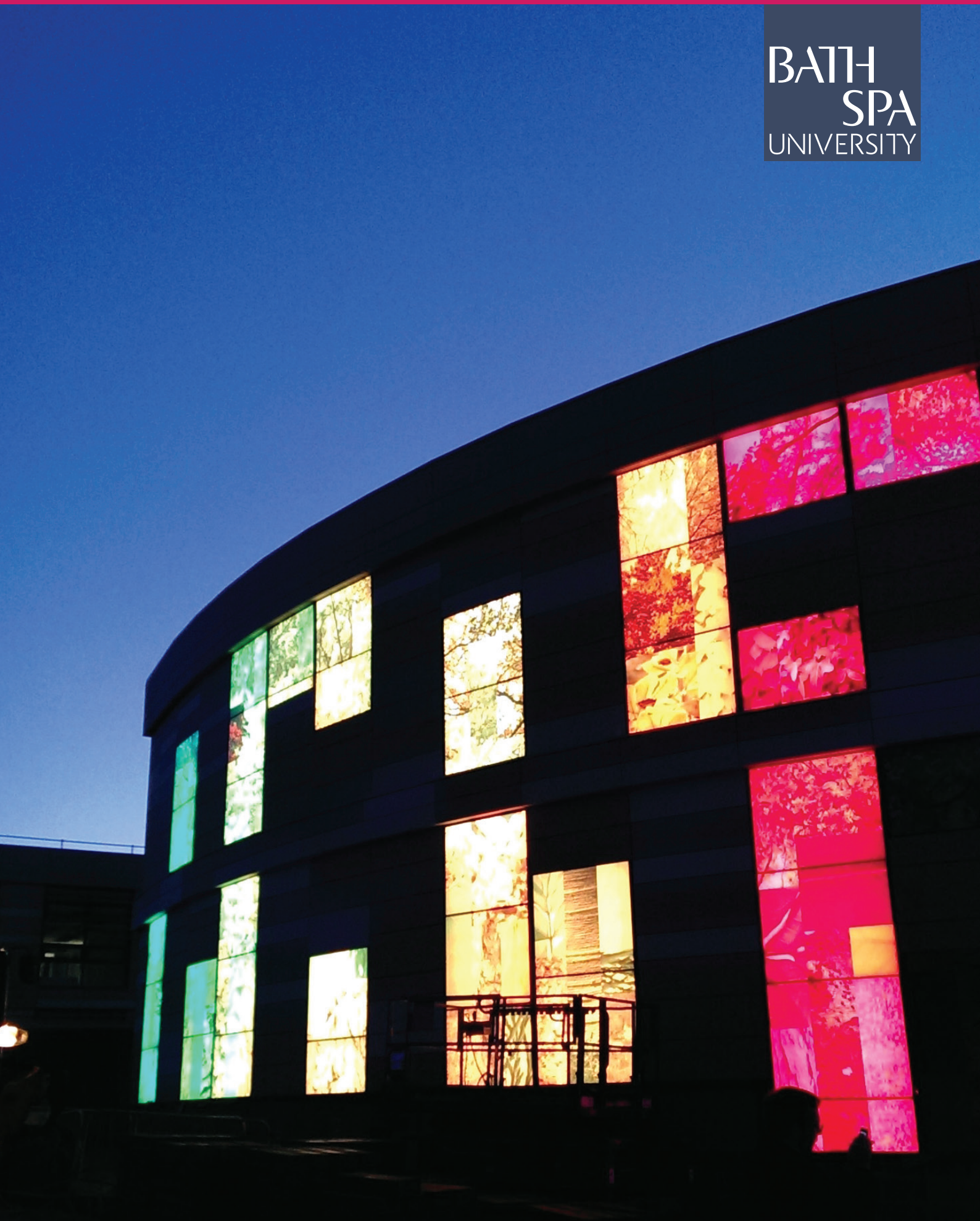


# ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR END 31 JULY 2016

BATH  
SPA  
UNIVERSITY





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**UNIVERSITY INFORMATION**

Governors:	Professor R Alexander Mr W Archer Ms N Campbell Dr K Doern Ms T Fisk Ms L Fleming Mr M Francis Mr B Galliver (up to 30th June 2016) Ms R Heald Ms K Hilton (from 1st July 2016) Ms J Henderson (Chair) Lady T Lloyd Professor P Martin Revd E Mason Mr T Osborne Mr D Pester (Deputy Chair) Professor C Slade (Vice-Chancellor and Chief Executive)	
Senior Staff:	Professor C Slade Professor N Sammells Mr N Latham	Vice-Chancellor and Chief Executive Deputy Vice-Chancellor and Provost Chief Operating Officer
Auditors:	Grant Thornton UK LLP Chartered Accountants Hartwell House, 55-61 Victoria Street Bristol BS1 6FT	
Bankers:	Lloyds Bank PLC 47 Milsom Street Bath BA1 1DN	
Solicitors:	Veale Wasbrough Vizards Narrow Quay House Narrow Quay Bristol BS1 4QA	
Address for Enquiries:	Bath Spa University Newton Park, Newton St Loe Bath BA2 9BN	

## UNIVERSITY INFORMATION

## Glossary

AHRC	Arts and Humanities Research Council
BSU	Bath Spa University
CPI	Consumer Price Index
CTA	Corporation Tax Act
DARO	Development and Alumni Relations Office
DLHE	Destinations of Leavers from Higher Education
DRC	Depreciated Replacement Cost
DWP	Department for Work and Pensions
EIB	European Investment Bank
EU	European Union
FE	Further Education
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HE	Higher Education
HEIs	Higher Education Institutions
HEFCE	Higher Education Funding Council for England
HEQR	Higher Education Quality Related (Research)
ICTA	Income and Corporation Taxes Act
ISO	International Organisation for Standardisation
ITT	Initial Teacher Training
LGPS	Local Government Pension Scheme
LLC	Limited Liability Company
LLP	Limited Liability Partnership
NCTL	National College for Teaching and Leadership
NSS	National Student Survey
OFFA	Office for Fair Access
PGCE	Post Graduate Certificate in Education
PGT	Post Graduate Taught
PLC	Public Limited Company
REF	Research Excellence Framework
SAVP	Statement of Asset Valuation Practice
SORP	Statement of Recommended Practice
STEM	Science, Technology, Engineering and Mathematics
TPS	Teachers' Pension Scheme
VAT	Value Added Tax

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

The members present their report and the audited financial statements for the year ended 31 July 2016

### 1. Legal Status

Bath Spa University is a higher education corporation under the Education Reform Act 1988, and as such also an exempt charity, regulated by HEFCE. With origins in the 19<sup>th</sup> Century, the institution was initially incorporated as Bath College of Higher Education and in 1999 adopted the name of Bath Spa University College. In March 2005 university status was gained, and the institution became Bath Spa University in August 2005.

### 2. Vision

Bath Spa University's Vision is to be a leading educational institution in creativity, culture and enterprise. Through inspirational teaching and research, the University will transform students' lives. 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.

### 3. Organisation

The University is organised into three academic domains, each led by a Dean:

- College of Liberal Arts
- Bath School of Art & Design
- Institute for Education

Responsibility for overall day-to-day management of the University is through the Vice-Chancellor, supported by a senior team that includes the Deputy Vice-Chancellor & Provost, the Chief Operating Officer and the Registrar.

### 4. Strategy and Achievements

#### 4.1 Strategic Objectives

In June 2015 governors approved the University's 2020 Strategy comprising four key pillars in which substantial progress is already being made:

- Firstly, to enable students, who are at the heart of this strategy, to thrive intellectually and in the world of work, Bath Spa graduates will be: creative, digitally literate, globally connected, able to work in teams, entrepreneurial and active members of our connected, creative community. There are several steps that the University is taking to ensure that these attributes are inculcated, including organisational and curriculum reform to encourage flexible and cross-disciplinary learning, with both an international dimension and relevance to the world of work. As the University enters the second year of the strategy, organisational changes have already been made and are currently being

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

embedded. This has included the formation of the Bath Business School, as part of the College of Liberal Arts. The curriculum review is well underway and plans are in place to ensure that the changes are fully implemented by 2018/19.

- Secondly, research, - critical, creative research and practice-based research, is central to the University's endeavour and Bath Spa continues to enhance its capabilities in these areas. The University has increased the number of winning bids from a number of different national and international funding bodies, which has driven a considerable rise in research income. It is also developing and launching three key research centres spanning the University as a whole: the Centre for Environmental Humanities, the Centre for Transnational Creativity and Education and the Centre for Creative and Cultural Industries. In addition, in order to shape and inform the work of its researchers, the University has developed nine further research centres in the Schools of Study structured around innovative, multi-disciplinary themes. The University is aiming to significantly enhance the amount of world leading work submitted to REF 2020, and in support of this, the second annual external review of research outputs was undertaken in May 2016, and potential Impact Case Studies have been identified in all Units of Assessment. The Researcher Development Programme has been redeveloped to support researchers across all stages of their research careers, and the University was successful in its application for external reaccreditation of the HR Excellence in Research Award - one of the first 50 UK HEIs to achieve this.
- Thirdly, transforming Bath Spa graduates into global citizens is critical to expanding students' horizons, providing valuable experience, improving their confidence and preparing them for the world of work. Being based in a world heritage city strengthens the University's position, making it attractive for international students wishing to study in the UK, whilst also encouraging Bath Spa students to study overseas. The University's internationalisation efforts do not end with its students. A unique international community of scholars is being developed, through international networks such as the Global Academy of Liberal Arts (GALA), now in its second year of existence and counting 18 members. Transnational Education, with students studying outside of the UK, is becoming increasingly important with several international partnerships now in place. The University is supporting its agenda to be the UK gateway to a global network of partner research institutions working in our fields of professional, creative and critical practice by appointing a new Head of European Funding and PGT Development and engaging with GALA activities in order to build relationships with partner research offices. In addition to this, the University was successful in its bid to host the 2017 Association of Commonwealth Universities Summer School, which will enhance our international profile.
- Finally, to be able to achieve all of these goals the University needs the right people, finance, facilities and infrastructure. The University's work base has therefore continued to grow steadily to support growing academic activity, and the University has achieved strong financial surpluses that enable further investment in infrastructure. In addition, the University has drawn on other sources of funding in order to invest in improvements at Newton Park, new student accommodation, such as Green Park House, which offers 461 beds and which welcomed its first residents this summer and further property purchases such as the former home of furniture manufacturers Herman Miller, on the Locksbrook

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

Road Industrial Estate in Bath.

## 4.2 Academic quality and standards

During the academic year 2015/16 several programme areas underwent periodic review; Business and Management, Creative Writing, Education Studies, English Literature, Publishing, and Religions, Philosophies and Ethics. External Examiner reports were received for all subject areas and none raised any significant issues with University provision.

The way in which the University monitors the 'health' of programmes on an annual basis has been changed significantly from previous practice. The new 'Academic Developmental Reporting' mechanism is designed to help subject areas think forward and is intended to help them concentrate on emerging risk, and management of risk, to frontline academic delivery and the student experience. IT support has helped produce applications to deliver timely and easy to understand data to subject areas on application data, student attainment data, retention data and NSS data to support the process.

The NSS2016 results were disappointing after the high results of previous years with overall satisfaction falling from 90% to 84%. All six sections of the NSS (teaching on my course, assessment and feedback, academic support, organisation and management, learning resources, and personal development) saw declines in satisfaction. The results have been subject to much analysis including correlation against staff: student ratios, staff turnover, and other factors. Early indications are that changing student numbers in subject areas (mostly growth but some in decline) seems to have been a significant factor. The Student Survey Taskforce, led by the Vice-Provost (Learning and Teaching Quality) will work hard to focus efforts in areas that will see the most tangible benefits in student satisfaction, and the aforementioned curriculum review is being used to ensure that all subject areas ensure that learning and assessment strategies are scalable for future growth without impacting on the student experience.

## 4.3 Resources and financial objectives

The University has consolidated net assets of £75.1m, net of a £21.9m pension liability, and employs 783 people (expressed as full time equivalents), of whom 365 are academic staff.

The University adopts a prudent financial strategy in support of its strategic plan, which provides for the maintenance and development of the infrastructure, and ensures the delivery of high quality programmes of study to as wide a range of students as possible. The key objectives of the University's financial strategy are as follows:

- To prepare annual budgets that achieve a good operating surplus, which by 2020 will achieve an operating surplus of 5% of total income. (At 31 July 2016 operating surplus 12% achieved).
- To achieve cumulative income and expenditure reserves of not less than 75% of total income. (At 31 July 2016 actual income and expenditure reserves before LGPS pension deficit were 94.6% of total income).
- To maintain sufficient liquidity to support continuing operations and investment in infrastructure of at least 90 cash days (at 31 July 2016 cash balances represented 217 cash days).



# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

- 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 work closely with other senior managers to ensure financial and other corporate plans are complementary.

## 4.4 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, postgraduate education, student engagement, and financial performance. The University also pays heed to rankings and reputation.

The University regularly monitors these performance indicators, identifies areas where there is scope for improvement, and implements plans to achieve these improvements. Current performance is given in the table below.

BSU KPIs	2013/14	Latest Position *	2020 Target
NSS Overall Satisfaction (% Total)	89%	84%	92%
Completion Rate (% Total)	93%	93%	>90%
Graduate Employment (% Total, DLHE)	64%	71%	70%
Non-UK Students (% Total)	8%	12%	20%
Postgraduate Student Intake (% Total Intake)	9%	10%	15%
Research and Enterprise Income (£000)	£318	£1,404	£1,500
Operating Surplus (% Income)	2%	12%	>5%

\* Latest HESA data (for all non-financial KPIs) is 2014/15. NSS is for those graduating 2015/16. Financial data 2015/16

## 4.5 Student Numbers

The University plans to grow its student population and, as indicated above, also to increase the proportion of international and postgraduate students. The total population in December 2015 was approximately 6800.

For the 2015 entry the University sought to maximise recruitment opportunities afforded by the removal of the cap on Home & EU student numbers. After a rise in Home & EU applications for 2014 entry of around 8.5%, Home & EU applications for 2015 entry rose by a further 9.5%, compared to a sector rise of just over 2% and a drop in applications to our UCAS competitor set of 1.75%. The University was able to register just over 2,200 Home & EU undergraduates, compared to around 1,970 Home & EU undergraduates recruited in 2014. Activity in Clearing continued to be limited, with a target of 100 students being recruited in less than two days.

The three programmes regularly highlighted as the strongest performers in recruitment terms in recent years - Business & Management; Education Specialised (with guaranteed progression to

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

PGCE Primary); and Psychology - continued to do very well indeed, as did Film, TV & Digital Production (doubling its numbers in only its second year of recruitment). Acting and Theatre Production, for both of which a decision was made to capitalise on high applications levels by selecting more candidates, also grew significantly.

Teacher training recruitment was very similar to recent years with Primary targets being largely met, but the University continuing to fall short of its targets for Secondary shortage subjects, a position reflected by almost all teacher training providers. Even so, the University continues to be one of the strongest recruiters of teacher trainees in a very difficult market.

Recruitment of international (non-EU) students has once again improved, with total international mainstream student intake numbers rising by around 24% compared to 2014. International (non-EU) undergraduate recruitment rose by around 40% in 2015 compared to the previous year.

## 4.6 Fundraising

The University's fundraising effort is informed by our Code of Ethical Fundraising and Donors' Charter, which is reviewed annually by its Development Strategy Group, chaired by a Governor and attended by the Vice-Chancellor, the Deputy Vice-Chancellor and others. Fundraising activities are managed by the Director of Development who implements the agreed strategy.

All fundraising is carried out (or overseen, in the case of our annual telethon) by professional fundraisers all of whom are members of the Campaign for the Advancement and Support of Education (CASE) and the Institute of Fundraising (IoF). They are well acquainted and compliant with all relevant legislation. Our student callers are carefully recruited, thoroughly trained, and overseen while fundraising by phone.

The University only seeks to raise funds from those with whom it has an existing relationship (i.e. alumni and 'friends of the institution'). We comply with the Data Protection Act and every mailing includes a DPA statement and opt out opportunity. Our fundraising is also PCI-DSS compliant. The University's fundraising is also consistent with best practice as established by the IoF and CASE. In light of recent concerns that provoked the Etherington Report, the University is enhancing its existing telethon caller training round 'vulnerable groups' and has a draft 'Vulnerable People Policy' which will be reviewed and adopted by the Development Strategy Group.

During 2015/16:

- We raised £29,000 from organisations. (An additional £200,000 will be received in the next financial year)
- We have raised £33,000 from individuals. (An additional pledge of £50,000 is due to be received in the next financial year)
- Santander Universities continues to be a valued supporter (£107,000)
- Our telethon revenue in gifts and pledges has doubled year on year – so our alumni giving has now funded an additional four scholarships
- 57 students received grants, scholarships and prizes made possible by our donors

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

- 41 students were able to broaden their horizons through travelling for work or study
- Our new crowdfunding platform funded two projects and engaged a further 51 individual donors

### **4.7 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.

### **4.8 Stakeholder relationships**

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.

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.

### **4.9 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.

Our EMS provides the framework for delivery of this policy and for ensuring the human and financial resources required for its implementation are in place. The University also has in place a Carbon Reduction Management Plan (CRMP), which sets out our approach to reducing carbon emissions in line with the sector targets published by HEFCE in January 2010. We have now implemented the majority of energy conservation measures in the CRMP, which will reduce

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

carbon emissions against the business as usual consumption by 2,000 tonnes, 3 years ahead of schedule. We are now developing a new strategy to accommodate the current expansion of the University.

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.

### **4.10 Bath Spa Global**

Following restructuring, the joint venture partnership with Shorelight Education LLC of Boston MA, Bath Spa Global, has concentrated on its core mission as a pathway college. A pre-Masters course and study abroad arrangements with US universities have helped to mitigate recruitment challenges, although the organisation remains fragile. Further preparatory course are planned to add to the portfolio.

## **5. Providing Public Benefit**

### **5.1 Delivery of charitable objectives**

The charitable objects of the University are to provide higher education, to carry out research and to publish the results of the research. The members of the Board of Governors, who 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 charity's immediate beneficiaries are its students. The University has no linked charities attached to it.

### **5.2 Developing people to make a contribution to society**

We offer a wide portfolio of services to support students entering a rapidly changing labour market. 93.7% of our 2014/15 graduates went on to work or further study within 6 months of graduation and of those in employment 70.5% were in professional or managerial roles. This is a significant increase of 6.5% from 2013/14 suggesting both the investment of support within the curriculum and the extra-curricular activity of the careers and enterprise teams is leading to improved outcomes for students. With few of our graduates entering the classic 'graduate scheme' trajectory, the 6 month DLHE 'snapshot' methodology of measuring graduate outcomes does not favour us.

During 2015/16 we invested in the following areas to support our students' career aspirations:

- More of our students are undertaking work placements of at least 20 days. We saw an increase of over 20% in 2015/16 and we are planning for continued growth and demand as such work experiences can greatly enhance a student's employability.
- Our Job Shop advertised over 1,300 job opportunities to our students, many of whom take up part time work whilst studying.
- We offer a mentoring program for students with local industry experts including Future Publishing, Bath Festivals and Bath and NE Somerset Council.
- The Bath Spa Award offers students a structured scheme that recognises the extra-curricular experiences, including work experience, that many of them gain from being at Bath Spa. In

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

2016/17 the award will be sponsored by Nationwide Building Society and we are developing a new Leadership strand.

- Our innovative Bath Spa Treatment has been delivered to first year students on four courses (Geography, Dance, Fine Art and History); this intense session challenges students to think creatively about their values and future aspirations. We are expanding delivery to Bath Business School students and potentially other courses in 2016/17.
- Engagement with employers continues to be important and we are engaging more than ever before with those with a national and international profile. Our Employer in the Foyer events have been especially popular with students and business alike. and in 2015/16 included PricewaterhouseCoopers, IBM, Enterprise rent-a-car and The National Trust.
- The Bath Sparks brand was launched to support student enterprise activity whilst at University and to help shape potential business ideas beyond graduation.

### 5.3 Admissions policy and widening participation

The University adopts a robust policy of equality of opportunity in the admissions process in order to attract and retain motivated applicants of high calibre and potential from a broad and diverse community. This includes those who have varying experiences of education and who may have followed non-traditional paths to higher education and wish to benefit from the positive experience offered by the University. This process is informed and guided by the range of legal obligations that is central to the HEFCE Equality and Diversity Statement and Objectives 2016/17. We provide a professional admissions service to all applicants by ensuring clear, fair and consistently applied policies and procedures and a high level of applicant care, including the provision of clear and accurate information that will support students in making an informed decision about their course of study.

The University's widening participation activity is closely linked to the HEFCE student life-cycle model and our core priorities are to:

- increase the higher education applicant pool by raising aspirations and attainment and supporting progression among potential applicants from under-represented groups by providing a well-targeted and progressive programme of effective outreach activities.
- increase the participation of those from under-represented groups by safeguarding and sustaining fair access across the University's provision.
- continue to improve retention and success with a strong strategic focus on enhancing the student learning experience by encouraging those from groups with relatively low retention rates or differential outcomes to access the relevant elements of the University's student support package; and encouraging all students to access the full range of educational and cultural opportunities that are available to them, including outward mobility programmes
- improve student progression by actively targeting and encouraging students from non-professional backgrounds to participate in a range of interventions and opportunities designed to support graduate level employment, progression to postgraduate training and study, access to the professions and an enterprise culture.
- contribute to national and regional widening participation and access agendas and supporting the vision of the National strategy for access and student success in higher education and new national access ambitions through collaborative working
- contribute to the sector's understanding of effective practice by delivering and sharing research, and evaluating the effectiveness of our planned activity.

## 5.4 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 programmes and activities are delivered through our *Be Inspired!* programme to young people aged from 9 to 19 in schools, colleges and community groups, and their parents/carers. The University is also an active partner in a number of regional collaborations and partnerships including the Western Vocational Progression Consortium, and the Western Opportunities Network (WON). The WON is a local network in the HEFCE National Network for Collaborative Outreach scheme. With our higher and further education partners we have secured HEFCE funding to establish a regional outreach programme in Bath, Wiltshire and Weston-Super-Mare as part of the new National Collaborative Outreach Programme. The University leads the Western Access Progression Agreement Consortium, which is a collaboration of local higher and further education partners that provides a programme of outreach activities to support progression to higher education for Access to Higher Education Diploma learners. In 2015/16 the University's widening participation outreach activities reached over 10,000 people.

## 5.5 Supporting students with a disability or specific learning need

We work closely with our school and college coordinators to ensure all outreach activity is made accessible to students with a disability or specific learning need. The University provides numerous bespoke events, including *Get Started*, an early induction programme for students who disclose a disability or specific learning need. Our provision of transitional support for students who disclose a disability or specific learning need was highlighted as a national example of good practice by Action on Access.

## 5.6 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 that can be accessed by each Local Authority in our region. The additional personal support that is available to our students from a care background includes a Care Leavers Bursary, help with accommodation, including vacation periods, and a named member of the Student Support Service Team to act as their first point of contact. This support is also available to students who are studying on our programmes at Partnership Colleges. When the scheme was in operation, the University was a holder of the Frank Buttle Trust Quality Mark in recognition of the support we provide for care-leavers.

## 5.7 Supporting transition, success and progression

Our student base is diverse. Analysis of 2013-2015 entry data showed that over 70% of undergraduate entrants and 90% of Post Graduate Certificate in Education Initial Teacher Training (PGCE ITT) at the University had at least one widening participation marker in their profile. Our strategic approach is to enable all students, including those from diverse and disadvantaged groups, to take full advantage of the educational and cultural opportunities that we offer and provide them with practical support and opportunities to achieve their academic and career aspirations.

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

Prior to the start of their academic programme, mature students are invited to attend a two-day 'Return to Learning' transitional summer school to prepare them for undergraduate study. Students who disclose a disability or specific learning need are invited to *Get Started*, an early induction programme. The University coordinates a peer mentoring scheme for new students and the Students' Union provides additional support through trained teams of Freshers' Angels and Buddies. All new students are encouraged to engage with the range of induction activities that are provided by the University and Students' Union as part of the University's Welcome Week programme. 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.

Outward mobility is integral to our Internationalisation Strategy and ambition of developing our students as socially engaged global citizens. By 2020 we aim to increase the proportion of students who spend part of their studies abroad to 10%. We offer a range of supported opportunities, including financial support drawn from a variety of sources, to enable students to undertake an international experience abroad. Through a programme of awareness and aspiration-raising activity, we will work to ensure these opportunities are extended to social groups that might otherwise be unlikely to participate.

The University works to improve progression to postgraduate study and graduate-level professions and reduce inequalities in postgraduate study and employment outcomes between graduates from advantaged and disadvantaged groups. We also provide a learning environment that promotes enterprise and entrepreneurship and fosters creativity and innovation. We recognise that students and graduates from less-privileged backgrounds, especially those with no parental experience of higher education, may sometimes lack professional and social networks and knowledge about graduate employability, progression to postgraduate education, entry routes to the professions and entrepreneurship. We therefore help them develop a good understanding of their personal and professional skills and competencies in the context of the graduate labour market.

### **5.8 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. In 2015/16 Bath Spa University paid £1.1m in means-tested bursaries to support students from the lowest household incomes.

This Undergraduate Support Scheme is part of Bath Spa University's Access Agreement with the government and is aimed at widening access to degree courses by removing financial barriers to

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

education for students from under-represented groups. In 2015/16 we provided 320 awards worth £3,500 each, split over 3 years, to eligible first year students new to Higher Education.

In further measures designed to help ensure that students from lower income backgrounds will not be put off applying to university and to ensure the University retains its retention, Bath Spa provided a support package of widening participation initiatives and financial assistance worth some £2.6m in 2015/16. This package will continue in 2016/17.

This year awards funded via the Alumni and Development Office from donations received benefited 16 students who received scholarships or awards that aided their studies, funded international travel, and gave them space to think outside of their curriculum. A further 4 students received opportunities through the Santander Universities partnership.

### 6 Financial Review

#### 6.1 University 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 2016 are summarised as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Income	75,581	68,901
Expenditure	(66,487)	(62,130)
Surplus on continuing operations	9,094	6,771
Surplus before other losses	9,094	6,771
Loss on disposal of fixed assets	(6)	-
Surplus before tax	9,088	6,771
Unrealised surplus on revaluation of land and buildings	21,231	-
Actuarial loss on pension fund	(8,879)	(2,559)
Total comprehensive income for the year	21,440	4,212
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Release from revaluation reserve	199	137
Net assets excluding pension liability	97,005	65,656



## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

Net assets including pension liability	75,110	53,670
Net cash inflow from operating activities	26,579	41

The high net cash inflow achieved reflects the sound operating surplus reported in the year as a consequence of strong recruitment and good controls over expenditure. All significant movements in income and expenditure are explained below.

The actuarial loss on pension fund of £8.9m is largely the consequence of a change in the discount rate used to measure future pension liabilities which fell from 3.8% to 2.5% pa.

### 6.1.1 Income

	2016 £'000	2015 £'000	% +/-
Funding Council grants	5,213	5,069	3%
Tuition fees and education contracts	58,198	53,063	10%
Research grants and contracts	1,404	807	74%
Other income	10,305	9,589	7%
Investment income	286	261	10%
Donations and endowments	175	112	56%
<b>Total income</b>	<b>75,581</b>	<b>68,901</b>	<b>10%</b>

In 2015/16 income from tuition fees grew some £5.1m following an increase of approximately 550fte students including home/EU and international. Two large AHRC grants totalling £1.75m across 4 years contributed to an increase in income from externally funded research contracts of £0.6m. Other income grew by £0.7m largely as a consequence of increases in student residence and catering income, commensurate with an enlarged student population.

### 6.1.2 Expenditure

	2016 £'000	2015 £'000	% +/-
Staff costs	35,326	31,760	11%
Other operating expenses	24,742	24,608	1%
Depreciation	4,489	4,398	2%
Interest payable and other finance charges	1,930	1,364	41%
<b>Total expenditure</b>	<b>66,487</b>	<b>62,130</b>	<b>7%</b>

Total staffing costs grew by 11% that included an 8% increase in staff numbers, increase in LGPS costs of 2%, and an annual pay award of 1%.

Interest payable and other finance charges rose by £0.6m largely as a result of an increase in LGPS interest costs.

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

## 6.1.3 Balance Sheet

Tangible fixed asset additions during the year were as follows:

	<b>£'000</b>
Freehold Property	49,905
Revaluation of Freehold Property	21,231
Building improvements	1,948
Equipment	807
<b>Total additions</b>	<b>73,891</b>

## 6.2 Fixed Assets

Additions to freehold property include Green Park House, a new building development comprising 461 student bedrooms that was acquired in May 2016 for £46m. In May 2016 the University also completed the purchase of the former Herman Miller building (6,000 square metres) at Locksbrook Road, Bath at a cost of £3.6m. The University plans to use the building as the future location for the Bath School of Art and Design, and is within walking distance of Bath Spa University's managed housing blocks, which would provide accommodation for students.

Additions to building improvements includes £1.3m, part of a £2.2m energy-conservation, carbon-saving, maintenance-reduction and resilience-building measures package that will be completed in 2016/17, and £0.4m in respect of a major refurbishment of science laboratories for which the University has been awarded HEFCE STEM funding totalling £0.2m.

Additional equipment assets of £0.8m were purchased that includes computer equipment, audio visual equipment and motor vehicles.

## 6.3 Fixed Asset Revaluations

A valuation carried out at July 2016 valued Green Park House at £58m and the asset was brought onto balance sheet at this amount at 31 July 2016 which resulted in the establishment of a revaluation reserve of £12m.

A recent valuation of Sion Hill Land based on market conditions prevailing at July 2014 valued the land at £10m, significantly higher than the carrying value of £0.8m. The asset was restated on balance sheet at 31 July 2016 at valuation of £10m which resulted in the establishment of a revaluation reserve of £9.2m.

## 6.4 Pension Liabilities

The University's share of the LGPS net pension liability grew by £9.9m to £21.9m at 31 July 2016.

## 6.5 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

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

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. The University has a minimum target of liquidity of 90 days.

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.

### **6.6 Cash flows**

The £26.6m (2015: £0.04m) operating cash in-flow is after adding back £11m in respect of a 2015 prepayment for Green Park House. The underlying operating cash-flow, excluding this one-off transaction, was strong and reflects the healthy operating surplus achieved in the year.

### **6.7 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. In May 2016 the University drew down a bridging loan from Santander of £35m to finance the purchase of new student residential accommodation at Green Park in the centre of Bath. At 31 August 2016 the bridging loan was replaced with an 18 year fixed term £35m loan, with interest fixed at 3.99%.

### **6.8 Outlook for 2016/17**

HEFCE and DWP funding is expected to increase by £0.2m to £4.3m, largely as a consequence of an increase in funding for improving provision for disabled students, which mitigates reductions in central government funding.

The University has enjoyed increased undergraduate enrolments for 2016/17 which, together with the roll forward of much larger 2<sup>nd</sup> and 3<sup>rd</sup> cohorts compared to previous years, is expected to lead to an increase in overall home/EU student numbers of some 500fte. After three years of sustained growth in International students, early indications are that 2016/17 numbers will remain at similar levels to 2015/16. The postgraduate environment remains challenging. While seeing an overall increase, recruitment has been slightly behind that forecast, thus highlighting the need for continuing and robust cost control.

## **7. Future developments**

As part of its strategy and plans for growth, the University is pursuing several opportunities that, if successful, will add significantly to its capability and capacity. These include increasing and consolidating the academic estate, and expanding international provision including transnational education. The formation of the Bath Business School in summer 2016 added additional impetus to this agenda. Investment plans are being framed to take advantage of historically low interest rates for borrowing. These developments will enhance student choice and facilitate

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

interdisciplinary study, research and the student experience, thus directly contributing to achievement of the objectives of the University's strategic plan.

## 8. Principal risks and uncertainties

### 8.1 Risk Management

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 Audit 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.

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

### 8.2 Identified Risks

The greatest risks to the University include: the uncertain UK political and economic environment following the EU referendum result; rapidly evolving government policy in higher education and compliance with associated regulatory requirements; competition for students (UK, EU and International); infrastructure (timely completion of building works and adequacy of teaching space); reputation (the uncertain quality assurance around the Teaching Excellence Framework, the national student survey and the potential impact of both on league table position); the capacity of the University to deliver an ambitious change programme in the current environment, and the uncertainty in allocation of teacher training numbers. These risks carry financial implications, the risk of which is increasing. We will manage the risks proactively and the financial commitments carefully.

In further detail, it is not yet clear what impact Brexit will have on the university's operations but it is likely to lead to greater uncertainty in terms of recruitment of international and EU students that currently number approximately 650fte. Whilst noting the important contribution that such students make to the fabric of the University, the University is not unduly dependent upon these students financially, provided that UK recruitment remains buoyant. The decline in sterling is likely to increase inflationary pressures that may in turn lead to higher non-pay expenditure, and ultimately pay expenditure in the longer term. The University will continue to monitor the situation carefully and will review and update its financial forecasts as appropriate to ensure that the full impacts of Brexit are reflected accordingly.

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

## 9. Corporate Governance

### 9.1 Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the higher education sector and best practice. This summary describes the manner in which the University has applied the principles set out in the voluntary Higher Education Code of Governance published by the Committee of University Chairmen in December 2014.

Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2016, the University has been in compliance with the voluntary Code and has also carefully considered, and where appropriate implemented, the requirements of the Higher Education Code of Governance.

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 Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and institutions. 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.

### 9.2 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.

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

The *Audit Committee* meets at least three times 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.

There are also three *strategy groups* which call on the particular expertise of Governors and bringing them together with staff and external advisors: the Estates strategy group, the Development strategy group and the International strategy group.

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

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

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.

### **9.4 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 Memorandum of assurance and accountability 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.

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 are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE, and financial memoranda issued by other funding bodies including NCTL.
- 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

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

- secure the economical, efficient and effective management of the University's resources and expenditure.

Following careful consideration of the implications of the revised Code, the University commissioned an independent review of governance which reported to Governors in February 2016. The review concluded that as an ambitious and progressive institution, the University had a satisfactory approach to governance. A number of recommendations were made which might assist the University to move from a predominantly compliance and checking model of governance to one with an even greater emphasis on strategy and engagement, and these recommendations have been accepted. The University will look in particular at its processes for academic governance, and will seek to develop the best arrangements to get assurance on the work of Academic Board.

### **9.5 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.

### **9.6 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 Memorandum of Assurance and Accountability with HEFCE, and financial memoranda issued by other funding bodies including NCTL.

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.

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 2016 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.



## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

- 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, 16 November 2016

C Slade  
Accounting Officer

J Henderson  
Chair

## 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 2016 which comprise the consolidated and University statement of comprehensive income and expenditure, the consolidated and University statement of changes in reserves, the consolidated and University balance sheets, the consolidated cash flows 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the University's Governing body, as a body, in accordance with paragraph 13 of the University's articles of government. Our audit work has been undertaken so that we might state to the University's Governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's Governing body as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Governing body and auditor

As explained more fully in the Statement of the responsibilities of the Board of Governors set out on page 22, the Governing body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Education Reform Act 1988 in accordance with regulations made under 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 Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the University's affairs as at 31 July 2016 and of the group's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014.

### Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2016

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

# INDEPENDENT AUDITOR'S REPORT

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

November 2016

## STATEMENT OF ACCOUNTING POLICIES

### Basis of preparation

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

### Going concern

The activities of the University, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the University, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

At 31 July 2016 the University had £61.9m of loans outstanding with bankers that helped finance the development and acquisition of new student residences. The University's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the University has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

### Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

The financial statements include the University's wholly owned subsidiary Bath Spa U Limited which includes 50% of its share of assets and liabilities of Bath Spa Global LLP, and its share of surplus of £169,000 in 2015/16 which is reported as Other expenses (Note 7). The figure of £169,000 includes a cost reduction of £300,000 which relates to costs incurred by Shorelight Inc. in 2014/15, on behalf of Bath Spa Global LLP.

Associated companies and joint ventures are accounted for using the equity method.

# STATEMENT OF ACCOUNTING POLICIES

## STATEMENT OF ACCOUNTING POLICIES

### Income recognition

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

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

Investment income is credited to the statement of income and expenditure on a receivable basis.

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

### Grant funding

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

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

### Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

## STATEMENT OF ACCOUNTING POLICIES

### Donations and endowments *(continued)*

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

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

### Capital grants

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

### Accounting for retirement benefits

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme and the Avon Pension Fund.

- **Teachers' Pension Scheme**

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**

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.

## STATEMENT OF ACCOUNTING POLICIES

### Employment benefits

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

### Operating leases

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

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

### Land and buildings

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 11. 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>1/3</sup> % per annum

Freehold and leasehold 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). The Newton Park estate is held on a 99 year lease that expires in 2044. Freehold land is not depreciated.

## STATEMENT OF ACCOUNTING POLICIES

### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### **Investments**

Non current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost less impairment in the University's accounts.

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

### **Stock**

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

### **Cash and cash equivalents**

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

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

### **Inherited liability grant**

In January 2008 the University received £14.4m from HEFCE as buy-out of inherited liabilities at Corsham Court. This sum is being amortised on a straight line basis over the remaining 50 years of the Corsham Court lease and will mitigate associated expenditure under the lease covered by the buy-out agreement.

### **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.



## STATEMENT OF ACCOUNTING POLICIES

### **Provisions, contingent liabilities and contingent assets** *(continued)*

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

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

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

### **Accounting for joint operations, jointly controlled assets and jointly controlled operations**

The University accounts for its share of joint ventures using the equity method.

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

### **Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, [The University is an exempt Charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator]. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

## STATEMENT OF ACCOUNTING POLICIES

### **Taxation** *(continued)*

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

### **Reserves**

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

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

### **Transition to 2015 SORP**

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in Note 26.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

- Fair value or revaluation as deemed cost - at 31 July 2016, fair value has been used for deemed cost for properties measured at fair value.

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the University either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

*Other key source of estimation uncertainty*

- *Local Government Pension Scheme*

## STATEMENT OF ACCOUNTING POLICIES

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

# STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

## STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2016

	Note	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>INCOME</b>					
Funding Council grants	1	5,213	5,069	5,213	5,069
Tuition fees and education contracts	2	58,198	53,063	58,198	53,063
Research grants and contracts	3	1,404	807	1,404	807
Other income	4	10,305	9,589	10,305	9,589
Investment income	5	286	261	286	261
Donations and endowments		175	112	175	112
<b>Total income</b>		<b>75,581</b>	<b>68,901</b>	<b>75,581</b>	<b>68,901</b>
<b>EXPENDITURE</b>					
Staff costs	6	35,326	31,760	35,326	31,760
Other operating expenses	7	24,742	24,608	24,879	23,857
Depreciation		4,489	4,398	4,489	4,398
Interest and other finance charges	8	1,930	1,364	1,930	1,364
<b>Total expenditure</b>	7	<b>66,487</b>	<b>62,130</b>	<b>66,624</b>	<b>61,379</b>
<b>Surplus before other losses</b>		<b>9,094</b>	<b>6,771</b>	<b>8,957</b>	<b>7,522</b>
Loss on disposal of fixed assets		(6)	-	(6)	-
<b>Surplus before tax</b>		<b>9,088</b>	<b>6,771</b>	<b>8,951</b>	<b>7,522</b>
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		<b>9,088</b>	<b>6,771</b>	<b>8,951</b>	<b>7,522</b>
Unrealised surplus on revaluation of land and buildings		21,231	-	21,231	-
Actuarial loss in respect of pension schemes		(8,879)	(2,559)	(8,879)	(2,559)
<b>Total comprehensive income for the year</b>		<b>21,440</b>	<b>4,212</b>	<b>21,303</b>	<b>4,963</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		6	6	6	6
Unrestricted comprehensive income for the year		21,434	4,206	21,297	4,957
		<b>21,440</b>	<b>4,212</b>	<b>21,303</b>	<b>4,963</b>

All items of income and expenditure relate to continuing activities.

## CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

### CONSOLIDATED STATEMENT OF CHANGES IN RESERVES For the year ended 31 July 2016

	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2014</b>	<b>569</b>	<b>44,852</b>	<b>4,037</b>	<b>49,458</b>
Surplus from the income and expenditure statement	6	6,765	-	6,771
Other comprehensive income	-	(2,559)	-	(2,559)
Transfers between revaluation and income and expenditure reserve	-	137	(137)	-
	6	4,343	(137)	4,212
<b>Balance at 1 August 2015</b>	<b>575</b>	<b>49,195</b>	<b>3,900</b>	<b>53,670</b>
Surplus from the income and expenditure statement	6	9,082	-	9,088
Other comprehensive income	-	(8,879)	21,231	12,352
Transfers between revaluation and income and expenditure reserve	-	199	(199)	-
<b>Total comprehensive income for the year</b>	<b>6</b>	<b>402</b>	<b>21,032</b>	<b>21,440</b>
<b>Balance at 31 July 2016</b>	<b>581</b>	<b>49,597</b>	<b>24,932</b>	<b>75,110</b>

# UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

## UNIVERSITY STATEMENT OF CHANGES IN RESERVES For the year ended 31 July 2016

	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2014</b>	<b>569</b>	<b>44,973</b>	<b>4,037</b>	<b>49,579</b>
Surplus from the income and expenditure statement	6	7,516	-	7,522
Other comprehensive income	-	(2,559)	-	(2,559)
Transfers between revaluation and income and expenditure reserve	-	137	(137)	-
	6	5,094	(137)	4,963
<b>Balance at 1 August 2015</b>	<b>575</b>	<b>50,067</b>	<b>3,900</b>	<b>54,542</b>
Surplus from the income and expenditure statement	6	8,945	-	8,951
Other comprehensive income	-	(8,879)	21,231	12,352
Transfers between revaluation and income and expenditure reserve	-	199	(199)	-
<b>Total comprehensive income for the year</b>	<b>6</b>	<b>265</b>	<b>21,032</b>	<b>21,303</b>
<b>Balance at 31 July 2016</b>	<b>581</b>	<b>50,332</b>	<b>24,932</b>	<b>75,845</b>

# CONSOLIDATED BALANCE SHEET

## CONSOLIDATED BALANCE SHEET At 31 July 2016

	Note	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	11	143,075	73,706	143,075	73,706
Investments		-	-	450	-
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	12	581	575	581	575
		143,656	74,281	144,106	74,281
<b>CURRENT ASSETS</b>					
Stocks		110	75	110	75
Debtors	13	2,987	14,162	3,108	14,241
Investments		34,431	24,000	34,431	24,000
Cash at bank and in hand		5,108	7,795	4,641	7,795
		42,636	46,032	42,290	46,111
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(13,686)	(11,976)	(13,055)	(11,183)
<b>NET CURRENT ASSETS</b>		28,950	34,056	29,235	34,928
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		172,606	108,337	173,341	109,209
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	15	(74,653)	(41,604)	(74,653)	(41,604)
<b>PROVISIONS</b>					
Pension provisions	20	(21,895)	(11,986)	(21,895)	(11,986)
Other provisions	17	(948)	(1,077)	(948)	(1,077)
<b>TOTAL NET ASSETS</b>		75,110	53,670	75,845	54,542

# CONSOLIDATED BALANCE SHEET

## CONSOLIDATED BALANCE SHEET (CONTINUED) At 31 July 2016

	Note	Consolidated		University	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>RESTRICTED RESERVES</b>					
Endowment reserve	19	581	575	581	575
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve		49,597	49,195	50,332	50,067
Revaluation reserve		24,932	3,900	24,932	3,900
		<hr/>	<hr/>	<hr/>	<hr/>
		74,529	53,095	75,264	53,967
		<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL RESERVES</b>		<b>75,110</b>	<b>53,670</b>	<b>75,845</b>	<b>54,542</b>
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved by the Board of Governors on 16 November 2016 and signed on its behalf by:

C Slade  
Accounting Officer

J Henderson  
Chair

The notes on pages 41 to 60 form part of these financial statements.



# CONSOLIDATED CASH FLOW STATEMENT

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		9,088	6,771
<b>Adjustment for non-cash items</b>			
Depreciation		4,489	4,398
Release of inherited liability grant		(240)	(240)
Release of capital grants		(633)	(516)
(Increase)/decrease in stock		(35)	43
Decrease/(increase) in debtors		11,176	(12,594)
Increase in creditors		605	909
Decrease in provisions		(129)	(100)
Decrease in pension fund liability		614	273
Contribution to Howard Hodgkin Fund		(6)	(6)
<b>Adjustment for investing or financing activities</b>			
Interest payable (finance charge FRS 17)		416	(6)
Endowment and net interest receivable		(286)	(261)
Finance cost/(credit) of enhance pension provision		38	(21)
Interest payable		1,476	1,391
Loss on sale of fixed assets		6	-
		26,579	41
<b>Net cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Interest received		286	261
Finance (cost)/credit of enhanced pension provision		(38)	21
Interest paid		(1,476)	(1,391)
Purchase of tangible fixed assets		(52,798)	(7,134)
Proceeds from sale of fixed assets		27	-
Capital grants received		653	669
		(53,346)	(7,574)
<b>Cash flows from financing activities</b>			
Increase in short-term deposits		(10,431)	(4,000)
Receipt of new bank loan		35,000	10,000
Repayments of bank loans		(1,346)	(1,314)
Receipt of new Salix loan		857	-
Repayments of Salix loans		-	(26)
		24,080	4,660
<b>Decrease in cash in the year</b>			
		(2,687)	(2,873)
Cash at beginning of the year	21	7,795	10,668
Cash at end of the year	21	5,108	7,795

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**1. FUNDING COUNCIL GRANTS**

	<b>HEFCE £'000</b>	<b>DWP £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Recurrent grant	4,065	275	4,340	4,313
Inherited liability grant released in year	240	-	240	240
Deferred capital grants released in year:				
- Buildings	570	-	570	467
- Equipment	63	-	63	49
	<hr/>	<hr/>	<hr/>	<hr/>
	4,938	275	5,213	5,069
	<hr/>	<hr/>	<hr/>	<hr/>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Full-time students	51,607	47,314
Full-time students charged overseas fees	5,668	4,829
Part-time fees	923	920
	<hr/>	<hr/>
	58,198	53,063
	<hr/>	<hr/>

**3. RESEARCH GRANTS AND CONTRACTS**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Research councils	828	615
Other grants and contracts	576	192
	<hr/>	<hr/>
	1,404	807
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**4. OTHER INCOME**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Residences, catering and conferences	6,629	5,758
Other income	3,676	3,831
	<hr/>	<hr/>
	10,305	9,589
	<hr/>	<hr/>

**5. INVESTMENT INCOME**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Income from short term investments	286	261
	<hr/>	<hr/>

**6. STAFF COSTS**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Wages and salaries	27,986	25,788
Social security costs	2,342	2,012
Other pension costs	4,998	3,960
	<hr/>	<hr/>
	35,326	31,760
	<hr/>	<hr/>

The University has included an accrual for holiday pay in 2016 totalling £1,683,000 (2015: £1,570,000). This has been a mandatory requirement under FRS102 from 2015.

	<b>£'000</b>	<b>£'000</b>
Other pension costs comprise:		
Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	2,437	1,933
Current service cost of defined benefit scheme (LGPS)	2,561	2,027
	<hr/>	<hr/>
	4,998	3,960
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**6. STAFF COSTS (CONTINUED)**

Average staff numbers by major category (full-time equivalent):	No.	No.
Academic staff	312	290
Hourly-paid lecturers	53	52
Technicians	45	40
Support staff – administration	311	286
Support staff – manual workers	62	59
	<hr/>	<hr/>
	783	727
	<hr/>	<hr/>

Emoluments of the Accounting Officer and Chief Executive, Professor Christina Slade:

	£'000	£'000
Remuneration including £Nil performance related bonus (2015: £12,500)	250	263
	<hr/>	<hr/>
Housing allowance	20	20
	<hr/>	<hr/>
Private healthcare	13	11
	<hr/>	<hr/>
Pension contributions	50	49
	<hr/>	<hr/>

Remuneration of higher paid staff excluding the Accounting Officer and Chief Executive:

	No.	No.
£110,001 - £120,000	1	-
£120,001 - £130,000	-	1
£130,001 - £140,000	2	1
£140,001 - £150,000	-	1
	<hr/>	<hr/>
	£'000	£'000
Governors expenses	1	1
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2016

7. CONSOLIDATED EXPENDITURE BY ACTIVITY

	Staff costs	Depreciation	Other operating expenses	Interest payable	2016 Total	2015 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	20,558	119	6,781	-	27,458	25,324
Academic services	3,983	1,409	2,461	-	7,853	6,835
Research grants and contracts	386	-	802	-	1,188	919
Residences, catering and conferences	768	916	1,772	-	3,456	2,823
General education expenditure	2,060	3	5,323	-	7,386	7,042
Premises Administration	1,698	2,027	4,242	1,476	9,443	10,156
Staff and student services	4,422	14	1,697	454	6,587	5,675
Other expenses	1,436	1	1,066	-	2,503	1,940
	15	-	598	-	613	1,416
	<u>35,326</u>	<u>4,489</u>	<u>24,742</u>	<u>1,930</u>	<u>66,487</u>	<u>62,130</u>

Other operating expenses – other expenses includes £32,000 (2015 £Nil) related to the University's subsidiary company Bath Spa U Limited.

	2016 £'000	2015 £'000
The depreciation charge has been funded by:		
Deferred capital grants	599	516
Revaluation reserve released	199	137
General income	3,691	3,745
	<u>4,489</u>	<u>4,398</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**7. EXPENDITURE BY ACTIVITY (CONTINUED)**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Other operating expenses include:		
Auditors' remuneration		
- external audit	24	21
- internal audit	28	24
- tax services	3	4
- US federal loan	2	2
Hire of land and buildings (operating leases)	547	503
Hire of plant and machinery (operating leases)	21	12
Howard Hodgkin endowment – University contribution	6	6
Student Union grant	360	274
Share of (surplus) / deficit in joint venture (Note 9)	(169)	751
	<hr/>	<hr/>

**8. INTEREST AND OTHER FINANCE CHARGES**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Loan not wholly repayable within five years	1,476	1,391
Net interest on local government pension scheme (Note 20)	416	(6)
Finance cost/(credit) of enhanced pension provision	38	(21)
	<hr/>	<hr/>
	1,930	1,364
	<hr/>	<hr/>

**9. SHARE OF (SURPLUS) / DEFICIT IN JOINT VENTURE**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Share of (surplus) /deficit in joint venture	(169)	751
	<hr/>	<hr/>

In September 2015 Bath Spa U Limited and Shorelight began developing a new business model that has resulted in significantly reduced overhead costs and a more financially sustainable joint venture operation.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2016

#### 11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold properties	Assets under construction	Building improvements	Fixtures, equipment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2015:						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	65,158	129	12,747	11,096	89,130
Additions at cost	49,905	-	-	1,948	807	52,660
Revaluation	21,231	-	-	-	-	21,231
Reclassification	129	-	(129)	-	-	-
Disposals at cost	-	-	-	(2)	(601)	(603)
At 31 July 2016:						
Valuation	69,600	5,551	-	-	1,289	76,440
Cost	3,265	65,158	-	14,693	11,302	94,418
	72,865	70,709	-	14,693	12,591	170,858

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2016

11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS (CONTINUED)

	Freehold land and buildings	Leasehold properties	Assets under construction	Building improvements	Fixtures, equipment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated depreciation and impairment</b>						
At 1 August 2015	414	7,049	-	6,607	9,794	23,864
Reclassification	-	-	-	-	-	-
Charge for year	262	1,475	-	1,020	1,732	4,489
Disposals	-	-	-	(2)	(568)	(570)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2016	676	8,524	-	7,625	10,958	27,783
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 July 2016</b>	<b>72,189</b>	<b>62,185</b>	<b>-</b>	<b>7,068</b>	<b>1,633</b>	<b>143,075</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2015	1,186	63,660	129	6,140	2,591	73,706
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Inherited	10,400	2,511	-	-	-	12,911
Financed by capital grant	-	2,093	-	960	425	3,478
Other	61,789	57,581	-	6,108	1,208	126,686
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 July 2016</b>	<b>72,189</b>	<b>62,185</b>	<b>-</b>	<b>7,068</b>	<b>1,633</b>	<b>143,075</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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 user (SAVP1). However, SAVP1 is qualified to the extent that this may not be appropriate in respect of specialised properties which rarely, if ever, changes 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS (CONTINUED)**

The leasehold property at Corsham Court has been value 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 inherited liability grant.

The University revalued certain land and building assets to fair value prior to the date of transition to the 2015 FE HE SORP; these are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The assets were valued by qualified external valuers on a depreciated replacement cost basis.

At 31 July 2016, freehold land and buildings included £21,000,000 (2015: £769,000) in respect of freehold land and is not depreciated.

Land and buildings with a net book value of £12,911,000 (2015: £3,817,000) 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 account at 1 April 1990 at a value which reflects its replacement cost at the date of the original purchase less depreciation, representing usage since that date.

The University's subsidiary Bath Spa U Limited had no tangible fixed assets at 31 July 2016 (2015: £Nil).

**12. ENDOWMENT ASSET INVESTMENTS**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	575	569	575	569
New endowments	6	6	6	6
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	581	575	581	575
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and other short term investments	581	575	581	575
	<hr/>	<hr/>	<hr/>	<hr/>
Total endowment asset investments	581	575	581	575
	<hr/>	<hr/>	<hr/>	<hr/>

The endowment assets comprise a £519,000 University contribution and external donations totalling £62,000 to establish a chair in the name of Sir Howard Hodgkin.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**13. DEBTORS**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	816	1,183	816	1,183
Other debtors	33	16	33	16
Amounts due from joint ventures	26	93	147	172
Prepayments and accrued income	2,112	12,870	2,112	12,870
	<hr/>	<hr/>	<hr/>	<hr/>
	2,987	14,162	3,108	14,241
	<hr/>	<hr/>	<hr/>	<hr/>

In 2015 prepayments included £11,000,000 that had been paid as a deposit in respect of Green Park House, a prime student residential development in Bath city centre. The University took ownership of Green Park House in May 2016 at a total cost of £46,000,000. No debtors were due after more than one year.

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

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank loan (Note 16)	2,384	1,348	2,384	1,348
Salix loan (Note 16)	119	-	119	-
Trade creditors	3,126	3,302	3,126	3,302
Taxation and social security	911	802	911	802
Amounts due to joint ventures	631	793	-	-
Other creditors	215	437	215	437
Accruals and deferred income	5,559	4,599	5,559	4,599
Inherited liability grant	240	240	240	240
Deferred capital grants	501	455	501	455
	<hr/>	<hr/>	<hr/>	<hr/>
	13,686	11,976	13,055	11,183
	<hr/>	<hr/>	<hr/>	<hr/>

The inherited liability grant above relates to the University's obligation to maintain and insure its property at Corsham Court in the period to 2066. Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Donations	130	116	130	116
Research grants	679	468	679	468
	<hr/>	<hr/>	<hr/>	<hr/>
	809	584	809	584
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2016

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Inherited liability grant	12,120	12,360	12,120	12,360
Deferred capital grants	2,269	2,336	2,269	2,336
Bank loan (Note 16)	59,526	26,908	59,526	26,908
Salix loan (Note 16)	738	-	738	-
	<hr/>	<hr/>	<hr/>	<hr/>
	74,653	41,604	74,653	41,604
	<hr/>	<hr/>	<hr/>	<hr/>

The inherited liability grant above relates to the University's obligation to maintain and insure its property at Corsham Court in the period to 2066.

16. BORROWINGS

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	2,384	1,348	2,384	1,348
Between one and two years	2,801	1,387	2,801	1,387
Between two and five years	8,979	4,393	8,979	4,393
In five years or more	47,746	21,128	47,746	21,128
	<hr/>	<hr/>	<hr/>	<hr/>
	61,910	28,256	61,910	28,256
	<hr/>	<hr/>	<hr/>	<hr/>

In June 2013 the University drew down a £10m EIB loan, being part of a £30m loan facility with Lloyds Bank PLC. The EIB loan is repayable in quarterly instalments commencing June 2013 and ending May 2027. Interest is fixed at 3.268%.

In February 2014 the University drew down a £10m loan from Lloyds Bank PLC that is repayable in quarterly instalments commencing May 2014 and ending February 2034. Interest is fixed at 5.693%.

In August 2014 the University drew down a £10m loan from Lloyds Bank PLC that is repayable in quarterly instalments commencing November 2014 and ending February 2034. Interest is fixed at 4.765%.

In May 2016 the University drew down a £35m loan from Santander UK plc that is repayable in quarterly instalments commencing November 2016 and ending December 2034. Interest is fixed at 3.990%.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**16. BORROWINGS (CONTINUED)**

	Consolidated		University	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
The Salix loan is repayable as follows:				
In one year or less	119	-	119	-
Between one and two years	238	-	238	-
Between two and five years	500	-	500	-
	<hr/>	<hr/>	<hr/>	<hr/>
	857	-	857	-
	<hr/>	<hr/>	<hr/>	<hr/>

The University has received £857,000 of interest free loans out of a total of £951,000 from Salix to fund the Carbon Reduction Programme. The remaining £94,000 was received in September 2016. The loans are repayable in half-yearly instalments over 4 years, commencing May 2017 and ending November 2020.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

	Consolidated and University		
	Enhanced pension provision £'000	Landlords' guarantee provision £'000	Total provisions £'000
At 1 August 2015	889	188	1,077
Charge to income and expenditure statement	37	(22)	15
Utilised in year	(67)	(77)	(144)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	859	89	948
	<hr/>	<hr/>	<hr/>

An amount of £859,000 (2015: £889,000) 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 Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

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' guarantee provision reflects the number of study bedrooms for which the University has a potential liability. In 2016 the University paid £4,000 (2015: £176,000) in respect of unfilled places from a total of 611 study bedrooms.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)**

The University has also entered into an arrangement whereby it will compensate Unite for letting some 316 student bedrooms at Waterside 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 £42,000 (2015: £70,000). A similar arrangement has also been made with owners of Twerton Mill student residence where the cost of such compensation for 62 student bedrooms is expected to be £28,000 (2015: £28,000). 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.

**18. DEFERRED CAPITAL GRANTS**

	<b>Consolidated and University</b>		
	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2015	2,662	129	2,791
Received in year	569	43	612
Released to income and expenditure statement	(570)	(63)	(633)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	2,661	109	2,770
	<hr/>	<hr/>	<hr/>

**19. ENDOWMENTS**

	<b>Consolidated and University</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	575	569
New endowments	6	6
	<hr/>	<hr/>
Balance at 31 July	581	575
	<hr/>	<hr/>
<b>Representing:</b>		
Capital	581	575
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**20. 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 costs for the period was £4,998,000 (2015: £3,960,000).

***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 pension's cost is assessed 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 2012
Actuarial method	Prospective benefits
Investment returns per annum	5% per annum
Salary scale increases per annum	4.75% per annum
Market value of assets at date of last valuation	£176,600 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	92%

For the year ended 31 July 2016 the employer contribution rate was 16.5% (2015: 14.1%). The total pension cost for the period was £2,437,000 (2015: £1,933,000).

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 2016 was £2,832,000 (2015: £2,469,000) of which employers' contributions totalled £2,041,000 (2015: £1,754,000) and employees' contributions totalled £791,000 (2015: £715,000). The agreed contribution rates for future years are 19.2% (2015: 17.0%) for employers, and salary-determined rates for employees ranging from 5.5-12.5%.

The following information under FRS 17 is based upon a full actuarial valuation of the Fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

	<b>2016</b>	<b>2015</b>
Rate of increase in salaries	3.2%	3.7%
Rate of increase in pensions in payment	1.8%	2.2%
Discount rate	2.5%	3.8%
Inflation assumption CPI	1.7%	2.2%

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**20. PENSION COSTS (CONTINUED)**

**Avon Pension Fund (LGPS) (continued)**

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

	<b>2016</b>	<b>2015</b>
<i>Retiring today</i>		
Males	23.5	23.4
Females	26.0	25.9
<i>Retiring in 20 years</i>		
Males	25.9	25.8
Females	28.9	28.8

The assets in the scheme were:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Equities	20,036	19,702
Government Bonds	4,841	3,189
Other Bonds	3,809	4,004
Property	3,849	2,870
Cash	(198)	780
Other	7,340	4,890
	<hr/> 39,677	<hr/> 35,435
	<hr/>	<hr/>

The following amounts at 31 July 2016 were measured in accordance with the requirements of FRS17:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
University estimated share of assets	39,677	35,435
Present value of scheme liabilities	(61,572)	(47,421)
	<hr/>	<hr/>
Deficit in the scheme – net pension liability	(21,895)	(11,986)
	<hr/>	<hr/>

**Analysis of amount charged to staff costs within income and expenditure statement**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Current service cost	2,561	2,027
	<hr/>	<hr/>
Total operating charge	2,561	2,027
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2016

#### 20. PENSION COSTS (CONTINUED)

##### *Avon Pension Fund (LGPS) (continued)*

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	1,378	1,762
Interest on pension scheme liabilities	(1,794)	(1,756)
	(416)	6
	(416)	6

##### Analysis of amount recognised in income and expenditure statement

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	1,267	1,216
Change in financial and demographic assumptions underlying the scheme liabilities	(10,146)	(3,775)
	(8,879)	(2,559)
	(8,879)	(2,559)

##### Movement in deficit during year

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(11,986)	(9,160)
Movement in year:		
Current service cost	(2,561)	(2,027)
Curtailments and settlements	(50)	-
Contributions	2,041	1,754
Net interest	(416)	6
Actuarial loss	(8,879)	(2,559)
Administration expenses	(44)	-
	(21,895)	(11,986)
	(21,895)	(11,986)



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2016

20. PENSION COSTS (CONTINUED)

*Avon Pension Fund (LGPS) (continued)*

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of the year	47,421	39,833
Current service cost	2,561	2,027
Interest cost	1,794	1,756
Contributions by scheme participants	791	715
Actuarial loss	10,146	3,775
Curtailments	50	-
Benefits paid	(1,191)	(685)
	<hr/>	<hr/>
At end of the year	61,572	47,421
	<hr/>	<hr/>

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of the year	35,435	30,673
Expected rate of return on scheme assets	1,378	1,762
Actuarial gain	1,267	1,216
Administration expenses	(44)	-
Contributions by employer	2,041	1,754
Contributions by scheme participants	791	715
Benefits paid	(1,191)	(685)
	<hr/>	<hr/>
At end of the year	39,677	35,435
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2016

**20. PENSION COSTS (CONTINUED)**

**Avon Pension Fund (LGPS) (continued)**

**History of experience gains and losses**

	2016	2015	2014	2013	2012
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount (£'000)	1,267	1,216	(821)	2,720	(710)
% of scheme assets	3.2%	3.4%	(2.6%)	9.7%	(3.1%)
<b>Experience gains and losses on scheme liabilities:</b>					
Amount (£'000)	-	-	-	-	-
% of scheme liabilities	-	-	-	-	-
<b>Total amount recognised in the income and expenditure statement:</b>					
Amount (£'000)	(8,879)	(2,559)	(187)	1,996	(2,007)
% of the present value of scheme liabilities	(14.4%)	(5.4%)	(0.1%)	5.4%	(6.0%)

The projected contribution to the defined benefit scheme for the forthcoming year is £2,110,000 (2015: £1,877,000). The cumulative amount of actuarial losses recognised in the income and expenditure statement is £17,162,000 (2015: £8,283,000).

**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 2016.

	Base £'000	Sensitivity 1 - +0.1% pa. discount rate £'000	Sensitivity 2 - +0.1% pa. inflation £'000	Sensitivity 3 - 1 year increase in life expectancy £'000
<b>Liabilities</b>	61,572	60,314	62,857	62,697
<b>Assets</b>	(39,677)	(39,677)	(39,677)	(39,677)
<b>Deficit</b>	21,895	20,637	23,180	23,020
<b>Projected service cost</b>	3,319	3,222	3,421	3,388
<b>Projected interest cost</b>	521	509	553	549

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2016

#### 21. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2015 £'000	Cash flows £'000	Other movements £'000	At 31 July 2016 £'000
Cash held in endowment asset investments	575	-	6	581
Cash at bank and in hand	7,795	(2,681)	(6)	5,108
Short term deposits	24,000	10,431	-	34,431
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	32,370	7,750	-	40,120
	<hr/>	<hr/>	<hr/>	<hr/>

#### 22. CAPITAL COMMITMENTS

	Consolidated and University	
	2016 £'000	2015 £'000
Contracted but not yet invoiced	931	28
	<hr/>	<hr/>

#### 23. FINANCIAL COMMITMENTS

At 31 July 2016 the University had total rental payable under non-cancellable operating leases for land and buildings as follows:

	Consolidated and University	
	2016 £'000	2015 £'000
Expiring within one year	8	3
Expiring from one to five years	773	999
Expiring after five years	573	723
	<hr/>	<hr/>
	1,354	1,725
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2016

#### 24. 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's Student Union of £360,000 (2015: £274,000) enabling it to provide essential services to University students.

The University has entered into a joint venture agreement with a US-based provider, Shorelight, to establish a pathway college in Bath (see Note 9).

#### 25. TEACHER TRAINING BURSARIES

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Funds received	2,368	2,756
Disbursed to students	(2,453)	(2,803)
	<hr/>	<hr/>
Balance due from DWP at 31 July	(85)	(47)
	<hr/>	<hr/>

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.

#### 26. TRANSITION TO FRS102 AND THE 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out on page 27 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening Balance Sheet at 1 August 2014. In preparing its FRS 102, SORP based Balance Sheet, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2016

26. TRANSITION TO FRS102 AND THE 2015 SORP (CONTINUED)

Financial position	1 August 2014		31 July 2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Total reserves under 2007 SORP</b>	40,647	40,768	44,794	45,666
Inherited liability grant	3,340	3,340	3,603	3,603
Capital grants	755	755	731	731
Revenue grants	85	85	30	30
Donations and endowments	25	25	37	37
<b>Total effect of transition to FRS102</b>	4,205	4,205	4,401	4,401
<b>Total reserves under 2015 SORP</b>	44,852	44,973	49,195	50,067
<b>Financial performance</b>	<b>Year ended 31 July 2015</b>			
	<b>Consolidated £'000</b>	<b>University £'000</b>		
<b>Surplus for the year under 2007 SORP</b>	6,569	7,320		
Inherited liability grant	263	263		
Capital grants	(24)	(24)		
Revenue grants	(55)	(55)		
Donations and endowments	18	18		
Actuarial loss	(2,559)	(2,559)		
<b>Total effect of transition to FRS102</b>	(2,357)	(2,357)		
<b>Total comprehensive income for the year under 2015 SORP</b>	4,212	4,963		







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