

BATH SPA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 July 2006

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UNIVERSITY INFORMATION

Governors	Mr I Ahluwalia Mr J Amey Professor J Brown Mr D Copley (to 30 June 2006) Mr M Crocker (from 22 November 2005) Councillor J Gay Mr A Harris Professor P Luna Mr D Mackintosh (to 25 November 2005) Professor F Morgan (Vice Chancellor and Chief Executive) Mr P Parker Mr I Phillips Mr D Pickett (from 1 July 2006) Ms S Pirie (Chair) Mr M Roy Professor G Smith Ms M Toman Ms S Talbot-Williams (from 22 November 2005) Mr P Wilson (to 21 November 2005) 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
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REPORT OF THE BOARD OF GOVERNORS

This report reviews the main developments of the financial period from 1 August 2005 to 31 July 2006, 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
BSU	Bath Spa University
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 2005/06

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 with students and to recruit extremely well. Applications in 2005 rose by 21% against a general increase of 9% across the sector. Demand for nearly all subjects remains buoyant but new courses in the creative arts, for example, Dance and the Performing Arts have proved to be exceptionally popular with applicants. The total number of home and EU students in 2005/06 was just over 5,000 FTE (4,605 FTE in 2004/05).

The University continues to win a high proportion of student numbers via a competitive bidding process with HEFCE. Amongst other successes during 2005/06, the University attracted funding for a total additional 225 full-time places. This success was undoubtedly, based very largely on the quality of our teaching provision, which is nationally accepted as being of the highest standard, but also relates to our very strong relationship with FE Colleges, where many of the additional places will be based.

The *Sunday Times* "league tables" of higher education institutions ranked BSU fifth in its table of "the best modern universities."

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

The major academic developments in 2005/06 were:

- (i) During 2005/06 the University won its first KTP (Knowledge Transfer Partnership), led by Alex Koh. Among many achievements by individual members of staff, the following are particularly notable. Dr Greg Garrard was elected National Teaching Fellow by the Higher Education Academy: this is our fourth such fellowship, an outstanding achievement for an institution of our size. Prof Rob Mears won a prize from the HEA National Subject centre in Sociology Anthropology & Politics for services to Teaching and Learning. Alison Lee was appointed Honorary Visiting Prof at the Psychology Department of Boston University, and was elected to the International Society for the Study of Brain and NeuroPsychology at their 2005 conference in Prague. As a result Bath Spa hosted their international conference in July 2006. Lance Workman was elected to the editorial board of *The Psychologist*, which is the national professional journal of the British Psychological Society.
- (ii) The University had another highly successful admissions round, with recourse to clearing for a tiny fraction of its places only.
- (iii) The following new programmes were approved

Bath School of Art and Design	FD: Applied Art & Design (Weston College) FD: Digital Design FD: Fashion & Textile Design BA Graphic Communication
English & Creative Studies	FD Broadcast Media MA Writing for Young People (part time)
Historical and Cultural Studies	BA Philosophy & Ethics BA Film & Screen Studies
Music & Performing Arts	BA (Hons) Dance (Specialised Award) BA (Hons) Dance in Combined Awards
Science and Environment	BSc Human Nutrition MSc Ecological Impact Assessment
Social Sciences	FD: Management & Management Systems

REPORT OF THE BOARD OF GOVERNORS *(continued)***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 2006 are summarised as follows:

	2005/06	2004/05
	£'000	£'000
Income	34,055	31,081
Expenditure	(34,433)	(30,946)
Release from revaluation reserve	832	151
Profit on sale of fixed assets	12,443	-
Historical cost surplus after tax	12,897	286
Actuarial loss on pension fund	(435)	(1,330)

2.2 Reserves

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

	2005/06	2004/05	Increase/ (decrease)
	£'000	£'000	£'000
Strategic reserves	414	414	-
Project reserves	647	717	(70)
Specific reserves	4,129	2,627	1,502
General reserves	11,943	913	11,030
	<u>17,133</u>	<u>4,671</u>	<u>12,462</u>

2.3 Recent major expenditure on buildings

During 2005/06 the University constructed a new Performing Arts Studio at a cost of £4,800,000 supporting funded expansion of the University's portfolio in Drama, Dance, Music and Creative Music Technology. This development is being partly financed with a grant of £1,000,000 from the Higher Education Funding Council.

In addition the University completed 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 was £2,410,000, and was 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) Elements

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

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

(ii) Strengths

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

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

The University has also established a track record of

- Consistently working 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, and from student accommodation, and conferences.

(iii) 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;

REPORT OF THE BOARD OF GOVERNORS *(continued)*

2.4 Financial strategy *(continued)*

- 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;
- 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; and
- 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:

- In July 2006 the University sold freehold land and buildings at Somerset Place for £13,244,000. As part of the sale agreement the University will continue to occupy the site for a minimum of 2 years, whilst a third campus is being developed.
- The University is progressing plans to acquire freehold land at South Quays in Bath and to develop a 8,300m² purpose-built third campus housing courses based on digital technologies, and accommodating up to 1,500 students. This proposed development constitutes a significant capital investment that will be funded by a combination of Somerset Place sale proceeds and borrowings.
- The University has held preliminary discussions with third parties regarding the possibility of a further 400 bed complex in Bath. Such a development will provide additional capacity as well as compensating for the loss of 152 bed-spaces when Somerset Place is vacated.
- HEFCE have confirmed new capital allocations which may be spent between 1 April 2006 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; and
 - Research Capital Allocations £221,374.
- A major priority for the University is the upgrading of teaching accommodation at Sion Hill. A total of £528,000 was spent in 2005/06 and a further £1,137,000 will be spent over the next two summers.
- In 2005/06 the University has been working in partnership with Trade Unions to develop a pay framework agreement, paving the way for a single new pay spine which will be implemented for all but the most senior University staff in 2006/07.

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.

Assimilation to the single pay spine will cost 2.5% of the pay bill (£375,000), and 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.

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.

- 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.

Current data on 2006/07 applications indicate the University's in-take targets will be achieved.

- 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. In 2005/06 the University developed and equipped 2 Artwork laboratories at a cost of £1,270,000, and incurred operating (revenue) costs of £190,000.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

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 2006, 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 2006 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.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

3.4 Statement of Internal Control *(continued)*

- A system of key performance and risk indicators has been developed.
- 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 October 2006

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 2006, 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 International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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.

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

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.

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 2006 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 2006.

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 2006.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Bristol, England
25 October 2006

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 Limited, for the year ended 31 July 2006.

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

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

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

Leases

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

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

Assets in the course of construction are 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 2006

	Note	2006 £'000	2005 (restated) £'000
INCOME			
Funding Council grants	1	22,495	20,109
Tuition fees and education contracts	2	6,801	6,734
Research grants and contracts	3	305	143
Other income	4	4,073	3,603
Investment income	5	381	492
Total income		<u>34,055</u>	<u>31,081</u>
EXPENDITURE			
Staff Costs	6	17,886	16,527
Other operating expenses	7	15,224	13,204
Depreciation		1,216	1,012
Interest Payable	8	30	132
Other finance charges	9	77	71
Total expenditure	10	<u>(34,433)</u>	<u>(30,946)</u>
(Deficit)/surplus after depreciation of assets at valuation and before profit on sale of fixed assets and taxation		(378)	135
Profit on sale of fixed assets	11	12,443	-
Surplus after depreciation of assets at valuation and profit on sale of fixed assets and before taxation		12,065	135
Taxation	12	-	-
Surplus after depreciation of assets at valuation and after taxation	21	<u>12,065</u>	<u>135</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 2006

	Note	2006 £'000	2005 (restated) £'000
Surplus after depreciation of assets at valuation and taxation		12,065	135
Actuarial loss relating to the pension scheme		(435)	(1,330)
Principal reimbursed - Bristol City Council loan	18	1,821	79
Total recognised gains and losses relating to the year		<u>13,451</u>	<u>(1,116)</u>
Prior period adjustment	21	(4,433)	(4,433)
Total recognised surpluses/(deficits) since the last report		<u>9,018</u>	<u>(5,549)</u>

CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2006

	2006 £'000	2005 (restated) £'000
Surplus after depreciation of assets at valuation and after taxation	12,065	135
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	137	151
Net book value of fixed assets sold during the year	695	-
Historical cost surplus after taxation	<u>12,897</u>	<u>286</u>

CONSOLIDATED BALANCE SHEET
At 31 July 2006

	Note	2006 £'000	2005 (restated) £'000
FIXED ASSETS			
Tangible assets	14	15,740	12,494
CURRENT ASSETS			
Stocks		73	64
Debtors	16	14,917	1,670
Investments – cash on money market deposit		4,000	-
Cash at bank and in hand		3,070	10,757
		<u>22,060</u>	<u>12,491</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(5,984)	(6,940)
NET CURRENT ASSETS		<u>16,076</u>	<u>5,551</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,816	18,045
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	-	(1,764)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(586)	(610)
NET ASSETS BEFORE PENSION LIABILITY		31,230	15,671
PENSION LIABILITY	22	(4,786)	(4,433)
NET ASSETS AFTER PENSION LIABILITY		<u>26,444</u>	<u>11,238</u>
DEFERRED CAPITAL GRANTS	20	4,181	2,426
RESERVES			
Revaluation reserve	21	5,130	4,141
Specific project and strategic reserves	21	5,190	3,758
General reserves	21	11,943	913
Total Reserves		<u>22,263</u>	<u>8,812</u>
TOTAL		<u>26,444</u>	<u>11,238</u>

These financial statements were approved by the Board of Governors on 25 October 2006 and signed on its behalf by:

F Morgan
Vice Chancellor

S J Pirie OBE
Chair

UNIVERSITY BALANCE SHEET
At 31 July 2006

	Note	2006 £'000	2005 (restated) £'000
FIXED ASSETS			
Tangible assets	14	15,725	12,482
Investments	15	-	-
		<u>15,725</u>	<u>12,482</u>
CURRENT ASSETS			
Stocks		69	64
Debtors	16	14,968	1,741
Investments – cash on money market deposit		4,000	-
Cash at bank and in hand		3,069	10,756
		<u>22,106</u>	<u>12,561</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	<u>(5,949)</u>	<u>(6,934)</u>
NET CURRENT ASSETS		<u>16,157</u>	<u>5,627</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,882	18,109
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	-	(1,764)
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(586)</u>	<u>(610)</u>
NET ASSETS BEFORE PENSION LIABILITY		31,296	15,735
PENSION LIABILITY	22	<u>(4,786)</u>	<u>(4,433)</u>
NET ASSETS AFTER PENSION LIABILITY		<u>26,510</u>	<u>11,302</u>
DEFERRED CAPITAL GRANTS	20	<u>4,181</u>	<u>2,426</u>
RESERVES			
Revaluation reserve	21	5,130	4,141
Specific project and strategic reserves	21	5,190	3,758
General reserves	21	12,009	977
Total Reserves		<u>22,329</u>	<u>8,876</u>
TOTAL		<u>26,510</u>	<u>11,302</u>

These financial statements were approved by the Board of Governors on 25 October 2006 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 2006

	Note	2006 £'000	2005 £'000
Cash flow from operating activities	23	(2,783)	1,784
Returns on investments and servicing of finance	24	351	360
Capital expenditure and financial investment	25	(1,255)	(257)
Management of liquid resources	26	(4,000)	-
Financing	27	-	-
(Decrease)/Increase in cash in year	28	<u>(7,687)</u>	<u>1,887</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 31 July 2006

	2006 £'000	2005 £'000
(Decrease)/increase in cash in the year	(7,687)	1,887
Increase in short term deposits	4,000	-
Repayment of debt	1,821	79
Change in net funds	<u>(1,866)</u>	<u>1,966</u>
Net funds at 1 August	8,936	6,970
Net funds at 31 July	<u><u>7,070</u></u>	<u><u>8,936</u></u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

1. FUNDING COUNCIL GRANTS

	HEFCE £'000	TDA £'000	2006 £'000	2005 £'000
Recurrent grant	16,027	4,256	20,283	19,215
Specific grant - inherited debt	30	-	30	132
Deferred capital grants released in year:				
- Buildings	1,397	-	1,397	648
- Equipment	785	-	785	114
	<u>18,239</u>	<u>4,256</u>	<u>22,495</u>	<u>20,109</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	2006 £'000	2005 £'000
Full-time students	5,323	5,136
Full-time students charged overseas fees	1,089	1,248
Part-time fees	389	350
	<u>6,801</u>	<u>6,734</u>

3. RESEARCH GRANTS AND CONTRACTS

	2006 £'000	2005 £'000
Research Councils	18	29
Other grants and contracts	287	114
	<u>305</u>	<u>143</u>

4. OTHER INCOME

	2006 £'000	2005 £'000
Residences, catering and conferences	1,857	1,822
Other income	2,178	1,697
Deferred capital grants released in year:		
- Buildings	38	84
	<u>4,073</u>	<u>3,603</u>

5. INVESTMENT INCOME

	2006 £'000	2005 £'000
Income from short term investments	<u>381</u>	<u>492</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

6. STAFF COSTS	2006	2005
	£'000	£'000
Wages and salaries	15,155	13,924
Social security costs	1,173	1,086
Other pension costs	1,558	1,517
	<u>17,886</u>	<u>16,527</u>
Other pension costs comprise:		
Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	1,060	958
Current service cost of defined benefit scheme (LGPS)	498	559
	<u>1,558</u>	<u>1,517</u>
The current service costs of defined benefit scheme comprises:		
Current service costs	811	559
Past service gain	(313)	-
Total operating charge	<u>498</u>	<u>559</u>
Average staff numbers by major category (full-time equivalent):		
	No.	No.
Academic staff	225	213
Hourly- paid lecturers	54	64
Technicians	33	31
Support staff - administration	161	145
Support staff - other	25	25
Support staff - manual workers	58	53
	<u>556</u>	<u>531</u>
Emoluments of the Vice Chancellor and Chief Executive:		
	£'000	£'000
Remuneration	136	122
Residential emolument	18	13
Benefits in kind	2	2
	<u>156</u>	<u>137</u>
Pension contributions	<u>22</u>	<u>17</u>
Remuneration of higher paid staff excluding Vice Chancellor and Chief Executive		
£70,001 - £80,000	1	-
£80,001 - £90,000	2	1
£90,001 - £100,000	2	2
£100,001 - £110,000	-	1
	<u>-</u>	<u>1</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

7. OTHER OPERATING EXPENSES

	2006 £'000	2005 £'000
Academic equipment and consumables	2,189	1,283
Franchise provision	1,668	1,125
Teacher training - school experience	655	657
Office equipment and consumables	1,334	1,177
Telephone and postage	297	288
Advertising and publicity	483	340
Subscriptions	167	181
Agency staff	831	676
Transport, travel and accommodation	846	850
Utilities and insurance	1,211	949
Reactive and cyclical maintenance	1,277	1,029
Planned maintenance	1,619	1,697
Refurbishment element of major works	1,457	1,962
Other expenses	1,190	990
Total	<u>15,224</u>	<u>13,204</u>

	2006 £'000	2005 £'000
Other operating expenses include:		
Auditors' remuneration - external audit	14	14
- internal audit	16	13
- other services from external and internal audit	4	2
Hire of plant and machinery - operating leases	4	4
Student Union grant	188	145
	<u> </u>	<u> </u>

8. INTEREST PAYABLE

	2006 £'000	2005 £'000
Loans not wholly repayable within five years	30	132
	<u> </u>	<u> </u>

9. OTHER FINANCE CHARGES/(INCOME)

	2006 £'000	2005 £'000
Interest on pension scheme liabilities	721	640
Expected return on pension scheme assets	(644)	(569)
Net charge	<u>77</u>	<u>71</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

10. ANALYSIS OF 2005/06 EXPENDITURE BY ACTIVITY

	Staff costs	Depreciation	Other operating expenses	Other finance charges	Interest payable	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	11,214	200	4,756	-	-	16,170
Academic services	1,117	312	970	-	-	2,399
Research grants and contracts	104	-	72	-	-	176
Residences, catering and conferences	645	62	696	-	3	1,406
General education expenditure	1,013	17	1,185	-	-	2,215
Premises	744	528	5,406	-	27	6,705
Administration	2,193	74	1,426	77	-	3,770
Staff and student services	455	17	303	-	-	775
Other expenses	401	6	410	-	-	817
	<u>17,886</u>	<u>1,216</u>	<u>15,224</u>	<u>77</u>	<u>30</u>	<u>34,433</u>

The depreciation charge has been funded by:

Deferred capital grants	537
Revaluation reserve released	137
General income	542
	<u>1,216</u>

11. PROFIT ON SALE OF FIXED ASSETS

In July 2006 the University exchanged contracts with a buyer for freehold land and buildings at Somerset Place in the centre of Bath. The site was sold for £13,244,000 and the profit of £12,443,000 is stated after sales commission, professional fees, and after deducting the net book value of the asset.

12. 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 2006

13. (DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The (deficit)/surplus on continuing operations for the period is made up as follows:

	2006 £'000	2005 £'000
University's (deficit)/surplus for the year	(378)	135
Deficit incurred and transferred to the University under a deed of covenant by the subsidiary undertaking	(2)	-
Surplus generated by the subsidiary undertaking	-	4
Total	(380)	139

14. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Long leasehold properties	Assets under construct- ion	Building improve- ments	Fixtures, equip- ment and vehicles	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2005						
Valuation	2,496	5,551	-	-	1,289	9,336
Cost	-	5,536	-	4,039	2,914	12,489
Reclassification	-	(361)	424	(86)	23	-
Additions at cost	-	-	2,614	1,124	1,492	5,230
Disposals						
Valuation	(896)	-	-	-	-	(896)
Cost	-	-	-	(493)	(305)	(798)
At 31 July 2006	1,600	5,551	3,038	4,584	5,413	16,921
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	5,175	3,038	4,584	4,124	16,921
	1,600	10,726	3,038	4,584	5,413	25,361
Accumulated depreciation						
At 1 August 2005	444	2,389	-	3,042	3,456	9,331
Reclassification	-	62	-	(81)	19	-
Charge for year	17	228	-	230	741	1,216
Disposals	(200)	-	-	(431)	(295)	(926)
At 31 July 2006	261	2,679	-	2,760	3,921	9,621
Net book value at 31 July 2006	1,339	8,047	3,038	1,824	1,492	15,740
At 31 July 2005	2,052	8,698	-	997	747	12,494
Inherited	1,339	3,711	-	-	-	5,050
Financed by capital grant	-	1,622	739	895	925	4,181
Other	-	2,714	2,299	929	567	6,509
Net book value at 31 July 2006	1,339	8,047	3,038	1,824	1,492	15,740

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

14. TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings	Long leasehold properties	Assets under construct- ion	Building improve- ments	Fixtures, equip- ment and vehicles	Total
University	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2005						
Valuation	2,496	5,551	-	-	1,289	9,336
Cost	-	5,536	-	4,014	2,740	12,290
Reclassification	-	(361)	424	(86)	23	-
Additions at cost	-	-	2,614	1,124	1,476	5,214
Disposals						
Valuation	(896)	-	-	-	-	(896)
Cost	-	-	-	(488)	(290)	(778)
At 31 July 2006						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	5,175	3,038	4,564	3,949	16,726
	1,600	10,726	3,038	4,564	5,238	25,166
Accumulated depreciation						
At 1 August 2005	444	2,389	-	3,022	3,289	9,144
Reclassification	-	62	-	(62)	-	-
Charge for year	17	228	-	228	732	1,205
Disposals	(200)	-	-	(427)	(281)	(908)
At 31 July 2006	261	2,679	-	2,761	3,740	9,441
Net book value at 31 July 2006	1,339	8,047	3,038	1,803	1,498	15,725
At 31 July 2005	2,052	8,698	-	992	740	12,482
Inherited	1,339	3,711	-	-	-	5,050
Financed by capital grant	-	1,622	739	895	925	4,181
Other	-	2,714	2,299	908	573	6,494
Net book value at 31 July 2006	1,339	8,047	3,038	1,803	1,498	15,725

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 2006

14. 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 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 £5,050,000 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.

15. INVESTMENTS	2006	2005
	£	£
Shares in subsidiary	<u>2</u>	<u>2</u>

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

16. DEBTORS	Group		University	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	50	327	50	327
Income receivable from the HEFCE	880	355	880	355
Amounts due from subsidiary undertaking	-	-	51	71
Other debtors	13,520	335	13,520	335
Taxation - VAT	-	61	-	61
Prepayments and accrued income	467	592	467	592
	<u>14,917</u>	<u>1,670</u>	<u>14,968</u>	<u>1,741</u>

No debtors were due after more than one year.

Other debtors includes £13,244,000 in respect of sale proceeds of Somerset Place received in August 2006.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Current portion of long term loan	-	57	-	57
Trade creditors	2,248	1,937	2,248	1,937
Taxation and social security	429	371	429	371
Other creditors	650	537	650	537
Accruals and deferred income	2,657	4,038	2,622	4,032
	<u>5,984</u>	<u>6,940</u>	<u>5,949</u>	<u>6,934</u>

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

Group and University	2006 £'000	2005 £'000
Long-term loan		
Due within one year	-	57
Between two and five years	-	250
In five years or more	-	1,457
	<u>-</u>	<u>1,764</u>

The long term loan was repaid in full to Bristol City Council in November 2005 with funds provided by HEFCE.

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group and University	Enhanced pension provision (Note 22) £'000	Landlords' guarantees provision £'000	Total provisions £'000
At 1 August 2005	551	59	610
Charge to Income and expenditure	38	-	38
Utilised in year	(37)	(25)	(62)
At 31 July 2006	<u>552</u>	<u>34</u>	<u>586</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. The provision reflects the number of study bedrooms for which the University has a potential liability. In 2005/06 the University paid £25,000 in respect of unfilled places from a total of 433 study bedrooms. At 31 July 2006 the number of study bedrooms has risen to 462, and a provision of £34,000 has therefore 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 2006

20. DEFERRED CAPITAL GRANTS

Group and University	HEFCE	Other grants	Total
	£'000	£'000	£'000
At 1 August 2005	1,288	1,056	2,344
Buildings	82	-	82
Equipment	1,370	1,056	2,426
Cash received			
Buildings	2,696	-	2,696
Equipment	1,279	-	1,279
	3,975	-	3,975
Released to income and expenditure account			
Buildings	1,397	38	1,435
Equipment	785	-	785
	2,182	38	2,220
At 31 July 2006			
Buildings	2,587	1,018	3,605
Equipment	576	-	576
	3,163	1,018	4,181

There are no deferred capital grants in the subsidiary.

21. RESERVES

Group	Revaluation reserve	Specific project and strategic reserves	General reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 August as previously stated	4,141	3,758	5,346	13,245
Prior period adjustment	-	-	(4,433)	(4,433)
Balance at 1 August as restated	4,141	3,758	913	8,812
Surplus for the year	-	-	12,065	12,065
Transfer from specific reserves	-	1,432	(1,432)	-
Transfer from revaluation reserve to income and expenditure account	(137)	-	137	-
Principal reimbursed – Bristol City Council loan	1,821	-	-	1,821
Net book value of inherited assets sold	(695)	-	695	-
Actuarial loss on pension fund	-	-	(435)	(435)
Balance at 31 July	5,130	5,190	11,943	22,263

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

21. RESERVES *(continued)*

University	Revaluation reserve £'000	Specific project and strategic reserves £'000	General reserves £'000	Total £'000
Balance at 1 August as previously stated	4,141	3,758	5,410	13,309
Prior period adjustment	-	-	(4,433)	(4,433)
Balance at 1 August as restated	4,141	3,758	977	8,876
Surplus for the year	-	-	12,067	12,067
Transfer from specific reserves	-	1,432	(1,432)	-
Transfer from revaluation reserve to income and expenditure account	(137)	-	137	-
Principal reimbursed – Bristol City Council loan	1,821	-	-	1,821
Net book value of inherited assets sold	(695)	-	695	-
Actuarial loss on pension fund	-	-	(435)	(435)
Balance at 31 July	5,130	5,190	12,009	22,329

Prior period adjustment

The prior year adjustment relates to the implementation of FRS 17 – ‘Retirement benefits’. The adoption of FRS 17 has resulted in a decrease to the reported surplus before taxation for 2005 of £143,000. The deficit before taxation for 2006 is £82,000 lower than would be the case had FRS 17 not been adopted during the year.

22. PENSION COSTS

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, Avon Pension Fund, (LGPS). The total pension cost for the period was £1,558,000 (2004/05 £1,517,000).

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 2006

22. 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 2006 the employer contribution was 13.5%. The total pension cost for the period was £1,060,000 (2004/05 £960,000).

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 2006 was £949,000 of which employers' contributions totalled £657,000 and employees' contributions totalled £292,000. The agreed contribution rates for future years are 13.7% 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 2006 by a qualified independent actuary.

	2006	2005	2004	2003
Rate of increase in salaries	4.3%	4.0%	3.8%	3.5%
Rate of increase in pensions in payment	3.0%	2.7%	2.8%	2.5%
Discount Rate	5.1%	5.0%	5.7%	5.5%
Inflation assumption	3.0%	2.7%	2.8%	2.5%

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

22. PENSION COSTS (continued)

Avon Pension Fund (LGPS) (continued)

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

	Long term rate of return expected at 31 July 2006 %	Value at 31 July 2006 £'000	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
Equities	7.0	8,666	7.5	7,271	7.5	5,937
Government Bonds	4.4	1,625	4.4	1,370	5.0	1,248
Other Bonds	5.1	904	5.0	704	5.7	644
Cash	4.5	252	4.8	171	4.5	119
		<u>11,447</u>		<u>9,516</u>		<u>7,948</u>

The following amounts at 31 July 2006 were measured in accordance with the requirements of FRS17:

	2006 £'000	2005 £'000	2004 £'000
University estimated share of assets	11,447	9,516	7,948
Present value of scheme liabilities	<u>(16,233)</u>	<u>(13,949)</u>	<u>(10,908)</u>
Deficit in the scheme – Net pension liability	<u>(4,786)</u>	<u>(4,433)</u>	<u>(2,960)</u>

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

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

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	512	978
Experience gains and losses on scheme liabilities	(309)	(401)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>(638)</u>	<u>(1,907)</u>
Actuarial loss recognised in STRGL	<u>(435)</u>	<u>(1,330)</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

22. PENSION COSTS *(continued)*

Avon Pension Fund (LGPS) *(continued)*

Movement in deficit during year

	2006 £'000	2005 £'000
Deficit in scheme at 1 August	(4,433)	(2,960)
Movement in year:		
Current service cost	(498)	(559)
Contributions	657	487
Net interest / return on assets	(77)	(71)
Actuarial loss	(435)	(1,330)
Deficit on scheme at 31 July	<u>(4,786)</u>	<u>(4,433)</u>

History of experience gains and losses

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	512	978	19	(77)	(1,729)
% of scheme assets	4%	10%	1%	(1%)	(29%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(309)	(401)	-	-	-
% of scheme liabilities	(2%)	(3%)	-	-	-
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	(435)	(1,330)	(182)	(912)	(1,729)
% of the present value of the scheme liabilities	(3%)	(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 £552,000 (2005: £551,000) 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.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

23. RECONCILIATION OF SURPLUS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2006	2005
	£'000	£'000
(Deficit)/surplus before taxation and profit on sale of fixed assets	(378)	135
Interest payable	30	132
Interest receivable	(381)	(492)
Release of capital grant	(2,220)	(846)
Depreciation	1,216	1,012
(Increase)/decrease in stock	(9)	(4)
Increase in debtors	(55)	(768)
Increase in creditors	(899)	2,505
Decrease in provisions	(24)	(36)
Loss on sale of fixed assets	19	3
Decrease in pension fund liability	(82)	143
Net cash (outflow)/inflow from operating activities	(2,783)	1,784
24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2006	2005
	£'000	£'000
Interest received	381	492
Bristol City Council loan interest repayments	(30)	(132)
Net cash inflow from returns on investments and servicing of finance	351	360
25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2006	2005
	£'000	£'000
Purchase of tangible fixed assets	(5,230)	(1,211)
Deferred capital grant received	3,975	954
Proceeds from sale of fixed assets	-	-
Net outflow from capital expenditure and financial investment	(1,255)	(257)
26. MANAGEMENT OF LIQUID RESOURCES	2006	2005
	£'000	£'000
Increase in short-term deposits	(4,000)	-
Net cash outflow from management of liquid resources	(4,000)	-

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

27. FINANCING		2006	2005
		£'000	£'000
Bristol City Council loan capital repayments		(1,821)	(79)
HEFCE reimbursement		1,821	79
Net cash flow from financing		-	-

28. ANALYSIS OF CHANGES IN NET FUNDS			
	At 1 August	Cash flows	At 31 July
	2005	2006	2006
	£'000	£'000	£'000
Cash at bank and in hand	10,757	(7,687)	3,070
Short term deposits	-	4,000	4,000
Debt due within one year	(57)	57	-
Debt due after one year	(1,764)	1,764	-
Net Funds	8,936	(1,866)	7,070

29. CAPITAL COMMITMENTS		2006	2005
		£'000	£'000
Capital commitments		574	4,492
Authorised but not contracted		-	-
		574	4,492

30. FINANCIAL COMMITMENTS

At 31 July 2006 the Group and University had annual commitments under non-cancellable operating leases as follows:

Other	2006	2005
	£'000	£'000
Expiring within one year	4	4
Expiring within one to five years	-	-
	4	4

31. RELATED PARTY TRANSACTIONS

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

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

32. ACCESS FUNDS

	2006 £'000	2005 £'000
Funding Council Grants	500	358
Interest Earned	6	5
	<u>506</u>	<u>363</u>
Disbursed to Students	(506)	(363)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	<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.

33. OTHER FUNDS

	2006 £'000	2005 £'000
HEFCE Opportunity Bursary	21	35
Disbursed to Students	(20)	(31)
	<u>1</u>	<u>4</u>
Balance unspent at 31 July	<u>1</u>	<u>4</u>

34. TRAINING & DEVELOPMENT AGENCY FOR SCHOOLS BURSARIES

Teacher Training Bursaries

	2006 £'000	2005 £'000
Funds Received	2,600	3,048
Disbursed to Students	(2,284)	(2,789)
	<u>316</u>	<u>259</u>
Balance unspent at 31 July	<u>316</u>	<u>259</u>

Secondary Subject Shortage Scheme

	2006 £'000	2005 £'000
Funds Received	170	256
Disbursed to Students	(122)	(196)
	<u>48</u>	<u>60</u>
Balance unspent at 31 July	<u>48</u>	<u>60</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.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

34. TRAINING & DEVELOPMENT AGENCY FOR SCHOOLS BURSARIES *(continued)*

Graduate Teachers' Programme

	2006 £'000	2005 £'000
Funds Received	-	588
Disbursed to Employers	-	(569)
	<hr/>	<hr/>
Balance unspent at 31 July	-	19
	<hr/> <hr/>	<hr/> <hr/>

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.

The University did not operate the Graduate Teachers' Programme in 2005/06.