

Financial Statements

2010-2011



UNIVERSITY OF
BATH



THE SUNDAY TIMES
UNIVERSITY OF THE YEAR 2011-12



Financial Statements

for the year ended 31 July 2011

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Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its subsidiary companies. The companies in which the University holds 100% of the share capital are listed in note 14 to the Financial Statements, together with their principal activities. Both subsidiary companies are dormant. As well as the 100% owned subsidiaries, the Financial Statements include the results of University of Bath Foundation Ltd. The University of Bath

Foundation Ltd is a charitable and educational foundation incorporated in the State of Maryland with the object of supporting activities involving the University of Bath in the United States. The Foundation is an independent body responsible under United States law for its own affairs. However, the University exercises dominant control over the Foundation's activities.

Consolidated Results for the Year and Outlook

The University enters 2011-12 knowing that it, along with the rest of the HE sector, faces a greater degree of change and uncertainty than it has experienced in a generation. With this prospect I am pleased that the University can report another record surplus and operating cash inflow in 2010-11. In September 2011 the University won the accolade of University of the Year 2011-12 awarded by the Sunday Times. The award is designed to recognise a university's all-round excellence and I would like to take this opportunity

to congratulate the students and staff of the University on this wonderful achievement. This should give everyone associated with the University further confidence to face the current challenges in the knowledge that the quality of its teaching, student experience and research is acknowledged as first class. The University's reputation for quality is well deserved and it is this reputation that will enable it to emerge from the transition to a new funding model in a strong position and to remain recognised as one of the country's leading Universities.

	£000 2011	£000 2010	% Increase
Income	190,480	183,776	4%
Expenditure	<u>(173,042)</u>	<u>(165,718)</u>	4%
Surplus on continuing operations	17,438	18,058	(3)%
Write-down of Investments	(420)	(1,347)	
Exceptional items and losses on disposal of fixed assets	<u>74</u>	<u>(185)</u>	
Net surplus after exceptional items and disposal of fixed assets	<u>17,092</u>	<u>16,526</u>	3%
Net assets excluding pension liability	<u>191,206</u>	<u>168,664</u>	13%
Net assets including pension liability	<u>166,368</u>	<u>145,067</u>	15%
Net cash inflow from operating activities	<u>26,508</u>	<u>26,438</u>	0%

Report of the Treasurer

A surplus of £17.1m exceeds last year's record by £0.6m and is the eighth consecutive year that the University has reported a surplus. As my predecessor reported last year, the University's goal is to increase its activities in a sustainable manner. On the face of it this has been achieved with growth in income, net surplus and operating cash flow. However, the risks that were reported last year remain and are arguably greater than a year ago.

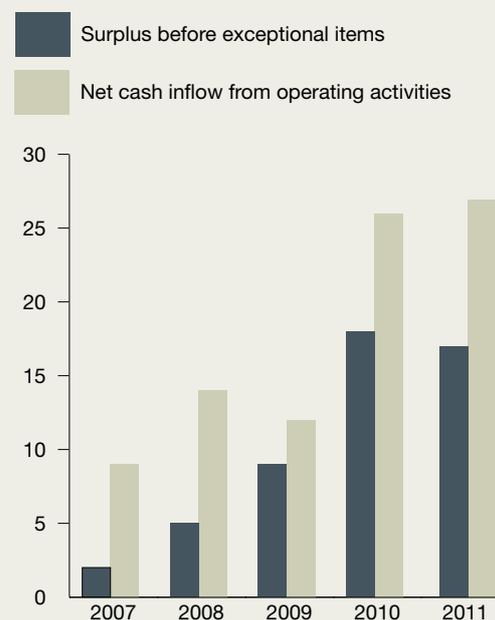
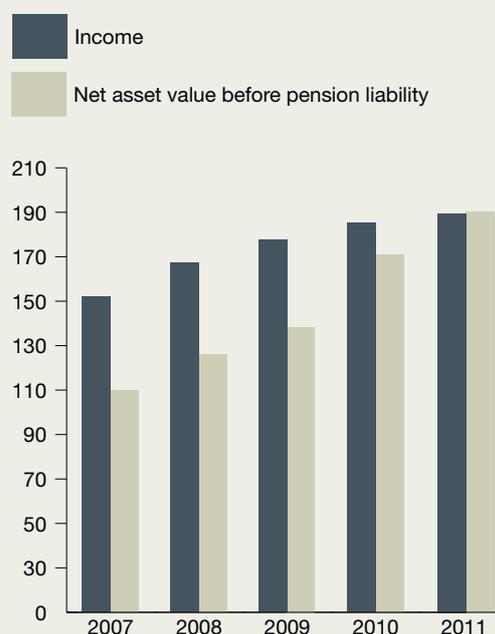
More is known this year about the new system for tuition fee income but it is perhaps harder to quantify its effect on the University.

The University of Bath, like its peers, announced its intention to charge the maximum £9,000 fee in April 2011. This decision reflected the cost of maintaining a high quality teaching environment and the reduction in capital funding which has proved so valuable in recent years in updating and enhancing the University's estate.

The subsequent decision by the Government to remove the restriction on the recruitment of undergraduates with AAB + 'A' Level grades will have a dramatic impact. Approximately 75% of the University's students meet this criterion. At the same time the number of funded places available to Bath is substantially reduced. The result is to create a market for the highest calibre students. Of course this can be, and is, seen as an opportunity and the University's recognition by the Sunday Times could not be better timed in this respect. Nevertheless the rapidity with which Government policy develops combined with the overnight creation of a market in which the players have no experience represents a big risk for the sector as a whole, as well as an opportunity. The University also faces operational risks in trying to prepare for a system which is not yet fully defined or understood. There is the potential for student dissatisfaction with the admissions processes next year as universities struggle to implement a complex new process in a short period.

The University's income growth this year came from two main sources. First, the inclusion of the retail activities which were formerly managed by the Students' Union. These activities transferred to the University on 1 August 2010. Secondly the University built on its previous excellent track record in attracting overseas students. This success has been developed on the reputation of the UK HE sector in general as well as the University of Bath's own reputation. Any damage to the wider sector as a result of the current funding changes will affect the University's ability to continue to attract such high quality overseas students. Similarly, changes to visa requirements and to the beneficial exchange rates which have prevailed in recent years risk disturbing the relatively benign environment which the University has enjoyed for its overseas students.

The University has been adversely affected by the reduction in Research Council Funding during the year. The absolute reduction in funding combined with the Councils' intentions to fund larger projects is a continuing risk for the University given its relatively small size in comparison to some other research intensive universities. A great deal of effort is being directed to mitigating this risk with some success but the continued restrictions in the funding environment for research is potentially damaging for the University, the sector and the wider UK economy.



The challenges presented by carbon and other environmental issues are mentioned in more detail later in the report but they too present a risk, with little possible financial upside, to the University. The University is addressing its carbon obligations with considerable success; however, at a time when the University is seeking to control its costs against the backdrop of uncertainty there is little comfort to be taken from the seeming certainty that fuel prices will increase over time and remain volatile. The University has acted to mitigate the volatility of prices but the possibility of further legislation which will use a carbon cost to drive behaviour change is an unwelcome prospect given the scale of the current challenge.

The high level of inflation has an adverse effect on the University in several ways. Most obviously it increases the day to day costs of the University. Should it remain high when the economy returns to a more normal level of growth there is likely to be pressure on pay as Trades Unions seek to redress some of the real reduction in incomes that are currently being experienced by staff. Compounding this risk is the possibility that the £9,000 tuition fee income remains a highly politically charged issue and is not increased in line with increasing costs. The healthy surplus that the University has achieved would be quickly eroded by this turn of events and it is little comfort that others in the sector would be affected more and sooner.

It is clear that the University faces a difficult period ahead along with the rest of the HE sector. Nevertheless, the University's commitment to quality in teaching and research has reaped rewards thus far and give confidence that the opportunities that are presented in the new funding regime will be seized. The University is recognised as one of the leading universities in the country with many of its departments considered to be among the best in their respective fields and this has been and remains the University's greatest asset.

Income

Total Income increased by a relatively modest £6.7m (4%) compared to the prior year. Much of this growth came from an increase in tuition fees, particularly overseas fees, and a rise in income from residences. Full time overseas fees increased by £5.0m, of this £2.5m was a result of increased recruitment to the School of Management's taught programmes. Postgraduate taught income in both Economics and Social and Policy Sciences also increased by £0.7m and £0.2m respectively. Both undergraduate and postgraduate income increased in Architecture (£0.4m) and Electrical Engineering (£0.4m).

Income streams reliant on Government funding fared less well. Recurrent core grants reduced by £1.3m (2.5%) a result of the Government's Comprehensive Spending Review in October 2010 and the subsequent decisions of the Department for Business Innovation & Skills. Grant

Income compared to 2010 was further reduced by the University's success in attracting donations in 2009 and 2010 which allowed it to achieve the maximum grant under the HEFCE matched funding scheme for voluntary giving after only two years; no matched funding was therefore available in 2011. However, the University did benefit from the receipt of University Modernisation Funding to support the investment in more efficient processes.

Research Grants and Contract Income reduced by 9% compared to the previous year. In part this was due to a one-off £1.2m received in the prior year but of greater concern is the reduction in income from the Research Councils which was £1.9m lower than last year. This reflects both the absolute reduction in funding but also the shift in policy on the part of the Research Councils mentioned earlier. A greater emphasis on collaborative projects is expected to mitigate this risk. However, the backdrop of continued pressure on the public purse makes this a matter of continued concern.

Accommodation and Hospitality income increased by 12%. Most of this improvement came from higher accommodation income where an increased tariff, occupancy rates and a 50% volume increase for Beds@bath gave a good rate of growth. The latter followed an investment in web based sales and is part of the University's effort to diversify its income and more fully utilise its assets. Growth in hospitality came from the inclusion of the income of the former Students' Union catering outlets as well as growth in the University's existing outlets.

Other Income (note 4) is £3.0m higher than in 2010. This increase mainly relates to the inclusion of the former Students' Union retail outlets in the University's figures for the first time. However, this is partially off-set by the £1.2m reduction in donations when compared to 2010 when the University benefitted from exceptional one-off donations.

	2011 £m	2010 £m	% inc/(dec)
Funding council grants	61.5	62.1	-1%
Tuition fees and education contracts	63.8	57.2	12%
Research grants and contracts	27.7	30.4	-9%
Accommodation and hospitality	19.2	17.1	12%
Other services rendered	7.2	8.3	-13%
Other income	11.1	8.7	28%
Total Income	190.5	183.8	4%

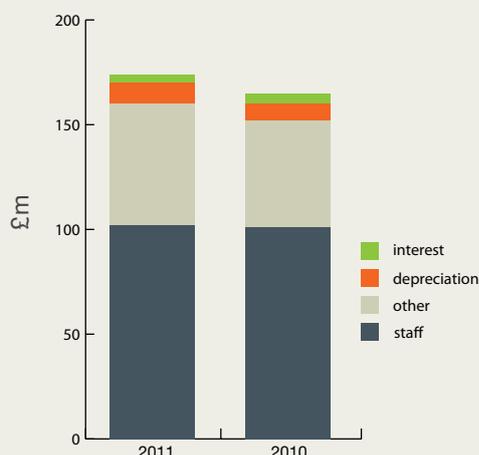
Expenditure

The control of costs remains a key objective for the University's management. The increased risk and volatility to income streams in the coming years makes the control of costs whilst enhancing the service provided a critical factor in maintaining the University's sustainability.

In total University expenditure increased by £7.3m (4.4%) during the year. The transfer of the Students' Union trading activity to the University has increased costs by £3.1m. On

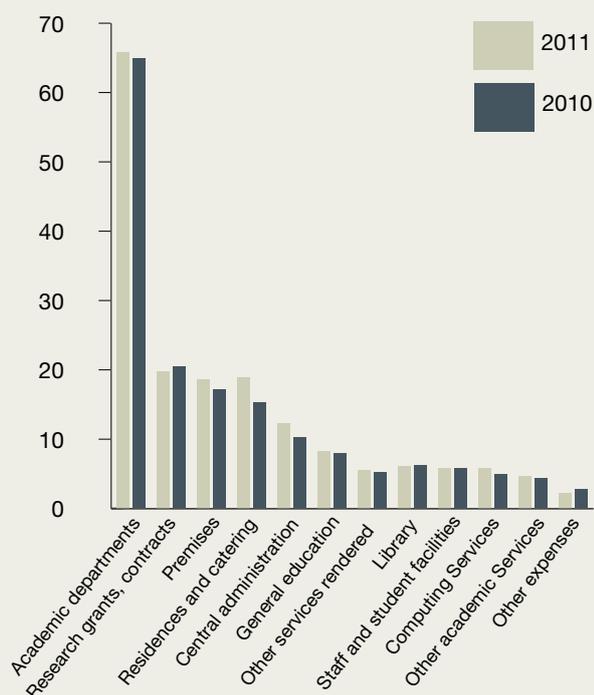
Report of the Treasurer

a like for like basis the University's costs increased by £4.2m (2.5%). The chart below analyses the expenditure by cost type.



Staff costs rose slightly but excluding the addition of Students' Union pay costs costs reduced by £0.4m, the most significant reduction being in Research staff costs which fell by £1.9m. Academic departments pay costs increased by £1.7m (2.7%). Staff costs in the remaining areas of the University remained tightly controlled with an average increase of less than 0.5%.

Other operating expenses increased by £7.2m compared to 2010. Of this increase £2.3m relates to the transfer of activities from the Students' Union and is reflected in the increase in Residences and Catering in the chart below.



Academic departments invested £0.6m in improving their facilities. More detailed analysis of costs can be found in note 8. Central Administration Other Operating Expenses increased by £1.8m as a result of an increase in Alumni fund expenditure of £1.1m and investment in efficiency improvements, some of which were funded by the University Modernisation Fund.

The increase in Other Expenses relates mostly to the write off of project costs.

Depreciation costs are £1.1m higher than last year and interest £1.4m lower, the latter being due to a lower FRS 17 Pension charge (note 9).

Cashflow

The University's operating cashflow was excellent again this year at £26.5m (note 28). This marginally exceeds last year's record and represents 13.9% of total income. Increased expenditure in the year was compensated for by a reduction in the balance of debtors and creditors which contributed £2.4m compared to £0.4m in the previous year. Whilst this working capital improvement is commendable it is essentially a one-time benefit and underlying these results is an early indication of the effect of flatter income and rising costs on the University's ability to generate funds for infrastructure and academic investment. This is not a significant issue at the moment but, as I mentioned earlier, even a relatively short period when there was no increase in tuition fees would greatly reduce the University's capacity for investment.

Capital expenditure and financial investment was £4.8m higher than last year (note 30) as even though capital expenditure reduced the reduction in capital grants was greater.

Treasury

The excellent cashflow resulted in the University increasing the value of its current asset investments, cash and endowments by £9.8m.

The University's strategy of investing in assets with a very low capital risk for those funds which are required for investment in both the physical and academic infrastructure has remained unchanged. No new funds were added to the Gilts and Fixed Interest Investments (note 18) where the return has been above expectations principally because of the volatility in other asset classes. The level of fixed deposits increased by £2.0m to £25.0m and all these deposits have been placed for a term of 12, or in one case 13, months. The value of Certificates of Deposit is £10.1m higher than the prior year with a typical term of 3 months.

Endowment and investment income increased by £0.4m compared to last year (note 6). This was a result of higher cash balances, improved returns as the average deposit

term increased and an increased return on the Sterling Credit Trust corporate bond investment.

The loan balance remains at £104m and is partially hedged with swaps of £50.9m at a weighted average rate of 5.28% (note 21). The University's debt is high compared to much of the rest of the sector; however, the net debt (note 33) reduced to £20.5m in the year which is 11% of income compared to 17% in 2009-10. The University's hedging arrangements combined with the high level of cash investments means that the University's treasury function will benefit should there be a gradual and modest increase in base rates.

Consolidated Balance Sheet

The University's strong operating performance is reflected in the £21.3m increase in Net Assets to £166.4m. New additions to fixed assets totalled £21.7m and are described later. After depreciation the book value of assets increased by £12.1m. The value of Fixed Asset Investments reduced by £0.3m as a result of the write down of holdings in four companies which are part of the University of Bath Crescent Seedcorn Fund.

Debtors reduced in large part because of a reduction in the Funding Council Grant debtor. Creditors reduced by £0.9m overall; a reduction of £5.3m due to lower capital expenditure and an improvement in the payment of other suppliers was partially off-set by a £3m increase in deferred income. Loans remain fully drawn at £104m but will start to be repaid in 2012.

The LGPS pension liability has increased by £1.2m in 2010-11. The larger USS pension scheme does not appear on the balance sheet at any University. Last year my predecessor reported on the proposed changes to the USS scheme which were at that time subject to a consultation process. That process was completed at the end of December and changes to USS were approved by the Trustee board at its meeting on 9 June 2011. The changes are intended to maintain an excellent level of pension benefits and to ensure that the scheme remains viable for employees and employers. The main changes are the introduction of a new section of USS for new members where the benefits are based on career average revalued earnings. The final salary section will remain for existing members but will require a higher contribution from salary and an increase in the Normal Pension Age for future service to 65. Both sections will be subject to new cost sharing arrangements. Whilst these changes meet the objectives both in respect of maintaining a high quality benefit package for the employee and reducing the risk to the employer, the risk associated with defined benefit pension schemes from factors such as increasing longevity remains a concern.

Estate Developments

The start of 2010-11 saw the completion of one of the busiest building programmes in the University's history. In September a new £5.5m Student Centre was opened creating a vibrant and attractive facility for all students. The Centre has proved very popular in its first year and is further

evidence of the University's commitment to the student experience.

Adjacent to the Student Centre, levels 4 to 9 of Norwood House were refurbished with levels 5 to 9 converted back to bedrooms. The project was completed in an exceptionally tight timescale and credit is due to contractors and the University Estates Department for converting and preparing this accommodation in time for the students' arrival.

The East Building was also completed on schedule in February 2011 and provides flexible office space, general teaching space as well as a large new lecture theatre. The building was designed to high environmental standards and has been well received by its new occupants.

Several smaller residences projects were completed during the summer of 2010 and further projects have taken place in the summer of 2011 including the refurbishments of the Polden Court and John Wood Court Residences.

The Carbon Management Board established in 2010 has produced a Carbon Management Plan (CMP) covering the period 2015 to 2020. This plan was approved by Council in April 2011 and has been recognised as an exemplar for the sector by the Carbon Trust. The CMP was one of the constituent elements which enabled the University to pass the HEFCE CIF2 assessment enabling easier qualification for capital funding, albeit the quantum of funding available is significantly less than in previous years. The work of the University in addressing environmental issues was also recognised by the award of a first class award in the University Green League.

Whilst good progress has been made the targets for carbon reduction are very demanding and will require significant investment and changes in processes and behaviour. The University is expecting an above inflation rate of price increases and significant price volatility over a sustained period. Volatility has been mitigated by adopting a more sophisticated approach to procurement but there will inevitably be a tension between reducing demand whilst pursuing the development of the University's teaching and research activities. It is not unreasonable to expect further legislation in this area and this combination of commodity prices, carbon targets, university growth and further legislation will present the University with significant issues and risks in the coming years.

In conclusion, it has been very pleasing to be able to report such a strong set of results for 2010-11. The risks that I have outlined in respect of tuition fees, policy development, research funding, the economy, inflation and carbon amongst others are all real challenges to the University. Against this it is certain that new opportunities will be presented and the University's excellent reputation earned over many years by successive staff and students mean that the University remains well placed to enhance its reputation and the success that will come with this.

Peter Wyman
Treasurer

Public Benefit Statement

Our Mission is to deliver world class research and teaching, educating our graduates to become future leaders and innovators, and benefiting the wider population through our research, enterprise and influence.

The commitment to delivering public benefit is at the core of our Mission. Our Mission was approved by members of Council, the University's trustees, as part of the approval of our Corporate Plan 2009/10- 2013/14. Our Mission derives from our Objects to "advance learning and knowledge by teaching and research, particularly in science and technology, and in close association with industry and commerce". These Objects are set out in our Charter.

In furtherance of our Mission, our key corporate goals are to:

- promote research of international excellence and impact through the development of our intellectual and physical capacity;
- deliver high quality, professional education that is intellectually challenging, offering excellent career prospects, a supportive environment for personal development, and equality of opportunity to anyone with the academic ability to benefit;
- encourage a culture of creativity, enterprise and innovation, maximising the beneficial economic and social impact of our intellectual assets;
- raise our international profile by developing strategic partnerships, increasing the visibility of our research and teaching, strengthening our alumni networks and influencing policy on global issues.

In its oversight of the delivery of these corporate goals, the University's Council has due regard to the Charity Commission's guidance on public benefit.

We are one of the largest employers in Bath & North East Somerset, with around 2,300 employees. Our 2011 Staff Satisfaction Survey showed that 84% of respondents thought the University was a good place to work.

Research of international excellence

In addition to advancing knowledge, the University's research has a wide range of public benefits

- stimulating economic development;
- informing public policy and the professions;
- innovating, informing and inspiring;
- building international connections.

In 2010-11, the value of our research portfolio was £92,935,105.

In accordance with our Mission, our goal is to benefit society in general and our research ethos has a strong focus upon impact, tackling challenges of global significance from sustainability to health and wellbeing. We believe that our research should be of benefit to society and should achieve the highest standards of international excellence. Our faculty comprises some of the finest researchers from around the world. For more about our research visit <http://www.bath.ac.uk/research/>.

Our research has tangible economic and social benefits, for example:

- Through its 15-year research partnership with the NHS, the Centre for Research in Strategic Purchasing and Supply (CRiSPS) has delivered positive outcomes to patients, NHS organisations and taxpayers alike. For example, CRiSPS worked closely with the NHS Purchasing and Supply Agency (NHS PASA) and the main stakeholders involved in hearing impairment services. The resulting collaborative approach, allowed the NHS to purchase and supply over 260,000 digital hearing aids a year, at the much reduced cost of £60 per unit. Better hearing aids became more widely available, and the NHS saved £45.5 million a year.
- Our Centre for Development Studies (CDS) is a centre of expertise on poverty and wellbeing, and is internationally renowned for its work in Bangladesh. For over 3 decades now, staff at CDS have been involved in action research and policy advocacy in Bangladesh aimed at improving the lives of the country's most disadvantaged and poorest. Interactions with parliamentarians led to the formation of Bangladesh's first All Party Parliamentary Group on extreme poverty. Improved policies will impact the livelihoods of the extreme poor well beyond the life of particular projects.
- An international collaboration between researchers in the Department of Pharmacy and Pharmacology and researchers in the University of Michigan is seeking to develop new compounds that could prevent addicts relapsing into drug use.
- Dr Adrian Bowyer, Department of Mechanical Engineering, leads a project that built RepRap, a self-replicating rapid-prototyper machine that copies parts, including most of its own parts so that it can reproduce itself. Instead of printing on paper, the machine makes three-dimensional models in plastic, designed on a PC. RepRap can work on a range of applications where it makes just under 60 per cent of its own parts. It can make 100 per cent of some objects.

We work proactively to ensure that our research is disseminated and understood beyond the world of academe. We offer a range of public lectures which are free to attend. We utilise a wide variety of media to disseminate knowledge beyond the confines of campus, including Twitter and Facebook.

We believe that there is a clear public benefit in having an informed population, both nationally and internationally, particularly where complex global issues are concerned. We are proactive in engaging the media with our research work and publish a Directory of Expertise so that the media can readily access expert comment on topical issues.

High quality education

In addition to disseminating knowledge, the University's teaching has a wide range of public benefits:

- developing people;
- innovating, informing and inspiring;
- building international connections.

We are a first choice university destination for students in an increasingly competitive, international recruitment market. Students are attracted by our excellent academic reputation, our outstanding graduate employment record, our world class sports facilities, and the wide array of other social, recreational and personal development opportunities we offer. Our ability to offer placement options across our discipline base, and with leading organisations, is unique amongst UK research universities. Our graduates have excellent employment prospects, not only because of their discipline-specific knowledge and skills but also because of the emphasis we place on developing well-rounded, enterprising individuals with high aspirations. As a result, our graduates are well-equipped to contribute to economic and policy development, as well as making a positive social contribution.

In 2010-11, our core student population comprised 9,974 undergraduates, 3,478 taught postgraduates and 1,113 research postgraduates. Our completion rates are some of the best in the sector and in the latest National Student Survey we were ranked 6th for overall student satisfaction. We were recently named 'University of the Year' by the Sunday Times in recognition of our high student satisfaction levels and graduate destination statistics.

The beneficiaries of our teaching activities range from primary school age (aspiration raising/mentoring) through to mature learners (continuing professional development), and include undergraduates, taught postgraduates and research postgraduates. We recruit internationally and are committed to promoting a diverse student population.

Our goal is a socially inclusive and diverse student population. We support social mobility through a range of activities:

- **Aspiration raising and outreach activities for young people** from under-represented groups, with special emphasis on STEM subjects and on activities for learners identified as Gifted or Talented;
- **Diversifying our curriculum offer**, delivery methods and modes of learning to attract a wider range of students;
- **Promoting access and minimising barriers to progression** by working to better understand and to mitigate the difficulties some applicants experience in achieving an offer from us;
- **Enhancing student services and support networks** to minimise barriers to retention.

In 2010-11, we maintained our expenditure of around £5 million on delivering our widening participation goals, including around £2 million on bursaries to address financial barriers to participation.

In developing our new Access Agreement 2012, we have targeted applicants (excluding franchised FD students) from families with household incomes up to £16,000. We plan to offer both a tapering fee waiver scheme and a tapering bursary scheme. We have adopted this approach because we wish to deliver our access targets and we believe that it is essential to give new starters maximum reassurance about the affordability of study in their first year. Once they have committed to, and are settled into, study at the University of Bath, we are confident that the combination of our existing resources, the Joblink scheme (paid part-time employment), our high quality (mostly paid) placements (bringing in income in the third year), and our hardship scheme, coupled with the tapering fee waivers and bursaries, will enable the students to feel confident about the ongoing affordability of their study.

Working in close partnership with the Students' Union, the University offers a wide range of opportunities for personal development, including volunteering, summer internships, personal development and skills training. Volunteering opportunities for students include mentoring students experiencing difficulties with their studies in two local schools, Culverhay Boys School and Ralph Allen School, tutoring in local schools as volunteer classroom assistants, organising small scale local community projects and fundraising. Hundreds of students volunteer every year.

The Bath Award, launched in 2009/10, provides an accreditation framework so that students can present all the transferable skills, competences and capabilities demonstrated through their extra-curricular activities to employers in a systematic fashion. Students are required to undertake at least 100 hours of extracurricular activity, at least three skills training sessions and reach the required standard in a set of key skill areas: teamwork, leadership, communication, commercial awareness and problem-solving.

Public Benefit Statement

Students can also volunteer to help with outreach activities, encouraging gifted and talented young people from socio-economic groups under-represented in Higher Education, to raise their educational aspirations. We provide a supportive learning environment, with central student services and academic departments working in partnership, and have one of the highest retention and success rates in the UK. We have an excellent record for supporting students with disabilities to the successful completion of their studies. We encourage students from diverse backgrounds and provide financial support

Students can also volunteer to help with our public engagement activities, particularly the annual 'Bath taps into Science' event in the city designed to enthuse members of the community about science.

We are also keen to ensure that our students and graduates have a strong awareness of the environmental impact of their actions. Students in campus residences are encouraged to take part in an annual competition to reduce energy use and we are increasing opportunities for students to recycle waste materials. We are currently involved in an NUS-led pilot, the Degrees Cooler programme, designed to encourage sustainable living on campus.

Creativity, Enterprise and Innovation

The knowledge that we generate through our research and teaching activities can be exploited to achieve a number of public benefits:

- innovating, informing and inspiring;
- engaging communities and working in partnership;
- stimulating local economic and social development;
- building international connections.

We are sector leaders in the commercial exploitation of intellectual property (IP) and the establishment of international links for exploitation of IP. Our strength in knowledge transfer helped to secure one of only 12 EPSRC Knowledge Transfer Accounts to exploit research more effectively for the benefit of the UK's economy and society. Our Innovation Centre, a model of best practice for business incubation, is creating a new base of high technology, high yield businesses in the City of Bath. It was expanded for 2010-11 and can now offer conference and training facilities for local businesses as well as test facilities. At a regional level, we are co-ordinating a number of advanced technology sector networks, including Silicon South West and Low Carbon South West. We are also working with partners to establish a new science park facility for our region.

Enterprise@Bath, a resource for the whole University community, is aimed at creating tomorrow's business leaders and fostering an innovative culture. It signposts sources of skills development, funding and support. We offer enterprise education for students and they are encouraged to develop entrepreneurial skills. A number of students develop business models or launch their own businesses whilst studying.

As part of our culture of creativity, enterprise and innovation, we seek to make a positive social, as well as economic, impact.

We have outstanding sports facilities and offer a programme of community sport, TeamBath Tribe, encouraging young people in particular to engage in sporting activities. We also send coaches to schools to deliver sport within curriculum time, breakfast, lunch and after-school clubs. We also host out-of-term time sports activities for children and during term time host a wide range of activities working with multiple partners including local education authority, the school sports partnership, youth sports trust, county sports partnership, British Olympic Foundation and National Governing Bodies. We have been chosen as the base for the Paralympics GB training camps in preparation for London 2012 and have plans to establish a centre of excellence in sport for the disabled.

We also offer a public arts programme curated around an annual theme. The season includes visual arts, theatre, dance and music with an interdisciplinary emphasis, including exhibitions, films, discussions, practical workshops and classes. We support new arts projects, residencies, training opportunities, seminars and symposia exploring interdisciplinary arts practice.

International Profile

We believe that there is a benefit to our academic activities in having a truly international culture on campus. Our ability to attract internationally renowned researchers contributes to our capacity to contribute to the regional and national knowledge economy. Through our international connections we can provide a conduit to disseminate best international practice and cutting edge research locally, regionally and nationally. We also believe that a culturally diverse student population makes a positive impact on the experience of all of our students.

In addition to the international profile of our teaching and research activities, we are forging international connections through our alumni network and our world class sports facilities.

We have over 56,000 alumni with whom we are in regular contact and have 10 international alumni chapters,

including Australia, China, Greece, India, Japan, Singapore, South Korea, Taiwan and USA.

We will provide the 2012 training camp for the Malaysian Olympic squad.

Public detriment

We do not believe that there is any direct harm or detriment to the public arising from our Mission and corporate goals. However, we do recognise that our activities have environmental consequences and we have made a number of commitments to promote effective environmental management:

- continually improve our environmental performance as far as the constraints of our physical infrastructure and estate will permit;
- make the most efficient and effective use of all resources, encouraging members of our community to develop a sustainable approach;
- minimise carbon emissions from regular commuting to and from campus by encouraging the use of public transport, cycling or walking;
- develop and implement effective energy and water conservation measures;
- reduce overall waste production and increase the recycled component of the waste stream;
- implement a procurement policy that will include consideration of sustainability in all tender evaluations;
- work with our suppliers to help us achieve our sustainable and socially responsible procurement policy aspirations in the delivery of our products and services;
- support the principles of fair trade and maintain our Fairtrade status;
- manage our grounds in an environmentally and biodiversity-sensitive manner.

During 2010-11, we developed our new Carbon Management Plan, in partnership with the Carbon Trust. We are fully committed to reducing carbon emissions and were the first UK HEI to undertake the Carbon Trust's Higher Education Carbon Management process in its 'pre-pilot' phase in 2003. Our initial carbon reduction target was to reduce CO2 emissions from gas combustion and electricity usage by 12.5% from a 2003/04 baseline of 0.11 tonnes/m2 building floor area by 2010, which we achieved by December 2010. Our new Plan builds on this success and we have identified projects that will produce further reductions towards our

aspirational 2020 target of a 43% reduction against a 2005 baseline.

We received a First Class award in the People and Planet Green League Table 2011.

We seek to promote the highest standards of scientific and professional integrity and to give due consideration to the ethical, social and environmental issues arising from our activities. In advancing knowledge to improve health and wellbeing, we undertake various projects in medical research and medically-associated biological research. This work is funded by the Medical Research Council, the Biotechnology and Biological Sciences Research Council, and major medical charities including the Wellcome Trust, Cancer Research UK, British Heart Foundation, Arthritis Research Campaign and Diabetes UK. Research in the UK involving vertebrate animals is regulated, within the framework of the Animals (Scientific Procedures) Act 1986, by the Home Office Animals Scientific Procedures Division and Inspectorate. All work on vertebrate animals is conducted under Home Office Licence. This means that any projects we undertake have been through an ethical review process, and have then been assessed by a Home Office Inspector to ensure that the benefits from the research outweigh any possible discomfort to the animals.

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. The University complies in full with the Governance Code of Practice adopted by the Committee of University Chairmen (CUC) in November 2004, and revised in February 2009.

This summary describes the manner in which it has applied the principles set out in the Codes. Its purpose is to help the reader of the accounts understand how the principles have been applied.

Summary of the University's Structure of Corporate Governance

The University's governing body is its Council. This comprises lay and academic and non-academic persons, appointed under the Statutes of the University, the majority of whom are non-executive. The lay roles of Chair of Council and Treasurer are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the Statutes of the University, and under the Financial Memorandum with the Higher Education Funding Council for England. The Council, with the Senate, determines the ongoing strategic direction of the University; it approves major developments and receives regular reports from executive officers on the day-to-day operations of its business and its subsidiary companies.

The University is an exempt charity as defined by the Charities Act 2006 and members of its Council are therefore trustees of the charity. The Higher Education Funding Council for England acts as principal regulator in respect of the University's status as a charity.

Council normally meets five times a year. Its committees include Finance Committee, Nominations Committee, Remuneration Committee and Audit Committee. All of these committees are formally constituted with terms of reference and include lay members of Council, one of whom is the chair.

The Finance Committee, inter alia, recommends to Council the University's annual revenue and capital budgets and receives updates to the estimates during the course of a year. It also supervises the investment activity of the University following the disestablishment of the Investment Committee in November 2008.

The Nominations Committee considers nominations for membership of Council and its Committees, including the key roles of Chair of Council, Pro-Chancellor and Treasurer.

The Remuneration Committee determines the annual remuneration of the Vice-Chancellor, Deputy Vice-Chancellor, Pro-Vice-Chancellors, Deans of Faculties/Schools and senior administrative officers.

The Audit Committee, on behalf of Council, has an ongoing programme for reviewing the effectiveness of the University's system of internal control. It is responsible for meeting with the external auditors and the internal auditor of the University and reviews and discusses reports issued. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's response and implementation plans and monitors the progress of these plans. It also receives and considers reports from the Higher Education Funding Council for England, as they affect the University's business, and monitors adherence with the regulatory requirements. Whilst senior executives do attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets with the external auditors on their own for independent discussions.

In accordance with the CUC Governance Code of Practice, Council keeps its effectiveness under regular review. The last effectiveness review of Council was undertaken during 2004/05 and its recommendations have been implemented. An interim review was considered by Council in October 2008. The next full review will be undertaken in 2011/12.

Members of Council sign an annual declaration of guiding principles stating that they will act in accordance with the University's guidance on corporate governance and with the principles on the proper conduct of public business and accepted standards of behaviour in public life as set out in the CUC Guide for Members of Higher Education Governing Bodies in the UK. A register of interests is maintained and updated annually.

Internal Control

As the governing body of the University of Bath, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to it in the Charter and Statutes and the Financial Memorandum with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The University has established the following processes in relation to its risk management policy and for reviewing the effectiveness of the system of internal control:

- Council normally meets five times a year to consider the plans and strategic direction of the University;
- Council has established that the Executive Committee, the senior management team of the University, be the body that oversees risk management at the institution;

- Risk management forms part of the annual planning cycle of the University and covers all risks – governance, management, quality, reputational and financial;
- Academic and central departments have risk registers in place, which are updated annually as part of the planning process and form part of the agenda of planning meetings;
- The University maintains a corporate risk register which is updated annually and progress on improvement actions is reviewed. The risk register includes an evaluation of the likelihood and impact of risks becoming a reality;
- Council receives a report focusing on two specific risks from the corporate risk register at each of its meetings. Annually, it receives an overall report for the year, and an updated register;
- Council annually reviews the effectiveness of the risk management process and internal controls;
- The Audit Committee receives regular reports from the Head of Internal Audit on specific areas of internal control together with recommendations for improvement. Audit planning arrangements and the methodology and approach of internal audit conforms to the latest professional standards reflecting the adoption of risk management techniques.

Council's review of the effectiveness of the system of internal control is informed by the Internal Audit unit, which operates to standards defined in the HEFCE Accountability and Audit Code of Practice. The internal auditors submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, 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.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of 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 2011 and up to the date of approval of the financial statements, has operated effectively throughout the year and accords with HEFCE guidance.

Responsibilities of the University's Council

In accordance with the University's Charter of Incorporation, the Council of the University is responsible for the administration and management of the affairs of the Group and is required to present audited financial statements for each financial year.

The primary responsibilities of the Council are:

- approving the mission and strategic vision of the institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring these meet the interests of stakeholders;
- appointing the head of the institution as chief executive of the institution and putting in place suitable arrangements for monitoring his or her performance;
- ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances and for managing conflicts of interest;
- monitoring institutional performance against plans and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further and Higher Education, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, 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 Group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council 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 Group will continue in operation. The Council is satisfied that the Group 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 Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and from the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council and the Funding Agreement with the Training and Development Agency for Schools, and any other conditions which the Funding Council or Agency may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the Group and prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the Group's resources and expenditure.

Membership of University of Bath Council

(between 1st August 2010 and 24th November 2011)

Mr P Troughton	Chair of Council
Mr D Medlock	Pro-Chancellor
Mr K Woodley	Pro-Chancellor (to 31st December 2010 and from 1st April 2011)
Sir J Horn-Smith	Pro-Chancellor
Mr R Pedder	Treasurer (to 31st December 2010)
Mr P Wyman	Treasurer (from 1st January 2011)
Professor G Breakwell	Vice-Chancellor
Professor K Edge	Deputy Vice-Chancellor
Dr S Wharton	Chair of Academic Assembly
Mr P Wyman	Appointed by Council (to 31st December 2010)
Mr R Excell	Appointed by Council (to 31st July 2011)
Mr A Fraser	Appointed by Council (to 31st July 2011)
Mr K O'Sullivan	Appointed by Council (to 31st July 2011)
Mr P Freeman	Appointed by Council (from 1st August 2011)
Dr M Hipkins	Appointed by Council (from 1st August 2011)
Mr R Hughes	Appointed by Council (from 1st August 2011)
Mr T Sheppard	Appointed by Council
Mrs R Foreman	Appointed by Council
Mr D Gould	Appointed by Council
Mr M Hawkesworth	Appointed by Council
Mr R Whorrod	Appointed by Council
Lady Lloyd	Appointed by Convocation (to 31st July 2011)
Mr S Appleton	Appointed by Convocation (from 1st August 2011)
Professor J Davenport	Elected by Senate (to 31st July 2011)
Professor T Ibell	Elected by Senate (to 31st July 2011)
Dr M Hejmadi	Elected by Senate (from 1st August 2011)
Professor J Knight	Elected by Senate (from 1st August 2011)
Dr F Laughton	Elected by Senate
Professor G Price	Elected by Senate
Dr A Salo	Elected by Academic Assembly
Miss A Harrington	Elected by Non-Academic Staff
Mr D O'Toole	Student Member (to 24th June 2011)
Mr D Howells	Student Member (from 27th June 2011)
Mr M Benka	Student Member

Independent Auditor's Report to the Council of the University of Bath

We have audited the group and University financial statements (the "financial statements") of the University of Bath for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Council, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council 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 Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Council and the auditors

As explained more fully in the Statement of Responsibilities set out on page 14 the University's Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The maintenance and integrity of the University of Bath's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University's Council; and the overall presentation of the financial statements. In addition,

we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and Group.

E Holiday
for and on behalf of KPMG LLP
Statutory Auditor, Chartered Accountants
100 Temple Street
Bristol BS1 6AG
United Kingdom
24 November 2011

Statement of Principal Accounting Policies

1 Accounting Convention

The financial statements have been prepared under the historical cost convention modified by the revaluation of endowment asset investments and certain tangible fixed assets for which a cost is not readily ascertainable, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP), as revised in October 2007, and applicable accounting standards.

The financial statements have been prepared on a going concern basis. The Group has substantial reserves and forecast continuing surpluses. The Council is therefore satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

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

2 Basis of Consolidation

These financial statements consolidate the results of the University and its subsidiary undertakings for the financial year to 31 July 2011.

The consolidated financial statements do not include those of the University of Bath Students' Union as it is a separate organisation over which the University does not exercise dominant control.

3 Recognition of Income

Income from funding council block grants is accounted for in the period to which it relates. Fee income is stated gross of bursaries, but net of discounts, over the period in which the students are studying.

Income from research grants and contracts, and specific grants, is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs. All income from short-term investments and deposits is credited to the Income and Expenditure Account on a receivable basis. Income from investments held as endowment assets is also credited on a receivable basis.

4 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities

denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

5 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

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

6 Pensions

The two principal pension schemes in which the University participates are the Universities Superannuation Scheme (USS) and the Avon Pension Fund (a local government pension scheme), both of which are defined benefit schemes, externally funded and contracted out of the State Earnings-Related Pension Scheme. Both funds are externally valued, normally every three years, by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries based on the latest actuarial valuations of the schemes.

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year. This is the position with USS.

Where it is possible to identify its share of the underlying assets and liabilities in a scheme it accounts as if the scheme were a defined benefit scheme under FRS 17. This is the case with the Avon Pension Fund. The current service cost of providing retirement benefits to employees during the year, the cost of providing amendments to benefits in respect of past service and any gains and losses on settlements and curtailments are charged to the operating surplus or deficit in the year within staff costs. The expected return on the University's

Statement of Principal Accounting Policies

scheme assets and interest on its liabilities are netted off and shown as a net return or net cost either within endowment and investment income or within interest payable as appropriate. Changes in the pension surplus or deficit due to changes in actuarial assumptions and to differences between actual and expected returns on assets are reported in the Statement of Total Recognised Gains and Losses. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the Balance Sheet.

7 Investments

Fixed assets investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Endowment asset investments are included in the Balance Sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

8 Stocks

The principal stocks are held in catering, building maintenance, printing, stationery and postage held centrally and some distance learning materials. They are valued at the lower of cost and net realisable value.

9 Maintenance of Premises

The cost of routine corrective maintenance is charged to the Income and Expenditure Account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis. Actual expenditure on planned maintenance is charged to the Income and Expenditure Account as incurred.

10 Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

11 Land and Buildings

Land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. New buildings are depreciated over a period of 50 years on the basis that their average expected life is in excess of this period. Purchased buildings with a shorter expected economic life are depreciated accordingly. Building refurbishments are depreciated over a period of 25 years. Where a building is listed and

has historical value, the policy is to maintain that building so that it has an indefinite useful life.

Assets under construction are capitalised, but not depreciated until the beginning of the year following occupation.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Interest is capitalised where it is incurred in the construction of new buildings which are substantially funded by loans arranged by the University. The cost is depreciated in line with the building.

12 Equipment

Equipment costing less than £10,000 per individual item is written off in the year of acquisition unless it forms part of a group of related items or part of a capital project, in which case it is capitalised if the total cost exceeds £10,000. Individual items of equipment costing in excess of £10,000 are capitalised.

Capitalised equipment is stated at cost or, where donated, at valuation, and depreciated, on a straight line basis, as follows:

General equipment - 5 years

Furniture - 5 years

Catering equipment - 7 years

Equipment required for specific grants
- project life (generally
3 years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

Where equipment is donated, the asset is recorded at valuation. The donation is recorded as income in the income and expenditure account in the year it is received.

13 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) 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.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

14 Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if, in practice, they are available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, equities and loan stock held as part of the University's treasury management activities. They include any such assets held as Endowment Asset Investments.

15 Accounting for Charitable Donations and Endowments

Charitable donations that are not to be retained for the benefit of the institution are treated as income and recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Where charitable donations, other than for tangible fixed assets, are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. 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 institution;
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can expend the sum donated in pursuance of this objective;
3. 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.

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset. Where that asset is the purchase of land, then the full amount of the deferred capital grant is released in the year of purchase and taken to the income and expenditure account as a donation in other income.

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2011

				<i>Consolidated</i>	
		Note	2011 £000	2010 £000	
Income					
Funding council grants	1		61,466	62,122	
Tuition fees and education contracts	2		63,752	57,169	
Research grants and contracts	3		27,747	30,410	
Other income	4		35,422	32,429	
Endowment and investment income	6		2,093	1,646	
			<hr/>	<hr/>	
Total income			190,480	183,776	
			<hr/>	<hr/>	
Expenditure					
Staff costs	7		101,542	101,149	
Other operating expenses	8		58,401	51,236	
Depreciation	8		9,589	8,442	
Interest payable	9		3,510	4,891	
			<hr/>	<hr/>	
Total expenditure			173,042	165,718	
			<hr/>	<hr/>	
Surplus after depreciation of tangible fixed assets at cost/valuation and before exceptional items			17,438	18,058	
Write-down of fixed asset investments	10		(420)	(1,347)	
Exceptional Items :					
Surplus/(loss) on disposal of assets	11		74	(185)	
			<hr/>	<hr/>	
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax			17,092	16,526	
Transfer from accumulated income in endowment funds	15		29	20	
			<hr/>	<hr/>	
Surplus for year retained within general reserves			17,121	16,546	
			<hr/>	<hr/>	

The consolidated income and expenditure account is wholly in respect of continuing operations.

All assets are stated in the financial statements at historical cost. Therefore no adjustments are required to the reported surplus, which is stated on an unmodified historical cost basis.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 2011

	Note	2011 £000	2010 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		17,092	16,526
New endowments	23	281	1,527
Appreciation/(depreciation) of endowment asset investments	23	(45)	-
Actuarial gain in respect of pension scheme	34	(73)	6,551
Total recognised gains relating to the year		<u>17,255</u>	<u>24,604</u>
Reconciliation			
Opening reserves and endowments		54,960	30,356
Total recognised gains in year		17,255	24,604
Closing reserves and endowments		<u>72,215</u>	<u>54,960</u>

BALANCE SHEETS AS AT 31 JULY 2011

	Note	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
Fixed Assets					
Tangible assets	13	230,074	217,946	233,577	221,950
Investments	14	1,655	1,981	1,655	1,981
Total fixed assets		231,729	219,927	235,232	223,931
Endowment Asset Investments	15	4,391	4,184	4,391	4,184
Current Assets					
Stock		757	561	757	561
Debtors	16	15,292	15,513	15,292	15,513
Investments	18	77,005	60,354	77,005	60,354
Cash at bank and in hand		2,166	9,180	2,152	9,166
		95,220	85,608	95,206	85,594
Creditors : Amounts Falling Due Within One Year	19	(36,091)	(36,989)	(36,091)	(36,988)
Net Current Assets		59,129	48,619	59,115	48,606
Total Assets Less Current Liabilities		295,249	272,730	298,738	276,721
Creditors : Amounts Falling Due After More Than One Year	20	(104,043)	(104,066)	(104,043)	(104,066)
Net Assets Excluding Pension Liability		191,206	168,664	194,695	172,655
Net Pension Liability	34	(24,838)	(23,597)	(24,838)	(23,597)
Net Assets Including Pension Liability		166,368	145,067	169,857	149,058
Deferred Capital Grants	22	94,153	90,107	94,014	89,957
Endowments	23				
Expendable		1,873	1,665	1,873	1,665
Permanent		2,518	2,519	2,518	2,519
		4,391	4,184	4,391	4,184
Reserves					
Income and expenditure account excluding pension reserve	24	92,662	74,373	96,290	78,514
Pension reserve	34	(24,838)	(23,597)	(24,838)	(23,597)
Income and expenditure account including pension reserve		67,824	50,776	71,452	54,917
Total Funds		166,368	145,067	169,857	149,058

The Financial Statements on pages 20 to 51 were approved by the Council on 24 November 2011 and signed on its behalf by:

Professor G M Breakwell
Vice-Chancellor

Mr P L Wyman
Treasurer

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	28	26,508	26,438
Returns on investments and servicing of finance	29	(776)	(1,613)
Capital expenditure and financial investment	30	(19,339)	(14,555)
		<hr/>	<hr/>
Cash inflow before use of liquid resources and financing		6,393	10,270
Management of liquid resources	31	(13,300)	(1,910)
Financing	32	(43)	54
		<hr/>	<hr/>
(Decrease)/Increase in cash in the period		<u>(6,950)</u>	<u>8,414</u>

Reconciliation of Net Cash Flow To Movement in Net Debt

	Note	2011 £000	2010 £000
(Decrease)/Increase in cash in the period		(6,950)	8,414
Increase in liquid and current investments	31	13,300	1,910
Net increase/(decrease) to loans and finance leases	32	43	(54)
Non-cash changes to net debt	33	15	175
		<hr/>	<hr/>
Decrease in net debt		6,408	10,445
Net debt at 1 August	33	(30,392)	(40,837)
		<hr/>	<hr/>
Net debt at 31 July	33	<u>(23,984)</u>	<u>(30,392)</u>

NOTES TO THE ACCOUNTS

1 FUNDING COUNCIL GRANTS

	Consolidated	
	2011	2010
	£000	£000
HEFCE grants		
Core grant	54,299	52,584
Specific grants	1,664	4,249
Joint Information Systems Committee	1,846	1,973
TDA grants	1,176	1,374
HEFCE capital grants		
Deferred capital grants released in year (Note 22)	2,481	1,942
	<u>61,466</u>	<u>62,122</u>

2 TUITION FEES AND EDUCATION CONTRACTS

	Consolidated	
	2011	2010
	£000	£000
Full-time UK higher education students	23,917	22,830
Full-time EU higher education students	4,392	3,956
Full time overseas higher education students	28,552	23,598
Part-time higher education students	3,936	4,080
Short course fees	1,672	1,526
Research training support grants and other fees	1,283	1,179
	<u>63,752</u>	<u>57,169</u>

3 RESEARCH GRANTS AND CONTRACTS

	Consolidated	
	2011	2010
	£000	£000
Research Councils	12,936	14,825
UK charitable bodies	2,960	2,818
European Commission	2,908	2,638
Other sponsors	8,943	10,129
	<u>27,747</u>	<u>30,410</u>

Research income includes £1,377,000 (2010: £1,289,000) of income released from deferred capital grants.

NOTES TO THE ACCOUNTS

4 OTHER INCOME

	Consolidated	
	2011	2010
	£000	£000
Residences, catering and conferences	19,168	17,128
Other services rendered (Note 5)	7,156	8,298
Miscellaneous grants	1,117	959
Rents	599	789
Release of deferred capital grants	672	620
Donations	680	1,883
VAT recovery	671	564
Health and hospital authorities	380	428
Car parking	345	372
University Nursery	273	299
Sundry EC mobility grants	90	53
Income from intellectual property rights	243	131
Other income	4,028	905
	<u>35,422</u>	<u>32,429</u>

5 OTHER SERVICES RENDERED (see Note 4)

	Consolidated	
	2011	2010
	£000	£000
Academic departments & centres	1,594	2,387
Computing, library & other academic services	898	1,028
Sports and related facilities	4,329	4,317
Other	335	566
	<u>7,156</u>	<u>8,298</u>

6 ENDOWMENT AND INVESTMENT INCOME

	Consolidated	
	2011	2010
	£000	£000
Income from endowments (Note 23)	67	33
Net income from short-term investments	27	35
Other interest receivable	1,999	1,578
	<u>2,093</u>	<u>1,646</u>

NOTES TO THE ACCOUNTS

7 STAFF COSTS

	Consolidated	
	2011 £000	2010 £000
Wages and salaries	82,725	82,824
Social security costs	6,390	6,407
Pension costs (Note 34)	15,641	15,348
	104,756	104,579
less: paid on behalf of other organisations	(2,926)	(3,129)
less: capitalised within the cost of buildings	(288)	(301)
	101,542	101,149
 Emoluments of the Vice-Chancellor		
Salary and benefits in kind	284	278
Pension contributions	65	64
	349	342

The University has made available to the Vice-Chancellor during the year a car loan as a cost-effective means of providing the benefits to which she is contractually entitled. The car loan was in existence at the start of the year and a balance of £31,489 remained at the end of the year, a reduction of £811. The cost to the University of providing the loan is included in the Vice-Chancellor's emoluments.

Remuneration of other higher paid staff

Remuneration of other higher paid staff, including employer's pension contributions (and also including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment and which are excluded from the University's Income and Expenditure Account):

	2011 Number	2010 Number
£100,000 - £109,999	12	14
£110,000 - £119,999	12	4
£120,000 - £129,999	2	3
£130,000 - £139,999	1	1
£140,000 - £149,999	4	3
£160,000 - £169,999	2	4

NOTES TO THE ACCOUNTS

7 STAFF COSTS (continued)

Average staff numbers by major category:	2011 Number	2010 Number
Education & Research	918	950
Technical & Experimental	155	152
Management, Specialist & Administrative	779	789
Operational & Facilities Support	449	445
	<u>2,301</u>	<u>2,336</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Consolidated	
					2011 Total £000	2010 Total £000
					Academic departments	53,742
Academic services						
Bath University Computing Services	3,518	1,260	556	-	5,334	4,827
Library	2,814	2,853	39	-	5,706	5,727
Other academic services	3,296	1,425	-	-	4,721	4,556
Central administration	8,643	3,728	-	-	12,371	10,397
General educational expenditure	1,207	7,454	6	-	8,667	8,256
Staff and student facilities	3,220	2,046	78	-	5,344	5,266
Premises	5,461	7,157	4,297	1,087	18,002	16,940
Residences and catering operations	5,589	8,714	2,677	1,549	18,529	15,225
Research grants and contracts	10,547	7,929	1,375	-	19,851	21,240
Other services rendered	3,147	2,284	-	73	5,504	5,244
Other expenses	358	1,059	-	797	2,214	2,679
	<u>101,542</u>	<u>58,401</u>	<u>9,589</u>	<u>3,510</u>	<u>173,042</u>	<u>165,718</u>

The depreciation charge has been funded by :

	2011 £000	2010 £000
Deferred capital grants released (Note 22)	4,529	3,850
General Income	5,060	4,592
	<u>9,589</u>	<u>8,442</u>

NOTES TO THE ACCOUNTS

8 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

Other Operating Expenses include :	2011 £000	2010 £000
External Auditors Remuneration (Group and University)		
- Audit Services	48	46
- Consolidated financial statement		
- Grant claims	12	5
- US federal loan	2	2
	<u>62</u>	<u>53</u>
- Other services	6	-
- IMAP review		
Operating Lease Rentals		
- Land and Buildings	3,914	3,805
- Other	173	272
	<u>3,914</u>	<u>3,805</u>

Reimbursements to Council Members for expenditure incurred whilst carrying out their duties amounted to £2,879.

Council Members did not receive any remuneration from the University.

9 INTEREST AND OTHER FINANCE COST

	Consolidated	
	2011 £000	2010 £000
Loans not wholly repayable within five years	2,708	3,024
Finance leases	5	12
Other interest charges	-	17
Net interest on local government pension scheme (Note 34)	797	1,838
	<u>3,510</u>	<u>4,891</u>

10 WRITE-DOWN OF FIXED ASSET INVESTMENTS

	Consolidated	
	2011 £000	2010 £000
Provision made for diminution in value of fixed asset investments during the year (Note 14)	420	1,347
	<u>420</u>	<u>1,347</u>

NOTES TO THE ACCOUNTS

11 DISPOSAL OF FIXED ASSETS

	Consolidated	
	2011	2010
	£000	£000
Net surplus/(loss) on disposal of tangible fixed assets	44	(57)
Surplus/(loss) on sale of fixed asset investments (see Note 14)	30	(128)
	<u>74</u>	<u>(185)</u>

12 CONTINGENT LIABILITY

There has been an ongoing dispute relating to the final costs of the Sports Training Village, completed in 2004, which has been reported in the Financial Statements for the last six years. There was an adjudication decision in December 2005 and the University paid over the declared additional sum. While the adjudication was heard and the sum paid the dispute is not formally closed; however the University does not anticipate any further claim.

NOTES TO THE ACCOUNTS

13 TANGIBLE FIXED ASSETS

	Consolidated				
	Land and Buildings Freehold	Land and Buildings Long Leasehold	Equipment	Assets in Course of Construction	Total
	£000	£000	£000	£000	£000
Valuation/Cost					
At 1 August 2010					
Cost	5,435	238,120	46,037	17,091	306,683
Valuation	-	-	336	-	336
Additions at Cost	-	14,596	4,689	1,909	21,194
Additions at Valuation	-	-	531	-	531
Transfer assets brought into use	-	17,686	302	(17,988)	-
Disposals at Cost	-	-	(1,541)	-	(1,541)
At 31 July 2011	5,435	270,402	49,487	1,012	326,336
Cost	5,435	270,402	49,487	1,012	326,336
Valuation	-	-	867	-	867
Depreciation					
At 1 August 2010	296	49,047	39,730	-	89,073
Charge for Year	68	6,470	3,051	-	9,589
Eliminated on Disposals	-	-	(1,533)	-	(1,533)
At 31 July 2011	364	55,517	41,248	-	97,129
Net Book Value					
At 31 July 2011	5,071	214,885	9,106	1,012	230,074
At 1 August 2010	5,139	189,073	6,643	17,091	217,946

NOTES TO THE ACCOUNTS

13 TANGIBLE FIXED ASSETS (continued)

	University				Total £000
	Land and Buildings Freehold £000	Buildings Long Leasehold £000	Equipment £000	Assets in Course of Construction £000	
Valuation/Cost					
At 1 August 2010					
Cost	5,435	239,873	46,037	17,091	308,436
Valuation	-	-	336	-	336
Additions at Cost	-	14,596	4,689	1,909	21,194
Additions at Valuation	-	-	531	-	531
Transfer assets brought into use	-	17,686	302	(17,988)	-
Disposals at Cost	-	-	(1,541)	-	(1,541)
At 31 July 2011					
Cost	5,435	272,155	49,487	1,012	328,089
Valuation	-	-	867	-	867
Depreciation					
At 1 August 2010	296	46,796	39,730	-	86,822
Charge for Year	68	6,971	3,051	-	10,090
Eliminated on Disposals	-	-	(1,533)	-	(1,533)
At 31 July 2011	364	53,767	41,248	-	95,379
Net Book Value					
At 31 July 2011	5,071	218,388	9,106	1,012	233,577
At 1 August 2010	5,139	193,077	6,643	17,091	221,950

Included in freehold land and buildings is a non-depreciated property, 16 Lansdown Crescent, Bath, purchased in April 2002 at a cost including refurbishment of £1,901,000. In October 2009, an internal valuation was carried out by a Chartered Surveyor employed by the University, with reference to a similar property placed on the market. This valuation estimated the market value at £2,550,000. The building has not been depreciated because it is a listed building with historical value considered to have an indefinite life, in accordance with the accounting policy on depreciation.

Equipment at valuation relates to assets donated to the University. These are valued at market value as at the date when they were received.

There was no interest capitalised during the year (2010 : £Nil).

The gross amount of depreciable assets included in land and buildings and assets in the course of construction is £276,451,000.

The net book value of tangible fixed assets includes an amount of £182,000 (2010 : £248,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £66,000 (2010 : £67,000).

All references to assets include both Consolidated and University figures unless otherwise stated.

NOTES TO THE ACCOUNTS

14 FIXED ASSET INVESTMENTS

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 August				
Investments in subsidiary companies	-	-	-	2,715
Other investments	1,981	3,543	1,981	3,543
	<u>1,981</u>	<u>3,543</u>	<u>1,981</u>	<u>6,258</u>
Acquisition of investments	193	-	193	-
Disposal of investments	(99)	(215)	(99)	(2,930)
Write-down of investments	(420)	(1,347)	(420)	(1,347)
At 31 July				
Investments in subsidiary companies	-	-	-	-
Other investments	1,655	1,981	1,655	1,981
	<u>1,655</u>	<u>1,981</u>	<u>1,655</u>	<u>1,981</u>
Balance at 31 July	<u>1,655</u>	<u>1,981</u>	<u>1,655</u>	<u>1,981</u>

Fixed asset investments were written down in the year on the basis of the most recent portfolio valuation, which indicated a £420K impairment.

Subsidiary companies

The University owns 100% of the following companies which are registered in England :-

<i>Company Name</i>	<i>Principal Activities</i>	<i>Share holding</i>	<i>Year end</i>
University of Bath Three Ltd	Dormant	100 £1 ordinary	31 July
Glophotronics Ltd	Dormant	1000 £0.001 ordinary	31 December

The consolidated results of the group incorporate those of the University of Bath Foundation Ltd, a not-for-profit organisation registered in the United States to fund-raise in that country. The University owns 100% of the Foundation.

NOTES TO THE ACCOUNTS

14 FIXED ASSET INVESTMENTS (continued)

Other investments

<i>Included above:</i>		2011	2010
		£	£
CVCP Properties plc	£1 ordinary shares	35,813	35,813
AdsFab Ltd	£1 'C' ordinary shares	5,000	5,000
Nano-Porous Solutions Ltd	0.1p ordinary shares	3,960	-
Bath Crescent Seedcorn Fund	investment	1,470,660	1,940,424
Glythera Ltd	Convertible loan	140,001	-
		<u>1,655,434</u>	<u>1,981,237</u>

The University holds the following investments as part of the Bath Crescent Seedcorn Fund :-

Company	Value £	No. of shares	% Holding	Type of shares
Apitope International	100,712	119,207	1.58	A Ordinary shares
Atlas Genetics Ltd	69,880	1178	3.77	Ordinary shares (0.1p)
Azellon	0	12,967	4.67	A Ordinary shares (0.1p)
Glythera	110,000	14,647	9.71	Ordinary shares (0.1p)
Ilika Technologies Ltd	297,585	5,835	3.49	Ordinary shares (1p)
Karus Therapeutics	170,283	1,297	3.61	Ordinary shares (0.01p)
KWS Biotest	19,500	39	5.20	B shares (100p)
Lectus Therapeutics Ltd	0	194,500	0.73	A Preferred shares (0.1p)
Micrima Limited	0	132,908	3.15	Ordinary shares (0.1p)
Nanotecture Group Ltd	97,249	291,509	1.94	Ordinary shares (1p)
Perpetuum Ltd	36,520	141,868	1.68	Ordinary shares (0.05p)
Plexus Planning Ltd	19,451	3,705	1.33	Ordinary shares (1p)
Provision Communication Technology Ltd	0	3,692	0.36	A Ordinary shares (1p)
Revolymmer Limited	358,667	12,967	1.60	Ordinary shares (0.8p)
Stratophase Ltd	49,167	11,251	0.76	Ordinary shares (0.1p)
Symetrica	141,646	8,257	2.53	Ordinary shares (0.1p)
Xmos	0	131,065	0.91	Series S Ordinary shares (0.0001p)
		<u>1,470,660</u>		

Percentage holding is calculated on fully diluted ordinary shares which rank pari passu with each other.

NOTES TO THE ACCOUNTS

14 FIXED ASSET INVESTMENTS (continued)

In September 2010, a loan of £140,001 was made to Glythera Ltd, which is convertible into 18,642 shares. It is the University's intention to exercise the conversion rights at a point in the future, so the amount has been accounted for as an investment rather than as a loan.

In June 2011, the University's shares in Retention People Ltd were sold - sale proceeds of £129K were received at that time. A further two tranches totalling £63K remain due, subject to adjustment for net tangible assets and warranty claims. This has not been recognised as income due to its contingent nature.

	£000
Disposal of investment	(99)
Cash received to date	129
	<hr/>
Profit on disposal (Note 11)	<u>30</u>

The University also holds investments in the following companies which are included at nil cost:

Company	No. of shares	Type of shares
Piraeus Limited	100	100p ordinary shares
Emersons Green Development Company	500	10p ordinary shares
Xiwave Limited	4,800,000	0.1p ordinary shares
Atlas Genetics Limited	600	1p ordinary shares
Nano-Porous Solutions Limited	168,570	0.1p ordinary shares
Glythera Ltd	53,288	0.1p ordinary shares

During the year, Microsulis Ltd., in which the University had a holding of 11,161,316 shares, went into liquidation. The investment had been held at nil cost.

The University's holdings in Glythera Ltd amount to 67,935 shares: 14,647 shares acquired in 2008/09 at a value of £110,000 by the Bath Crescent Seedcorn Fund, and 53,288 shares acquired in the same year in exchange for intellectual property rights, at nil cost. Although this represents 45.03% of the company's total shares, the University does not exercise significant influence over the company, and it is therefore not accounted for as an associate.

NOTES TO THE ACCOUNTS

15 ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Balance at 1 August	4,184	2,677	4,184	2,677
New endowments (Note 23)	281	1,527	281	1,527
Decrease in market value of investments	(45)	-	(45)	-
Income generated less expenditure	(29)	(20)	(29)	(20)
Balance at 31 July	<u>4,391</u>	<u>4,184</u>	<u>4,391</u>	<u>4,184</u>
Quoted investments	3,479	-	3,479	-
Cash and other short term investments	912	4,184	912	4,184
Total endowment asset investments	<u>4,391</u>	<u>4,184</u>	<u>4,391</u>	<u>4,184</u>
Quoted investments at cost	<u>3,488</u>	<u>-</u>	<u>3,488</u>	<u>-</u>

Certain endowment donations attract HEFCE matched funding. This is accounted for in general income, but the University will apply the funds to the aims of the related endowments.

16 DEBTORS

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Prepayments and accrued income	2,548	1,828	2,548	1,828
Sponsored research	7,377	7,006	7,377	7,006
Amounts owed by group undertakings	-	-	-	-
Other debtors	5,367	6,679	5,367	6,679
	<u>15,292</u>	<u>15,513</u>	<u>15,292</u>	<u>15,513</u>
Due within one year	15,061	14,884	15,061	14,884
Due in more than one year	231	629	231	629
	<u>15,292</u>	<u>15,513</u>	<u>15,292</u>	<u>15,513</u>

17 PROVISION - SWINDON EXIT COSTS

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 August	-	467	-	467
Movement in year	-	(467)	-	(467)
At 31 July	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

18 CURRENT ASSET INVESTMENTS

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Quoted investments	19	26	19	26
Certificates of deposit	13,768	3,712	13,768	3,712
Fixed deposit	25,000	23,000	25,000	23,000
Gilts & Other Fixed Interest investments	33,344	32,078	33,344	32,078
Cash held for investment	4,874	1,538	4,874	1,538
	<u>77,005</u>	<u>60,354</u>	<u>77,005</u>	<u>60,354</u>
Quoted investments at market value	<u>216</u>	<u>134</u>	<u>216</u>	<u>134</u>
Gilts & Other Fixed Interest investments at market value	<u>34,192</u>	<u>32,641</u>	<u>34,192</u>	<u>32,641</u>

The quoted investments comprise the University's holding of shares in the spin out companies of Publishing Technology plc (formerly ingenta plc), which had a market value at 31 July 2011 of £11,504 (2010: £13,000) and Vectura Group plc, which had a market value at 31 July 2011 of £204,500 (2010: £121,000).

19 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Obligations under finance leases	24	44	24	44
Amounts owed to group undertakings	-	-	-	-
Other creditors including taxation and social security	7,920	9,232	7,920	9,232
Accruals and Deferred income	28,147	27,713	28,147	27,712
	<u>36,091</u>	<u>36,989</u>	<u>36,091</u>	<u>36,988</u>

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans (Note 21)	104,000	104,000	104,000	104,000
Obligations under finance leases	43	66	43	66
Total due after more than one year	<u>104,043</u>	<u>104,066</u>	<u>104,043</u>	<u>104,066</u>

NOTES TO THE ACCOUNTS

21 BORROWINGS

<i>Analysis of Financing</i>	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Finance leases: analysis of obligations:				
In one year or less	24	44	24	44
Between two and five years	43	66	43	66
	<u>67</u>	<u>110</u>	<u>67</u>	<u>110</u>
Bank loans and overdrafts are repayable as follows:				
In one year or less	1,040	-	1,040	-
Between one and two years	2,080	1,040	2,080	1,040
Between two and five years	6,240	6,240	6,240	6,240
In five years or more	94,640	96,720	94,640	96,720
	<u>104,000</u>	<u>104,000</u>	<u>104,000</u>	<u>104,000</u>

The University has two loans, each of £52m. Of the £104m total loans, £26m is under a Revolving Credit Facility, open until December 2011, which has been fully drawn down.

Loan 1

Rate		Base Rate/LIBOR + margin + MLAs
Repayment - Tranche 1	£26m	Quarterly repayments from Dec 2011 to to Sept 2036
- Tranche 2	£26m	20% Sept 2026; 20% Sept 2031; 60% Sept 2036

Loan 2

Rate		LIBOR + margin + MLAs
Repayment - Tranche 1	£26m	Quarterly repayments from June 2012 to March 2037
- Tranche 2	£26m	£5m March 2022; £6m March 2027; £15m March 2032

The University has entered into four interest rate swap agreements in relation to elements of the two loans it holds. These swaps mean that the rates below are applied, instead of varying with LIBOR and Bank of England rates :-

Amount subject to swap £m	Interest Rate %	Expiry Date
10.94	6.36%	February 2012
10.00	5.66%	June 2027
20.00	5.16%	December 2036
10.00	3.95%	November 2037
<u>50.94</u>		

The June 2027 interest rate swap is based on the Retail Price Index (RPI), updated annually. The fixed rate up to 1 June 2011 was 1.24%. From 2 June 2011 the rate changed to 5.66%.

NOTES TO THE ACCOUNTS

22 DEFERRED CAPITAL GRANTS

	Consolidated		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2010			
Land & Buildings	62,504	24,492	86,996
Equipment at Cost	1,504	1,488	2,992
Equipment at Valuation	-	119	119
	<u>64,008</u>	<u>26,099</u>	<u>90,107</u>
Grants receivable			
Land & Buildings	6,056	109	6,165
Equipment at Cost	280	1,599	1,879
Equipment at Valuation	-	531	531
Released to Income and Expenditure			
Land & Buildings	(1,872)	(608)	(2,480)
Equipment at Cost	(609)	(1,411)	(2,020)
Equipment at Valuation	-	(29)	(29)
At 31 July 2011			
Land & Buildings	66,688	23,993	90,681
Equipment at Cost	1,175	1,676	2,851
Equipment at Valuation	-	621	621
	<u>67,863</u>	<u>26,290</u>	<u>94,153</u>
	University		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2010			
Land & Buildings	62,354	24,492	86,846
Equipment at Cost	1,504	1,488	2,992
Equipment at Valuation	-	119	119
	<u>63,858</u>	<u>26,099</u>	<u>89,957</u>
Grants receivable			
Land & Buildings	6,056	109	6,165
Equipment at Cost	280	1,599	1,879
Equipment at Valuation	-	531	531
Released to Income and Expenditure			
Land & Buildings	(1,861)	(608)	(2,469)
Equipment at Cost	(609)	(1,411)	(2,020)
Equipment at Valuation	-	(29)	(29)
At 31 July 2011			
Land & Buildings	66,549	23,993	90,542
Equipment at Cost	1,175	1,676	2,851
Equipment at Valuation	-	621	621
	<u>67,724</u>	<u>26,290</u>	<u>94,014</u>

NOTES TO THE ACCOUNTS

23 ENDOWMENTS (Consolidated and University)

	Restricted Permanent £000	Restricted Expendable £000	2011 Total £000	2010 Total £000
At 1 August				
Capital	2,436	1,643	4,079	2,560
Accumulated Income	82	23	105	117
	<u>2,518</u>	<u>1,666</u>	<u>4,184</u>	<u>2,677</u>
New endowments	28	253	281	1,527
Investment income	36	31	67	33
Expenditure - from capital	-	(43)	(43)	(9)
Expenditure - from income	(34)	(19)	(53)	(44)
Decrease in market value of investments	(30)	(15)	(45)	-
At 31 July	<u>2,518</u>	<u>1,873</u>	<u>4,391</u>	<u>4,184</u>
Representing:				
Capital	2,434	1,838	4,272	4,078
Accumulated Income	84	35	119	106
	<u>2,518</u>	<u>1,873</u>	<u>4,391</u>	<u>4,184</u>

24 INCOME & EXPENDITURE ACCOUNT RESERVES

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 August				
excluding pension reserve	74,373	55,797	78,514	58,848
pension reserve (Note 34)	(23,597)	(28,118)	(23,597)	(28,118)
Surplus for the year				
excluding pension reserve	18,260	18,556	17,747	19,646
relating to the pension reserve (Note 34)	(1,168)	(2,030)	(1,168)	(2,030)
Net Surplus for the year	17,092	16,526	16,579	17,616
Transfer from/(to) accumulated income in endowment funds	29	20	29	20
Actuarial (loss)/gain on pension scheme (Note 34)	(73)	6,551	(73)	6,551
At 31 July				
excluding pension reserve	92,662	74,373	96,290	78,514
pension reserve (Note 34)	(24,838)	(23,597)	(24,838)	(23,597)

NOTES TO THE ACCOUNTS

25 CAPITAL COMMITMENTS AND LEASE OBLIGATIONS

	2011 £000	2010 £000
Funded by :-		
University funds	1,594	4,981
HEFCE grants	-	6,238
Capital commitments contracted at 31 July	<u>1,594</u>	<u>11,219</u>

In addition, the University had annual operating lease commitments in respect of leased property on leases that expire after 5 years of £4,095,000 (2010: £3,887,000).

26 HARDSHIP, ACCESS BURSARY AND ACCESS FUNDS

	2011 £000	2010 £000
Balance at 1 August	66	72
Higher Education Funding Council for England grants	115	132
Interest earned	2	1
	<u>183</u>	<u>205</u>
Disbursements	(96)	(139)
Balance at 31 July	<u>87</u>	<u>66</u>

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

27 BURSARIES FROM THE TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS

	2011 £000	2010 £000
Balance at 1 August	(130)	31
Grant received	1,205	1,145
Disbursements	(1,031)	(1,306)
Balance at 31 July	<u>44</u>	<u>(130)</u>

The above bursaries are available solely for students. The University acts only as a paying agent. The grant and related disbursements are excluded from the Income and Expenditure Account.

NOTES TO THE ACCOUNTS

28 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2011 £000	2010 £000
Surplus on continuing operations after exceptional items and tax	17,092	16,526
Pension cost less contributions payable (Note 34)	371	192
Depreciation (Note 13)	9,589	8,442
Deferred capital grants released to income (Note 22)	(4,529)	(3,850)
Net (surplus)/loss on disposal of tangible fixed assets (Note 11)	(44)	57
(Surplus)/loss on sale of fixed asset investments (Note 11)	(30)	128
Write-down of fixed asset investments (Note 10)	420	1,347
Endowment and investment income receivable (Note 6)	(2,093)	(1,646)
Interest payable (Note 9)	3,510	4,891
Decrease in stocks	(196)	-
Decrease/(Increase) in debtors on operating activities	312	(2,477)
Increase in creditors on operating activities	2,106	2,828
	<u>26,508</u>	<u>26,438</u>
Net cash inflow from operating activities	<u>26,508</u>	<u>26,438</u>

29 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011 £000	2010 £000
Income received from endowments (Note 6)	67	33
Income received from short term investments	27	35
Other interest received	1,893	1,342
Interest paid:		
- Other interest paid	(2,758)	(2,994)
- Finance leases (Note 9)	(5)	(12)
- Other interest charges (Note 9)	-	(17)
	<u>(776)</u>	<u>(1,613)</u>

30 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2011 £000	2010 £000
Payments to acquire tangible fixed assets	(24,659)	(33,385)
Net purchases of fixed asset investments	(193)	-
Net purchases of endowment asset investments	(3,524)	-
Receipts from sales of tangible fixed assets	52	-
Receipts from sale of fixed asset investment	129	87
Deferred capital grants received	8,575	17,216
Endowments received (Note 23)	281	1,527
	<u>(19,339)</u>	<u>(14,555)</u>

NOTES TO THE ACCOUNTS

31 MANAGEMENT OF LIQUID RESOURCES

	2011 £000	2010 £000
Net sales of quoted investments	7	10
Net (purchases)/sales of certificates of deposit	(10,056)	27,038
Net (purchases) of gilts & other fixed interest investments	(923)	(808)
Net (addition) to fixed term deposits	(2,328)	(28,150)
	<u>(13,300)</u>	<u>(1,910)</u>
Net increase in liquid resources	<u>(13,300)</u>	<u>(1,910)</u>

32 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Loans £000	Finance leases £000	2011 Total £000	2010 Total £000
Balance outstanding at 1 August	104,000	110	104,110	104,056
New loans/leases	-	1	1	118
Capital repayments	-	(44)	(44)	(64)
Net change in year	-	(43)	(43)	54
	<u>104,000</u>	<u>67</u>	<u>104,067</u>	<u>104,110</u>
Balance outstanding at 31 July	<u>104,000</u>	<u>67</u>	<u>104,067</u>	<u>104,110</u>

33 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2010 £000	Cash Flows £000	Other Changes £000	At 31 July 2011 £000
Cash				
Held in endowment asset investments	4,184	(3,272)	-	912
Cash held for investment	1,538	3,336	-	4,874
Other cash	9,180	(7,014)	-	2,166
	<u>14,902</u>	<u>(6,950)</u>	<u>-</u>	<u>7,952</u>
Other current asset investments	58,816	13,300	15	72,131
Debt due within one year (Note 19)	(44)	44	(24)	(24)
Debt due after one year (Note 20)	(104,066)	(1)	24	(104,043)
	<u>(30,392)</u>	<u>6,393</u>	<u>15</u>	<u>(23,984)</u>

NOTES TO THE ACCOUNTS

34 PENSIONS

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 142,000 active members and the University has 1,476 active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits" the University accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in the year.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The qualified and independent actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 is also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion in line reflecting historic scheme experience, with a cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

Use of these tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectancy on retirement at age 65 are :-

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

Universities Superannuation Scheme (continued)

At the valuation date, the market value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of the future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the last 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

Universities Superannuation Scheme (continued)

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below.

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increase	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (Move to long cohort; future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities.

This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate, although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

Universities Superannuation Scheme (continued)

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The contribution rate payable by the University was 16% of pensionable salaries.

Local Government Pension Scheme

The University participates in the Avon Pension Fund which is a funded defined benefit pension scheme with the assets held in separate trustee administered funds. The assumptions which have the most significant effect on the determination of contribution levels are as follows:

	<i>Past Service Liabilities</i>	<i>Future Service Liabilities</i>
Return on investments		
- pre retirement	6.85%	6.75%
- post retirement	5.70%	6.75%
Salary inflation	4.50%	4.50%
Pension inflation	3.00%	3.00%
Valuation date		31 March 2010
Valuation method		Projected Unit
Market value of assets at date of last valuation		£2,459 million
Market value of assets as a percentage of accrued benefits		82%

The contributions payable by the University were equal to 14.3% of total pensionable salaries to March 2011, and 14.85% thereafter.

As a multi-employer scheme where the share of assets and liabilities applicable to each employer can be defined, the University has accounted for the scheme under FRS 17 as a defined benefit scheme based on a full actuarial valuation of the Fund as at 31 March 2010, updated to July 2011 by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2011 were:

At end of year	31 July 2011 %	31 July 2010 %
Rate of RPI inflation	3.40	3.20
Rate of CPI inflation	2.90	2.70
Rate of increase in salaries	4.40	4.45
Rate of increase in pensions	2.90	2.70
Discount rate	5.30	5.50

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

Local Government Pension Scheme (continued)

Material assumptions (continued) :-

		31 July 2011	31 July 2010
<i>Post retirement mortality assumptions for members retiring in normal health</i>			
Non-retired members (female)	male	97% S1PMA (90% S1PFA) CMI_2009_M (_F) [1.5%]	PA92mc YOB Tables + 1 year
Current pensioners (female)	male	97% S1PMA (90% S1PFA) CMI_2009_M (_F) [1.5%]	PA92mc YOB Tables+1year
<i>Life expectancy</i>			
Male (female) future pensioner aged 65 in 20 years time		25.0 (28.0) years	22.2 (25.0) years
Male (female) current pensioner aged 65		22.7 (25.6) years	21.2 (24.1) years

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

	Long term rate of return expected at 2011	Value at 31 July 2011 £000	Long term rate of return expected at 2010	Value at 31 July 2010 £000	Value at 31 July 2009 £000
Equities	7.0%	44,256	7.5%	38,440	33,555
Government bonds	3.9%	9,479	4.2%	9,690	7,395
Other bonds	4.9%	5,701	5.1%	5,647	4,581
Property	6.0%	4,846	6.5%	3,144	166
Cash/Liquidity	0.5%	1,212	0.5%	1,412	3,808
Other	7.5%	5,773	7.5%	5,840	5,685
		<u>71,267</u>		<u>64,173</u>	<u>55,190</u>

University's share of the scheme's assets and liabilities:

	2011 £000	2010 £000	2009 £000
Market value of assets	71,267	64,173	55,190
Present value of scheme liabilities	(96,105)	(87,770)	(83,308)
Net pension liability	<u>(24,838)</u>	<u>(23,597)</u>	<u>(28,118)</u>

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

Amounts charged to income and expenditure account

<i>Included in staff costs for the year (Note 7)</i>	2011 £000	2010 £000
Current service cost	2,559	2,486
Past service cost/(gain)	-	-
Settlements and curtailments	39	165
Unfunded benefits	33	-
Total operating charge	<u>2,631</u>	<u>2,651</u>

Analysis of amount charged to interest payable

	2011 £000	2010 £000
Expected return on pension scheme assets	(4,021)	(3,417)
Interest on expected scheme liabilities	4,818	5,255
Net charge	<u>797</u>	<u>1,838</u>

Amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	3,738	5,378
Change in assumptions underlying the present value of the scheme liabilities	(3,811)	1,173
Experience loss arising on scheme liabilities	-	-
Actuarial gain/(loss) recognised in the STRGL	<u>(73)</u>	<u>6,551</u>

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

The movement in the scheme's deficit during the year is made up as follows:

	2011 £000	2010 £000
Deficit in scheme at 1 August	23,597	28,118
Movement in the year:		
Current service cost	2,559	2,486
Contributions by the employer	(2,227)	(2,459)
Past service and curtailment cost/(gain)	-	-
Impact of settlements and curtailments	39	165
Net finance charge on assets and liabilities	797	1,838
Net Movement in the year	1,168	2,030
Actuarial loss/(gain)	73	(6,551)
Deficit in scheme at 31 July	<u>24,838</u>	<u>23,597</u>

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

	2011 £000	2010 £000
At the beginning of the year	87,770	83,308
Current service cost	2,559	2,486
Interest on pension liabilities	4,818	5,255
Member contributions	985	1,046
Past service cost	-	-
Actuarial (gains) on liabilities - change in inflation base	-	(5,990)
Actuarial losses on liabilities - other	3,811	4,817
Curtailments	39	165
Benefits/transfers paid	(3,877)	(3,317)
At the end of the year	<u>96,105</u>	<u>87,770</u>

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

	2011 £000	2010 £000
At the beginning of the year	64,173	55,190
Actuarial adjustment to the opening balance	-	-
Expected return on plan assets	4,021	3,417
Actuarial gains on assets	3,738	5,378
Contributions by the employer	2,227	2,459
Contributions by scheme participants	985	1,046
Benefits/transfers paid	(3,877)	(3,317)
At the end of the year	<u>71,267</u>	<u>64,173</u>

NOTES TO THE ACCOUNTS

34 PENSIONS (continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
Amount (£000)	3,738	5,378	(6,264)	(6,189)	1,714
Percentage of scheme assets	5.2%	8.4%	11.3%	10.9%	2.9%
Experience gains and (losses) on scheme liabilities					
Amount (£000)	(160)	0	0	(817)	0
Percentage of present value of scheme liabilities	0.2%	0.0%	0.0%	1.0%	0.0%
Total amount recognised in Statement of Total Recognised Gains and (Losses)					
Amount (£000)	(73)	6,551	1,356	(14,092)	1,946
Percentage of present value of scheme liabilities	0.1%	7.5%	1.6%	16.7%	2.7%

Total pension costs (Note 7)

	2011 £000	2010 £000
Universities Superannuation Scheme: contributions	12,921	12,605
Avon Pension Fund	2,631	2,651
Contributions to other pension schemes	89	92
	<u>15,641</u>	<u>15,348</u>

Inflation assumption

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31 July 2010, the University considered the Local Government Pension Scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL') in the 2009/10 financial statements. Following the issue of Urgent Issues Task Force ('UITF') Abstract 48 in December 2010, the University has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

NOTES TO THE ACCOUNTS

35 RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest that took place in the year were conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures.

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