

BATH SPA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 July 2007

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UNIVERSITY INFORMATION

Governors	Mr I Ahluwalia Mr J Amey Mr J Anderson (from 1 July 2007) Professor J Brown Ms C Bull (from 22 November 2006) Mr M Croker Councillor J Gay (to 1 April 2007) Mr A Harris Professor P Luna Professor F Morgan (Vice Chancellor and Chief Executive) Mr P Parker Mr I Phillips Mr D Pickett (to 30 June 2007) Ms S Pirie (Chair) Mr M Roy Professor G Smith Ms M Toman Ms S Talbot-Williams Dr R Woodbridge (to 21 November 2006)
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:	Grant Thornton UK LLP Chartered Accountants 10 Queen Square Bristol BS1 4NT
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REPORT OF THE BOARD OF GOVERNORS

This report reviews the main developments of the financial period from 1 August 2006 to 31 July 2007, and describes the main features of the University's financial position.

Glossary

BA	Bachelor of Arts
BSc	Bachelor of Science
BSU	Bath Spa University
EU	European Union
FE	Further Education
FD	Foundation Degree
FdA	Foundation Degree Arts
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HEA	Higher Education Academy
HEFCE	Higher Education Funding Council for England
HERA	Higher Education Role Analysis
IT	Information Technology
JANET	Joint Academic Network
JISC	Joint Information Systems Committee
KS	Key Stage
MA	Master of Arts
MSc	Master of Science
Ofsted	Office for Standards in Education
PCET	Post Compulsory Education and Training
PG Cert	Postgraduate Certificate
PGCE	Postgraduate Certificate in Education
TDA	Training & Development Agency for Schools

1. The Main Developments of Financial Period 2006/07

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 fell in 2006 by 0.6% but this was against a general decrease of 2.8% across the sector. Demand for nearly all subjects remains buoyant, but new courses in the creative arts, for example. Dance and the Performing Arts continue to prove exceptionally popular with applicants. The total number of home and EU students in 2006/07 was just over 5,200 FTE (5,000 FTE in 2005/06).

The University continues to win a high proportion of student numbers via a competitive bidding process with HEFCE. Amongst other successes during 2006/07 the University attracted funding for a total additional 189 full-time places from HEFCE and 50 from the TDA for a new Early Year Professional Studies course. These successes were 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 HEFCE additional places will be based.

In September 2006 the Sunday Times "league tables" of higher education institutions ranked BSU fifth out of the 65 modern (non-chartered) universities.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

1.2 Academic developments

The major academic developments in 2006/07 were:

- (i) During 2006/07, the University reached the threshold criterion of 30 successful PhD completions, which enabled an application to the Privy Council for research-degree awarding powers. The application has yet to be determined, but was subject to initial scrutiny which confirmed a prima facie case.
- (ii) Some highlights in the academic staff activities during 2006/07 were as follows. In Education, June Bianchi won our 5th National Teaching Fellowship. The University now has three times as many National Teaching Fellows than its size would predict. Education also had a highly successful Ofsted inspection of Primary, which won the highest possible score of "1". In Historical and Cultural Studies, Bobby Anderson won a National award for the Teaching of History in Higher Education from the Higher Education Academy; Elaine Chalus was elected Distinguished Visiting Speaker, University of Ottawa, elected to the editorial board of *Parliamentary History* and appointed Series Editor for the "New Parliamentary History Texts & Studies" Series; and Graham Davis was appointed Editor in Chief of the journal *Bath History*, supported by the Bath Preservation Trust and the Bath Museum Service. In Social Sciences, Dr Kay Wood won an award of £10,000 from the National Subject Centre in Sociology Anthropology and Politics, and was successfully nominated as an Associate of the HEA Centre. The award is for one year and allows associates a small budget in return for promoting teaching and learning improvements in their subject areas. The Subject Centre also supported a national conference on teaching Sociology held at Bath Spa in July 2007. In Science and the Environment, David Watson's habitat restoration research achieved national recognition by reaching the finals of the 'Go Native' biodiversity awards. Dr Watson also hosted a highly successful national conference on Ecological Impact Assessment at Bath Spa. The conference was organised behalf of the British Ecological Society and the Institute of Ecology & Environmental Management and was attended by over 200 delegates over two days. Subsequently, a Masters Programme in this subject was successfully launched. In Art & Design, Prof Martin Rieser won a funded research fellowship at La Trobe University, Victoria, Australia; David Harding was invited to accept an international print research fellowship, with only eight printmakers chosen worldwide, by the Xi'an Academy, China; Tim Parry Williams won research funding from the textile manufacturer, Daiwa Foundation, Japan; Keith Harrison won AHRC funding for a ceramics installation in the Victoria & Albert Museum, London; and Mandy Bonnell won a Ford Foundation scholarship for the establishment of a print workshop in Kenya. In English and Creative Studies, Dr Tracey Hill & Dr Ian Gadd co-organised an interdisciplinary conference on mediaeval and early modern London at Jesus College, Oxford, with Dr Ian Archer (Oxford), Dr Paulina Kewes (Oxford), and Dr Matthew Davies (Centre for Metropolitan History, London). Dr Gadd was also invited to be a tutor on a course focussing on The Stationers' Company (week-long course), Rare Book School, University of Virginia (2006). The Rare Book School is an internationally recognised educational institute supporting the study of the history of books and printing and related subjects. Dr Greg Garrard (last year's National Teaching Fellow) gave the plenary lecture at the conference 'Discourses of Sustainability' conference at National Taipei University, Taiwan. Tim Liardet's *The Blood Choir* was short listed for the 2006 TS Eliot Prize. Dr Jonathan Neale was plenary speaker with George Monbiot at the Oxford Brookes University and Centre for the Environment at Oxford University joint conference on "Environmental Change and Social Change".

REPORT OF THE BOARD OF GOVERNORS *(continued)***1.3 Academic developments**

(iii) The following programmes were approved during 2006/07:

School	Programme
Art & Design	FdA Graphic Design (at Weston College)
Development & Participation	PCET
Education	Professional Masters Programme
	Early Years Professional Status
	PGCE Secondary & KS 2/3
	PGCE Primary & Early Years
English & Creative Studies	FD Publishing
	MA Scriptwriting for Theatre, Radio, Film & Television
	FD Broadcast Media: Process & Production
	MA Writing for Young People (part time)
Historical & Cultural Studies	FD Heritage Management
Music & Performing Arts	Drama Studies
	FD Popular Music
	FD Music Production
	MA Songwriting
	FD Theatre Production
Science & Environment	PG Cert Research Degree Supervision & Research Management
Social Sciences	MSc Creating & Developing Your Business
	FD Counselling

Applications increased again, though there are some signs that patterns of application are changing, with fewer candidates who applied before mid-December accepting places than in previous years.

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 2007 are summarised as follows:

	2006/07	2005/06
	£'000	£'000
Income	38,804	34,055
Expenditure	(37,590)	(34,433)
Release from revaluation reserve	137	832
Profit on sale of fixed assets	-	12,443
Historical cost surplus after tax	1,351	12,897
Actuarial gain/(loss) on pension fund	616	(435)

2.2 Reserves

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

	2006/07	2005/06	Increase/ (decrease)
	£'000	£'000	£'000
Strategic reserves	414	414	-
Project reserves	795	647	148
Specific reserves	3,615	4,129	(514)
General reserves	14,276	11,943	2,333
	<u>19,100</u>	<u>17,133</u>	<u>1,967</u>
Total reserves	<u>19,100</u>	<u>17,133</u>	<u>1,967</u>

2.3 Recent major expenditure on buildings

During 2006/07 the University completed a new Performing Arts Studio at a cost of £5,400,000 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.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

2.4 Financial strategy

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 Performing Arts Studio 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 which are considered unsuitable as university accommodation for the long term. As part of the sale agreement the University will continue to occupy the site until September 2009.
- The University is considering a range of options for the acquisition of new academic teaching space and additional student residential accommodation but is also formulating contingency arrangements for dealing with any modest shortfall in accommodation which may arise from September 2009.
- During the year the University utilised £2,200,000 of HEFCE Learning & Teaching, and Research capital allocations on the following:
 - Developing new IT networking infrastructure and Open Access facilities
 - Establishing and equipping a major new IT server room
 - Building a new substation and generator unit
 - Carrying out significant refurbishment at the University's Sion Hill campus.
 - Transferring some £184,926 to FE partner Colleges for investment in infrastructure.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

2.6 Short term and imminent developments *(continued)*

- On 1 August 2006 the University successfully implemented a new pay framework agreement that established a single new pay spine for all but the most senior University staff in 2006/07.

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 cost 2.5% of the pay bill (£375,000), and job evaluation and regradings cost a further 3% (£450,000). This was in addition to the 3.5% annual pay award applied to the HERA pay spine in 2006/07.

These additional costs were 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.

- In 2006/07 the University charged the full £3,000 tuition fee for all new entrants for full time foundation, undergraduate and PGCE courses, and introduced a system of bursaries for all students paying the new fee. The higher fees contributed towards an increase in total fee income (full-time students) of £3,340,000 in the year.

PGCE students paying the £3,000 fee and studying secondary shortage subjects received fixed bursaries of £1,800. All other PGCE students paying the £3,000 fee received fixed bursaries of £1,150. In addition a number of scholarships worth up to £1,000 were available to students studying in science-based subjects. In all, some £1,027,000 was paid out to students in bursaries and scholarships.

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 2007, 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 & 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 & 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 do meet with the External Auditors and the Internal 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 2007 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

31 October 2007

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 2007, 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, as a governing body, in accordance with Section 20 of Schedule 2 of the Further and Higher Education Act 1992. Our audit work will be undertaken so that we might state to the Institute's members those matters we are required to state to them in an auditors' report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Institute and the Institute's members as a governing body, for our audit work, for the audit report, or for the opinions we form.

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 on pages 9 to 12 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 2007 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 2007.

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 2007.



Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Bristol, England
31 October 2007

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 2007.

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 2007

	Note	2007 £'000	2006 £'000
INCOME			
Funding Council grants	1	22,739	22,495
Tuition fees and education contracts	2	10,141	6,801
Research grants and contracts	3	85	305
Other income	4	4,945	4,073
Investment income	5	894	381
Total income		<u>38,804</u>	<u>34,055</u>
EXPENDITURE			
Staff Costs	6	20,221	17,886
Other operating expenses	7	15,665	15,224
Depreciation		1,573	1,216
Interest Payable	8	-	30
Other finance charges	9	131	77
Total expenditure	10	<u>(37,590)</u>	<u>(34,433)</u>
(Deficit)/surplus after depreciation of assets at valuation and before profit on sale of fixed assets and taxation		1,214	(378)
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		1,214	12,065
Taxation	12	-	-
Surplus after depreciation of assets at valuation and after taxation	20	<u>1,214</u>	<u>12,065</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 2007

	2007 £'000	2006 £'000
Surplus after depreciation of assets at valuation and taxation	1,214	12,065
Actuarial gain/(loss) relating to the pension scheme	616	(435)
Principal reimbursed - Bristol City Council loan	-	1,821
Total recognised gains and losses relating to the year	<u>1,830</u>	<u>13,451</u>

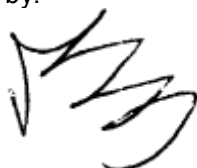
CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2007

	2007 £'000	2006 £'000
Surplus after depreciation of assets at valuation and after taxation	1,214	12,065
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	137	137
Net book value of fixed assets sold during the year	-	695
Historical cost surplus after taxation	<u>1,351</u>	<u>12,897</u>

CONSOLIDATED BALANCE SHEET
At 31 July 2007

	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	14	16,595	15,740
CURRENT ASSETS			
Stocks		67	73
Debtors	16	2,329	14,917
Investments – cash on money market deposit		13,000	4,000
Cash at bank and in hand		7,969	3,070
		<u>23,365</u>	<u>22,060</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(5,879)	(5,984)
NET CURRENT ASSETS		<u>17,486</u>	<u>16,076</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,081	31,816
PROVISIONS FOR LIABILITIES AND CHARGES			
	18	(618)	(586)
NET ASSETS BEFORE PENSION LIABILITY		33,463	31,230
PENSION LIABILITY	21	(4,501)	(4,786)
NET ASSETS AFTER PENSION LIABILITY		<u>28,962</u>	<u>26,444</u>
DEFERRED CAPITAL GRANTS			
	19	4,866	4,181
RESERVES			
Revaluation reserve	20	4,996	5,130
Specific project and strategic reserves	20	4,824	5,190
General reserves	20	14,276	11,943
Total Reserves		<u>24,096</u>	<u>22,263</u>
TOTAL		<u>28,962</u>	<u>26,444</u>

These financial statements were approved by the Board of Governors on 31 October 2007 and signed on its behalf by:



F Morgan
Vice Chancellor



S J Pirie OBE
Chair

UNIVERSITY BALANCE SHEET
At 31 July 2007

	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	14	16,574	15,725
Investments	15	-	-
		<u>16,574</u>	<u>15,725</u>
CURRENT ASSETS			
Stocks		67	69
Debtors	16	2,391	14,968
Investments – cash on money market deposit		13,000	4,000
Cash at bank and in hand		7,968	3,069
		<u>23,426</u>	<u>22,106</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	<u>(5,858)</u>	<u>(5,949)</u>
NET CURRENT ASSETS		<u>17,568</u>	<u>16,157</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,142	31,882
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(618)</u>	<u>(586)</u>
NET ASSETS BEFORE PENSION LIABILITY		33,524	31,296
PENSION LIABILITY	21	<u>(4,501)</u>	<u>(4,786)</u>
NET ASSETS AFTER PENSION LIABILITY		<u>29,023</u>	<u>26,510</u>
DEFERRED CAPITAL GRANTS	19	<u>4,866</u>	<u>4,181</u>
RESERVES			
Revaluation reserve	20	4,996	5,130
Specific project and strategic reserves	20	4,824	5,190
General reserves	20	14,337	12,009
Total Reserves		<u>24,157</u>	<u>22,329</u>
TOTAL		<u>29,023</u>	<u>26,510</u>

These financial statements were approved by the Board of Governors on 31 October 2007 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 2007

	Note	2007 £'000	2006 £'000
Cash flow from operating activities	22	760	(2,783)
Returns on investments and servicing of finance	23	894	351
Capital expenditure and financial investment	24	12,245	(1,255)
Management of liquid resources	25	(9,000)	(4,000)
Financing	26	-	-
Increase/(decrease) in cash in year	27	<u>4,899</u>	<u>(7,687)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 31 July 2007

	2007 £'000	2006 £'000
Increase/(decrease) cash in the year	4,899	(7,687)
Increase in short term deposits	9,000	4,000
Repayment of debt	-	1,821
Change in net funds	<u>13,899</u>	<u>(1,866)</u>
Net funds at 1 August	7,070	8,936
Net funds at 31 July	<u><u>20,969</u></u>	<u><u>7,070</u></u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

1. FUNDING COUNCIL GRANTS

	HEFCE £'000	TDA £'000	2007 £'000	2006 £'000
Recurrent grant	17,177	3,953	21,130	20,283
Specific grant - inherited debt	-	-	-	30
Deferred capital grants released in year:				
- Buildings	731	-	731	1,397
- Equipment	878	-	878	785
	<u>18,786</u>	<u>3,953</u>	<u>22,739</u>	<u>22,495</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	2007 £'000	2006 £'000
Full-time students	8,673	5,323
Full-time students charged overseas fees	1,082	1,089
Part-time fees	386	389
	<u>10,141</u>	<u>6,801</u>

3. RESEARCH GRANTS AND CONTRACTS

	2007 £'000	2006 £'000
Research Councils	3	18
Other grants and contracts	82	287
	<u>85</u>	<u>305</u>

4. OTHER INCOME

	2007 £'000	2006 £'000
Residences, catering and conferences	2,024	1,857
Other income	2,921	2,178
Deferred capital grants released in year:		
- Buildings	-	38
	<u>4,945</u>	<u>4,073</u>

5. INVESTMENT INCOME

	2007 £'000	2006 £'000
Income from short term investments	<u>894</u>	<u>381</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

6. STAFF COSTS	2007	2006
	£'000	£'000
Wages and salaries	16,727	15,155
Social security costs	1,297	1,173
Other pension costs	2,197	1,558
	<u>20,221</u>	<u>17,886</u>
Other pension costs comprise:		
Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	1,241	1,060
Current service cost of defined benefit scheme (LGPS)	956	498
	<u>2,197</u>	<u>1,558</u>
The current service costs of defined benefit scheme comprises:		
Current service costs	956	811
Past service gain	-	(313)
	<u>956</u>	<u>498</u>
Total operating charge	<u>956</u>	<u>498</u>
Average staff numbers by major category (full-time equivalent):	No.	No.
Academic staff	227	225
Hourly- paid lecturers	53	54
Technicians	37	33
Support staff - administration	163	161
Support staff - other	29	25
Support staff - manual workers	56	58
	<u>565</u>	<u>556</u>
Emoluments of the Vice Chancellor and Chief Executive:	£'000	£'000
Remuneration	148	136
Residential emolument	19	18
Benefits in kind	2	2
	<u>169</u>	<u>156</u>
Pension contributions	<u>23</u>	<u>22</u>
Remuneration of higher paid staff excluding Vice Chancellor and Chief Executive		
£70,001 - £80,000	-	1
£80,001 - £90,000	-	2
£90,001 - £100,000	2	2
£100,001 - £110,000	1	-
£110,001 - £120,000	1	-
	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

7. OTHER OPERATING EXPENSES

	2007	2006
	£'000	£'000
Academic equipment and consumables	1,912	2,189
Student Bursaries	1,035	-
Franchise provision	2,100	1,668
Teacher training - school experience	566	655
Office equipment and consumables	1,338	1,334
Telephone and postage	342	297
Advertising and publicity	440	483
Subscriptions	156	167
Agency staff	906	831
Transport, travel and accommodation	911	846
Utilities and insurance	1,190	992
Premises lease costs	919	219
Reactive and cyclical maintenance	1,062	1,277
Planned Maintenance	845	1,619
Refurbishment element of major works	711	1,457
Other expenses	1,232	1,190
	<u>15,665</u>	<u>15,224</u>

	2007	2006
	£'000	£'000
Other operating expenses include:		
Auditors' remuneration - external audit	15	14
- internal audit	16	16
- tax services	2	2
- other services from external audit	2	2
Hire of plant and machinery - operating leases	4	4
Student Union grant	194	188
	<u>194</u>	<u>188</u>

8. INTEREST PAYABLE

	2007	2006
	£'000	£'000
Loans not wholly repayable within five years	-	30
	<u>-</u>	<u>30</u>

9. OTHER FINANCE CHARGES/(INCOME)

	2007	2006
	£'000	£'000
Interest on pension scheme liabilities	852	721
Expected return on pension scheme assets	(721)	(644)
	<u>131</u>	<u>77</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

10. ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY

	Staff costs	Depreciation	Other operating expenses	Other finance charges	Interest Payable	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	12,367	357	5,120	-	-	17,844
Academic services	1,313	344	811	-	-	2,468
Research grants and contracts	67	-	104	-	-	171
Residences, catering and conferences	661	49	836	-	-	1,546
General education expenditure	1,285	2	1,164	-	-	2,451
Premises	813	740	4,475	-	-	6,028
Administration	2,809	47	2,374	131	-	5,361
Staff and student services	456	15	342	-	-	813
Other expenses	450	19	439	-	-	908
	<u>20,221</u>	<u>1,573</u>	<u>15,665</u>	<u>131</u>	<u>-</u>	<u>37,590</u>

The depreciation charge has been funded by:	£'000
Deferred capital grants	807
Revaluation reserve released	137
General income	629
	<u>1,573</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 2007

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

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

	2007 £'000	2006 £'000
University's surplus/(deficit) for the year	1,209	(376)
Surplus/(deficit) incurred and transferred to the University under a deed of covenant by the subsidiary undertaking	5	(2)
Total	<u>1,214</u>	<u>(378)</u>

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 2006						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	5,175	3,038	4,584	4,124	16,921
Additions at cost	-	-	676	683	1,083	2,442
Reclassification	-	3,714	(3,714)	368	(368)	-
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(454)	(343)	(797)
At 31 July 2007	<u>1,600</u>	<u>5,551</u>	<u>-</u>	<u>-</u>	<u>1,289</u>	<u>8,440</u>
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	8,889	-	5,181	4,496	18,566
	<u>1,600</u>	<u>14,440</u>	<u>-</u>	<u>5,181</u>	<u>5,785</u>	<u>27,006</u>
Accumulated depreciation						
At 1 August 2006	261	2,679	-	2,760	3,921	9,621
Reclassification	-	-	-	36	(36)	-
Charge for year	17	305	-	356	895	1,573
Disposals	-	-	-	(449)	(334)	(783)
At 31 July 2007	<u>278</u>	<u>2,984</u>	<u>-</u>	<u>2,703</u>	<u>4,446</u>	<u>10,411</u>
Net book value at 31 July 2007	<u>1,322</u>	<u>11,456</u>	<u>-</u>	<u>2,478</u>	<u>1,339</u>	<u>16,595</u>
At 31 July 2006	<u>1,339</u>	<u>8,047</u>	<u>3,038</u>	<u>1,824</u>	<u>1,492</u>	<u>15,740</u>
Inherited	1,322	3,591	-	-	-	4,913
Financed by capital grant	-	2,390	-	1,548	927	4,865
Other	-	5,475	-	930	412	6,817
Net book value at 31 July 2007	<u>1,322</u>	<u>11,456</u>	<u>-</u>	<u>2,478</u>	<u>1,339</u>	<u>16,595</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

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 2006						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	5,175	3,038	4,564	3,949	16,726
Additions at cost	-	-	676	683	1,063	2,422
Reclassification	-	3,714	(3,714)	387	(387)	-
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(453)	(336)	(789)
At 31 July 2007						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	8,889	-	5,181	4,289	18,359
	1,600	14,440	-	5,181	5,578	26,799
Accumulated depreciation						
At 1 August 2006	261	2,679	-	2,761	3,740	9,441
Reclassification	-	-	-	36	(36)	-
Charge for year	17	305	-	355	882	1,559
Disposals	-	-	-	(448)	(327)	(775)
At 31 July 2007	278	2,984	-	2,704	4,259	10,225
Net book value at 31 July 2007	1,322	11,456	-	2,477	1,319	16,574
At 31 July 2006	1,339	8,047	3,038	1,803	1,498	15,725
Inherited	1,322	3,591	-	-	-	4,913
Financed by capital grant	-	2,390	-	1,548	927	4,865
Other	-	5,475	-	929	392	6,796
Net book value at 31 July 2007	1,322	11,456	-	2,477	1,319	16,574

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 2007

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.

Land and buildings with a net book value of £4,913,000 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	2007	2006
	£	£
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	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade debtors	225	50	225	50
Income receivable from the HEFCE	1,046	880	1,046	880
Amounts due from subsidiary undertaking		-	62	51
Other debtors	459	13,520	459	13,520
Taxation - VAT	-	-	-	-
Prepayments and accrued income	599	467	599	467
	<u>2,329</u>	<u>14,917</u>	<u>2,391</u>	<u>14,968</u>

No debtors were due after more than one year.

In 2006 other debtors included £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 2007

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade creditors	2,105	2,248	2,105	2,248
Taxation and social security	468	429	468	429
Other creditors	509	650	509	650
Accruals and deferred income	2,797	2,657	2,776	2,622
	<u>5,879</u>	<u>5,984</u>	<u>5,858</u>	<u>5,949</u>

There were no creditors falling due after more than one year.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group and University	Enhanced pension provision (Note 21) £'000	Landlords' guarantees provision £'000	Total provisions £'000
At 1 August 2006	552	34	586
Charge to Income and expenditure	60	34	94
Utilised in year	(39)	(23)	(62)
At 31 July 2007	<u>573</u>	<u>45</u>	<u>618</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 2006/07 the University paid £23,000 in respect of unfilled places from a total of 462 study bedrooms. At 31 July 2007 the number of study bedrooms has risen to 541, and a provision of £45,000 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 2007

19. DEFERRED CAPITAL GRANTS

Group and University	HEFCE Buildings £'000	HEFCE Equipment £'000	Other grants Buildings £'000	Total £'000
At 1 August 2006				
Buildings				
Reclassification	2,587	576	1,018	4,181
	(18)	18	-	-
As restated	2,569	594	1,018	4,181
Cash received	263	1,229	-	1,492
Released to income and expenditure account	(186)	(583)	(38)	(807)
At 31 July 2007	2,646	1,240	980	4,866

There are no deferred capital grants in the subsidiary.

20. RESERVES

Group	Revaluation reserve £'000	Specific project and strategic reserves £'000	General reserves £'000	Total £'000
Balance at 1 August	5,130	5,190	11,943	22,263
Opening balance adjustment	3	-	-	3
Surplus for the year	-	-	1,214	1,214
Transfer from specific reserves	-	(366)	366	-
Transfer from revaluation reserve to income and expenditure account	(137)	-	137	-
Actuarial gain on pension fund	-	-	616	616
Balance at 31 July	4,996	4,824	14,276	24,096

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

20. RESERVES *(continued)*

University	Revaluation reserve £'000	Specific project and strategic reserves £'000	General reserves £'000	Total £'000
Balance at 1 August	5,130	5,190	12,009	22,329
Opening balance adjustment	3	-	-	3
Surplus for the year	-	-	1,209	1,209
Transfer from specific reserves	-	(366)	366	-
Transfer from revaluation reserve to income and expenditure account	(137)	-	137	-
Actuarial gain on pension fund	-	-	616	616
Balance at 31 July	4,996	4,824	14,337	24,157

21. 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 £2,197,000 (2005/06 £1,558,000).

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 2007

21. 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. From 1 January 2007 the employer contribution was increased from 13.5% to 14.1%. The total pension cost for the period was £1,241,000 (2005/06 £1,060,000).

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 2007 was £1,089,000 of which employers' contributions totalled £756,000 and employees' contributions totalled £333,000. 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 2004
Valuation method		Projected Unit
Market value of assets at date		£1,475 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 2004 updated to 31 July 2007 by a qualified independent actuary.

	2007	2006	2005	2004
Rate of increase in salaries	4.4%	4.3%	4.0%	3.8%
Rate of increase in pensions in payment	3.2%	3.0%	2.7%	2.8%
Discount Rate	5.8%	5.1%	5.0%	5.7%
Inflation assumption	3.2%	3.0%	2.7%	2.8%

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

21. 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 2007 %	Value at 31 July 2007 £'000	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
Equities	58.5	7,777	7.0	8,666	7.5	7,271
Government Bonds	15.7	2,087	4.4	1,625	4.4	1,370
Other Bonds	5.1	678	5.1	904	5.0	704
Property	9.6	1,276	-	-	-	-
Cash	0.9	120	4.5	252	4.8	171
Other	10.2	1,356	-	-	-	-
		<u>13,294</u>		<u>11,447</u>		<u>9,516</u>

The following amounts at 31 July 2007 were measured in accordance with the requirements of FRS17:

	2007 £'000	2006 £'000	2005 £'000
University estimated share of assets	13,294	11,447	9,516
Present value of scheme liabilities	<u>(17,795)</u>	<u>(16,233)</u>	<u>(13,949)</u>
Deficit in the scheme – Net pension liability	<u>(4,501)</u>	<u>(4,786)</u>	<u>(4,433)</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)

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	378	512
Experience gains and losses on scheme liabilities	-	(309)
Change in financial and demographic assumptions underlying the scheme liabilities	238	(638)
Actuarial gain/(loss) recognised in STRGL	<u>616</u>	<u>(435)</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

21. PENSION COSTS (continued)

Avon Pension Fund (LGPS) (continued)

Movement in deficit during year

	2007 £'000	2006 £'000
Deficit in scheme at 1 August	(4,786)	(4,433)
Movement in year:		
Current service cost	(956)	(498)
Contributions	756	657
Net interest / return on assets	(131)	(77)
Actuarial gain/(loss)	616	(435)
Deficit on scheme at 31 July	<u>(4,501)</u>	<u>(4,786)</u>

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	378	512	978	19	(77)
% of scheme assets	3%	4%	10%	1%	(1%)
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)	616	(435)	(1,330)	(182)	(912)
% of the present value of the scheme liabilities	3%	(3%)	(10%)	(2%)	(10%)

The TPS cost includes an amount in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. An amount of £573,000 (2006: £552,000) 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 2007

22.	RECONCILIATION OF SURPLUS BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2007	2006
		£'000	£'000
	Surplus/(deficit) before taxation and profit on sale of fixed assets	1,214	(378)
	Interest payable	-	30
	Interest receivable	(894)	(381)
	Release of capital grant	(807)	(2,220)
	Depreciation	1,573	1,216
	Decrease/(increase) in stock	6	(9)
	Increase in debtors	(604)	(55)
	Decrease in creditors	(105)	(899)
	Increase/(decrease) in provisions	32	(24)
	Loss on sale of fixed assets	14	19
	Decrease/(increase) in pension fund liability	331	(82)
	Net cash (outflow)/inflow from operating activities	760	(2,783)
23.	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2007	2006
		£'000	£'000
	Interest received	894	381
	Bristol City Council loan interest repayments	-	(30)
	Net cash inflow from returns on investments and servicing of finance	894	351
24.	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2007	2006
		£'000	£'000
	Purchase of tangible fixed assets	(2,442)	(5,230)
	Deferred capital grant received	1,492	3,975
	Proceeds from sale of fixed assets	13,195	-
	Net outflow from capital expenditure and financial investment	12,245	(1,255)
25.	MANAGEMENT OF LIQUID RESOURCES	2007	2006
		£'000	£'000
	Increase in short-term deposits	(9,000)	(4,000)
	Net cash outflow from management of liquid resources	(9,000)	(4,000)

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

26. FINANCING		2007	2006
		£'000	£'000
Bristol City Council loan capital repayments		-	(1,821)
HEFCE reimbursement		-	1,821
Net cash flow from financing		-	-

27. ANALYSIS OF CHANGES IN NET FUNDS			
	At 1 August	Cash flows	At 31 July
	2006	2007	2007
	£'000	£'000	£'000
Cash at bank and in hand	3,070	4,899	7,969
Short term deposits	4,000	9,000	13,000
Net Funds	7,070	13,899	20,969

28. CAPITAL COMMITMENTS		2007	2006
		£'000	£'000
Capital commitments		-	574
Authorised but not contracted		-	-
		-	574

29. FINANCIAL COMMITMENTS

At 31 July 2007 the Group and University had annual commitments under non-cancellable operating leases as follows:

Other	2007	2006
	£'000	£'000
Expiring within one year	-	4
Expiring within one to five years	822	-
	822	4

Operating leases includes £818,000 in respect of Somerset Place that was sold in July 2006 on a sale and leaseback arrangement which enables the University continued occupation of the premises until 30 September 2008, with an option to extend occupation for a further 12 months at an annual cost of £950,000.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

30. 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.

31. ACCESS FUNDS

	2007 £'000	2006 £'000
Funding Council Grants	375	500
Interest Earned	8	6
Less Administration Fee	(9)	-
	<u>374</u>	<u>506</u>
Disbursed to Students	(374)	(506)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	-	-

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

32. OTHER FUNDS

	2007 £'000	2006 £'000
HEFCE Opportunity Bursary	-	21
Disbursed to Students	-	(20)
	<u>-</u>	<u>1</u>
Balance unspent at 31 July	-	1

NOTES TO THE ACCOUNTS
For the year ended 31 July 2007

33. TRAINING & DEVELOPMENT AGENCY FOR SCHOOLS BURSARIES

Teacher Training Bursaries

	2007 £'000	2006 £'000
Funds Received	2,966	2,600
Disbursed to Students	(2,699)	(2,284)
	<u>267</u>	<u>316</u>
Balance unspent at 31 July	<u>267</u>	<u>316</u>

Secondary Subject Shortage Scheme

	2007 £'000	2006 £'000
Funds Received	19	170
Disbursed to Students	(19)	(122)
	<u>-</u>	<u>48</u>
Balance unspent at 31 July	<u>-</u>	<u>48</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.