

# **BATH SPA UNIVERSITY**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

*Year ended 31 July 2005*

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## UNIVERSITY INFORMATION

Governors	Mr I Ahluwalia Mr J Amey Mr P Bland (to 30 June 2005) Professor J Brown Mr D Copley (from 1 July 2005) Councillor J Gay Mr A Harris Professor P Luna Mr D Mackintosh Professor F Morgan (Vice Chancellor and Chief Executive) Mr P Parker Mr I Phillips Ms S Pirie (Chair) Mr M Roy (from 27 October 2004) Professor G Smith Ms M Toman Mr P Wilson Dr R Woodbridge
Senior Staff:	Professor F Morgan      Vice Chancellor and Chief Executive Dr A G Thomas          Deputy Vice Chancellor Professor D Timms      Deputy Vice Chancellor Mr A E Dewberry        Deputy Vice Chancellor
Auditors:	RSM Robson Rhodes LLP Chartered Accountants 10 Queen Square Bristol BS1 4NT
Bankers	National Westminster Bank PLC Old Bank Branch Bath Business Centre Bath BA1 5AH
Solicitors:	Burges Salmon Narrow Quay House Narrow Quay Bristol BS1 4AH
Address for Enquiries:	Bath Spa University Newton Park Newton St Loe Bath BA2 9BN

## REPORT OF THE BOARD OF GOVERNORS

This report reviews the main developments of the financial period from August 2004 to July 2005, and describes the main features of the University's financial position.

### Glossary

BA	Bachelor of Arts
BACS	Banks Automated Clearing System
BSc	Bachelor of Science
EU	European Union
FD	Foundation Degree
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
GIS	Geographic Information Systems
HEFCE	Higher Education Funding Council for England
HERA	Higher Education Role Analysis
ICT	Information and Communications Technology
IT	Information Technology
JANET	Joint Academic Network
JISC	Joint Information Systems Committee
KS	Key Stage
MA	Master of Arts
PGCE	Postgraduate Certificate in Education
QAA	Quality Assurance Agency for Higher Education
TDA	Training & Development Agency for Schools

## 1. The Main Developments of Financial Period 2004/05

### 1.1 General

Bath Spa University has continued with its Corporate Strategy of being a medium sized higher education institution providing teaching of the highest quality in a student centred environment, always against a backcloth of sound financial management. The University continues to be popular for students and to recruit exceptionally well. Applications in 2004 rose by 20% against a general increase of 9% across the sector. Demand for nearly all subjects remains buoyant, but the Business and Psychology courses now provide the highest ratios of applications to places at above 13:1. The total number of Home and EU students at the University in 2004/05 was 4,605 FTE (4,533 in 2003/04).

The University continues to win additional student numbers via competitive bidding processes with the funding agencies. Amongst other successes during 2004/05 the University attracted funding for 62 full time additional, fully funded places from HEFCE (as part of a total of over 147 over two years). This was in addition to an extra 88 agreed the previous year. This success was undoubtedly based very largely on the quality of our teaching provision, which is nationally accepted as being of the highest standard.

**REPORT OF THE BOARD OF GOVERNORS** *(continued)***1.2 Academic developments**

The major academic developments in 2004/05 were:

- (i) The University was assessed by QAA in connection with its application to the Privy Council for University title. The application was successful and consequently the institution took the name "Bath Spa University" by order of the Privy Council dated 05 August 2005. All awards made after this date will be made by Bath Spa University.
- (ii) The *Sunday Times* "league tables" of higher education institutions ranked BSU 8<sup>th</sup> out of the non-chartered universities, and in the BBC's ranking compiled on the basis of the data in the first National Student Survey the University was placed 18/102, ahead of all three other local universities.
- (iii) Several University staff won national recognition for their teaching or research. In English and Creative Studies Gerard Woodward was short listed for the Booker Prize, and Nicola Davies was awarded the 2005 Andersen prize for science writing for children. In Social Sciences Tony Emery and Mike Watson won the Literati Club Award for Excellence - Outstanding paper for 2005 for a co-authored article, 'Environmental management and auditing systems: The reality of environmental self-regulation' (*Managerial Auditing Journal*). Dr Alison Lee was elected to membership of the International Society of Behavioural Neuroscience at its international congress in Prague (membership is by election and limited to 500 scholars worldwide). Dr Lance Workman's new book *Evolutionary Psychology* was nominated by Cambridge University Press for the British Psychological Society prize of best new book of 2005. Prof Rob Mears was awarded a prize by the Higher Education Academy National Subject centre for contribution to improving teaching and learning in Social Sciences. In Historical and Cultural Studies Prof Iftikhar Malik was short listed for *Muslim News* Achievement Award. Prof Graham Davis was awarded a Commendation prize for his book, *Land!: Irish pioneers in Mexican and Revolutionary Texas* by the American Association for State and Local History, a national organisation. In the Bath School of Art & Design Mandy Bonell had 2 works included in the Jerwood Drawing prize exhibition.
- (iv) The University had another highly successful admissions round, with recourse to clearing for a tiny fraction of its places only.
- (v) The following new programmes were approved

Bath School of Art and Design	BA Hons Fashion and Textiles
Education	FD Education Studies for Teaching Assistants PGCE Modern Foreign Languages (Secondary/KS 2/3) PGCE Early Years (part time)
Historical and Cultural Studies	Media Communications (Single Hons)
Science and Environment	FD Development Geography Graduate Certificates/Diplomas in Biology Graduate Cert/Diplomas in Geography, Geospatial Techniques, Human Geography, Physical Geography and Tourism Geography
Social Sciences	BA Psychology (Single Hons) FD Health and Social Care Management

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

(vi) The following programmes were reviewed

Bath School of Art and Design	Art and Design
Historical and Cultural Studies	MA Cultural Astronomy and Astrology
Science and Environment	Geography and GIS
Social Sciences	Psychology

## 2. The main features of the University's financial position

### 2.1 Results for the year

The University is operating successfully, ensuring that necessary resourcing is in place for all its major activities. The consolidated income, expenditure and results for the year to 31 July 2005 are summarised as follows:

	<b>2004/05</b> <b>£'000</b>	<b>2003/04</b> <b>£'000</b>
Income	31,081	27,633
Expenditure	(30,803)	(26,267)
Release from revaluation reserve	151	151
Historical cost surplus after tax	429	1,517

### 2.2 Reserves

Consolidated reserves (excluding revaluation reserve) can be summarised as follows:

	<b>2004/05</b> <b>£'000</b>	<b>2003/04</b> <b>£'000</b>	<b>Increase/ (decrease)</b> <b>£'000</b>
Strategic reserves	414	414	-
Project reserves	717	699	18
Specific reserves	2,627	1,903	724
General reserves	5,346	5,659	(313)
Total reserves	<u>9,104</u>	<u>8,675</u>	<u>429</u>

### 2.3 Committed future expenditure on buildings

During 2004/05 the University secured planning permission for a new Performing Arts Studio and will now proceed with this major capital development supporting funded expansion of the University's portfolio in Drama, Dance, Music and Creative Music Technology. This £4,800,000 development is being partly financed with a grant of £1,000,000 from the Higher Education Funding Council.

In addition the University will complete work on extending Library and ICT provision at Newton Park following the relocation of the Students' Union into refurbished larger premises. The total cost of this scheme, expected to be some £2,410,000, will be funded from HEFCE Project Capital funding plus contributions of £500,000 from the Students' Union, and £485,000 from University reserves.

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

### 2.4 Financial strategy *(continued)*

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

#### (i) Aims

The University bases its financial strategy on three particular aims

- sustained financial health, including liquidity, prudent reserves and tight budgetary control
- responsibility arising from being a publicly funded organisation - incorporating good corporate governance, financial control, audit, accountability, value for money, and controls against fraud and maladministration and
- managing the budgetary process in an open and transparent way.

#### (ii) Success

The success of the University in meeting its financial obligations is evidenced by:

- prudent levels of unencumbered reserves and
- positive cash balances, and balance sheet unencumbered by loans

The University is in a strong position to meet the challenges now faced of acquiring an additional campus to sustain planned development, and growth in funded student numbers.

#### (iii) Key elements of success

Key elements include:

- consistent ability to work within the revenue estimates set by the Board of Governors
- full involvement by the Board of Governors, a vigorous and successful Audit Committee which has ensured effective management follow up of all Audit issues, and strong experienced financial managers
- a good contribution to revenue budget from independent private sector sources including fees from overseas students, from student accommodation, and conferences.

#### (iv) Grants Awarded

The University has been successful in obtaining specific grant support from funding councils and the National Lottery in recent years, particularly in relation to:

- major works - library extension;
- major works - laboratories;
- National Lottery grant for extension of the Michael Tippett Centre auditorium;
- National Lottery grant in support of the Newton Park Estate restoration plan;
- JISC - connection to the Bristol metropolitan area network, significantly improving JANET and other external IT links;
- Higher Education Innovation Fund;

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

### 2.5 Financial strategy *(continued)*

- New Technology Institute funding for capital infrastructure and additional funded foundation degree provision
- major works - a new Drama Arena and expansion of the performing arts at Newton Park;
- Centre of Excellence in Teaching and Learning revenue and capital allocations;
- Learning and Teaching capital allocations.

While we are grateful for this support, we also emphasise that the quality of our bids and the appropriateness of the needs they define is a testimony to the University's corporate self-confidence. We expect to repeat the quality of such bids in future.

### 2.5 Short term and imminent developments

Short term and imminent developments are as follows:

- Managing the University's recruitment processes to meet the requirements of the HEFCE funding methodology which was changed in 2004/05. A significant consequence of the changed methodology for Bath Spa was a reduction in the degrees of freedom which the University now has in avoiding HEFCE recruitment penalties from either over, or under recruitment.
- Plans to complete the £4.8m new Performing Arts Studio (PAS) at Newton Park have been finalised and it is anticipated that the project will be complete by October 2006. The scheme is partly funded by a £1m HEFCE grant, with the balance being funded from growth in student numbers and from reserves. The University will continue to make annual provision of £471,000 from revenue funding in accordance with the financial appraisal approved by Governors in 2002/3. Interim arrangements have been in place since 2003/04 to accommodate our increasing numbers of performing arts students (pending the completion of the PAS) in the Octagon in Milsom Street, Bath.
- A contract for the expansion of the Library at Newton Park has now been let, and the conversion of the former Sports Hall into new Student Union facilities will be completed by June 2005. The cost of this combined scheme, expected to be some £2,410,000, will be funded from HEFCE Project Capital funding plus a contribution of £500,000 from the Students' Union and £485,000 from University Reserves.
- HEFCE have confirmed new capital allocations which may be spent between 1 April 2005 and 31 March 2008. The University is currently progressing plans for spending the sums involved which have been allocated as follows:
  - Learning & Teaching Capital Allocations £2,015,918 of which £184,926 will be passed to FE partner Colleges
  - Research Capital Allocations £221,374
- A major priority for the University over the next three years is the upgrading of teaching accommodation at Sion Hill. Accordingly some £1,665,000 will be spent over the next three summers.
- During 2005/06 the University will continue to work with the recognised Unions towards implementation of a nationally negotiated framework agreement for the modernisation of pay structures. Members of both NATFHE and UNISON accepted the agreement in 2004 paving the way for a single new pay spine which will be implemented for all but the most senior University staff from 1 August 2006.

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

### 2.6 Short term and imminent developments *(continued)*

The framework is designed to ensure greater pay equality and transparency through job evaluation exercises detailing staff roles and responsibilities. It builds in flexibility for universities to set pay levels locally under national guide-lines, introduces market-based pay supplements to attract staff in shortage subject areas, and formalises a type of performance-related pay by adding extra spine points for staff contribution.

It is anticipated that implementation will be completed by August 2006, that assimilation to the single pay spine will cost 2.5% of the pay bill (£375,000), and that job evaluation and regradings will cost a further 3% (£450,000). This will be in addition to the annual pay award applied to the HERA pay spine in 2006/07.

It is intended that these additional costs will be met in part from HEFCE funding identified for Rewarding and Developing Staff (some of which has already been committed to on-going human resources management activity), but also from additional income achieved through higher tuition fees from 2006/07.

At the end of 2005/06 all funding for the Rewarding & Developing Staff initiative – some £862,000, will have been consolidated with teaching funds. This total is close to the anticipated additional pay costs arising from Pay modernisation.

- From 2006/07 the University will charge the full £3,000 tuition fee for all new entrants for full time foundation, undergraduate and PGCE courses. It will introduce a system of bursaries for all students paying the new fee. These will be paid in instalments over 8 to 9 months direct to students by BACS. Foundation degree and undergraduate student bursaries worth up to £1,150 per year will be means tested, linked closely with the means-tested government grant worth up to £2,700 to students from poorer backgrounds.

BSU bursaries for PGCE students paying the £3,000 fee and studying secondary shortage subjects will receive fixed bursaries of £1,800. All other PGCE students paying the £3,000 fee will receive fixed bursaries of £1,150. It is anticipated that provision of these bursaries may lead to improved recruitment particularly in shortage subject areas and so reduce funding clawback.

In addition a number of scholarships worth up to £1,000 will be available to students studying in science-based subjects.

In preparation for the introduction of the new system the University is prioritising resources for additional marketing and it is putting in place careful monitoring mechanisms so as to be able to quickly assess perturbation in likely student recruitment for 2006/07. Sums available for publicity and marketing in 2005/06 will be increased by 17% from £322,000 to £378,000.

- New status and funding – Centre of Excellence in Teaching and Learning. The Government has recently injected substantial funds to 70 of the best UK higher education institutions (there are 120 in total) and relative to its size Bath Spa has received more funding than any other University in the country. This is a clear commendation of Bath Spa's continuing academic development and offers much for the quality of experience for future students at the University. The new funding strand provides a capital injection of £2m and a Revenue stream of £500,000pa for five years.
- The University has recognised unpaid student tuition fee debt as becoming a significant problem for the sector, and has developed strategies for managing its own position. These include improvements in access to (and the management of) student data; the formulation of clear debt management policies; and the improvement of systems for monitoring and collection of debt.

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

### **2.7 Short term and imminent developments** *(continued)*

- The University continues to explore possibilities for increasing provision of student residential accommodation. As part of the University's on-going review we will enter into appropriate public private partnership arrangements for the further development of off-site accommodation.
- The University expects to continue winning substantial bids for additional funded students, and to an extent will plan to absorb such rising numbers within its existing teaching spaces, and largely within its existing administrative infrastructure. The University will therefore continue to encourage the increased productivity of individual support departments through training and IT infrastructure and support.
- During the next five years the University will progress plans aimed at acquiring a third major campus possibly in Keynsham. Significant work has already been carried out to identify a site and to carry out a costed feasibility study. Current planning is for a major development providing new purpose-built teaching accommodation in three phases and accommodating up to 2,500 additional students when all phases are complete.
- The University will progress its strategy of increasing recruitment of full-fee international students. In particular it will modularise its foundation course provision, expand its English Language short course provision, further develop its relationships with overseas recruitment agents, and will provide considerably more information to prospective students through enhanced multi-lingual web services.
- The University will continue to implement strategies to improve productivity and efficiency and will further develop its costing and pricing strategy to encompass all its activities.
- In accordance with principles of sound Corporate Governance the University will continue to embed its strategies for managing risk within all academic and support departments.

## **3. Corporate governance**

### **3.1 Statement**

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

Throughout the year ended 31 July 2005, the University has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Universities. The University has also fully considered, and where appropriate implemented, all of the recommendations of the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

### **3.2 Summary of the University's structure of corporate 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 Financial Memorandum with the Higher Education Funding Council for England and the Funding Agreement with the Training & Development Agency for Schools. 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 and its subsidiary company.

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

### 3.2 Summary of the University's structure of corporate governance *(continued)*

The Board of Governors meets four times a year; and has several Committees including a Policy and Resources Committee, an Emoluments Committee, a Committee of Independent Members 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 and 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 *Emoluments Committee* determines the annual remuneration of senior postholders.

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

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

Nominations for filling vacancies in the Board of Governors are sought by the Board from members of the Board, from constituencies within the University including Academic Board, Vice Chancellor's Corporate Team and the Unions. Such nominations are subject to the formal approval of the Board of Governors or by the Committee of Independent Members, under arrangements prescribed by the Instrument of Government.

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

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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

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

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

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, and from the Training & Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum of each Funding Council and any other conditions which the Funding Councils may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

### 3.4 Statement of Internal Control

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

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

The system of internal control is based on an on-going process designed to identify the principal risks to the University's policies aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2005 and up to the date of approval of the financial statements, and in accordance with HEFCE guidance.

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

- The Board of Governors meets regularly four times a year to consider the plans and strategic direction of the University.
- The Board of Governors receives periodic reports from the Audit Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Board of Governors has established the Policy & Resources Committee as the risk committee to oversee risk management
- The Audit Committee receives regular reports from the Head of Internal Audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- A regular programme of meetings of senior staff is held to identify and keep up to date the record of risks facing the University.
- A system of key performance and risk indicators has been developed.

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

### **3.4 Statement of Internal Control** *(continued)*

- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is now maintained.
- Reports are received from budget holders, department heads and project managers on internal control activities.

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

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

By Order of the Board of Governors

S J Pirie OBE  
Chair

25 November 2005

## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF BATH SPA UNIVERSITY**

We have audited the consolidated financial statements of Bath Spa University and its subsidiary ("the group") for the year ended 31 July 2005, which comprise the income and expenditure account, the balance sheets, the cashflow statement, the statement of total recognised gains and losses and the related notes.

These financial statements were prepared under the historic cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

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

### **Respective responsibilities of the Board of Governors and auditors**

As described in the statement of the Board of Governors' responsibilities, the Board of Governors is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England or the Training & Development Agency for Schools were applied in accordance with the financial memorandum and any other terms and conditions attached to them.

We have reviewed whether the Corporate Governance Statement in paragraph 3 of pages 8 to 11 reflects the University's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and controls procedures.

We also report to you if, in our opinion, the Board of Governors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Board of Governors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF BATH SPA UNIVERSITY**  
*(continued)*

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of Bath Spa University and of the group at 31 July 2005 and of the group's surplus of income over expenditure for the year then ended.

In our opinion, in all material respects, funds from whatever source administered by the University for specific purposes were properly applied for the intended purposes and, where relevant, managed in accordance with appropriate legislation for the year ended 31 July 2005.

In our opinion, in all material respects, funds provided by the Higher Education Funding Council for England and the Training & Development Agency for Schools were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2005.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
Bristol, England  
25 November 2005

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### **Basis of preparation**

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

### **Basis of accounting**

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

### **Basis of consolidation**

The financial statements consolidate the results of the University and its subsidiary company, Bath Spa University College Limited, for the year ended 31 July 2005.

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

### **Grants from Funding Council**

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

### **Tuition fees and other income**

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

### **Pension arrangements**

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme and the Avon Pension Fund. Employers' pension contributions are charged to the income and expenditure account in the year to which the salaries on which they are payable relate. Financial Reporting Standard 17 "Retirement Benefits" need not be applied in full until the 2005/06 accounts, so pension costs have been accounted for under Statement of Standard Accounting Practice 24. Some additional disclosures are given as required by FRS 17 (note 20).

### **Leases**

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

### **Maintenance of premises**

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

### **Tangible fixed assets**

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

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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Tangible fixed assets *(continued)*

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

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

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

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

### Stocks

Stocks are stated at the lower of cost and net realisable value.

### Cash flows and liquid resources

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

### Provisions

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

### Reserves

In accordance with the University's strategic plans, reserves are earmarked for specific capital and revenue projects and are transferred to general reserves on completion of the relevant project.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 July 2005**

	Note	2005 £'000	2004 £'000
<b>INCOME</b>			
Funding Council grants	1	20,109	17,556
Tuition fees and education contracts	2	6,734	6,149
Research grants and contracts	3	143	120
Other income	4	3,603	3,497
Investment income	5	492	311
<b>Total income</b>		<u>31,081</u>	<u>27,633</u>
<b>EXPENDITURE</b>			
Staff Costs	6	16,455	15,001
Other operating expenses	7	13,204	10,118
Depreciation	-	1,012	998
Interest Payable	8	132	150
<b>Total expenditure</b>	9	<u>(30,803)</u>	<u>(26,267)</u>
Surplus after depreciation of assets at valuation and before taxation		278	1,366
Taxation	10	-	-
<b>Surplus after depreciation of assets at valuation and after taxation</b>	19	<u>278</u>	<u>1,366</u>

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

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 July 2005**

	Note	2005 £'000	2004 £'000
Surplus after depreciation of assets at valuation and taxation		278	1,366
Principal reimbursed - Bristol City Council loan	19	79	76
<b>Total recognised gains and losses relating to the year</b>		<u>357</u>	<u>1,442</u>

**CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**For the year ended 31 July 2005**

	2005 £'000	2004 £'000
Surplus after depreciation of assets at valuation and after taxation	278	1,366
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	151	151
<b>Historical cost surplus after taxation</b>	<u>429</u>	<u>1,517</u>

**CONSOLIDATED BALANCE SHEET**  
**At 31 July 2005**

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	12,494	12,298
<b>CURRENT ASSETS</b>			
Stocks		64	60
Debtors	14	1,670	902
Cash at bank and in hand		10,757	8,870
		12,491	9,832
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(6,940)	(4,457)
<b>NET CURRENT ASSETS</b>		5,551	5,375
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,045	17,673
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(1,764)	(1,821)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(610)	(646)
<b>NET ASSETS</b>		15,671	15,206
<b>DEFERRED CAPITAL GRANTS</b>	18	2,426	2,318
<b>RESERVES</b>			
Revaluation reserve	19	4,141	4,213
Specific project and strategic reserves	19	3,758	3,016
General reserves	19	5,346	5,659
Total Reserves		13,245	12,888
<b>TOTAL</b>		15,671	15,206

These financial statements were approved by the Board of Governors on 25 November 2005 and signed on its behalf by:

F Morgan  
Vice Chancellor

S J Pirie OBE  
Chair

**UNIVERSITY BALANCE SHEET**  
**At 31 July 2005**

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	12,482	12,279
Investments	13	-	-
		<u>12,482</u>	<u>12,279</u>
<b>CURRENT ASSETS</b>			
Stocks		64	59
Debtors	14	1,741	954
Cash at bank and in hand		10,756	8,870
		<u>12,561</u>	<u>9,883</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(6,934)	(4,421)
<b>NET CURRENT ASSETS</b>		<u>5,627</u>	<u>5,462</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,109	17,741
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(1,764)	(1,821)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(610)	(646)
<b>NET ASSETS</b>		<u>15,735</u>	<u>15,274</u>
<b>DEFERRED CAPITAL GRANTS</b>	18	2,426	2,318
<b>RESERVES</b>			
Revaluation reserve	19	4,141	4,213
Specific project and strategic reserves	19	3,758	3,016
General reserves	19	5,410	5,727
Total Reserves		<u>13,309</u>	<u>12,956</u>
<b>TOTAL</b>		<u>15,735</u>	<u>15,274</u>

These financial statements were approved by the Board of Governors on 25 November 2005 and signed on its behalf by:

F Morgan  
Vice Chancellor

S J Pirie OBE  
Chair

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 July 2005**

	Note	2005 £'000	2004 £'000
<b>Cash flow from operating activities</b>	21	1,784	2,317
Returns on investments and servicing of finance	22	360	161
Capital expenditure and financial investment	23	(257)	(251)
Financing	24	-	-
<b>Increase in cash in year</b>	25	<u>1,887</u>	<u>2,227</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**For the year ended 31 July 2005**

	2005 £'000	2004 £'000
Increase in cash in the year	1,887	2,227
Repayment of debt	79	76
Change in net funds	<u>1,966</u>	<u>2,303</u>
Net funds at 1 August	6,970	4,667
<b>Net funds at 31 July</b>	<u>8,936</u>	<u>6,970</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**1. FUNDING COUNCIL GRANTS**

	<b>HEFCE £'000</b>	<b>TDA £'000</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Recurrent grant	15,255	3,960	19,215	17,140
Specific grant - inherited debt	132	-	132	150
Deferred capital grants released in year:				
- Buildings	648	-	648	179
- Equipment	114	-	114	87
	<u>16,149</u>	<u>3,960</u>	<u>20,109</u>	<u>17,556</u>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Full-time students	5,136	4,642
Full-time students charged overseas fees	1,248	1,240
Part-time fees	350	267
	<u>6,734</u>	<u>6,149</u>

**3. RESEARCH GRANTS AND CONTRACTS**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Research Councils	29	24
Other grants and contracts	114	96
	<u>143</u>	<u>120</u>

**4. OTHER INCOME**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Residences, catering and conferences	1,822	1,749
Other income	1,697	1,665
Deferred capital grants released in year:		
- Buildings	84	83
	<u>3,603</u>	<u>3,497</u>

**5. INVESTMENT INCOME**

	<b>2005 £'000</b>	<b>2004 £'000</b>
Income from short term investments	<u>492</u>	<u>311</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

<b>6. STAFF COSTS</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,924	12,729
Social security costs	1,086	989
Other pension costs	1,445	1,283
	<u>16,455</u>	<u>15,001</u>
Average staff numbers by major category (full-time equivalent):	<b>No.</b>	<b>No.</b>
Academic staff	213	198
Hourly- paid lecturers	64	57
Technicians	31	26
Support staff - administration	145	133
Support staff - other	25	25
Support staff - manual workers	53	54
	<u>531</u>	<u>493</u>
Emoluments of the Vice Chancellor and Chief Executive:	<b>£'000</b>	<b>£'000</b>
Remuneration	122	118
Residential emolument	13	13
Benefits in kind	2	2
	<u>137</u>	<u>133</u>
Pension contributions	<u>17</u>	<u>18</u>
Remuneration of higher paid staff excluding Vice Chancellor and Chief Executive		
£80,001 - £90,000	1	2
£90,001 - £100,000	2	2
£100,001 - £110,000	1	-
	<u>4</u>	<u>4</u>
<b>7. OTHER OPERATING EXPENSES</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Academic equipment and consumables	1,283	1,366
Franchise provision	1,125	938
Teacher training - school experience	657	584
Office equipment and consumables	1,177	1,057
Telephone and postage	288	269
Advertising and publicity	340	418
Subscriptions	181	151
Agency staff	676	629
Transport, travel and accommodation	850	758
Utilities and insurance	949	1,079
Reactive and cyclical maintenance	1,029	893
Planned maintenance	1,697	1,102
Refurbishment element of major works	1,962	-
Other expenses	990	874
	<u>13,204</u>	<u>10,118</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

<b>7. OTHER OPERATING EXPENSES</b> <i>(continued)</i>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Other Operating Expenses include:		
Auditors' remuneration - external audit	14	14
- internal audit	13	11
- other services from external and internal audit	2	2
Hire of plant and machinery - operating leases	4	4
Student Union grant	145	120
	<u>145</u>	<u>120</u>

<b>8. INTEREST PAYABLE</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Loans not wholly repayable within five years	132	150
	<u>132</u>	<u>150</u>

**9. ANALYSIS OF 2004/05 EXPENDITURE BY ACTIVITY**

	Staff costs £'000	Depreciation £'000	Other operating expenses £'000	Interest payable £'000	Total £'000
Academic Departments	10,416	145	3,557	-	14,118
Academic services	1,045	211	567	-	1,823
Research grants and contracts	107	-	135	-	242
Residences, catering and conferences	552	96	961	17	1,626
General education expenditure	907	34	1,011	-	1,952
Premises	626	433	4,579	115	5,753
Administration	1,985	68	1,150	-	3,203
Staff and student services	374	16	258	-	648
Other expenses	443	9	986	-	1,438
	<u>16,455</u>	<u>1,012</u>	<u>13,204</u>	<u>132</u>	<u>30,803</u>

The depreciation charge has been funded by:	<b>£'000</b>
Deferred capital grants	298
Revaluation reserve released	151
General income	563
	<u>1,012</u>

**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 taxable profit.

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

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

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

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
University's surplus for the year	274	1,374
Surplus generated by the subsidiary undertaking	4	-
Deficit incurred and transferred to the University under a deed of covenant by the subsidiary undertaking	-	(8)
Total	<u>278</u>	<u>1,366</u>

**12. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold land and buildings</b> <b>£'000</b>	<b>Long leasehold properties</b> <b>£'000</b>	<b>Building improvements</b> <b>£'000</b>	<b>Fixtures, equipment and vehicles</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Cost or valuation</b>					
At 1 August 2004					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,218	3,849	2,464	11,531
Additions at cost	-	381	190	640	1,211
Disposals					
Valuation	-	-	-	-	-
Cost	-	(63)	-	(190)	(253)
At 31 July 2005					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,536	4,039	2,914	12,489
	<u>2,496</u>	<u>11,087</u>	<u>4,039</u>	<u>4,203</u>	<u>21,825</u>
<b>Accumulated depreciation</b>					
At 1 August 2004	413	2,228	2,757	3,171	8,569
Charge for year	31	224	285	472	1,012
Disposals	-	(63)	-	(187)	(250)
At 31 July 2005	<u>444</u>	<u>2,389</u>	<u>3,042</u>	<u>3,456</u>	<u>9,331</u>
<b>Net book value</b>					
<b>At 31 July 2005</b>	<u>2,052</u>	<u>8,698</u>	<u>997</u>	<u>747</u>	<u>12,494</u>
At 31 July 2004	<u>2,083</u>	<u>8,541</u>	<u>1,092</u>	<u>582</u>	<u>12,298</u>
Inherited	2,052	4,071	-	-	6,123
Financed by Capital Grant	-	1,746	571	109	2,426
Other	-	2,881	426	638	3,945
Net Book Value					
At 31 July 2005	<u>2,052</u>	<u>8,698</u>	<u>997</u>	<u>747</u>	<u>12,494</u>

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2005

12. TANGIBLE FIXED ASSETS (continued)

University	Freehold land and buildings £'000	Long leasehold properties £'000	Building improve- ments £'000	Fixtures, equipment & vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2004					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,218	3,824	2,296	11,338
Additions at cost	-	381	190	631	1,202
Disposals					
Valuation	-	-	-	-	-
Cost	-	(63)	-	(187)	(250)
At 31 July 2005					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,536	4,014	2,740	12,290
	<u>2,496</u>	<u>11,087</u>	<u>4,014</u>	<u>4,029</u>	<u>21,626</u>
<b>Accumulated depreciation</b>					
At 1 August 2004					
	413	2,228	2,739	3,015	8,395
Charge for year	31	224	283	458	996
Disposals	-	(63)	-	(184)	(247)
At 31 July 2005					
	<u>444</u>	<u>2,389</u>	<u>3,022</u>	<u>3,289</u>	<u>9,144</u>
<b>Net book value</b>					
At 31 July 2005					
	<u>2,052</u>	<u>8,698</u>	<u>992</u>	<u>740</u>	<u>12,482</u>
At 31 July 2004					
	<u>2,083</u>	<u>8,541</u>	<u>1,085</u>	<u>570</u>	<u>12,279</u>
Inherited					
	2,052	4,071	-	-	6,123
Financed by Capital Grant					
	-	1,746	571	109	2,426
Other					
	-	2,881	421	631	3,933
Net Book Value					
At 31 July 2005					
	<u>2,052</u>	<u>8,698</u>	<u>992</u>	<u>740</u>	<u>12,482</u>

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

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

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

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 at Somerset Place and on the campus at Newton Park are considered to be most appropriately valued by the DRC basis described above and have therefore been valued accordingly.

The leasehold property at Corsham Court has been valued at £Nil. Vigers do not recommend placing a value on this property since the lease could be regarded as onerous. The costs associated with the lease are in fact refunded to the University by its funding body and there are at present no plans to change this.

Land and buildings with a net book value of £6,123,000 have been funded from Treasury sources. Should these particular properties be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the financial memorandum with the Higher Education Funding Council for England.

**Equipment**

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

<b>13. INVESTMENTS</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Shares in subsidiary	2	2

The University owns 100% of the issued ordinary £1 shares of Bath Spa University College Limited, a company incorporated in England and Wales. The principal business activities of this company are conference lettings and short courses.

<b>14. DEBTORS</b>	<b>Group</b>		<b>University</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	327	178	327	178
Income receivable from the HEFCE	355	173	355	173
Amounts due from subsidiary undertaking	-	-	71	52
Other debtors	335	337	335	337
Taxation - VAT	61	-	61	-
Prepayments and accrued income	592	214	592	214
	<u>1,670</u>	<u>902</u>	<u>1,741</u>	<u>954</u>

No debtors were due after more than one year.

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

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

	<b>Group</b>		<b>University</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current portion of long term loan	57	79	57	79
Trade creditors	1,937	1,073	1,937	1,073
Taxation and social security	371	337	371	337
Other creditors	537	351	537	351
Accruals and deferred income	4,038	2,617	4,032	2,581
	<u>6,940</u>	<u>4,457</u>	<u>6,934</u>	<u>4,421</u>

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

<b>Group and University</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Long-term loan		
Due within one year	57	79
Between two and five years	250	240
In five years or more	1,457	1,502
	<u>1,764</u>	<u>1,821</u>

The long term loan, which is unsecured, is due to Bristol City Council, with interest based on a 5 per cent sinking fund approach.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

<b>Group and University</b>	<b>Enhanced Pension provision (Note 20)</b>	<b>Landlords' Guarantees provision</b>	<b>Total provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2004	556	90	646
Charge to Income and expenditure	31	-	31
Utilised in year	(36)	(31)	(67)
At 31 July 2005	<u>551</u>	<u>59</u>	<u>610</u>

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. At 31 July 2005 the University has a liability for 9 out of 433 study bedrooms and a provision for £59,000 has been established in the financial statements.

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.

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2005

18. DEFERRED CAPITAL GRANTS

Group and University	HEFCE £'000	Other Grants £'000	Total £'000
At 1 August 2004	1,056	1,094	2,150
Buildings	168	-	168
Equipment	1,224	1,094	2,318
Cash received			
Buildings	880	46	926
Equipment	28	-	28
	908	46	954
Released to income and expenditure account			
Buildings	648	84	732
Equipment	114	-	114
	762	84	846
At 31 July 2005			
Buildings	1,288	1,056	2,344
Equipment	82	-	82
	<u>1,370</u>	<u>1,056</u>	<u>2,426</u>

There are no deferred capital grants in the subsidiary.

19. RESERVES

Group	Revaluation reserve £'000	Specific project and strategic reserves £'000	General reserves £'000	Total 2005 £'000	Total 2004 £'000
Balance at 1 August	4,213	3,016	5,659	12,888	11,446
Surplus for the year	-	-	278	278	1,366
Transfer from specific reserves	-	742	(742)	-	-
Transfer from revaluation reserve to income and expenditure account (151)	-	-	151	-	-
Principal reimbursed – Bristol City Council loan	79	-	-	79	76
<b>Balance at 31 July</b>	<u>4,141</u>	<u>3,758</u>	<u>5,346</u>	<u>13,245</u>	<u>12,888</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**19. RESERVES** *(continued)*

<b>University</b>	<b>Revaluation reserve £'000</b>	<b>Specific project and strategic reserves £'000</b>	<b>General reserves £'000</b>	<b>Total 2005 £'000</b>	<b>Total 2004 £'000</b>
Balance at 1 August	4,213	3,016	5,727	12,956	11,506
Surplus for the year	-	-	274	274	1,374
Transfer from specific reserves	-	742	(742)	-	-
Transfer from revaluation reserve to income and expenditure account	(151)	-	151	-	-
Principal reimbursed – Bristol City Council loan	79	-	-	79	76
<b>Balance at 31 July</b>	<b>4,141</b>	<b>3,758</b>	<b>5,410</b>	<b>13,309</b>	<b>12,956</b>

**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 cost for the period was £1,445,000 (2003/04 £1,283,000).

**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.

**SSAP 24**

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

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective Benefits
Investment returns per annum	7.0% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£142,880 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**20. PENSION COSTS** (continued)

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the year ended 31 July 2005 the employer contribution was 13.5%. The total pension cost for the period was £960,000 (2003/04 £858,000).

An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

**FRS 17**

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

**Avon Pension Fund (LGPS)**

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

The total contribution made for the year ended 31 July 2005 was £738,000 of which employers' contributions totalled £487,000 and employees' contributions totalled £251,000. The agreed contribution rates for future years are 13.7% (10.7% to 31 March 2005) for employers and 6% for employees. Surpluses and deficits are spread over employees' future service lives. The pensions charge recorded by the University during the accounting period was equal to the contributions payable.

**SSAP 24**

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

	Past Service Liabilities	Future Service Liabilities
Return on investments	5.7%	6.5%
Salary inflation	3.3%	3.5%
Pension inflation	2.3%	2.5%
Valuation date		31 March 2001
Valuation method		Projected Unit
Market value of assets at date		£1,563 million
Market value of assets as a percentage of accrued benefits		100%

**FRS 17**

The following information is based upon a full actuarial valuation of the Fund at 31 March 2001 updated to 31 July 2005 by a qualified independent actuary.

	2005	2004	2003
Rate of increase in salaries	4.0%	3.8%	3.5%
Rate of increase in pensions in payment	2.7%	2.8%	2.5%
Discount Rate	5.0%	5.7%	5.5%
Inflation assumption	2.7%	2.8%	2.5%

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2005

20. PENSION COSTS (continued)

Avon Pension Fund (LGPS) (continued)

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

	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £'000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £'000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £'000
Equities	7.5%	7,271	7.5%	5,937	7.5%	4,982
Government Bonds	4.4%	1,370	5.0%	1,248	4.7%	1,249
Other Bonds	5.0%	704	5.7%	644	5.5%	498
Cash	4.8%	171	4.5%	119	3.8%	95
		<u>9,516</u>		<u>7,948</u>		<u>6,824</u>

The following amounts at 31 July 2005 were measured in accordance with the requirements of FRS17:

	2005 £'000	2004 £'000	2003 £'000
University estimated share of assets	9,516	7,948	6,824
Present value of scheme liabilities	<u>(13,949)</u>	<u>(10,908)</u>	<u>(9,446)</u>
Deficit in the scheme – Net pension liability	<u>(4,433)</u>	<u>(2,960)</u>	<u>(2,622)</u>

Under the transitional arrangements of FRS17, no provision has been made by the University for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

Balance Sheet Presentation	2005 £'000	2004 £'000	2003 £'000
*Net assets excluding FRS17 pension liability	15,671	15,206	13,543
Net Pension liability	<u>(4,433)</u>	<u>(2,960)</u>	<u>(2,622)</u>
Net assets including FRS 17 pension liability	<u>11,238</u>	<u>12,246</u>	<u>10,921</u>
<b>Reserves Note</b>			
*General reserve excluding FRS 17 pension liability	5,346	5,659	4,247
*General reserve excluding FRS 17 pension liability	<u>(4,433)</u>	<u>(2,960)</u>	<u>(2,622)</u>
General reserve including pension liability	<u>913</u>	<u>2,699</u>	<u>1,625</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**20. PENSION COSTS** (continued)

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

\* Amounts exclude SSAP 24 provisions for LGPS scheme underfunding included within the University balance sheet.

Under the transitional arrangements of FRS 17, the University's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.

**Analysis of amounts charged to income and expenditure account:**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Service cost	559	526
Total operating charge	559	526

**Analysis of net return on pension scheme**

Expected return on pension scheme assets	569	484
Interest on expected scheme liabilities	(640)	(539)
Net charge	(71)	(55)

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

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Actual return less expected return on pension scheme assets	978	19
Experience gains and losses on scheme liabilities	(401)	-
Change in financial and demographic assumptions underlying the scheme liabilities	(1,907)	(201)
Actuarial loss recognised in STRGL	(1,330)	(182)

**Movement in surplus during year**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Deficit in scheme at 1 August	(2,960)	(2,622)
Movement in year:		
Current service cost	(559)	(526)
Contributions	487	425
Net interest / return on assets	(71)	(55)
Actuarial loss	(1,330)	(182)
Deficit on scheme at 31 July	(4,433)	(2,960)

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**20. PENSION COSTS** *(continued)*

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

**History of experience gains and losses**

	2005	2004	2003	2002
<b>Difference between the expected and actual return on scheme assets:</b>				
Amount (£'000)	978	19	(77)	(1,729)
% of scheme assets	10%	1%	(1%)	(29%)
<b>Experience gains and losses on scheme liabilities:</b>				
Amount (£'000)	(401)	-	-	-
% of scheme liabilities	(3%)	-	-	-
<b>Total amount recognised in the statement of total recognised gains and losses:</b>				
Amount (£'000)	(1,330)	(182)	(912)	(1,729)
% of the present value of the scheme liabilities	(10%)	(2%)	(10%)	(22%)

The TPS cost includes an amount in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. An amount of £551,000 (2004: £556,000) is included in provisions representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. The provision represents an undiscounted amount as the directors consider the affect of discounting would not have a material effect on the amount provided.

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

	2005 £'000	2004 £'000
Surplus before taxation	278	1,366
Interest payable	132	150
Interest receivable	(492)	(311)
Release of capital grant	(846)	(461)
Depreciation	1,012	998
(Increase)/decrease in stock	(4)	14
Increase in debtors	(768)	(218)
Increase in creditors	2,505	855
Decrease in provisions	(36)	(92)
Loss on sale of fixed assets	3	16
<b>Net cash inflow from operating activities</b>	<u>1,784</u>	<u>2,317</u>

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2005

<b>22.</b>	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>2005</b>	<b>2004</b>		
		<b>£'000</b>	<b>£'000</b>		
	Interest received	492	311		
	Bristol City Council loan interest repayments	(132)	(150)		
	<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>360</b>	<b>161</b>		
<b>23.</b>	<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>2005</b>	<b>2004</b>		
		<b>£'000</b>	<b>£'000</b>		
	Purchase of tangible fixed assets	(1,211)	(933)		
	Deferred capital grant received	954	682		
	Proceeds from sale of fixed assets	-	-		
	<b>Net outflow from capital expenditure and financial investment</b>	<b>(257)</b>	<b>(251)</b>		
<b>24.</b>	<b>FINANCING</b>	<b>2005</b>	<b>2004</b>		
		<b>£'000</b>	<b>£'000</b>		
	Bristol City Council loan capital repayments	(79)	(76)		
	HEFCE reimbursement	79	76		
	<b>Net cash inflow/(outflow) from financing</b>	<b>-</b>	<b>-</b>		
<b>25.</b>	<b>ANALYSIS OF CHANGES IN NET FUNDS</b>				
		<b>At 1 August</b>	<b>Cash flows</b>	<b>Other</b>	<b>At 31 July</b>
		<b>2004</b>	<b>£'000</b>	<b>changes</b>	<b>2005</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Cash at bank and in hand	8,870	1,887	-	10,757
	Short term deposits	-	-	-	-
	Debt due within one year	(79)	79	(57)	(57)
	Debt due after one year	(1,821)	-	57	(1,764)
	<b>Net Funds</b>	<b>6,970</b>	<b>1,966</b>	<b>-</b>	<b>8,936</b>
<b>26.</b>	<b>CAPITAL COMMITMENTS</b>	<b>2005</b>	<b>2004</b>		
		<b>£'000</b>	<b>£'000</b>		
	Capital commitments	4,492	396		
	Authorised but not contracted	-	3,862		
		<b>4,492</b>	<b>4,258</b>		

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**27. FINANCIAL COMMITMENTS**

At 31 July 2005 the Group and University had annual commitments under non-cancellable operating leases as follows:

<b>Other</b>	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Expiring within one year	4	4
Expiring within one to five years	-	-
	<u>4</u>	<u>4</u>
	<u><u>4</u></u>	<u><u>4</u></u>

**28. RELATED PARTY TRANSACTIONS**

Due to the nature of the University's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. There were no such transactions in the year.

**29. ACCESS FUNDS**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Funding Council Grants	358	428
Interest Earned	5	3
	<u>363</u>	<u>431</u>
Disbursed to Students	(363)	(431)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	<u><u>-</u></u>	<u><u>-</u></u>

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

**30. OTHER FUNDS**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
HEFCE Opportunity Bursary	35	69
Disbursed to Students	(31)	(66)
	<u>4</u>	<u>3</u>
Balance unspent at 31 July	<u><u>4</u></u>	<u><u>3</u></u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2005

**31. TRAINING & DEVELOPMENT AGENCY FOR SCHOOLS BURSARIES**

**Teacher Training Bursaries**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Disbursed to Students	3,048 (2,789)	2,859 (2,726)
Balance unspent at 31 July	<u>259</u>	<u>133</u>

**Secondary Subject Shortage Scheme**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Disbursed to Students	256 (196)	330 (173)
Balance unspent at 31 July	<u>60</u>	<u>157</u>

Teacher Training Bursaries, and Secondary Shortage Subject Scheme funds 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.

**Graduate Teachers' Programme**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Disbursed to Employers	588 (569)	- -
Balance unspent at 31 July	<u>19</u>	<u>-</u>

The majority of Graduate Teachers' Programme funds are paid to employers by way of a contribution towards the cost of Teacher's salaries, whilst the remainder is used to meet the cost of assessments.