

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR END 31 JULY 2017

BATH
SPA
UNIVERSITY



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Foreword

2016/17 has been another busy year, in which Bath Spa made real progress on many fronts, and performed strongly financially, although there have also been some challenges to address. The University has a new campus project gathering pace, and of course there has been major political discussion about student loans and funding for higher education increasing future uncertainty.

Total student numbers grew in 2016/17 by 7% to 7,300 which included a record intake for the University of over 2,200 British and other EU undergraduates. This year also saw the consolidation of the recently formed College of Liberal Arts, the largest school within the University, which delivered most of the growth in student numbers. The School of Art and Design continued to develop well, and in 2016/17 published the findings of a major AHRC/Design Council research project, Bristol and Bath by Design, with collaborative university partners (West of England and Bristol), which found that educational institutions and training initiatives play vital roles in talent development and retention in this design-intensive region. The Institute of Education also continued to grow and was successful in winning the Teach First South West contract, and developing a Post Graduate Diploma in Education which is also being delivered with Cardiff Metropolitan University for Teach First Cymru.

We were very pleased that the University was rated silver in the Teaching Excellence Framework (TEF) in 2017, and 2016/17 was also a successful year for Bath Spa in terms of research performance, with income from research grants continuing to grow; research and enterprise income has grown from £0.85m in 2014/15 to £1.5m in 2016/17.

2016/17 was another year of strong financial performance. The University appointed 29 new academics, and at the same time has successfully met its 5% operating surplus target and further improved its liquidity, both of which are crucial to support the University's capital programme, itself essential to develop student and academic facilities. The surplus of £4.5m before tax was achieved largely as a consequence of continued growth in student numbers and disciplined cost management.

The University continues to improve student facilities and September 2016 saw the opening of a new student residential building at Green Park House in Bath city centre, which provides accommodation for over 450 students. We recently purchased a new sports facility for the students, something which we have hitherto been lacking, close to our main campus at Newton Park. The University also developed ambitious plans for a major new facility for the Bath School of Art and Design at its Locksbrook Road site close to the centre of Bath, an investment of £32m in first rate teaching facilities for future generations. Since the end of the year, this has been granted planning permission, and work will begin soon. It will be a spectacular new campus, a really exciting place to study art and design, and will be open for the start of the 2019/20 academic year.

In November 2016, we were very pleased to appoint Jeremy Irons as our first ever Chancellor, and we have already greatly benefited from his interest and support. In August 2017 the Vice-Chancellor, Professor Christina Slade, stepped down after five years' service and was succeeded on an interim basis by Professor Nick Foskett, formerly Vice-Chancellor of Keele University. The University is, of course, well aware of public concern over the

Foreword (continued)

remuneration of Vice-Chancellors, and we took great care, through our independent remuneration committee, that the remuneration of the new Vice-Chancellor was appropriately benchmarked against relevant comparators, and was at the right level to attract and retain a top quality candidate who can guide and lead the University through the next phase of its development in what will undoubtedly be testing times. We were delighted to announce in October that Professor Susan Rigby, currently Deputy Vice-Chancellor at the University of Lincoln, has been appointed as permanent Vice-Chancellor and joins the University in January 2018.

As the University continues to make progress towards its 2020 strategic goals it will further develop its strengths in key academic areas, emphasising inter-disciplinarity, and maintaining financial performance. Attention will also be focused on key risks, such as student recruitment, where demographics as well as the possible effect from Brexit, will make the pool of possible students slightly smaller for the next few years. We are also working hard on a number of areas for improvement including student satisfaction. The current year will see a strategic review, which I am confident will help us continue to develop this very capable institution further in coming years, and we look forward to continuing to achieve the best possible outcomes for our students.

The University is nothing without its students and its staff, and I would like to play tribute to the whole student body, and to all academic and professional staff, for making this the institution it is, a fun place to work and study, and to develop quality learning and research. I and all the governors would like to thank them for their work in 2016/17, and their commitment for future years.



Terence Jagger, Chairman of the Board of Governors

UNIVERSITY INFORMATION

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| Governors: | <p>Professor Robin Alexander (to 20th September 2017) Will Archer Simon Blake (from 16th November 2016) Nina Campbell Kerry Curtis (from 16th November 2016) Dr Kirstin Doern Alkiviadis Fasoulis (from 16th November 2016) Teresa Fisk Louise Fleming Professor Nick Foskett (Interim Vice-Chancellor and Chief Executive from 15th August 2017) Martin Francis Jonathan Glasspool (from 16th November 2016) Rosemary Heald Jane Henderson (Chair to 16th November 2016) Kitty Hilton (to 30th June 2017) Terence Jagger (Chair from 16th November 2016) Lady Theresa Lloyd Ryan Lucas (from 1st July 2017) Professor Phillip Martin Revd Edward Mason (to 30th June 2017) Trevor Osborne David Pester (Deputy Chair) Professor Christina Slade (Vice-Chancellor and Chief Executive to 15th August 2017)</p> |
| Senior Staff: | <p>Professor Christina Slade (Vice-Chancellor and Chief Executive to 15th August 2017) Professor Nick Foskett (Interim Vice-Chancellor and Chief Executive from 15th August 2017) Professor Neil Sammells (Deputy Vice-Chancellor and Provost) Neil Latham (Chief Operating Officer)</p> |
| Auditors: | <p>Grant Thornton UK LLP Chartered Accountants Hartwell House, 55-61 Victoria Street Bristol BS1 6FT</p> |
| Bankers: | <p>Lloyds Bank PLC 47 Milsom Street Bath BA1 1DN</p> |
| Solicitors: | <p>Veale Wasbrough Vizards Narrow Quay House Narrow Quay Bristol BS1 4QA</p> |
| Address for Enquiries: | <p>Bath Spa University Newton Park, Newton St Loe Bath BA2 9BN</p> |

UNIVERSITY INFORMATION

Glossary

| | |
|--------|---|
| BME | Black and Minority Ethnic |
| BSU | Bath Spa University |
| CASE | Council for Advancement and Support of Education |
| CPI | Consumer Price Index |
| CTA | Corporation Tax Act |
| DLHE | Destinations of Leavers from Higher Education |
| DRC | Depreciated Replacement Cost |
| DWP | Department for Work and Pensions |
| EIB | European Investment Bank |
| EU | European Union |
| FE | Further Education |
| FRS | Financial Reporting Standard |
| FTE | Full Time Equivalent |
| HE | Higher Education |
| HEFCE | Higher Education Funding Council for England |
| IOF | Institute of Fundraising |
| ITT | Initial Teacher Training |
| LGPS | Local Government Pension Scheme |
| LLC | Limited Liability Company |
| LLP | Limited Liability Partnership |
| MA | Master of Art |
| NCTL | National College for Teaching and Leadership |
| NSS | National Student Survey |
| NS-SEC | National Statistics Socio-Economic Classification |
| OFFA | Office for Fair Access |
| PGCE | Post Graduate Certificate in Education |
| PLC | Public Limited Company |
| POLAR | Participation of Local Areas |
| REF | Research Excellence Framework |
| SAVP | Statement of Asset Valuation Practice |
| SORP | Statement of Recommended Practice |
| TPS | Teachers' Pension Scheme |
| US | United States (of America) |
| VAT | Value Added Tax |

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

The members present their report and the audited financial statements for the year ended 31 July 2017.

1. Legal Status

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

2. Vision

Bath Spa University's vision is to be a leading educational institution in creativity, culture and enterprise. Through inspirational teaching and research, the University will transform students' lives. Based in a world heritage city and connected to a network of international partners, Bath Spa University will ensure that its graduates are socially engaged global citizens.

3. Organisation

The University is organised into three academic domains, each led by an executive dean:

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

Responsibility for overall day-to-day management of the University is through the Vice-Chancellor, supported by a senior team that includes: Deputy Vice-Chancellor/Provost, Chief Operating Officer, Vice-Provost Research & Enterprise, Vice-Provost Learning & Teaching, Executive Dean of College of Liberal Arts, Executive Dean of the Bath School of Art & Design, Executive Dean of Institute for Education, and Registrar / Clerk to the Board of Governors. (Key Management Personnel – see Note 6 to the Financial Statements)

4. Strategy and Achievements

4.1 Strategic Objectives

Bath Spa University continues to maintain its vision to be a leading university in creativity, culture and enterprise. This vision is achieved through a four-pronged approach, which remain relevant despite increasing competition and regulatory changes:

- Teaching that delivers a distinctive educational experience, which draws on the full range of our disciplines, and results in graduate attributes to equip students to be socially engaged global citizens.
- Increased world leading research activity that links to REF 2021 and which generates additional research income.
- Internationalisation to diversify BSU's student body and to prepare students for a globalised world and a multi-cultural work environment.

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

- Stable and fully compliant foundations on which to build teaching and research improvements, achieving financial stability alongside improved infrastructure and stronger staff engagement.

The University's progress towards the 2020 goals is monitored through seven Key Performance Indicators (KPIs): Research income; Surplus after depreciation and tax; International student proportion; Postgraduate student proportion; Employability; Overall student satisfaction; and Student completion rates.

Despite the rapid changes within the sector, the University continues to progress well towards its strategic goals. Of the seven Key Performance Indicators (KPIs) outlined in the table below, three have already achieved their targets: Surplus, Employability and Completion rate. Furthermore, Research income is very close to its 2020 target, having nearly quadrupled over the last four years. Whilst maintaining its performance in these four areas, going forward the University's focus will shift more towards the remaining three indicators, namely: international and postgraduate student intake, which have very ambitious targets, and student satisfaction.

| BSU KPIs | 2013/14 | Latest Position | Change from 2013/14 to Latest Position | 2020 Target |
|--|---------|-----------------|--|-------------|
| Research and Enterprise Income (£000); latest year 2016/17 | £318 | £1,493 | 369% | £1,500 |
| Surplus after Depreciation & Tax (% Income); latest year 2016/17 | 1% | 6% | 500% | >5% |
| Non-UK Students (% Total); latest year 2015/16 | 5% | 13% | 160% | 20% |
| Postgraduate Student Intake (% Total Intake); latest year 2015/16 | 6% | 9% | 50% | 15% |
| NSS Overall Satisfaction (% Total); latest year 2017 | 89% | 80% | -10% | 92% |
| Completion Rates –Projected Learning Outcomes (% Awarded / Transferred); latest year 2015/16 | 92% | 91% | -1% | 90% |
| DLHE (% Leavers in Professional Jobs); latest year 2015/16 | 65% | 71% | 9% | 70% |

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

4.2 Academic quality and standards

2016-17 saw the embedding of new structures across the University, in particular the College of Liberal Arts and its four Fields: Culture and Environment, Bath Business School, Music and Performance, and Writing, and Film and Digital Creativity. The Bath School of Art and Design engaged in a course architecture review during 2016-17. This has resulted in a new academic plan, with a portfolio of new undergraduate, postgraduate, foundation and short courses identified for development over the coming years.

Teaching Excellence Framework

The University was rated silver in the Teaching Excellence Framework (TEF) in 2017, with an award duration of three years. The University scored significantly higher than benchmark in relation to “Teaching on my course” and “Assessment and Feedback”, but scored significantly lower than benchmark in relation to professional and managerial graduate outcomes. The TEF Panel said of Bath Spa: “The University achieves excellent outcomes for its students from all background with regards to teaching, and assessment and feedback. The metrics indicate very high levels of student satisfaction.” In particular, the TEF Panel found additional evidence of:

- Course design and assessment practices that provide high levels of rigour and stretch;
- The use of industry advisors in the course approval process to ensure that the curriculum has embedded subject-specific employability skills;
- Personalised teaching, the availability of a personal tutor, peer mentoring, and independent study that provide rigour and stretch;
- A strategic commitment to positive outcome for all that has seen the introduction of a number of supporting mechanisms to help students access and remain on programmes;
- Investment in physical and digital resources supported by a team of Learning Technologists, that demonstrably enhances student engagement; and
- An institutional culture which facilitates, recognises and rewards excellent teaching, and supports both staff who are new to teaching and qualified teachers.

National Student Survey

The NSS2017 results were disappointing, with an overall satisfaction score of 80%, compared with a sector average of 84%: this amounts to a ten percentage point drop in two years. Clearly, addressing this issue is a priority for the University as it has affected its ‘league-table’ standing and may impact on future recruitment prospects. It is encouraging that the subjects with low satisfaction scores in 2016 recovered well in 2017. This would seem to demonstrate that the efforts made through the Student Survey Taskforce, led by the Deputy Vice-Provost (Learning and Teaching), are having the desired effect, but are not yet fully embedded across all subject areas. The Taskforce membership will be revised for 2017/18, ensuring that ownership of the NSS is firmly accepted and acted upon by senior management in the Schools of Study. The group will work hard to focus efforts in areas that will see the most tangible benefits in student satisfaction. In particular, Student Voice will be an area of focus across the University, as will continuing efforts to improve Organisation and Management, and Assessment and Feedback.

Apprenticeships

The University successfully applied to the Register of Apprenticeship Training Providers (RoATP) in 2016-17. This enables the University to deliver apprenticeships, including Degree and Higher Level Apprenticeships. The University can also operate as an “employer provider”, thereby recruiting and training its own apprentices. Delivery of apprenticeships in a number of areas is being explored, including Leadership and Management, Education and Childcare, Policing, and Art and Design, with an anticipated start date of September 2018. A Degree Apprenticeship Manager was appointed in August 2017 to drive progress over the next 12 months.

Digital Education

Work has started across the three Schools of Study on Digital Education Strategies that will help to shape the University's Digitalisation Strategy. Reporting to the re-named Digital Education Committee, the Schools have undertaken surveys and formed focus groups with academic teams to help identify digital tools, activities, barriers, aspirations and priorities. This work will continue

throughout 2017-18, with a view to disseminating a draft University Digitalisation Strategy in the summer of 2018.

Activities to enhance learning and teaching across the University have taken place over the year. They include a series of four workshops facilitated by the Higher Education Academy focusing on aspects of assessment and feedback. These were prompted by feedback from students particularly in relation to consistency and fairness. Linked to this, the University Assessment Policy was revised in 2017 to address inconsistencies in workload, submission and feedback arrangements. In July 2017, a two-day Bath Spa Learning and Teaching Symposium was held at Newton Park, with the intention of sharing best practice and celebrating success and diversity across the institution. The event was well received and attended, and a summary and ways forward will be discussed at Learning and Teaching Committee during 2017/18.

Quality and Standards

The academic year 2016/17 was dominated by portfolio review. Periodic (five-yearly academic 'health-check') reviews took place for History and Heritage, Music, Postgraduate Taught Education, and Film, Media and Computing. The Undergraduate Academic Framework review and implementation has continued throughout the year, with Schools developing programme documents from August 2016 to June 2017 for stakeholder scrutiny (including from externals) in July and August 2017. There has been significant approval activity outside of this, including the full suite of postgraduate taught programmes within Music and Performance. A number of programme discontinuations are also underway. Discussions are taking place with Planning and Strategy and other key stakeholders with regard to a review of the process to ensure there is robust planning of programme development and that activity is supported appropriately. The forthcoming appointment of a Curriculum Development Fellow and the introduction of a Curriculum Management System are anticipated to make a significant positive impact on work in this area.

Whilst the extent to which the Undergraduate Framework review will impact on partner provision is still under consideration, there has also been substantial activity with partner providers both in the UK and internationally around approval, programme discontinuation and withdrawal. This has included approving partners and provision in new countries, extending provision at another international partner, approving as new partners within the UK an alternative provider and another Further Education College, and expanding provision at an established partner. Withdrawal is in the final stages at one international partner and has commenced with one UK-based alternative provider which is seeking Taught Degree Awarding Powers. A number of programme-level discontinuations are also in progress.

4.3 Resources and financial objectives

The University has consolidated net assets of £79.8m, net of a £23.8m pension liability, and employs 851 people (expressed as full time equivalents), of whom 394 are academic staff.

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

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

- To maintain sufficient liquidity to support continuing operations and investment in infrastructure of at least 60 cash days. At 31 July 2017 cash balances represented 228 cash days. (Target was reduced from 90 days to 60 days during the year, for the period of the development of the Locksbrook Road campus 2017-18 to 2021-22).
- To achieve cumulative income and expenditure reserves of not less than 75% of total income. At 31 July 2017 actual income and expenditure reserves before LGPS pension deficit were 94.7% of total income.
- To prepare annual budgets that achieve a good operating surplus, which by 2020 will achieve an operating surplus of 5% of total income. At 31 July 2017 an operating surplus of 5.5% was achieved.
- To ensure the full costs of all activities are properly understood and to ensure pricing strategies are implemented that reflect the full economic costs.
- To work closely with other senior managers to ensure financial and other corporate plans are complementary.

4.4 Student Numbers

The University has been seeking to grow its student population for several years and also to increase the proportion of international and postgraduate students. The total population in December 2016 was approximately 7,300, compared to 6,800 at the same point in 2015.

In the 2016 recruitment round, the University was able to maximise recruitment opportunities and registered just over 2,200 UK & other EU undergraduates, a significant rise on 2015 figures.

4.5 Fundraising

During 2016/17 the University's fundraising effort raised:

- £210,000 from organisations, such as charitable trusts and foundations.
- £40,000 from individuals.
- £85,000 from corporate donors this year, with partners Santander Universities and First Bus continuing to support our student community.
- 10 projects were successfully funded on our crowdfunding platform, raising a total of £9,000 from some 201 individual donors.

In addition the University received significant support in kind, including gifts of art for the Bath School of Art and Design.

All funds raised are used for the benefit of students, and over £96,000 was given out during the year through the Disbursement Panel in scholarships, prizes and awards. Funds were awarded to support travel for study or work experience; to help with overhead costs incurred as part of academic courses (degree shows, portfolios, musical equipment etc.); and to support those experiencing unexpected hardship.

The University's fundraising activity is underpinned by our Code of Ethical Fundraising and Donors' Charter, and the University only seeks to raise funds from those with whom it has an existing relationship (i.e. alumni and 'friends of the institution'). The University's fundraising is also consistent with best practice as established by the IoF and CASE.

4.6 Equal opportunities and employment of disabled persons

Bath Spa University is committed in its pursuit of academic excellence to being an equal opportunity and equal access employer, achieving a diverse workforce underpinned by the Equality Act 2010. Protected groups are defined in the Equality Act 2010 as Sex, Gender Reassignment, Marriage or Civil Partnership, Pregnancy or Maternity, Race (including Ethnic or National Origin, Nationality or Colour), Disability, Sexual Orientation, Age, or Religion or Belief. Bath Spa University will not tolerate discrimination or harassment based on any of these characteristics. Our data currently shows the following as a proportion of our total staff population:

- Female staff 57.5%, which is higher than our benchmarks.
- Disabled staff 6.3%, which is higher than our benchmarks.
- BME 5.7%, which is below our benchmarks.

We compare this and other data with the sector wherever possible and use this analysis to inform our objectives. Our objectives are published and reviewed regularly by the Equality and Diversity Steering Group and progress against the objectives forms part of an annual report to the Board.

4.7 Stakeholder relationships

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

In line with other universities, Bath Spa University has many stakeholders. These include: Students; Funding Councils; Staff; Local Authorities, and landowners; National Government; Local, national and international community; HE and FE institutions in UK and beyond; Trade unions; Academic and professional bodies; and International partners.

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

4.8 Energy and environmental sustainability

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

Our EMS (Environmental Management System) provides the framework for delivery of this policy and for ensuring the human and financial resources required for its implementation are in place. The University also has in place a Carbon Reduction Management Plan (CRMP), which sets out our approach to reducing carbon emissions in line with the sector targets and reaching Carbon-Neutrality by 2030. We have now implemented the majority of energy conservation measures in the CRMP, which will reduce carbon emissions against the 'business as usual' consumption by 2,000 tonnes, 3 years ahead of schedule. We have now developed a new strategy to accommodate the current and future expansion of the University.

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

4.9 Bath Spa Global

The joint venture partnership with Shorelight Education LLC of Boston MA, Bath Spa Global, has continued its core mission as a pathway college. A pre-Masters course and study abroad arrangements with US universities have helped to mitigate recruitment challenges, although the organisation remains fragile.

5. Providing Public Benefit

5.1 Delivery of charitable objectives

The charitable objects of the University are to provide higher education, to carry out research and to publish the results of the research. The members of the Board of Governors, who include the Vice-Chancellor and staff and student members, are the trustees of the charity. As such, the Board of Governors has due regard to the Charity Commission's general guidance on public benefit. The charity's immediate beneficiaries are its students. The University has no linked charities attached to it.

5.2 Developing people to make a contribution to society

The Careers and Employability function of the University has continued to improve over the last year and the results of the DLHE survey demonstrate continued impact on student employability with 93.9% of students in employment or further study six months after graduating. Most satisfyingly graduate level employment continues to exceed the 2020 KPI target (70%) rising to 71.2% from 70.5% last year. Employability is a major focus for the university and is supported by enabling students to engage in opportunities to enhance their skills and attributes. Building on the strengths of employment placements as part of the curriculum, Bath Spa University will now offer every full-time undergraduate student the opportunity to engage in a professional placement year. This addition to the curriculum, alongside the embedding of employability, will help prepare our graduates to succeed in the labour market.

During 2016/17 we invested in the following areas to support our students' career aspirations:

- More of our students are undertaking work placements of at least 20 days. We saw an increase of over 10% in 2016/17 and we are planning for continued growth and demand, as such work experiences can greatly enhance a student's employability and understanding of the world of work. Much of this growth will be established through the commitment by Bath Spa University that every full-time undergraduate will be able to complete a professional placement year as part of their degree course.
- Our Job Shop advertised over 1,300 job opportunities to our students, many of whom take up part time work whilst studying. This establishes an understanding of the wider support from the careers and employability team and enables students to develop the skills for employability.
- We continue to invest in ways to provide improved access to industry mentoring. The purchase of the Vine-up software programme has led to the expansion of the mentoring scheme including more mentors, extended mentoring time and addition of expertise including business start-up.
- The Bath Spa Award offers students a structured scheme that recognises the extra-curricular experiences that many of them gain from being at Bath Spa. To achieve the

award they must show evidence of work experience, networking and skills improvement which culminates in a mock assessment centre to gain the award. In 2016/17 the award was sponsored by Nationwide Building Society and we are developing a new Leadership strand. Over 75 students completed this award culminating in a presentation evening to recognise their achievements. In feeding back students talked of the confidence they had built and a deeper understanding of the skills they were developing whilst at university.

- Engagement with employers continues to be a focus within the department and we are engaging more than ever before with those with a national and international profile. Our Employer in the Foyer events have been especially popular with students and business alike and in 2016/17 included PricewaterhouseCoopers, IBM, Enterprise rent-a-car and The National Trust. 2016/17 also saw the return of a 'careers fair' to Bath Spa University with over 600 students attending a day event with over 35 key employers looking to recruit Bath Spa students. Increasing development of employer relationships has seen an expansion of our portfolio of opportunities and we are now one of 20 universities being targeted by Lidl.
- The Bath Sparks brand was launched to support student enterprise activity whilst at University and to help shape potential business ideas beyond graduation. Since its launch we have distributed over £20,000 to support creative ideas and fledgling businesses as well as dedicated one to one support. As part of this funded scheme one of our graduate businesses reached the national semi-finals of Santander's enterprise competition.

5.3 Admissions policy and widening participation

An analysis of 2016/17 Level 4 data showed that approximately 80% of UK domiciled entrants had at least one nationally recognised indicator of social disadvantage or under-representation in higher education in their profile. 365 awards were made through the Bath Spa University Bursary Scheme to students from households where annual income was below £25,000. Entrants from POLAR3 low participation neighbourhoods, care leavers, those living at an accredited Foyer, in receipt of a Special Support Grant or from NS-SEC 4-8 backgrounds were prioritised for these bursary awards.

Two areas of BSU work were highlighted by OFFA as case studies they would release to the sector to inform good practice. These were our preparatory summer school work with first year mature students prior to entry, and our monitoring of the effectiveness of targeted financial support for students from low-income families.

During the year, the University's 2015/16 Access Agreement annual monitoring return was approved by the Officer for Fair Access, and the University's 2018/19 Access Agreement with OFFA was agreed. The 2018/19 Access Agreement sets out plans to better support students on international placements as well as to provide bursaries to support access to the University from under-represented groups and to increase the scope and reach of the University's Outreach programmes.

The University adopts a robust policy of equality of opportunity in the admissions process in order to attract and retain motivated applicants of high calibre and potential from a broad and diverse community. This includes those who have varying experiences of education and who may have followed non-traditional paths to higher education and wish to benefit from the positive experience

offered by the University. This process is informed and guided by the range of legal obligations that is central to the *Hefce* Equality and Diversity Statement and Objectives 2016-17. We provide a professional admissions service to all applicants by ensuring clear, fair and consistently applied policies and procedures and a high level of applicant care, including the provision of clear and accurate information that will support students in making an informed decision about their course of study. Our current selection process and admissions policy documents are available on the Bath Spa University website.

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

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

5.4 Outreach Activities

The University has developed an extensive and successful widening participation outreach programme for young people and adults to raise aspiration, support attainment and encourage progression to higher education. A wide range of targeted programmes and activities are delivered through our *Be Inspired!* programme to young people aged from 9 to 19 in schools, colleges and community groups, and their parents/carers. The University is also an active partner in a number of national and regional widening participation collaborations and partnerships including the Service Children's Progression Alliance (SCiP), the Western Vocational Progression Consortium (WVPC), the Western Opportunities Network (WON), the Wessex Inspiration Network (WIN) and the Bath and North East Somerset Children's University. The WON was a local network in the *Hefce*-funded National Network for Collaborative Outreach scheme that has been continued by local universities and further education colleges on a subscription basis. The WIN is a *Hefce*-funded regional collaboration between the University of Bath, Bath Spa University and

Bath, Wiltshire and Weston-Super-Mare Colleges that is part of the National Collaborative Outreach Programme. The University leads the Western Access Progression Agreement Consortium (WAPA), which is a collaboration of local higher and further education partners that provides a programme of outreach activities to support progression to higher education for Access to Higher Education Diploma learners. In 2016/17 the University's widening participation outreach activities reached over 10,000 people.

5.5 Supporting students with a disability or specific learning need

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

5.6 Supporting children in care and care-leavers

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

5.7 Supporting transition, success and progression

Our student base is diverse. Analysis of 2016/17 entry data showed that over 75% of home undergraduate entrants at the University had at least one widening participation marker in their profile. Through inspirational teaching and research, we transform students' lives. This commitment is embedded in the University's Learning and Teaching Strategy 2016-2020. Our ambition for all Bath Spa graduates is that they will be creative, digitally literate, globally connected, able to work in teams and entrepreneurial. They will also be well equipped to thrive intellectually and in the world of work, and will be active members of our connected, creative community. Our aim is to enable all students, including those from diverse and disadvantaged groups, to take full advantage of the educational and cultural opportunities that we offer and provide them with practical support and opportunities to achieve their academic and career aspirations.

The University provides a number of support activities for students, some of which are delivered in partnership with the Students' Union that include: a transitional summer school to prepare mature students for undergraduate study; an early induction programme for students who disclose a disability or specific learning need; a peer mentoring scheme for new students; a range of induction activities for new students; and a personal tutor system that provides 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 also monitors attendance and academic performance and works across academic and professional services and with the Students' Union to further develop and coordinate our referral system that will proactively, but sensitively, direct students who are considered to be most at risk, to the appropriate support professionals.

Outward mobility is integral to our Internationalisation Strategy and by 2020 we aim to increase the proportion of students who spend part of their studies abroad to 10%. We offer a range of supported opportunities, including financial support drawn from a variety of sources, to enable students to undertake an international experience abroad.

We also provide a learning environment that promotes enterprise and entrepreneurship and fosters creativity and innovation, and helps students develop a good understanding of their personal and professional skills and competencies in the context of the graduate labour market.

5.8 Bursaries and student financial support

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

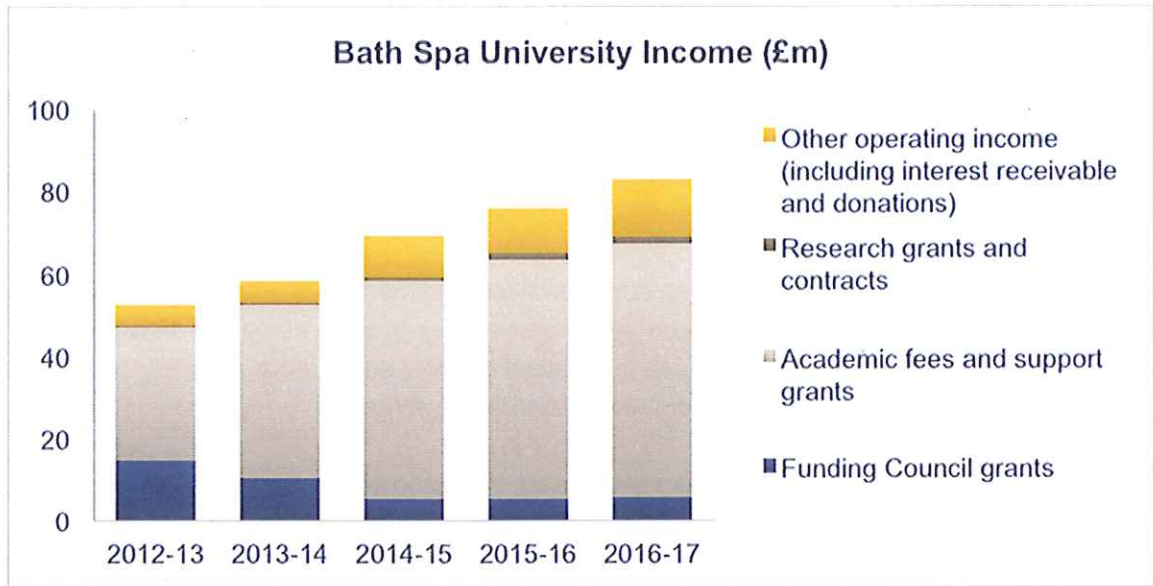
The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Under its Access Agreement with OFFA, Bath Spa provides students with a range of financial support, including bursaries and scholarships which go significantly beyond statutory requirements. In 2016/17 Bath Spa University paid a total of £972k in means-tested bursaries to support students from the lowest household incomes. In further measures designed to help ensure that students from lower income backgrounds are not deterred from applying to university and to bolster retention, Bath Spa provided a support package of widening participation initiatives and financial assistance worth some £3.2m in 2016/17. This support will continue in 2017/18.

6. Financial Review

6.1 University financial results

2016/17 has been another year of strong financial performance. The University has exceeded its operating surplus target (5%) and it has further strengthened liquidity, both are necessary in order to support the University's ambitious capital programme. Following continuing losses incurred by its joint venture Bath Spa Global, the University has written off £450k in 2016/17 in respect of its investment in Bath Spa U Limited.

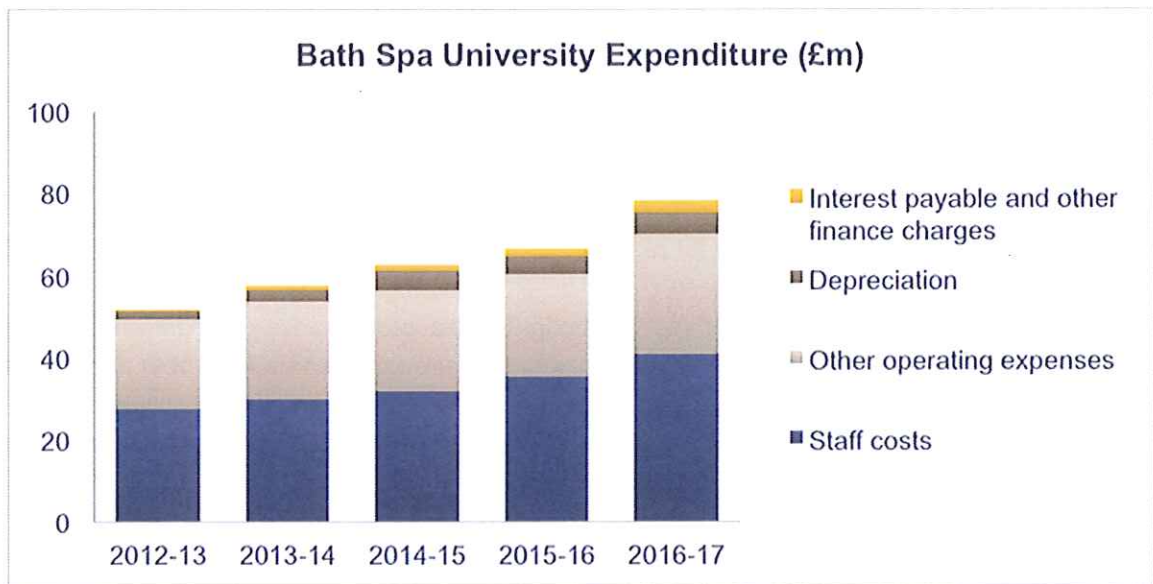
6.1.1 Income



Funding body grants continue to reduce and in 2016/17 are 6% of total income compared to 27% in 2012/13 reflecting the change in tuition fee regime.

In 2016/17 income from Academic fees grew some £3.8m following an increase of approximately 400fte home/EU students. Income from research continues to grow, largely as a consequence of a new Arts Council funded project worth some £0.6m ending October 2018. Other operating income grew by £3m following the opening in September 2016 of new student residences (461 bed-spaces) at Green Park House.

6.1.2 Expenditure



Total staffing costs grew by £5m (13%) as the University continues to invest in staff to support growth in teaching and research. Staff costs as a % of income rose from 47% to 49%, a proportion that is in line if not slightly lower than the sector.

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

Other operating expenses increased by £3.9m (16%) reflecting further investment in teaching, research, and student facilities.

6.2 Balance Sheet

Tangible fixed asset additions during the year were as follows:

| | £'000 |
|------------------------|--------------|
| Freehold Property | 2,204 |
| Building improvements | 1,920 |
| Equipment | 987 |
| Total additions | 5,111 |

6.3 Fixed Assets

Additions to freehold property include £1.5m design work for the Locksbrook Road Campus which will become the future location for the Bath School of Art and Design. The University plans to commence a major £32m redevelopment of the Campus beginning Autumn 2017. In addition, the University also acquired a sports ground just outside Bath (£0.7m) in the year, with the intention of increasing the sporting facilities available to its students in due course.

The largest of the building improvements includes £1.5m, part of a £2.8m energy-conservation, carbon-saving, maintenance-reduction and resilience-building measures package that was completed in 2016/17.

Additional equipment assets of £1.0m were purchased that includes computer equipment, audio visual equipment and motor vehicles.

6.4 Pension Liabilities

The University's share of the LGPS net pension liability grew by £2m to £23m at 31 July 2017.

6.5 Treasury policies and objectives

Treasury management is the management of the University's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The University has a treasury management policy in place. Surplus cash is placed with a number of highly-rated counterparty banks. Any borrowing by the University must first be specifically agreed by the Board of Governors. The University has a minimum liquidity threshold of 60 days (previously 90 days), which balances necessary cash with investment requirements.

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.

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

6.6 Cash flows

The £15.1m operating cash in-flow reflects the healthy operating surplus achieved. (2016: £26.6m – including release of £11m prepaid deposit on Green Park House Freehold property acquired in 2016).

6.7 Liquidity

During the year interest rates on money market deposits remained modest, and the University continued to seek out opportunities for securing higher interest rates on surplus cash deposits. In August 2016 the University took out a new £35m bank loan, with interest fixed at 3.99%, repayable over 18 years. The loan enabled the purchase of new student residential accommodation at Green Park in the centre of Bath, at a cost of £46m. (In July 2017 the property was revalued at £58m, and the revalued amount incorporated into the accounts). The University also has some interest free loans totalling £832k provided by HEFCE via Salix Finance Ltd. to finance specific improvements in energy efficiency.

6.8 Outlook for 2017/18

2017 has proved a more challenging year as applications for undergraduate places dropped across the sector, but the University has still succeeded in registering around 2,100 Home & EU undergraduates. Clearing was extremely competitive and the University was able to recruit around 150 students, an increase of 50% on the previous year, but this was fewer than it had hoped to recruit.

Business & Management programmes and Psychology continued to recruit very well indeed, as did other courses in humanities, social sciences and education. However, recruitment to the creative and performing arts has been challenging across the sector, and falling application numbers in these areas has been primarily responsible for the overall drop in recruitment.

Teacher training recruitment has been very buoyant and the University has bucked the trend in the sector recruiting extremely well to its ITT courses for 2017 entry, with an increase of around 20 percent across all ITT programmes, including School Direct. The University is confident that it can replicate this success in 2018. Recruitment to Masters programmes has also been very encouraging.

There are several reasons why the recruitment of international (including EU) students has been difficult this year, and the University is presently reviewing its recruitment strategy in the light of a range of factors. Overall, international numbers appear to have dropped by around 30%, but this is in the context of international students comprising only around 11% of total student numbers.

As a consequence of the above, income from tuition fees is approximately £2.5m (3% of total budgeted income) below original forecasts, thus highlighting the need for continuing and robust cost control.

7. Future developments

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

8. Principal risks and uncertainties

8.1 Risk Management

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

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

The University takes a responsible and managed approach to risk, recognising key risks and managing those risks through effective implementation of:

- An institutional risk policy; and
- Institutional risk register (with underlying registers for each academic school and professional service department).

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

8.2 Identified Risks

The greatest risks to the University include:

- Competition for students (UK, EU and International);
- Continued uncertain UK political and economic environment as the government continues its Brexit negotiations with the EU;
- Rapidly evolving government policy in higher education, in particular tuition fees that are to be frozen for the foreseeable future, and compliance with associated regulatory requirements;

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

- Infrastructure (timely completion of building works and adequacy of teaching space);
- Reputation (the uncertain quality assurance around the Teaching Excellence Framework; the national student survey and the impact of both on league table position); and
- The capacity of the University to deliver an ambitious change programme in the current environment.

These risks carry financial implications of growing significance. We will manage the risks proactively and the financial commitments carefully.

It is still not yet clear what impact Brexit will have on the University's operations but it is likely to lead to greater uncertainty in terms of recruitment of international and EU students. In September 2017 we witnessed a decline of c.200fte in international and EU students. Whilst noting the important contribution that such students make to the fabric of the University, the University is not unduly dependent upon these students financially, provided that UK recruitment remains buoyant. The decline in sterling has resulted in increased inflationary pressures that have led to higher non-pay expenditure, and which may ultimately lead to higher pay expenditure in the longer term. For international students, the weaker pound may mean studying in the UK becomes cheaper which could lead to increased applications. The University will continue to monitor the situation carefully and will review and update its financial forecasts as appropriate to ensure that the full impacts of Brexit are reflected.

9. Corporate Governance

9.1 Statement

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

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

Throughout the year ended 31 July 2017, and up to the date of signing, the University has been in compliance with the voluntary Code and has also carefully considered, and where appropriate implemented, the requirements of the Higher Education Code of Governance.

The University's Board of Governors comprises lay and academic persons appointed under the Instrument of Government of the University, the majority of whom are non-executive. The roles of Chair and Deputy Chair of the Board of Governors are separated from the role of the University's Vice-Chancellor and Chief Executive. The matters specifically referred to the Board of Governors for decisions are set out in the Articles of Government of the University; by custom and under the Memorandum of Assurance and Accountability between the Higher Education Funding Council for England and institutions. The Board of Governors holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major

developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business.

9.2 Summary of the University's structure of corporate governance

The Board of Governors meets at least 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 post-holders. In particular, during this year, the Committee considered the compensation for loss of office by the former Vice-Chancellor, Professor Slade (see note 6 to the accounts) as well as determining the salary range for her successors (both interim and permanent) taking into account the need to deliver value for money.

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

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

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

9.3 Statement of the primary responsibilities of the Board of Governors

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

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which are delegated to sub-committees, subject to final approval by the Board as appropriate:

- the determination of the educational character and mission of the University and for oversight of its activities;
- the effective and efficient use of resources, the solvency of the University and the Corporation and for safeguarding their assets;
- approving annual estimates of income and expenditure;
- the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts;
- setting a framework for the pay and conditions of service and all other staff;
- to approve long term plans aimed at securing the mission and strategic objectives;
- to approve key performance indicators prepared by the Chief Executive and to consider monitoring reports against those indicators;
- to agree a list of major policies for the Institution and formally to approve each policy;
- to require from the Chief Executive regular updates of those policies and progress reports on their implementation;
- in addition to the above policies, the Board of Governors places particular emphasis on establishing and monitoring systems of financial control and accountability. To ensure that proper books of account are kept (this is further explained in para. 9.4 below);
- to ensure that adequate procedures are in place for handling internal grievances and complaints;
- to establish processes to monitor and evaluate the performance and effectiveness of the governing body itself;
- to conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership;
- to safeguard the good name of Bath Spa University;
- to be the employing authority for all staff in the Institution;
- to ensure that the University has proper arrangements for obtaining legal advice and authority in order to conduct its business;
- to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

Whilst not stipulated in the Articles of Government, the Board of Governors takes very seriously its responsibility for the health and safety and welfare of its students.

9.4 Statement of the responsibilities of the Board of Governors for the financial statements

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

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

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Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Memorandum of assurance and accountability between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE, and financial memoranda issued by other funding bodies including NCTL;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

Following careful consideration of the implications of the revised Code, the University commissioned an independent review of governance which reported to Governors in February 2016. The review concluded that as an ambitious and progressive institution, the University had a satisfactory approach to governance. A number of recommendations were made which might assist the University to move from a predominantly compliance and checking model of governance to one with an even greater emphasis on strategy and engagement, and these recommendations were accepted. In particular, the University indicated its intention to review its processes for academic governance, and to seek to develop the best arrangements to get assurance on the work of Academic Board. However, continuing work on the review of governance was delayed by changes in membership of the Board of Governors and, subsequently, at Vice-Chancellor level. At its meeting in September 2017 the Board of Governors agreed to commission a further review of governance, building on previous work, and a scoping document has been drawn up for work to be concluded in Spring 2018. The review will take full account of the need to promote equality and diversity, and other relevant University policies.

9.5 Disclosure of information to auditors

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

9.6 Statement of Internal Control

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies aims and objectives while safeguarding the public and other funds and assets for which they are responsible, in accordance with the Articles of Government and the Memorandum of Assurance and Accountability with HEFCE, and financial memoranda issued by other funding bodies including NCTL.

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

The system of internal control is based on an on-going process designed to identify the principal risks to the University's policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements, and in accordance with HEFCE guidance.

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

- The Board of Governors meets regularly at least 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 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

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

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.

Overall the University has a robust Governance Framework that gives the Board of Governors assurance that its governance arrangements are sound. The review of Governance and Internal Controls has not identified any actions other than those already reported, and being monitored, from internal and external reviews.

By Order of the Board of Governors, 28 November 2017



Terence Jagger
Chair



Nick Foskett
Accounting Officer

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF BATH SPA UNIVERSITY

Opinion

We have audited the financial statements of Bath Spa University (the 'parent university') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the consolidated and University statement of comprehensive income and expenditure, the consolidated and University statement of changes in reserves, the consolidated and University balance sheets, the consolidated cash flows statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent university's affairs as at 31 July 2017 and of the group's and parent university's income and expenditure, gains and losses, changes in reserves and group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014.

Basis for opinion

We have been appointed as auditor under the Education Reform Act 1988 and report in accordance with regulations made under those Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

INDEPENDENT AUDITOR'S REPORT

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governing body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governing body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governing body are responsible for the other information. The other information comprises the information included in the Report of the Board of Governors set out on pages 5 to 27, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2017

In our opinion, in all material respects:

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

Responsibilities of Governing Body for the financial statements

As explained more fully in the Statement of responsibilities of the Governing Body set out on pages 23 to 25, the Governing Body is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control

INDEPENDENT AUDITOR'S REPORT

as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body are responsible for assessing the group's and the parent university's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate the group or the parent university or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol

29 November 2017

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

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

Going concern

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

At 31 July 2017 the University had £59.5m of loans outstanding with bankers that helped finance the development and acquisition of new student residences. The University's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

The financial statements include the University's wholly owned subsidiary Bath Spa U Limited which includes 35% of its share of assets and liabilities of Bath Spa Global LLP, (50% to 31 July 2016) and its share of deficit of £50,000 in 2016/17 which is reported as other expenses (Note 7). The financial statements also include the University's wholly owned subsidiary Bath Spa Venues Ltd that incurred a deficit of £42,000 in 2016/17.

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

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

Income recognition

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

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

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

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

Grant funding

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

Donations and endowments

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

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

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

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.

STATEMENT OF ACCOUNTING POLICIES

Donations and endowments (*continued*)

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

Capital grants

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

Accounting for retirement benefits

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

- **Teachers' Pension Scheme**

Employers' pension contributions to the Teachers' Pension Scheme are charged to the income and expenditure account in the year to which the salaries on which they are payable relate.

- **Avon Pension Fund**

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

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

STATEMENT OF ACCOUNTING POLICIES

Employment benefits

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

Operating leases

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

Fixed assets

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

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

Land and buildings

Tangible fixed assets taken over from Avon County Council at 1 April 1989 are stated at a valuation adjusted for depreciation. The bases of valuation are explained in Note 11. Tangible fixed assets acquired since 1 April 1989 are stated at cost less accumulated depreciation.

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

The transitional rules set out in FRS 102 were adopted as at 31 July 2016 and fair value has been used for deemed cost for properties measured at fair value.

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 ^{1/3} % per annum |

STATEMENT OF ACCOUNTING POLICIES

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

Borrowing costs

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

Investments

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

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

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

Stock

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

Cash and cash equivalents

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

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

Inherited liability grant

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Taxation

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Taxation *(continued)*

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

Reserves

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

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

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

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

Other key source of estimation uncertainty

- *Local Government Pension Scheme*
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE For the year ended 31 July 2017

| | Note | Consolidated | | University | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| INCOME | | | | | |
| Funding Council grants | 1 | 5,349 | 5,213 | 5,349 | 5,213 |
| Tuition fees and education contracts | 2 | 61,994 | 58,198 | 61,994 | 58,198 |
| Research grants and contracts | 3 | 1,493 | 1,404 | 1,493 | 1,404 |
| Other income | 4 | 13,528 | 10,319 | 13,431 | 10,319 |
| Investment income | 5 | 205 | 286 | 205 | 286 |
| Donations and endowments | | 222 | 161 | 222 | 161 |
| Total income | | 82,791 | 75,581 | 82,694 | 75,581 |
| EXPENDITURE | | | | | |
| Staff costs | 6 | 40,667 | 35,326 | 40,667 | 35,326 |
| Other operating expenses | 7 | 28,834 | 24,742 | 28,645 | 24,879 |
| Depreciation | | 5,190 | 4,489 | 5,190 | 4,489 |
| Interest and other finance charges | 8 | 3,096 | 1,930 | 3,096 | 1,930 |
| Total expenditure | 7 | 77,787 | 66,487 | 77,598 | 66,624 |
| Surplus before other losses | | 5,004 | 9,094 | 5,096 | 8,957 |
| Profit / (Loss) on disposal of fixed assets | | 17 | (6) | 17 | (6) |
| Diminution in value of investment | | (450) | - | (450) | - |
| Surplus before tax | | 4,571 | 9,088 | 4,663 | 8,951 |
| Taxation | 10 | - | - | - | - |
| Surplus for the year | | 4,571 | 9,088 | 4,663 | 8,951 |
| Unrealised surplus on revaluation of land and buildings | | - | 21,231 | - | 21,231 |
| Unrealised surplus on revaluation of liabilities | | 216 | - | - | - |
| Actuarial loss in respect of pension schemes | | (134) | (8,879) | (134) | (8,879) |
| Total comprehensive income for the year | | 4,653 | 21,440 | 4,529 | 21,303 |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 5 | 6 | 5 | 6 |
| Unrestricted comprehensive income for the year | | 4,648 | 21,434 | 4,524 | 21,297 |
| | | 4,653 | 21,440 | 4,529 | 21,303 |

All items of income and expenditure relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES For the year ended 31 July 2017

| | Income and expenditure account | | Revaluation reserve | Total |
|---|-----------------------------------|-----------------------|------------------------|---------------|
| | Endowment £'000 | Unrestricted £'000 | £'000 | £'000 |
| Balance at 1 August 2015 | 575 | 49,195 | 3,900 | 53,670 |
| Surplus from the income and expenditure statement | 6 | 9,082 | - | 9,088 |
| Other comprehensive income | - | (8,879) | 21,231 | 12,352 |
| Transfers between revaluation and income and expenditure reserve | - | 199 | (199) | - |
| | <hr/> 6 | <hr/> 402 | <hr/> 21,032 | <hr/> 21,440 |
| Balance at 1 August 2016 | 581 | 49,597 | 24,932 | 75,110 |
| Surplus from the income and expenditure statement | 5 | 4,566 | - | 4,571 |
| Other comprehensive income | - | 82 | - | 82 |
| Transfers between revaluation and income and expenditure reserve | - | 387 | (387) | - |
| | <hr/> 5 | <hr/> 5,035 | <hr/> (387) | <hr/> 4,653 |
| Total comprehensive income for the year | 5 | 5,035 | (387) | 4,653 |
| | <hr/> 586 | <hr/> 54,632 | <hr/> 24,545 | <hr/> 79,763 |
| Balance at 31 July 2017 | 586 | 54,632 | 24,545 | 79,763 |

UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

UNIVERSITY STATEMENT OF CHANGES IN RESERVES For the year ended 31 July 2017

| | Income and expenditure account | | Revaluation reserve | Total |
|---|-----------------------------------|-----------------------|------------------------|---------------|
| | Endowment £'000 | Unrestricted £'000 | £'000 | £'000 |
| Balance at 1 August 2015 | 575 | 50,067 | 3,900 | 54,542 |
| Surplus from the income and expenditure statement | 6 | 8,945 | - | 8,951 |
| Other comprehensive income | - | (8,879) | 21,231 | 12,352 |
| Transfers between revaluation and income and expenditure reserve | - | 199 | (199) | - |
| | <hr/> 6 | <hr/> 265 | <hr/> 21,032 | <hr/> 21,303 |
| Balance at 1 August 2016 | 581 | 50,332 | 24,932 | 75,845 |
| Surplus from the income and expenditure statement | 5 | 4,658 | - | 4,663 |
| Other comprehensive income | - | (134) | - | (134) |
| Transfers between revaluation and income and expenditure reserve | - | 387 | (387) | - |
| | <hr/> 5 | <hr/> 4,891 | <hr/> (387) | <hr/> 4,529 |
| Total comprehensive income for the year | 5 | 4,891 | (387) | 4,529 |
| Balance at 31 July 2017 | 586 | 55,243 | 24,545 | 80,374 |

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET At 31 July 2017

| | Note | Consolidated | | University | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| NON-CURRENT ASSETS | | | | | |
| Fixed assets | 11 | 142,996 | 143,075 | 142,996 | 143,075 |
| Investments | | - | - | 50 | 450 |
| ENDOWMENT ASSET INVESTMENTS | | | | | |
| | 12 | 586 | 581 | 586 | 581 |
| | | 143,582 | 143,656 | 143,632 | 144,106 |
| CURRENT ASSETS | | | | | |
| Stocks | | 76 | 110 | 76 | 110 |
| Debtors | 13 | 2,806 | 2,984 | 2,946 | 3,108 |
| Investments | | 36,562 | 34,431 | 36,562 | 34,431 |
| Cash at bank and in hand | | 8,814 | 5,092 | 8,644 | 4,641 |
| | | 48,258 | 42,617 | 48,228 | 42,290 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 14 | (15,579) | (12,964) | (15,518) | (13,055) |
| | | 32,679 | 29,653 | 32,710 | 29,235 |
| NET CURRENT ASSETS | | | | | |
| | | 176,261 | 173,309 | 176,792 | 173,341 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | 176,261 | 173,309 | 176,792 | 173,341 |
| CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR | 15 | (71,726) | (75,356) | (71,196) | (74,653) |
| PROVISIONS | | | | | |
| Pension provisions | 20 | (23,821) | (21,895) | (23,821) | (21,895) |
| Other provisions | 17 | (951) | (948) | (951) | (948) |
| | | 79,763 | 75,110 | 80,374 | 75,845 |
| TOTAL NET ASSETS | | | | | |
| | | 79,763 | 75,110 | 80,374 | 75,845 |

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET (CONTINUED) At 31 July 2017

| | Note | Consolidated | | University | |
|--------------------------------|------|---------------|---------------|---------------|---------------|
| | | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| RESTRICTED RESERVES | | | | | |
| Endowment reserve | 19 | 586 | 581 | 586 | 581 |
| UNRESTRICTED RESERVES | | | | | |
| Income and expenditure reserve | | 54,632 | 49,597 | 55,243 | 50,332 |
| Revaluation reserve | | 24,545 | 24,932 | 24,545 | 24,932 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 79,177 | 74,529 | 79,788 | 75,264 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL RESERVES | | 79,763 | 75,110 | 80,374 | 75,845 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

These financial statements were approved and authorised for issue by the Board of Governors on 28 November 2017 and signed on its behalf by:


Terence Jagger
Chair


Nick Foskett
Accounting Officer

The notes on pages 44 to 62 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 July 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|------|---------------|---------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 4,571 | 9,088 |
| Adjustment for non-cash items | | | |
| Depreciation | | 5,190 | 4,489 |
| Release of inherited liability grant | | (240) | (240) |
| Release of capital grants | | (690) | (633) |
| Decrease / (Increase) in stock | | 34 | (35) |
| Decrease in debtors | | 178 | 11,179 |
| Increase in creditors | | 1,897 | 586 |
| Increase / (Decrease) in provisions | | 3 | (129) |
| Decrease in pension fund liability | | 1,274 | 614 |
| Contribution to Howard Hodgkin Fund | | (5) | (6) |
| Adjustment for investing or financing activities | | | |
| Interest payable (finance charge FRS 102) | | 518 | 416 |
| Endowment and net interest receivable | | (205) | (286) |
| Finance cost of enhanced pension provision | | 39 | 38 |
| Interest payable | | 2,539 | 1,476 |
| (Profit) / Loss on sale of fixed assets | | (17) | 6 |
| | | 15,086 | 26,563 |
| Net cash inflow from operating activities | | | |
| Cash flows from investing activities | | | |
| Interest received | | 205 | 286 |
| Finance cost of enhanced pension provision | | (39) | (38) |
| Interest paid | | (2,539) | (1,476) |
| Purchase of tangible fixed assets | | (5,033) | (52,798) |
| Proceeds from sale of fixed assets | | 17 | 27 |
| Capital grants received | | 567 | 653 |
| | | (6,822) | (53,346) |
| Cash flows from financing activities | | | |
| Increase in short-term deposits | | (2,131) | (10,431) |
| Receipt of new bank loan | | - | 35,000 |
| Repayments of bank loans | | (2,386) | (1,346) |
| Receipt of new Salix loan | | 94 | 857 |
| Repayments of Salix loans | | (119) | - |
| | | (4,542) | 24,080 |
| | | 3,727 | (2,697) |
| Increase / (Decrease) in cash in the year | | | |
| Cash at beginning of the year | 21 | 5,092 | 7,795 |
| Cash at end of the year | 21 | 8,814 | 5,092 |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

1. FUNDING COUNCIL GRANTS – CONSOLIDATED AND UNIVERSITY

| | HEFCE £'000 | DWP £'000 | 2017 £'000 | 2016 £'000 |
|--|----------------|--------------|---------------|---------------|
| Recurrent grant | 4,323 | 96 | 4,419 | 4,340 |
| Inherited liability grant released in year | 240 | - | 240 | 240 |
| Deferred capital grants released in year: | | | | |
| - Buildings | 295 | - | 295 | 570 |
| - Equipment | 395 | - | 395 | 63 |
| | 5,253 | 96 | 5,349 | 5,213 |

2. TUITION FEES AND EDUCATION CONTRACTS – CONSOLIDATED AND UNIVERSITY

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Full-time students | 55,799 | 51,607 |
| Full-time students charged overseas fees | 5,423 | 5,668 |
| Part-time fees | 772 | 923 |
| | 61,994 | 58,198 |

3. RESEARCH GRANTS AND CONTRACTS – CONSOLIDATED AND UNIVERSITY

| | 2017 £'000 | 2016 £'000 |
|----------------------------|---------------|---------------|
| Research councils | 755 | 828 |
| Other grants and contracts | 738 | 576 |
| | 1,493 | 1,404 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

4. CONSOLIDATED OTHER INCOME

| | 2017 £'000 | 2016 £'000 |
|--------------------------------------|---------------|---------------|
| Residences, catering and conferences | 10,344 | 6,629 |
| Other income | 3,184 | 3,690 |
| | <hr/> | <hr/> |
| | 13,528 | 10,319 |
| | <hr/> | <hr/> |

Residences, catering and conferences includes £186,000 (2016 £Nil) related to the University's subsidiary company Bath Spa Venues Limited.

5. CONSOLIDATED AND UNIVERSITY INVESTMENT INCOME

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Income from short term investments | 205 | 286 |
| | <hr/> | <hr/> |

6. CONSOLIDATED AND UNIVERSITY STAFF COSTS

| | 2017 £'000 | 2016 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 31,306 | 27,986 |
| Social security costs | 3,112 | 2,342 |
| Other pension costs | 6,249 | 4,998 |
| | <hr/> | <hr/> |
| | 40,667 | 35,326 |
| | <hr/> | <hr/> |

The University has included an accrual for holiday pay in 2017 totalling £1,833,000 (2016: £1,683,000).

| | £'000 | £'000 |
|--|-------|-------|
| Other pension costs comprise: | | |
| Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS) | 2,647 | 2,437 |
| Current service cost of defined benefit scheme (LGPS) | 3,602 | 2,561 |
| | <hr/> | <hr/> |
| | 6,249 | 4,998 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

6. CONSOLIDATED AND UNIVERSITY STAFF COSTS (CONTINUED)

| Average staff numbers by major category (full-time equivalent): | 2017 No. | 2016 No. |
|---|-------------|-------------|
| Academic staff | 341 | 312 |
| Hourly-paid lecturers | 53 | 53 |
| Technicians | 49 | 45 |
| Support staff – administration | 342 | 311 |
| Support staff – manual workers | 66 | 62 |
| | <hr/> | <hr/> |
| | 851 | 783 |
| | <hr/> | <hr/> |

Key Management Personnel remuneration

| | £'000 | £'000 |
|--|-------|-------|
| Remuneration including £428,500 compensation for loss of office (2016: £Nil). The number of full time equivalent staff numbers was 9 (2016: 9) | 1,496 | 1,045 |
| | <hr/> | <hr/> |

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

| | £'000 | £'000 |
|---------------------------------|-------|-------|
| Remuneration | 250 | 250 |
| Compensation for loss of office | 429 | - |
| Housing allowance | 20 | 20 |
| Other benefits-in-kind | 20 | 13 |
| | <hr/> | <hr/> |
| | 719 | 283 |
| Pension contributions | 89 | 50 |
| | <hr/> | <hr/> |
| | 808 | 333 |
| | <hr/> | <hr/> |

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

| | No. | No. |
|---------------------|-------|-------|
| £110,001 - £120,000 | - | 1 |
| £120,001 - £130,000 | - | - |
| £130,001 - £140,000 | 2 | 2 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

7. CONSOLIDATED EXPENDITURE BY ACTIVITY

| | Staff costs | Depreciation | Other operating expenses | Interest payable | 2017 Total | 2016 Total |
|--------------------------------------|---------------|--------------|--------------------------|------------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Academic departments | 22,755 | 158 | 6,086 | - | 28,999 | 27,458 |
| Academic services | 5,286 | 875 | 4,706 | - | 10,867 | 7,853 |
| Research grants and contracts | 404 | - | 934 | - | 1,338 | 1,188 |
| Residences, catering and conferences | 861 | 1,746 | 2,689 | - | 5,296 | 3,456 |
| General education expenditure | 1,823 | 5 | 5,091 | - | 6,919 | 7,386 |
| Premises Administration | 2,102 | 2,391 | 5,520 | 2,539 | 12,552 | 9,443 |
| Staff and student services | 5,849 | 12 | 2,009 | 557 | 8,427 | 6,587 |
| Other expenses | 1,585 | 3 | 1,341 | - | 2,929 | 2,503 |
| | 2 | - | 458 | - | 460 | 613 |
| | <u>40,667</u> | <u>5,190</u> | <u>28,834</u> | <u>3,096</u> | <u>77,787</u> | <u>66,487</u> |

Other operating expenses – residences, catering and conferences includes £139,000 (2016 £Nil) related to the University's subsidiary company Bath Spa Venues Limited, and other expenses includes £50,000 (2016 £32,000) related to the University's subsidiary company Bath Spa U Limited.

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| The depreciation charge has been funded by: | | |
| Deferred capital grants | 690 | 599 |
| Revaluation reserve released | 387 | 199 |
| General income | 4,113 | 3,691 |
| | <u>5,190</u> | <u>4,489</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

7. CONSOLIDATED EXPENDITURE BY ACTIVITY (CONTINUED)

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Other operating expenses include: | | |
| Auditors' remuneration | | |
| - external audit | 25 | 24 |
| - internal audit | 27 | 28 |
| - tax services | 3 | 3 |
| - US federal loan | 2 | 2 |
| Hire of land and buildings (operating leases) | 775 | 547 |
| Hire of plant and machinery (operating leases) | 20 | 21 |
| Howard Hodgkin endowment – University contribution | 5 | 6 |
| Student Union grant | 420 | 360 |
| Share of deficit / (surplus) in joint venture (Note 9) | 45 | (169) |
| | _____ | _____ |

8. CONSOLIDATED AND UNIVERSITY INTEREST AND OTHER FINANCE CHARGES

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Loan not wholly repayable within five years | 2,539 | 1,476 |
| Net interest on local government pension scheme (Note 20) | 518 | 416 |
| Finance cost of enhanced pension provision | 39 | 38 |
| | _____ | _____ |
| | 3,096 | 1,930 |
| | _____ | _____ |

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

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Share of deficit / (surplus) in joint venture | 45 | (169) |
| | _____ | _____ |

10. TAXATION

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS

| | Freehold land and buildings | Leasehold properties | Assets under construction | Building improvements | Fixtures, equipment and vehicles | Total |
|--------------------------|-----------------------------------|-------------------------|---------------------------------|--------------------------|---|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | |
| At 1 August 2016: | | | | | | |
| Valuation | 69,600 | 5,551 | - | - | 1,289 | 76,440 |
| Cost | 3,265 | 65,158 | - | 14,693 | 11,302 | 94,418 |
| Additions at cost | 2,204 | - | - | 1,920 | 987 | 5,111 |
| Reclassification | - | - | - | - | - | - |
| Disposals at cost | - | - | - | - | (341) | (341) |
| At 31 July 2017: | | | | | | |
| Valuation | 69,600 | 5,551 | - | - | 1,267 | 76,418 |
| Cost | 5,469 | 65,158 | - | 16,613 | 11,970 | 99,210 |
| | 75,069 | 70,709 | - | 16,613 | 13,237 | 175,628 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS (CONTINUED)

| | Freehold land and buildings | Leasehold properties | Assets under construction | Building improvements | Fixtures, equipment and vehicles | Total |
|--|-----------------------------------|-------------------------|---------------------------------|--------------------------|---|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Accumulated depreciation and impairment | | | | | | |
| At 1 August 2016 | 676 | 8,524 | - | 7,625 | 10,958 | 27,783 |
| Reclassification | | | | | | |
| Charge for year | 1,073 | 1,476 | - | 1,262 | 1,379 | 5,190 |
| Disposals | - | - | - | - | (341) | (341) |
| At 31 July 2017 | 1,749 | 10,000 | - | 8,887 | 11,996 | 32,632 |
| Net book value at 31 July 2017 | 73,320 | 60,709 | - | 7,726 | 1,241 | 142,996 |
| Net book value at 31 July 2016 | 72,189 | 62,185 | - | 7,068 | 1,633 | 143,075 |
| Inherited | 10,383 | 2,391 | - | - | - | 12,774 |
| Financed by capital grant | - | 1,346 | - | 705 | 596 | 2,647 |
| Other | 62,937 | 56,972 | - | 7,021 | 645 | 127,575 |
| Net book value at 31 July 2017 | 73,320 | 60,709 | - | 7,726 | 1,241 | 142,996 |

The statement of asset valuation practice and guidance notes prepared by the Royal Institution of Chartered Surveyors provides that the normal basis of valuation for assets is open market value for existing user (SAVP1). However, SAVP1 is qualified to the extent that this may not be appropriate in respect of specialised properties which rarely, if ever, changes hands and for which there is no clear evidence of open market transactions involving comparable properties. In these cases the alternative basis of valuation provided by the guidance notes is that of depreciated replacement cost (DRC).

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS (CONTINUED)

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 inherited liability grant.

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

At 31 July 2017, freehold land and buildings included £21,000,000 (2016: £21,000,000) in respect of freehold land and is not depreciated.

Land and buildings with a net book value of £12,774,000 (2016: £12,911,000) have been funded from Treasury sources. Should these particular properties be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the financial memorandum with the Higher Education Funding Council for England.

Equipment

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

The University's subsidiaries, Bath Spa U Limited and Bath Spa Venues Limited had no tangible fixed assets at 31 July 2017 or 31 July 2016.

12. ENDOWMENT ASSET INVESTMENTS

| | Consolidated | | University | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Balance at 1 August | 581 | 575 | 581 | 575 |
| New endowments | 5 | 6 | 5 | 6 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 July | 586 | 581 | 586 | 581 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash and other short term investments | 586 | 581 | 586 | 581 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total endowment asset investments | 586 | 581 | 586 | 581 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The endowment assets comprise a £524,000 University contribution and external donations totalling £62,000 to establish a chair in the name of Sir Howard Hodgkin.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

13. DEBTORS

| | Consolidated | | University | |
|--|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Trade debtors | 1,312 | 816 | 1,308 | 816 |
| Other debtors | 24 | 33 | 24 | 33 |
| Amounts due from subsidiary undertakings | - | - | 121 | - |
| Amounts due from joint ventures | 96 | 26 | 121 | 147 |
| Prepayments and accrued income | 1,374 | 2,109 | 1,372 | 2,112 |
| | 2,806 | 2,984 | 2,946 | 3,108 |

No debtors were due after more than one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | University | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Bank loan (Note 16) | 2,801 | 2,384 | 2,801 | 2,384 |
| Salix loan (Note 16) | 238 | 119 | 238 | 119 |
| Trade creditors | 2,079 | 3,126 | 2,078 | 3,126 |
| Taxation and social security | 1,190 | 911 | 1,184 | 911 |
| Amounts due to joint ventures | - | - | 25 | - |
| Other creditors | 1,279 | 215 | 1,279 | 215 |
| Accruals and deferred income | 7,104 | 5,468 | 7,025 | 5,559 |
| Inherited liability grant | 240 | 240 | 240 | 240 |
| Deferred capital grants | 648 | 501 | 648 | 501 |
| | 15,579 | 12,964 | 15,518 | 13,055 |

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

| | Consolidated | | University | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Donations | 295 | 130 | 295 | 130 |
| Research grants | 504 | 679 | 504 | 679 |
| | 799 | 809 | 799 | 809 |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

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

| | Consolidated | | University | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Inherited liability grant | 11,880 | 12,120 | 11,880 | 12,120 |
| Deferred capital grants | 1,999 | 2,269 | 1,999 | 2,269 |
| Bank loan (Note 16) | 56,723 | 59,526 | 56,723 | 59,526 |
| Salix loan (Note 16) | 594 | 738 | 594 | 738 |
| Share of deficit in joint ventures | 530 | 703 | - | - |
| | 71,726 | 75,356 | 71,196 | 74,653 |

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

16. BORROWINGS

| | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Bank loans and overdrafts are repayable as follows: | | | | |
| In one year or less | 2,801 | 2,384 | 2,801 | 2,384 |
| Between one and two years | 2,893 | 2,801 | 2,893 | 2,801 |
| Between two and five years | 9,270 | 8,979 | 9,270 | 8,979 |
| In five years or more | 44,559 | 47,746 | 44,559 | 47,746 |
| | 59,524 | 61,910 | 59,524 | 61,910 |

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

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

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

In May 2016 the University drew down a £35m bridging loan from Santander UK plc that was converted to a fixed term loan in August 2016, repayable in quarterly instalments commencing November 2016 and ending December 2034. Interest is fixed at 3.990%. The loan is secured over the freehold property to which the loan relates.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

16. BORROWINGS (CONTINUED)

| | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| The Salix loan is repayable as follows: | | | | |
| In one year or less | 238 | 119 | 238 | 119 |
| Between one and two years | 238 | 238 | 238 | 238 |
| Between two and five years | 356 | 500 | 356 | 500 |
| | 832 | 857 | 832 | 857 |

The University has received £951,000 of interest free loans from Salix to part-fund the Carbon Reduction Programme. The loan is repayable in half-yearly instalments over 4 years, commencing May 2017 and ending November 2020.

17. PROVISIONS FOR LIABILITIES AND CHARGES

| | Consolidated and University | | |
|--|---|---|------------------------------|
| | Enhanced pension provision £'000 | Landlords' guarantee provision £'000 | Total provisions £'000 |
| At 1 August 2016 | 859 | 89 | 948 |
| Charge to income and expenditure statement | 39 | 146 | 185 |
| Utilised in year | (67) | (115) | (182) |
| | 831 | 120 | 951 |

An amount of £831,000 (2016: £859,000) is included in provisions representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

To ensure that there is sufficient residential accommodation for its first year students the University contracts with external providers. In return for guaranteed availability of places the University will pay a proportion of the rent for any unfilled places. The landlords' guarantee provision reflects the number of study bedrooms for which the University has a potential liability. In 2017 the University paid £47,000 (2016: £4,000) in respect of unfilled places from a total of 611 study bedrooms.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

17. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The University has also entered into an arrangement whereby it will compensate Unite for letting some 316 student bedrooms at Waterside Court to Bath Spa University students on contracts that are consistent with the length of Bath Spa University owned accommodation, but which are shorter than those let by Unite to other tenants. The cost of such compensation is expected to be £42,000 (2016: £42,000). A similar arrangement has also been made with owners of Twerton Mill student residence where the cost of such compensation for 62 student bedrooms is expected to be £28,000 (2016: £28,000). The Board of Governors consider that the provision will be paid during the forthcoming year and consequently have not discounted the provision to net present value.

18. DEFERRED CAPITAL GRANTS

| | Consolidated and University | | |
|--|-----------------------------|--------------------|----------------|
| | Buildings £'000 | Equipment £'000 | Total £'000 |
| At 1 August 2016 | 2,661 | 109 | 2,770 |
| Received in year | 521 | 46 | 567 |
| Released to income and expenditure statement | (640) | (50) | (690) |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2017 | 2,542 | 105 | 2,647 |
| | <hr/> | <hr/> | <hr/> |

19. ENDOWMENTS

| | Consolidated and University | |
|----------------------|-----------------------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Balance at 1 August | 581 | 575 |
| New endowments | 5 | 6 |
| | <hr/> | <hr/> |
| Balance at 31 July | 586 | 581 |
| | <hr/> | <hr/> |
| Representing: | | |
| Capital | 586 | 581 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

20. PENSION COSTS

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, Avon Pension Fund (LGPS). The total pension costs for the period was £6,249,000 (2016: £4,998,000).

Teachers' Pension Scheme (TPS)

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

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

| | |
|--|----------------------|
| Latest actuarial valuation | 31 March 2012 |
| Actuarial method | Prospective benefits |
| Investment returns per annum | 5% per annum |
| Salary scale increases per annum | 4.75% per annum |
| Market value of assets at date of last valuation | £176,600 million |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 92% |

For the year ended 31 July 2017 the employer contribution rate was 16.5% (2016: 16.5%). The total pension cost for the period was £2,647,000 (2016: £2,437,000).

Under the definitions set out in FRS102, 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 2017 was £3,263,000 (2016: £2,832,000) of which employers' contributions totalled £2,418,000 (2016: £2,041,000) and employees' contributions totalled £845,000 (2016: £791,000). The agreed contribution rates for future years are 18.9% (2016: 19.2%) for employers, and salary-determined rates for employees ranging from 5.5-12.5%.

The following information under FRS 102 is based upon a full actuarial valuation of the Fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

| | 2017 | 2016 |
|---|------|------|
| Rate of increase in salaries | 3.7% | 3.2% |
| Rate of increase in pensions in payment | 2.2% | 1.8% |
| Discount rate | 2.6% | 2.5% |
| Inflation assumption CPI | 2.2% | 1.7% |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

20. PENSION COSTS (CONTINUED)

Avon Pension Fund (LGPS) (continued)

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

| | 2017 | 2016 |
|-----------------------------|------|------|
| <i>Retiring today</i> | | |
| Males | 23.5 | 23.5 |
| Females | 26.0 | 26.0 |
| <i>Retiring in 20 years</i> | | |
| Males | 26.0 | 25.9 |
| Females | 28.7 | 28.9 |

The assets in the scheme were:

| | 2017 £'000 | 2016 £'000 |
|------------------|---------------|---------------|
| Equities | 23,625 | 20,036 |
| Government Bonds | 5,473 | 4,841 |
| Other Bonds | 3,649 | 3,809 |
| Property | 4,070 | 3,849 |
| Cash | 749 | (198) |
| Other | 9,216 | 7,340 |
| | <hr/> | <hr/> |
| | 46,782 | 39,677 |
| | <hr/> | <hr/> |

The following amounts at 31 July 2017 were measured in accordance with the requirements of FRS102:

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| University estimated share of assets | 46,782 | 39,677 |
| Present value of scheme liabilities | (70,603) | (61,572) |
| | <hr/> | <hr/> |
| Deficit in the scheme – net pension liability | (23,821) | (21,895) |
| | <hr/> | <hr/> |

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

| | 2017 £'000 | 2016 £'000 |
|------------------------|---------------|---------------|
| Current service cost | 3,602 | 2,561 |
| | <hr/> | <hr/> |
| Total operating charge | 3,602 | 2,561 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

20. PENSION COSTS (CONTINUED)

Avon Pension Fund (LGPS) (continued)

Analysis of amount that is charged to interest payable

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Expected return on pension scheme assets | 1,021 | 1,378 |
| Interest on pension scheme liabilities | (1,539) | (1,794) |
| | (518) | (416) |

Analysis of amount recognised in income and expenditure statement

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Actual return less expected return on pension scheme assets | 3,817 | 1,267 |
| Change in financial and demographic assumptions underlying the scheme liabilities | (3,951) | (10,146) |
| | (134) | (8,879) |

Movement in deficit during year

| | 2017 £'000 | 2016 £'000 |
|-------------------------------|---------------|---------------|
| Deficit in scheme at 1 August | (21,895) | (11,986) |
| Movement in year: | | |
| Current service cost | (3,602) | (2,561) |
| Curtailments and settlements | (27) | (50) |
| Contributions | 2,418 | 2,041 |
| Net interest | (518) | (416) |
| Actuarial loss | (134) | (8,879) |
| Administration expenses | (63) | (44) |
| | (23,821) | (21,895) |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

20. PENSION COSTS (CONTINUED)

Avon Pension Fund (LGPS) (continued)

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

| | 2017 £'000 | 2016 £'000 |
|--------------------------------------|---------------|---------------|
| At beginning of the year | 61,572 | 47,421 |
| Current service cost | 3,602 | 2,561 |
| Interest cost | 1,539 | 1,794 |
| Contributions by scheme participants | 845 | 791 |
| Actuarial loss | 3,951 | 10,146 |
| Curtailments | 27 | 50 |
| Benefits paid | (933) | (1,191) |
| | <hr/> | <hr/> |
| At end of the year | 70,603 | 61,572 |
| | <hr/> | <hr/> |

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

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| At beginning of the year | 39,677 | 35,435 |
| Expected rate of return on scheme assets | 1,021 | 1,378 |
| Actuarial gain | 3,817 | 1,267 |
| Administration expenses | (63) | (44) |
| Contributions by employer | 2,418 | 2,041 |
| Contributions by scheme participants | 845 | 791 |
| Benefits paid | (933) | (1,191) |
| | <hr/> | <hr/> |
| At end of the year | 46,782 | 39,677 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2017

20. PENSION COSTS (CONTINUED)

Avon Pension Fund (LGPS) (continued)

History of experience gains and losses

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------|-------|-------|--------|-------|
| Difference between the expected and actual return on scheme assets: | | | | | |
| Amount (£'000) | 3,817 | 1,267 | 1,216 | (821) | 2,720 |
| % of scheme assets | 8.2% | 3.2% | 3.4% | (2.6%) | 9.7% |

Experience gains and losses on scheme liabilities:

| | | | | | |
|-------------------------|---------|---|---|---|---|
| Amount (£'000) | (1,765) | - | - | - | - |
| % of scheme liabilities | (2.5%) | - | - | - | - |

Total amount recognised in the income and expenditure statement:

| | | | | | |
|--|--------|---------|---------|--------|-------|
| Amount (£'000) | (134) | (8,879) | (2,559) | (187) | 1,996 |
| % of the present value of scheme liabilities | (0.2%) | (14.4%) | (5.4%) | (0.1%) | 5.4% |

The projected contribution to the defined benefit scheme for the forthcoming year is £2,394,000 (2016: £2,110,000). The cumulative amount of actuarial losses recognised in the income and expenditure statement is £17,296,000 (2016: £17,162,000).

Sensitivity analysis

Actuaries appointed by Avon Pension Fund have prepared the following sensitivity analysis that indicates the likely changes to pension liabilities, asset values, costs and returns on assets in the event of changes to key assumptions used by the actuary in determining the valuation of the fund at 31 July 2017.

| | Base | Sensitivity 1 - +0.1% pa. discount rate | Sensitivity 2 - +0.1% pa. inflation | Sensitivity 3 - +0.1% pay growth | Sensitivity 4 - 1 year increase in life expectancy |
|--------------------------------|----------|---|-------------------------------------|----------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Liabilities | 70,603 | 69,131 | 72,106 | 70,959 | 71,907 |
| Assets | (46,782) | (46,782) | (46,782) | (46,782) | (46,782) |
| Deficit | 23,821 | 22,349 | 25,324 | 24,177 | 25,125 |
| Projected service cost | 4,035 | 3,903 | 4,172 | 4,035 | 4,118 |
| Projected interest cost | 588 | 571 | 627 | 597 | 622 |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

21. ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 August 2016 £'000 | Cash flows £'000 | Other movements £'000 | At 31 July 2017 £'000 |
|--|---------------------------------|------------------------|-----------------------------|-----------------------------|
| Cash held in endowment asset investments | 581 | - | 5 | 586 |
| Cash at bank and in hand | 5,108 | 3,743 | (5) | 8,846 |
| Short term deposits | 34,431 | 2,131 | - | 36,562 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net funds | 40,120 | 5,874 | - | 45,994 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

22. CAPITAL COMMITMENTS

| | Consolidated and University | |
|---------------------------------|-----------------------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Contracted but not yet invoiced | 111 | 931 |
| | <hr/> | <hr/> |

23. FINANCIAL COMMITMENTS

At 31 July 2017 the University had total rental payable under non-cancellable operating leases for land and buildings as follows:

| | Consolidated and University | |
|---------------------------------|-----------------------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Expiring within one year | 49 | 8 |
| Expiring from one to five years | 1,075 | 773 |
| Expiring after five years | - | 573 |
| | <hr/> | <hr/> |
| | 1,124 | 1,354 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2017

24. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. During the year the University provided a grant to Bath Spa University's Student Union of £420,000 (2016: £360,000) enabling it to provide essential services to University students.

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

25. TEACHER TRAINING BURSARIES

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Funds received | 2,536 | 2,368 |
| Disbursed to students | (2,308) | (2,465) |
| | <hr/> | <hr/> |
| Balance due to / (from) DWP at 31 July | 228 | (97) |
| | <hr/> | <hr/> |

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

26. GOVERNORS' EXPENSES

| | 2017 £'000 | 2016 £'000 |
|---------------------|---------------|---------------|
| Governors' expenses | 11 | 4 |
| | <hr/> | <hr/> |

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



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