

Financial Statements



UNIVERSITY OF
BATH

2012-2013



1st FOR STUDENT
SATISFACTION 2013
NATIONAL STUDENT SURVEY

University of Bath

Financial Statements

for the year ended 31 July 2013

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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 enjoyed another successful year with a sound financial performance and notable achievements in research grant awards and in being ranked 1st for student satisfaction in the National Student Survey (NSS) 2013. I would like to take this opportunity to thank and congratulate the Vice-Chancellor and all the University's staff for these and all the other successes over the past year.

This success in research and teaching informs the extent to which the University is achieving the vision set out in the strategic plan 2013-16 "*...to be recognised as an international centre of research and teaching excellence, achieving global impact through our alumni, research and strategic partnerships.*"

This review will refer to some of the key indicators that the University uses to monitor its performance and progress. Additional measures are provided by the various national and international rankings that are published annually. The University has continued to perform strongly in the national university rankings having improved its position within the top 10 of each of the three main guides. The University also performs well in the international guides for those universities that are less than 50 years old though fairs less well when ranked against all institutions.

Teaching

This was the first year of the new tuition fee regime. The introduction of the higher fee coincided with a reduction in the number of new entrants to the sector as a whole. In addition the first reduction in the number of students who secured A Level grades (or equivalent) of AAB or better (AAB+) in many years made the 2012 recruitment round challenging for many universities. Against this backdrop I am very pleased to report the University increased its intake on the previous year though total student FTE for all years was marginally lower than the previous year, an effect of the change in arrangements with the University's partner colleges.

The University monitors a number of indicators in relation to teaching. Where these are lagging indicators the information may not yet be available for 2012-13.

The quality of undergraduate students on entry is measured by average tariff scores. Figure 1 shows a marked improvement over the reported period as several departments have increased their entry offer.

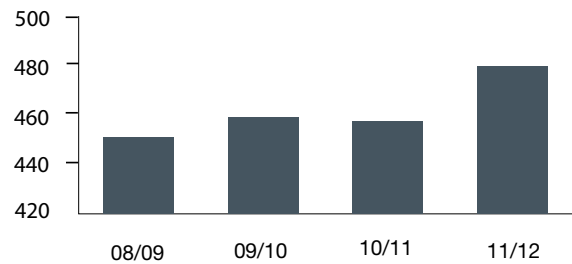


Figure 1: Average tariff scores

Continuation rates are monitored as a proxy for the effectiveness of our student support structures and as a measure of student satisfaction. Figure 2 shows an improving trend over the last four years. The continuation rate varies greatly depending on the type of institution but the University considers a rate above 90% to be a good performance. In this context recent improvements are particularly encouraging.

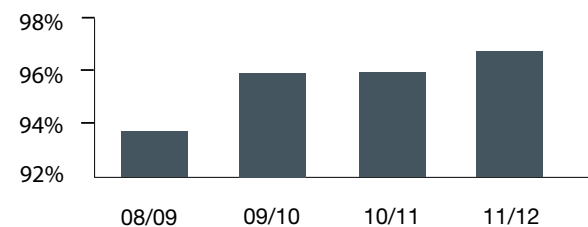


Figure 2: Continuation rates (% of students who continue to further years of study or qualify)

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". Figure 3 shows the percentage of students that either 'definitely' or 'mostly' agreed. Research commissioned by HEFCE has shown that this score is most closely correlated to course quality as opposed to other measures such as staff/student ratios. It shows a marked improvement since 2010 and a significant improvement during 2013.

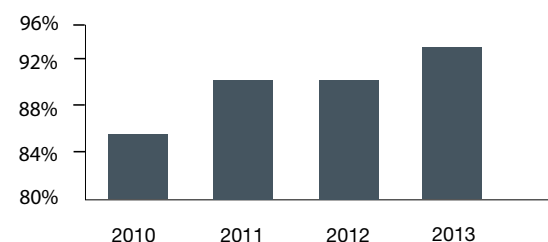


Figure 3: Satisfaction %

Research

The University monitors grant and contract awards and income as well as the number of postgraduate research students. The value of awards received increased by 55% during the year and has doubled since 2009/10. This increase has been a result of the success of the University's strategy to focus on specific funders and to put greater emphasis on making high value applications.

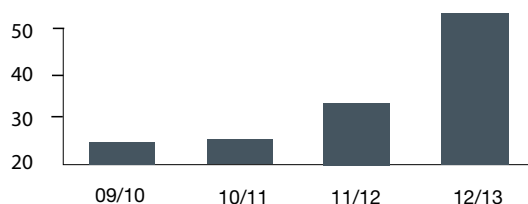


Figure 4: Research grant and contract awards (£m)

The increase in awards has not filtered through to income earned which has remained flat in recent years. This is a timing difference and income will increase in 2013/14.

The number of postgraduate research students (PGR) has grown steadily in recent years (Figure 5). Whilst the absolute number of students is low in comparison with peer institutions the number of students per academic is relatively strong. The University is addressing the need to grow PGR numbers by engaging with a number of bids for Centres for Doctoral Training.

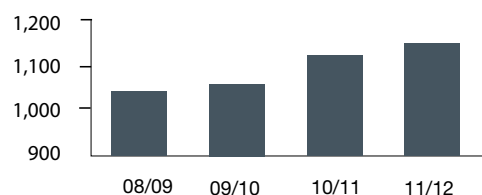


Figure 5: Total postgraduate research students

Internationalisation and Partnerships

A Pro-Vice Chancellor Internationalisation was appointed in 2012 to support the growth of partnerships with overseas institutions and the proportion of students who are non-UK domiciled. Since this time the University has developed partnerships with Universidade de São Paulo, Stellenbosch University in South Africa and Yonsei University in Seoul amongst others. The proportion of non-UK domiciled students and international education and research staff with a nationality other than British have both increased in recent years and are above the University's 30% target.

Knowledge Transfer

The University measures a combined indicator of external income derived from the HESA Finance Return as a measure of its activity with commerce, industry and public corporations. Figure 6 shows a decrease over the last four reported years. Comparison with peer institutions shows this to be a common trend indicating that this performance is primarily related to the wider economic situation.

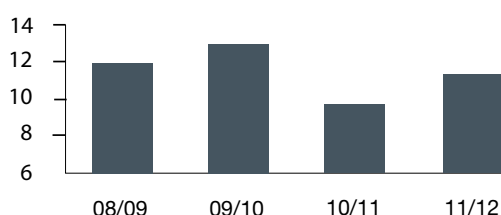


Figure 6: Combined indicator for external income £m

Estates

Last year I reported the announcement of a three year campus improvement programme. During the year work has been substantially completed on the first phase of the 1 West refurbishments and the construction of the Chancellors' Building with both buildings being ready for the start of the first semester in 2013-14.

Work has also started on a new Centre for the Arts and on a 708 bedroom student residence which will also include a 350 seat refectory. The residence will be completed prior to the start of the 2014-15 academic year with the Centre for the Arts completed later that year. During the year two further new academic buildings were approved by Council expanding the capital investment programme to £150m.

Investment in recent years has enhanced the quality of the University's estate. The University uses the Estates Management Statistics Data as a measure of this quality and figure 7 illustrates the marked improvement in recent years.

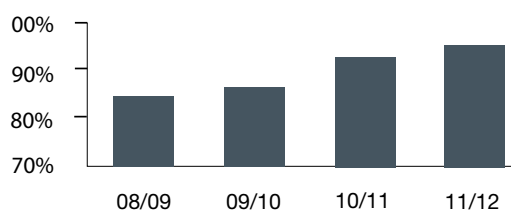


Figure 7: % of gross internal area in condition A & B.

Financial Review

Planned investments will further improve both the quality of the estate and the experience of our students. It will also create the capacity for continued growth.

Future Prospects

Initial indications are that the University will perform well under the new fees and places regime for home and EU undergraduate students. The University recruited strongly in 2012-13 and applications and early registrations indicate that the 2013-14 in-take is also strong. The change to remove the limit on the number of students that the University is able to recruit with A levels or equivalent of AAB+ to ABB+ has expanded this market. As I said last year, unless the cap on tuition fees is index linked, in the medium term inflation will increase costs while tuition fees per student are static. This is an issue for the whole sector and whilst the University may be successful in compensating for this through growth in student numbers this strategy cannot be applied successfully across the whole sector. The consequences are likely to impact all universities in some way.

The recent International Education: Global Growth and Prosperity report from the Department for Business Innovation and Skills describes a strong outlook for UK education in generating increased export income. The report anticipates growth of 15-20% of international students in higher education in the UK over the next five years. The University anticipates having a greater international presence across its activities and will continue to invest to enhance its international research and teaching. Whilst the report re-iterates that there is no cap on the number of overseas students the new visa restrictions present a challenge for the University.

The success in research award capture will enhance the University's research income in the short term and the investment in both national and international partnerships is expected to enhance this performance. The wider research environment remains very competitive and the University will be affected by any change to government funding of research in future spending reviews.

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 consolidated results for the year are shown below. The results are detailed in full on pages 21-51.

	2013	2012	Increase	
	£m	£m	£m	%
Income	208.1	196.6	11.5	6%
Expenditure	191.6	185.6	6.0	3%
Surplus before exceptional items	16.5	11.0	5.5	50%
Retained Surplus	16.4	10.8	5.6	52%
Net Assets	192.0	170.3	21.7	13%
Operating Cashflow	29.8	19.0	10.8	57%

Table 1: Summary of Results

These results continue the trend of strong financial performance in recent years. 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. At this level the University should generate sufficient cash to be able fund the existing and future capital investment programmes. The University monitors its 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 target has been exceeded in each of the last 4 years and was 4.9% in 2008-09. The average for the last 5 years is 7.4%.

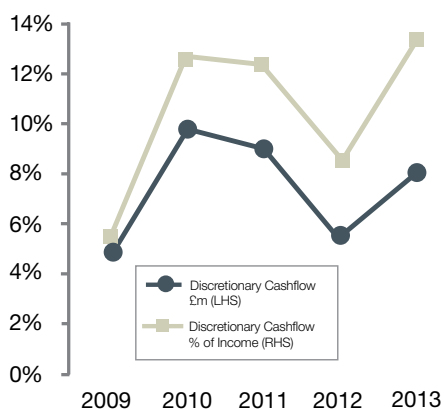


Figure 8: Surplus and discretionary cashflow as a percentage of income

Income

Income increased by 6% during the year and is analysed in table 2.

	2013	2012	+/-	%
	£m	£m	£m	
Funding council grants	49.0	58.5	(9.5)	-16%
Tuition fees	88.8	70.7	18.1	26%
Research	27.4	27.4	0.0	0%
Accommodation and hospitality	21.2	19.6	1.6	8%
Other income	21.7	20.4	1.3	6%
Total Income	208.1	196.6	11.5	6%

Table 2: Income comparison 2013 vs. 2012

Funding council grants

HEFCE core grant makes up £44.8m of this income but this is a decrease of £6.4m on 2012. The increase in tuition fees to £9,000 for those home and EU students beginning study in 2012-13 and subsequent years came with a corresponding series of decreases in HEFCE teaching grant starting in 2011-12. The higher fees have also meant that the University's Teaching Agency Grant has reduced to almost nothing.

Tuition Fees

Income from tuition fees and education contracts increased by £18.1m (26%) when compared to last year. Tuition fees increased by £17.5m during the year, with no material change in the number of student FTE's. Home and EU undergraduates and PGCE students starting in September 2012 were the first to be charged the £9,000 fee, which accounted for £13.8m of the increased income.

	2013	2012	+/-	%
	£m	£m	£m	
Full Time UK higher education students	37.8	25.8	12.0	47%
Full Time EU higher education students	6.3	4.5	1.8	40%
Full time overseas higher education students	33.2	29.8	3.4	11%
Part-time higher education students	4.3	4.0	0.3	7%
Research training, short course and other fees	7.2	6.6	0.6	9%
Tuition Fees & Education Contracts	88.8	70.7	18.1	26%

Table 3: Tuition fee income analysis

Full time overseas tuition fee income increased by £3.4m (11%). This increase was attributable to both price and the number of students in broadly equal measure. The number of student FTE increased by 5% and the recruitment of more students to higher price courses contributed to a 6% increase in average fees.

Research

Research income was unchanged in the year at £27.4m. Research Council funding increased by £1.3m but this was off-set by reductions in other areas most notably the European Commission.

Accommodation and Hospitality Income

Accommodation income increased by £1m to £16.8m in 2012-13. An additional 217 rooms were available through the University Managed Housing during the year adding £0.8m to income. Rental prices increased broadly in line with inflation but income was adversely affected by a reduction in the volume of summer school activity. Hospitality income grew by £0.6m to £4.4m during the year. The expansion of catered accommodation from 92 to 251 rooms and an increase in the 'Beds at Bath' activity increased sales volume with a smaller part of the income growth being related to price.

Other Income

Other income comprises a number of income streams analysed in note 4 (page 26) and investment income. Revenue increased by £1.3m in the year to £21.7m. The largest elements of this total relate to Sports and Retail activity which, along with an increase in VAT recovery, made up most of increased income.

Investment income was affected by a £1.2m reduction in income from Gilt investments. The return on Gilts was lower than in the previous year and the University sold its Gilt investments in December and March. This resulted in higher cash balances and an increase in interest income. Overall investment income was £0.9m less than last year.

Expenditure

Total expenditure increased by £6.0m to £191.6m in 2012-13, an increase of 3.2% on the previous year. Staff costs comprise the majority of this expenditure and increased by £5.9m. The average number of staff employed increased by 3.3% to 2,443. The recruitment and retention of senior academic staff to enhance the University's research profile has resulted in an increase in the number of higher paid staff (note 7). Pay costs were increased by the implementation of the national pay award and by an increase in employer's pension contribution to LGPS (see note 33). The University monitors the staff costs as a percentage of income and this measure reduced marginally to 52.9% for the year.

Other operating expenses increased by £0.6m to £67.6m, this is an increase of 1% on 2011-12. Figure 9 shows the change in expenditure by cost type compared to last year. The largest change is due to the investment in academic staff. Residences and catering expenditure has risen because the University has entered some short term leases to meet demand whilst the new student residence is built.

Depreciation increased by only £0.2m to £11.1m as no new buildings became fully operational during the year. The increase relates to equipment and other small capital projects.

Interest payable was £0.8m lower at £2.8m due to a £0.3m lower loan cost and a similar sized reduction in the interest element of the local government pension scheme charge.

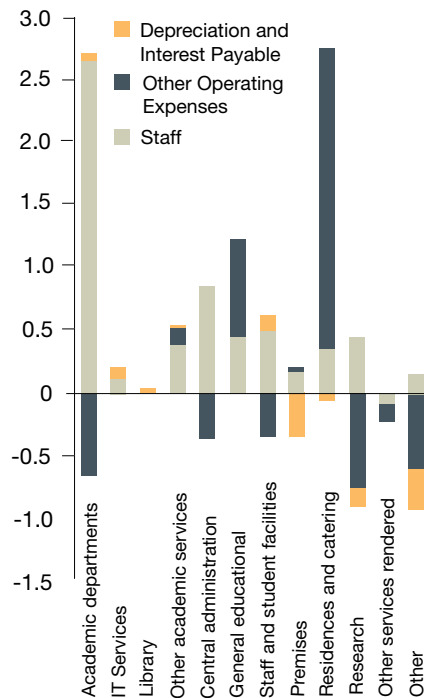


Figure 9: Increase or decrease in expenditure by expense type. (2012/13 vs. 2011/12 £m).

Cashflow

The Operating Cashflow for the year was the highest that the University has recorded at £29.8m (note 27). In addition to the high surplus the movement in debtors and creditors added £6.2m to the closing cash balances. This is largely a timing difference and is likely to reverse next year however; the underlying cash generation remains strong.

Treasury

The University has continued to invest in assets with very low capital risk for those funds which are required for both capital investment and investment in academic activities. During the year the University disposed of its short term Gilt portfolio. The balance of certificates of deposit and fixed deposits is broadly unchanged from the previous year. Cash at bank and in hand is £8.6m higher due to the relatively beneficial rates offered on these accounts.

During the year the University sought further funding as part of the planned development of the campus. In August of 2013 an agreement was reached with the European Investment Bank for a loan of £65m with a term

of 25 years. This loan was drawn in full in September at a fixed rate for the full period of the loan. This has secured affordable funds for the University's capital programme with terms that the University finds acceptable.

The University's gross debt at the end of the year was £101m increasing further with the drawdown of the EIB loan. Whilst this is high relative to the sector the University's net debt at the year end was only £14m. The net debt will increase in the coming years with the delivery of the capital expenditure programme but the planned level of cash and investments will ensure that the net debt remains at an acceptable level.

The £5m investment in equities made in 2011 has increased during the year by 24.7% and closed with a market value of £6.7m. The corporate bond investment increased by 8.7% to £7.1m. During the year the University decided to consolidate its endowment funds from three fund managers to one, selecting Investec Wealth Management for this purpose. The return made during the year was 4.7%.

Capital Investment

Capital expenditure in the year was £41.5m of which £3.5m related to equipment. Expenditure is expected to exceed £60m in 2013-14 and £40m in 2014-15.

Balance Sheet

Net Assets increased by £21.7m during the year. This is due to the increase in the operating surplus and to a £5.3m reduction in the size of the LGPS pension liability. The decrease in the pension liability of £5.3m is the result of an increase in the value of the assets of the scheme where asset values have increased by £8.3m over expected return. This follows an actuarial loss of £6m last year and this movement illustrates the volatility in the valuation of defined benefit pension schemes. The results of the triennial valuation of LGPS undertaken at 31 March 2013 will inform contribution rates payable from April 2014.

The University 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. Since then a number measures have been taken to help control the cost of future benefits. At June 2013 the shortfall on a technical provisions basis had increased to £7.9bn. This is a result of an increase in the scheme's liabilities brought about principally by the historically low gilt yields which are used to calculate the present value of future liabilities.

Public Benefit Statement 2012-13

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, the next briefing is scheduled for the Council meeting in October 2013.

We are one of the largest employers in Bath & North East Somerset, with around 2,700 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.

The University's Corporate Plan 2009/10-2013/14 included targets for growing the University's research income and in 2012/13, the value of our research portfolio exceeded £115 million for the first time. This was a significant increase on the £91 million portfolio value at the end of 2011/12. 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:

- Nemaura Pharma Ltd., a pharmaceutical drug delivery company that specialises in transdermal drug delivery and diagnostics, has licensed new technology developed at the University of Bath to provide a minimally invasive test for diabetics. The licensing of the technology by Nemaura reflects the company's belief that a non-invasive approach to glucose monitoring remains a highly desirable objective, to relieve diabetics of an uncomfortable procedure (i.e., the conventional finger-stick).

Public Benefit Statement

- The new Centre for Children's Burns Research at Frenchay Hospital, launched in June 2013, will be applying our latest research on a prototype medical dressing that glows under UV light when a wound becomes infected. This provides an early warning system for infection and could potentially save many lives.

For more about our research visit <http://www.bath.ac.uk/research/>

We work proactively to ensure that our research is disseminated and understood beyond the world of academia. Our Public Engagement unit plays a key role in this work. 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 2011/12 and 2012/13 in core numbers was 1.9%. In

2012/13, our core student population comprised 10,539 undergraduates, 3,443 taught postgraduates and 1,200 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 in the latest National Student Survey (2013) we were ranked 1st for overall student satisfaction.

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. Data on our 2012-13 student intake shows that our targeted approach to student financial support successfully met our aim of giving assistance to those in most need. We targeted our support for new entrants on those with a Household Residual Income (HRI) at or below £16,000 who also met one or more widening participation indicators. Overall, we spent £3 million on student support under our Access Agreement commitments in 2012/13, including support for continuing students. In our latest Access Agreement, we have taken the opportunity to increase the number of students we can support by increasing our household income eligibility thresholds to £20,000 for new students in 2014/15.

We offer tapering financial support packages. We have adopted this approach because we wish to deliver our access targets and we believe that it is essential to give

new starters maximum reassurance about the affordability of study in their first year. Once they have committed to, and are settled into, study at the University of Bath, we are confident that the combination of our existing resources, the Joblink scheme (paid part-time employment), our high quality (mostly paid) placements (bringing in income in the third year), and our hardship scheme, coupled with the tapering fee waivers and bursaries, will enable the students to feel confident about the ongoing affordability of their study.

Employers are also beneficiaries of our teaching activities. In the latest QS world ranking, the University of Bath is ranked 74th in the world in the employer reputation performance measure.

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

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

We are also keen to ensure that our students and graduates have a strong awareness of the environmental impact of their actions. Students in campus residences are encouraged to take part in an annual competition to reduce energy use and we are increasing opportunities for students to recycle waste materials.

Creativity, Enterprise and Innovation

In advancing and disseminating knowledge, the University's teaching has a wide range 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.

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

International 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. During 2012, we appointed a new Director of Internationalisation to provide enhanced academic leadership for our international activities.

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 80,000 alumni, representing 150 countries. Over 300 students per year receive donated scholarships. During 2012/13, our world class sports facilities provided the training base for the Paralympics GB team as well as international teams from Russia, China and Malaysia. Paralympics GB has recently announced that it will also be using the University of Bath as its training camp for preparations for Rio in 2016.

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 CO₂ emissions from gas combustion and electricity usage by 12.5% from a 2003/04 baseline of 0.11 tonnes/m² building floor area by 2010, which we achieved by December 2010. Our 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.

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 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/Schools and senior administrative officers.

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

In accordance with the CUC Governance Code of Practice, Council keeps its effectiveness under regular review. 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 are being implemented.

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 focusing on two specific risks from the corporate risk register at each of its meetings. Annually, it receives an overall report for the year, and an updated register;
- Council annually reviews the effectiveness of the risk management process and internal controls;
- The Audit Committee receives regular reports from the Head of Internal Audit on specific areas of internal control together with recommendations for improvement. Audit planning arrangements and the methodology and approach of internal audit conforms to the latest professional standards reflecting the adoption of risk management techniques.

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

Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, has operated effectively throughout the year and accords with HEFCE guidance.

Responsibilities of the University's Council

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

The primary responsibilities of the Council are:

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

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

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Council is satisfied that the Group has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and from the 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.

Membership of University of Bath Council

(between 1st August 2012 and 28th November 2013)

Mr Peter Troughton	Chair of Council
Mr David Medlock	Pro-Chancellor
Mr Keith Woodley	Pro-Chancellor (until 31st July 2013)
Mr Peter Troughton	Pro-Chancellor (from 1st August 2013)
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 (from 1st August 2012)
Mr Peter Freeman	Appointed by Council
Dr Michael Hipkins	Appointed by Council
Mr Raoul Hughes	Appointed by Council
Mr Thomas Sheppard	Appointed by Council
Mrs Ruth Foreman	Appointed by Council
Ms Anne Goodman	Appointed by Council (from 1st December 2012)
Mr Mark Hawkesworth	Appointed by Council
Mr Roger Whorrod	Appointed by Council
Mr John Stanion	Appointed by Council
Mr Stuart Appleton	Appointed by Convocation
Dr Momna Hejmadi	Elected by Senate
Professor Jonathan Knight	Elected by Senate
Dr Frances Laughton	Elected by Senate (until 31st July 2013)
Professor Gareth Price	Elected by Senate (until 31st July 2013)
Dr Steve Wharton	Elected by Senate (from 1st August 2013)
Ms Kate Robinson	Elected by Senate (from 1st August 2013)
Dr Aki Salo	Elected by Academic Assembly (until 31st July 2013)
Dr Joanna Bryson	Elected by Academic Assembly (from 1st August 2013)
Ms Marie Morley	Elected by Non-Academic Staff
Mr Christopher Clements	Student Member (to 21st June 2013)
Mr Alexander Pool	Student Member (to 21st June 2013)
Miss Ellie Hynes	Student Member (from 24th June 2013)
Mr Peter Hachfeld	Student Member (from 24th June 2013)

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 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and University Balance Sheets, and the Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Council and auditor

As explained more fully in the Statement of Responsibilities 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 University's Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 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

28 November 2013

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. This is in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP), as revised in October 2007, and applicable accounting standards.

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

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

2 Basis of Consolidation

These financial statements consolidate the results of the University and its subsidiary undertaking for the financial year to 31 July 2013.

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 Second State Pension. 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 Investments

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

8 Stocks

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

9 Maintenance of Premises

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

10 Provisions

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

11 Land and Buildings

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

depreciated accordingly. Building refurbishments are depreciated over a period of 25 years. Where a building is listed and has historical value, the policy is to maintain that building so that it has an indefinite useful life.

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

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

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

12 Equipment

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

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

General equipment - 5 years

Furniture - 5 years

Catering equipment - 7 years

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

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

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

13 Taxation Status

The University is an exempt charity within the meaning of schedule 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 2013

	Note	2013	2012
Income		£000	£000
Funding council grants	1	49,020	58,535
Tuition fees and education contracts	2	88,839	70,737
Research grants and contracts	3	27,389	27,358
Other income	4	40,460	36,650
Endowment and investment income	6	2,431	3,368
		<hr/>	<hr/>
Total income		208,139	196,648
		<hr/>	<hr/>
Expenditure			
Staff costs	7	110,064	104,154
Other operating expenses	8	67,556	66,950
Depreciation	8	11,123	10,959
Interest payable	9	2,819	3,609
		<hr/>	<hr/>
Total expenditure		191,562	185,672
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at cost/valuation and before exceptional items		16,577	10,976
Write-down of fixed asset investments	11	(320)	(404)
Exceptional Items :			
Surplus on disposal of assets	12	22	246
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		16,279	10,818
		<hr/>	<hr/>
Transfer from accumulated income in endowment funds	15	88	23
		<hr/>	<hr/>
Surplus for year retained within general reserves		16,367	10,841
		<hr/>	<hr/>

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

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, exceptional items and tax		16,279	10,818
New endowments	22	164	71
Increase/(Decrease) in market value of endowment investments	22	204	(78)
Actuarial gain/(loss) in respect of pension scheme	33	6,340	(5,969)
Total recognised gains relating to the year		<u>22,987</u>	<u>4,842</u>
Reconciliation			
Opening reserves and endowments		77,057	72,215
Total recognised gains in year		22,987	4,842
Closing reserves and endowments		<u>100,044</u>	<u>77,057</u>

BALANCE SHEETS AS AT 31 JULY 2013

	Note	Consolidated		University	
		2013 £000	2012 £000	2013 £000	2012 £000
Fixed Assets					
Tangible assets	13	260,330	229,949	262,833	232,952
Investments	14	919	1,240	919	1,240
Total fixed assets		261,249	231,189	263,752	234,192
Endowment Asset Investments	15	4,641	4,361	4,641	4,361
Current Assets					
Stock		686	764	686	764
Debtors	16	12,782	14,257	12,782	14,257
Investments	17	73,615	88,278	73,615	88,278
Cash at bank and in hand		10,781	2,177	10,768	2,151
		<u>97,864</u>	<u>105,476</u>	<u>97,851</u>	<u>105,450</u>
Creditors : Amounts Falling Due Within One Year	18	(46,263)	(37,798)	(46,263)	(37,798)
Net Current Assets		51,601	67,678	51,588	67,652
Total Assets Less Current Liabilities		317,491	303,228	319,981	306,205
Creditors : Amounts Falling Due After More Than One Year	19	(98,800)	(100,900)	(98,800)	(100,900)
Net Assets Excluding Pension Liability		218,691	202,328	221,181	205,305
Net Pension Liability	33	(26,737)	(32,015)	(26,737)	(32,015)
Net Assets Including Pension Liability		191,954	170,313	194,444	173,290
Deferred Capital Grants	21	91,910	93,256	91,795	93,129
Endowments	22				
Expendable		2,854	1,864	2,854	1,864
Permanent		1,787	2,497	1,787	2,497
		<u>4,641</u>	<u>4,361</u>	<u>4,641</u>	<u>4,361</u>
Reserves					
Income and expenditure account excluding pension reserve	23	122,140	104,711	124,745	107,815
Pension reserve	33	(26,737)	(32,015)	(26,737)	(32,015)
Income and expenditure account including pension reserve		<u>95,403</u>	<u>72,696</u>	<u>98,008</u>	<u>75,800</u>
Total Funds		191,954	170,313	194,444	173,290

The Financial Statements on pages 18 to 51 were approved by the Council on 28th November 2013 and signed on its behalf by:

Professor Dame Glynis Breakwell
Vice-Chancellor

Mr Peter Wyman
Treasurer

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 2013

	Note	2013 £000	2012 £000
Net cash inflow from operating activities	27	29,842	19,037
Returns on investments and servicing of finance	28	122	117
Capital expenditure and financial investment	29	(32,673)	(6,692)
		<hr/>	<hr/>
Cash (outflow)/inflow before use of liquid resources and financing		(2,709)	12,462
Management of liquid resources	30	14,700	(16,190)
Financing	31	(2,104)	(1,063)
		<hr/>	<hr/>
Increase/(Decrease) in cash in the period		<u>9,887</u>	<u>(4,791)</u>

Reconciliation of Net Cash Flow To Movement in Net Debt

	Note	2013 £000	2012 £000
Increase/(Decrease) in cash in the period		9,887	(4,791)
(Decrease)/Increase in liquid and current investments	30	(14,700)	16,190
Net decrease in loans and finance leases	31	2,104	1,063
Non-cash changes to net debt	32	53	(59)
		<hr/>	<hr/>
(Increase)/Decrease in net debt		(2,656)	12,403
Net debt at 1 August	32	(11,581)	(23,984)
		<hr/>	<hr/>
Net debt at 31 July	32	<u>(14,237)</u>	<u>(11,581)</u>

NOTES TO THE ACCOUNTS

1 FUNDING COUNCIL GRANTS

	Consolidated	
	2013	2012
	£000	£000
HEFCE grants		
Core grant	44,785	51,195
Specific grants	(28)	2,062
Joint Information Systems Committee	1,441	1,726
Teaching Agency grants	31	807
HEFCE capital grants		
Deferred capital grants released in year (Note 21)	2,791	2,745
	<u>49,020</u>	<u>58,535</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

	Consolidated	
	2013	2012
	£000	£000
Full-time UK higher education students	37,775	25,782
Full-time EU higher education students	6,287	4,515
Full time overseas higher education students	33,235	29,769
Part-time higher education students	4,329	4,040
Short course fees	1,845	1,598
Research training support grants and other fees	5,368	5,033
	<u>88,839</u>	<u>70,737</u>

3 RESEARCH GRANTS AND CONTRACTS

	Consolidated	
	2013	2012
	£000	£000
Research Councils	14,249	12,958
UK charitable bodies	2,086	2,475
European Commission	2,389	2,945
Other sponsors	8,665	8,980
	<u>27,389</u>	<u>27,358</u>

NOTES TO THE ACCOUNTS

4 OTHER INCOME

	Consolidated	
	2013	2012
	£000	£000
Residences, catering and conferences	21,248	19,574
Other services rendered (Note 5)	7,865	7,687
Retail Income	3,709	3,216
Miscellaneous grants	1,085	1,377
Rents	576	605
Release of deferred capital grants	791	786
Donations	987	742
VAT recovery	930	338
Health and hospital authorities	319	316
Car parking	308	323
University Nursery	354	284
Income from intellectual property rights	527	148
Other income	1,761	1,254
	<u>40,460</u>	<u>36,650</u>

5 OTHER SERVICES RENDERED (see Note 4)

	Consolidated	
	2013	2012
	£000	£000
Academic departments & centres	1,912	1,857
Computing, library & other academic services	872	914
Sports and related facilities	4,706	4,504
Other	375	412
	<u>7,865</u>	<u>7,687</u>

6 ENDOWMENT AND INVESTMENT INCOME

	Consolidated	
	2013	2012
	£000	£000
Income from endowments (Note 22)	73	79
Net income from short-term investments	217	115
Other interest receivable	2,141	3,174
	<u>2,431</u>	<u>3,368</u>

NOTES TO THE ACCOUNTS

7 STAFF COSTS

	Consolidated	
	2013	2012
	£000	£000
Wages and salaries	87,963	83,548
Social security costs	6,965	6,631
Pension costs (Note 33)	17,772	16,479
	<u>112,700</u>	<u>106,658</u>
less: paid on behalf of other organisations	(2,548)	(2,433)
less: capitalised within the cost of buildings	(88)	(71)
	<u>110,064</u>	<u>104,154</u>
 Emoluments of the Vice-Chancellor		
Salary and benefits in kind	384	356
Pension contributions	-	11
	<u>384</u>	<u>367</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):

	2013	2012
	Number	Number
£100,000 - £109,999	19	20
£110,000 - £119,999	15	10
£120,000 - £129,999	6	4
£130,000 - £139,999	3	-
£140,000 - £149,999	2	1
£150,000 - £159,999	2	1
£160,000 - £169,999	1	3
£170,000 - £179,999	2	-
£180,000 - £189,999	1	-

NOTES TO THE ACCOUNTS

7 STAFF COSTS (continued)

Average staff numbers by major category:	2013 Number	2012 Number
Education & Research	979	943
Technical & Experimental	155	154
Management, Specialist & Administrative	845	808
Operational & Facilities Support	464	460
	<u>2,443</u>	<u>2,365</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Other Operating Expenses £000	Dep'n £000	Interest Payable £000	Consolidated	
					2013	2012
					Total £000	Total £000
Academic departments	58,327	16,841	803	2	75,973	73,942
Academic services						
Bath University Computing Services	3,632	1,369	558	-	5,559	5,369
Library	2,751	3,331	72	-	6,154	6,149
Other academic services	3,712	1,565	179	-	5,456	4,938
Central administration	9,983	2,779	-	-	12,762	12,173
General educational expenditure	1,799	9,626	3	-	11,428	10,214
Staff and student facilities	3,685	2,268	137	-	6,090	5,713
Premises	5,476	8,375	4,733	871	19,455	19,619
Residences and catering operations	5,972	11,927	3,182	1,371	22,452	19,779
Research grants and contracts	11,293	7,075	1,456	-	19,824	20,305
Other services rendered	3,054	2,417	-	68	5,539	5,795
Other expenses	380	(17)	-	507	870	1,676
	<u>110,064</u>	<u>67,556</u>	<u>11,123</u>	<u>2,819</u>	<u>191,562</u>	<u>185,672</u>

The depreciation charge has been funded by :

	2013 £000	2012 £000
Deferred capital grants released (Note 21)	5,038	5,135
General Income	6,085	5,824
	<u>11,123</u>	<u>10,959</u>

NOTES TO THE ACCOUNTS

8 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)

Other Operating Expenses include :	Consolidated	
	2013 £000	2012 £000
External Auditors Remuneration (Group and University)		
- Audit Services	53	51
- Consolidated financial statements		
- Grant claims	8	11
- US federal loan	5	4
	<u>66</u>	<u>66</u>
Operating Lease Rentals		
- Land and Buildings	5,089	4,099
- Other	98	50
	<u>5,187</u>	<u>4,149</u>

Reimbursements to Council Members for expenditure incurred whilst carrying out their duties amounted to £3,482 (2012: £3,969).

Council Members did not receive any remuneration from the University.

9 INTEREST AND OTHER FINANCE COST

	Consolidated	
	2013 £000	2012 £000
Loans not wholly repayable within five years	2,310	2,773
Finance leases	2	2
Net interest on local government pension scheme (Note 33)	507	834
	<u>2,819</u>	<u>3,609</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	-	16,658 #

disclosed as Tangible Fixed Asset additions.

Vinci Construction (UK) Limited.

Vinci PLC is the parent company of Vinci Construction (UK) Limited, which undertook the construction of The Chancellor's Building. The Chairman & Chief Executive Officer of Vinci PLC is a member of the University Council.

Universities Superannuation Scheme Ltd (USS).

USS provides 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

11 WRITE-DOWN OF FIXED ASSET INVESTMENTS

	Consolidated	
	2013	2012
	£000	£000
Provision made for diminution in value of fixed investment during the year (Note 14)	<u>320</u>	<u>404</u>

12 DISPOSAL OF FIXED ASSETS

	Consolidated	
	2013	2012
	£000	£000
Net surplus on disposal of tangible fixed assets	20	191
Surplus on sale of fixed asset investments (see Note 14)	2	55
	<u>22</u>	<u>246</u>

NOTES TO THE ACCOUNTS

13 TANGIBLE FIXED ASSETS

	Consolidated				
	Land and Buildings Freehold	Long Leasehold	Equipment	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000
Valuation/Cost					
At 1 August 2012					
Cost	5,435	273,940	52,312	3,636	335,323
Valuation	-	-	867	-	867
Additions at Cost	-	298	3,520	37,688	41,506
Transfer assets brought into use	-	3,656	407	(4,063)	-
Disposals at Cost	-	-	(786)	-	(786)
Disposals at Valuation	-	-	(110)	-	(110)
At 31 July 2013					
Cost	5,435	277,894	55,453	37,261	376,043
Valuation	-	-	757	-	757
Depreciation					
At 1 August 2012	433	62,503	43,305	-	106,241
Charge for Year	69	7,221	3,833	-	11,123
Eliminated on Disposals	-	-	(894)	-	(894)
At 31 July 2013	502	69,724	46,244	-	116,470
Net Book Value					
At 31 July 2013	4,933	208,170	9,966	37,261	260,330
At 1 August 2012	5,002	211,437	9,874	3,636	229,949

NOTES TO THE ACCOUNTS

13 TANGIBLE FIXED ASSETS (continued)

	University				
	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long Leasehold			
	£000	£000	£000	£000	£000
Valuation/Cost					
At 1 August 2012					
Cost	5,435	275,693	52,312	3,636	337,076
Valuation	-	-	867	-	867
Additions at Cost	-	298	3,520	37,688	41,506
Transfer assets brought into use	-	3,656	407	(4,063)	-
Disposals at Cost	-	-	(786)	-	(786)
Disposals at Valuation			(110)		(110)
At 31 July 2013					
Cost	5,435	279,647	55,453	37,261	377,796
Valuation	-	-	757	-	757
Depreciation					
At 1 August 2012	433	61,253	43,305	-	104,991
Charge for Year	69	7,722	3,833	-	11,624
Eliminated on Disposals	-	-	(895)	-	(895)
At 31 July 2013	502	68,975	46,243	-	115,720
Net Book Value					
At 31 July 2013	4,933	210,672	9,967	37,261	262,833
At 1 August 2012	5,002	214,440	9,874	3,636	232,952

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

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

The gross amount of depreciable University assets included in buildings and assets in the course of construction is £319,830k.

The net book value of tangible fixed assets includes an amount of £48k (2012 : £115k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £67k (2012 : £67k).

NOTES TO THE ACCOUNTS

14 FIXED ASSET INVESTMENTS

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 August				
Investments in subsidiary companies	-	-	-	-
Other investments	1,240	1,655	1,240	1,655
	<u>1,240</u>	<u>1,655</u>	<u>1,240</u>	<u>1,655</u>
Acquisition of investments	-	2	-	2
Disposal of investments	(1)	(13)	(1)	(13)
Write-down of investments	(320)	(404)	(320)	(404)
At 31 July				
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>
Balance at 31 July	<u>919</u>	<u>1,240</u>	<u>919</u>	<u>1,240</u>

Fixed asset investments were written down in the year on the basis of the most recent portfolio valuation, which indicated a £320k 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

		Consolidated	
		2013	2012
		£	£
<i>Included above:</i>			
CVCP Properties plc	£1 ordinary shares	35,813	35,813
Nano-Porous Solutions Ltd	0.1p ordinary shares	6,565	6,565
Bath Crescent Seedcorn Fund	Investment	876,519	1,197,948
		<u>918,897</u>	<u>1,240,326</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 2013	Holding at 31 July 2012	
Apitope International NV	90,290	119,207	1.58	1.58	A Ordinary shares
Atlas Genetics Ltd	57,125	1,178	3.77	3.77	778 Ordinary shares (0.1p) and 400 Series B Shares
Azellon Limited	-	12,967	4.67	4.67	A Ordinary shares (0.1p)
Glythera Limited	172,970	33,289	12.84	12.84	Ordinary shares (0.1p)
Ilika plc	141,220	564,878	1.13	3.49	Ordinary shares (1p)
Karus Therapeutics Limited	-	1,297	3.61	3.61	Ordinary shares (0.01p)
KWS Biotest	19,500	39	5.20	5.20	B shares (100p)
Lectus Therapeutics Ltd	-	194,500	0.73	0.73	A Preferred shares (0.1p)
Micrima Limited	-	132,908	3.15	3.15	Ordinary shares (0.1p)
Nanotecture Group plc	-	291,509	1.94	1.94	Ordinary shares (1p)
Perpetuum Ltd	14,526	141,868	1.68	1.68	Ordinary shares (0.05p)
Plexus Planning Ltd	19,451	3,705	1.33	1.33	Ordinary shares (1p)
Revolymmer plc	219,791	389,010	1.60	1.60	Ordinary shares (0.8p)
Stratophase Ltd	-	11,251	0.76	0.76	Ordinary shares (0.1p)
Symetrica Ltd	141,646	8,257	2.92	2.92	7180 Ordinary shares (0.1p) and 1077 A Ordinary shares (0.1p)
Xmos Ltd	-	131,065	0.91	0.91	Series S Ordinary shares (0.0001p)
		<u>876,519</u>			

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

NOTES TO THE ACCOUNTS

14 FIXED ASSET INVESTMENTS (continued)

During the year 1,826 Ilika plc shares were disposed of at a loss of £59. Proceeds of £2,486 were realised on a sale of Retention People Ltd shares made in 2010/11, and treated as profit.

	£000
Disposal of investment	(1)
Cash received	3
	<hr/>
Surplus on sale (see Note 12)	<u>2</u>

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

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

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.

Since the last reporting period the company has signed two loan agreements that will in the future convert to equity and dilute the University of Bath shareholding. These were part of the investment outlined in the subscription and shareholders agreement dated the 27th April 2012. The University was made aware of both of these transactions and written resolutions were signed off by the University.

In September 2012 the company signed a convertible loan agreement with the North East Technology Fund LP for £700,007.

In May 2013 the company signed a convertible loan agreement with the North East Technology Fund LP for £305,003.

NOTES TO THE ACCOUNTS

15 ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Balance at 1 August	4,361	4,391	4,361	4,391
New endowments (Note 22)	164	71	164	71
Increase/(Decrease) in market value of investments	204	(78)	204	(78)
Income generated less expenditure	(88)	(23)	(88)	(23)
Balance at 31 July	<u>4,641</u>	<u>4,361</u>	<u>4,641</u>	<u>4,361</u>
Quoted investments	2,374	3,393	2,374	3,393
Cash and other short term investments	2,267	968	2,267	968
Total endowment asset investments	<u>4,641</u>	<u>4,361</u>	<u>4,641</u>	<u>4,361</u>
Quoted investments at cost	<u>2,188</u>	<u>3,421</u>	<u>2,188</u>	<u>3,421</u>

16 DEBTORS

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Prepayments and accrued income	2,158	2,205	2,158	2,205
Sponsored research	5,989	7,185	5,989	7,185
Other debtors	4,635	4,867	4,635	4,867
	<u>12,782</u>	<u>14,257</u>	<u>12,782</u>	<u>14,257</u>
Due within one year	12,568	14,035	12,568	14,035
Due in more than one year	214	222	214	222
	<u>12,782</u>	<u>14,257</u>	<u>12,782</u>	<u>14,257</u>

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

NOTES TO THE ACCOUNTS

17 CURRENT ASSET INVESTMENTS

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Quoted investments	5,209	5,028	5,209	5,028
Certificates of deposit	11,221	8,265	11,221	8,265
Fixed deposit	51,000	53,000	51,000	53,000
Gilts & Other Fixed Interest investments	6,185	21,969	6,185	21,969
Cash held for investment	-	16	-	16
	<u>73,615</u>	<u>88,278</u>	<u>73,615</u>	<u>88,278</u>
Quoted investments at market value	<u>6,722</u>	<u>5,391</u>	<u>6,722</u>	<u>5,391</u>
Gilts & Other Fixed Interest investments at market value	<u>7,146</u>	<u>23,015</u>	<u>7,146</u>	<u>23,015</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 2013 of £55,519 (2012: £14,305) and Vectura Group plc, which had a market value at 31 July 2013 of £23,500 (2012: £51,750).

18 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Obligations under finance leases	20	24	20	24
Bank loans	2,080	2,080	2,080	2,080
Other creditors including taxation and social security	9,679	9,064	9,679	9,064
Accruals and Deferred income	34,484	26,630	34,484	26,630
	<u>46,263</u>	<u>37,798</u>	<u>46,263</u>	<u>37,798</u>

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank loans (Note 20)	98,800	100,880	98,800	100,880
Obligations under finance leases	-	20	-	20
Total due after more than one year	<u>98,800</u>	<u>100,900</u>	<u>98,800</u>	<u>100,900</u>

NOTES TO THE ACCOUNTS

20 BORROWINGS

<i>Analysis of Financing</i>	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Finance leases: analysis of obligations:				
In one year or less	20	24	20	24
Between two and five years	-	20	-	20
	<u>20</u>	<u>44</u>	<u>20</u>	<u>44</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	6,240	6,240	6,240	6,240
In five years or more	90,480	92,560	90,480	92,560
	<u>100,880</u>	<u>102,960</u>	<u>100,880</u>	<u>102,960</u>

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
20.00	5.16%	December 2036
10.00	3.95%	November 2037
<u>40.00</u>		

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

On 12 August 2013 the University entered into a contract with the European Investment Bank (EIB) to borrow £65m, the full value of the loan was received by the University on 4 September 2013. Repayment of this loan starts in 2016 and is over 22 years.

NOTES TO THE ACCOUNTS

21 DEFERRED CAPITAL GRANTS

	Consolidated		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2012			
Land & Buildings	64,719	23,498	88,217
Equipment at Cost	2,866	1,705	4,571
Equipment at Valuation	-	468	468
	<u>67,585</u>	<u>25,671</u>	<u>93,256</u>
Grants receivable			
Land & Buildings	1,834	364	2,198
Equipment at Cost	305	1,189	1,494
Equipment at Valuation	-	-	-
Released to Income and Expenditure			
Land & Buildings	(2,117)	(626)	(2,743)
Equipment at Cost	(674)	(1,491)	(2,165)
Equipment at Valuation	-	(130)	(130)
At 31 July 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>
	University		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2012			
Land & Buildings	64,591	23,499	88,090
Equipment at Cost	2,866	1,705	4,571
Equipment at Valuation	-	468	468
	<u>67,457</u>	<u>25,672</u>	<u>93,129</u>
Grants receivable			
Land & Buildings	1,834	364	2,198
Equipment at Cost	305	1,189	1,494
Equipment at Valuation	-	-	-
Released to Income and Expenditure			
Land & Buildings	(2,105)	(626)	(2,731)
Equipment at Cost	(674)	(1,491)	(2,165)
Equipment at Valuation	-	(130)	(130)
At 31 July 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>

NOTES TO THE ACCOUNTS

22 ENDOWMENTS (Consolidated and University)

	Restricted Permanent £000	Restricted Expendable £000	2013 Total £000	2012 Total £000
At 1 August				
Capital	2,396	1,805	4,201	4,272
Accumulated Income	101	59	160	119
	<u>2,497</u>	<u>1,864</u>	<u>4,361</u>	<u>4,391</u>
Reclassification of funds - Capital	(734)	734	-	-
- Accumulated income	(72)	72	-	-
New endowments	3	161	164	71
Investment income	24	49	73	79
Expenditure - from capital	-	(108)	(108)	(64)
Expenditure - from income	(22)	(31)	(53)	(38)
Increase/(Decrease) in market value of investment:	91	113	204	(78)
At 31 July	<u>1,787</u>	<u>2,854</u>	<u>4,641</u>	<u>4,361</u>
Representing:				
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>

23 INCOME & EXPENDITURE ACCOUNT RESERVES

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 August				
excluding pension reserve	104,711	92,662	107,815	96,290
pension reserve (Note 33)	(32,015)	(24,838)	(32,015)	(24,838)
Surplus for the year				
excluding pension reserve	17,341	12,026	16,842	11,502
relating to the pension reserve (Note 33)	(1,062)	(1,208)	(1,062)	(1,208)
Net Surplus for the year	16,279	10,818	15,780	10,294
Transfer from accumulated income in endowment funds	88	23	88	23
Actuarial (loss) on pension scheme (Note 33)	6,340	(5,969)	6,340	(5,969)
At 31 July				
excluding pension reserve	122,140	104,711	124,745	107,815
pension reserve (Note 33)	(26,737)	(32,015)	(26,737)	(32,015)

NOTES TO THE ACCOUNTS

24 CAPITAL COMMITMENTS AND LEASE OBLIGATIONS

	Consolidated	
	2013	2012
	£000	£000
Funded by :-		
University funds	44,711	10,038
HEFCE grants	846	-
Capital commitments contracted at 31 July	<u>45,557</u>	<u>10,038</u>

In addition, the University had annual operating lease commitments in respect of leased property on leases that expire after 5 years of £5,282k (2012: £4,308k).

25 HARSHIP, ACCESS BURSARY AND ACCESS FUNDS

	2013	2012
	£000	£000
Balance at 1 August	63	87
Higher Education Funding Council for England grants	88	78
Interest earned	2	2
	<u>153</u>	<u>167</u>
Disbursements	(77)	(104)
Balance at 31 July	<u>76</u>	<u>63</u>

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

26 BURSARIES FROM THE TEACHING AGENCY

	2013	2012
	£000	£000
Balance at 1 August	12	44
Grant received	1,069	478
Disbursements	(1,086)	(510)
	<u>(5)</u>	<u>12</u>

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

NOTES TO THE ACCOUNTS

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

	2013	2012
	£000	£000
Surplus on continuing operations after exceptional items and tax	16,279	10,818
Pension cost less contributions payable (Note 33)	555	374
Depreciation (Note 13)	11,123	10,959
Deferred capital grants released to income (Note 21)	(5,038)	(5,135)
Net (surplus) on disposal of tangible fixed assets (Note 12)	(20)	(191)
Net (surplus) on sale of fixed asset investments (Note 12)	(2)	(55)
Write-down of fixed asset investments (Note 11)	320	404
Endowment and investment income receivable (Note 6)	(2,431)	(3,368)
Interest payable (Note 9)	2,819	3,609
Decrease/(Increase) in stocks	79	(7)
Decrease in debtors on operating activities	1,420	1,570
Increase in creditors on operating activities	4,738	59
	<u>29,842</u>	<u>19,037</u>
Net cash inflow from operating activities	<u>29,842</u>	<u>19,037</u>

28 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013	2012
	£000	£000
Income received from endowments (Note 6)	73	79
Income received from short term investments (Note 6)	217	115
Other interest received	2,144	2,698
Interest paid:		
- Other interest paid	(2,310)	(2,773)
- Finance leases (Note 9)	(2)	(2)
	<u>122</u>	<u>117</u>
	<u>122</u>	<u>117</u>

29 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013	2012
	£000	£000
Purchase of tangible fixed assets	(37,775)	(11,273)
Net purchases of fixed asset investments	1	(2)
Net purchases of endowment asset investments	1,223	8
Receipts from sales of tangible fixed assets	20	197
Receipts from sale of fixed asset investment	2	69
Deferred capital grants received (Note 21)	3,692	4,238
Endowments received (Note 22)	164	71
	<u>(32,673)</u>	<u>(6,692)</u>
	<u>(32,673)</u>	<u>(6,692)</u>

NOTES TO THE ACCOUNTS

30 MANAGEMENT OF LIQUID RESOURCES

	2013 £000	2012 £000
Net (purchases) of quoted investments	(153)	(5,091)
Net (purchases)/sales of certificates of deposit	(2,956)	5,503
Net purchases of gilts & other fixed interest investments	15,809	11,398
Net disposal/(addition) to fixed term deposits	2,000	(28,000)
	<u>14,700</u>	<u>(16,190)</u>
Net decrease/(increase) in liquid resources	<u>14,700</u>	<u>(16,190)</u>

31 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Loans £000	Finance leases £000	2013 Total £000	2012 Total £000
Balance outstanding at 1 August	102,960	44	103,004	104,067
New loans/leases	-	-	-	-
Capital repayments	(2,080)	(24)	(2,104)	(1,063)
Net change in year	(2,080)	(24)	(2,104)	(1,063)
	<u>100,880</u>	<u>20</u>	<u>100,900</u>	<u>103,004</u>
Balance outstanding at 31 July	<u>100,880</u>	<u>20</u>	<u>100,900</u>	<u>103,004</u>

32 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2012 £000	Cash Flows £000	Other Changes £000	At 31 July 2013 £000
Cash				
Held in endowment asset investments	968	1,299	-	2,267
Cash held for investment	16	(16)	-	-
Other cash	2,177	8,604	-	10,781
	<u>3,161</u>	<u>9,887</u>	<u>-</u>	<u>13,048</u>
Other current asset investments (Note 17)	88,262	(14,700)	53	73,615
Debt due within one year (Note 18)	(2,104)	2,104	(2,100)	(2,100)
Debt due after one year (Note 19)	(100,900)	-	2,100	(98,800)
	<u>(11,581)</u>	<u>(2,709)</u>	<u>53</u>	<u>(14,237)</u>

NOTES TO THE ACCOUNTS

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 1,793 active members at 31 July 2013.

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 2013 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

NOTES TO THE ACCOUNTS

33 PENSIONS (continued)

Universities Superannuation Scheme (continued)

At the valuation date, the market value of the assets of the scheme was £32,435.5m 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. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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 valuation date 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 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.

NOTES TO THE ACCOUNTS

33 PENSIONS (continued)

Universities Superannuation Scheme (continued)

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.

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%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to the market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum base on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

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

Assumption	Change in assumption	Impact on 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

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.

NOTES TO THE ACCOUNTS

33 PENSIONS (continued)

Universities Superannuation Scheme (continued)

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustees are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities.

This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together - in an integrated form - the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pension Regulator.

Local Government Pension Scheme

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

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

The contributions payable by the University were equal to 15.1% of total pensionable salaries to March 2013, and 15.35% thereafter.

NOTES TO THE ACCOUNTS

33 PENSIONS (continued)

Local Government Pension Scheme (continued)

As a multi-employer scheme where the share of assets and liabilities applicable to each employer can be defined, the University has accounted for the scheme under FRS 17 as a defined benefit scheme based on a full actuarial valuation of the Fund as at 31 March 2010, updated to July 2013 by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2013 were:

At end of year	31 July 2013 %	31 July 2012 %
Rate of CPI inflation	2.40	2.10
Rate of increase in salaries	3.90	3.60
Rate of increase in pensions	2.40	2.10
Discount rate	4.50	4.30

Post retirement mortality assumptions for members retiring in normal health

Non-retired members (female)	male	S1PA CMI_2009_[1.5%] 97% (90%)	S1PA CMI_2009_[1.5%] 97% (90%)
Current pensioners (female)	male	S1PA CMI_2009_[1.5%] 97% (90%)	S1PA CMI_2009_[1.5%] 97% (90%)

Life expectancy

Male (female) future pensioner aged 65 in 20 years time	25.2 (28.2) years	25.1 (28.1) years
Male (female) current pensioner aged 65	22.9 (25.9) years	22.8 (25.7) years

NOTES TO THE ACCOUNTS

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 2013	Value at 31 July 2013 £000	Long term rate of return expected at 2012	Value at 31 July 2012 £000	Value at 31 July 2011 £000
Equities	7.0%	53,776	7.0%	42,337	44,256
Government bonds	3.3%	8,921	2.5%	8,974	9,479
Other bonds	4.3%	7,337	3.4%	8,757	5,701
Property	5.7%	5,920	6.0%	5,355	4,846
Cash/Liquidity	0.5%	1,501	0.5%	1,303	1,212
Other	7.0%	5,920	7.0%	5,645	5,773
		<u>83,375</u>		<u>72,371</u>	<u>71,267</u>

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

	2013 £000	2012 £000	2011 £000
Market value of assets	83,375	72,371	71,267
Present value of scheme liabilities	(110,112)	(104,386)	(96,105)
Net pension liability	<u>(26,737)</u>	<u>(32,015)</u>	<u>(24,838)</u>

Amounts charged to income and expenditure account:

	2013 £000	2012 £000
<i>Included in staff costs for the year (Note 7)</i>		
Current service cost	2,929	2,623
Unfunded benefits	33	26
Total operating charge	<u>2,962</u>	<u>2,649</u>

Analysis of amount charged to interest payable

	2013 £000	2012 £000
Expected return on pension scheme assets	(3,967)	(4,247)
Interest on expected scheme liabilities	4,474	5,081
Net charge	<u>507</u>	<u>834</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)

	2013	2012
	£000	£000
Actual return less expected return on pension scheme assets	8,285	(2,311)
Change in assumptions underlying the present value of the scheme liabilities	(1,945)	(3,658)
Actuarial gain/(loss) recognised in the STRGL	<u>6,340</u>	<u>(5,969)</u>

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

	2013	2012
	£000	£000
Deficit in scheme at 1 August	32,015	24,838
Movement in the year:		
Current service cost	2,929	2,623
Contributions by the employer	(2,374)	(2,249)
Net finance charge on assets and liabilities	507	834
Net Movement in the year	1,062	1,208
Actuarial loss	(6,340)	5,969
Deficit in scheme at 31 July	<u>26,737</u>	<u>32,015</u>

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

	2013	2012
	£000	£000
At the beginning of the year	104,386	96,105
Current service cost	2,929	2,623
Interest on pension liabilities	4,474	5,081
Member contributions	951	952
Actuarial losses on liabilities - other	1,945	3,658
Benefits/transfers paid	(4,573)	(4,033)
At the end of the year	<u>110,112</u>	<u>104,386</u>

NOTES TO THE ACCOUNTS

33 PENSIONS (continued)

Local Government Pension Scheme (continued)

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

	2013	2012
	£000	£000
At the beginning of the year	72,371	71,267
Expected return on plan assets	3,967	4,247
Actuarial gains on assets	8,285	(2,311)
Contributions by the employer	2,374	2,249
Contributions by scheme participants	951	952
Benefits/transfers paid	(4,573)	(4,033)
At the end of the year	<u>83,375</u>	<u>72,371</u>

History of experience gains and losses

	2013	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets					
Amount (£000)	8,285	(2,311)	3,738	5,378	(6,264)
Percentage of scheme assets	9.9%	3.2%	5.2%	8.4%	11.3%
Experience gains and (losses) on scheme liabilities					
Amount (£000)	0	0	(160)	0	0
Percentage of present value of scheme liabilities	0.0%	0.0%	0.2%	0.0%	0.0%
Total amount recognised in Statement of Total Recognised Gains and (Losses)					
Amount (£000)	6,340	(5,969)	(73)	6,551	1,356
Percentage of present value of scheme liabilities	5.8%	5.7%	0.1%	7.5%	1.6%

Total pension costs (Note 7)

	2013	2012
	£000	£000
Universities Superannuation Scheme: contributions	14,738	13,747
Avon Pension Fund	2,962	2,649
Contributions to other pension schemes	72	83
	<u>17,772</u>	<u>16,479</u>

NOTES TO THE ACCOUNTS



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