

# **BATH SPA UNIVERSITY**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

*Year ended 31 July 2008*

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## UNIVERSITY INFORMATION

Governors	Mr I Ahluwalia Mr J Amey Mr J Anderson (to 30 June 2008) Mr J Cozens-Smith (from 1 July 2008) Professor J Brown Ms C Bull Mr A Harris Professor P Luna Professor F Morgan (Vice Chancellor and Chief Executive) Mr P Parker (Deputy Chair) Mr I Phillips Ms S Pirie (Chair) Mr M Roy Professor G Smith Ms M Toman Ms S Talbot-Williams (to 30 April 2008) Mr M van de Woestyne (formerly Croker) Cllr C Watt (from 31 October 2007)
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 Hartwell House 55-61 Victoria Street Bristol BS1 6FT
Bankers	National Westminster Bank PLC Old Bank Branch Bath Business Centre Bath BA1 5AH
Solicitors:	Burges Salmon Narrow Quay House Narrow Quay Bristol BS1 4AH
Address for Enquiries:	Bath Spa University Newton Park Newton St Loe Bath BA2 9BN

## REPORT OF THE BOARD OF GOVERNORS

The members present their report and the audited financial statements for the year ended 31 July 2008.

### Glossary

BA	Bachelor of Arts
BSc	Bachelor of Science
BSU	Bath Spa University
DDA	Disability Discrimination Act
EU	European Union
FE	Further Education
FdA	Foundation Degree Arts
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HEFCE	Higher Education Funding Council for England
IT	Information Technology
MA	Master of Arts
Ofsted	Office for Standards in Education
PCET	Post Compulsory Education and Training
QAA	Quality Assurance Agency
RAE	Research Assessment Exercise
TDA	Training & Development Agency for Schools

## 1. OPERATING AND FINANCIAL REVIEW

### 1.1 Nature Objectives and Strategies:

#### (i) Legal status

The Corporation was founded in 1947, and incorporated under the Education Reform Act 1988. Bath Spa University is an exempt charity for the purposes of the Charities Act 1993.

The Corporation was incorporated as Bath College of Higher Education and in 1999 adopted the named of Bath Spa University College. In March 2005 the institution won university status, and became Bath Spa University in August 2005.

#### (ii) Mission

Bath Spa University aims

*“to be an outstanding and distinctive university that provides a student experience of the highest quality driven by excellence in scholarship and teaching.”*

#### (iii) Strategic Objectives

The university has 15 strategic objectives (SOs) in support of its mission. These are to:

- Continue to improve the quality and relevance of our academic provision.
- Match the curriculum to the needs and requirements of students.
- Deliver a high quality of student experience.
- Develop performance indicators relevant to a teaching-led university and to use these to secure our position as a major teaching-led university.
- Continue with our policy of seeking a modest growth in student numbers.
- Work in partnership with other local universities, colleges, other publicly funded agencies and business.

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

- Ensure equality of opportunity for staff and students and to widen overall access to the university.
- Promote the transition between FE and HE.
- Undertake research and scholarly activity in support of our teaching mission and to seek research degree awarding powers.
- Increase the number of international students at the university
- Raise the university's profile in the UK and abroad.
- Recruit and retain the highest quality staff.
- Continue to administer our financial and other assets in a sound, business like fashion.
- Reduce, reuse and recycle wastes and to maintain and enhance biodiversity.
- Provide accommodation of appropriate quality and quantity.

The university is on target for achieving these objectives.

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

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

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

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

### **(v) Performance indicators**

The university has adopted 25 performance indicators that enable it to assess the institution's performance year-on-year and against other universities nationally and within its adopted peer group. The performance indicators adopted by the university include student/staff ratios, student-centred indicators including: student retention, computers and IT spend per student, student employability, student satisfaction surveys, and applicants per place. Other performance indicators adopted include widening participation, as well as financial indicators including net income/total income and staff costs/total income. The university has performed particularly well in 2007/08 in terms of student-centred and financial performance indicators. It has also identified those areas where there is scope for improvement and has implemented plans to ensure these areas are brought up to the high standard of other performance indicators. An example of which is the appointment in February 2008 of a new head of student employability.

In September 2007 the Sunday Times "league table" ranked BSU 70th out of the 130 Higher Education Institutions listed (73rd in September 2006).

**REPORT OF THE BOARD OF GOVERNORS (continued)****1.2 Financial Position****(i) Financial results**

The University is operating successfully, ensuring that necessary resourcing is in place for all its major activities. The consolidated income, expenditure and results for the year to 31 July 2008 are summarised as follows:

	<b>2007/08</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Income	44,833	38,804
Expenditure	(41,506)	(37,590)
Release from revaluation reserve	137	137
Historical cost surplus after tax	3,464	1,351
Actuarial (loss)/gain on pension fund	(4,190)	616

Tangible fixed asset additions during the year amounted to £1,247,000. This was split between improvements to leasehold buildings £123,000, building improvements £437,000 and equipment purchased of £687,000. Building improvements included planning and design fees of £235,000 in respect of a major reconfiguration of the University's Sion Hill campus, which will be completed in September 2009 at a total cost of £3,500,000.

The University has significant reliance on the HEFCE for its principal funding source, largely from recurrent grants. In 2007/08 HEFCE provided 47% of the University's total income.

The University has a subsidiary company, Bath Spa University Limited. The principal activities of Bath Spa University Limited are conference lettings and consultancy. Any surpluses generated by the subsidiary are transferred to the University under deed of covenant. In the current year, the company incurred a loss of £24,783.

**(ii) Treasury policies and objectives**

Treasury management is the management of the University's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The University has a treasury management policy in place. Surplus cash is placed with a number of highly-rated counterparty banks. Any borrowing by the university must first be specifically agreed by the Board of Governors

**(iii) Cash flows**

At £2.12 million (2006/07 £0.77 million), operating cash in flow before the receipt of £14.4 million in respect of the buy-out of inherited liabilities at Corsham Court, was reasonably strong and reflects the high operating surplus achieved in the year.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### (iv) Liquidity

In January 2008 the University received £14,400,000 from HEFCE in respect of the buy out of inherited liabilities at Corsham Court. This receipt resulted in an increase in cash and short-terms deposits from £20,969,000 in July 2007 to £38,119,000 at July 2008. The amount received of £14,400,000 has been treated in the University's financial statements as deferred income, and each year part of the balance will be released to income to cover the key costs associated with the lease at Corsham Court.

## 1.3 Current and Future Development and Performance

### (i) Student numbers

The University continues to be popular with students and to recruit extremely well. Applications increased in 2007 by 22.2% against an increase of just 6.1% for the sector as a whole, increasing our applications: places ratio to 7.5:1, well above the average of our peer group of 5.6:1. 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 2007/08 was just over 5,450 FTE (5,200 FTE in 2006/07).

The University continues to win a high proportion of student numbers via a competitive bidding process with HEFCE. Amongst other successes during 2007/08 the University attracted funding for a total additional 229 full-time places from HEFCE (154 for Foundation Degrees and 75 for Honours Degrees). 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.

### (ii) Academic developments

The major academic developments in 2007/08 were:

- During the year QAA concluded the scrutiny of the University's application for research degree-awarding powers, and recommended to the Privy Council that the University had met the Secretary of State's criteria. Accordingly the Privy Council granted research degree awarding powers to the University from 7 July 2008. This represents the final step in the University's gradual assumption of responsibility for all its awards.
- The University was also subject to the separate process of academic audit in the course of the year, with visits from QAA appointed auditors in January and March. The resulting report was outstandingly positive. There were a series of commendations for university practices. The recommendations in QAA audit reports fall into three categories of urgency and seriousness: matters for "essential" action; matters for "advisable" action; and matters for "desirable" action. The auditors' recommendations for the University fell into the third and mildest category only. Of all the reports published under the present method for academic audit to date, only one other contains no "essential" or "advisable" recommendations.

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

- Ofsted’s report on Primary teacher training was published at the start of the year, and represented an outstanding achievement by the School of Education and the partner primary schools with which it works. The provision was rated in the highest category by Ofsted in its previous report: the new report states explicitly that the inspectors found improvements even on the previous high standard. The grade was again “1”. Perhaps just as important, on the basis of this achievement the University allocation category was raised to “A” by the Training and Development Agency, protecting primary teacher training student numbers into the future.
- Ofsted also inspected the University’s provision for Further Education Teacher Training (FETT), managed by the School of Development and Participation. Here again the University in collaboration with its partners scored an outstanding result, with another grade “1”, in this method too the highest grade available. The final report has yet to be published, but the grade has been moderated and so is fixed. This provision is inherently hard to manage, since almost all the delivery is done by staff who are not directly under University management. Grades of other inspected providers have typically been low: very few grades of “1” Have been awarded. For both these reasons this represents an excellent achievement for the School and the University.
- The University made its return to HEFCE’s “Research Assessment Exercise” on time in December 2007. This entailed a very considerable data-gathering exercise across all those departments submitted: as in previous RAEs, Biology, Geography, Education, English, Study of Religions, History, Art and Design, Media Studies, and Music entered; in 2008, Psychology entered for the first time. Results of the exercise, on which future of HEFCE research funding will be based, are due to be announced in December 2008.
- The following courses were approved in the course of the year, and will begin delivery in 2008/9. The new degree in BA (Hons) Early Years Education will be the first fully work-based provision we have developed.

Bath School of Art and Design	BA (Hons) Fashion Design; MA Investigating Fashion Design
Education/ Development & Participation	BA (Hons) Early Years Education (work-based)
English & Creative Studies	FdA Professional Writing; BA Creative Media Practice
Music & Performing Arts	FdA Professional Musicianship (to be delivered at Brighton Institute of Modern Music, Bristol); MA Composition Sonic Art/ Multimedia/Acoustic ; FdA Musical Theatre
Social Sciences	BSc Health and Social Care Management (3rd year top-up)

**(iii) Resources***Financial*

The University has net assets of £27.4 million, net of a £9.1million pension liability.

## REPORT OF THE BOARD OF GOVERNORS (continued)

### *People*

The university employs 606 people (expressed as full time equivalents), of whom 299 are teaching staff.

### *Reputation*

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

### **(iv) Capital Projects**

- 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.
- During the year the University utilised £540,000 of HEFCE Learning & Teaching, Capital Investment Fund, and Research capital allocations on the following:
  - Developing new IT networking infrastructure and Open Access facilities
  - Equipping a major new IT server room
  - Completing a new substation and generator unit
  - Improving access in line with DDA
  - Carrying out significant refurbishment at the University's Sion Hill campus
- The University is undertaking a major reconfiguration of teaching accommodation at its Sion Hill campus that will be completed in September 2009 at a cost of £3,500,000.
- The University is also considering a range of options for the development of new academic teaching space at Newton Park. The University also plans to purchase additional student residential accommodation adjacent to Sion Hill.
- The University has held discussions with Unite to secure nomination rights regarding the planned development of a new 320 student bedroom accommodation facility for Bath Spa University students. The new building is adjacent to a similar unit at Waterside Court that is also used by Bath Spa students.

### **1.4 Principal Risks and Uncertainties**

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

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

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

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

The greatest risk to the University is that of its

*Building Portfolio not being adequate to support likely future development opportunities.*

The University needs to secure space adequate in size and quality for its development plans for its long term future. A great deal of management attention is currently being focussed on this issue and the Board has received presentations and a large number of papers on this subject.

### **1.5 Creditor Payment Policy**

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

### **1.6 Stakeholder Relationships**

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

- Students;
- Funding Councils;
- Staff;
- local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- other universities
- other FE institutions;
- Trade unions;
- professional bodies.

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

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

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

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

### 2. Corporate governance

#### 2.1 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 2008, 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.

#### 2.2 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.

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.

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

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

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.

### **2.3 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
- 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.

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

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

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.

In April 2006 the Board of Governors carried out an effectiveness review, the results of which have been published on the University's web-site. Whilst the review identified a small number of action points, there was general acceptance that the Board's affairs are conducted in a professional, independent and business-like manner.

### **2.4 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 2008 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)*

### 2.4 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

5 November 2008

## **Report of the independent auditors to the governing body of University of Bath Spa**

We have audited the group and university financial statements (the 'financial statements') of Bath Spa University for the year ended 31 July 2008 which comprise the consolidated income and expenditure account, the consolidated and university balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes on pages 22 to 38. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body, in accordance with the charter and statutes of the university and section 124B of the Education Reform Act 1988]. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the University's Board of Governors and auditors**

The governing body's responsibilities for preparing the financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 10 and 11.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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 and are properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the university have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England and the Training and Development Agency for Schools. We also report to you whether in our opinion the Report of the Governors is not consistent with the financial statements, if the university 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 Report of the Governors and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

## Report of the independent auditors to the governing body of University of Bath Spa (continued)

### Basis of opinion

We have conducted our audit in accordance with the 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 governing body in preparing the financial statements and whether the accounting policies are appropriate to the group and university's circumstances, consistently applied and adequately disclosed.

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary 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 have 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the university and the group as at 31 July 2008 and of the group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the funding council and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the university during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the university's statutes and, where appropriate, with the financial memorandum with the funding council and the funding agreement with the Training and Development Agency for Schools.

Grant Thornton UK LLP  
Registered Auditor and  
Chartered Accountants  
Bristol  
5 November 2008

## **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 2008.

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 <sup>1/3</sup> % per annum

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

**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.

**Deferred Income**

In January 2008 the University received £14,400,000 from HEFCE in respect of buy out of inherited liabilities at Corsham Court. This sum was recognised in the financial statements as deferred income. Over the remaining 59 years of the Corsham Court lease, interest will be added annually to the deferred income account whilst a sum will be released to revenue annually to match expenditure on the inherited liability.

**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.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 July 2008**

	Note	2008 £'000	2007 £'000
<b>INCOME</b>			
Funding Council grants	1	25,240	22,739
Tuition fees and education contracts	2	13,445	10,141
Research grants and contracts	3	158	85
Other income	4	4,662	4,945
Investment income	5	1,328	894
<b>Total income</b>		<u>44,833</u>	<u>38,804</u>
<b>EXPENDITURE</b>			
Staff Costs	6	22,270	20,221
Other operating expenses	7	17,444	15,665
Depreciation		1,642	1,573
Other finance charges	8	150	131
<b>Total expenditure</b>	9	<u>(41,506)</u>	<u>(37,590)</u>
<b>Surplus after depreciation of assets at valuation and before taxation</b>		3,327	1,214
Taxation	10	-	-
<b>Surplus after depreciation of assets at valuation and after taxation</b>	19	<u>3,327</u>	<u>1,214</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 2008**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Surplus after depreciation of assets at valuation and taxation	3,327	1,214
Actuarial (loss)/gain relating to the pension scheme	(4,190)	616
<b>Total recognised losses and gains and relating to the year</b>	<u>(863)</u>	<u>1,830</u>

**CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**For the year ended 31 July 2008**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Surplus after depreciation of assets at valuation and after taxation	3,327	1,214
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	137	137
<b>Historical cost surplus after taxation</b>	<u>3,464</u>	<u>1,351</u>

**CONSOLIDATED BALANCE SHEET**  
**At 31 July 2008**

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	16,187	16,595
<b>CURRENT ASSETS</b>			
Stocks		69	67
Debtors	14	1,524	2,329
Investments – cash on money market deposit		29,000	13,000
Cash at bank and in hand		9,119	7,969
		39,712	23,365
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(4,385)	(5,879)
<b>NET CURRENT ASSETS</b>		35,327	17,486
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		51,514	34,081
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(14,343)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(638)	(618)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		36,533	33,463
<b>PENSION LIABILITY</b>	20	(9,110)	(4,501)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		27,423	28,962
<b>DEFERRED CAPITAL GRANTS</b>	18	4,190	4,866
<b>RESERVES</b>			
Revaluation reserve	19	4,859	4,996
General reserves	19	18,374	19,100
Total Reserves		23,233	24,096
<b>TOTAL</b>		27,423	28,962

These financial statements were approved by the Board of Governors on 5 November 2008 and signed on its behalf by:

F Morgan  
Vice Chancellor

S J Pirie OBE  
Chair

**UNIVERSITY BALANCE SHEET**  
**At 31 July 2008**

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	16,172	16,574
Investments	13	-	-
		<u>16,172</u>	<u>16,574</u>
<b>CURRENT ASSETS</b>			
Stocks		69	67
Debtors	14	1,610	2,391
Investments – cash on money market deposit		29,000	13,000
Cash at bank and in hand		9,118	7,968
		<u>39,797</u>	<u>23,426</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(4,370)</u>	<u>(5,858)</u>
<b>NET CURRENT ASSETS</b>		<u>35,427</u>	<u>17,568</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		51,599	34,142
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(14,343)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(638)</u>	<u>(618)</u>
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		36,618	33,524
<b>PENSION LIABILITY</b>	20	<u>(9,110)</u>	<u>(4,501)</u>
<b>NET ASSETS AFTER PENSION LIABILITY</b>		<u>27,508</u>	<u>29,023</u>
<b>DEFERRED CAPITAL GRANTS</b>	18	<u>4,190</u>	<u>4,866</u>
<b>RESERVES</b>			
Revaluation reserve	19	4,859	4,996
General reserves	19	18,459	19,161
Total Reserves		<u>23,318</u>	<u>24,157</u>
<b>TOTAL</b>		<u>27,508</u>	<u>29,023</u>

These financial statements were approved by the Board of Governors on 5 November 2008 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 2008**

	Note	2008 £'000	2007 £'000
<b>Cash flow from operating activities</b>	21	16,527	760
Returns on investments and servicing of finance	22	1,328	894
Capital expenditure and financial investment	23	(705)	12,245
Management of liquid resources	24	(16,000)	(9,000)
<b>Increase in cash in year</b>	25	<u>1,150</u>	<u>4,899</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
**For the year ended 31 July 2008**

	2008 £'000	2007 £'000
Increase in cash in the year	1,150	4,899
Increase in short term deposits	16,000	9,000
Change in net funds	<u>17,150</u>	<u>13,899</u>
Net funds at 1 August	20,969	7,070
<b>Net funds at 31 July</b>	<u>38,119</u>	<u>20,969</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**1. FUNDING COUNCIL GRANTS**

	<b>HEFCE £'000</b>	<b>TDA £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Recurrent grant	19,442	4,117	23,559	21,130
Inherited liability grant released in year	501	-	501	-
Deferred capital grants released in year:				
- Buildings	484	-	484	731
- Equipment	696	-	696	878
	<u>21,123</u>	<u>4,117</u>	<u>25,240</u>	<u>22,739</u>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Full-time students	11,951	8,673
Full-time students charged overseas fees	1,085	1,082
Part-time fees	409	386
	<u>13,445</u>	<u>10,141</u>

**3. RESEARCH GRANTS AND CONTRACTS**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Research Councils	13	3
Other grants and contracts	145	82
	<u>158</u>	<u>85</u>

**4. OTHER INCOME**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Residences, catering and conferences	2,148	2,024
Other income	2,476	2,921
Deferred capital grants released in year:		
- Buildings	38	-
	<u>4,662</u>	<u>4,945</u>

**5. INVESTMENT INCOME**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Income from short term investments	<u>1,328</u>	<u>894</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

<b>6. STAFF COSTS</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	18,295	16,727
Social security costs	1,391	1,297
Other pension costs	2,584	2,197
	<u>22,270</u>	<u>20,221</u>
Other pension costs comprise:		
Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	1,421	1,241
Current service cost of defined benefit scheme (LGPS)	1,163	956
	<u>2,584</u>	<u>2,197</u>
Average staff numbers by major category (full-time equivalent):		
	<b>No.</b>	<b>No.</b>
Academic staff	237	227
Hourly- paid lecturers	62	53
Technicians	37	37
Support staff - administration	184	163
Support staff - other	29	29
Support staff - manual workers	57	56
	<u>606</u>	<u>565</u>
Emoluments of the Vice Chancellor and Chief Executive:		
	<b>£'000</b>	<b>£'000</b>
Remuneration	156	148
Residential emolument	19	19
Benefits in kind	-	2
	<u>175</u>	<u>169</u>
Pension contributions	<u>24</u>	<u>23</u>
Remuneration of higher paid staff excluding Vice Chancellor and Chief Executive		
£90,001 - £100,000	-	2
£100,001 - £110,000	3	1
£110,001 - £120,000	1	1
	<u>4</u>	<u>4</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**7. OTHER OPERATING EXPENSES**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Academic equipment and consumables	1,753	1,912
Student Bursaries	1,433	1,035
Franchise provision	2,328	2,100
Teacher training - school experience	583	566
Office equipment and consumables	1,347	1,338
Telephone and postage	324	342
Advertising and publicity	513	440
Subscriptions	195	156
Agency staff	855	906
Transport, travel and accommodation	978	911
Utilities and insurance	1,036	1,190
Premises lease costs	946	919
Reactive and cyclical maintenance	1,452	1,062
Planned Maintenance	1,238	845
Refurbishment element of major works	787	711
Other expenses	1,676	1,232
	<hr/>	<hr/>
Total	17,444	15,665
	<hr/> <hr/>	<hr/> <hr/>

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Other operating expenses include:		
Auditors' remuneration		
- external audit	17	15
- internal audit	17	16
- tax services	5	2
- other services from external audit	1	2
Hire of plant and machinery - operating leases	4	4
Student Union grant	218	194
	<hr/>	<hr/>

**8. OTHER FINANCE CHARGES/(INCOME)**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Interest on pension scheme liabilities	1,070	852
Expected return on pension scheme assets	(920)	(721)
	<hr/>	<hr/>
Net charge	150	131
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**9. ANALYSIS OF 2007/08 EXPENDITURE BY ACTIVITY**

	Staff costs	Depreciation	Other operating expenses	Other finance charges	Total
	£'000	£'000	£'000	£'000	£'000
Academic departments	13,327	348	5,103	-	18,778
Academic services	1,456	436	1,033	-	2,925
Research grants and contracts	112	-	116	-	228
Residences, catering and conferences	781	47	956	-	1,784
General education expenditure	1,529	1	1,383	-	2,913
Premises	883	750	5,172	-	6,805
Administration	3,163	26	2,840	150	6,179
Staff and student services	542	15	331	-	888
Other expenses	477	19	510	-	1,006
	<u>22,270</u>	<u>1,642</u>	<u>17,444</u>	<u>150</u>	<u>41,506</u>

	£'000
The depreciation charge has been funded by:	
Deferred capital grants	823
Revaluation reserve released	137
General income	682
	<u>1,642</u>

**10. TAXATION**

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

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

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

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
University's surplus for the year	3,351	1,209
(Deficit)/surplus incurred and transferred to the University under a deed of covenant by the subsidiary undertaking	(24)	5
Total	<u>3,327</u>	<u>1,214</u>

**12. TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings</b>	<b>Long leasehold properties</b>	<b>Assets under construct- ion</b>	<b>Building improve- ments</b>	<b>Fixtures, equip- ment and vehicles</b>	<b>Total</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>						
At 1 August 2007						
Valuation	1,600	5,551	-		1,289	8,440
Cost	-	8,889	-	5,181	4,496	18,566
Additions at cost	-	123	-	437	687	1,247
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(6)	(369)	(375)
At 31 July 2008	<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	-	9,012	-	5,612	4,814	19,438
	<u>1,600</u>	<u>14,563</u>	<u>-</u>	<u>5,612</u>	<u>6,103</u>	<u>27,878</u>
<b>Accumulated depreciation</b>						
At 1 August 2007	278	2,984	-	2,703	4,446	10,411
Charge for year	17	307	-	368	950	1,642
Disposals	-	-	-	(6)	(356)	(362)
At 31 July 2008	<u>295</u>	<u>3,291</u>	<u>-</u>	<u>3,065</u>	<u>5,040</u>	<u>11,691</u>
<b>Net book value at 31 July 2008</b>	<u>1,305</u>	<u>11,272</u>	<u>-</u>	<u>2,547</u>	<u>1,063</u>	<u>16,187</u>
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>
Inherited	1,305	3,471	-	-	-	4,776
Financed by capital grant	-	2,331	-	1,380	478	4,189
Other	-	5,470	-	1,167	585	7,222
<b>Net book value at 31 July 2008</b>	<u>1,305</u>	<u>11,272</u>	<u>-</u>	<u>2,547</u>	<u>1,063</u>	<u>16,187</u>

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2008

12. 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
<b>Cost or valuation</b>						
At 1 August 2007						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	8,889	-	5,181	4,289	18,359
Additions at cost	-	123	-	437	680	1,240
Reclassification	-	-	-	-	-	-
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(6)	(363)	(369)
At 31 July 2008						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	9,012	-	5,612	4,606	19,230
	1,600	14,563	-	5,612	5,895	27,670
<b>Accumulated depreciation</b>						
At 1 August 2007	278	2,984	-	2,704	4,259	10,225
Reclassification	-	-	-	-	-	-
Charge for year	17	307	-	368	937	1,629
Disposals	-	-	-	(6)	(350)	(356)
At 31 July 2008	295	3,291	-	3,066	4,846	11,498
<b>Net book value at 31 July 2008</b>	1,305	11,272	-	2,546	1,049	16,172
At 31 July 2007	1,322	11,456	-	2,477	1,319	16,574
Inherited	1,305	3,471	-	-	-	4,776
Financed by capital grant	-	2,331	-	1,380	478	4,189
Other	-	5,470	-	1,166	571	7,207
<b>Net book value at 31 July 2008</b>	1,305	11,272	-	2,546	1,049	16,172

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 2008

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

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

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

Land and buildings with a net book value of £4,776,000 have been funded from Treasury sources. Should these particular properties be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the financial memorandum with the Higher Education Funding Council for England.

**Equipment**

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

<b>13. INVESTMENTS</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
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.

<b>14. DEBTORS</b>	<b>Group</b>		<b>University</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	238	225	238	225
Income receivable from the HEFCE	-	1,046	-	1,046
Amounts due from subsidiary undertaking		-	107	62
Other debtors	772	459	751	459
Prepayments and accrued income	514	599	514	599
	<u>1,524</u>	<u>2,329</u>	<u>1,610</u>	<u>2,391</u>

No debtors were due after more than one year.

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

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

	Group		University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade creditors	1,731	2,105	1,731	2,105
Taxation and social security	31	468	31	468
Other creditors	550	509	550	509
Accruals and deferred income	2,073	2,797	2,058	2,776
	<u>4,385</u>	<u>5,879</u>	<u>4,370</u>	<u>5,858</u>

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

	Group		University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Accruals and deferred income	14,343	-	14,343	-

In January 2008 the University received £14,400,000 from HEFCE in respect of buy out of inherited liabilities at Corsham Court. This sum was recognised in the financial statements as deferred income. During the year interest earned on the settlement amounting to £444,000 was credited to the deferred income account, whilst some £501,000 was released to revenue to match expenditure incurred on inherited liabilities.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

Group and University	Enhanced pension provision (Note 20) £'000	Landlords' guarantees provision £'000	Total provisions £'000
At 1 August 2007	573	45	618
Charge to Income and expenditure	62	44	106
Utilised in year	(41)	(45)	(86)
At 31 July 2008	<u>594</u>	<u>44</u>	<u>638</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 2007/08 the University paid £45,000 in respect of unfilled places from a total of 541 study bedrooms. At 31 July 2008 the number of study bedrooms fell to 532, and a provision of £44,000 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 2008

**18. DEFERRED CAPITAL GRANTS**

Group and University	<b>HEFCE Buildings £'000</b>	<b>HEFCE Equipment £'000</b>	<b>Other grants Buildings £'000</b>	<b>Total £'000</b>
At 1 August 2007	2,646	1,240	980	4,866
Cash received	296	246	-	542
Released to income and expenditure account	(483)	(696)	(39)	(1,218)
At 31 July 2008	<u>2,459</u>	<u>790</u>	<u>941</u>	<u>4,190</u>

There are no deferred capital grants in the subsidiary.

**19. RESERVES**

<b>Group</b>	<b>Revaluation reserve £'000</b>	<b>General reserves £'000</b>	<b>Total £'000</b>
Balance at 1 August 2007	4,996	19,100	24,096
Surplus for the year	-	3,327	3,327
Transfer from revaluation reserve to income and expenditure account	(137)	137	-
Actuarial (loss)/gain on pension fund	-	(4,190)	(4,190)
<b>Balance at 31 July 2008</b>	<u>4,859</u>	<u>18,374</u>	<u>23,233</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

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

<b>University</b>	<b>Revaluation reserve £'000</b>	<b>General reserves £'000</b>	<b>Total £'000</b>
Balance at 1 August 2007	4,996	19,161	24,157
Surplus for the year	-	3,351	3,351
Transfer from revaluation reserve to income and expenditure account	(137)	137	-
Actuarial (loss)/gain on pension fund	-	(4,190)	(4,190)
<b>Balance at 31 July 2008</b>	<u>4,859</u>	<u>18,459</u>	<u>23,318</u>

**20. PENSION COSTS**

The University's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, Avon Pension Fund, (LGPS). The total pension cost for the period was £2,584,000 (2006/07 £2,197,000).

**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 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	4.5% per annum
Market value of assets at date of last valuation	£163,240 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**20. PENSION COSTS** (continued)

For the year ended 31 July 2008 the employer contribution rate was 14.1%. the total pension cost for the period was £1,421,000. (£1,241,000)

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 2008 was £1,290,000 of which employers' contributions totalled £894,000 and employees' contributions totalled £396,000. The agreed contribution rates for future years are 15.9% for employers, and salary-determined rates for employees ranging from 5.5% - 7.5%. 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 2007
Valuation method		Projected Unit
Market value of assets at date		£2,184 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 2008 by a qualified independent actuary.

	2008	2007	2006	2005	2004
Rate of increase in salaries	5.1%	4.4%	4.3%	4.0%	3.8%
Rate of increase in pensions in payment	3.8%	3.2%	3.0%	2.7%	2.8%
Discount Rate	5.9%	5.8%	5.1%	5.0%	5.7%
Inflation assumption	3.8%	3.2%	3.0%	2.7%	2.8%

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**20. PENSION COSTS** (continued)

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

	<b>2008</b>	<b>2007</b>
<i>Retiring today</i>		
Males	21.1	19.7
Females	22.6	24.0
<i>Retiring in 20 years</i>		
Males	22.2	22.2
Females	25.0	25.0

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

	Long term rate of return expected at 31 July 2008 %	Value at 31 July 2008 £'000	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
Equities	61.7	8,477	7.0	7,777	7.0	8,666
Government Bonds	17.4	2,390	4.4	2,087	4.4	1,625
Other Bonds	5.2	714	5.1	678	5.1	904
Property	-	-	-	1,276	-	-
Cash	4.9	673	4.5	120	4.5	252
Other	10.8	1,484	-	1,356	-	-
		<u>13,738</u>		<u>13,294</u>		<u>11,447</u>

The following amounts at 31 July 2008 were measured in accordance with the requirements of FRS17:

	<b>2008</b> £'000	<b>2007</b> £'000	<b>2006</b> £'000
University estimated share of assets	13,738	13,294	11,447
Present value of scheme liabilities	(22,848)	(17,795)	(16,233)
Deficit in the scheme – Net pension liability	<u>(9,110)</u>	<u>(4,501)</u>	<u>(4,786)</u>

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

NOTES TO THE ACCOUNTS  
For the year ended 31 July 2008

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

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Current service cost	930	956
Past service cost	233	-
Settlements and curtailments	-	-
	<u>          </u>	<u>          </u>
Total operating charge	<u>1,163</u>	<u>956</u>

**Analysis of amount that is credited to other finance income/charged to interest payable**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Expected return on pension scheme assets	920	720
Interest on pension scheme liabilities	(1,070)	(851)
	-	-
	<u>          </u>	<u>          </u>
Net return/(charge)	<u>(150)</u>	<u>(131)</u>

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Actual return less expected return on pension scheme assets	(1,751)	378
Revaluation of scheme assets	(12)	-
Change in financial and demographic assumptions underlying the scheme liabilities	(2,427)	238
	<u>          </u>	<u>          </u>
Actuarial (loss)/gain recognised in STRGL	<u>(4,190)</u>	<u>616</u>

**Movement in deficit during year**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Deficit in scheme at 1 August	(4,501)	(4,786)
Movement in year:		
Current service cost	(930)	(956)
Past service cost	(233)	-
Contributions	894	756
Net interest / return on assets	(150)	(131)
Actuarial gain/(loss)	(4,190)	616
	<u>          </u>	<u>          </u>
Deficit on scheme at 31 July	<u>(9,110)</u>	<u>(4,501)</u>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**20. PENSION COSTS** (continued)

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
At beginning of the year	17,795	16,233
Current service cost	930	956
Interest cost	1,070	852
Contributions by scheme participants	396	333
Actuarial gains and losses	2,427	(237)
Benefits paid	(3)	(342)
Past service cost	233	-
	<u>22,848</u>	<u>17,795</u>

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
At beginning of the year	13,294	11,448
Expected rate of return on scheme assets	920	720
Actuarial gains and losses	(1,751)	379
Contribution by the employer	894	756
Contributions by scheme participants	396	333
Benefits paid	(3)	(342)
Revaluation of scheme assets at bid price	(12)	-
	<u>13,738</u>	<u>13,294</u>

**History of experience gains and losses**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount (£'000)	(1,751)	378	512	978	19
% of scheme assets	11.8%	3%	4%	10%	1%
<b>Experience gains and losses on scheme liabilities:</b>					
Amount (£'000)	(411)	-	(309)	(401)	-
% of scheme liabilities	(1.8%)	-	(2%)	(3%)	-
<b>Total amount recognised in the statement of total recognised gains and losses:</b>					
Amount (£'000)	(4,190)	616	(435)	(1,330)	(182)
% of the present value of the scheme liabilities	18.3%	3%	(3%)	(10%)	(2%)

## NOTES TO THE ACCOUNTS

For the year ended 31 July 2008

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

The TPS cost includes an amount in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. An amount of £594,000 (2007: £573,000) is included in provisions representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. The provision represents an undiscounted amount as the directors consider the affect of discounting would not have a material effect on the amount provided.

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Surplus before taxation and profit on sale of fixed assets	3,327	1,214
Interest receivable	(1,328)	(894)
Interest credited to inherited liability grant	444	-
Release of inherited liability grant	(501)	-
Release of capital grant	(1,218)	(807)
Depreciation	1,642	1,573
Decrease/(increase) in stock	(2)	6
Decrease/(increase) in debtors	805	(604)
Decrease in creditors	(1,494)	(105)
Increase in provisions	20	32
Loss on sale of fixed assets	13	14
Decrease in pension fund liability	419	331
Receipt of inherited liability grant	14,400	-
<b>Net cash inflow from operating activities</b>	<b>16,527</b>	<b>760</b>

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Interest received	1,328	894
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>1,328</b>	<b>894</b>

**23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Purchase of tangible fixed assets	(1,247)	(2,442)
Deferred capital grant received	542	1,492
Proceeds from sale of fixed assets	-	13,195
<b>Net (outflow)/inflow from capital expenditure and financial investment</b>	<b>(705)</b>	<b>12,245</b>

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

<b>24. MANAGEMENT OF LIQUID RESOURCES</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Increase in short-term deposits	(16,000)	(9,000)
<b>Net cash outflow from management of liquid resources</b>	<b>(16,000)</b>	<b>(9,000)</b>

<b>25. ANALYSIS OF CHANGES IN NET FUNDS</b>	<b>At 1 August</b>	<b>Cash flows</b>	<b>At 31 July</b>
	<b>2007</b>	<b>£'000</b>	<b>2008</b>
	<b>£'000</b>		<b>£'000</b>
Cash at bank and in hand	7,969	1,150	9,119
Short term deposits	13,000	16,000	29,000
Net Funds	<u>20,969</u>	<u>17,150</u>	<u>38,119</u>

<b>26. CAPITAL COMMITMENTS</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Authorised but not contracted	5,600	-

**27. FINANCIAL COMMITMENTS**

At 31 July 2008 the Group and University had annual commitments under non-cancellable operating leases as follows:

<b>Other</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Expiring within one year	-	-
Expiring within one to five years	975	822
	<u>975</u>	<u>822</u>

Operating leases includes £970,000 in respect of Somerset Place that was sold in July 2007 on a sale and leaseback arrangement which enables the University continued occupation of the premises until 30 September 2009, and £5,000 in respect of a 3 year lease of a tractor.

**NOTES TO THE ACCOUNTS**  
For the year ended 31 July 2008

**28. RELATED PARTY TRANSACTIONS**

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

**29. ACCESS FUNDS**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Funding Council Grants	309	375
Interest Earned	5	8
Less Administration Fee	(9)	(9)
	<u>305</u>	<u>374</u>
Disbursed to Students	(305)	(374)
	<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.

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

**Teacher Training Bursaries**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Funds Received	3,462	2,966
Disbursed to Students	(3,157)	(2,699)
	<u>305</u>	<u>267</u>
Balance unspent at 31 July	305	267

**Secondary Subject Shortage Scheme**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Funds Received	-	19
Disbursed to Students	-	(19)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	-	-

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.