

# Annual Report and Financial Statements

YEAR END 31 JULY 2018



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## Foreword

In a demanding year, Bath Spa University has demonstrated its ability to respond to change with agility and a strong sense of community and of values, and there has been much hard work but also much to celebrate. Our new Vice-Chancellor, Professor Sue Rigby, has brought a strong focus on delivering the best possible student experience, and has begun the process of readying the University for a more demanding external environment, and is preparing our 2030 strategy.

Total student numbers fell in 2017/18 by 2% to around 7,750, largely as a result of demographic pressures and international uncertainties. Our student mix changed slightly in favour of Masters students, and slightly away from international students, reflecting these issues. This context provides a strong impetus to focus on the students' academic experience and their welfare, an emphasis that will be a defining characteristic of the University going forward.

During the year, we continued with the consolidation of the recently formed College of Liberal Arts, the largest school within the University. This is an exciting, cross- and inter-disciplinary entity which will offer us the opportunity to develop research and teaching away from the conventional academic silos. It is also a major change project which will take some time to complete, but is already beginning to yield benefits, as exemplified by our capacity to offer new degrees for 2019 entry that cross traditional subject boundaries. The Bath Business School has been shortlisted for Business School of the Year in the THE Awards 2018.

Bath School of Art and Design continued to develop well, with new sponsorship for a major drawing prize secured from Trinity Buoy Wharf, and senior lecturer in illustration, Tim Vyner, capturing the Children's World Cup through a commission from Street Child United. We are making good progress with development of the School's new £32m facility at our Locksbrook Road site, and we look forward to welcoming students there in September 2019. Dedicated and integrated facilities and the central location offer great creative opportunities and the chance to contribute more directly to the Bath community.

The Institute for Education also continued to grow, winning the Teach First South West contract, and developing a Post Graduate Diploma in Education, which is also being delivered with Cardiff Metropolitan University for Teach First Cymru. We remain Ofsted Outstanding for our Primary and Secondary provision, and Dr Kyriaki Anagnostopoulou was awarded a prestigious National Teaching Fellowship.

2017/18 was also a successful year for Bath Spa in terms of research performance, with income from research grants continuing to grow; research and enterprise income has grown from £0.85m in 2014/15 to £1.7m in 2017/18. The majority of this is from large consortia grants developed with other universities in the region, enabling us to pool the unique strengths of the South West's universities to

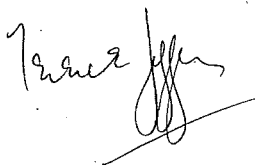
tackle major challenges. Much of our research income also relies on partnerships with local industry, something which is central to our vision of future learning patterns. For example, we are part of two recently-launched, government-funded, multi-million pound initiatives: the South-West Creative Technology Network, and the Bristol & Bath Creative R&D Partnership, both of which involve working across multiple Universities and through partnerships or fellowships with industrial collaborators.

Lower student numbers meant that our surplus in 2017/18 was down at £0.94 million, but the University generated over £8m cash from operating activities and remains financially robust. Clearly, financial challenges lie ahead, including the current Augar review of higher education funding, and uncertainty and competition are increasing. We are confident of our ability to meet these challenges, and are realigning expenditure with future income projections, while still finding the capacity to invest in Locksbrook Road, improving sports facilities and redesigning our theatre production and rehearsal facilities at our Oldfield Park Theatre Workshops.

Our focus over the coming years will be on the student experience, our links to the region, and our curriculum offer. We have maintained our Silver rating in the Teaching Excellence and Student Outcomes Framework (TEF), and will work towards Gold status by 2022. We are developing novel strategies to recruit students, ensure that they are confident in their transition to university, support and stretch them through their time with us, and optimise their prospects of graduate employment in their chosen sector. We have begun this process with a pilot of our new 3,2,1,Go admissions policy, which offers an interview, portfolio or audition-based entry route to our degrees, and a £750 scholarship for students who exceed their school's exam grades forecasts.

The University is essentially the sum of its students and its staff, and I would like to pay tribute to the whole student body, and to all academic and professional staff, for making us the institution we are – and the even better institution we are determined to become. Student societies are thriving – the new Afro-Caribbean Society has become one of the largest – and the Students' Union is working on innovations drawn from international examples of best practice in student engagement. We have seen many talented individuals exceed our highest expectations in international competitions and in their personal achievements, and our graduations are ceremonies of joy and optimism.

On behalf of myself and all the governors, I would like to thank the whole university community for work done in 2017/18, and to emphasise our commitment to the success of the University in the future.



**Terence Jagger**  
**Chair of the Board of Governors**

## UNIVERSITY INFORMATION

Governors:	<p> <u>Simon Blake</u> [independent]  <u>Nina Campbell</u> [independent]  <u>Teresa Fisk</u> [independent]  <u>Martin Francis</u> [independent]  <u>Jonathan Glasspool</u> [independent]  <u>Rosemary Heald</u> [independent]  <u>Terence Jagger</u> (Chair) [independent]  <u>Lady Theresa Lloyd</u> [independent]  <u>Ryan Lucas</u> [student]  <u>Trevor Osborne</u> [independent]  <u>Professor Philip Martin</u> [independent]            Dr Susan McMillan (from 27<sup>th</sup> June 2018) [staff]  <u>David Pester</u> (Deputy Chair) [independent]  <u>Professor Susan Rigby</u> (Vice-Chancellor and Chief Executive from 22<sup>nd</sup> January 2018)  <u>Dr Charles Wiffen</u> (from 22<sup>nd</sup> November 2017) [staff]         </p> <p>           Emily Casey (from 21<sup>st</sup> November 2018) [student]  <u>Iain Mansfield</u> (from 1<sup>st</sup> September 2018) [independent]  <u>Vinita Nawathe</u> (from 13<sup>th</sup> September 2018) [independent]  <u>Joy Saunders</u> (from 1<sup>st</sup> September 2018) [independent]         </p> <p>           Professor Robin Alexander (to 20<sup>th</sup> September 2017)            Will Archer (to 6<sup>th</sup> December 2017)            Kerry Curtis (from 16<sup>th</sup> November 2016 to 22<sup>nd</sup> November 2017)            Dr Kirstin Doern (to 26<sup>th</sup> June 2018)            Alkiviadis Fasoulis (from 16<sup>th</sup> November 2016 to 21<sup>st</sup> November 2017)            Louise Fleming (to 22<sup>nd</sup> November 2017)            Professor Nick Foskett (Interim Vice-Chancellor and Chief Executive from 15<sup>th</sup> August 2017 to 21<sup>st</sup> January 2018)            Kat Kennard (from 22<sup>nd</sup> November 2017 to 30<sup>th</sup> September 2018)            Professor Christina Slade (Vice-Chancellor and Chief Executive to 15<sup>th</sup> August 2017)         </p>
Senior Staff:	<p>           Professor Susan Rigby (Vice-Chancellor and Chief Executive from 22<sup>nd</sup> January 2018)            Professor Nick Foskett (Interim Vice-Chancellor and Chief Executive from 15<sup>th</sup> August 2017 to 21<sup>st</sup> January 2018)            Professor Christina Slade (Vice-Chancellor and Chief Executive to 15<sup>th</sup> August 2017)            Professor Neil Sammells (Deputy Vice-Chancellor and Provost)            Neil Latham (Chief Operating Officer)         </p>
Auditors:	<p>           Grant Thornton UK LLP            Chartered Accountants            2 Glass Wharf            Temple Quay            Bristol BS2 0EL         </p>
Bankers:	<p>           Lloyds Bank PLC            47 Milsom Street            Bath BA1 1DN         </p>

Solicitors: Veale Wasbrough Vizards  
 Narrow Quay House  
 Narrow Quay  
 Bristol BS1 4QA

Address for Enquiries: Bath Spa University, Newton Park, Newton St Loe, Bath BA2 9BN

## UNIVERSITY INFORMATION

### Glossary

BME	Black and Minority Ethnic
BSU	Bath Spa University
CASE	Council for Advancement and Support of Education
CPI	Consumer Price Index
CUC	Committee of University Chairs
DLHE	Destinations of Leavers from Higher Education
DWP	Department for Work and Pensions
EIB	European Investment Bank
EU	European Union
FE	Further Education
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HE	Higher Education
HEFCE	Higher Education Funding Council for England
HESES	Higher Education Students Early Statistics Survey
IOF	Institute of Fundraising
LGPS	Local Government Pension Scheme
LLC	Limited Liability Company
LLP	Limited Liability Partnership
MBA	Master of Business Administration
NCTL	National College for Teaching and Leadership
NSS	National Student Survey
NS-SEC	National Statistics Socio-Economic Classification
OFFA	Office for Fair Access
OfS	Office for Students
PGCE	Post Graduate Certificate in Education
PLC	Public Limited Company
POLAR	Participation of Local Areas
REF	Research Excellence Framework
SAVP	Statement of Asset Valuation Practice
SORP	Statement of Recommended Practice
TPS	Teachers' Pension Scheme
UCEA	Universities and Colleges Employers Association
US	United States (of America)
VAT	Value Added Tax

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

The members present their report and the audited financial statements for the year ended 31 July 2018.

### 1. Legal Status

Bath Spa University is a UK higher education corporation under the Education Reform Act 1988, and as such is also an exempt charity, regulated by the Office for Students (OfS) since 1 April 2018, and by HEFCE up to 31 March 2018. With origins in the nineteenth century, the institution was initially incorporated in England as Bath College of Higher Education and in 1999 adopted the name of Bath Spa University College. In March 2005 university status was gained, and the institution became Bath Spa University in August 2005. The University successfully registered with the Office for Students in September 2018.

### 2. Vision

Bath Spa University's vision is to be a leading educational institution in creativity, culture and enterprise. Through inspirational teaching and research, the University will transform students' lives. Based in a world heritage city and connected to a network of international partners, Bath Spa University will ensure that its graduates are socially engaged global citizens.

### 3. Organisation

The University is organised into three academic domains, each led by an executive dean:

- College of Liberal Arts, which includes humanities, business, creative arts, music and environmental sciences
- Bath School of Art & Design, which includes photography, fashion, textile design and fine art
- Institute for Education, which has a focus on education degrees and teacher training

Responsibility for overall day-to-day management of the University is through the Vice-Chancellor, supported by a senior team that includes: Deputy Vice-Chancellor/Provost, Chief Operating Officer, Pro Vice-Chancellor (Research and Enterprise), Pro Vice-Chancellor (Learning and Teaching Quality), Executive Dean of Bath School of Art and Design, Executive Dean of College of Liberal Arts, Executive Dean of Institute for Education, Registrar and Director of Student Services, Director of Marketing and International, Director of Human Resources, and University Secretary.

(Key Management Personnel – see also Note 6 to the Financial Statements)

### 4. Strategy and Achievements

#### 4.1 Strategic Objectives

Bath Spa University continues to maintain its vision to be a leading university in creativity, culture and enterprise. This vision is achieved through a four-pronged approach, which remains relevant despite increasing competition and regulatory changes:

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

- Teaching that delivers a distinctive educational experience, which draws on the full range of our disciplines, and results in graduate attributes to equip students to be socially-engaged global citizens.
- Increased world-leading research activity that links to REF 2021 and which generates additional research income.
- Internationalisation to diversify BSU's student body and to prepare students for a globalised world and a multi-cultural work environment.
- Establishing stable and fully compliant foundations on which to build teaching and research improvements, achieving financial stability alongside improved infrastructure and stronger staff engagement.

The University's progress towards the 2020 goals is monitored through seven Key Performance Indicators (KPIs): Research income; Surplus after depreciation and tax; International student proportion; Postgraduate student proportion; Employability; Overall student satisfaction; and Student completion rates.

The University has made significant progress towards several of its strategic goals, but others remain challenging. Of the seven (KPIs) outlined in the table below, three have been achieved, around research, employability and completion rate. However, we remain at some distance from achieving our remaining targets around the surplus, proportion of international students, proportion of postgraduate students and NSS overall satisfaction score. As with any organisation at the end of a strategic plan, we need to explore our successes and failures, consider changes to the external environment and move towards a new set of KPIs which will begin in academic year 2020/21.

BSU KPIs	2013/14	Latest Position	Change from 2013/14 to Latest Position	2020 Target
Research and Enterprise Income (£000); latest year 2017/18	£318	£1,690	431%	£1,500
Surplus after Depreciation & Tax (% Income); latest year 2017/18	1%	1%	-	>5%
Non-UK Students (% Total); latest year 2016/17	5%	7%	2%	20%
Postgraduate Student Intake (% Total Intake); at September 2017	6%	8%	2%	15%
NSS Overall Satisfaction (% Total); latest year 2018	89%	81%	-9%	92%
Completion Rates –Projected Learning Outcomes (% Awarded / Transferred); latest year 2016/17	92%	91%*	-1%	90%
DLHE (% Leavers in Professional Jobs); latest year 2017/18	65%	73%	12%	70%

\*latest estimate

### 4.2 Academic quality and standards

A significant effort in 2017/18 was devoted to the re-approval of how and what undergraduates are taught. This had three purposes: curriculum review, the implementation of the new Undergraduate Academic Framework, and the introduction of a semester-based curriculum for



2018/19. Revision of courses began in August 2016 and the new undergraduate portfolio of programmes was approved by Academic Board by April 2018. Semester-based delivery under the new Undergraduate Academic Framework will commence in September 2018 to levels 4 and 5 (first and second years) and level 6 (third years) from September 2019.

Further to the undergraduate re-approval work, all of the taught postgraduate provision within Music and Performing Arts was re-approved immediately prior to the start of the 2017/18 academic year and, during the year, the postgraduate taught provision within Education was re-approved. All postgraduate taught provision within Art and Design was re-approved as part of the periodic review process during 2017/18.

There was a small number of new courses approved, which included additional undergraduate programmes; the first apprenticeship and MBA; integrated foundation years for delivery both within the University and at a partner provider; and a professional doctorate.

#### **4.2.1 Teaching Excellence Framework (TEF)**

The University gained a TEF Silver Award in 2017 and participated in the TEF subject pilots in 2017/18, which has given valuable insight into how a future subject-level framework might operate.

#### **4.2.2 National Student Survey (NSS)**

The University had its highest ever response rate to the NSS, with over 80% of final year undergraduates participating. The improvement in overall satisfaction was very modest (rising 1% to 81%) although some courses saw very large gains. Improving NSS results remains a priority for the University and the appointment of a Vice-Provost for Student Experience working directly to the Deputy Vice-Chancellor and Provost is strengthening the University's work in this area. Seven Student Experience Priorities (StEPs) have been established to address areas of work across the University to improve the student experience. These focus on the implementation of specific actions over the next 2 years in the following areas:

- Virtual Learning Environment
- Course Organisation and Management
- Student Feedback and Research
- Communication and Information
- Transport and Connecting to Campus
- Transition to Higher Education
- Student Wellbeing

In addition, the University has worked with the Students' Union to re-frame and relaunch the Student Representative System.

#### **4.2.3 Learning and Teaching Developments**

The University successfully applied for re-accreditation of its Higher Education Academy Fellowship and Senior Fellowship schemes. One of the University's staff - Dr Kyriaki Anagnostopoulou - was also successful in gaining a prestigious National Teaching Fellowship. The Bath Business School has also recently been shortlisted for Business School of the Year in the Times Higher Education Awards 2018.

## 4.3 Resources and financial objectives

The University has consolidated net assets of £87.9m, net of the £19.0m pension liability, and employs 925 people (expressed as full time equivalents), of whom 426 are academic staff.

The University adopts a prudent financial strategy in support of its strategic plan, which provides for the maintenance and development of the infrastructure, and ensures the delivery of high quality programmes of study to as wide a range of students as possible. The key objectives of the University's financial strategy are to:

- maintain sufficient liquidity to support continuing operations and investment in infrastructure of at least 60 cash days. At 31 July 2018 cash balances represented 191 cash days.
- achieve cumulative income and expenditure reserves of not less than 75% of total income. At 31 July 2018 actual income and expenditure reserves before LGPS pension deficit were 97.9% of total income.
- prepare annual budgets that achieve an effective operating surplus. At 31 July 2018 an operating surplus of 1.1% was achieved.
- work closely with senior managers to ensure financial and other corporate plans are complementary.

We see it as vital that we balance financial stringency with a long-term investment in teaching and research facilities. While investment in capital projects will continue, we are reaching the end of a major programme of facility development, and are likely to focus more on smaller-scale improvements over the next decade.

## 4.4 Student Numbers

The University's student population has seen significant growth in international and postgraduate student numbers. This situation has now reversed. Total student numbers on 1 December 2017 were 7,749 compared to a headcount of 7,901 at the same point in 2016.

For 2017 entry, based on our HESES return, recruitment of full-time undergraduate students on home fees was 2,168, home fee postgraduates was 221, initial teachers 479, and PhD students 9. Our entry for full-time, international headcount across all degree types was 208.

Part-time recruitment in 2017/18 totalled approximately 720, with an FTE of just over 200. The majority (77%) of part time students are postgraduates, most of whom are undertaking a Professional Masters Programme in the Institute for Education.

## 4.5 Fundraising

During 2017/18 the University raised:

- £370k from organisations such as charitable trusts and foundations.
- £32k from individuals (including Gift Aid).
- £90k from corporate donors, with partners Santander Bank (Universities) and First Bus. continuing to support our student community.
- £5k from some 131 donors on our crowdfunding platform to fund 7 projects.

In addition the University received significant support in kind, including gifts of art for the University's Corsham Collection and books for the library.

The amount of donations and endowment income recognised in the University's statement of comprehensive income and expenditure is likely to be different to the actual cash received as some of the funding received has certain performance conditions that must be satisfied before income can be recognised. For further information please refer to the University's Statement of Accounting Policies – Donations and Endowments.

All funds raised are used for the benefit of students, and during the year over £96,000 was distributed through the Disbursement Panel in scholarships, prizes and awards. Funds were awarded to support travel for study or work experience; to help with specific costs incurred as part of academic courses (degree shows, portfolios, musical equipment etc); and to support those experiencing unexpected hardship.

The University's fundraising activity is underpinned by our Code of Ethical Fundraising and Donors' Charter, and the University only seeks to raise funds from those with whom it has an existing relationship (i.e. alumni and 'friends of the institution'). The University's fundraising is also consistent with best practice as established by the IoF and CASE.

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

Bath Spa University is committed in its pursuit of academic excellence to being an equal opportunity employer, achieving a diverse workforce underpinned by the Equality Act 2010. Protected groups are defined in the Equality Act 2010 as Sex, Gender Reassignment, Marriage or Civil Partnership, Pregnancy or Maternity, Race (including Ethnic or National Origin, Nationality or Colour), Disability, Sexual Orientation, Age, and Religion or Belief. Bath Spa University will not tolerate discrimination or harassment based on any of these characteristics. During 2017/18, we undertook an Equality and Diversity review, whose findings were reported to the Board of Governors meeting in September 2018.

The data currently show the following as a proportion of the University's total staff population:

- Female staff 58.5%, which is higher than our benchmarks.
- Disabled staff 10.8%, which is higher than our benchmarks.
- BME 4.8%, which is below our benchmarks.

We compare this and other data with the sector wherever possible and use this analysis to inform the University's objectives. Our objectives are published and reviewed regularly by the Equality and Diversity Steering Group and progress against the objectives forms part of an annual report to the Board.

This year for the first time the University published its gender pay gap, which is 17.2%. This is mostly due to a higher proportion of female staff occupying more junior roles within the University, including students on part-time work, for example in the Library (the majority of our students are female). This is a number with which the University is not content, and work is underway to understand and address the underlying data and causes. In particular, the University will focus on pay disparities between men and women on the same grade and will report on this in 2018/19.

## 4.7 Modern Slavery Act 2015

As a major employer in the Bath and Somerset region, the University takes its responsibility under the Modern Slavery Act 2015 very seriously and is firmly committed to establishing practices to combat slavery and human trafficking. Further information about the University's position regarding the issue of modern slavery and human trafficking can be found on the website:

<https://www.bathspa.ac.uk/about-us/governance/policies/>.

## 4.8 Stakeholder relationships

The University's many stakeholders include our students and staff; the Office for Students and other statutory or regulatory bodies with oversight of aspects of our mission, such as professional bodies and funding councils; local and regional government, councillors, MPs and members of the local community; and educational collaborators, including local colleges and universities and our global network of partner institutions. The University recognises the importance of these relationships and engages in regular communication with them through the University's internet site and by meetings.

Since January 2018, a concerted effort has been made to improve our relationships locally and regionally. Frequent meetings now take place with the City Council, and we are working with them, and with the University of Bath, on our Student Community Partnership, which is a group established with the aim of improving the relationships between students and their local communities. We have held meetings with the mayor of Bath, the WECA mayor, our local MPs, and council members, both currently in power and in opposition. We held a major event for key stakeholders to introduce them to the new Vice-Chancellor in April. We are working successfully with local universities on research bids and exploring further and deeper collaborations. Our staff hold Governor positions at a wide range of local schools, colleges and cultural institutions, and our Vice-Chancellor is on the Board of the Holburne Museum. Our first Business Breakfast, held in July, was an effective boost to our links with industry, and we have followed this up with a range of activities including a keynote talk at the West of England Economic Forum in Autumn.

## 4.9 Energy and environmental sustainability

We recognise that our activities have an impact on the environment. Our overall environmental objectives are to ensure that any negative impact is minimised, that the University grows and develops in a sustainable way, and that continuous improvement in environmental performance is embedded into our business model and the culture of the University.

Our ISO14001 Environmental Management System provides the framework for delivery of this policy and for ensuring the human and financial resources required for its implementation are in place. The University has also implemented a Carbon Reduction Management Plan (CRMP), which sets out our approach to reducing carbon emissions in line with the sector targets and reaching carbon-neutrality by 2030. We have now implemented the majority of energy conservation measures in the CRMP, which will reduce carbon emissions against the 'business as usual' consumption by 2,000 tonnes a year, 3 years ahead of schedule.

Our next major project is the installation of solar panels on the roof of our new Locksbrook Road campus in June 2019, which will be supported by Salix interest-free loan funding. Other than this, our focus for the next 24 months is optimising the new plant and controls, which were installed in 2017, and commissioning the Locksbrook Road campus for optimal efficiency. The University does not engage in activities that are likely to cause harm or detriment, and none of its research activities involves the use of animals.

## **4.10 Bath Spa Global**

In 2018 it was decided to discontinue Bath Spa Global LLP, the joint venture partnership with Shorelight Education LLC of Boston in the United States, as the college was unable to recruit sufficient students.

## **5. Providing Public Benefit**

### **5.1 Delivery of charitable objectives**

The charitable objects of the University are to provide higher education, to carry out research and to publish the results of the research. The members of the Board of Governors, who include the Vice-Chancellor and staff and student members, are the trustees of the charity. As such, the Board of Governors has due regard to the Charity Commission's general guidance on public benefit. The charity's immediate beneficiaries are its students. The University has no linked charities attached to it.

### **5.2 Developing people to make a contribution to society**

Employment prospects for graduates continue to improve as our contribution to and planning of employability support develops, demonstrated in our DLHE results for those graduating from the University in the academic year 2016/17. Of our UK-domiciled graduates from full-time, first degree programmes, 96.1% were in work or further study 6 months after graduating. This is a considerable improvement on the 93.9% last year and our best result since the new DLHE survey launched in 2011. We continue to exceed the 2020 strategy KPI with 72.6% of our employed graduating cohort progressing onto professional or managerial work. This compares with last year's results of 71.2% and is above the 70% target. In addition, entrepreneurial graduates are extremely important to the regional and national economy, and we had a record 14% of graduates becoming freelance, self-employed or starting their own business.

During 2017/18 the University invested in the following areas to support the career aspirations of its students:

- The introduction and management of a professional placement year module, to ensure that all undergraduate students can engage in structured, professional prolonged work-related learning.
- Responding to the newly-formed Office for Students' directive that students from disadvantaged backgrounds need access to high-quality placements and employer networks, we widened our funded placement offering. We were able to offer bursaries to 20 students to help support unpaid or low-paid work placements within the third sector. We established 4-week funded placements in 'hard to reach' professions such as fashion design and media to improve skills and CVs. We provided 6 graduates with a studio



placement for 12 months including industrial mentoring to help them take the first steps into a creative freelance career. Added to this we brokered over 75 internships lasting between 10 and 26 weeks.

- The Bath Spa Award continues to be a university flagship programme that enables students to obtain recognition for their achievements and experiences. They also reflect and develop the skills for effective career management. This year the award was expanded to include an enterprise strand to recognise entrepreneurial students. In 2018/19 we will develop a specific award for first-year students to encourage them to try new skill-building opportunities and reflect on them.
- We provided a range of opportunities for students to engage with employers on campus with over 150 employers represented through initiatives including 'Employer in the Foyer' and 'Industry Insight Panels'. The highpoint was our 'world of work' week including a careers fair attended by more than 40 organisations and over 500 students. Over 100 students enjoyed an inspirational talk from 2 enterprising alumni who had made their passion their career. Experts from the creative industry were on hand to carry out artistic portfolio reviews and help our students prepare for the transition from education into work.
- This year our achievements were recognised through the award of the Matrix Standard and as a finalist in the 'Most Improved Commitment to Employability Award' at the National Undergraduate Employability Awards.
- In partnership with Santander we offer grants to people with potential business ideas. This year we awarded grants totalling £17,825 which helped 48 students develop business ideas including 12 graduates who are able to set up a business or work freelance through this award. We spent an additional £2,075 of the grant awarded by Santander to provide expert advice to potential entrepreneurs.

### **5.3 Admissions policy and widening participation**

An analysis of 2017/18 level 4 data showed that approximately 80% of UK-domiciled entrants had at least one nationally-recognised indicator of social disadvantage or under-representation in higher education in their profile. 320 bursaries were awarded to entrants from households where annual income was below £25,000. Entrants from a range of challenging backgrounds or environments were prioritised for these bursary awards.

During the year, the University's 2016/17 Access Agreement annual monitoring return was approved by the Office for Fair Access (OFFA), and the University's 2019/20 Access and Participation Plan was submitted to the Office for Students (OfS) as part of the University's application to register as a higher education provider. The 2019/20 Access and Participation Plan sets out details of fee levels and financial support for students, provides an analysis of the University's current performance in the access, retention, attainment and progression of students from under-represented groups and confirms our ambition and strategic priorities for narrowing identified gaps in equality of opportunity for these groups.

The University adopts a robust policy of equality of opportunity in the admissions process in order to attract and retain motivated applicants of high calibre and potential from a broad and diverse community. This includes those who have varying experiences of education and who may have followed non-traditional paths to higher education and wish to benefit from the positive experience offered by the University. The University adheres to the Quality Assurance Agency

(QAA -[www.qaa.ac.uk/](http://www.qaa.ac.uk/)) UK Quality Code for Higher Education (Admissions), as well as following guidance from Supporting Professionalism in Admissions (SPA - [www.spa.ac.uk/](http://www.spa.ac.uk/)), and follows policies and practices that are consistent and transparent, through which all applicants are treated fairly and given prompt attention in compliance with appropriate legislation. We provide a professional admissions service to all applicants by ensuring clear, fair and consistently applied policies and procedures and a high level of applicant care, including the provision of clear and accurate information that will support students in making an informed decision about their course of study. Our current selection process and admissions policy documents are available on the Bath Spa University website.

The University's widening participation activity is closely linked to the student life-cycle and our core priorities are to:

- increase the higher education applicant pool by raising aspirations and attainment and supporting progression among potential applicants from under-represented groups by providing a well-targeted and progressive programme of effective outreach activities.
- increase the participation of those from under-represented groups by safeguarding and sustaining fair access across the University's provision from foundation degree to postgraduate programmes.
- continue to improve retention and success with a strong strategic focus on enhancing the student learning experience by encouraging those from groups with relatively low retention rates or differential outcomes to access the relevant elements of the University's student support package, and encouraging all students to access the full range of educational and cultural opportunities that are available to them, including outward mobility programmes.
- improve student progression by actively targeting and encouraging students from non-professional backgrounds to participate in a range of interventions and opportunities designed to support graduate level employment, progression to postgraduate training and study, access to the professions and an enterprise culture.
- continue to develop and support our strategic partnerships with institutions that deliver undergraduate courses on our behalf.
- contribute to national and regional widening participation and access agendas and support the vision of the national strategy for access and student success in higher education and national access ambitions through collaborative working.
- contribute to the sector's understanding of effective practice by delivering and sharing research.
- evaluate the effectiveness of our widening participation activity.

## 5.4 Outreach Activities

The University has developed an extensive and successful widening participation outreach programme for young people and adults to support aspiration and attainment, and to encourage progression to higher education. A wide range of targeted programmes and activities is delivered through our *Be Inspired!* programme to young people aged from 9 to 19 and their parents/carers through working with schools, colleges and community groups. The University is also an active partner in a number of national and regional widening participation collaborations and partnerships including the Service Children's Progression Alliance (SCiP), the Western Vocational Progression Consortium (WVPC), the Western Opportunities Network (WON), the

Wessex Inspiration Network (WIN) and the Bath and North East Somerset Children's University. In 2017/18 the University's Widening Participation Office delivered a range of activities for over 7,000 participants through its targeted outreach programme to support aspiration, attainment and progression to higher education, and reached a further 7,500 young people and parents through the work of the WON.

## **5.5 Supporting students with a disability or specific learning need**

We work closely with our school and college coordinators to ensure all outreach activity is made accessible to students with a disability or specific learning need. The University provides numerous bespoke events, including *Get Started*, an early induction programme for students who disclose a disability or specific learning need. Our provision of transitional support for students who disclose a disability or specific learning need has been highlighted in the past as a national example of good practice by Action on Access.

## **5.6 Supporting children in care and care-leavers**

The University works with local higher education partners and the South West Network of Virtual School Heads, who are responsible for the education of young people in care, to offer a support package that can be accessed by each Local Authority in our region. The additional personal support that is available to our students from a care background includes a Care Leavers Bursary, help with accommodation including vacation periods, and a named member of the Student Support Service Team to act as their first point of contact. This support is also available to students who are studying on our programmes at Partnership Colleges. When the scheme was in operation, the University was a holder of the Frank Buttle Trust Quality Mark in recognition of the support we provide for care-leavers.

## **5.7 Supporting transition, success and progression**

Through inspirational teaching and research, the University aims to transform students' lives. This commitment is embedded in the University's Learning and Teaching Strategy 2016-2020. Our ambition for all Bath Spa graduates is that they will be creative, digitally-literate, globally-connected, able to work in teams and entrepreneurial. They will also be well-equipped to thrive intellectually and in the world of work, and will be active members of our connected, creative community. The University's aim is to enable all students, including those from disadvantaged and under-represented groups, to take full advantage of the educational and cultural opportunities that we offer and provide them with practical support and opportunities to achieve their academic and career aspirations.

The University provides a number of support activities for students, many of which are delivered in partnership with the Students' Union, including a transitional summer school to prepare mature students for undergraduate study; an early induction programme for students who disclose a disability or specific learning need; a peer mentoring scheme for new students; a range of induction activities for new students; and a personal tutor system that provides pastoral and academic guidance and support. In addition, the University provides integrated and accessible welfare, finance, disability, medical and spiritual support and a counselling service through Student Support Services. Extra academic support through the Student Writing and Learning Centre is available to all students.

The University also monitors attendance and academic performance and works across academic and professional services and with the Students' Union to further develop and coordinate our referral system that will proactively, but sensitively, direct students who are considered to be most at risk, to the appropriate support professionals.

Outward mobility is integral to our vision for students, and by 2020 we aim to increase to 10% the proportion of students who spend part of their academic studies abroad. We offer a range of supported opportunities, including financial support drawn from a variety of sources, to enable students to benefit from an international experience. We also provide a learning environment that promotes enterprise and entrepreneurship and fosters creativity and innovation, and helps students develop a good understanding of their personal and professional skills and competencies in the context of the graduate labour market.

## **5.8 Bursaries and student financial support**

Tuition fees for full-time undergraduate courses and postgraduate certificate in education (PGCE) courses for home and EU students are regulated by the Office for Fair Access (OFFA).

The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Under its Access Agreement with OFFA, Bath Spa offers students a range of financial support opportunities, including bursaries and scholarships which go significantly beyond statutory requirements. Last year, we paid a total of £1.0m in means-tested bursaries to support students from households with the lowest incomes. In further measures designed to help ensure that students from lower income backgrounds are not deterred from applying to university and to bolster retention, the University provided a support package of widening participation initiatives and financial assistance worth some £4.2m in 2017/18. This support will continue in 2018/19.

## **6. Financial Review**

### **6.1 University financial results**

2017/18 has been a challenging year, with modest income growth and increasing cost pressures. The £1.2m growth in income lagged behind continued investment in staffing, and despite our curbing of spend towards the end of the financial year, our operating surplus has reduced from £4.5m in 2016/17 to £0.9m in 2017/18. Cash generation remained strong (£8.4m) despite the reduction in operating surplus. We are working to develop a more rigorous form of budget forecasting which will allow us to adjust expenditure in-year as our forecasts of student numbers and income are verified. A dynamic response to our financial position in-year will allow us to tackle the challenges of increasing pension and staff costs in the context of a fixed fee income from students, which is effectively falling annually by the rate of inflation.

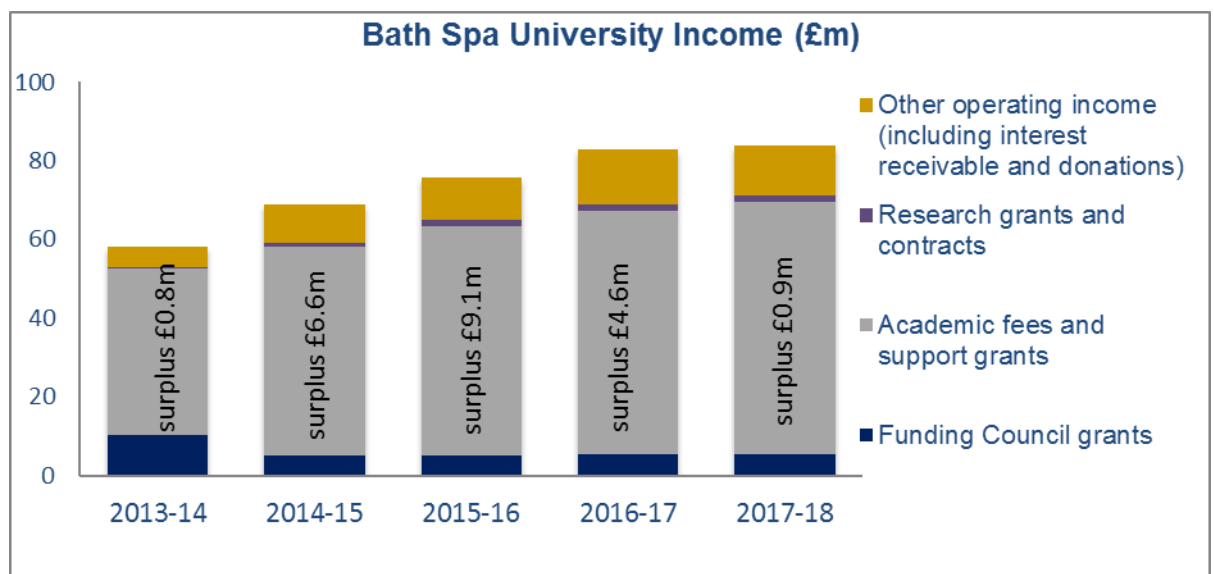
#### **6.1.1 Income**

Grants from funding bodies continue to reduce and in 2017/18 formed 7% of total income. This compared with 18% in 2013/14 and reflects the change in the tuition fee regime.

# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

In 2017/18 income from academic fees overall (i.e. including all years of study) grew some £1.9m. Of this an increase in tuition fees for new full-time home/EU entrants from £9,000 to £9,250 contributed £0.5m.

Income from research grew by £200k as a consequence of new income from research councils, whilst other operating income fell by £1.1m largely as a consequence of a decline in income from student residences. At present we have lower than optimal occupancy of our student rooms, and low levels of income from this asset outside teaching time. Over the next two years we plan to develop and implement more effective policies for residency and commercialisation of our estate, in order to optimise income from these activities.

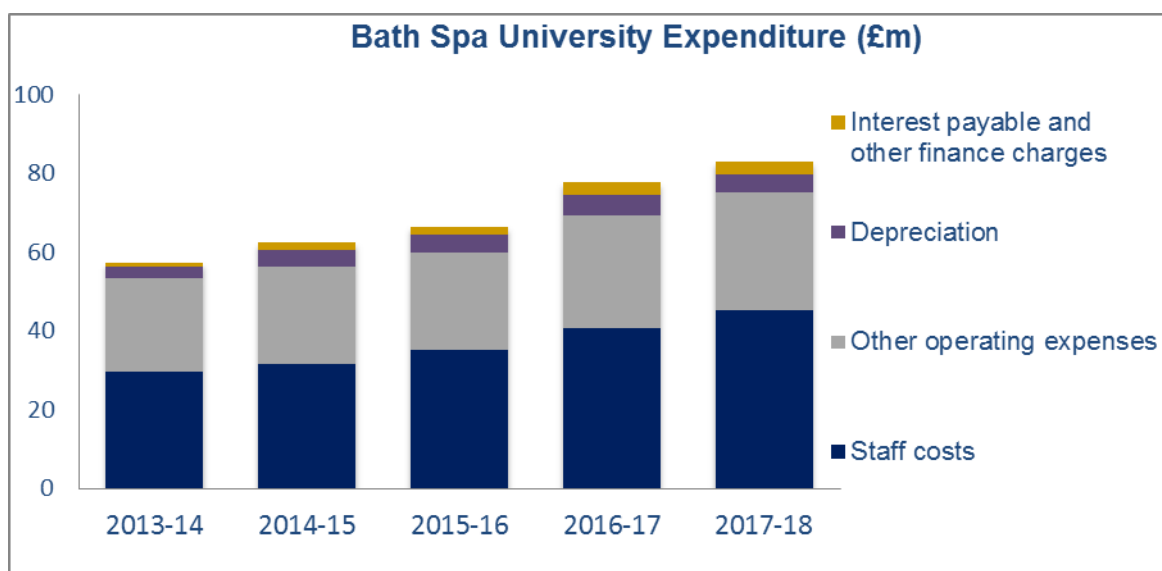


## 6.1.2 Expenditure

Total staffing costs grew by £4.8m (11.8%) as the University continued to invest in staff to support growth in teaching and research. Staff numbers grew by 74 fte (8.7% increase from 2017), and other staff-related costs grew significantly, notably the LGPS notional net service cost that rose £700k. In addition, the University's holiday provision increased £500k as a consequence of a combination of increased staff numbers and increased unused annual leave allowance. Staff costs as a % of income rose from 49% to 54%, a proportion that is loosely in line with the sector.

Other operating expenses increased by £0.8m (3%), more or less in line with inflation.





## 6.2 Balance Sheet

The balance sheet remains strong, with net assets of £87.9M, including pension liabilities, and net current assets of £27.9M. Gearing (expressed as the ratio of total debt to net assets) has declined, as expected, from a relatively high levels in recent years following development of the Newton Park Campus and purchase of Green Park House, and now stands at 65%.

### 6.2.1 Fixed Assets

Additions to freehold property include £7.2m in respect of the development of the University's Locksbrook Road Campus which will become the future location for the Bath School of Art and Design. Additions to building improvements includes £0.4m in respect of entrance and car park works at the Sports Ground just outside Bath that was acquired in 2017 with the intention of increasing the sporting facilities available to its students in due course. A further £0.3m was incurred on new heating controls at Green Park House student residences. Additional equipment assets of £0.45m were purchased, including new IT software systems, computer equipment, and audio visual equipment.

A summary of tangible fixed asset additions during the year is as follows:

	£'000
Assets in course of construction	7,272
Building improvements	1,430
Equipment	451
<b>Total additions</b>	<b>9,153</b>

### 6.2.2 Pension Liabilities

The University's share of the LGPS net pension liability fell by £4.8m to £19.0m at 31 July 2018.

## 6.3 Treasury management and liquidity

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.

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.

During the year interest rates on money market deposits remained modest, and the University continued to seek out opportunities for securing higher interest rates on surplus cash deposits.

The University has a minimum liquidity threshold of 60 days which balances necessary cash with investment requirements. Cash holdings during the year were sound, with an average of 181 days throughout the year and a closing balance of 173 days.

In December 2017 the University secured a new £15m revolving credit facility with Lloyds Bank. This will provide working capital whilst the new £32m Locksbrook Road campus is developed. The facility is available to draw until July 2022 and interest is charged at 95 basis points above LIBOR. In August 2018 the University made an initial draw down of £5m.

## 6.4 Outlook for 2018/19

Student recruitment has continued to be challenging for 2018 entry with applications for undergraduate places again dropping across the sector. The University expects to register around 2,000 Home & EU undergraduates, between 100 and 150 fewer than last year.

It has been a matter of considerable concern across the sector that teacher training applications have dropped markedly this year and in this context the University has done very well to maintain its numbers. In 2017, recruitment to Masters programmes fell by around 50 students.

The University continues to consider its international recruitment strategy in the light of changing conditions in the international market and uncertainty arising from Brexit. Overall, international numbers at intake are likely to drop by around 40 in 2018.

As a consequence of the above, income from tuition fees is approximately £1.8m (2.1% of total budgeted income) below original forecasts, thus highlighting the need for continuing and robust cost control. Measures are in place for 2018/19 and are being further developed for 2019/20 to ensure financial sustainability.

## 7. Future developments

The University is currently formulating its strategy for the period to 2030, which it expects to launch in autumn 2019. As part of the strategy development process we are consulting with staff and students across the institution.

Our key focus in 2018/19 will be on student recruitment, student support and satisfaction and financial stability. We have developed 14 new degrees for our 2019 entry, and a new entry route which allows us to make personal offers to students after interview, audition or portfolio review. We have called this initiative “3,2,1 Go”. We have extended our reach in Schools to over 100, and have redesigned the approach to our Open Day and Post-Applicant Visit Day. Our social media and web activity supports our recruitment priorities.

We have enhanced our student support, both in the direct availability of one-to-one support and in the breadth of training we offer to all staff who will encounter students. Our student experience work includes the STEPS projects described in section 4.2. Our work to enhance our NSS performance has included extra staff recruitment and personal meetings between all staff who lead degrees and the Vice-Chancellor to discuss progress and planning for 2018/19.

The University is also undertaking a careful review of financial planning and forecasting with the aim of rebalancing expenditure, particularly in the light of shrinking student demographics as well as increased cost pressures including pensions, and the potential loss of revenue following the current funding review.

The University is developing a new £32m campus at Locksbrook Road that will open in September 2019. As the University continues to develop its estates strategy it will also look to consolidate the academic estate where appropriate. These developments will enhance student choice, interdisciplinary study and research and improve the student experience, thus directly contributing to achievement of the University’s objectives.

## 8. Principal risks and uncertainties

### 8.1 Risk Management

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 Audit 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.

The University takes a responsible and managed approach to risk, recognising key risks and managing those risks through effective implementation of:

- An institutional risk policy; and
- Institutional risk register (with underlying registers for each academic school and professional services department).

Twice each year the Committee and the Board of Governors reviews the management of risk at Bath Spa and validates the approach the University is taking.

## 8.2 Identified Risks

The greatest risks to the University include:

- Competition for students (UK, EU and International)
- Shrinking student demographics, with numbers of 18 year olds declining nationally until 2021
- Continued uncertain UK political and economic environment as the government proceeds with its Brexit negotiations with the EU
- Financial risks associated with possible reduction in Home/EU tuition fee income following the current funding review, and increases in future employer pension costs, both Teachers' Pensions and LGPS
- Uncertain and rapidly-evolving government policy in higher education, not only with constraints on tuition fees, but also compliance with associated regulatory requirements
- Infrastructure (timely completion of building works and adequacy of teaching space)
- Reputation (the uncertain quality assurance around the Teaching Excellence Framework, the National Student Survey and the impact of both on league table position)
- The capacity of the University to deliver an ambitious change programme in the current environment

These risks carry financial implications of growing significance. We will manage the risks proactively and the financial commitments carefully.

It is still not yet clear what impact Brexit will have on the University's operations but it is likely to lead to greater uncertainty in terms of recruitment of international and EU students. In September 2017 we witnessed a decline of around 200 fte in international and EU students, and whilst EU numbers recovered close to previous levels. In September 2018 we have seen a further decline in international students of around 40 fte. The University will continue to monitor the situation carefully and will review and update its financial forecasts as appropriate to ensure that the full impacts of Brexit are reflected.

## 9. Corporate Governance

### 9.1 Governance Policy Statement

The University is committed to best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the UK Corporate Governance Code, but we have reported on our corporate governance arrangements by drawing upon best practice, including those aspects of the UK Corporate Governance Code we consider to be relevant to the higher education sector. This summary describes the manner in which the University has applied the

principles set out in the voluntary Higher Education Code of Governance published by the Committee of University Chairs in December 2014. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2018, and up to the date of signing, the University has conducted its business in accordance with the principles of the voluntary Higher Education Code of Governance.

The University's Board of Governors comprises lay and academic members appointed under the Instrument of Government of the University, the majority of whom are independent and 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 terms and conditions of funding for higher education institutions with the Office for Students. 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 day-to-day operations.

## **9.2 Summary of the University's structure of corporate governance**

The Board of Governors meets at least four times a year, and has several committees including a Finance and Infrastructure Committee, a Remuneration Committee, an Audit Committee and, as required, a Nominations Committee. All of these committees are formally constituted with terms of reference, and comprise independent members of the Board of Governors, one of whom is designated to chair meetings.

The *Finance and Infrastructure 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 and key financial indicators. The Vice-Chancellor is also a member of this Committee.

The *Remuneration Committee* determines the annual remuneration of senior post-holders.

The *Audit Committee* meets at least twice annually with the external auditors, to discuss audit findings, and at least three times annually 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 Office for Students (formerly the Higher Education Funding Council for England) as they affect the University's business, and monitors adherence with the regulatory requirements. In addition, it receives reports on value for money and whistleblowing. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the committee, and the committee does meet with the external auditors and the internal auditors on their own as required for independent discussions.

The *Nominations Committee* is convened as required to support the process for nominations and appointments to the Board.

## **9.3 Statement of the primary responsibilities of the Board of Governors**



# REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

The following are the responsibilities of the Board of Governors as stipulated in the Articles of Government (also available on the University's website): <http://www.bathspa.ac.uk>, some of which are delegated to sub-committees, subject to final approval by the Board as appropriate:

- the determination of the educational character and mission of the University and for oversight of its activities
- the effective and efficient use of resources, the solvency of the University and the Corporation and for safeguarding their assets
- approving annual estimates of income and expenditure
- the appointment, assignment, appraisal, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts
- setting a framework for the pay and conditions of service for all other staff
- to approve long term plans aimed at securing the mission and strategic objectives
- to approve key performance indicators prepared by the Chief Executive and to consider monitoring reports against those indicators
- to agree a list of major policies for the Institution and formally to approve each policy;
- to require from the Chief Executive regular updates of those policies and progress reports on their implementation
- in addition to the above policies, the Board of Governors places particular emphasis on establishing and monitoring systems of financial control and accountability.
- To ensure that proper books of account are kept (this is further explained in para. 9.4 below)
- to ensure that adequate procedures are in place for handling internal grievances and complaints
- to establish processes to monitor and evaluate the performance and effectiveness of the governing body itself
- to conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership
- to safeguard the good name of Bath Spa University
- to be the employing authority for all staff in the Institution
- to ensure that the University has proper arrangements for obtaining legal advice and authority in order to conduct its business
- to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University

Whilst not stipulated in the Articles of Government, the Board of Governors takes very seriously its responsibility for the health and safety and welfare of its students.

## **9.4 Statement of the responsibilities of the Board of Governors for the financial statements**

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.

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

The Board of Governors is responsible for keeping adequate 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, Office for Students' accounts direction, and other relevant accounting standards.

In addition, within the terms and conditions of funding for higher education institutions with the Office for Students, 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
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements

The Board of Governors has taken reasonable steps to:

- ensure that funds from the Office for Students and Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the terms and conditions of funding for higher education institutions with the Office for Students, and financial memoranda issued by other funding bodies including NCTL
- 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
- secure the economical, efficient and effective management of the University's resources and expenditure

A review of governance was commissioned in September 2017 and the outcome was approved by Governors at their meeting in April 2018. The review is largely supportive of the University's practices and finds no major flaws. However, there are a number of suggestions as to how governance might be improved and these have been accepted by the Board. The report concluded that the Board needs to work towards becoming 'genuinely more strategic' and focusing on key issues, with clearer and better delegation of authority to subcommittees and, where appropriate, the executive. Membership of the board has been mapped against a skills matrix to identify any skills shortages, which will progressively be addressed through the recruitment of new Governors. The former Policy and Resources Committee has been repurposed as the Finance and Infrastructure Committee, with new terms of reference. New maxima have been set for terms of office, independent governors being limited, normally, to two terms of three years with the possibility of one additional year. A mapping to the most recent

edition of the CUC Higher Education Code of Governance was carried out, and a number of areas identified where the Board could improve its practices through closer adherence to the Code: these included the need to adopt a formal scheme of delegation; a commitment to review governance (including academic governance) at regular intervals; action to improve diversity amongst the Board's own membership; and the development of a role description for governors. The recommendations also covered suggested improvements to procedural and administrative practices. Finally, the University is considering the adoption of a new and more modern constitution and is presently in the process of preparing a proposal to the Privy Council.

## **9.5 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.

## **9.6 Statement of Internal Control**

The Board of Governors is responsible 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 terms and conditions of funding for higher education institutions with the Office for Students, and financial memoranda issued by other funding bodies including NCTL.

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. However, it is constantly monitored, and any weaknesses identified are dealt with promptly and proportionally.

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 2018 and up to the date of approval of the financial statements, and in accordance with OfS 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 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 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.

## REPORT OF THE BOARD OF GOVERNORS (OPERATING AND FINANCIAL REVIEW)

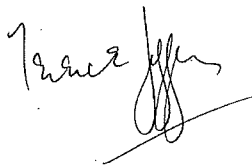
- A regular programme of meetings of senior staff is held to identify and keep up to date the record of risks facing the University
- A system of key performance and risk indicators is maintained and is regularly reviewed
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis is maintained and subject to regular review
- An organisation-wide risk register is maintained and subject to regular review
- 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 OfS Audit Code of Practice and which is regularly reviewed for effectiveness by the OfS 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.

Overall the University has a robust Governance Framework that gives the Board of Governors assurance that its governance arrangements are sound. The review of Governance and Internal Controls has not identified any actions other than those already reported, and being monitored, from internal and external reviews.

By Order of the Board of Governors, 21 November 2018



Terence Jagger  
Chair



Susan Rigby  
Accounting Officer

## INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF BATH SPA UNIVERSITY

### Opinion

We have audited the financial statements of Bath Spa University (the 'parent university') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the consolidated and University statement of comprehensive income and expenditure, the consolidated and University statement of changes in reserves, the consolidated and University balance sheets, the consolidated cash flows statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent university's affairs as at 31 July 2018 and of the group's and parent university's income and expenditure, gains and losses, changes in reserves and group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014.

### Basis for opinion

We have been appointed as auditor under the Education Reform Act 1988 and report in accordance with regulations made under those Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the University's Governing Body, as a body, in accordance with paragraph 13 of the University's articles of government. Our audit work has been undertaken so that we might state to the University's 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 University and the University's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governing body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governing body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Governing body are responsible for the other information. The other information comprises the information included in the Report of the Board of Governors set out on pages 5 to 27, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by OfS terms and conditions of funding for higher education institutions April 2018

In our opinion, in all material respects:

- funds from whatever source administered by the parent university for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by OfS and HEFCE have been applied in accordance with the terms and conditions of funding for higher education institutions with the Office for Students issued April 2018, (and until April 2018, the HEFCE Memorandum of assurance and accountability), and any other terms and conditions attached to them; and
- the requirements of OfS' accounts direction have been met.

## **Responsibilities of Governing Body for the financial statements**

As explained more fully in the Statement of responsibilities of the Governing Body set out on pages 23 to 25, the Governing Body is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body are responsible for assessing the group's and the parent university's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate the group or the parent university or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Mark Bishop  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Bristol

27 November 2018



## STATEMENT OF ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

### **Going concern**

The activities of the University, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the University, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

At 31 July 2018 the University had £56.7m of loans outstanding with bankers that helped finance the development and acquisition of new student residences. The University's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the University has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

### **Basis of consolidation**

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

The financial statements include the University's wholly owned subsidiary Bath Spa U Limited which includes 35% of its share of assets and liabilities of Bath Spa Global LLP, and its share of surplus of £2,000 in 2017/18 which is reported as other expenses (Note 7). The financial statements also include the University's wholly owned subsidiary Bath Spa Venues Ltd that incurred a deficit of £153,000 in 2017/18.

Associated companies and joint ventures are accounted for using the equity method.

## STATEMENT OF ACCOUNTING POLICIES

### **Income recognition**

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Grant funding**

Grant funding including funding council block grant, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### **Donations and endowments**

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

## STATEMENT OF ACCOUNTING POLICIES

### Donations and endowments *(continued)*

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### Accounting for retirement benefits

Retirement benefits to employees of the University are provided by the Teachers' Pension Scheme and the Avon Pension Fund.

- **Teachers' Pension Scheme**

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**

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 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.

## STATEMENT OF ACCOUNTING POLICIES

### Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

### Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

### Land and buildings

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 11. 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.

The transitional rules set out in FRS 102 were adopted as at 31 July 2016 and fair value has been used for deemed cost for properties measured at fair value.

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

## STATEMENT OF ACCOUNTING POLICIES

### **Land and buildings** *(continued)*

Freehold and leasehold 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). The Newton Park estate is held on a 99 year lease that expires in 2044. Freehold land is not depreciated.

### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### **Investments**

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

### **Stock**

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Inherited liability grant**

In January 2008 the University received £14.4m from HEFCE as buy-out of inherited liabilities at Corsham Court. This sum is being amortised on a straight line basis over the remaining 50 years of the Corsham Court lease and will mitigate associated expenditure under the lease covered by the buy-out agreement.

## STATEMENT OF ACCOUNTING POLICIES

### **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) The University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### **Accounting for joint operations, jointly controlled assets and jointly controlled operations**

The University accounts for its share of joint ventures using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Income and Expenditure.

## STATEMENT OF ACCOUNTING POLICIES

### **Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011.

It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

### **Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.



### STATEMENT OF ACCOUNTING POLICIES

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the University either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key source of estimation uncertainty*

- *Local Government Pension Scheme*  
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

# STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

## STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE For the year ended 31 July 2018

	Note	Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>INCOME</b>					
Funding Council grants	1	5,486	5,349	5,486	5,349
Tuition fees and education contracts	2	63,920	61,994	63,920	61,994
Research grants and contracts	3	1,690	1,493	1,690	1,493
Other income	4	12,403	13,528	12,412	13,431
Investment income	5	249	205	249	205
Donations and endowments		206	222	206	222
<b>Total income</b>		<b>83,954</b>	<b>82,791</b>	<b>83,963</b>	<b>82,694</b>
<b>EXPENDITURE</b>					
Staff costs	6	45,460	40,667	45,460	40,667
Other operating expenses	7	29,739	28,834	29,597	28,645
Depreciation		4,686	5,190	4,686	5,190
Interest and other finance charges	8	3,130	3,096	3,130	3,096
<b>Total expenditure</b>	7	<b>83,015</b>	<b>77,787</b>	<b>82,873</b>	<b>77,598</b>
<b>Surplus before other losses</b>		939	5,004	1,090	5,096
Profit on disposal of fixed assets		2	17	2	17
Diminution in value of investment		-	(450)	-	(450)
<b>Surplus before tax</b>		941	4,571	1,092	4,663
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		941	4,571	1,092	4,663
Unrealised surplus on revaluation of liabilities		-	216	-	-
Actuarial gain / (loss) in respect of pension schemes		7,242	(134)	7,242	(134)
<b>Total comprehensive income for the year</b>		<b>8,183</b>	<b>4,653</b>	<b>8,334</b>	<b>4,529</b>
<b>Represented by:</b>					
Endowment comprehensive income for the year		6	5	6	5
Unrestricted comprehensive income for the year		8,177	4,648	8,328	4,524
		8,183	4,653	8,334	4,529

All items of income and expenditure relate to continuing activities.

## CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

### CONSOLIDATED STATEMENT OF CHANGES IN RESERVES For the year ended 31 July 2018

	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2016</b>	<b>581</b>	<b>49,597</b>	<b>24,932</b>	<b>75,110</b>
Surplus from the income and expenditure statement	5	4,566	-	4,571
Other comprehensive income	-	82	-	82
Transfers between revaluation and income and expenditure reserve	-	387	(387)	-
	5	5,035	(387)	4,653
<b>Balance at 1 August 2017</b>	<b>586</b>	<b>54,632</b>	<b>24,545</b>	<b>79,763</b>
Surplus from the income and expenditure statement	6	935	-	941
Other comprehensive income	-	7,242	-	7,242
Transfers between revaluation and income and expenditure reserve	-	387	(387)	-
<b>Total comprehensive income for the year</b>	<b>6</b>	<b>8,564</b>	<b>(387)</b>	<b>8,183</b>
<b>Balance at 31 July 2018</b>	<b>592</b>	<b>63,196</b>	<b>24,158</b>	<b>87,946</b>

## UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

### UNIVERSITY STATEMENT OF CHANGES IN RESERVES For the year ended 31 July 2018

	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Unrestricted £'000	£'000	£'000
<b>Balance at 1 August 2016</b>	<b>581</b>	<b>50,332</b>	<b>24,932</b>	<b>75,845</b>
Surplus from the income and expenditure statement	5	4,658	-	4,663
Other comprehensive income	-	(134)	-	(134)
Transfers between revaluation and income and expenditure reserve	-	387	(387)	-
	5	4,911	(387)	4,529
<b>Balance at 1 August 2017</b>	<b>586</b>	<b>55,243</b>	<b>24,545</b>	<b>80,374</b>
Surplus from the income and expenditure statement	6	1,086	-	1,092
Other comprehensive income	-	7,242	-	7,242
Transfers between revaluation and income and expenditure reserve	-	387	(387)	-
<b>Total comprehensive income for the year</b>	<b>6</b>	<b>8,715</b>	<b>(387)</b>	<b>8,334</b>
<b>Balance at 31 July 2018</b>	<b>592</b>	<b>63,958</b>	<b>24,158</b>	<b>88,708</b>

# CONSOLIDATED BALANCE SHEET

## CONSOLIDATED BALANCE SHEET At 31 July 2018

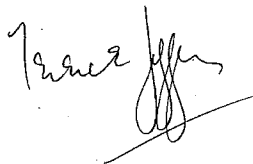
	Note	Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	11	147,464	142,996	147,464	142,996
Investments		-	-	50	50
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	12	592	586	592	586
		148,056	143,582	148,106	143,632
<b>CURRENT ASSETS</b>					
Stocks		71	76	71	76
Debtors	13	3,970	2,806	4,313	2,946
Investments		28,727	36,562	28,727	36,562
Cash at bank and in hand		11,688	8,814	11,478	8,644
		44,456	48,258	44,589	48,228
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(16,580)	(15,579)	(16,001)	(15,518)
		27,876	32,679	28,588	32,710
<b>NET CURRENT ASSETS</b>					
		175,932	176,261	176,694	176,342
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	15	(67,910)	(71,726)	(67,910)	(71,196)
<b>PROVISIONS</b>					
Pension provisions	20	(19,043)	(23,821)	(19,043)	(23,821)
Other provisions	17	(1,033)	(951)	(1,033)	(951)
		87,946	79,763	88,708	80,374
<b>TOTAL NET ASSETS</b>					
		87,946	79,763	88,708	80,374

# CONSOLIDATED BALANCE SHEET

## CONSOLIDATED BALANCE SHEET (CONTINUED) At 31 July 2018

	Note	Consolidated		University	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>RESTRICTED RESERVES</b>					
Endowment reserve	19	592	586	592	586
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve		63,196	54,632	63,958	55,243
Revaluation reserve		24,158	24,545	24,158	24,545
		87,354	79,177	88,116	79,788
<b>TOTAL RESERVES</b>		87,946	79,763	88,708	80,374

These financial statements were approved and authorised for issue by the Board of Governors on 21 November 2018 and signed on its behalf by:



Terence Jagger  
Chair



Susan Rigby  
Accounting Officer

The notes on pages 45 to 65 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		941	4,571
<b>Adjustment for non-cash items</b>			
Depreciation		4,686	5,190
Release of inherited liability grant		(240)	(240)
Release of capital grants		(773)	(690)
Decrease in stock		5	34
(Increase) / Decrease in debtors		(1,164)	178
Increase in creditors		110	1,897
Increase in provisions		82	3
Increase in pension fund liability		1,878	1,274
Contribution to Howard Hodgkin Fund		(6)	(5)
<b>Adjustment for investing or financing activities</b>			
Interest payable (finance charge FRS 102)		586	518
Endowment and net interest receivable		(249)	(205)
Finance cost of enhanced pension provision		14	39
Interest payable		2,530	2,539
Profit on sale of fixed assets		(2)	(17)
		8,398	15,086
<b>Net cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Interest received		249	205
Finance cost of enhanced pension provision		(14)	(39)
Interest paid		(2,530)	(2,539)
Purchase of tangible fixed assets		(8,889)	(5,033)
Proceeds from sale of fixed assets		2	17
Capital grants received		693	567
		(10,489)	(6,822)
<b>Cash flows from financing activities</b>			
Decrease / (Increase) in short-term deposits		7,835	(2,131)
Repayment of bank loans		(2,801)	(2,386)
Receipt of new Salix loan		187	94
Repayment of Salix loans		(256)	(119)
		4,965	(4,542)
		2,874	3,722
<b>Increase in cash in the year</b>			
Cash at beginning of the year	21	8,814	5,092
Cash at end of the year	21	11,688	8,814



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

1. FUNDING COUNCIL GRANTS – CONSOLIDATED AND UNIVERSITY

	HEFCE £'000	DWP £'000	2018 £'000	2017 £'000
Recurrent grant	4,372	101	4,473	4,419
Inherited liability grant released in year	240	-	240	240
Deferred capital grants released in year:				
- Buildings	333	-	333	295
- Equipment	440	-	440	395
	<hr/>	<hr/>	<hr/>	<hr/>
	5,385	101	5,486	5,349
	<hr/>	<hr/>	<hr/>	<hr/>

2. TUITION FEES AND EDUCATION CONTRACTS – CONSOLIDATED AND UNIVERSITY

	2018 £'000	2017 £'000
Full-time students	58,293	55,799
Full-time students charged overseas fees	4,410	5,423
Part-time fees	1,217	772
	<hr/>	<hr/>
	63,920	61,994
	<hr/>	<hr/>

3. RESEARCH GRANTS AND CONTRACTS – CONSOLIDATED AND UNIVERSITY

	2018 £'000	2017 £'000
Research councils	1,103	755
Other grants and contracts	587	738
	<hr/>	<hr/>
	1,690	1,493
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

4. CONSOLIDATED OTHER INCOME

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Residences, catering and conferences	9,129	10,344
Other income	3,274	3,184
	<hr/>	<hr/>
	12,403	13,528
	<hr/>	<hr/>

Residences, catering and conferences includes £279,000 (2017 £186,000) related to the University's subsidiary company Bath Spa Venues Limited.

5. CONSOLIDATED AND UNIVERSITY INVESTMENT INCOME

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Income from short term investments	249	205
	<hr/>	<hr/>

6. CONSOLIDATED AND UNIVERSITY STAFF COSTS

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Wages and salaries	34,684	31,306
Social security costs	3,572	3,112
Other pension costs	7,204	6,249
	<hr/>	<hr/>
	45,460	40,667
	<hr/>	<hr/>

The University has included an accrual for holiday pay in 2018 totalling £2,368,000 (2017: £1,833,000).

	<b>£'000</b>	<b>£'000</b>
Other pension costs comprise:		
Contributions to defined benefit scheme accounted for as a defined contribution scheme (TPS)	2,908	2,647
Current service cost of defined benefit scheme (LGPS)	4,296	3,602
	<hr/>	<hr/>
	7,204	6,249
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2018

#### 6. CONSOLIDATED AND UNIVERSITY STAFF COSTS (CONTINUED)

Average staff numbers by major category (full-time equivalent):	2018 No.	2017 No.
Academic staff	372	341
Hourly-paid lecturers	54	53
Technicians	46	49
Support staff – administration	386	342
Support staff – manual workers	67	66
	925	851

#### Key Management Personnel remuneration

	£'000	£'000
Remuneration includes no compensation for loss of office (2017: £428,500). The number of full time equivalent staff numbers was 11.0 (2017: 10.6)	1,261	1,654
	1,261	1,654

Key management personnel are those persons having authority for planning, directing and controlling the activities of the University, and includes the Vice-Chancellor, Deputy Vice-Chancellor/Provost, Chief Operating Officer, Director of International and Marketing, Executive Dean of Bath School of Art and Design, Executive Dean of College of Liberal Arts, Executive Dean of Institute for Education, Pro Vice-Chancellor (Research and Enterprise), Pro Vice-Chancellor (Learning and Teaching Quality), Registrar, Director of Human Resources, and University Secretary.

#### Emoluments of the Accounting Officer and Chief Executive:

Information regarding three Vice-Chancellors is set out below. This is because three separate individuals held the post, including one on an interim basis, between the period 1 August 2017 and 31 July 2018.

The remuneration of the Vice-Chancellor (appointed January 2018) was agreed by the Remuneration Committee, entirely composed of lay members, during the recruitment process. In making their decision the Committee reviewed data on Vice-Chancellor salaries from CUC and UCEA, and considered the differential between the VC's salary and the lowest and the average academic salary at the University. They also had a discussion about the current levels of uncertainty and change in the Higher Education sector, the need to recruit an experienced individual with the right skills, and the salaries then being earned by potential candidates. They considered concerns about the escalation of pay in the sector, and also took cognisance of Bath Spa's relatively small size, but also took into account the university's extensive change and development programme and the need to recruit an appropriately skilled individual to steer the university in a challenging time.

The current salary of the Vice-Chancellor is detailed on our website and for this financial year was a base pay of £206,500 per annum with an additional payment of £38,987 as she has elected to receive payment in lieu of pension.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2018**

**Emoluments of the Accounting Officer and Chief Executive** *(continued)*:

The total emoluments of the three Accounting Officers and Chief Executives who served during the year were as follows:

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Remuneration	225	250
Holiday Pay	10	-
Housing allowance	1	20
Pay in lieu of pension	21	-
Other benefits-in-kind	4	20
	<hr/>	<hr/>
	261	290
Compensation for loss of office	-	429
Pension contribution	2	89
	<hr/>	<hr/>
	263	808
	<hr/>	<hr/>

The individual emoluments of the three Accounting Officers and Chief Executives who served during the year were as follows:

Professor Christina Slade (01.08.2017 to 15.08.2017):

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Remuneration	10	250
Holiday Pay	10	-
Housing allowance	1	20
Other benefits-in-kind	1	20
	<hr/>	<hr/>
	22	290
Compensation for loss of office	-	429
Pension contribution	2	89
	<hr/>	<hr/>
	24	808
	<hr/>	<hr/>

Professor Christina Slade's basic salary<sup>1</sup> was 7.7 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff. Where

<sup>1</sup>*Basic salary is the salary prior to any adjustments expressed as a full year full time equivalent. Total salary is calculated as including basic salary, performance related pay and other bonuses, employer pension contributions and payments in lieu of pension, other taxable benefits, non-taxable benefits, market supplements allowances and any other remuneration. This is also expressed as a full time full equivalent*

*The ratio calculation is based on all staff including casual staff.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2018**

**Emoluments of the Accounting Officer and Chief Executive** *(continued)*:

the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider to its staff, this equated to 8.7 times.

Professor Nick Foskett (15.08.2017 to 21.01.2018):

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Remuneration	105	-
Other benefits-in-kind	3	-
	<hr/>	<hr/>
	108	-
	<hr/>	<hr/>

Professor Nick Foskett's basic salary was 11.7 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff. Where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider to its staff, this equated to 10.1 times.

Professor Susan Rigby (22.01.2018 to 31.07.2018):

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Remuneration	110	-
Pay in lieu of pension	21	-
	<hr/>	<hr/>
	131	-
	<hr/>	<hr/>

Professor Susan Rigby's basic salary was 6.3 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff. Where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider to its staff, this equated to 6.4 times.

The University has carefully reviewed the financial data available in respect of agency salaries and considers it is both extremely difficult and not cost-effective to determine a robust annual salary for each worker engaged on an agency basis. For these reasons the University has decided not to include agency salaries in the 2017/18 pay ratio calculations.

**Remuneration of higher paid staff excluding the Accounting Officer and Chief Executive:**

	<b>No.</b>	<b>No.</b>
£100,001 - £105,000	1	-
£105,001 - £110,000	1	1
£135,001 - £140,000	-	2
£140,001 - £145,000	1	-
£145,001 - £150,000	1	-
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

7. CONSOLIDATED EXPENDITURE BY ACTIVITY

	Staff costs	Depreciation	Other operating expenses	Interest payable	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	25,355	161	6,158	-	31,674	28,999
Academic services	6,118	363	5,209	-	11,690	10,867
Research grants and contracts	468	-	992	-	1,460	1,338
Residences, catering and conferences	848	1,786	2,982	-	5,616	5,296
General education expenditure	2,199	5	5,439	-	7,643	6,919
Premises	2,297	2,342	5,427	2,530	12,596	12,552
Administration	6,318	26	1,829	600	8,773	8,427
Staff and student services	1,856	3	1,452	-	3,311	2,929
Other expenses	1	-	251	-	252	460
	<u>45,460</u>	<u>4,686</u>	<u>29,739</u>	<u>3,130</u>	<u>83,015</u>	<u>77,787</u>

Other operating expenses – residences, catering and conferences includes £150,000 (2017 £139,000) related to the University's subsidiary company Bath Spa Venues Limited, and other expenses includes a credit of £2,000 (2017 charge of £50,000) related to the University's subsidiary company Bath Spa U Limited.

	2018 £'000	2017 £'000
The depreciation charge has been funded by:		
Deferred capital grants	773	690
Revaluation reserve released	387	387
General income	3,526	4,113
	<u>4 686</u>	<u>5,190</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

#### 7. CONSOLIDATED EXPENDITURE BY ACTIVITY (CONTINUED)

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Other operating expenses include:		
Auditors' remuneration		
- external audit	32	25
- internal audit	27	27
- other services	3	4
- tax services	3	3
- US federal loan	2	2
Hire of land and buildings (operating leases)	1,051	775
Hire of plant and machinery (operating leases)	15	20
Howard Hodgkin endowment – University contribution	6	5
Student Union grant	464	420
Share of (surplus) / deficit in joint venture (Note 9)	(2)	45
	1,051	775

#### 8. CONSOLIDATED AND UNIVERSITY INTEREST AND OTHER FINANCE CHARGES

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Loan not wholly repayable within five years	2,530	2,539
Net interest on local government pension scheme (Note 20)	586	518
Finance cost of enhanced pension provision	14	39
	3,130	3,096

#### 9. SHARE OF (SURPLUS) / DEFICIT IN JOINT VENTURE

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Share of (surplus) / deficit in joint venture	(2)	45
	(2)	45

#### 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 significant taxable profit.



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold properties	Assets under construction	Building improvements	Fixtures, equipment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2017:						
Valuation	69,024	5,551	-	-	1,267	75,649
Cost	6,045	65,158	-	16,613	11,970	99,979
Additions at cost	-	-	7,272	1,430	452	9,154
Reclassification	(5,345)	-	5,345	-	-	-
Disposals at cost	-	-	-	-	(165)	(165)
At 31 July 2018:						
Valuation	69,024	5,551	-	-	1,289	75,864
Cost	700	65,158	12,617	18,043	12,235	108,753
	69,724	70,709	12,617	18,043	13,524	184,617

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS (CONTINUED)

	Freehold land and buildings £'000	Leasehold properties £'000	Assets under construction £'000	Building improvements £'000	Fixtures, equipment and vehicles £'000	Total £'000
<b>Accumulated depreciation and impairment</b>						
At 1 August 2017	1,749	10,000	-	8,887	11,996	32,632
Reclassification	(74)	-	74	-	-	-
Charge for year	998	1,475	-	1,375	838	4,686
Disposals	-	-	-	-	(165)	(165)
At 31 July 2018	2,673	11,475	74	10,262	12,669	37,153
<b>Net book value at 31 July 2018</b>	<b>67,051</b>	<b>59,234</b>	<b>12,543</b>	<b>7,781</b>	<b>855</b>	<b>147,464</b>
Net book value at 31 July 2017	73,320	60,709	-	7,726	1,241	142,996
Inherited	10,366	2,271	-	-	-	12,637
Financed by capital grant	-	1,306	-	793	468	2,567
Other	56,685	55,657	12,543	6,988	387	132,260
<b>Net book value at 31 July 2018</b>	<b>67,051</b>	<b>59,234</b>	<b>12,543</b>	<b>7,781</b>	<b>855</b>	<b>147,464</b>

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 user (SAVP1). However, SAVP1 is qualified to the extent that this may not be appropriate in respect of specialised properties which rarely, if ever, changes 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).

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2018**

**11. CONSOLIDATED AND UNIVERSITY TANGIBLE FIXED ASSETS (CONTINUED)**

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 inherited liability grant.

The University revalued certain land and building assets to fair value prior to the date of transition to the 2015 FE HE SORP; these are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The assets were valued by qualified external valuers on a depreciated replacement cost basis.

At 31 July 2018, freehold land and buildings included £21,700,000 (2017: £21,700,000) in respect of freehold land and is not depreciated.

Land and buildings with a net book value of £12,637,000 (2017: £12,774,000) 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 terms and conditions of funding for higher education institutions with the Office for Students.

**Equipment**

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

The University's subsidiaries, Bath Spa U Limited and Bath Spa Venues Limited had no tangible fixed assets at 31 July 2018 or 31 July 2017.

**12. ENDOWMENT ASSET INVESTMENTS**

	<b>Consolidated</b>		<b>University</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	586	581	586	581
New endowments	6	5	6	5
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	592	586	592	586
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and other short term investments	592	586	592	586
	<hr/>	<hr/>	<hr/>	<hr/>
Total endowment asset investments	592	586	592	586
	<hr/>	<hr/>	<hr/>	<hr/>

The endowment assets comprise a £530,000 University contribution (including interest earned) and external donations totalling £62,000 to establish a chair in the name of Sir Howard Hodgkin.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2018

**13. DEBTORS**

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade debtors	2,074	1,312	2,047	1,308
Other debtors	31	24	30	24
Amounts due from subsidiary undertakings	-	-	371	121
Amounts due from joint ventures	287	96	287	121
Prepayments and accrued income	1,578	1,374	1,578	1,372
	<hr/>	<hr/>	<hr/>	<hr/>
	3,970	2,806	4,313	2,946
	<hr/>	<hr/>	<hr/>	<hr/>

No debtors were due after more than one year.

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

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank loans (Note 16)	2,894	2,801	2,894	2,801
Salix loans (Note 16)	275	238	275	238
Trade creditors	2,061	2,079	2,041	2,078
Taxation and social security	947	1,190	947	1,184
Amounts due to joint ventures	-	-	-	25
Amounts due to subsidiaries	-	-	6	-
Share of net liabilities in joint ventures	522	-	-	-
Other creditors	1,625	1,279	1,601	1,279
Accruals and deferred income	7,402	7,104	7,383	7,025
Inherited liability grant	240	240	240	240
Deferred capital grants	614	648	614	648
	<hr/>	<hr/>	<hr/>	<hr/>
	16,580	15,579	16,001	15,518
	<hr/>	<hr/>	<hr/>	<hr/>

The inherited liability grant above relates to the University's obligation to maintain and insure its property at Corsham Court in the period to 2066.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

#### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Donations	593	295	593	295
Research grants	949	672	949	672
	1,542	967	1,542	967

#### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Inherited liability grant	11,640	11,880	11,640	11,880
Deferred capital grants	1,953	1,999	1,953	1,999
Bank loans (Note 16)	53,829	56,723	53,829	56,723
Salix loans (Note 16)	488	594	488	594
Share of net liabilities in joint ventures	-	530	-	-
	67,910	71,726	67,910	71,196

The inherited liability grant above relates to the University's obligation to maintain and insure its property at Corsham Court in the period to 2066.

#### 16. BORROWINGS

	Consolidated and University	
	2018 £'000	2017 £'000
Bank loans and overdrafts are repayable as follows:		
In one year or less	2,894	2,801
Between one and two years	2,991	2,893
Between two and five years	9,586	9,270
In five years or more	41,252	44,560
	56,723	59,524

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2018

**16. BORROWINGS** (CONTINUED)

In June 2013 the University drew down a £10m EIB loan, being part of a £30m loan facility with Lloyds Bank PLC. The EIB loan is repayable in quarterly instalments commencing June 2013 and ending May 2027. Interest is fixed at 3.268%.

In February 2014 the University drew down a £10m loan from Lloyds Bank PLC that is repayable in quarterly instalments commencing May 2014 and ending February 2034. Interest is fixed at 5.693%.

In August 2014 the University drew down a £10m loan from Lloyds Bank PLC that is repayable in quarterly instalments commencing November 2014 and ending February 2034. Interest is fixed at 4.765%.

In May 2016 the University drew down a £35m bridging loan from Santander UK plc that was converted to a fixed term loan in August 2016, repayable in quarterly instalments commencing November 2016 and ending December 2034. Interest is fixed at 3.990%. The loan is secured over the freehold property to which the loan relates.

In December 2017 the University agreed a revolving credit facility of up to £15m from Lloyds Bank PLC that is available until December 2022. Interest is charged at 0.95% above LIBOR. The facility is secured by a combination of a legal charge on the University's freehold property at Sion Hill, and a cash deposit in the sum of £4.2m, the latter to be in place prior to the first drawdown of funds from the facility.

	<b>Consolidated and University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
The Salix loan is repayable as follows:		
In one year or less	275	238
Between one and two years	275	238
Between two and five years	213	356
	763	832

The University received an interest free loan of £951,000 from Salix to part-fund the Carbon Reduction Programme. The loan is repayable in half-yearly instalments over 4 years, commencing May 2017 and ending November 2020.

The University received a further loan from Salix during the year of £187,000 to part-fund the installation of energy saving heating controls in one of the University's residences. The loan is repayable in half-yearly instalments over 5 years, commencing May 2018 and ending November 2022.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

17. PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Consolidated and University</b>		
	<b>Enhanced pension provision £'000</b>	<b>Landlords' guarantee provision £'000</b>	<b>Total provisions £'000</b>
At 1 August 2017	831	120	951
Charge to income and expenditure statement	14	183	197
Utilised in year	(68)	(47)	(115)
	<hr/>	<hr/>	<hr/>
At 31 July 2018	777	256	1,033
	<hr/>	<hr/>	<hr/>

An amount of £777,000 (2017: £831,000) 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 Bath Spa University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

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' guarantee provision reflects the number of study bedrooms for which the University has a potential liability. In 2018 the University paid £47,000 (2017: £47,000) in respect of unfilled places from a total of 611 study bedrooms.

The University has also entered into an arrangement whereby it will compensate Unite for letting some 316 student bedrooms at Waterside Court to Bath Spa University students on contracts that are consistent with the length of Bath Spa University owned accommodation, but which are shorter than those let by Unite to other tenants. The cost of such compensation is expected to be £256,000 (2017: £42,000). A similar arrangement has also been made with owners of Twerton Mill student residence where the cost of such compensation for 62 student bedrooms is expected to be £Nil (2017: £28,000). 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.

18. DEFERRED CAPITAL GRANTS

	<b>Consolidated and University</b>		
	<b>Buildings £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
At 1 August 2017	2,542	105	2,647
Received in year	642	51	693
Released to income and expenditure statement	(715)	(58)	(773)
	<hr/>	<hr/>	<hr/>
At 31 July 2018	2,469	98	2,567
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2018

19. ENDOWMENTS

	Consolidated and University	
	2018 £'000	2017 £'000
Balance at 1 August	586	581
New endowments	6	5
	<hr/>	<hr/>
Balance at 31 July	592	586
	<hr/>	<hr/>
<b>Representing:</b>		
Capital	592	586
	<hr/>	<hr/>

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 costs for the period was £7,204,000 (2017: £6,249,000).

*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 pension's cost is assessed 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 2012
Actuarial method	Prospective benefits
Investment returns per annum	5% per annum
Salary scale increases per annum	4.75% per annum
Market value of assets at date of last valuation	£176,600 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	92%

For the year ended 31 July 2018 the employer contribution rate was 16.5% (2017: 16.5%). The total pension cost for the period was £2,908,000 (2017: £2,647,000).

Under the definitions set out in FRS102, 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2018**

**20. PENSION COSTS (CONTINUED)**

***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 2018 was £3,369,000 (2017: £3,263,000) of which employers' contributions totalled £2,484,000 (2017: £2,418,000) and employees' contributions totalled £885,000 (2017: £845,000). The agreed contribution rates for future years are 19.2% (2017: 18.9%) for employers, and salary-determined rates for employees ranging from 5.5-12.5%.

The following information under FRS 102 is based upon a full actuarial valuation of the Fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	<b>2018</b>	<b>2017</b>
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions in payment	2.2%	2.2%
Discount rate	2.9%	2.6%
Inflation assumption CPI	2.1%	2.2%

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

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

	<b>2018</b>	<b>2017</b>
<i>Retiring today</i>		
Males	23.6	23.5
Females	26.1	26.0
<i>Retiring in 20 years</i>		
Males	26.2	26.0
Females	28.8	28.7

The assets in the scheme were:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Equities	20,469	23,625
Government Bonds	6,057	5,473
Other Bonds	6,423	3,649
Property	4,856	4,070
Cash	1,984	749
Other	12,428	9,216
	<hr/>	<hr/>
	52,217	46,782
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2018

#### 20. PENSION COSTS (CONTINUED)

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

The following amounts at 31 July 2018 were measured in accordance with the requirements of FRS102:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
University estimated share of assets	52,217	46,782
Present value of scheme liabilities	(71,260)	(70,603)
	(19,043)	(23,821)

##### **Analysis of amount charged to staff costs within income and expenditure statement**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	4,296	3,602
	4,296	3,602

##### **Analysis of amount that is charged to interest payable**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Expected interest pension scheme assets	1,244	1,021
Interest on pension scheme liabilities	(1,830)	(1,539)
	(586)	(518)

##### **Analysis of amount recognised in income and expenditure statement**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	2,092	3,817
Change in financial and demographic assumptions underlying the scheme liabilities	5,150	(3,951)
	7,242	(134)

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

#### 20. PENSION COSTS (CONTINUED)

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

##### **Movement in deficit during year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(23,821)	(21,895)
Movement in year:		
Current service cost	(4,296)	(3,602)
Curtailments and settlements	-	(27)
Contributions	2,484	2,418
Net interest cost	(586)	(518)
Actuarial gain /(loss)	7,242	(134)
Administration expenses	(66)	(63)
	(19,043)	(23,821)

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of the year	70,603	61,572
Current service cost	4,296	3,602
Interest cost	1,830	1,539
Contributions by scheme participants	885	845
Actuarial (gain) / loss	(5,150)	3,951
Curtailments	-	27
Benefits paid	(1,204)	(933)
	71,260	70,603

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of the year	46,782	39,677
Expected interest on scheme assets	1,244	1,021
Actuarial gain	2,092	3,817
Administration expenses	(66)	(63)
Contributions by employer	2,484	2,418
Contributions by scheme participants	885	845
Benefits paid	(1,204)	(933)
	52,217	46,782

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2018

20. PENSION COSTS (CONTINUED)

Avon Pension Fund (LGPS) (continued)

History of experience gains and losses

	2018	2017	2016	2015	2014
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount (£'000)	2,092	3,817	1,267	1,216	(821)
% of scheme assets	4.0%	8.2%	3.2%	3.4%	(2.6%)

**Experience gains and losses on scheme liabilities:**

Amount (£'000)	-	(1,765)	-	-	-
% of scheme liabilities	-	(2.5%)	-	-	-

**Total amount recognised in the income and expenditure statement:**

Amount (£'000)	7,242	(134)	(8,879)	(2,559)	(187)
% of the present value of scheme liabilities	10.2%	(0.2%)	(14.4%)	(5.4%)	(0.1%)

The projected contribution to the defined benefit scheme for the forthcoming year is £2,543,000 (2017: £2,394,000). The cumulative amount of actuarial losses recognised in the income and expenditure statement is £10,054,000 (2017: £17,296,000).

**Sensitivity analysis**

Actuaries appointed by Avon Pension Fund have prepared the following sensitivity analysis that indicates the likely changes to pension liabilities, asset values, costs and returns on assets in the event of changes to key assumptions used by the actuary in determining the valuation of the fund at 31 July 2018.

	Base	Sensitivity 1 - +0.1% pa. discount rate	Sensitivity 2 - +0.1% pa. inflation	Sensitivity 3 - +0.1% pay growth	Sensitivity 4 - 1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>	71,260	69,775	72,778	71,475	72,577
<b>Assets</b>	(52,217)	(52,217)	(52,217)	(52,217)	(52,217)
<b>Deficit</b>	19,043	17,558	20,561	19,258	20,360
<b>Projected service cost</b>	3,821	3,694	3,953	3,821	3,901
<b>Projected interest cost</b>	515	489	559	522	554

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 July 2018

#### 21. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2017 £'000	Cash flows £'000	Other movements £'000	At 31 July 2018 £'000
Cash held in endowment asset investments	586	-	6	592
Cash at bank and in hand	8,814	2,880	(6)	11,688
Short term deposits	36,562	(7,835)	-	28,727
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	45,962	(4,955)	-	41,007
	<hr/>	<hr/>	<hr/>	<hr/>

#### 22. CAPITAL COMMITMENTS

	Consolidated and University	
	2018 £'000	2017 £'000
Contracted but not yet invoiced	19,328	111
	<hr/>	<hr/>

#### 23. FINANCIAL COMMITMENTS

At 31 July 2018 the University had total rental payable under non-cancellable operating leases for land and buildings as follows:

	Consolidated and University	
	2018 £'000	2017 £'000
Expiring within one year	25	49
Expiring from one to five years	1,244	1,075
Expiring after five years	1,741	-
	<hr/>	<hr/>
	3,010	1,124
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2018

#### 24. 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 possible 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. During the year the University provided a grant to Bath Spa University's Student Union of £464,000 (2017: £420,000) enabling it to provide essential services to University students.

The University has entered into a joint venture agreement with a US-based provider, Shorelight, to establish a pathway college in Bath (see Note 9).

#### 25. TEACHER TRAINING BURSARIES

	2018 £'000	2017 £'000
Funds received	2,094	2,550
Disbursed to students	(1,915)	(2,308)
	<hr/>	<hr/>
Balance due to DWP at 31 July	179	242
	<hr/>	<hr/>

Teacher training bursaries are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the statement of comprehensive income and expenditure.

#### 26. GOVERNORS' EXPENSES

	2018 £'000	2017 £'000
Governors' expenses	8	11
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The governors, other than the Accounting Officer, did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.



