

BATH SPA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 July 2009

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UNIVERSITY INFORMATION

Governors

Mr I Ahluwalia
Mr J Amey
Mr J Cozens-Smith
Professor J Brown
Ms C Bull
Mr A Harris
Ms L Ludwell (from 22 November 2008)
Professor P Luna
Revd E Mason (from 22 November 2008)
Professor T Middleton (from 22 November 2008)
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 (to 21 November 2008)
Ms M Toman
Mr M van de Woestyne (formerly Croker to 21 November 2008)
Cllr C Watt

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
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Solicitors:

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REPORT OF THE BOARD OF GOVERNORS

The members present their report and the audited financial statements for the year ended 31 July 2009.

Glossary

BA	Bachelor of Arts
BSU	Bath Spa University
EU	European Union
FE	Further Education
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HE	Higher Education
HEFCE	Higher Education Funding Council for England
MA	Master of Arts
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 name of Bath Spa University College. In March 2005 the institution won university status, and became Bath Spa University in August 2005.

(ii) Vision

The vision of Bath Spa University is to have a national, proven reputation for high quality, taught degree programmes, giving students an excellent learning environment and helping them maximise their potential. It will do this in the context of being a generalist university, covering a wide range of subjects, whose teaching is underpinned by high quality research and scholarship.

(iii) Strategic Objectives

The university has the following 12 strategic objectives that underpin its vision statement:

- Continue to improve the quality and relevance of our academic provision.
- Deliver a high quality of student experience.
- Recruit sufficient numbers of students to meet the HEFCE and TDA contracts.
- Undertake research and scholarly activity that supports our teaching mission.
- Develop areas of work and provision capable of growth and generating income.
- Grow income from sources other than the two main funding bodies.
- 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.

REPORT OF THE BOARD OF GOVERNORS (continued)

- Ensure equality of opportunity for staff and students and to widen overall access to the university.
- Increase the number of international students at the university
- Recruit and retain the highest quality staff.
- 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, services and facilities 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 well in 2008/09 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.

In September 2008 the Sunday Times "league table" ranked BSU 57th out of the 120 Higher Education Institutions listed (64th in September 2007).

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 2009 are summarised as follows:

	2008/09	2007/08
	£'000	£'000
Income	50,441	44,833
Expenditure	(48,863)	(41,506)
Release from revaluation reserve	137	137
Historical cost surplus after tax	1,306	3,464
Actuarial gain/(loss) on pension fund	764	(4,190)

Tangible fixed asset additions during the year amounted to £4,080,000. This was split between leasehold buildings £2,090,000, assets in course of construction £1,332,000, building improvements £25,000 and equipment purchased of £633,000. Assets in course of construction includes a major reconfiguration of the university's Sion Hill campus, which was completed in September 2009 at a total cost of £5,110,000.

The university has significant reliance on the HEFCE for its principal funding source, largely from recurrent grants. In 2008/09 HEFCE provided 46% of the university's total income.

The university has a subsidiary company, Bath Spa University Limited. The principal activities of Bath Spa University Limited were conference lettings and consultancy. Any surpluses generated by the subsidiary were transferred to the university under deed of covenant. On 31 July 2009 the trade assets and liabilities of the subsidiary company were transferred to the university following which the subsidiary company ceased to trade.

(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 £1.38 million, (2007/08 £2.12 million before the receipt of £14.4 million in respect of the buy-out of inherited liabilities at Corsham Court), operating cash in-flow was reasonably strong and reflects the healthy operating surplus achieved in the year.

REPORT OF THE BOARD OF GOVERNORS (continued)

(iv) Liquidity

During the year interest rates on money market deposits fell markedly, and the university continued to seek out opportunities for securing higher interest rates on surplus cash deposits. This has led to the university placing some £15,000,000 on a three year time deposit at a highly competitive rate. The aggregate of cash and investments rose by £248,000 during the year.

1.3 Current and Future Development and Performance

(i) Student numbers

The university continues to be popular with students and to recruit extremely well. Our applications: places ratio for 2008 entry was 5.7:1, well above the average of our peer group (4.4:1) Demand for nearly all subjects remains buoyant, but new courses in the creative arts, for example, Dance with an applications: places ratio of over 14:1, were particularly strong. As a result we comfortably met our HEFCE recruitment target. The total number of home and EU students in 2008/09 was just over 6,399 FTE (5,450 FTE in 2007/08).

There were no open bidding opportunities for additional student numbers from HEFCE for 2008 entry.

(ii) Academic developments

The major academic developments in 2008/09 were:

- During the course of the year, the university undertook a major redesign of the Modular Scheme for its undergraduate programmes (including Foundation Degrees). In the light of knowledge about the ways in which students' learning experiences could be enhanced, the new scheme has been designed to provide greater continuity of teaching and learning activities throughout the academic year; a more explicit embedding of the skills and experiences needed to enhance student employability; greater class-contact time for students, particularly in the first year of their studies; and greater variety of assessment tasks and recognition of the importance of tutor feedback on assessments. This has been accomplished whilst maintaining and increasing student choice and flexibility of study within and across our degree programmes. Following the redesign of the scheme, the great majority of the university's undergraduate programmes were revised and submitted for revalidation in the spring. All programmes were re-approved for introduction in September 2009. We will therefore be monitoring the progress and evaluating the benefits of the new scheme in the year ahead.
- The university has established a new Centre for the Learning and Teaching Development, designed to build upon the university's record of excellence in teaching and learning, to support the growth of pedagogical research, and to lead the professional development of all staff. The university's training course for new lecturers has now been accredited by the Higher Education Academy, and a new Masters programme covering all aspects of the business of higher education has been approved for introduction in 2009-10. The Centre has been successful in winning external grants to support pedagogical research and development, and is also working on a major externally-funded project with Winchester University, designed to enhance students' learning experiences by improving assessment strategies within degree programmes. During 2008/9, 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.

REPORT OF THE BOARD OF GOVERNORS (continued)

- The published judgements of the Research Assessment Exercise 2008, identify “pockets of excellence” in nine of the ten BSU subjects submitted. Though comparisons are compromised by insecure data on numbers of staff across the sector, it appears that the university has consolidated its position at about 80/132, once more in the top third of all ‘post-92’ universities. Contrary to the expectations encouraged by Government and HEFCE, that funding would be even more concentrated in fewer universities, this university has almost doubled its RAE research income. Such comparisons as can be made suggest that BSU has earned relatively more than similar universities. The results confirm the place of research as a legitimate and important (even if subsidiary) part of the university’s mission, though they underline the fact that we are underperforming relative to potential in attracting income for research from non-HEFCE sources.
- Research centres. The following research centres were established to focus the research efforts in the various schools:

Bath School of Art and Design:	Research Centre in Fashion & Textiles Research Centre in Ceramics Research Centre in Contemporary Art
School of Education:	Centre for Educational Innovation and Technology (CEIT) Centre for Research in Early Scientific Learning (CRESL) Centre for Research in Arts Education (CRAE) Children and the Environment Research Centre (CERC) Centre for Research into Inclusion and Vulnerable Learners (CRIVL)
School of English and Creative Studies:	Contemporary Writing Writing and the Environment
School of Historical and Cultural Studies:	History of Gender and the Urban Experience
School of Social Sciences:	Health and Social Care Centre
School of Music and Performing Arts:	Centre for Musical Research

REPORT OF THE BOARD OF GOVERNORS (continued)

- The School of English and Creative Studies also established research groups for “Writing for Young People” and “Book, Text and Place (1500-1750)”.
- Corsham Court was re-established as a working campus of the University. Its particular focus will be research and postgraduate work.
- The following courses were approved during the year, and will begin delivery in 2009/10.

Bath School of Art and Design	MA Design: Communication Design BA (Hons) Applied Art & Design (level 6 provision - work-based. Delivered at Weston College.) BA (Hons) Creative Industries: Graphic Design (level 6 provision - work-based. Delivered at Weston College)
English & Creative Studies	Graduate Diploma in Professional Creative Media Skills
Music & Performing Arts	BA (Hons) Musical Theatre (level 6 top-up year) BA (Hons) Theatre Production (level 6 top-up year)
School for Development and Participation	MA Professional Practice in Higher Education

(iii) Resources*Financial*

The university has consolidated net assets of £28.8 million, net of a £9.0 million pension liability.

People

The university employs 602 people (expressed as full time equivalents), of whom 291 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 continued to occupy the site until September 2009.
- During the year the university utilised £2,004,000 of HEFCE Learning & Teaching, Capital Investment Fund, and Research capital allocations on the following:

REPORT OF THE BOARD OF GOVERNORS (continued)

- Carrying out significant refurbishment at the university's Sion Hill campus
- Upgrading fire protection of teaching rooms
- Improving disabled access and installation of a lift at Sion Hill
- In March 2009 the university secured a 49 year lease at a cost of £2,090,000 on a residential building adjacent to Sion Hill known as Bankside House, that comprises some 43 student bedrooms.
- The university is also considering a range of options for the development of new academic teaching space at Newton Park.
- The university has secured nomination rights with Unite regarding a new development comprising a 320 student bedroom accommodation facility for Bath Spa University students. The new building known as Charlton Court 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.

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 it may be unable to implement its accommodation strategy in the way it is currently envisaged. In formulating detailed plans, and working alongside external agencies, the university's management continues to progress plans to secure high quality additional space for its long term development.

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.

REPORT OF THE BOARD OF GOVERNORS (continued)

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; and
- 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 2009, 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 Disclosure of information to auditors

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

2.5 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 2009 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

REPORT OF THE BOARD OF GOVERNORS *(continued)*

2.5 Statement of Internal Control *(continued)*

- The Audit Committee receives regular reports from the Head of Internal Audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the university's system of internal control, together with recommendations for improvement.
- A regular programme of meetings of senior staff is held to identify and keep up to date the record of risks facing the university.

* A system of key performance and risk indicators has been developed.

* 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

F Morgan
Vice Chancellor

S J Pirie OBE
Chair

4 November 2009

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

We have audited the group and university financial statements (the 'financial statements') of Bath Spa University for the year ended 31 July 2009 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 23 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 2008 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 11 and 12.

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 2008 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 Board of 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 Board of Governors including 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.

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.

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

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 2009 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 2008 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 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 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
4 November 2009

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

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 2009.

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 deficit is recognised in full and presented on the face of the balance sheet.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the university monthly. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the university's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet based upon discount factors provided by HEFCE.

Leases

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

Maintenance of premises

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

Tangible fixed assets

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

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

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 under construction**

Assets under construction are accounted for at cost based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

- **Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;

- asset capacity increases;
- substantial improvement in the quality of output or reduction in operating costs; and
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

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

Deferred income representing the buy-out of inherited liabilities at Corsham Court by HEFCE is being released to revenue over the remaining 59 years of the Corsham Court lease to match associated expenditure under the lease covered by the buy-out agreement. Deferred income is measured on a discounted balance to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that expenditure under the lease buy-out agreement will be made. The discount rate used reflects the average yield on investment deposits with similar maturity dates.

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 2009

	Note	2009 £'000	2008 £'000
INCOME			
Funding Council grants	1	27,368	25,240
Tuition fees and education contracts	2	16,977	13,445
Research grants and contracts	3	155	158
Other income	4	4,995	4,662
Investment income	5	946	1,328
Total income		<u>50,441</u>	<u>44,833</u>
EXPENDITURE			
Staff costs	6	24,390	22,270
Other operating expenses	7	22,430	17,444
Depreciation		1,591	1,642
Other finance charges	8	452	150
Total expenditure	9	<u>(48,863)</u>	<u>(41,506)</u>
Surplus after depreciation of assets at valuation and before restructuring costs and before taxation		1,578	3,327
Restructuring costs	10	(409)	-
Surplus after depreciation of assets at valuation and restructuring costs and before taxation		1,169	3,327
Taxation	11	-	-
Surplus after depreciation of assets at valuation and after taxation	22	<u>1,169</u>	<u>3,327</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 2009

	2009 £'000	2008 £'000
Surplus after depreciation of assets at valuation and taxation	1,169	3,327
Actuarial gain/(loss) relating to the pension scheme	764	(4,190)
Total recognised losses and gains and relating to the year	<u>1,933</u>	<u>(863)</u>

CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2009

	2009 £'000	2008 £'000
Surplus after depreciation of assets at valuation and after taxation	1,169	3,327
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	137	137
Historical cost surplus after taxation	<u>1,306</u>	<u>3,464</u>

CONSOLIDATED BALANCE SHEET
At 31 July 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	13	18,671	16,187
CURRENT ASSETS			
Stocks		44	69
Debtors	15	1,575	1,524
Investments – cash on money market deposit		34,000	29,000
Cash at bank and in hand		4,367	9,119
		39,986	39,712
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(5,213)	(4,385)
NET CURRENT ASSETS		34,773	35,327
TOTAL ASSETS LESS CURRENT LIABILITIES		53,444	51,514
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(14,736)	(14,343)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(962)	(638)
NET ASSETS BEFORE PENSION LIABILITY		37,746	36,533
PENSION LIABILITY	21	(8,987)	(9,110)
NET ASSETS AFTER PENSION LIABILITY		28,759	27,423
DEFERRED CAPITAL GRANTS	19	3,593	4,190
RESERVES			
Revaluation reserve	20	4,722	4,859
General reserves	20	20,444	18,374
Total reserves		25,166	23,233
TOTAL		28,759	27,423

These financial statements were approved by the Board of Governors on 4 November 2009 and signed on its behalf by:

F Morgan
Vice Chancellor

S J Pirie OBE
Chair

UNIVERSITY BALANCE SHEET
At 31 July 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	13	18,671	16,172
Investments	14	-	-
		<u>18,671</u>	<u>16,172</u>
CURRENT ASSETS			
Stocks		44	69
Debtors	15	1,575	1,610
Investments – cash on money market deposit		34,000	29,000
Cash at bank and in hand		4,367	9,118
		<u>39,986</u>	<u>39,797</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(5,213)</u>	<u>(4,370)</u>
NET CURRENT ASSETS		<u>34,773</u>	<u>35,427</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		53,444	51,599
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(14,736)	(14,343)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(962)	(638)
NET ASSETS BEFORE PENSION LIABILITY		37,746	36,618
PENSION LIABILITY	21	(8,987)	(9,110)
NET ASSETS AFTER PENSION LIABILITY		<u>28,759</u>	<u>27,508</u>
DEFERRED CAPITAL GRANTS	19	3,593	4,190
RESERVES			
Revaluation reserve	20	4,722	4,859
General reserves	20	20,444	18,459
Total reserves		<u>25,166</u>	<u>23,318</u>
TOTAL		<u>28,759</u>	<u>27,508</u>

These financial statements were approved by the Board of Governors on 4 November 2009 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 2009

	Note	2009 £'000	2008 £'000
Cash flow from operating activities	22	1,378	16,527
Returns on investments and servicing of finance	23	946	1,328
Capital expenditure and financial investment	24	(2,076)	(705)
Management of liquid resources	25	(5,000)	(16,000)
(Decrease)/increase in cash in year	26	<u>(4,752)</u>	<u>1,150</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 31 July 2009

	2009 £'000	2008 £'000
(Decrease)/increase in cash in the year	(4,752)	1,150
Increase in short term deposits	5,000	16,000
Change in net funds	248	17,150
Net funds at 1 August	38,119	20,969
Net funds at 31 July	<u>38,367</u>	<u>38,119</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

1. FUNDING COUNCIL GRANTS

	HEFCE £'000	TDA £'000	2009 £'000	2008 £'000
Recurrent grant	20,428	4,165	24,593	23,559
Inherited liability grant released in year	213	-	213	501
Deferred capital grants released in year:				
- Buildings	2,168	-	2,168	484
- Equipment	394	-	394	696
	<u>23,203</u>	<u>4,165</u>	<u>27,368</u>	<u>25,240</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	2009 £'000	2008 £'000
Full-time students	15,529	11,951
Full-time students charged overseas fees	1,006	1,085
Part-time fees	442	409
	<u>16,977</u>	<u>13,445</u>

3. RESEARCH GRANTS AND CONTRACTS

	2009 £'000	2008 £'000
Research Councils	56	13
Other grants and contracts	99	145
	<u>155</u>	<u>158</u>

4. OTHER INCOME

	2009 £'000	2008 £'000
Residences, catering and conferences	2,413	2,148
Other income	2,544	2,476
Deferred capital grants released in year:		
- Buildings	38	38
	<u>4,995</u>	<u>4,662</u>

5. INVESTMENT INCOME

	2009 £'000	2008 £'000
Income from short term investments	946	1,328

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2009

6. STAFF COSTS	2009	2008
	£'000	£'000
Wages and salaries	20,025	18,295
Social security costs	1,533	1,391
Other pension costs	2,832	2,584
	<u>24,390</u>	<u>22,270</u>
Other pension costs comprise:		
Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	1,503	1,421
Current service cost of defined benefit scheme (LGPS)	1,329	1,163
	<u>2,832</u>	<u>2,584</u>
Average staff numbers by major category (full-time equivalent):		
	No.	No.
Academic staff	240	237
Hourly- paid lecturers	51	62
Technicians	40	37
Support staff - administration	190	184
Support staff - other	26	29
Support staff - manual workers	55	57
	<u>602</u>	<u>606</u>
Emoluments of the Vice Chancellor and Chief Executive:		
	£'000	£'000
Remuneration	167	156
Residential emolument	19	19
	<u>186</u>	<u>175</u>
Pension contributions	<u>26</u>	<u>24</u>
Remuneration of higher paid staff excluding Vice Chancellor and Chief Executive		
£100,001 - £110,000	3	3
£110,001 - £120,000	1	1
	<u>4</u>	<u>4</u>

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

7. OTHER OPERATING EXPENSES

	2009	2008
	£'000	£'000
Academic equipment and consumables	1,754	1,753
Student Bursaries	2,193	1,433
Franchise provision	3,575	2,328
Teacher training - school experience	582	583
Office equipment and consumables	1,518	1,347
Telephone and postage	316	324
Advertising and publicity	476	513
Subscriptions	257	195
Agency staff	966	855
Transport, travel and accommodation	1,032	978
Utilities and insurance	1,241	1,036
Premises lease costs	1,537	946
Reactive and cyclical maintenance	1,096	1,452
Planned Maintenance	1,174	1,238
Refurbishment element of major works	3,053	787
Other expenses	1,660	1,676
	<hr/>	<hr/>
Total	22,430	17,444
	<hr/>	<hr/>

	2009	2008
	£'000	£'000
Other operating expenses include:		
Auditors' remuneration		
- external audit	17	17
- internal audit	19	17
- tax services	6	5
- other services from external audit	1	1
Hire of land and buildings - operating leases	1,537	946
Hire of plant and machinery - operating leases	9	4
Student Union grant	226	218
	<hr/>	<hr/>

8. OTHER FINANCE CHARGES

	2009	2008
	£'000	£'000
Interest on pension scheme liabilities	1,396	1,070
Expected return on pension scheme assets	(944)	(920)
	<hr/>	<hr/>
Net finance charge	452	150
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

9. ANALYSIS OF 2008/09 EXPENDITURE BY ACTIVITY

	Staff costs	Depreciation	Other operating expenses	Other finance charges	Total
	£'000	£'000	£'000	£'000	£'000
Academic departments	14,198	343	6,508	-	21,049
Academic services	1,729	354	1,039	-	3,122
Research grants and contracts	182	-	77	-	259
Residences, catering and conferences	752	83	1,210	-	2,045
General education expenditure	1,552	2	1,409	-	2,963
Premises	1,155	751	7,504	-	9,410
Administration	3,438	29	3,606	452	7,525
Staff and student services	1,007	4	451	-	1,462
Other expenses	377	25	626	-	1,028
	<u>24,390</u>	<u>1,591</u>	<u>22,430</u>	<u>452</u>	<u>48,863</u>

	£'000
The depreciation charge has been funded by:	
Deferred capital grants	622
Revaluation reserve released	137
General income	832
	<u>1,591</u>

10. RESTRUCTURING COSTS

In the light of the economic downturn the university has undertaken a rigorous review of its financial projections and as a consequence has carried out a restructuring of its activities which has led to some redundancies and premature retirement of some senior staff. The costs associated with this restructuring have been fully provided for in the 2008/09 accounts at a total cost of £409,000.

11. 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 FINANCIAL STATEMENTS
For the year ended 31 July 2009

12. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	2009 £'000	2008 £'000
University's surplus for the year	1,084	3,351
Provision against inter-company balance	54	-
Surplus/(deficit) incurred by the subsidiary undertaking	31	(24)
Total	<u>1,169</u>	<u>3,327</u>

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings	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 2008						
Valuation	1,600	5,551	-		1,289	8,440
Cost	-	9,012	-	5,612	4,814	19,438
Additions at cost	-	2,090	1,332	25	633	4,080
Reclassification	-	-	236	(236)	-	-
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(30)	(639)	(669)
At 31 July 2009	<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	-	11,102	1,568	5,371	4,808	22,849
	<u>1,600</u>	<u>16,653</u>	<u>1,568</u>	<u>5,371</u>	<u>6,097</u>	<u>31,289</u>
Accumulated depreciation						
At 1 August 2008	295	3,291	-	3,065	5,040	11,691
Charge for year	17	351	-	346	877	1,591
Disposals	-	-	-	(29)	(635)	(664)
At 31 July 2009	<u>312</u>	<u>3,642</u>	<u>-</u>	<u>3,382</u>	<u>5,282</u>	<u>12,618</u>
Net book value at 31 July 2009	<u>1,288</u>	<u>13,011</u>	<u>1,568</u>	<u>1,989</u>	<u>815</u>	<u>18,671</u>
At 31 July 2008	<u>1,305</u>	<u>11,272</u>	<u>-</u>	<u>2,547</u>	<u>1,063</u>	<u>16,187</u>
Inherited	1,288	3,351	-	-	-	4,639
Financed by capital grant	-	2,274	-	1,197	122	3,593
Other	-	7,386	1,568	792	693	10,439
Net book value at 31 July 2009	<u>1,288</u>	<u>13,011</u>	<u>1,568</u>	<u>1,989</u>	<u>815</u>	<u>18,671</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

13. TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings	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 2008						
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	9,012	-	5,612	4,606	19,230
Additions at cost	-	2,090	1,332	25	630	4,077
Reclassification	-	-	236	(253)	17	-
Disposals						
Valuation	-	-	-	-	-	-
Cost	-	-	-	(30)	(626)	(656)
Transferred from subsidiary company	-	-	-	17	182	199
At 31 July 2009	1,600	5,551	-	-	1,289	8,440
Valuation	1,600	5,551	-	-	1,289	8,440
Cost	-	11,102	1,568	5,371	4,809	22,850
	1,600	16,653	1,568	5,371	6,098	31,290
Accumulated depreciation						
At 1 August 2008	295	3,291	-	3,066	4,846	11,498
Reclassification	-	-	-	-	-	-
Charge for year	17	351	-	346	869	1,583
Disposals	-	-	-	(29)	(623)	(652)
Transferred from subsidiary company	-	-	-	17	173	190
At 31 July 2009	312	3,642	-	3,400	5,265	12,619
Net book value at 31 July 2009	1,288	13,011	1,568	1,971	833	18,671
At 31 July 2008	1,305	11,272	-	2,546	1,049	16,172
Inherited	1,288	3,351	-	-	-	4,639
Financed by capital grant	-	2,274	-	1,197	122	3,593
Other	-	7,386	1,568	774	711	10,439
Net book value at 31 July 2009	1,288	13,011	1,568	1,971	833	18,671

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 FINANCIAL STATEMENTS
For the year ended 31 July 2009

13. 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 £4,639,000 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.

14. INVESTMENTS	2009	2008
	£	£
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 were conference lettings and short courses. On 31 July 2009 the trade assets and liabilities of the company were transferred to the university, following which the company ceased to trade.

15. DEBTORS	Group		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade debtors	173	238	173	238
Amounts due from subsidiary undertaking	-	-	-	107
Other debtors	736	772	736	751
Prepayments and accrued income	666	514	666	514
	<u>1,575</u>	<u>1,524</u>	<u>1,575</u>	<u>1,610</u>

No debtors were due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		University	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade creditors	2,299	1,731	2,299	1,731
Taxation and social security	33	31	33	31
Other creditors	573	550	573	550
Accruals and deferred income	2,308	2,073	2,308	2,058
	<u>5,213</u>	<u>4,385</u>	<u>5,213</u>	<u>4,370</u>

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

	Group		University	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Accruals and deferred income	<u>14,736</u>	<u>14,343</u>	<u>14,736</u>	<u>14,343</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group and University	Enhanced pension provision £'000	Landlords' guarantees provision £'000	Total provisions £'000
At 1 August 2008	594	44	638
Charge to Income and expenditure	306	106	412
Utilised in year	(44)	(44)	(88)
At 31 July 2009	<u>856</u>	<u>106</u>	<u>962</u>

The TPS cost includes an amount in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. An amount of £856,000 (2008: £594,000) 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.

To ensure that there is sufficient residential accommodation for its first year students the university contracts with external providers. In return for guaranteed availability of places the university will pay a proportion of the rent for any unfilled places. The landlords' guarantees provision reflects the number of study bedrooms for which the university has a potential liability. In 2008/09 the university paid £44,000 in respect of unfilled places from a total of 532 study bedrooms. At 31 July 2009 the number of study bedrooms for which the university has a potential liability rose to 801. This includes an additional 320 student bedrooms at Charlton Court that was developed by Unite and which is being let to Bath Spa university students. The increase in the number of student bedrooms has led to an increased provision of £106,000.

The Board of Governors consider that the provision will be paid during the forthcoming year and consequently have not discounted the provision to net present value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

19. DEFERRED CAPITAL GRANTS

Group and University	HEFCE Buildings £'000	HEFCE Equipment £'000	Other grants Buildings £'000	Total £'000
At 1 August 2008	2,459	790	941	4,190
Cash received	2,004	-	-	2,004
Released to income and expenditure account	(2,168)	(394)	(39)	(2,601)
At 31 July 2009	<u>2,295</u>	<u>396</u>	<u>902</u>	<u>3,593</u>

20. RESERVES

Group	Revaluation reserve £'000	General reserves £'000	Total £'000
Balance at 1 August 2008	4,859	18,374	23,233
Surplus for the year	-	1,169	1,169
Transfer from revaluation reserve to income and expenditure account	(137)	137	-
Actuarial gain on pension fund	-	764	764
Balance at 31 July 2009	<u>4,722</u>	<u>20,444</u>	<u>25,166</u>

University	Revaluation reserve £'000	General reserves £'000	Total £'000
Balance at 1 August 2008	4,859	18,459	23,318
Surplus for the year	-	1,084	1,084
Transfer from revaluation reserve to income and expenditure account	(137)	137	-
Actuarial gain on pension fund	-	764	764
Balance at 31 July 2009	<u>4,722</u>	<u>20,444</u>	<u>25,166</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

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 £2,832,000 (2007/08 £2,584,000).

Teachers' Pension Scheme (TPS)

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

The 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%

For the year ended 31 July 2009 the employer contribution rate was 14.1%. The total pension cost for the period was £1,503,000. (2008 £1,421,000)

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 2009 was £1,829,000 of which employers' contributions totalled £1,329,000 and employees' contributions totalled £500,000. The agreed contribution rates for future years are 15.9% for employers, and salary-determined rates for employees ranging from 5.5% - 7.5%.

The following information under FRS 17 is based upon a full actuarial valuation of the Fund at 31 March 2004 updated to 31 July 2009 by a qualified independent actuary.

	2009	2008
Rate of increase in salaries	5.0%	5.1%
Rate of increase in pensions in payment	3.7%	3.8%
Discount Rate	6.3%	5.9%
Inflation assumption	3.7%	3.8%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

21. 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:

	2009	2008
<i>Retiring today</i>		
Males	21.1	21.1
Females	24.0	22.6
<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 2009 %	Value at 31 July 2009 £'000	Long term rate of return expected at 31 July 2008 %	Value at 31 July 2008 £'000
Equities	7.5	8,832	7.0	8,477
Government				
Bonds	4.5	1,946	4.4	2,390
Other Bonds	5.8	1,206	5.1	714
Property	6.5	44	-	-
Cash	0.5	1,002	4.5	673
Other	7.5	1,496	-	1,484
		<u>14,526</u>		<u>13,738</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS17:

	2009 £'000	2008 £'000
University estimated share of assets	14,526	13,738
Present value of scheme liabilities	<u>(23,513)</u>	<u>(22,848)</u>
Deficit in the scheme – Net pension liability	<u>(8,987)</u>	<u>(9,110)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

21. PENSION COSTS *(continued)*

Analysis of amount charged to staff costs within operating surplus

	2009 £'000	2008 £'000
Current service cost	1,329	930
Past service cost	-	233
	<u>1,329</u>	<u>1,163</u>

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

	2009 £'000	2008 £'000
Expected return on pension scheme assets	944	920
Interest on pension scheme liabilities	(1,396)	(1,070)
	<u>(452)</u>	<u>(150)</u>

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

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(1,578)	(1,751)
Revaluation of scheme assets	-	(12)
Change in financial and demographic assumptions underlying the scheme liabilities	2,342	(2,427)
	<u>764</u>	<u>(4,190)</u>

Movement in deficit during year

	2009 £'000	2008 £'000
Deficit in scheme at 1 August	(9,110)	(4,501)
Movement in year:		
Current service cost	(1,329)	(930)
Past service cost	-	(233)
Contributions	1,140	894
Net interest	(452)	(150)
Actuarial gain/(loss)	764	(4,190)
	<u>(8,987)</u>	<u>(9,110)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

21. PENSION COSTS (continued)

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

	2009 £'000	2008 £'000
At beginning of the year	22,848	17,795
Current service cost	1,329	930
Interest cost	1,396	1,070
Contributions by scheme participants	500	396
Actuarial losses	(2,342)	2,427
Benefits paid	(218)	(3)
Past service cost	-	233
	<hr/>	<hr/>
At end of the year	<u>23,513</u>	<u>22,848</u>

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

	2009 £'000	2008 £'000
At beginning of the year	13,738	13,294
Expected rate of return on scheme assets	944	920
Actuarial gains and losses	(1,578)	(1,751)
Contribution by the employer	1,140	894
Contributions by scheme participants	500	396
Benefits paid	(218)	(3)
Revaluation of scheme assets at bid price	-	(12)
	<hr/>	<hr/>
At end of the year	<u>14,526</u>	<u>13,738</u>

History of experience gains and losses

	2009	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	(1,578)	(1,751)	378	512	978
% of scheme assets	10.9%	11.8%	3%	4%	10%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	-	(411)	-	(309)	(401)
% of scheme liabilities	-	(1.8%)	-	(2%)	(3%)
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	764	(4,190)	616	(435)	(1,330)
% of the present value of the scheme liabilities	(3.2%)	18.3%	3%	(3%)	(10%)

The estimate for the contribution for the defined benefit scheme for the year 2009/10 is £1,140,000.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £7,398,000 loss. (2008 £8,162,000 loss)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

22. RECONCILIATION OF SURPLUS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2009	2008
	£'000	£'000
Surplus before taxation and profit on sale of fixed assets	1,169	3,327
Interest receivable	(946)	(1,328)
Interest credited to inherited liability grant	606	444
Release of inherited liability grant	(213)	(501)
Release of capital grant	(2,601)	(1,218)
Depreciation	1,591	1,642
Decrease/(increase) in stock	25	(2)
(Decrease)/increase in debtors	(51)	805
Increase/(decrease) in creditors	828	(1,494)
Increase in provisions	324	20
Loss on sale of fixed assets	5	13
Decrease in pension fund liability	641	419
Receipt of inherited liability grant	-	14,400
	<hr/>	<hr/>
Net cash inflow from operating activities	1,378	16,527
	<hr/>	<hr/>
23. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2009	2008
	£'000	£'000
Interest received	946	1,328
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	946	1,328
	<hr/>	<hr/>
24. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2009	2008
	£'000	£'000
Purchase of tangible fixed assets	(4,080)	(1,247)
Deferred capital grant received	2,004	542
Proceeds from sale of fixed assets	-	-
	<hr/>	<hr/>
Net outflow from capital expenditure and financial investment	(2,076)	(705)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2009

25. MANAGEMENT OF LIQUID RESOURCES	2009	2008
	£'000	£'000
Increase in short-term deposits	(5,000)	(16,000)
Net cash outflow from management of liquid resources	(5,000)	(16,000)

26. ANALYSIS OF CHANGES IN NET FUNDS	At 1 August	Cash flows	At 31 July
	2008	2009	2009
	£'000	£'000	£'000
Cash at bank and in hand	9,119	(4,752)	4,367
Short term deposits	29,000	5,000	34,000
Net Funds	<u>38,119</u>	<u>248</u>	<u>38,367</u>

27. CAPITAL COMMITMENTS	2009	2008
	£'000	£'000
Contracted but not yet invoiced	1,167	-
Authorised but not contracted	-	5,600

28. FINANCIAL COMMITMENTS

At 31 July 2009 the Group and university had annual commitments under non-cancellable operating leases as follows:

	Other		Land and buildings	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Expiring within one to five years	5	-	61	975
Expiring after five years	-	-	274	-
	<u>5</u>	<u>-</u>	<u>335</u>	<u>975</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2009

29. 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.

30. ACCESS FUNDS

	2009 £'000	2008 £'000
Funding Council Grants	262	309
Interest Earned	1	5
Less Administration Fee	(7)	(9)
	<u>256</u>	<u>305</u>
Disbursed to Students	(248)	(305)
	<u>8</u>	<u>-</u>
Balance unspent at 31 July	<u>8</u>	<u>-</u>

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

31. TRAINING & DEVELOPMENT AGENCY FOR SCHOOLS BURSARIES**Teacher Training Bursaries**

	2009 £'000	2008 £'000
Funds Received	3,042	3,462
Disbursed to Students	(2,680)	(3,157)
	<u>362</u>	<u>305</u>
Balance unspent at 31 July	<u>362</u>	<u>305</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.