



UNIVERSITY OF  
**BATH**

# Financial Statements 2013-2014

University of Bath

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# Financial Statements

for the year ended 31 July 2014

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# Report of the Treasurer

This Treasurer's Report has been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in 2007.

## Operating Review

The University has had another very successful year. Being ranked 1st for student satisfaction in the National Student Survey (NSS) 2014 has been a particular highpoint and represents a unique achievement for the University repeating the 1st place achieved in the 2013 survey. The University had the opportunity to celebrate its achievements with students, staff and alumni at the installation of HRH The Earl of Wessex as the University's fifth Chancellor in November 2013. In addition to the formal ceremony the University hosted an Open House where all could enjoy a range of exhibitions, events and performances.

The University has continued to perform well in a changing sector and has seen growth in student numbers, research activity and investment in the estate as well as a strong financial performance. As a result, the University is currently in a strong financial position. However, as outlined below, Government policies on tuition fees and overseas students could damage the sector as a whole and, while better placed than many, this University may not be completely immune from the impact in the coming years.

Before describing the performance in more detail I would like to thank the Vice Chancellor and all University staff and students for their contribution to the University's continued success.

The University uses key performance indicators to monitor its performance and progress in its most important areas of activity. This review will refer to a number of those indicators; where these are lagging indicators the data may not yet be available for 2013/14. National and international university rankings provide another measure of performance. The University has continued to perform very strongly in the national league tables, achieving a top ten ranking in the three main guides and improving its position in two of them. In the international rankings the University is ranked 12th in the QS Top 50 Under 50 ranking; compared to all universities the University is ranked less highly than its national position would suggest.

## Teaching

The new tuition fee regime has now completed its second year. The total number of home/EU undergraduate entrants

to the sector increased in October 2013 having fallen in the previous year. The entry requirements above which the University is able to recruit home and EU students outside of its student number control was reduced to ABB+ or equivalent. This has meant that the University is now in a competitive market for the vast majority of its students. Having been successful in the first year of the new regime I am pleased to say that the second year has also been successful. The University increased its undergraduate intake and the total student body has grown by 3% to a little less than 16,000 students.

The quality of home/EU undergraduate intake on entry is measured by average tariff scores (Figure 1). The University aims to recruit the best qualified students and has increased its offer in a number of subjects over the period shown to achieve this. The £9,000 fee regime was introduced in 2012/13 and the University managed to increase the quality of its intake and increase the number of new entrants during a year when the number of new entrants to the sector reduced.

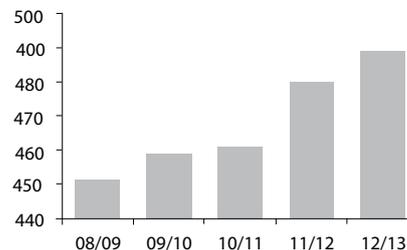


Figure 1: Average tariff scores

Continuation rates are considered a reasonable proxy for the effectiveness of our student support structures and our students' satisfaction with their experience at the University.

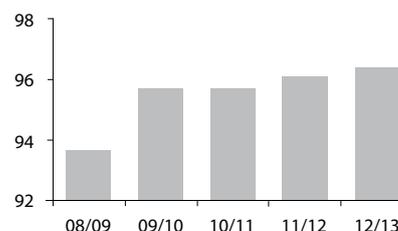


Figure 2: Continuation rates (% of students who continue to further years of study or qualify)

The University has shown a consistent and improving trend over recent years. The 2012/13 rate of 96.4% is amongst the best in the sector where any rate above 90% is considered good.

The quality of our teaching is monitored using the response to the NSS question 22 “Overall, I am satisfied with the quality of my course” The percentage of students who either ‘definitely’ or ‘mostly’ agree is shown in Figure 3. The University continues to perform exceptionally well in this measure and, as noted earlier, has been the highest ranked University for each of the last two years.

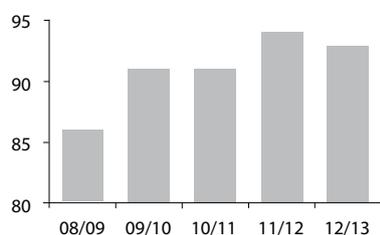


Figure 3: Satisfaction %

## Research

The University monitors the research grant and contract income per academic as one measure of its research activity (Figure 4). The figure reduced slightly in 2012/13 compared to the previous year as the number of academic staff increased whilst the income remained flat. 2012/13 was a record year for the value of awards made whereas this measure looks at income earned when grants and contracts are spent and so lags behind awards. The value of research grant and contract income increased in 2013/14 by 12% as a result of the increase in awards in 2012/13.

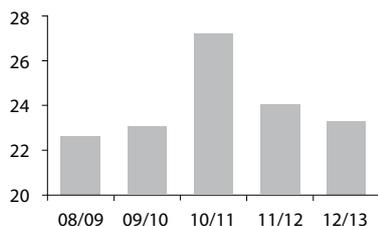


Figure 4: Grant and contract income per academic FPE (£'000)

The peak value shown in 2010/11 is due to a termination payment on a project with an industrial partner. The number of postgraduate research (PGR) students per academic is shown in figure 5. The ratio is unchanged from the previous year and compares favourably with the University’s peer group. The University has continued to grow PGR numbers through successful bids to host Centres for Doctoral Training.

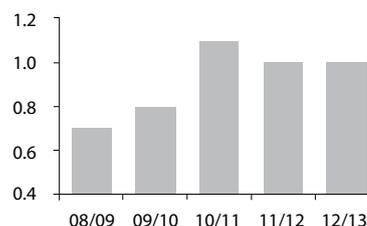


Figure 5: Postgraduate research studentships per academic (FPE)

## Internationalisation and Partnerships

Since the appointment of a Pro-Vice Chancellor Internationalisation was made in 2012, the University has developed relationships with 18 overseas institutions as preferred partners, resulting in a significant increase in the number of research partnership applications and awards in 2013/14. There has also been an increase in researcher mobility, both incoming and outgoing, and a notable increase in the number of visits made and received.

## Estates

The University’s £150m capital programme is progressing well. During the year the University opened the Chancellors’ Building which provides 8,000m<sup>2</sup> of additional teaching space with the capacity to accommodate c.2,000 students at any time. The first phase of the refurbishment of 1 West was also completed on time ready for the 2013/14 student intake. In 2013/14 work continued on a new 703 bedroom student residence, The Quads, which has now been completed. Adjacent to The Quads is the Lime Tree, a new refectory which increases both the capacity and variety of eating venues on campus.

Work has progressed as planned on the Centre for the Arts and on Phase 2 of the 1 West refurbishment. Planning permission has been given for two new academic buildings, 4 East South and 10 West, which will give a significant increase in capacity to the Faculty of Engineering and

Design and the Faculty of Humanities and Social Sciences. In September 2014, the University agreed to purchase the Police Station in Bath for £6.3m. This will increase the University's presence in the centre of the City, supporting the University's growth and contributing to the regeneration of the area around Manvers Street.

The University uses the condition assessment in the Estates Management Statistics Data as a measure of the quality of the estate (Figure 6).

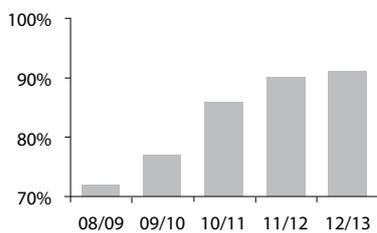


Figure 6: % gross internal area in condition A & B

The indicator shows a significant improvement over the last 5 years and is a reflection of the level of investment made in the estate. The investments described above are not fully reflected in the indicator so further improvement may be expected in the coming years.

## Future Prospects

The University has performed strongly in the first years of the new tuition fee regime. As described earlier the University has been able to maintain a steady growth in student numbers whilst enhancing the quality of its intake and provision. The University is already competing for the majority of its students from the pool of applicants who achieve ABB+ or equivalent. The impact of the complete removal of the cap on student intake by universities in 2015 will not have a great direct effect on the University but may have an effect indirectly through the actions taken by others.

As raised in previous years, if the present tuition fee regime continues the University will become increasingly affected by costs rising by inflation when tuition fees are static unless the cap on tuition fees is index linked. Success to date would indicate that the University might be able to mitigate the impact of this by continuing the increase in student numbers. However; this approach cannot be applied successfully by all institutions especially given that demographic changes will see the cohort of 18 year

olds reduce over the coming years. The impact of the continuation of the cap on tuition fees is likely to have a varying impact on all institutions, both financially and in the quality of the provision available.

The University has been very successful over recent years in increasing the number of overseas (non-EU) students. It is a concern that following reforms to the immigration system the UK HE sector has seen two years of falling overseas entrants in 2011/12 and 2012/13. As the recent UUK report on International Students in Higher Education notes, the market for international students is becoming increasingly competitive and the governments of a number of key competitor nations are implementing policies to attract more overseas students in contrast to the perception of UK policy by some prospective students.

The research environment remains very competitive. The University is likely to be affected by any change to government funding in future spending reviews.

Pension related costs are set to increase with the withdrawal of the contracting out rebate for National Insurance in 2016. The size of the Universities Superannuation Scheme deficit has increased notably since the last triennial valuation in March 2011 when the deficit was £2.9bn. In June 2013 the deficit was estimated at £7.9bn and we await the result of the 2014 triennial valuation at the end of this year. The size and volatility of the deficit is a concern to the University. In considering any future changes to the scheme the University will seek to maintain a high quality benefits package that is affordable for employees and the University.

# Financial Review

## Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its subsidiary company, University of Bath Three Limited, a dormant company. As well as the subsidiary, the Financial Statements include the results of University of Bath Foundation Ltd 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.

## Results for the Year

A summary of the results for the year is shown in Table 1 below. The accounts are shown in full on pages 21-58.

	2014	2013	Increase	
	£m	£m	£m	%
Income	222.8	208.1	14.7	7%
Expenditure	205.6	191.9	13.7	7%
Surplus before exceptional items	17.2	16.3	0.9	6%
Retained Surplus	16.9	16.4	0.5	3%
Net Assets	474.5	192.0	282.5	147%
Operating Cashflow	30.4	29.8	0.6	2%

Table 1: Summary of Results

The University monitors the surplus before exceptional items as a percentage of income as its main financial indicator. A target of 5% has been set as this level of surplus will generate sufficient cash to be able fund the existing and future potential investment programmes. The University also monitors Discretionary Cashflow, being the funds that the University generates which it is able to use to fund capital investment and to repay the capital on its loans.

The surplus as a percentage of income was 7.9% in 2013/14. This is the same as the previous year and well above the 5% target. The target has been exceeded in each of the last five years with the average surplus percentage for the period being 8.0%.

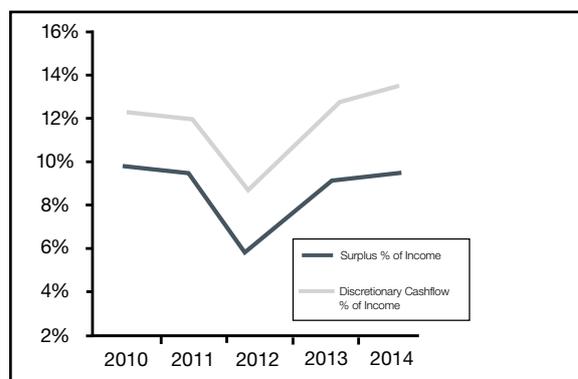


Figure 7: Surplus as a percentage of income and discretionary cashflow as a percentage of income

## Income

Income increased by 7% when compared to the previous year, a result of increases in tuition fee and research income (Table 2).

	2014	2013	+/-	%
	£m	£m	£m	
Funding council grants	41.0	49.0	(8.0)	-16%
Tuition fees	106.6	88.8	17.8	20%
Research	30.7	27.4	3.3	12%
Accommodation and hospitality	22.3	21.2	1.1	5%
Other income	22.2	21.7	0.5	2%
<b>Total Income</b>	<b>222.8</b>	<b>208.1</b>	<b>14.7</b>	<b>7%</b>

Table 2: Income comparison 2014 vs. 2013

## Funding council grants

At £37.5m, core grant reduced by £7.3m compared to the previous year. This is part of a series of reductions which started in 2011/12 in advance of the introduction of the £9,000 fee in 2012/13. In the March 2014 grant letter, the Funding Council applied a retrospective scaling factor to 2012/13 which was the main component of a reduction in the University's teaching grant of £0.5m to be recovered from the 2013/14 grant. An allowance has also been made for a small scaling factor to the current grant for 2013/14.

A £1.2m reduction in funding from the Joint Information Systems Committee relates to cessation of the UK Office for Library and Information Networking activity at the end of 2012/13.

## Tuition Fees

Tuition fee and education contract income increased by £17.8m or 20% to £106.6m when compared to last year. This was the second year of home and EU undergraduates paying the £9,000 tuition fee and this change accounted for £13.9m of the increase.

	2014 £m	2013 £m	+/- £m	%
Full Time UK higher education students	50.0	37.8	12.2	33%
Full Time EU higher education students	8.4	6.3	2.1	33%
Full time overseas higher education students	36.5	33.2	3.3	10%
Part-time higher education students	4.0	4.3	-0.3	-7%
Research training, short course and other fees	7.7	7.2	0.5	7%
<b>Tuition Fees &amp; Education Contracts</b>	<b>106.6</b>	<b>88.8</b>	<b>17.8</b>	<b>20%</b>

Table 3: Tuition fee and education contract income analysis

The £3.3m increase in full-time overseas income was due principally to increases in the School of Management, Architecture and Civil Engineering and PoLIS, although growth also occurred in a number of other departments. The number of student FTEs increased by 1% to 12,347. This number is reduced by the transfer of some students to partner colleges where the programme has changed to a licensed arrangement. The number of home/EU undergraduates has increased by 4.8% to 8,395 FTEs.

## Research

Research Income has increased by 12.1% in the year to £30.7m. This is mainly due to an increase in Research Council and EU Commission expenditure on grants awarded in 2012/13. The Faculties of Science and Engineering and Design have seen the largest increases in these areas with a smaller increase in the Faculty of Humanities and Social Sciences.

## Accommodation and Hospitality Income

Income from residences, catering and conferences increased by £1.1m to £22.3m. Increases in accommodation income arose from rentals to students and from the Special Olympics which the University hosted in August 2013. Hospitality income increased by 14% following the refurbishment of the Fountain Canteen and an increased use of eat and drink cards by students.

## Other Income

Other income consists of a number of income streams shown in note 4 together with investment income. In total, it increased by £0.5million over 2012/13 to £22.2m in 2013/14. Investment income reduced by 30% to £1.7m due to the reduction in rates paid on fixed term deposits. The previous year had also benefitted from the sale of the University's Gilts portfolio. Areas of growth included donations, the campus retail outlets and the amount of recovered VAT.

## Expenditure

Expenditure increased by 7%. This is in line with income and is an increase of £13.7m on 2012/13. Staff costs increased by £7.0m and remain the largest component of the University's total expenditure. Staff costs as a percentage of total income is 52.5% for 2013/14, a 0.4% reduction on the previous year. The average number of staff increased by 5.3% during the year to 2,572. Pay costs were also increased by the implementation of the national pay award and the incremental pay increases paid to eligible staff. Figure 9 shows the change in expenditure by cost type compared to the previous year. It illustrates that the largest increases in staff expenditure are in Academic departments (£4.0m) and Research (£1.7m).

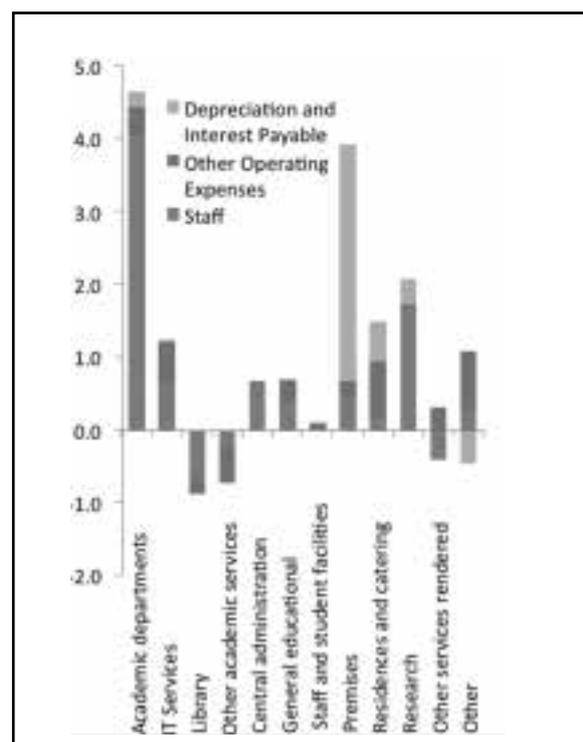


Figure 9: Increase or decrease in expenditure by expense type

The UK Office for Library and Information Networking (UKOLN) funding ceased at the end of 2012/13. Whilst the expenditure on the University's library has increased by 8.4% the combined effect is a reduction in library expenditure. Premises costs have risen as the new funding from the European Investment Bank (EIB) increased interest expenditure by £2.0m and capital investments and building impairments have increased the depreciation charge by £2.3m. Residences and catering expenditure has also increased due to a higher interest charge and costs associated with short term leases which were entered into in advance of the University's new accommodation being available.

## Cashflow

The University's Operating Cashflow was very strong again this year and at £30.4m exceeded last year's record high. In both years, this has been above expectations as the University has benefitted from movements in its debtor and creditor balances which have added £3.8m this year and £6.2m last year. Over the two years most of the increase is due to the creditors balance. This is largely a function of an increase in the value of income received in advance. The University continues to pay its creditors on time and monitors its performance in achieving this.

## Treasury

In September 2013 the University drew down the £65m facility that it had entered into with the EIB earlier that summer. The loan is for a period of 25 years and has been drawn at a fixed rate. It is repayable in 22 equal instalments starting in the 2016/17 financial year. The University's borrowings at the year-end are £163.8m a £63m increase on the previous year. By drawing the loan in full the University has secured long term funds at an affordable rate. This certainty has a short term implication for the holding cost of funds which the University has sought to mitigate.

The University invests those funds which are required for capital investment and investment in academic activities in assets with very low capital risk. More than half of the funds drawn from EIB were unspent during the year with the value of investments increasing by £37.7m to £111.3m. The majority of this increase is held in certificates of deposit. A sum of £9.3m has been invested in a hedge fund of funds and is anticipated to return a higher yield than fixed deposits and certificates of deposit over the medium term. The investment has grown well above this rate in its first year.

The value of cash at bank and in hand is similar to the previous year at £10.8m held in the University's current accounts, whilst fixed deposits have increased by £6m to £51m.

## Capital Investment

Capital investment in the year was £56.0m of which £3.9m related to equipment. The construction of The Quads, The Lime Tree, The Centre for the Arts and the refurbishment of 1 West described earlier comprise the majority of this investment.

## Balance Sheet

The University revalued its land and buildings at 31 July 2014. This has increased the value of tangible assets by £271.9m. The revaluation process identified a charge of £1.4m relating to the four properties.

The net asset figure has increased by £282.6m to £474.5m, an increase of 147%. The movement in long term debt and cash and investments has been described earlier. The increase in short term creditors is primarily the result of an increase in the amount of cash received in advance compared to the previous year.

During the year the University paid £1.8m to the Local Government Pension Scheme in place of its deficit recovery contributions for the coming three years. This gave the University a modest financial advantage and resulted in the deficit reducing to £26.0m. The provision was increased by a £0.3m actuarial loss; in absolute terms this is a significantly smaller adjustment than has been made in the previous two years.

The Universities Superannuation Scheme (USS) is the larger of the University's two main pensions. It is a multi-employer scheme and so does not appear on the balance sheet of any institution. The most recent full valuation of the scheme in 2011 reported a shortfall of £2.9bn. As described earlier, this is an important issue for the University; the result of the next triennial valuation will be received in the coming months and is expected to show a significant increase in the size of the deficit which will need to be addressed by the sector.

**Peter Wyman**

Treasurer

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# Public Benefit Statement 2013-14

Our **Mission** is to deliver world class research and teaching, educating our students 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 which was last reviewed by members of Council, the University's trustees, when our new University Strategy 2013-2016 was approved in June 2013. 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 deliver excellence in research and education.

Research excellence for us means:

- conducting internationally-leading research of global significance.
- being a centre of excellence for the development of postgraduate, post-doctoral and early career researchers.
- optimising the intellectual, scientific, economic, social and cultural impact of our research.
- promoting external engagement, enterprise and innovation, stimulating the exchange of ideas and knowledge through partnership.

Education excellence for us means:

- offering a research-enriched, practice-informed academic portfolio which is intellectually challenging and internationally relevant.
- welcoming academically gifted students from any background, creating a diverse and culturally-rich community.
- sustaining an inclusive, supportive, well-resourced learning environment within which independent learning flourishes and individual potential can be achieved.
- providing a wide range of opportunities to learn through experience, enhancing personal development, future employability and broader contributions to society.

In its oversight of the delivery of our Objects and corporate goals, the University's Council has due regard to the Charity Commission's guidance on public benefit. The induction programme for new members of Council

includes the Commission's guidance. The full Council membership receives periodic briefings on regulatory matters.

We are one of the largest employers in Bath & North East Somerset, with around 2,900 core employees. Our 2013 Staff Satisfaction Survey showed that 93% of respondents thought the University was a good place to work.

## Research of international excellence

Through 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 2013/14, the value of our research portfolio exceeded £119 million for the first time. In continuing to invest in the strategic expansion of our research base we will increase its impact and, hence, its public benefit.

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. We undertake research in partnership with business, industry, the professions, the public sector and the voluntary sector. Consequently, our research benefits a wide range of sectors, internationally as well as nationally, and the wider population.

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

- A new study in the Department of Mechanical Engineering has identified a more accurate computerised method to establish a radiolucency score for patients that will improve the success of knee replacements, and prevent costly, often unnecessary revisions to existing surgical implants.
- Scientists from our Department of Chemical Engineering have developed a low-cost device that could be used in developing countries to monitor the quality of drinking water in real time without costly lab equipment.

For more about our research visit  
[www.bath.ac.uk/research/](http://www.bath.ac.uk/research/)

We work proactively to ensure that our research is disseminated and understood beyond the world of academia. Our new Institute for Policy Research has published a series of Policy Briefs which are circulated to key decision-makers. Dr Kate Woodthorpe's Policy Brief on 'Funeral poverty in the UK: Issues for policy' was sent to each member of the All Party Group (APG) on Funerals and Bereavement, resulting in the Chair of this Group requesting Dr Woodthorpe's Policy Brief to be added to the agenda of the next APG meeting. Our Public Engagement unit also plays a key role in disseminating our research. 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 advancing and 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 top 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.

The University's Campus Masterplan provides for annual growth in the student population between 1 and 3%. The growth in our core student population between 2012/13 and 2013/14 in core numbers was 3%. In 2013/14, our core student population comprised 10,859 undergraduates, 3,417 taught postgraduates and 1,384 research postgraduates.

Our students are key beneficiaries of our teaching activities and we measure our success in terms of their completion rates, their employability and their satisfaction. Our completion and employment rates are some of the best in the sector and we have been ranked first in the UK for overall student satisfaction in the two most recent National Student Surveys (2013 and 2014).

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.

We recognise that tuition fees may be a barrier to accessing our teaching. We publicise the financial support that we can provide to prospective students through our website and Open Days. During the 2013/14 recruitment cycle, we took the opportunity to increase the number of students we can support by increasing our household income eligibility thresholds from £16,000 to £20,000 for new students entering in 2014/15.

Employers are also beneficiaries of our teaching activities. In the latest QS world ranking, the University of Bath is ranked 64th in the world in the employer reputation performance measure, a rise of ten places from 2013.

The wider community also benefits from our ability to attract high quality, engaged students. 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

# Public Benefit Statement

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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 can 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 which is designed to enthuse members of the community about science.

We are 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.

## 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 knowledge exchange, applying fresh thinking to accelerate economic growth and social advances. Our Innovation Centre is helping to diversify the economic profile of the City by incubating high yield businesses, and co-ordinating a number of regional networks for advanced technology sectors, including Silicon South West and Low Carbon South West.

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. In 2013/14, the University won the competition to provide the Paralympics GB training camps in preparation for Rio 2016.

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. During 2013/14 we began construction work on our new £10 million Centre for the Arts.

## International Engagement

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 87,000 alumni, representing 154 countries. Our alumni are encouraged to make philanthropic donations to enhance the student experience, our physical infrastructure and our research capacity.

## 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.

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 CO<sub>2</sub> emissions from gas combustion and electricity usage by 12.5% from a 2003/04 baseline of 0.11 tonnes/m<sup>2</sup> building floor area by 2010, which we achieved by December 2010. Our current Carbon Management Plan builds on this success and we are implementing a number of projects that will produce further reductions towards our aspirational 2020 target of a 43% reduction against a 2005 baseline.

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. The University is committed to the three Rs – Refinement, Reduction and Replacement of experiments involving animals.

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

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, 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 (from 1 August 2014, the Memorandum of assurance and accountability) 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 2011 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 budget and capital expenditure and receives updates to the estimates during the course of a year. It also supervises the investment activity of the University.

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/School 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. A full effectiveness review of Council was undertaken during 2011/12. It concluded that the University may have a high level of confidence in the effectiveness of Council. Its recommendations have all now been implemented, a further interim review will take place in 2015.

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.

## Statement of 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 professional service 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 reviewing 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 2014 and up to the date of approval of the financial statements, has operated effectively throughout the year and accords with HEFCE guidance.

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# Statement of 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. Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Council notes that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Teaching Agency (formerly 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 Teaching Agency, 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.

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# Membership of University of Bath Council

(between 1st August 2013 and 27th November 2014)

Mr Peter Troughton	Chair of Council (until 31st July 2014)
Mr Thomas Sheppard	Chair of Council (from 1st August 2014)
Mr David Medlock	Pro-Chancellor (until 31st July 2014)
Baroness Royall of Blaisdon	Pro-Chancellor (from 1st August 2014)
Mr Peter Troughton	Pro-Chancellor
Sir Julian Horn-Smith	Pro-Chancellor
Mr Peter Wyman	Treasurer
Professor Dame Glynis Breakwell	Vice-Chancellor
Professor Kevin Edge	Deputy Vice-Chancellor
Dr Michael Carley	Chair of Academic Assembly
Mr Peter Freeman	Appointed by Council (until 31st July 2014)
Dr Michael Hipkins	Appointed by Council (re-appointed until 31st July 2017)
Mr Raoul Hughes	Appointed by Council (re-appointed until 31st July 2017)
Mr Thomas Sheppard	Appointed by Council (until 31st December 2013 and from 1st August 2014 as Chair of Council)
Mr Barry Gilbertson	Appointed by Council (from 1st August 2014)
Mrs Ruth Foreman	Appointed by Council
Ms Anne Goodman	Appointed by Council
Mr Mark Hawkesworth	Appointed by Council
Mr Roger Whorrod	Appointed by Council
Mr John Stanion	Appointed by Council
Mr Stuart Appleton	Appointed by Convocation (re-appointed until 31st July 2015)
Dr Momna Hejmadi	Elected by Senate (until 31st July 2014)
Professor Tim Ibell	Elected by Senate (from 1st August 2014)
Professor Jonathan Knight	Elected by Senate (until 31st July 2014)
Dr Steve Wharton	Elected by Senate
Ms Kate Robinson	Elected by Senate
Dr Aki Salo	Elected by Senate (from 1st August 2014)
Dr Joanna Bryson	Elected by Academic Assembly
Ms Marie Morley	Elected by Non-Academic Staff
Miss Ellie Hynes	Student Member (to 20th June 2014)
Mr Peter Hachfeld	Student Member (to 20th June 2014)
Mr Jordan Kenny	Student Member (from 23rd June 2014)
Mr Paul Goodstadt	Student Member (from 23rd June 2014))

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# 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 2014 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies 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 Council, in accordance with the Charters and Statutes of the institution. 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 Council for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Council and auditor

As explained more fully in the Statement of Responsibilities of the University's Council set out on page 15, the 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.

## 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

Emma Holiday  
For and on behalf of KPMG LLP  
Statutory Auditor, Chartered Accountants  
100 Temple Street  
Bristol BS1 6AG  
United Kingdom

27 November 2014

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# 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 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 2010.

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 share of 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 Land and Buildings

Land and buildings were previously stated at cost. Land and buildings are now stated at valuation or cost. The University changed its accounting policy so that it recorded the true value of the Land and Buildings it uses. The basis of the valuation is a combination of depreciated replacement cost, existing use and open market value depending on the nature of the property. Full valuations are carried out every five years by an independent Chartered Surveyor, the first such valuation taking place at 31 July 2014. Land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over a period of 50 years on the basis that their average expected life is in excess of this period; the remaining expected life of buildings is reviewed annually by an appropriately qualified member of the Estates Department and where material the accumulated and future depreciation is adjusted in accordance with FRS15. Land and Building additions since the last valuation and assets in the course of construction are valued at cost, depreciation commences at the beginning of the year following occupation.

Building refurbishments are depreciated over a period of 25 years.

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.

## 8 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.

## 9 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.

## 10 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.

## 11 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.

# Statement of Principal Accounting Policies

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## 12 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.

## 13 Taxation Status

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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 2014

	Note	2014 £000	2013 £000
<b>Income</b>			
Funding council grants	1	41,032	49,020
Tuition fees and education contracts	2	106,577	88,839
Research grants and contracts	3	30,719	27,389
Other income	4	42,746	40,460
Endowment and investment income	6	1,699	2,431
		<hr/>	<hr/>
Total income		<b><u>222,773</u></b>	<b><u>208,139</u></b>
<b>Expenditure</b>			
Staff costs	7	117,061	110,064
Other operating expenses	8	70,272	67,876
Depreciation	8	13,413	11,123
Interest payable	9	4,828	2,819
		<hr/>	<hr/>
Total expenditure		<b><u>205,574</u></b>	<b><u>191,882</u></b>
Surplus after depreciation of tangible fixed assets at cost/valuation and before exceptional items		<b>17,199</b>	<b>16,257</b>
Exceptional Items: (Loss)/Surplus on disposal of fixed assets	11	(475)	22
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		<b>16,724</b>	<b>16,279</b>
Transfer from accumulated income in endowment funds	15	141	88
		<hr/>	<hr/>
Surplus for year retained within general reserves		<b><u>16,865</u></b>	<b><u>16,367</u></b>

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

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Year Ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		16,724	16,279
Difference between historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount		-	-
Historical cost surplus for the year		<u>16,724</u>	<u>16,279</u>

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

For the Year Ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		16,724	16,279
New endowments	22	179	164
Increase in market value of endowment investments	22	106	204
Actuarial (loss)/gain in respect of pension scheme	33	(262)	6,340
Unrealised surplus on revaluation of Land and Buildings		271,934	-
Total recognised gains relating to the year		<u>288,681</u>	<u>22,987</u>
<b>Reconciliation</b>			
Opening reserves and endowments		100,044	77,057
Total recognised gains in year		288,681	22,987
Closing reserves and endowments		<u>388,725</u>	<u>100,044</u>

# BALANCE SHEETS AS AT 31 JULY 2014

	Note	2014		2013	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible assets	13	569,470	260,330	571,472	262,833
Investments	14	775	919	775	919
<b>Total fixed assets</b>		<b>570,245</b>	<b>261,249</b>	<b>572,247</b>	<b>263,752</b>
<b>Endowment Asset Investments</b>	15	<b>4,785</b>	4,641	<b>4,785</b>	4,641
<b>Current Assets</b>					
Stock		746	686	746	686
Debtors	16	14,084	12,782	14,084	12,782
Investments	17	111,252	73,615	111,252	73,615
Cash at bank and in hand		10,833	10,781	10,729	10,768
		136,915	97,864	136,811	97,851
<b>Creditors : Amounts Falling Due Within One Year</b>	18	<b>(49,633)</b>	<b>(46,263)</b>	<b>(49,633)</b>	<b>(46,263)</b>
<b>Net Current Assets</b>		<b>87,282</b>	51,601	<b>87,178</b>	51,588
<b>Total Assets Less Current Liabilities</b>		<b>662,312</b>	317,491	<b>664,210</b>	319,981
<b>Creditors : Amounts Falling Due After More Than One Year</b>	19	<b>(161,720)</b>	<b>(98,800)</b>	<b>(161,720)</b>	<b>(98,800)</b>
<b>Net Assets Excluding Pension Liability</b>		<b>500,592</b>	218,691	<b>502,490</b>	221,181
<b>Net Pension Liability</b>	33	<b>(26,047)</b>	<b>(26,737)</b>	<b>(26,047)</b>	<b>(26,737)</b>
<b>Net Assets Including Pension Liability</b>		<b>474,545</b>	191,954	<b>476,443</b>	194,444
<b>Deferred Capital Grants</b>	21	<b>85,820</b>	91,910	<b>85,716</b>	91,795
<b>Endowments</b>	22				
Expendable		2,943	2,854	2,943	2,854
Permanent		1,842	1,787	1,842	1,787
		<b>4,785</b>	4,641	<b>4,785</b>	4,641
<b>Reserves</b>					
Revaluation Reserve	23	271,934	-	271,934	-
Income and expenditure account excluding pension reserve	24	138,053	122,140	140,055	124,745
Pension reserve	33	(26,047)	(26,737)	(26,047)	(26,737)
<b>Total Reserves</b>		<b>383,940</b>	95,403	<b>385,942</b>	98,008
<b>Total Funds</b>		<b>474,545</b>	191,954	<b>476,443</b>	194,444

The Financial Statements on pages 18 to 51 were approved by the Council on 27th November 2014 and signed on its behalf by:

**Professor Dame Glynis Breakwell**  
Vice-Chancellor

**Mr Peter Wyman**  
Treasurer

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# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 2014

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Net cash inflow from operating activities</b>	27	30,352	29,842
Returns on investments and servicing of finance	28	(3,099)	122
Capital expenditure and financial investment	29	(53,621)	(32,673)
		<hr/>	<hr/>
Cash (outflow) before use of liquid resources and financing		(26,368)	(2,709)
Management of liquid resources	30	(37,637)	14,700
Financing	31	62,900	(2,104)
		<hr/>	<hr/>
(Decrease)/Increase in cash in the period		<u>(1,105)</u>	<u>9,887</u>

## Reconciliation of Net Cash Flow To Movement in Net Debt

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
(Decrease)/Increase in cash in the period		(1,105)	9,887
Increase/(Decrease) in liquid and current investments	30	37,637	(14,700)
(Increase)/Decrease in loans and finance leases	31	(62,900)	2,104
Non-cash changes to net debt	32	-	53
		<hr/>	<hr/>
(Increase) in net debt		(26,368)	(2,656)
Net debt at 1 August	32	(14,237)	(11,581)
		<hr/>	<hr/>
Net debt at 31 July	32	<u>(40,605)</u>	<u>(14,237)</u>

**1 FUNDING COUNCIL GRANTS**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>HEFCE grants</b>		
Core grant	37,478	44,785
Specific grants	92	(28)
Joint Information Systems Committee	197	1,441
<b>Teaching Agency grants</b>	(1)	31
<b>HEFCE capital grants</b>		
Deferred capital grants released in year (Note 21)	3,266	2,791
	<u>41,032</u>	<u>49,020</u>

Teaching Agency Grants provided by the National College for Teaching and Leadership (NCTL) have only been used in accordance with the provisions of the Education Act 1994 (as amended by the Education Act 2005 Act), the financial memorandum and all other terms and conditions that the NCTL has set.

**2 TUITION FEES AND EDUCATION CONTRACTS**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Full-time UK higher education students	49,982	37,775
Full-time EU higher education students	8,414	6,287
Full time overseas higher education students	36,533	33,235
Part-time higher education students	3,994	4,329
Short course fees	2,285	1,845
Research training support grants and other fees	5,369	5,368
	<u>106,577</u>	<u>88,839</u>

**3 RESEARCH GRANTS AND CONTRACTS**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Research Councils	17,288	14,249
UK charitable bodies	1,827	2,086
European Commission	3,520	2,389
Other sponsors	8,084	8,665
	<u>30,719</u>	<u>27,389</u>

Research income includes £1,808k (2013; £1,455k) of income released from deferred capital grants.

## Notes to the Accounts

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### 4 OTHER INCOME

	Consolidated	
	2014 £000	2013 £000
Residences, catering and conferences	22,286	21,248
Other services rendered (Note 5)	7,953	7,865
Retail income	4,010	3,709
Miscellaneous grants	748	1,085
Rents	557	576
Release of deferred capital grants	1,082	791
Donations	1,352	987
VAT recovery	1,358	930
Health and hospital authorities	361	319
Car parking	357	308
Westwood Nursery	419	354
Income from intellectual property rights	343	527
Other income	1,920	1,761
	<u>42,746</u>	<u>40,460</u>

### 5 OTHER SERVICES RENDERED (see Note 4)

	Consolidated	
	2014 £000	2013 £000
Academic departments & centres	1,708	1,912
Computing, library & other academic services	840	872
Sports and related facilities	4,976	4,706
Other	429	375
	<u>7,953</u>	<u>7,865</u>

### 6 ENDOWMENT AND INVESTMENT INCOME

	Consolidated	
	2014 £000	2013 £000
Income from endowments (Note 22)	74	73
Net income from short-term investments	315	217
Other interest receivable	1,310	2,141
	<u>1,699</u>	<u>2,431</u>

**7 STAFF COSTS**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	93,198	87,963
Social security costs	7,341	6,965
Pension costs (Note 33)	19,341	17,772
	<u>119,880</u>	<u>112,700</u>
less: paid on behalf of other organisations	(2,718)	(2,548)
less: capitalised within the cost of buildings	(101)	(88)
	<u><u>117,061</u></u>	<u><u>110,064</u></u>
<b>Emoluments of the Vice-Chancellor</b>		
Salary and benefits in kind	395	384
Pension contributions	-	-
	<u>395</u>	<u>384</u>

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 the balance remained unchanged throughout the year at £31,489. 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):

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
£100,000 - £109,999	19	19
£110,000 - £119,999	15	15
£120,000 - £129,999	10	6
£130,000 - £139,999	2	3
£140,000 - £149,999	2	2
£150,000 - £159,999	2	2
£160,000 - £169,999	1	1
£170,000 - £179,999	3	2
£180,000 - £189,999	3	1
£190,000 - £199,999	1	-

# Notes to the Accounts

## 7 STAFF COSTS (continued)

Average staff numbers by major category:	2014 Number	2013 Number
Education & Research	1,037	979
Technical & Experimental	146	155
Management, Specialist & Administrative	900	845
Operational & Facilities Support	489	464
	<u>2,572</u>	<u>2,443</u>

## 8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Consolidated	
					2014	2013
					Total £000	Total £000
Academic departments	62,362	17,238	1,016	2	80,618	75,973
Academic services						
Computing services	4,305	1,896	586	-	6,787	5,559
Library	2,055	3,151	66	-	5,272	6,154
Other academic services	3,454	1,091	179	-	4,724	5,456
Central administration	10,644	2,778	-	-	13,422	12,762
General educational expenditure	2,200	9,904	3	-	12,107	11,428
Staff and student facilities	3,721	2,305	160	-	6,186	6,090
Premises	5,942	8,584	6,298	2,907	23,731	19,455
Residences and catering operations	6,142	12,690	3,296	1,805	23,933	22,452
Research grants and contracts	12,952	7,131	1,809	-	21,892	19,824
Other services rendered	2,640	2,715	-	84	5,439	5,539
Other expenses	644	789	-	30	1,463	1,190
	<u>117,061</u>	<u>70,272</u>	<u>13,413</u>	<u>4,828</u>	<u>205,574</u>	<u>191,882</u>

### The depreciation charge has been funded by :

	2014 £000	2013 £000
Deferred capital grants released (Note 21)	6,162	5,038
General Income	7,251	6,085
	<u>13,413</u>	<u>11,123</u>

# Notes to the Accounts

## 8 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

Other Operating Expenses include :	Consolidated	
	2014 £000	2013 £000
External Auditors Remuneration (Group and University)		
- Audit Services	54	53
- Consolidated financial statements	10	8
- Grant claims	2	2
- US federal loan	<u>66</u>	<u>63</u>
Operating Lease Rentals		
- Land and Buildings	5,306	5,089
- Other	<u>108</u>	<u>98</u>

Reimbursements to Council Members for expenditure incurred whilst carrying out their duties amounted to £4,883 (2013: £3,482). Council Members did not receive any remuneration from the University.

## 9 INTEREST AND OTHER FINANCE COST

	Consolidated	
	2014 £000	2013 £000
Loans not wholly repayable within five years	4,796	2,310
Finance leases	2	2
Net interest on local government pension scheme (Note 33)	30	507
	<u>4,828</u>	<u>2,819</u>

## 10 RELATED PARTY TRANSACTIONS

The operating statements of the University include transactions with related parties. In accordance with FRS 8 'Related Party Transactions' these are disclosed where members of the University Council disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's Financial Statements and/or the other party.

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.

	Income recognised within the financial statements £000	Expenditure recognised within the financial statements £000
Vinci Construction (UK) Limited	-	4,813 #
# disclosed in Land and Buildings Long Leasehold.		

### Vinci Construction (UK) Limited.

On 23 September 2014 the University appointed Vinci Construction (UK) Limited to carry out the construction of 10 West at a contract sum of £19,931,899 (including VAT).

Vinci PLC is the parent company of Vinci Construction (UK) Limited, which also undertook the construction of The Chancellor's Building. A member of Council resigned from his position as Chairman of Vinci PLC in September 2014.

### Universities Superannuation Scheme Ltd (USS).

USS provide a pension scheme for University staff, details of the transactions with USS are disclosed in Note 33. Professor Dame Glynis Breakwell is a Director of Universities Superannuation Scheme Ltd.

## Notes to the Accounts

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### 11 DISPOSAL OF FIXED ASSETS

	Consolidated	
	2014	2013
	£000	£000
Disposal of tangible fixed assets (Note 13)	5,329	20
Release of deferred capital grant on disposal of Leasehold Buildings (Note 21)	(4,485)	-
Surplus on sale of fixed asset investments (Note 14)	(369)	2
	<u>475</u>	<u>22</u>

Deferred capital grants have been released where buildings that were funded from HEFCE or other capital grants have been disposed of in proportion to value of the grant received and the cost of the building.

### 12 CAPITAL COMMITMENTS AND LEASE OBLIGATIONS

	2014	2013
	£000	£000
Funded by :-		
University funds	5,767	44,711
HEFCE grants	1,666	846
Capital commitments contracted at 31 July	<u>7,433</u>	<u>45,557</u>

In addition, the University had annual operating lease commitments in respect of leased property on leases that expire after 5 years of £4,575k (2013: £5,282k).

## 13 TANGIBLE FIXED ASSETS

	Consolidated				Total £000
	Land and Buildings Freehold	Long Leasehold	Equipment	Assets in the Course of Construction	
	£000	£000	£000	£000	
<b>Valuation/Cost</b>					
At 1 August 2013					
Cost	5,435	277,894	55,453	37,261	376,043
Valuation	-	-	757	-	757
Re-categorisation	113	(113)	-	-	-
Additions at Cost	-	1,075	3,855	51,030	55,960
Transfer assets brought into use	-	37,346	1,061	(38,407)	-
Disposals at Cost	-	(6,637)	(556)	-	(7,193)
Disposals at Valuation	-	-	(18)	-	(18)
Revaluations in year	2,555	218,896	-	(4,590)	216,861
At 31 July 2014					
Cost	1,517	73,739	59,813	45,294	180,363
Valuation	6,586	454,722	739	-	462,047
<b>Depreciation</b>					
At 1 August 2013	502	69,724	46,244	-	116,470
Re-categorisation	5	(5)	-	-	-
Charge for Year	69	7,396	4,484	-	11,949
Impairments in year	363	1,051	50	-	1,464
Eliminated on Disposals	-	(1,311)	(559)	-	(1,870)
Written back on valuation	(340)	(54,733)	-	-	(55,073)
At 31 July 2014	599	22,122	50,219	-	72,940
<b>Net Book Value</b>					
At 31 July 2014	7,504	506,339	10,333	45,294	569,470
At 1 August 2013	4,933	208,170	9,966	37,261	260,330

# Notes to the Accounts

## 13 TANGIBLE FIXED ASSETS (continued)

	University				Total £000
	Land and Buildings		Equipment	Assets in the Course of Construction	
	Freehold £000	Long Leasehold £000	£000	£000	
<b>Valuation/Cost</b>					
At 1 August 2013					
Cost	5,435	279,647	55,453	37,261	377,796
Valuation	-	-	757	-	757
Re-categorisation	113	(113)	-	-	-
Additions at Cost	-	1,075	3,855	51,030	55,960
Transfer assets brought into use	-	37,346	1,061	(38,407)	-
Disposals at Cost	-	(6,637)	(556)	-	(7,193)
Disposals at Valuation	-	-	(18)	-	(18)
Revaluations in year	2,555	218,896	-	(4,590)	216,861
<b>At 31 July 2014</b>					
Cost	1,517	73,739	59,813	45,294	180,363
Valuation	6,586	456,475	739	-	463,800
<b>Depreciation</b>					
At 1 August 2013	502	68,975	46,243	-	115,720
Re-categorisation	5	(5)	-	-	-
Charge for Year	69	7,897	4,484	-	12,450
Impairments in year	363	1,051	50	-	1,464
Eliminated on Disposals	-	(1,311)	(559)	-	(1,870)
Written back on valuation	(340)	(54,733)	-	-	(55,073)
<b>At 31 July 2014</b>	599	21,874	50,218	-	72,691
<b>Net Book Value</b>					
At 31 July 2014	7,504	508,340	10,334	45,294	571,472
At 1 August 2013	4,933	210,672	9,967	37,261	262,833

The University revalued its freehold and leasehold Land & Building with effect from 31 July 2014, the valuation was carried out by Eddisons Commercial Limited, an external Chartered Surveyor on the basis of Existing Use, Depreciated Replacement Cost or Market Valuation according to the nature and use of each building. The valuation was prepared in accordance with the Valuation Standards published by the Royal Institute of Chartered Surveyors.

Freehold and Leasehold Land and Buildings measured by valuation at 31 July 2014 includes the following historical cost;

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Freehold Land and Buildings	4,030	5,435	4,030	5,435
Leasehold Land and Buildings	242,686	277,894	242,686	279,647

Leasehold Land and Buildings include's land with a value of £75m which is not depreciated.

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

The net book value of tangible fixed assets includes an amount of £24k (2013 : £48k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £24k (2013 : £67k).

**14 FIXED ASSET INVESTMENTS**

	<b>Consolidated</b>		<b>University</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August				
Investments in subsidiary companies	-	-	-	-
Other investments	919	1,240	919	1,240
	<u>919</u>	<u>1,240</u>	<u>919</u>	<u>1,240</u>
Acquisition of investments	50	-	50	-
Disposal of investments	(165)	(1)	(165)	(1)
Write-down of investments	(29)	(320)	(29)	(320)
At 31 July				
Investments in subsidiary companies	-	-	-	-
Other investments	775	919	775	919
	<u>775</u>	<u>919</u>	<u>775</u>	<u>919</u>
Balance at 31 July	<u>775</u>	<u>919</u>	<u>775</u>	<u>919</u>

Fixed asset investments were written down in the year on the basis of the most recent portfolio valuation, which indicated a £29k impairment.

**Subsidiary companies**

The University owns 100% of the following company which is 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

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 fundraise in that country. The University owns 100% of the Foundation.

# Notes to the Accounts

## 14 FIXED ASSET INVESTMENTS (continued)

### Other investments

Included above:		2014 £	2013 £
CVCP Properties plc	£1 ordinary shares	35,813	35,813
Nano-Porous Solutions Ltd	0.1p ordinary shares	-	6,565
Bath Crescent Seedcorn Fund	Investment	739,132	876,519
		<u>774,945</u>	<u>918,897</u>

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

Company	Value		%		Type of shares
	£	No. of shares	Holding at 31 July 2014	Holding at 31 July 2013	
Apitope International NV	90,290	119,207	1.30	1.58	A Ordinary shares
Atlas Genetics Ltd	50,130	1,178	0.50	3.77	778 Ordinary shares (0.1p) and 400 Series B Shares
Azellon Limited	-	12,967	2.70	4.67	A Ordinary shares (0.1p)
CITEAB	50,000	40,000	23.81	-	Ordinary shares (0.01p)
Glythera Limited	172,970	33,289	12.84	12.84	Ordinary shares (0.1p)
Ilika plc	36,253	145,013	1.13	1.13	Ordinary shares (1p)
Karus Therapeutics Limited	-	1,297	0.60	3.61	Ordinary shares (0.01p)
KWS Biotest	19,500	39	5.20	5.20	B shares (100p)
Micrima Limited	-	132,908	3.15	3.15	Ordinary shares (0.1p)
Perpetuum Ltd	-	141,868	0.80	1.68	Ordinary shares (0.05p)
Plexus Planning Ltd	12,227	3,705	0.90	1.33	Ordinary shares (1p)
Revolymmer plc	166,116	294,010	0.52	1.60	Ordinary shares (0.8p)
Stratophase Ltd	-	11,251	0.76	0.76	Ordinary shares (0.1p)
Symetrica Ltd	141,646	8,257	1.90	2.92	7180 Ordinary shares (0.1p) and 1077 A Ordinary shares (0.1p)
	<u>739,132</u>				

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

**14 FIXED ASSET INVESTMENTS (continued)**

During the year 95,000 Revolymer plc shares were disposed of at a loss of £6,771 and 146,040 Ilika plc shares were disposed of at a loss of £1,566. In addition, proceeds were realised from further sales of Ilika plc shares making a profit of £33,282.

The University sold its entire holding of 176,841 shares in Nano-Porous Solutions Limited for £351,016, this share holding was held at a cost of £6,565.

	<b>£000</b>
Disposal of investment	(165)
Cash received	534
	<hr/>
Surplus on sale (Note 11)	<u>369</u>

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

<b>Company</b>	<b>No. of shares</b>	<b>Type of shares</b>
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
Glythera Ltd	53,288	0.1p ordinary shares

The University's total holdings in Glythera Ltd amount to 86,577 shares: 53,288 held directly by the University and a further 33,289 held through the Bath Crescent Seedcorn Fund. Although this represents 36.73% of the company's total shares, the University does not exercise a 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	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 August	4,641	4,361	4,641	4,361
New endowments (Note 22)	179	164	179	164
Increase in market value of investments	106	204	106	204
Income generated less expenditure	(141)	(88)	(141)	(88)
	<u>4,785</u>	<u>4,641</u>	<u>4,785</u>	<u>4,641</u>
Balance at 31 July	<u>4,785</u>	<u>4,641</u>	<u>4,785</u>	<u>4,641</u>
Quoted investments	3,675	2,374	3,675	2,374
Cash and other short term investments	1,110	2,267	1,110	2,267
	<u>4,785</u>	<u>4,641</u>	<u>4,785</u>	<u>4,641</u>
Total endowment asset investments	<u>4,785</u>	<u>4,641</u>	<u>4,785</u>	<u>4,641</u>
Quoted investments at cost	<u>3,566</u>	<u>2,188</u>	<u>3,566</u>	<u>2,188</u>

### 16 DEBTORS

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Prepayments and accrued income	3,066	2,158	3,066	2,158
Sponsored research	6,239	5,989	6,239	5,989
Other debtors	4,779	4,635	4,779	4,635
	<u>14,084</u>	<u>12,782</u>	<u>14,084</u>	<u>12,782</u>
Due within one year	13,788	12,568	13,788	12,568
Due in more than one year	296	214	296	214
	<u>14,084</u>	<u>12,782</u>	<u>14,084</u>	<u>12,782</u>

Debtors due in more than one year are all Other debtors.

## Notes to the Accounts

### 17 CURRENT ASSET INVESTMENTS

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Quoted investments	14,864	5,209	14,864	5,209
Certificates of deposit	44,826	11,221	44,826	11,221
Fixed deposit	45,000	51,000	45,000	51,000
Gilts & Other Fixed Interest investments	6,562	6,185	6,562	6,185
	<u>111,252</u>	<u>73,615</u>	<u>111,252</u>	<u>73,615</u>
Quoted investments at market value	<u>16,596</u>	<u>6,722</u>	<u>16,596</u>	<u>6,722</u>
Gilts & Other Fixed Interest investments at market value	<u>7,727</u>	<u>7,146</u>	<u>7,727</u>	<u>7,146</u>

The quoted investments also 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 2014 of £32,511 (2013: £55,519) and Vectura Group plc, which had a market value at 31 July 2014 of £35,250 (2013: £23,500).

### 18 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Obligations under finance leases	-	20	-	20
Bank loans	2,080	2,080	2,080	2,080
Other creditors including taxation and social security	9,966	9,679	9,966	9,679
Accruals and Deferred income	37,587	34,484	37,587	34,484
	<u>49,633</u>	<u>46,263</u>	<u>49,633</u>	<u>46,263</u>

### 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank loans (Note 20)	161,720	98,800	161,720	98,800
Total due after more than one year	<u>161,720</u>	<u>98,800</u>	<u>161,720</u>	<u>98,800</u>

# Notes to the Accounts

## 20 BORROWINGS

<i>Analysis of Financing</i>	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Finance leases: analysis of obligations:				
In one year or less	-	20	-	20
	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
Bank loans and overdrafts are repayable as follows:				
In one year or less	2,080	2,080	2,080	2,080
Between one and two years	2,080	2,080	2,080	2,080
Between two and five years	15,104	6,240	15,104	6,240
In five years or more	144,536	90,480	144,536	90,480
	<u>163,800</u>	<u>100,880</u>	<u>163,800</u>	<u>100,880</u>

On 4 September 2013 the University received £65m from the European Investment Bank (EIB). The repayment of this loan starts in 2016 and is over 22 years.

The University has drawn down in full two loans, each of £52m, repayment periods are detailed below.

### Loan 1

Rate		Base Rate/LIBOR + margin + MLAs
Repayment - Tranche 1	£26m	Quarterly repayments from Dec 2011 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
10.00	5.66%	June 2027
19.09	5.16%	December 2036
10.00	3.95%	November 2037
<u>39.09</u>		

The June 2027 interest rate swap is based on the Retail Price Index (RPI), updated annually.

21 DEFERRED CAPITAL GRANTS

	<b>Consolidated</b>		
	<b>Funding Council £000</b>	<b>Other Grants &amp; Benefactions £000</b>	<b>Total £000</b>
At 1 August 2013			
Land & Buildings	64,436	23,236	87,672
Equipment at Cost	2,497	1,403	3,900
Equipment at Valuation	-	338	338
	<u>66,933</u>	<u>24,977</u>	<u>91,910</u>
Grants receivable			
Land & Buildings	1,666	267	1,933
Equipment at Cost	-	2,624	2,624
Released to Income and Expenditure			
Land & Buildings	(7,056)	(917)	(7,973)
Equipment at Cost	(695)	(1,843)	(2,538)
Equipment at Valuation	-	(129)	(129)
Disposal of equipment	-	(7)	(7)
At 31 July 2014			
Land & Buildings	59,046	22,586	81,632
Equipment at Cost	1,802	2,184	3,986
Equipment at Valuation	-	202	202
	<u>60,848</u>	<u>24,972</u>	<u>85,820</u>
	<b>University</b>		
	<b>Funding Council £000</b>	<b>Other Grants &amp; Benefactions £000</b>	<b>Total £000</b>
At 1 August 2013			
Land & Buildings	64,320	23,237	87,557
Equipment at Cost	2,497	1,403	3,900
Equipment at Valuation	-	338	338
	<u>66,817</u>	<u>24,978</u>	<u>91,795</u>
Grants receivable			
Land & Buildings	1,665	267	1,932
Equipment at Cost	-	2,624	2,624
Released to Income and Expenditure			
Land & Buildings	(7,044)	(917)	(7,961)
Equipment at Cost	(695)	(1,843)	(2,538)
Equipment at Valuation	-	(129)	(129)
Disposal of equipment	-	(7)	(7)
At 31 July 2014			
Land & Buildings	58,941	22,587	81,528
Equipment at Cost	1,802	2,184	3,986
Equipment at Valuation	-	202	202
	<u>60,743</u>	<u>24,973</u>	<u>85,716</u>

## Notes to the Accounts

### 22 ENDOWMENTS (Consolidated and University)

	Restricted Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
At 1 August				
Capital	1,756	2,705	4,461	4,201
Accumulated Income	31	149	180	160
	<u>1,787</u>	<u>2,854</u>	<u>4,641</u>	<u>4,361</u>
New endowments	6	173	179	164
Investment income	26	48	74	73
Expenditure - from capital	-	(155)	(155)	(108)
Expenditure - from income	(24)	(36)	(60)	(53)
Increase in market value of investments	47	59	106	204
	<u>1,842</u>	<u>2,943</u>	<u>4,785</u>	<u>4,641</u>
At 31 July				
<b>Representing:</b>				
Capital	1,809	2,782	4,591	4,461
Accumulated Income	33	161	194	180
	<u>1,842</u>	<u>2,943</u>	<u>4,785</u>	<u>4,641</u>

### 23 REVALUATION RESERVE

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 August	-	-	-	-
Revaluation of properties (Note 13)	216,861	-	216,861	-
Cumulative depreciation written back on revaluation of properties (Note 13)	55,073	-	55,073	-
	<u>271,934</u>	<u>-</u>	<u>271,934</u>	<u>-</u>
At 31 July				

## Notes to the Accounts

### 24 INCOME & EXPENDITURE ACCOUNT RESERVES

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 August				
excluding pension reserve	122,140	104,711	124,745	107,815
pension reserve (Note 33)	(26,737)	(32,015)	(26,737)	(32,015)
Surplus for the year				
excluding pension reserve	15,772	17,341	15,169	16,842
relating to the pension reserve (Note 33)	952	(1,062)	952	(1,062)
Net Surplus for the year	16,724	16,279	16,121	15,780
Transfer from accumulated income in endowment funds	141	88	141	88
Actuarial (loss)/gain on pension scheme (Note 33)	(262)	6,340	(262)	6,340
At 31 July				
excluding pension reserve	138,053	122,140	140,055	124,745
pension reserve (Note 33)	(26,047)	(26,737)	(26,047)	(26,737)

### 25 HARDSHIP, ACCESS BURSARY AND ACCESS FUNDS

	2014 £000	2013 £000
Balance at 1 August	76	63
Higher Education Funding Council for England grants	94	88
Interest earned	1	2
	171	153
Disbursements & Fees	(129)	(77)
Balance at 31 July	42	76

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.

### 26 BURSARIES FROM THE TEACHING AGENCY

	2014 £000	2013 £000
Balance at 1 August	(4)	12
Grant received	993	1,069
Disbursements	(973)	(1,085)
Balance at 31 July	16	(4)

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

### 27 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2014 £000	2013 £000
Surplus on continuing operations after exceptional items and tax	16,724	16,279
Pension cost less contributions payable (Note 33)	(982)	555
Depreciation (Note 13)	13,413	11,123
Deferred capital grants released to income (Note 21)	(10,647)	(5,038)
Net cost/(surplus) for disposal of tangible fixed assets (Note 11)	5,329	(20)
Net (surplus) on sale of fixed asset investments (Note 11)	(369)	(2)
Write-down of fixed asset investments (Note 14)	29	320
Endowment and investment income receivable (Note 6)	(1,699)	(2,431)
Interest payable (Note 9)	4,828	2,819
(Increase)/Decrease in stocks	(60)	79
(Increase)/Decrease in debtors on operating activities	(1,302)	1,420
Increase in creditors on operating activities	5,088	4,738
	<u>30,352</u>	<u>29,842</u>
Net cash inflow from operating activities	<u>30,352</u>	<u>29,842</u>

### 28 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2014 £000	2013 £000
Income received from endowments (Note 6)	74	73
Income received from short term investments (Note 6)	315	217
Other interest received (Note 6)	1,310	2,144
Interest paid:		
- Other interest paid (Note 9)	(4,796)	(2,310)
- Finance leases (Note 9)	(2)	(2)
	<u>(3,099)</u>	<u>122</u>

### 29 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2014 £000	2013 £000
Purchase of tangible fixed assets	(57,609)	(37,775)
(Sales)/Purchases of fixed asset investments	(100)	1
(Sales)/Purchases of endowment asset investments	(1,195)	1,223
Receipts from sales of tangible fixed assets	13	20
Receipts from sale of fixed asset investment (Note 14)	534	2
Deferred capital grants received (Note 21)	4,557	3,692
Endowments received (Note 22)	179	164
	<u>(53,621)</u>	<u>(32,673)</u>

**30 MANAGEMENT OF LIQUID RESOURCES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Net (purchases) of quoted investments	(9,655)	(153)
Net (purchases) of certificates of deposit	(33,605)	(2,956)
Net (sales)/purchases of gilts & other fixed interest investments	(377)	15,809
Net disposal to fixed term deposits	6,000	2,000
	<u>          </u>	<u>          </u>
Net (increase)/decrease in liquid resources	<u><u>(37,637)</u></u>	<u><u>14,700</u></u>

**31 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR**

	<b>Loans</b>	<b>Finance</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>leases</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance outstanding at 1 August	100,880	20	100,900	103,004
New loans	65,000	-	65,000	-
Capital repayments	(2,080)	(20)	(2,100)	(2,104)
Net increase/(decrease) in year	62,920	(20)	62,900	(2,104)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance outstanding at 31 July	<u><u>163,800</u></u>	<u><u>-</u></u>	<u><u>163,800</u></u>	<u><u>100,900</u></u>

**32 ANALYSIS OF CHANGES IN NET DEBT**

	<b>At</b>	<b>Cash</b>	<b>Other</b>	<b>At</b>
	<b>1 Aug</b>	<b>Flows</b>	<b>Changes</b>	<b>31 July</b>
	<b>2013</b>	<b>£000</b>	<b>£000</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash				
Held in endowment asset investments	2,267	(1,157)	-	1,110
Cash held for investment	-	-	-	-
Other cash	10,781	52	-	10,833
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	13,048	(1,105)	-	11,943
Other current asset investments (Note 17)	73,615	37,637	-	111,252
Debt due within one year (Note 18)	(2,100)	2,100	(2,080)	(2,080)
Debt due after one year (Note 19)	(98,800)	(65,000)	2,080	(161,720)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u><u>(14,237)</u></u>	<u><u>(26,368)</u></u>	<u><u>-</u></u>	<u><u>(40,605)</u></u>

# Notes to the Accounts

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## 33 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 148,000 active members and the University has 1,702 active members at 31 July 2014.

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; and a minimum of three and a maximum of five are independent 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 2011. This was the second 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 actuary also carries out reviews of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ("light") YoB tables - No age rating
Female members' mortality	S1NA ("light") YoB tables - rated down 1 year

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 CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectancy on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

## 33 PENSIONS (continued)

### Universities Superannuation Scheme (continued)

At the valuation date, the market value of the assets of the scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m indicating a shortfall of £2,910.2m. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for the investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return. On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilt basis also on this date was approximately 61%.

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.

# Notes to the Accounts

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## 33 PENSIONS (continued)

### Universities Superannuation Scheme (continued)

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 as follows.

Assumption	Change in assumption	Impact on shortfall
Investment Return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI & CPI	Decrease by 0.25%	Increase by £1 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion

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 but the allowance for promotional salary increases was not as high. 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.

As at the 2011 valuation the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries. Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Price Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation. Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

#### **New Entrants**

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) scheme.

#### **Normal Pension Age**

The Normal pension age was increased for future service and new entrants, to age 65.

#### **Flexible Retirement**

Flexible retirement options were introduced.

#### **Member contributions increased**

Contributions were uplifted to 7.5% p.a. and 6.5% p.a for FS Section members and CRB Section members respectively.

#### **Cost Sharing**

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

**33 PENSIONS (continued)****Universities Superannuation Scheme (continued)****Pension increase cap**

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If the official pensions increase by more than 5% the USS will pay half of the difference up to a maximum increase of 10%.

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's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns by ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

**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>Service Liabilities</i>	
Return on investments	3.20%	
Long-term Salary inflation	4.10%	
Pension inflation	2.60%	
Valuation date		31 March 2013
Valuation method		Projected Unit
Market value of assets at date of last valuation		£3,146 million
Market value of assets as a percentage of accrued benefits		78%

# Notes to the Accounts

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## 33 PENSIONS (continued)

### Local Government Pension Scheme (continued)

The contributions payable by the University were equal to 15.35% of total pensionable salaries to March 2013, and 12.60% thereafter. This follows the payment in April 2014 of £1,835k in respect of deficit recovery payments due for the period ending 31 March 2017, which equates to 3.8% of LGPS pensionable pay.

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 2013, updated to July 2014 by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2014 were:

At end of year	31 July 2014 %	31 July 2013 %
Rate of CPI inflation	2.30	2.40
Rate of increase in salaries	3.80	3.90
Rate of increase in pensions	2.30	2.40
Discount rate	4.30	4.50

#### Post retirement mortality assumptions for members retiring in normal health

Non-retired members (female)	male	S1PA CMI_2012_[1.5%] 92% (87%)	S1PA CMI_2009_[1.5%] 97% (90%)
Retired members (female)	male	S1PA CMI_2012_[1.5%] 94% (93%)	S1PA CMI_2009_[1.5%] 97% (90%)

#### Life expectancy

Male (female) future pensioner aged 65 in 20 years time	25.7 (28.7) years	25.2 (28.2) years
Male (female) current pensioner aged 65	23.3 (25.8) years	22.9 (25.9) years

**33 PENSIONS (continued)****Local Government Pension Scheme (continued)***The University's assets in the scheme and the expected rate of return were:*

	Long term rate of return expected at 2014	Value at 31 July 2014 £000	Long term rate of return expected at 2013	Value at 31 July 2013 £000	Value at 31 July 2012 £000
Equities	7.0%	49,948	7.0%	53,776	42,337
Government bonds	3.2%	8,053	3.3%	8,921	8,974
Other bonds	4.1%	9,320	4.3%	7,337	8,757
Property	6.2%	7,058	5.7%	5,920	5,355
Cash/Liquidity	0.5%	3,167	0.5%	1,501	1,303
Other	7.0%	12,939	7.0%	5,920	5,645
		<u>90,485</u>		<u>83,375</u>	<u>72,371</u>

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

	2014 £000	2013 £000	2012 £000
Market value of assets	90,485	83,375	72,371
Present value of scheme liabilities	(116,532)	(110,112)	(104,386)
Net pension liability	<u>(26,047)</u>	<u>(26,737)</u>	<u>(32,015)</u>

*Amounts charged to income and expenditure account:*

<i>Included in staff costs for the year (Note 7)</i>	2014 £000	2013 £000
Current service cost	3,168	2,929
Unfunded benefits	33	33
Total operating charge	<u>3,201</u>	<u>2,962</u>

*Analysis of amount charged to interest payable*

	2014 £000	2013 £000
Expected return on pension scheme assets	(4,939)	(3,967)
Interest on expected scheme liabilities	4,969	4,474
Net charge	<u>30</u>	<u>507</u>

# Notes to the Accounts

## 33 PENSIONS (continued)

### Local Government Pension Scheme (continued)

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

	2014 £000	2013 £000
Actual return less expected return on pension scheme assets	598	8,285
Change in assumptions underlying the present value of the scheme liabilities	(860)	(1,945)
Actuarial (loss)/gain recognised in the STRGL	<u>(262)</u>	<u>6,340</u>

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

	2014 £000	2013 £000
Deficit in scheme at 1 August	26,737	32,015
Movement in the year:		
Current service cost	3,168	2,929
Contributions by the employer	(4,150)	(2,374)
Net finance charge on assets and liabilities	30	507
Net Movement in the year	(952)	1,062
Actuarial loss/(gain)	262	(6,340)
Deficit in scheme at 31 July	<u>26,047</u>	<u>26,737</u>

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

	2014 £000	2013 £000
At the beginning of the year	110,112	104,386
Current service cost	3,168	2,929
Interest on pension liabilities	4,969	4,474
Member contributions	996	951
Actuarial losses on liabilities - other	860	1,945
Benefits/transfers paid	(3,573)	(4,573)
At the end of the year	<u>116,532</u>	<u>110,112</u>

**33 PENSIONS (continued)****Local Government Pension Scheme (continued)****Analysis of the movement in the market value of the scheme assets:**

	<b>2014 £000</b>	<b>2013 £000</b>
At the beginning of the year	83,375	72,371
Expected return on plan assets	4,939	3,967
Actuarial gains on assets	598	8,285
Contributions by the employer	4,150	2,374
Contributions by scheme participants	996	951
Benefits/transfers paid	(3,573)	(4,573)
	<u>90,485</u>	<u>83,375</u>

**History of experience gains and losses**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Difference between the expected and actual return on scheme assets					
Amount (£000)	598	8,285	(2,311)	3,738	5,378
Percentage of scheme assets	0.7%	9.9%	3.2%	5.2%	8.4%
Experience (losses) on scheme liabilities					
Amount (£000)	(1,401)	0	0	(160)	0
Percentage of present value of scheme liabilities	1.2%	0.0%	0.0%	0.2%	0.0%
Total amount recognised in Statement of Total Recognised (Losses) and Gains					
Amount (£000)	(262)	6,340	(5,969)	(73)	6,551
Percentage of present value of scheme liabilities	0.02%	5.80%	5.70%	0.12%	7.50%

**Total pension costs (Note 7)**

	<b>2014 £000</b>	<b>2013 £000</b>
Universities Superannuation Scheme	16,072	14,738
Avon Pension Fund	3,201	2,962
Contributions to other pension schemes	68	72
	<u>19,341</u>	<u>17,772</u>

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