

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

*Year ended 31 July 2014*

## CONTENTS

	<b>Page</b>
University information	1
Report of the Board of Governors	2
Independent auditor's report	27
Statement of principal accounting policies	29
Income and expenditure account	33
Statement of total recognised gains and losses	34
Note of historical cost surpluses and deficits	34
Balance sheet	35
Cash flow statement	37
Notes to the accounts	38

## UNIVERSITY INFORMATION

Governors:	Mr J Amey (to 21 November 2013) Mr W Archer (from 22 November 2013) Professor R Alexander Mr P Bird Ms N Campbell (from 22 November 2013) Professor P Davies Ms A Dawson (to 25 June 2014) Ms T Fisk Mr M Francis MR B Galliver (from 25 June 2014) Ms R Heald (from 22 November 2013) Ms J Henderson (Deputy Chair to 21 November 2013 and Chair from 22 November 2013) Lady T Lloyd (from 22 November 2013) Professor P Luna (to 21 November 2013) Professor P Martin Revd E Mason Mr S McGall Professor T Middleton Mr T Osborne (from 22 November 2013) Mr P Parker Mr D Pester (Deputy Chair from 22 November 2013) Ms S Pirie OBE (Chair and governor to 21 November 2013) Mr M Roy (to 21 November 2013) Professor C Slade (Vice-Chancellor and Chief Executive) Ms M Toman (to 21 November 2013)
Senior Staff:	Professor C Slade      Vice-Chancellor and Chief Executive Professor N Sammells      Deputy Vice-Chancellor and Provost Mr J P Brady      Deputy Vice-Chancellor (to 31 March 2014) Mr N Borkhataria      Chief Operating Officer (Interim 1 April to 31 Aug 2014) Mr N Latham      Chief Operating Officer (from 1 September 2014)
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:	Burges Salmon One Glass Wharf Bristol BS2 0ZX
Address for Enquiries:	Bath Spa University Newton Park, Newton St Loe Bath BA2 9BN

## REPORT OF THE BOARD OF GOVERNORS

The members present their report and the audited financial statements for the year ended 31 July 2014.

### Glossary

AHRC	Arts and Humanities Research Council
AQSC	Academic Quality and Standards Committee
BA	Bachelor of Art
B&NES	Bath and North East Somerset Council
BSc	Bachelor of Science
BSU	Bath Spa University
DARO	Bath Spa University's Development and Alumni Relations Office
EPSRC	Engineering and Physical Sciences Research Council
EU	European Union
FE	Further Education
DWP	Department for Work and Pensions
FECs	Further Education Colleges
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HE	Higher Education
HEA	Higher Education Academy
HEIs	Higher Education Institutions
HEFCE	Higher Education Funding Council for England
IP	Intellectual Property
LGPS	Local Government Pension Scheme
MLA	Mandated Lead Arranger
MA	Master of Arts
MSc	Master of Science
NESTA	National Endowment for Science, Technology and the Arts
PGCE	Post Graduate Certificate in Education
PGR	Post Graduate Research
QAA	Quality Assurance Agency
QR	Quality Related (Research)
SME	Small and Medium-sized Enterprise
TPS	Teachers' Pension Scheme

## REPORT OF THE BOARD OF GOVERNORS

### 1. Operating and Financial Review

#### 1.1 Nature, Objectives and Strategies:

##### (i) Legal status

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

##### (ii) Vision

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

##### (iii) Strategic Objectives

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

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

## REPORT OF THE BOARD OF GOVERNORS

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

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

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

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

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

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

##### (v) Performance indicators

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

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

**REPORT OF THE BOARD OF GOVERNORS** (continued)**1. Operating and Financial Review** (continued)**1.2 Financial position****(i) Financial results**

The University is operating successfully, ensuring that necessary resourcing is in place for all its major activities. The income, expenditure and results for the year to 31 July 2014 are summarised as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Income	57,726	52,526
Expenditure	(56,832)	(51,646)
Surplus on continuing operations	894	880
Share of deficit in Joint Venture	(121)	-
Reversal of Impairment provision on fixed asset-		1,007
Surplus after depreciation of assets at valuation, impairment, and before taxation	773	1,887
Release from revaluation reserve	137	137
Historical cost surplus after tax	910	2,024
Actuarial (loss)/gain on pension fund	(187)	1,996
Net assets excluding pension liability	57,828	57,203
Net assets including pension liability	48,668	48,505
Net cash inflow from operating activities	4,427	4,840

In 2013/14 income from tuition fees grew some £9.7m following the implementation of variable fees for all new entrants. The increase in fees included a significant increase in the numbers of international students, from some 120fte in 2012/13 to some 260fte in 2013/14. The increase in fees mitigated a £4.2m reduction in funding council grants, and enabled the University to generate a surplus on continuing operations of some £773k.

**REPORT OF THE BOARD OF GOVERNORS** (continued)**1. Operating and Financial Review** (continued)**1.2 Financial Position** (continued)**(i) Financial results** (continued)

<b>Income</b>	<b>2014</b>	<b>2013</b>	<b>% +/-</b>
	<b>£'000</b>	<b>£'000</b>	
Funding Council grants	10,238	14,431	-29%
Tuition fees and education contracts	42,198	32,467	30%
Research grants and contracts	318	527	-40%
Other income	5,017	4,495	12%
Net investment income	(45)	606	-107%
<b>Total Income</b>	<b>57,726</b>	<b>52,526</b>	<b>10%</b>

As expected, HEFCE teaching grants were significantly reduced in 2013/14 in line with cuts in national government spending, but increases in fees for new entrants more than compensated for this. Interest earned on surplus cash balances fell 72% as a consequence of reduced cash balances.

<b>Expenditure</b>	<b>2014</b>	<b>2013</b>	<b>% +/-</b>
	<b>£'000</b>	<b>£'000</b>	
Staff costs	29,578	27,223	9%
Other operating expenses	23,630	22,161	7%
Depreciation	2,902	1,842	58%
Interest payable	722	420	72%
<b>Total Expenditure</b>	<b>56,832</b>	<b>51,646</b>	<b>10%</b>

An increase in staff numbers (4%), increase in employer pension costs (2%), holiday pay accrual (1%), annual pay settlement (1%), and annual pay increments (1%), contributed to an overall increase in staff costs of 9%.

During the year we completed the new academic building "The Commons" and in so doing expensed some £1.6m of TV studio equipment and furniture costs. In addition we also completed £2m of new estates schemes to improve the student experience.

Interest payable comprises a net interest credit on LGPS pension assets, (£5k) and external borrowing costs of £727k in respect of a £30m<sup>1</sup> loan facility from Lloyds TSB to finance the University's academic and residential developments.

<sup>1</sup> £20m of the loan had been drawn down at 31 July 2014



**REPORT OF THE BOARD OF GOVERNORS** (continued)**1. Operating and Financial Review** (continued)**1.2 Financial Position** (continued)**(i) Financial results** (continued)**Balance Sheet**

Tangible fixed asset additions during the year were as follows:

	<b>£'000</b>
Leasehold Property	7,536
Assets in the course of construction	18,952
Building improvements	2,428
Equipment	3,837
<b>Total additions</b>	<b>32,753</b>

**Fixed Assets**

Additions to Leasehold Property included the new academic building – “Commons” which was completed in April 2014 at a total cost of £26,657,000. The Commons which was officially opened by Academy Award-winning film producer Lord Puttnam in June 2014 provides: a world-class development which will transform facilities for students and staff, comprising 1,800m<sup>2</sup> of learning space that includes open access technology enabled study space, social learning space, bookable group working rooms, and a superb new digital space to provide the best resources for teaching media-related courses in the south-west.

Assets in the course of construction included construction costs and professional fees incurred in respect of the new student residential accommodation at Newton Park. Despite some delays in construction as a consequence of the particularly wet winter of 2013, students moved into the new 561 bed- space residences in September 2014 as originally planned. At 31 July 2014 the University had capitalised some £19m of expenditure

**Pension Liabilities**

The University's share of the LGPS net pension liability grew by £0.5m to £9.2m at 31 July 2014.

**(ii) Treasury policies and objectives**

Treasury management is the management of the University's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The University has a treasury management policy in place. Surplus cash is placed with a number of highly-rated counterparty banks. Any borrowing by the University must first be specifically agreed by the Board of Governors.

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

#### 1.2 Financial Position (continued)

##### (iii) Cash flows

At £4.4 million, (2012/13 £4.8 million), operating cash in-flow was strong and reflects the healthy operating surplus achieved in the year.

##### (iv) Liquidity

During the year interest rates on money market deposits remained modest, and the University continued to seek out opportunities for securing higher interest rates on surplus cash deposits. To ensure the University has adequate working capital during the construction of the new academic and residential developments, a £30m loan facility has been secured with Lloyds Bank PLC. In February 2014 the University drew down the second £10m of this facility.

##### (v) Outlook for 2014/15

HEFCE and DWP funding has been reduced by some £5.3m in 2014/15, although the University plans to make this up through increased tuition fee income from both home/EU and international students. The University plans to increase its home/EU student intake by 106fte, and international numbers by 150fte in 2014/15. The student recruitment process continues to hold significant financial risk, however early enrolment data suggests the University has been largely successful in meeting its enrolment targets.

#### 1.3 Current and Future Development and Performance

##### (i) Student numbers

The University recruited very well for 2013 entry, despite continuing challenges for the sector as regards undergraduate admissions. Home & EU full time undergraduate applications fell by around 1.5%, a significant recovery from a fall of nearly 20% in 2012, and broadly in line with the University's competitor set. This coincided with a commensurate reduction in the number of places available. The University maintained an applications to places ratio of around 7:1, and recruitment of applicants with the equivalent of at least A level grades ABB was very pleasing indeed, especially given increased competition for these applicants within the sector. More institutions than usual were active in Clearing, including some institutions which might not have been expected to be in Clearing at all, but Bath Spa quickly recruited the 100 students it needed, without any significant marketing, within 48 hours of Clearing opening, as in 2012.

The University recruited above its Student Numbers Control limit of 1,366, but within its allowed flexibility margin of 3% and therefore suffered no penalty, whether for under- or over-recruitment, from HEFCE.

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

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

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

The University continued to work hard to recruit to its teacher training targets, which were increased for 2013 entry. Uncertainty in the sector and in the minds of applicants about teacher training options and bursary payments made the task increasingly difficult but Primary targets were largely met, although the Schools Direct initiative was yet to show signs of taking off. The University again fell short of its targets for Secondary shortage subjects, a position reflected by most teacher training providers.

Overseas numbers in all courses more than doubled from just over 150 in 2012/13 to around 360 in 2013/14. Overseas intake increased from just under 100 in 2012/13 to 250 in 2013/14.

The total number of home and EU students in 2013/14 remained around 6,400 fte, as in 2012/13.

##### (ii) Academic developments

The major academic developments during 2013/14 were:

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

In the summer of 2014, the University officially opened Commons, the new academic building at Newton Park. The building provides teaching and study space for students across the institution, and has been designed to foster new ways of working for both staff and students - particularly in the use of digital technologies. It also provides digital making and capture spaces for students working in film and broadcast media. The co-location in Commons of Humanities and Business staff and students is designed to foster future curriculum development and pedagogy commensurate with our ambition to be the University of choice for the study of creativity, culture and enterprise.

The University entered into a '3-continent' transnational education partnership with providers in Singapore (Training Vision Institute) and the USA (Santa Monica Community College) whereby students will study in Singapore (Foundation level), Santa Monica (first two years of a BSU undergraduate degree) and then BSU (final year undergraduate with possibility of remaining for a Masters' degree).

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

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

The year has also seen further development of the Bath Spa Global joint-venture with key staff appointed, approval of the International Foundation year, and further courses in development.

Two new undergraduate courses - BA Business and Management (International Business) and BA Film, Television and Digital Production - have been approved with successful recruitment expected for 2014-15. Postgraduate courses have also been approved in the areas of Fashion, Business, and in Education (particularly related to 'new' forms of teacher training – for example, Schools Direct and School Centred Initial Teacher Training).

The University successfully underwent QAA Institutional Review, receiving good practice commendations for the way in which the University responds to external examiner reports; the way in which it uses external advisors in course approval and periodic review; the University's approach to employability; and the accessibility and extent of feedback to students following the National Student Survey (NSS) and other internal surveys. The QAA made four recommendations for consideration by the University, all related to improvement of 'house-keeping' processes.

August 2014 saw the publication of the latest NSS results. The University made significant gains, achieving an 89% overall satisfaction rating (up 2% in one year and 6% in two years), now placing the University in the top quartile for student satisfaction in the UK. Several subject areas are in the top ten for overall student satisfaction in the UK (Biology 1<sup>st</sup>, Psychology 2<sup>nd</sup>, Music 6<sup>th</sup>, Dance 6<sup>th</sup>, English 7<sup>th</sup>, History 8<sup>th</sup>, and Human Nutrition 9<sup>th</sup>).

During 2013 - 14 the University Research Office has been expanded. Three new posts were approved, funded from QR monies, to add capacity in researcher development, knowledge exchange and EU and International research funding.

We have developed proposals for a Knowledge Exchange Hub and undertaken extensive benchmarking to draft proposals for a new approach to IP and consultancy– these are with VCEG for review. Our Researcher Developer ran a programme for early career staff as well as a refreshed series of workshops for PGR and other researchers. Our commitment to research staff development has been recognised through the re-approval of our HR Excellence in Research Award.

A new on-line bid development process was agreed with DARO that provides staff with a one stop approach to seeking support for bids either aimed at research funds and knowledge exchange and consultancy activities, or those focused on development opportunities.

In November 2013 we submitted work to the Research Excellence Framework assessment - 84% of the University's 96 academic staff submitted to REF2014 are based in our areas of research strengths in the Arts and Humanities disciplines, with 22% of these Early Career Researchers.

**REPORT OF THE BOARD OF GOVERNORS** (continued)**1. Operating and Financial Review** (continued)**1.3 Current and Future Development and Performance** (continued)**(ii) Academic developments** (continued)

In 2013/14, we applied for £8.3m of external research funding, of which £2.2m was awarded. This represents a 27% success rate to date and an increase from the 23% success rate in 2012-13. Of the successful awards, two were prestigious large multi-disciplinary and multi-institutional AHRC awards. The year 2014/15 has already seen success in the AHRC Bath and Bristol Design research project scheme, and in the NESTA Research & Development Awards.

In October 2013 we were successful as part of the South West and Wales Doctoral Training Partnership in securing £14.2m funding over five years to deliver postgraduate supervision, training and skills development from 2014. We are part of only 15 AHRC Doctoral Training Centres nationally. Many senior BSU research staff played a part in selecting the first cohort of students, Bath Spa's Prof Kate Pullinger chaired the Creative Practice panel which saw over 175 applications in its first year of operation. We also coordinated negotiations with the DTC's creative and cultural sector partners including the BBC, English Heritage and the Crafts Council, to secure high quality research collaborations. Bath Spa will lead supervise or co supervise 4 of the first 50 students. BSU will host the induction event for all students across the first cohort in November 2014.

**Courses due to start in academic year 2014/15** (the provider is BSU unless stated otherwise):

- BA (Hons) Business & Management (International Business ) – new pathway
- MA Business & Management (International Business) – new pathway
- BSc (Hons) Creative Technologies & Enterprise (Note - originally approved as an exit award for Integrated MA Creative Technologies & Enterprise, AQSC noted approval to recruit to BSc (Hons) award)
- CertHE Business & Management - International Pathway (Provider -Bath Spa Global)
- CertHE Social Sciences - International Pathway (Provider - Bath Spa Global)
- BA (Hons) Contemporary Circus with Physical Performance (top-up) (Provider - Circomedia)
- BA (Hons) Troops to Teachers programme with QTS – levels 5/6 (Note – course delivery started January 2014)
- MA Fashion Portfolio
- PGCE School Centred Initial Teacher Training
- PGCE Secondary – Engineering, Social Science, Drama
- Early Years Initial Teacher Training
- BA (Hons) Film, Television & Digital Production
- International Foundation Year – Business English (Provider – Training Vision Institute)
- BA (Hons) Business & Management (Accounting, Human Resources Management, Marketing, Tourism Management, International Business) – levels 4/5 (Provider – Santa Monica College)
- Early Years Initial Teacher Training (Provider – Weston College)
- MSc Environmental Management - scheduled for February 2015 start
- MA Visual Communication - scheduled for February 2015 start.

**REPORT OF THE BOARD OF GOVERNORS** (continued)**1. Operating and Financial Review** (continued)**1.3 Current and Future Development and Performance** (continued)**(iii) Research and knowledge transfer**

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

- South, West and Wales consortium awarded £14.2 million by Arts and Humanities Research Council - BSU involved in supervision of 5 of the first 50 students.
- The Enterprise Office was awarded £7,470 for a Leonardo da Vinci CONNECT\_VET project.
- The University is involved in 4 EU funded TEMPUS Projects.
- The University has received £30,000 for the HEA for a project looking at practice based doctorates, and an International scholarship for Joelle Adams, from the Library.
- Dr Mel Macer (School of Education) secured £97,000 funding from Forces in Mind Trust for a two year project. The project identifies barriers that ex-Service personnel and their families can face in their knowledge of and engagement with 'Access to Higher Education' diplomas.
- Professor Owain Jones (School of Humanities & Cultural Industries) was awarded a 3 year AHRC Project with an overall budget of £1.164 Million in partnership with UWE, Manchester, Newcastle, Brighton, Middlesex, Bangor, Bristol and Aberystwyth.
- Professor Sian Sullivan (School of Society, Enterprise & Environment) joined the University with a new 5 year AHRC project, which has an overall budget of £766,260 in partnership with SOAS and the University of Edinburgh.
- Professor Anita Taylor (Bath School of Art & Design) successfully bid for a Bath and Bristol design AHRC project in collaboration with the University of Bristol and the University of the West of England. The overall award was for £750,000 from the AHRC.
- Dr Nigel Newbutt and Professor James Newman both secured EPSRC Sustainable Society network bids of £28,720 and £33,583 respectively.
- Dr Andy Smart secured a £4,606 Society and Ethics small grants award from the Wellcome Trust.
- Ms Lucy English has been leading a 12 month Arts Council Strategic Touring Programme grant (award of £38,589) for the show "Count me In". This is a promenade spoken word production on the theme of numbers with a workshop element where participants devise a segment of the show. It is aimed at communities where spoken work is under represented and supported by students from the University's outreach programme.
- Consultancy income has also been received from the Glasgow Centre for Population Healths, Bath and North East Somerset Council and the Arts Alliance.
- Professors Andrew Hugill and Hongji Yang and Dr Alison Hems (School of Humanities & Cultural Industries) have had success as the academic partner in a NESTA Digital Research & development fund project with an overall budget of £125,000; a collaboration between Black Radley Ltd and the CCC to apply predictive analytics to museum data. This will allow us to determine the effect of changes in museum business models.
- The University has also been involved with three projects with the AHRC funded Knowledge Exchange hubs - REACT (Jo Hyde and Amanda Bayley) and CREATE (Kate Pullinger).

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

##### (iv) Resources

###### *Financial*

The University has net assets of £48.6m, net of a £9.2m pension liability.

###### *People*

The University employs 649 people (expressed as full time equivalents), of whom 311 are academic staff.

###### *Reputation*

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

##### (v) Future Development

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 the stock of student residences and expanding international provision.

###### *Bath Spa Global*

In August 2013, agreement was reached with Shorelight Education LLC of Boston Massachusetts for the establishment of a Joint Venture (Bath Spa Global LLP) to provide an international pathway college and programmes in entrepreneurial business education. These are intended to grow international student recruitment and enhance the global outlook of the University. The first cohort of students in the pathway college enrolled in September 2014.

#### 1.4 Principal Risks and Uncertainties

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

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

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

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

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

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

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

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

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

#### **1.6 Stakeholder Relationships**

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

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

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

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

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



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

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

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

Bath Spa University is a Higher Education Corporation, and as such, is an exempt charity with the charitable objects of providing higher education, and of carrying out research and to publish the results of the research. Since 1 June 2010 the University has been regulated by HEFCE as the principal regulator of English HEIs as charities. The members of the Board of Governors, who include the Vice-Chancellor and staff and student members, are the trustees of the charity. As such, the Board of Governors has due regard to the Charity Commission's general guidance on public benefit. The University has no linked charities attached to it.

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

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

The University's graduates apply their higher-level skills across a wide range of occupations and professions, with over 95% in work or further study within six months of graduation. Of those in full time employment, 70% enter professional and managerial roles and a number establish successful business start-ups or freelance careers, particularly across the creative and cultural sector, supporting local economic growth.

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

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

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

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

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

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

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

Throughout the year students perform at Bath Abbey, the Guildhall, 'the egg' and theatre projects with Theatre Royal Bath, The Rondo, Mission Theatre and others. Our students undertake placement work in museums, schools, art galleries and performance venues. Many more are involved in education-led projects with schools, community groups and museums, such as the 40-50 students each year who volunteer with the Museum of East Asian Art in the city.

Many of our courses feature an entrepreneurial learning path in which students establish real-world small businesses as part of the programme of study; these businesses frequently involve engagement with groups and businesses in the city.

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

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

The University is committed to producing students who are aware of their responsibilities and opportunities as global citizens and has recently introduced a new (non-credit-bearing) Global Citizenship Award. This is designed to recognise the global perspective of undergraduate studies and to firmly place students in the global employment market. It enables some of the University's best-qualified students to study abroad and undertake an international work placement.

#### **2.3 Admissions policy and widening participation**

Bath Spa University is committed to encouraging as broad a range of students as possible to participate in, and benefit from, higher education. We believe that our University is enriched by a student body that reflects wider society.

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

We seek to recruit students who have varying experiences of education, ranging from those who are well qualified academically, to those who have followed non-traditional pathways to higher education.

We welcome applications from students who come from families new to higher education, students with disabilities, students from different socio-economic, cultural and ethnic backgrounds, mature students and those without standard entrance qualifications. The University's widening participation activity is closely linked to the HEFCE student life-cycle model and our strategic aims are to:

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

**Outreach Activities** The University has developed an extensive and successful widening participation outreach programme for young people and adults to raise aspiration, support attainment and encourage progression to higher education. A wide range of targeted, incremental programmes and activities are delivered to young people aged from 9 to 19 in schools, colleges and community groups, and their parents/carers. The University also works with local higher and further education partners to provide a programme of outreach activities to support progression to higher education for Access to Higher Education Diploma learners. In 2013/14 the University's widening participation outreach activities reached over 10,000 people.

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

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

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

**Improving transition, progression to higher education and student success** Mature students are invited to attend a two-day 'Return to Learning' transitional summer school to prepare them for undergraduate study. Year 1 students at the University are offered a peer mentor. All students are encouraged to engage with the range of induction activities that are provided by the University and Students' Union as part of the University's Welcome 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. The University aims to help all students to develop their career potential and to achieve successful career outcomes, particularly those from non-traditional backgrounds. This entails a range of activities, within and outside the curriculum, both to raise students' career aspirations and confidence, and to help them develop a good understanding of their personal and professional skills and competencies in the context of the graduate labour market.

#### 2.4 Bursaries and Student Financial Support

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

The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Our aim is that no-one should be deterred from applying to the University, or considers leaving their course due to financial issues. Under its Access Agreement with OFFA, Bath Spa provides students with a range of financial support, including bursaries and scholarships which go significantly beyond statutory requirements. For example, in 2013/14 we provided £1.9m in means-tested bursaries to support 1,903 students from the lowest household incomes.

In 2013/14 Bath Spa University charged tuition fees of £9,000 for full time students starting campus-based undergraduate degree courses. Students do not have to pay the fees up-front, but can get a government fee loan which only needs to be repaid when they have left university and are earning more than £21,000.

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

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

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

The Government review leading to these measures involved wide-ranging changes including the withdrawal of significant funding to universities. The increased tuition fees allow universities to make up this lost revenue, and most universities are charging fees at or towards £9,000 for most courses. Most of these students are eligible for UK Government tuition fee loan support and will only have to begin repaying the loan once they have graduated and are earning in excess of £21,000. Fees for most foundation degree students based at partner institutions will be £7,500.

In measures designed to help ensure that students from lower income backgrounds will not be put off applying to university, Bath Spa provides a support package of widening participation initiatives and financial assistance worth some £3.2m in 2013/14. This package will continue in 2014/15.

Bath Spa provided 324 awards to first year students under the National Scholarship Programme (NSP). The awards are worth £3,000 made up of a cash payment of £1,000 and a further £2,000 to be spent from a range of university services, including accommodation, catering, and tuition fees. These awards are aimed at students from areas of HE deprivation (where people traditionally do not go into Higher Education), another one of the eligibility criteria is residual household income of under £25,000.

In 2014/15 the University will provide 319 NSP awards to new entrants, but due to a reduction in the Government funding, the award will reduce to £2,000 and will be paid in cash only. Students in receipt of an NSP award in their first year will receive a further £500 follow-on award for each further year of study. In 2013/14, there were 143 NSP follow-on awards issued.

Bath Spa is also providing BSU bursaries up to £500 to students from families with incomes under £25,000 (the amount ranges from £350 to £500 per year, depending on family income levels). This bursary scheme is already in operation and is unchanged for 2013 entry. NSP recipients will not receive a bursary in their first year but can receive both an NSP follow-on award of £500 and a BSU bursary in subsequent years.

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

#### 2.5 Energy and Environmental Sustainability

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

To this end we will:

- Continually improve our ISO14001 compliant Environmental Management System (EMS), to ensure that our environmental risks and impacts are managed and minimised.
- Comply fully with all relevant environmental legislation, regulations and agreements.
- Reduce our carbon emissions through our carbon management plan, which includes measures to ensure we meet and exceed statutory and sector targets.
- Continually strive to reduce the use of natural resources and to minimise the production of waste in all our activities.
- Promote sustainable modes of transport including walking, travelling by bus, car-sharing and cycling.
- Manage our operations to minimise the risk of causing pollution.
- Manage the University's property portfolio in a manner that encourages and maintains biodiversity.
- Adopt sustainable purchasing practices and the use of environmentally sound goods and services.
- Engage with other institutions and the wider community to share environmental best practice and to demonstrate environmental responsibility.
- Continually develop and expand education for sustainable development in the curriculum for all students.
- Promote environmental awareness and responsibility amongst all staff and students through awareness campaigns and training programmes.
- Find ways to ensure that our investments provide a good return for the University, without being used to fund activities that do not align with our own core values.

## REPORT OF THE BOARD OF GOVERNORS (continued)

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

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

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 objectives, targets programmes and procedures set within the EMS will enable our performance to be independently verified, enabling us to measure our progress against similar institutions and sector standards. 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. So far, annual carbon emissions have been reduced by almost 25% since 2010 and the University is developing an Energy Performance Contract to help deliver cost-effectively the next 25%.

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

### 3. Corporate governance

#### 3.1 Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. 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 Governance Code of Practice contained in the Committee of University Chairs 'Guide for Members of Higher Education Governing Bodies in the UK'. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2014, the University has been in compliance with all the Code and has also fully considered, and where appropriate implemented, all of the recommendations of the Guide for Members of Higher Education Governing Bodies in the UK that was issued by the Committee of University Chairmen in 2008.

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

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

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

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

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

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

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

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

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

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

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

The Board of Governors shall be responsible for:

- (a) the determination of the educational character and mission of the University and for oversight of its activities;



## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

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

- (b) the effective and efficient use of resources, the solvency of the University and the Corporation and for safeguarding their assets;
  - (c) approving annual estimates of income and expenditure;
  - (d) the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts
  - (e) setting a framework for the pay and conditions of service and all other staff.
- To approve long term plans aimed at securing the mission and strategic objectives.
  - To approve key performance indicators prepared by the Chief Executive and to consider monitoring reports against those indicators.
  - To agree a list of major policies for the Institution and formally to approve each policy.
  - To require from the Chief Executive regular updates of those policies and progress reports on their implementation.
  - In addition to the above policies, the Board of Governors places particular emphasis on establishing and monitoring systems of financial control and accountability. To ensure that proper books of account are kept. (This is further explained in para. 3.4 below)
  - To ensure that adequate procedures are in place for handling internal grievances and complaints.
  - To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
  - To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership.
  - To safeguard the good name of Bath Spa University.
  - To be the employing authority for all staff in the Institution.
  - To ensure that the University has proper arrangements for obtaining legal advice and authority in order to conduct its business.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

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

- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

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

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

The Board of Governors is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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 Financial Memorandum of each Funding Council and any other conditions which the Funding Councils may from time to time prescribe.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

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

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

#### 3.5 Disclosure of information to auditors

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

#### 3.6 Statement of Internal Control

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

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

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 2014 and up to the date of approval of the financial statements, and in accordance with HEFCE guidance.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### 3. Corporate governance (continued)

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

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

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

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

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

By Order of the Board of Governors



C Slade  
Accounting Officer



J Henderson  
Chair

5 November 2014

## **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 2014 which comprise the statement of principal accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the note of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with paragraph 13 of the University's articles of government and section 124B (4) of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992. 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and its governing 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 Governing Body's Responsibilities Statement set out on page 24, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2014 and of the income and expenditure, recognised gains and losses 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 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

**Opinion on other matters prescribed by HEFCE's Financial Memorandum dated July 2010**

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the funding council's Financial Memorandum and any other terms and conditions attached to them.

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

We have nothing to report in respect of where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion, the Statement of Internal Control is inconsistent with our knowledge of the University.



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

**26 November 2014**

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2013/14 financial statements and in accordance with applicable Accounting Standards.

#### Basis of accounting

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

#### 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 2014 the University had £19.5m of loans outstanding with bankers on terms negotiated in 2013, and in August 2014 drew down the final £10m of a £30m borrowing facility with Lloyds Bank PLC. 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 financial statements do not include those of Bath Spa University Students' Union as it is an association with charitable status in which the University has no financial interest and no control or significant influence over policy decisions.

The University has a subsidiary company Bath Spa U limited that was incorporated on 19 July 2013 to manage its interest in the joint venture, Bath Spa Global LLP. Bath Spa Global has incurred some initial set-up costs in 2013/14 which have been reported in these financial statements, but as such costs are deemed not material, the University has decided not to prepare consolidated accounts for this year only.

#### Grants from Funding Council

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

#### Tuition fees and other income

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### Pension arrangements

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.

### Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University monthly. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet based upon discount factors provided by HEFCE.

### Leases

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

### Maintenance of premises

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

### Taxation

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

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



**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES** (continued)**Tangible fixed assets**

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

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

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

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

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

Freehold buildings are amortised over their useful economic lives on a basis consistent with the Vigers estimate of remaining property life (this ranges from 13 to 50 years). Leasehold buildings are amortised over the lesser of the life of the lease and their useful economic lives. The Newton Park estate is held on a 99 year lease that expires in 2044. Freehold land is not depreciated.

- **Assets under construction**

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

- **Subsequent expenditure on existing fixed assets**

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

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

- **Impairment**

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### Cash flows and liquid resources

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

### Accounting for Charitable Donations and Investments

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

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

### Deferred Income

Deferred income representing the buy-out of inherited liabilities at Corsham Court by HEFCE is being released to revenue over the remaining 52 years of the Corsham Court lease to match associated expenditure under the lease covered by the buy-out agreement. Deferred income is measured on a discounted balance to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that expenditure under the lease buy-out agreement will be made. The discount rate used reflects the average yield on investment deposits with similar maturity dates.

### Provisions

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

**INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 July 2014**

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
Funding Council grants	1	10,238	14,431
Tuition fees and education contracts	2	42,198	32,467
Research grants and contracts	3	318	527
Other income	4	5,017	4,495
Net investment income	5	(45)	606
<b>Total income</b>		<u>57,726</u>	<u>52,526</u>
<b>EXPENDITURE</b>			
Staff costs	6	29,578	27,223
Other operating expenses	7	23,630	22,161
Depreciation		2,902	1,842
Interest payable	8	722	420
<b>Total expenditure</b>	7	<u>(56,832)</u>	<u>(51,646)</u>
<b>Surplus after depreciation of assets at valuation and before impairment and taxation</b>		894	880
Share of deficit in joint venture	9	(121)	-
Impairment provision on fixed asset	10	-	1,007
<b>Surplus after depreciation of assets at valuation, impairment, and before taxation</b>		773	1,887
Taxation	11	-	-
<b>Surplus after depreciation of assets at valuation and after taxation</b>	12	<u>773</u>	<u>1,887</u>

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 July 2014**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Surplus after depreciation of assets at valuation and taxation	773	1,887
Actuarial (loss)/gain relating to the pension scheme	(187)	1,996
<b>Total recognised gains and (losses) relating to the year</b>	<u>586</u>	<u>3,883</u>

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**For the year ended 31 July 2014**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Surplus after depreciation of assets at valuation and after taxation	773	1,887
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	137	137
<b>Historical cost surplus after taxation</b>	<u>910</u>	<u>2,024</u>

**BALANCE SHEET**  
**At 31 July 2014**

	Note	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Tangible assets	13	72,797	42,993
<b>ENDOWMENT ASSET INVESTMENTS</b>			
	14	569	539
<b>CURRENT ASSETS</b>			
Stocks		118	72
Debtors	15	1,568	1,638
Investments – cash on money market deposit		20,000	34,000
Cash at bank and in hand		10,668	17,813
		32,354	53,523
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(11,967)	(12,841)
<b>NET CURRENT ASSETS</b>		20,387	40,682
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		93,753	84,214
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	(34,748)	(25,763)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	(1,177)	(1,248)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		57,828	57,203
<b>PENSION LIABILITY</b>	23	(9,160)	(8,698)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		48,668	48,505
<b>DEFERRED CAPITAL GRANTS</b>	20	3,415	3,868
<b>ENDOWMENTS</b>			
Expendable	21	569	539
<b>RESERVES</b>			
Revaluation reserve	22	4,037	4,174
General reserves	22	40,647	39,924
Total reserves		44,684	44,098
<b>TOTAL</b>		48,668	48,505

These financial statements were approved by the Board of Governors on 5 November 2014 and signed on its behalf by:



C Slade  
Accounting Officer



J Henderson  
Chair

The notes on pages 38 to 54 form part of these financial statements.

**CASH FLOW STATEMENT**  
For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>Cash flow from operating activities</b>	24	4,427	4,840
Returns on investments and servicing of finance	25	(772)	346
Capital expenditure and financial investment	26	(34,285)	(16,538)
Management of liquid resources	27	14,000	10,000
Financing	28	9,515	9,946
<b>(Decrease)/increase in cash in year</b>		<u>(7,115)</u>	<u>8,594</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
For the year ended 31 July 2014

	2014 £'000	2013 £'000
(Decrease)/Increase in cash in the year	(7,115)	8,594
(Decrease) in short term deposits	(14,000)	(10,000)
Change in net funds	<u>(21,115)</u>	<u>(1,406)</u>
Net funds at 1 August	52,352	53,758
<b>Net funds at 31 July</b>	<u>31,237</u>	<u>52,352</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2014

1. FUNDING COUNCIL GRANTS

	HEFCE £'000	DWP £'000	2014 £'000	2013 £'000
Recurrent grant	8,436	214	8,650	13,449
Inherited liability grant released in year	219	-	219	243
Deferred capital grants released in year:				
- Buildings	407	-	407	542
- Equipment	962	-	962	197
	<u>10,024</u>	<u>214</u>	<u>10,238</u>	<u>14,431</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	2014 £'000	2013 £'000
Full-time students	38,510	30,543
Full-time students charged overseas fees	2,920	1,275
Part-time fees	768	649
	<u>42,198</u>	<u>32,467</u>

3. RESEARCH GRANTS AND CONTRACTS

	2014 £'000	2013 £'000
Research councils	138	118
Other grants and contracts	180	409
	<u>318</u>	<u>527</u>

4. OTHER INCOME

	2014 £'000	2013 £'000
Residences, catering and conferences	2,327	2,087
Other income	2,601	2,360
Donations	65	24
Deferred capital grants released in year – Buildings	24	24
	<u>5,017</u>	<u>4,495</u>

5. NET INVESTMENT INCOME

	2014 £'000	2013 £'000
Income from short term investments	314	1,130
Finance cost of long term maintenance provision	(306)	(514)
Finance cost of enhanced pension provision	(53)	(10)
	<u>(45)</u>	<u>606</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

<b>6. STAFF COSTS</b>	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Wages and salaries	23,963	22,292
Social security costs	1,869	1,759
Other pension costs	3,746	3,172
	<u>29,578</u>	<u>27,223</u>

The University has included an accrual for holiday pay in 2013/14 totalling £1,236,000. This will become a mandatory requirement under FRS102 from 2015.

Other pension costs comprise:

Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	1,788	1,575
Current service cost of defined benefit scheme (LGPS)	1,958	1,486
	<u>3,746</u>	<u>3,061</u>

Average staff numbers by major category (full-time equivalent):	<b>No.</b>	<b>No.</b>
Academic staff	262	253
Hourly- paid lecturers	49	54
Technicians	37	38
Support staff - administration	248	228
Support staff - manual workers	53	54
	<u>649</u>	<u>627</u>

Emoluments of the Accounting Officer and Chief Executive: Professor Christie Slade	<b>£'000</b>	<b>£'000</b>
Remuneration	250	216
	<u>250</u>	<u>216</u>
Housing Allowance	6	-
Pension contributions	43	36

**6. STAFF COSTS (continued)**

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

	<b>2014</b> <b>No.</b>	<b>2013</b> <b>No.</b>
£110,001 - £120,000	1	-
£120,001 - £130,000	2	1
£130,001 - £140,000	-	1
	<u>3</u>	<u>2</u>

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 2014

7. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs	Dep'n	Other operating expenses	Interest Payable	2014 Total	2013 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	17,812	164	6,546	-	24,522	23,378
Academic services	3,579	1,374	4,265	-	9,218	5,201
Research grants and contracts	277	-	179	-	456	735
Residences, catering and conferences	647	81	1,015	-	1,743	1,599
General education expenditure	1,570	15	4,382	-	5,967	2,984
Premises	1,300	1,219	4,496	727	7,742	8,311
Administration	3,689	49	1,738	(5)	5,471	7,373
Staff and student services	682	-	395	-	1,077	1,499
Other expenses	22	-	614	-	636	566
	<u>29,578</u>	<u>2,902</u>	<u>23,630</u>	<u>722</u>	<u>56,832</u>	<u>51,646</u>

	2014 £'000	2013 £'000
The depreciation charge has been funded by:		
Deferred capital grants	495	637
Revaluation reserve released	137	137
General income	2,270	1,068
	<u>2,902</u>	<u>1,842</u>

7. ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

	2014 £'000	2013 £'000
Other operating expenses include:		
Auditors' remuneration - external audit	20	19
- internal audit	24	20
- tax services	3	3
- US federal loan	2	2
Hire of land and buildings - operating leases	521	514
Hire of plant and machinery - operating leases	17	17
Loss on sale of fixed assets	7	20
Howard Hodgkin Endowment - University Contribution	5	514
Student Union grant	590	288
	<u>590</u>	<u>288</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2014

8. INTEREST AND OTHER FINANCE CHARGES	2014 £'000	2013 £'000
Loans not wholly repayable within five years	727	260
Net interest on local government pension scheme (Note 22)	(5)	160
	<u>722</u>	<u>420</u>

9. SHARE OF DEFICIT IN JOINT VENTURE	2014 £'000	2013 £'000
Share of deficit in Joint Venture	(121)	-
	<u>(121)</u>	<u>-</u>

The University has entered into a joint-venture agreement with a US-based provider, Shorelight, to establish a pathway college in Bath which began recruiting in 2014, and will over time recruit up to 2,000 overseas students, giving them the opportunity to progress onto a range of the University's degree programmes. In 2013/14 the both the University and Shorelight incurred set-one-off up costs that resulted in a deficit, of which the University's share was £121,000.

10. IMPAIRMENT PROVISION ON FIXED ASSET	2014 £'000	2013 £'000
Impairment reversal	-	(1,007)
	<u>-</u>	<u>(1,007)</u>

In November 2012 the University's residential development was approved by the relevant agencies and following the appointment of the principal contractor Miller Construction (UK) Ltd enabling works began in spring 2013. As a consequence £1,007,000 of impairment provision in respect of the residential development was released in the 2012/13 financial year.

## 11. 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.

## 12. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	2014 £'000	2013 £'000
University's surplus for the year	773	1,887
Total	<u>773</u>	<u>1,887</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2014

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold properties	Assets under construct- ion	Building improve- ments	Fixtures, equip- ment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2013						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	11,102	25,785	8,142	6,356	51,385
Additions at cost	-	7,536	18,952	2,428	3,837	32,753
Reclassification	-	19,121	(19,121)	-	-	-
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	(40)	(1)	(102)	(143)
At 31 July 2014						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	37,759	25,576	10,569	10,091	83,995
	1,600	43,310	25,576	10,569	11,380	92,435
<b>Accumulated depreciation and impairments</b>						
At 1 August 2013	380	5,046	-	4,858	6,548	16,832
Charge for year	17	528	-	657	1,700	2,902
Disposals	-	-	-	(1)	(95)	(96)
At 31 July 2014	397	5,574	-	5,514	8,153	19,638
<b>Net book value at 31 July 2014</b>	1,203	37,736	25,576	5,055	3,227	72,797
At 31 July 2013	1,220	11,607	25,785	3,284	1,097	42,993
Inherited	1,203	2,751	-	-	-	3,954
Financed by capital grant	-	1,984	-	1,403	29	3,416
Other	-	33,001	25,576	3,652	3,198	65,427
<b>Net book value at 31 July 2014</b>	1,203	37,736	25,576	5,055	3,227	72,797

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

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

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

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

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

Land and buildings with a net book value of £3,954,000 have been funded from Treasury sources. Should these particular properties be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the financial memorandum with the Higher Education Funding Council for England.

**Equipment**

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

**14. ENDOWMENT ASSET INVESTMENTS**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	539	-
New endowments	30	539
	<u>569</u>	<u>539</u>
Balance at 31 July	569	539
Cash and other short term investments	569	539
	<u>569</u>	<u>539</u>
Total endowment asset investments	569	539

The endowment assets comprise a £519,000 University contribution and external donations totalling £50,000 to establish a chair in the name of Sir Howard Hodgkin.

**15. DEBTORS**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	371	419
Other debtors	20	18
Prepayments and accrued income	1,177	1,201
	<u>1,568</u>	<u>1,638</u>

No debtors were due after more than one year.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Bank Loan (Note 17)	1,002	357
Salix Finance Loan (Note 17)	26	55
Trade creditors	3,721	4,070
Taxation and social security	626	594
Other creditors	489	619
Accruals and deferred income	6,103	7,146
	<u>11,967</u>	<u>12,841</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Accruals and deferred income	16,180	16,094
Lloyds TSB Loan	18,568	9,643
Salix Finance Loan (Note 17)	-	26
	<u>34,748</u>	<u>25,763</u>

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

**18. BORROWINGS**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts are repayable as follows:		
In one year or less	1,002	357
Between one and two years	1,012	1,429
Between two and five years	3,169	1,429
In five years or more	14,387	6,785
	<u>19,570</u>	<u>10,000</u>

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 has been fixed at 2.1% plus Margin and MLA. The current interest rate is 3.283%. 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 has been fixed at 3.193% plus Margin and MLA. The current interest rate is 5.693%.

The Salix Finance Loan is repayable as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

**18. BORROWINGS (continued)**

The University has received interest-free loans totalling £217,000 from Salix Finance to fund two new energy conservation projects. The loans are repayable by 8 equal instalments over 4 years commencing May 2010 and ending September 2014.

**19. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Enhanced pension provision £'000</b>	<b>Landlords' guarantees provision £'000</b>	<b>Total provisions £'000</b>
At 1 August 2013	990	258	1,248
Charge to income and expenditure	53	117	170
Utilised in year	(66)	(175)	(241)
	<u>977</u>	<u>200</u>	<u>1,177</u>
At 31 July 2014	977	200	1,177

An amount of £977,000 (2013: £990,000) is included in provisions representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. The provision represents an undiscounted amount as the directors consider the affect of discounting would not have a material effect on the amount provided.

To ensure that there is sufficient residential accommodation for its first year students the University contracts with external providers. In return for guaranteed availability of places the University will pay a proportion of the rent for any unfilled places. The landlords' guarantees provision reflects the number of study bedrooms for which the University has a potential liability. In 2013/14 the University paid £58,000 (2012/13: £80,000) in respect of unfilled places from a total of 558 study bedrooms. The University has also entered into an arrangement whereby it will compensate Unite for letting some 320 student bedrooms at Charlton Court to Bath Spa University students on contracts that are consistent with the length of Bath Spa University owned accommodation, but which are shorter than those let by Unite to other tenants. The cost of such compensation is expected to be £122,000. (2013: £119,000) To ensure the University is able to secure as much student accommodation as possible it also has guaranteed to meet the costs of vacant rooms at Charlton Court. At 31 July 2014 a small number of vacant rooms were identified that if left unfilled may result in an additional cost of £70,000 (2013: £10,000) which has been fully provided for in 2013/14. 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.

**20. DEFERRED CAPITAL GRANTS**

	<b>HEFCE Buildings £'000</b>	<b>HEFCE Equipment £'000</b>	<b>Other grants Buildings £'000</b>	<b>Total £'000</b>
At 1 August 2013	2,890	200	778	3,868
Cash received	-	939	-	939
Released to income and expenditure account	(385)	(983)	(24)	(1,392)
	<u>2,505</u>	<u>156</u>	<u>754</u>	<u>3,415</u>
At 31 July 2014	2,505	156	754	3,415

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

**21. ENDOWMENTS**

	Restricted Expendable £'000	2014 Total £'000	2013 Total £'000
Balance at 1 August 2013	539	539	-
New endowments	30	30	539
<b>Balance at 31 July 2014</b>	<u>569</u>	<u>569</u>	<u>539</u>
<b>Representing:</b>			
Capital	569	569	539
	<u>569</u>	<u>569</u>	<u>539</u>

**22. RESERVES**

	Revaluation Reserve £'000	General reserves £'000	Total £'000
Balance at 1 August 2013	4,174	39,924	44,098
Surplus for the year	-	773	773
Transfer from revaluation reserve to income and expenditure account	(137)	137	-
Actuarial loss on pension fund	-	(187)	(187)
<b>Balance at 31 July 2014</b>	<u>4,037</u>	<u>40,647</u>	<u>44,684</u>

**23. PENSION COSTS**

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, Avon Pension Fund, (LGPS). The total pension cost for the period was £3,746,000 (2012/13 £3,061,000).

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2014

## 23. PENSION COSTS (continued)

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

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

For the year ended 31 July 2014 the employer contribution rate was 14.1%. The total pension cost for the period was £1,788,000 (2012/13 £1,575,000).

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 2014 was £2,320,000 of which employers' contributions totalled £1,678,000 and employees' contributions totalled £642,000. The agreed contribution rates for future years are 17% for employers, and salary-determined rates for employees ranging from 5.5% - 7.5%.

The following information under FRS 17 is based upon a full actuarial valuation of the Fund at 31 March 2014 updated to 31 July 2014 by a qualified independent actuary.

	2014	2013
Rate of increase in salaries	3.8%	3.9%
Rate of increase in pensions in payment	2.8%	2.4%
Discount rate	4.3%	4.5%
Inflation assumption CPI	2.3%	2.4%

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

	2014	2013
<i>Retiring today</i>		
Males	23.3	22.9
Females	25.8	25.9
<i>Retiring in 20 years</i>		
Males	25.7	25.2
Females	28.7	28.2

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2014

23. PENSION COSTS (continued)

*Avon Pension Fund (LGPS) (continued)*

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

	Long term rate of return expected at 31 July 2014 %	Value at 31 July 2014 £'000	Long term rate of return expected at 31 July 2013 %	Value at 31 July 2013 £'000
Equities	7.0	16,932	7.0	18,164
Government Bonds	3.2	2,730	3.3	3,013
Other Bonds	4.1	3,159	4.3	2,478
Property	6.2	2,392	5.7	2,000
Cash	0.5	1,074	0.5	507
Other	7.0	4,386	7.0	2,000
		<u>30,673</u>		<u>28,162</u>

The following amounts at 31 July 2014 were measured in accordance with the requirements of FRS17:

	2014 £'000	2013 £'000
University estimated share of assets	30,673	28,162
Present value of scheme liabilities	<u>(39,833)</u>	<u>(36,860)</u>
Deficit in the scheme – Net pension liability	<u>(9,160)</u>	<u>(8,698)</u>

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

	2014 £'000	2013 £'000
Current service cost	<u>1,772</u>	<u>1,486</u>
Total operating charge	<u>1,772</u>	<u>1,486</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

**23. PENSION COSTS** (continued)

*Avon Pension Fund (LGPS) (continued)*

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

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Expected return on pension scheme assets	1,701	1,302
Interest on pension scheme liabilities	(1,696)	(1,462)
	<u>5</u>	<u>(160)</u>

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

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Actual return less expected return on pension scheme assets	(821)	(724)
Change in financial and demographic assumptions underlying the scheme liabilities	634	2,720
	<u>(187)</u>	<u>1,996</u>

**Movement in deficit during year**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Deficit in scheme at 1 August	(8,698)	(10,357)
Movement in year:		
Current service cost	(1,772)	(1,486)
Curtailments and settlements	(186)	-
Contributions	1,678	1,309
Net interest	5	(160)
Actuarial gain/(loss)	(187)	1,996
	<u>(9,160)</u>	<u>(8,698)</u>

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

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
At beginning of the year	36,860	33,326
Current service cost	1,772	1,486
Interest cost	1,696	1,462
Contributions by scheme participants	642	546
Actuarial (gains)/losses	(634)	724
Curtailments	186	-
Benefits paid	(689)	(684)
	<u>39,833</u>	<u>36,860</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2014

23. PENSION COSTS (continued)

*Avon Pension Fund (LGPS) (continued)*

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

	2014 £'000	2013 £'000
At beginning of the year	28,162	22,969
Expected rate of return on scheme assets	1,701	1,302
Actuarial gains/(losses)	(821)	2,720
Contribution by the employer	1,678	1,309
Contributions by scheme participants	642	546
Benefits paid	(689)	(684)
	<hr/>	<hr/>
At end of the year	<u>30,673</u>	<u>28,162</u>

**History of experience gains and losses**

	2014	2013	2012	2011	2010
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount (£'000)	(821)	2,720	(710)	839	1,448
% of scheme assets	(2.6%)	9.7%	(3.1%)	4.0%	8.2%
<b>Experience gains and losses on scheme liabilities:</b>					
Amount (£'000)	-	-	-	(344)	-
% of scheme liabilities	-	-	-	(1.2%)	-
<b>Total amount recognised in the statement of total recognised gains and losses:</b>					
Amount (£'000)	(187)	1,996	(2,007)	212	1,660
% of the present value of the scheme liabilities	(0.1%)	5.4%	(6.0%)	0.1%	6.5%

The estimate for the contribution for the defined benefit scheme for the year 2014/15 is £1,567,000. The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £5,724,000 loss (2013 £5,537,000 loss).

**Sensitivity Analysis**

Actuaries appointed by Avon Pension Fund have prepared the following sensitivity analysis that indicates the likely changes to pension liabilities, asset values, costs and returns on assets in the event of changes to key assumptions used by the actuary in determining the valuation of the fund at 31 July 2014.

	Base £000's	Sensitivity 1 +0.1% p.a. discount rate	Sensitivity 2 +0.1% p.a. Inflation	Sensitivity 3 1 year increase in life expectancy
<b>Liabilities</b>	39,833	39,019	40,664	40,561

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

**23. PENSION COSTS (continued)**

*Avon Pension Fund (LGPS) (continued)*

	Base £000's	Sensitivity 1 +0.1% p.a. discount rate	Sensitivity 2 +0.1% p.a. Inflation	Sensitivity 3 1 year increase in life expectancy
<b>Assets</b>	(30,673)	(30,673)	(30,673)	(30,673)
<b>Deficit</b>	9,160	8,346	9,991	9,888
<b>Projected Service Cost</b>	1,766	1,708	1,824	1,806
<b>Projected Expected Return on Assets</b>	(1,754)	(1,754)	(1,754)	(1,754)
<b>Projected Interest Cost</b>	1,750	1,753	1,787	1,782

**24. RECONCILIATION OF SURPLUS BEFORE TAXATION TO NET  
CASH INFLOW FROM OPERATING ACTIVITIES**

	2014 £'000	2013 £'000
Surplus before taxation and loss on sale of fixed assets	773	1,887
Interest payable (finance charge FRS 17)	(5)	160
Endowment and net interest receivable	45	(606)
Interest payable	727	260
Interest credited to inherited liability grant	305	515
Release of inherited liability grant	(219)	(243)
Release of capital grant	(1,392)	(764)
Depreciation	2,902	1,842
Decrease in impairment provision on fixed assets	-	(1,007)
Increase in stock	(46)	(44)
Decrease/(increase) in debtors	70	(28)
Increase in creditors	1,006	2,031
Contribution to Howard Hodgkin Fund	5	514
Decrease in provisions	(71)	-
Loss on sale of fixed assets	47	146
Decrease in pension fund liability	280	177
<b>Net cash inflow from operating activities</b>	<b>4,427</b>	<b>4,840</b>

**25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2014 £'000	2013 £'000
Interest received	(45)	606
Interest paid	(727)	(260)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	<b>(772)</b>	<b>346</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2014

<b>26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		<b>2014</b>	<b>2013</b>	
		<b>£'000</b>	<b>£'000</b>	
Purchase of tangible fixed assets		(35,249)	(16,563)	
Capital Grants received		939	-	
Endowments received		25	25	
		<u>          </u>	<u>          </u>	
<b>Net outflow from capital expenditure and financial investment</b>		<b>(34,285)</b>	<b>(16,538)</b>	
		<u>          </u>	<u>          </u>	
<b>27. MANAGEMENT OF LIQUID RESOURCES</b>		<b>2014</b>	<b>2013</b>	
		<b>£'000</b>	<b>£'000</b>	
Decrease in short-term deposits		14,000	10,000	
		<u>          </u>	<u>          </u>	
<b>Net cash inflow from management of liquid resources</b>		<b>14,000</b>	<b>10,000</b>	
		<u>          </u>	<u>          </u>	
<b>28. FINANCING</b>		<b>2014</b>	<b>2013</b>	
		<b>£'000</b>	<b>£'000</b>	
Receipt of new Bank Loan		10,000	10,000	
Repayments of Bank Loans		(430)	-	
Repayments of Salix Loan		(55)	(54)	
		<u>          </u>	<u>          </u>	
<b>Net cash inflow/(outflow) from financing</b>		<b>9,515</b>	<b>9,946</b>	
		<u>          </u>	<u>          </u>	
<b>29. ANALYSIS OF CHANGES IN NET FUNDS</b>				
	<b>At 1</b>	<b>Cash</b>	<b>Other</b>	<b>At 31</b>
	<b>August</b>	<b>flows</b>	<b>Moveme</b>	<b>July</b>
			<b>nts</b>	
	<b>2013</b>			<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash held in endowment asset investments	539	25	5	569
Cash at bank and in hand	17,813	(7,140)	(5)	10,668
Short term deposits	34,000	(14,000)	-	20,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Funds</b>	<b>52,352</b>	<b>(21,115)</b>	<b>-</b>	<b>31,237</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>30. CAPITAL COMMITMENTS</b>		<b>2014</b>	<b>2013</b>	
		<b>£'000</b>	<b>£'000</b>	
Contracted but not yet invoiced		2,043	28,572	
		<u>          </u>	<u>          </u>	

Capital commitments at 31 July 2014 include the contract for the construction of the new academic building that was awarded to Skanska UK Ltd, and the contract for the construction of the new student residences that was awarded to Miller Construction (UK) Ltd.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014

**31. FINANCIAL COMMITMENTS**

At 31 July 2014 the University had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Expiring within one year	184	-
Expiring from one to five years	218	182
Expiring after five years	60	275
	<u>462</u>	<u>457</u>

**32. RELATED PARTY TRANSACTIONS**

Due to the nature of the University's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. During the year the University provided a grant to Bath Spa University Students' Union of £590,000, 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 which began recruiting in 2014. (See also Note 9)

**33. ACCESS FUNDS**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Funding Council Grants	162	139
Less Administration Fee	(4)	(4)
	<u>158</u>	<u>135</u>
Disbursed to Students	(158)	(135)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	-	-

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

**34. TEACHER TRAINING BURSARIES**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Funds Received	2,523	3,102
Disbursed to Students	(2,335)	(2,802)
	<u>188</u>	<u>300</u>
Balance unspent at 31 July	188	300

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2014