1,492	1,589	1,575
Projected Expected Return on Assets 2014	(1,685)	(1,685)	(1,685)	(1,685)
Projected Interest Cost 2014	1,690	1,693	1,725	1,721

## 23. RECONCILIATION OF SURPLUS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Surplus before taxation and loss on sale of fixed assets	1,887	4,590
Interest payable (finance charge FRS 17)	160	276
Endowment and net interest receivable	(606)	(772)
Interest payable	260	171
Interest credited to inherited liability grant	515	585
Release of inherited liability grant	(243)	(227)
Release of capital grant	(764)	(674)
Depreciation	1,842	1,837
(Decrease) in impairment provision on fixed assets	(1,007)	(1,155)
(Increase)/decrease in stock	(44)	14
(Increase)/decrease in debtors	(28)	1,715
Increase/(decrease) in creditors	2,031	(858)
Contribution to Howard Hodgkin Fund	514	-
Increase in provisions	-	8
Loss on sale of fixed assets	146	10
Decrease in pension fund liability	177	40
<b>Net cash inflow from operating activities</b>	<b>4,840</b>	<b>5,560</b>

## 24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013 £'000	2012 £'000
Interest received	606	772
Interest paid	(260)	(171)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>346</b>	<b>601</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

<b>25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		<b>2013</b>	<b>2012</b>	
		<b>£'000</b>	<b>£'000</b>	
Purchase of tangible fixed assets		(16,563)	(3,658)	
Endowments received		25	-	
		<u>          </u>	<u>          </u>	
<b>Net outflow from capital expenditure and financial investment</b>		<b>(16,538)</b>	<b>(3,658)</b>	
		<u>          </u>	<u>          </u>	
<b>26. MANAGEMENT OF LIQUID RESOURCES</b>		<b>2013</b>	<b>2012</b>	
		<b>£'000</b>	<b>£'000</b>	
Decrease in short-term deposits		10,000	2,000	
		<u>          </u>	<u>          </u>	
<b>Net cash inflow from management of liquid resources</b>		<b>10,000</b>	<b>2,000</b>	
		<u>          </u>	<u>          </u>	
<b>27. FINANCING</b>		<b>2013</b>	<b>2012</b>	
		<b>£'000</b>	<b>£'000</b>	
Receipt of new Bank Loan		10,000	-	
Repayments of Salix Loan		(54)	(55)	
		<u>          </u>	<u>          </u>	
<b>Net cash inflow/(outflow) from financing</b>		<b>9,946</b>	<b>(55)</b>	
		<u>          </u>	<u>          </u>	
<b>28. ANALYSIS OF CHANGES IN NET FUNDS</b>				
	<b>At 1</b>	<b>Cash</b>	<b>Other</b>	<b>At 31</b>
	<b>August</b>	<b>flows</b>	<b>Moveme</b>	<b>July</b>
			<b>nts</b>	
	<b>2012</b>			<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash held in endowment asset investments	-	25	514	539
Cash at bank and in hand	9,758	8,569	(514)	18,327
Short term deposits	44,000	(10,000)	-	34,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Funds</b>	<b>53,758</b>	<b>(1,406)</b>	<b>-</b>	<b>52,352</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>29. CAPITAL COMMITMENTS</b>		<b>2013</b>	<b>2012</b>	
		<b>£'000</b>	<b>£'000</b>	
Contracted but not yet invoiced		28,572	18,308	
		<u>          </u>	<u>          </u>	

Capital commitments at 31 July 2013 include the contract for the construction of the new academic building that was awarded to Skanska UK Ltd, and the contract for the construction of the new student residences that was awarded to Miller Construction (UK) Ltd.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**30. FINANCIAL COMMITMENTS**

At 31 July 2013 the University had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
	£'000	£'000
Expiring within one to five years	182	222
Expiring after five years	275	247
	457	469

**31. RELATED PARTY TRANSACTIONS**

Due to the nature of the University's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. During the year the University provided a grant to Bath Spa University Students' Union of £288,000, enabling it to provide essential services to University students.

**32. ACCESS FUNDS**

	2013	2012
	£'000	£'000
Funding Council Grants	139	145
Less Administration Fee	(4)	(4)
	135	141
Disbursed to Students	(135)	(141)
	-	-
Balance unspent at 31 July	-	-

Funding council grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

**33. TEACHING AGENCY FOR SCHOOLS BURSARIES**

**Teacher Training Bursaries**

	2013	2012
	£'000	£'000
Funds Received	3,102	760
Disbursed to Students	(2,802)	(760)
	300	-
Balance unspent at 31 July	300	-

Teacher Training Bursaries are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.