



UNIVERSITY OF  
**BATH**



**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 JULY 2018



# Contents

## Financial Statements for the year ended 31 July 2018

3	Treasurer's Report
17	Public Benefit Statement
25	Corporate Governance Statement
28	Statement of Responsibilities of the University's Council
30	Statement of Equality Objectives 2016-18
31	Membership of University Council
33	Annual Remuneration Report
36	Independent Auditors' Report
39	Consolidated and University Statement of Principal Accounting Policies
45	Consolidated and University Statement of Comprehensive Income for the year ended 31 July 2018
46	Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2018
47	Consolidated and University Balance Sheets for the year ended 31 July 2018
48	Consolidated Cash Flow Statement for the year ended 31 July 2018
50	Notes to the Financial Statements
77	Key Financial Performance Indicators to the Financial Statements
79	Glossary of Acronyms to the Financial Statements



# Treasurer's Report

## Introduction

I am pleased to be able to report on another year of significant achievement by the University. In a year that has presented a number of challenges the University has continued to perform strongly in league tables and I am particularly pleased to see the University ranked 4th in the Times Higher Education (THE) Student Experience ranking for 2018. Good progress has also been made in the delivery of the University Strategy 2016-2021.

The strategy focuses on enhancing the offering to our students and an increase in postgraduate and research activities. The year has seen significant growth in our research portfolio and postgraduate student numbers. The strategy envisaged a number of investments in support of these goals and during the year the University secured funding of £100m to support a number of key projects which are underway.

## School of Management

Planning permission has been received and work commenced on a new home for our School of Management. We are investing £70m in a landmark building to enable the School to move to the next stage in the development of its teaching, research and student experience; strengthening its position among UK business schools and supporting its aim of becoming a top 50 global business school.

## Institute for Advanced Automotive Propulsion Systems (IAAPS)

Work continues on the creation of this Institute, a global centre of excellence, delivering transformational research and innovation into advanced propulsion systems. Thanks to the capital investment of £28.9m from Government through the UK Research Partnership Investment Fund (UKRPIF), and an additional £10m from the West of England Local Enterprise Partnership.

In September 2018 the University acquired part of the Bristol & Bath Science Park (B&BSP), Emersons Green, Bristol where the construction of the IAAPS facility is due to start soon. IAAPS will not only generate economic growth but lead the development of future generations of ultra-low emission vehicles which will have real environmental benefits.

## Milner Centre for Evolution

Opened on 21 September 2018 the Milner Centre for Evolution supports our growth in research activity, by creating within a new building a unique, cross faculty research centre bridging biology, health and education. The Centre has received over £6.0m in donations, most notably from Bath alumni Dr Jonathan Milner.

## Polden

The first residents of Polden, a new 294 bed post graduate student residence moved in in September 2018. Polden offers quality accommodation supporting the University's objective of increasing its post graduate student activity.

Amongst its other achievements this year the University was able to announce on 1 January 2018 the launch of the Institute of Coding, part of a £40m nationwide initiative which will help fill the UK's digital skills shortage, as well as attracting more people from underrepresented groups into the tech sector. Led by the University of Bath, the Institute brings together a consortium of more than 60 entities, including 17 universities, as well as corporations, SMEs, industry groups, and other experts to develop apprenticeship, undergraduate and masters programmes.

Beyond the University, this year has seen the Office for Students (OfS) replace HEFCE. This new non-departmental public body of the Department for Education acts as the regulator and competition authority for higher education in England. Coming into existence on 1 January 2018 as a merger of HEFCE and the Office for Fair Access, it inherited their responsibilities, with emphasis on "working in the interests of students and prospective students". The OfS lists its main areas of work as:

- 1 Helping students to get into and succeed in higher education.
- 2 Helping students stay informed.
- 3 Making sure that students get a high-quality education that prepares them for the future.
- 4 Protecting students' interests.

Funding responsibilities for research, previously held by HEFCE passed to United Kingdom Research and Innovations (UKRI).

## Treasurer's Report (continued)

The University has experienced a period of change and intense scrutiny in the last year. In October 2017 University Council had commissioned an Independent Review from the Halpin Partnership Ltd into the effectiveness of Council and its sub-committees. On 20 November 2017, HEFCE published a report into governance surrounding senior pay at the University of Bath. It was announced on 28 November 2017 that the President and Vice Chancellor, Dame Professor Glynis Breakwell would be stepping down on 31 August 2018 after more than seventeen years of outstanding service during which period the University had grown significantly in both size and reputation for the quality of its teaching, research, staff and students. The Halpin Review, was published on 25 May 2018. Many members of the University community took part in the review, including 1,392 students and staff who completed Halpin's survey. Council welcomed the report and the opportunity it provided to help achieve our ambition to place Bath at the forefront of governance practice in the sector. A Steering Group appointed by Council is working through the detail of the recommendations, but key actions including student and staff representation on the Remuneration Committee have already been agreed.

Following the announcement of the resignation of the President and Vice-Chancellor, the University began a wide-ranging and extensive consultation with students, staff and other key stakeholders as part of the process of searching for our next Vice-Chancellor. Professor Ian H White FREng has been appointed as the next President and Vice-Chancellor of the University of Bath. He is currently van Eck Professor of Engineering and a Deputy Vice-Chancellor at the University of Cambridge, and Master of Jesus College. I look forward to welcoming Professor White when he takes up his appointment on 8 April 2019.

In the meantime, I am grateful to the Deputy Vice Chancellor, Provost and Acting Vice Chancellor, Professor Bernie Morley, for leading the University during the interim.

Finally I would also like to thank the students, alumni and staff, both past and present, for making the University such a remarkable place.

## Strategy, Objectives and Values

The University strategy 2016-2021 describes our vision to be recognised as an international centre of research and teaching excellence, achieving global impact through our alumni, research and strategic partnerships. The strategy builds on our heritage of invention, enterprise and international engagement and aims for the University to become an international leader in high quality, innovative graduate education. In delivering the new strategy we will:

- extend our research power by recruiting dynamic researchers, nurturing their talent and fuelling their ambition;
- affirm our international influence through worldwide partnerships to create dynamic responses to research and educational opportunities;
- attract increasing numbers of postgraduates by enhancing our existing prestige portfolio with innovative and global modes of delivery;
- enrich the postgraduate and undergraduate experience by engaging purposefully with our student, donor and alumni communities;
- expand our capacity and capability by investing in new infrastructure, facilities and technologies.

The University strategy 2016-2021 articulates the University's values and these can be demonstrated in our commitment to:

- deliver quality and excellence;
- nurture high aspirations;
- support freedom to challenge received wisdom;
- aspire to the highest standards of scientific and professional integrity;
- work responsibly and with respect for others;
- foster equality, diversity, inclusivity and accessibility;
- adopt best environmental practice.

## Treasurer's Report (continued)

Our community prizes the following attributes:

<b>The determination to excel:</b>	Ambitious in our goals for future excellence and success, and united in our drive to achieve greater prominence and higher standards.
<b>An international perspective:</b>	Attracting the best intellectual talent from around the world, placing research and teaching in an international context and forming strategic relationships with leading international partners.
<b>An enterprising mindset:</b>	Encouraging creativity and entrepreneurship across the community, researching new ways to meet global challenges, developing problem-solving and enterprise skills, and introducing innovative business processes.
<b>A collaborative approach:</b>	Pursuing our academic objectives in partnership with business, the professions, the public, charities and other partners, nationally and internationally.
<b>A supportive culture:</b>	Creating a welcoming, inclusive community that values the individual and supports the realization of their potential.

## Performance

The University Council monitors performance and progress by referencing key performance indicators for its most important areas of activity. This report refers to a number of these indicators. In some cases data for 2017/18 relies on external sources which are not yet available and in these instances provisional data has been used.

National and International rankings are one of the key performance indicators used as a measure of performance and the University has maintained its position in both domestic and international rankings as illustrated below:

Current ranking	Previous ranking	Publication
<b>Domestic rankings</b>		
4th	13th	Times Higher Education (THE) Student Experience
6th	5th	Guardian University Guide
11th	11th	Complete University Guide
13th	12th	Times and Sunday Times Good University Guide (including Sports University of the Year).
<b>International rankings</b>		
158th	160th	Quacquarelli Symonds (QS)
201-250	251-300	Times Higher Ranking

# Treasurer's Report (continued)

## Teaching

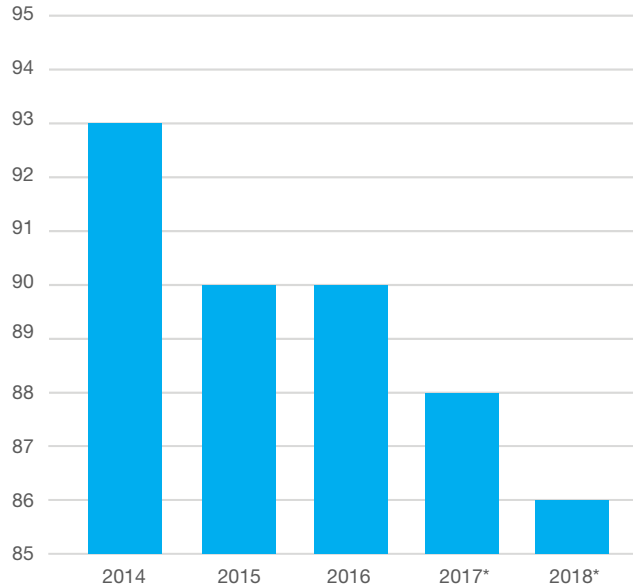
Average tariff scores are used to monitor the quality of the home/EU undergraduate intake. The source data (The Times & Sunday Times league table for entry standards) was changed last year so comparative data is only available for one year. The University was ranked 10th (previously 12th) amongst UK Universities for entry standards for October 2017 entrants.

The quality of teaching is measured by reference to those who either 'definitely' or 'mostly' agree with the National Student Survey (NSS) question "Overall I am satisfied with the quality of my course." In 2018, the University achieved a score of 86% (previously 88%) and the sector average was 83% (previously 84%). Industrial action across many Universities in the spring of 2018 coincided with the NSS survey period and it is likely that this impacted the University's response and may account for the fall in the sector average.

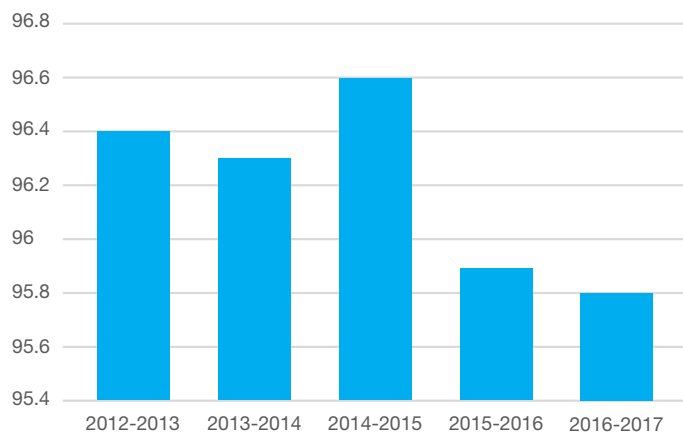
\*Whilst the question and responses surveyed by the NSS has remained the same the overall survey changed in 2017, the sector, along with the University has seen a fall in satisfaction rates.

Continuation rates are measured as a proxy for student satisfaction and the effectiveness of the University's student support structures. At 95.8%, the University continues to perform at a high level when compared to its peer HE group, which averages 94.4%.

**Student satisfaction %**



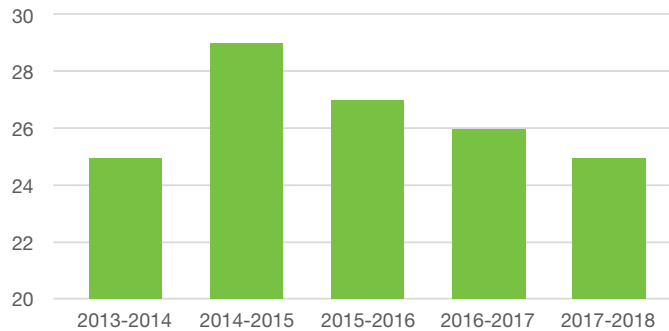
**Continuation rates %**





## Treasurer's Report (continued)

**Grant and contract income per academic FPE (£'000)**

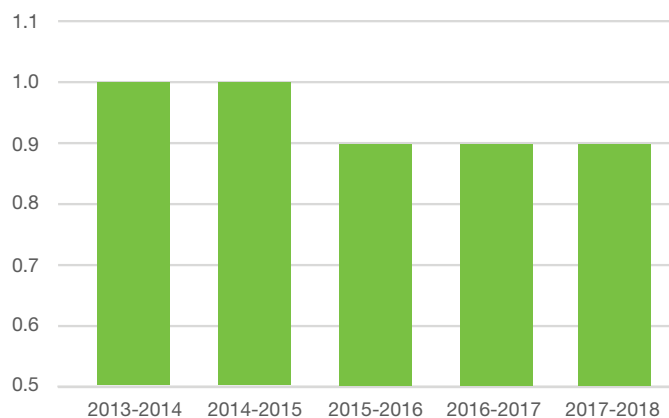


### Research

Grant and contract income per academic FPE is monitored as a measure of research activity. The chart shows a decrease to £25k. The high value in 2014/15 was due to the receipt of Research and Development Expenditure Credits (RDEC).

For data relating to academic FPE (Full Person Equivalent) provisional data is shown for 2017-18.

**Postgraduate research students per academic (FPE)**



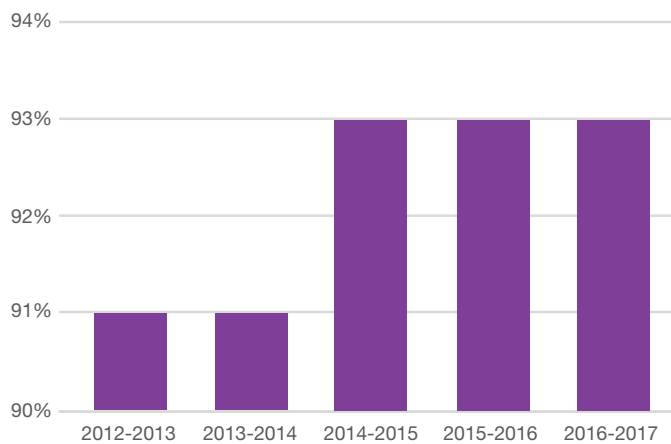
Postgraduate research students per academic FPE was maintained at 0.9 in 2017-18.

For data relating to academic FPE (Full Person Equivalent) provisional data is shown for 2017-18.



## Treasurer's Report (continued)

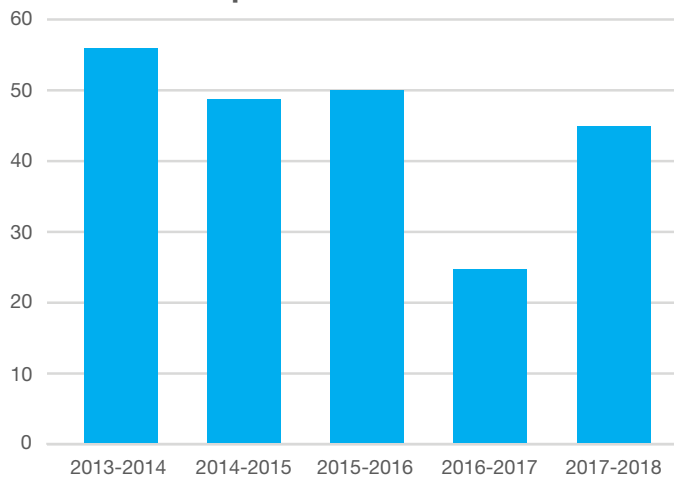
### Gross internal area in condition A&B %



### Estates

The University monitors the condition assessment of its estate as a measure of the quality of the space provided. The table shows that in recent years the University has enhanced and maintained the already high proportion of quality spaces. At 93% the University performs well above the 79% average of its HE peer group.

### Capital additions £m



Capital additions were £45.4m in 2017/18. The largest expenditure related to Polden, a post graduate student residence (£34.5m) which was opened in September 2018, additionally the Milner Centre for Evolution (£8.3m) was completed in August 2018.

## Treasurer's Report (continued)

### Financial Highlights

- Operating surplus as a percentage of income exceeds budget for the 9th successive year.
- Adjusted Earnings before interest, tax, depreciation and amortisation (EBITDA) of £40.4m represents an increase of £8.9m or 28% over the previous year.
- Gearing (Net debt/ Total net assets) continues to remain low at 9.1% (2016-17 9.4%).

### Financial Performance

The University measures its financial performance by reference to cashflow and the Historic Cost (HC) operating surplus. Against this metric the University has exceeded its original HC operating surplus target for the 9th successive year. The underlying HC operating surplus of £12.3m (£8.6m 2016-17) represents 4.4% (3.3% 2016-17) of income. The surplus was greater than originally budgeted due

to delays in procuring certain investments in new equipment and delays in some long term maintenance project expenditure some of which will be incurred during 2018-19. Operating cashflow at £33.2m (£26.1m 2016-17) remains high as a percentage of income and continues to be used to fund the capital programme.

The University's gearing ratio remains low at 9.1% (9.4% 2016-17). The £100m loan received in January 2018 to fund the capital investments needed to support the strategy has been invested at the balance sheet date, however as this is utilised to fund the capital programme the gearing ratio will rise over the coming years.

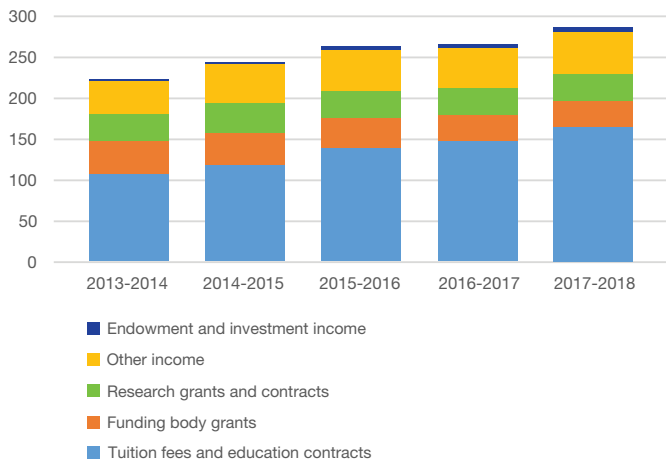
The Statement of Comprehensive Income (SOI) shows a surplus before gains and losses of £5.4m (2016-17 £1.3m deficit) on page 45.

The table below shows a reconciliation between this figure and the HC operating surplus.

	2017/18 £m	2016/17 £m
Statement of Consolidated Income/(Expenditure)	5.4	(1.3)
Capital Grants	(2.9)	(4.0)
Valuation adjustment for pension schemes	3.0	2.5
Valuation adjustment for land & buildings	(1.1)	5.6
Valuation adjustment for HC depreciation	9.4	7.5
Valuation adjustment for derivatives	(0.5)	(1.5)
Gain on disposal of investments & financial derivatives	(1.0)	(0.2)
HC operating surplus	<u>12.3</u>	<u>8.6</u>

## Treasurer's Report (continued)

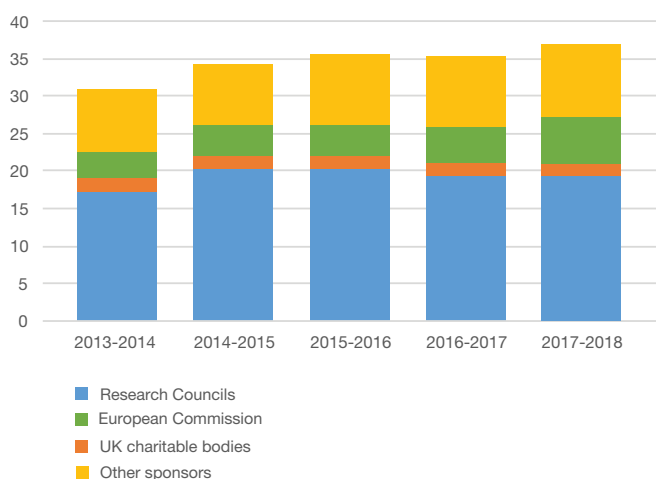
### Total Income £m



### Income

- Total income increased by 7.9% (1.4% 2016) to £288.0m.
- Tuition fee income has grown by £15.2m to £164.0m (2016-17 £148.8m) and is 57% (2016-17 56%) of total income. Overseas tuition fee income rose from £44.0m to £52.0m with a significant proportion of this being Post Graduate Taught fees.
- Total Funding body grants at £32.0m (2016-17 £31.9m) remain consistent, although recurrent grants fell by £1.0m, capital grants increased by the same amount.
- Research of £37.0m has increased by £1.9m (2016-17 £35.1m) and the continued growth in Research income is a key element of the University strategy for 2016-21. Research now represents 13% of total income.
- Other income £49.5m has increased by £2.3m (2016-17 £47.2m) and this was primarily sourced from Residence, Catering and Conference activities. Other income now represents 17% of total income.
- Donations and endowments at £2.8m (2016-17 £2.8m) reflect donations received in the year, where they are unrestricted. Donations with restrictions are recognised as the restricted expenditure is incurred.

### Research Income £m



Research income was £37.0m (2016-17 £35.1m) for the year.

Research Councils continue to be the largest source of research income and has been consistent at £20.0m over recent years.

This year has seen an increase in both European Commission (EC) and other sponsorship income which are now 15% and 26% respectively of total research income.

## Treasurer's Report (continued)

### Expenditure

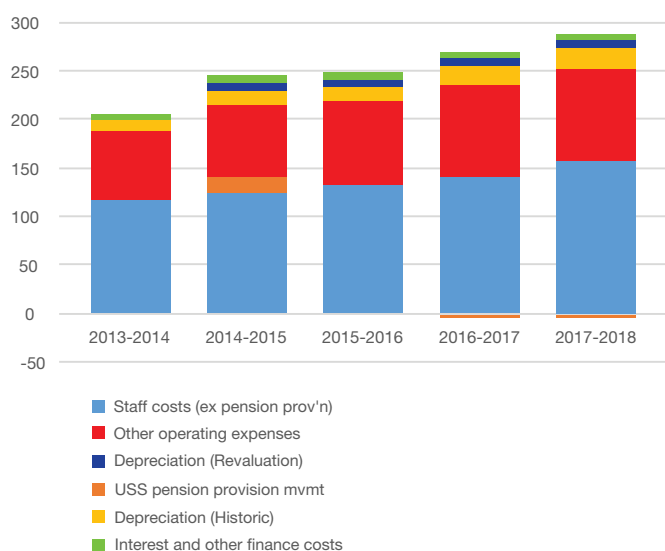
Expenditure reported in the SOCI increased by £14.5m, 5.6% (7.6% 2016-17) to £282.6m (2016-17 £268.1m) during the year. This includes a number of adjustments required by the Financial Reporting Standard (FRS) 102 which are excluded from the University's preferred HC operating surplus measure. On the HC operating surplus basis expenditure increased by 6.8% (2016-17 7.3%). Staff costs increased by 8.7% (7.7% 2016-17) to £155.0m (2016-17 £143.6m) as the University continued to invest in staff to support growth in teaching and research.

Staff and employment costs as a percentage of total income remained consistent at 54.6% (2016-17 54.4%).

Total Depreciation increased by 5.4% to £25.4m (2016-17 £24.1m), of the £1.3m increase £2.0m was in respect of Land & Building following the revaluation of the Estate that took place on 31 July 2017. Equipment depreciation fell by £0.8m against the previous year as the pattern of Research equipment spending changed over previous years. Historic cost depreciation which is used to identify the University's key performance reduced slightly to £16.0m (2016-17 £16.6m) reflecting Research equipment purchased three years ago now no longer being depreciated and that no land & building capital projects were completed during 2017-18.

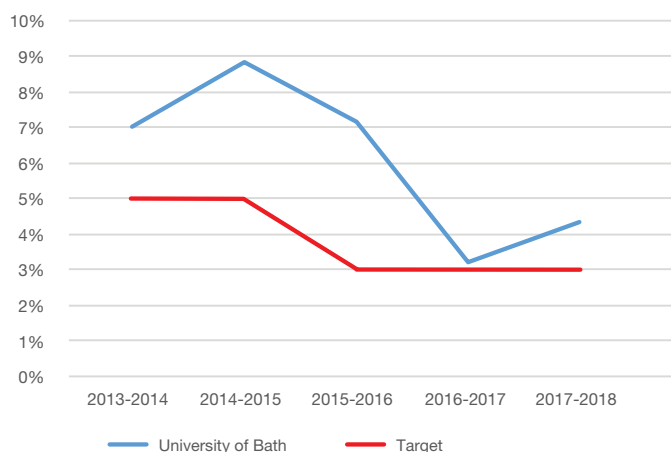
Other operating expenditure in 2017-18 at £94.7m was marginally lower than the previous year at £95.4m, however 2016-17 includes a charge of £4.9m maintenance expenditure incurred as part of the refurbishment of the Virgil Building which was not repeated in 2017-18. Recurrent other operating expenditure continued to increase, reflecting the University's continued investment in its teaching and research activities.

**Total Expenditure £m**



## Treasurer's Report (continued)

### Operating surplus as a percentage of income

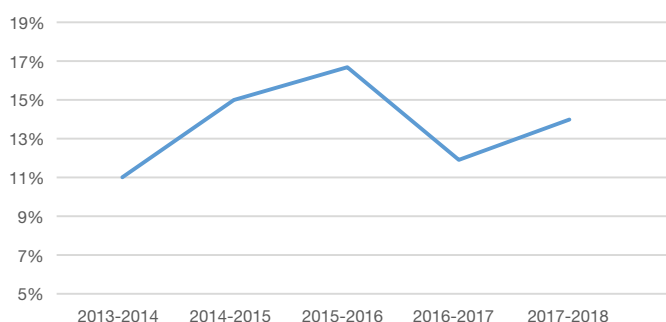


### HC Operating Surplus

The University established an HC operating surplus target of 3% of income in 2014 following the introduction of the Statement of Recommended Practice: Accounting for Further and Higher Education (FE/HE SORP). This generates the level of surplus required to provide sufficient cash to fund the capital expenditure programme and meet loan payments. Prior to this the University had used a target of 5%. The result this year shows the first benefits of investment made in support of the new strategy. However, the level of surplus is below that of recent years and demonstrates the increasing cost pressure on the University.

The University achieved a HC operating surplus/income ratio of 4.3% (3.3% 2016-17) for the year.

### EBITDA as a percentage of total income



### EBITDA

EBITDA at £40.4m (£31.5m 2016-17) is 14.0% of income (11.8% 2016-17). This is a proxy for the cash generation required to fund the capital programme.

EBITDA calculation follows the definition used by BUFDG and its calculation is shown on page 77.

The total comprehensive income in the year as disclosed in the SOCI is a surplus of £49.4m (2016-17 £65.3m). Of this surplus, £26.4m (£52.8m 2016-17) is as a result of the revaluation of land and buildings and £15.5m (£5.0m 2016-17) is an actuarial gain on the LGPS, which reflects an increase in the scheme assets over its future liabilities. Similarly a gain of £0.7m (2016-17 gain £2.7m) in the fair value of hedging instruments is a result of the rise in interest rates that occurred in 2017-18 being closer to the long term view of future interest rates whilst losses occurred in foreign exchange instruments as the US Dollar strengthened against Sterling. The interest rate swaps were acquired to enable the University to fix the interest rate on a proportion of the borrowings entered into in 2007. Subsequent borrowing from the EIB, North Western & Met Life are all at fixed rates. Foreign exchange derivatives are used to hedge against USD/GBP movements in the value of current assets investments. Pension and derivative liabilities are recorded on the Balance Sheet.

## Treasurer's Report (continued)

### Balance Sheet

Total net assets increased by £49.4m to £560.9m during the year. This is due to the following changes

- a) revaluation of land & buildings of £26.4m
- b) net increase as capital additions exceed depreciation by £19.5m.
- c) a reduction in pension provision of £11.5m, the largest part being the actuarial gain in the LGPS.
- d) an increase in creditors of £8.0m.

Net debt increased by £2.6m to £50.8m (fell by £13.5m to £48.2m 2016-17) in the year. The increase in net debt has been offset by a larger increase in total net assets as described above and therefore the gearing ratio has improved to 9.1% (2016-17 9.4%).

Cash and investments at 31 July 2018 were £213.2m (31 July 2017 £122.2m), an increase of £91.0m on the previous year. This is due to funds not yet being used from the £100.0m loan received in January 2018.

The University continues to assess its capital programme and its long and short term cash requirements to mitigate the holding cost of additional borrowings.

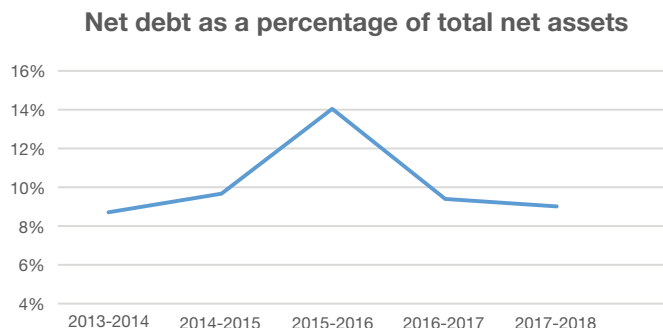
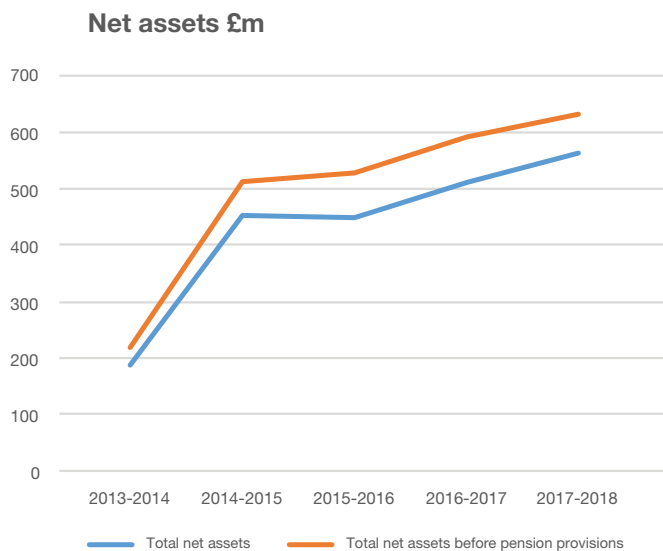
### Risks and future prospects

This report has highlighted the continued strong performance in both research and teaching that the University has achieved. This year has seen the continuation of the strategy embarked on in 2016 to further enhance our teaching and research activities which is supported by strategies on people, infrastructure and finance.

The Statement of Internal Control (page 26) includes a description of how risk is managed by the University. The University Executive Board now oversees operational risk management in the University. Strategic risk is the responsibility of Council.

Audit and Risk Assurance Committee reviews the effectiveness of the risk management, control and governance arrangements. External risks include the outcome of negotiations for the UK to withdraw from the EU, which remain uncertain. In the short term the position of EU students and their right to access loans is clear but the long term position is unknown for those intending to start a course in 2020.

The University has been working hard to protect and communicate to its staff who originate from



the EU. These staff make a valuable contribution to all aspects of the University and are integral to its success and culture. It is important for the University's future success that it is able to recruit and retain staff from the EU. To assist with this the University has introduced a range of measures to support both EU & non-EU staff.

Further challenges exist with the demographic changes which result in a reduction in the number of 18 year old home students over the coming years. The University's strategy remains to stabilise the intake of undergraduate students whilst maintaining the quality of the intake. Maintaining the Gold TEF award means the University is recognised as offering excellent teaching and this recognition along with the



## Treasurer's Report (continued)

University's continued high ranking in university league tables mitigates the risk of a fall in this intake.

Home and EU undergraduate tuition fees and the value and funding of higher education has become a high profile political debate since the General Election in 2017. In February 2018 the Government launched a major review of post 18 education, with driving up quality, increasing choice and ensuring value for money at the heart of the review. The review's intention is to ensure that post-18 education is giving everyone a genuine choice between high quality technical, vocational and academic routes, students and taxpayers are getting value for money and employers can access the skilled workforce they need. An interim report is anticipated later this year with the review itself concluding in 2019. The impact of the recommendations are uncertain but the inclusion in the terms of reference of progressive contributions to the cost of their studies by students infers a change in the current tuition fee regime is likely. It is understood that there will not be a cap on the number of students who can benefit from post 18 education. The University remains concerned that any review of funding which results in universities income staying the same or reducing will result in a lower quality of service for students and a reduction in research capacity, quality and output.

The University will continue to develop its postgraduate taught offering in the coming years. It has seen a growth in postgraduate income this year and it is hoped this will continue and be supported by the Doctoral College and the opening of the Polden Residence.

Risks remain both in the uncertainty surrounding the Brexit settlement and the UK visa regime which have been highlighted in recent Treasurer's Reports. It is concerning that whilst there is small growth in the number of overseas students entering the UK the growth experienced by both Australia and Canada is notably higher.

Brexit also presents risks in the ability to access European research funding. The increased investment in UK research funding to support the Industrial Strategy is clearly welcome and the IAAPS facility is evidence of the University's ability to attract this funding. Our University and the sector as a whole have a vital part to play in creating the innovations and economic growth that our country will need in the coming years.

Nevertheless, very real cost pressures continue, most notably in pension costs. The University is awaiting the outcome of the USS 2017 valuation. Currently contributions for both employer & employees will increase in April 2019 under rule 76 .4-8. Industrial action following the outcome of the original valuation in spring this year led to the creation of the Joint Expert Panel to review the valuation exercise. This group reported on 15 September and the report was broadly welcomed by all parties. USS Joint Negotiating Committee (JNC) must now present an alternative proposal acceptable to the USS trustee. The University welcomes the JEP report as a means to resolve the 2017 valuation and to provide a consensus view on future valuation methodology. The University remains committed to providing a good quality affordable pension as part of its reward package. The UK's withdrawal from the EU on 31 March 2019 coincides with the next LGPS triennial valuation date and it is expected asset valuations will be volatile at this point in time and this may impact the contributions required from March 2020 onwards.

Internal risks exist in relation to the University's financial investment in both IAAPS and the new building for the School of Management. The University is closely monitoring the investments in these two areas. Other risks, such as the threat of a cyber-attack are documented on the risk register, along with the actions adopted by the University to mitigate against these.

This is my first report as Treasurer. I take on the role with the University well placed to deliver on the aims of its 2016-21 strategy. It has put in place pathways to create a stronger postgraduate and research profile and building on the strength of the undergraduate offer. Despite the risks and uncertainties there will be opportunities and the University's continuing commitment to quality, financial strength and high calibre staff, students and alumni give me confidence that it will succeed in achieving these aims. The appointment of Professor Ian White as President and Vice- Chancellor will be a catalyst for further change in the University and I very much look forward to working with him and reporting on the University's continued success in years to come.

**John Preston**  
Treasurer



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# Public Benefit Statement 2017/18

## Charitable Purposes

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.

This Mission derives from our constitutional charitable 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 Royal Charter of 1966 and constitute the University’s charitable purposes for the public benefit.

Members of the University Council, as trustees, have had due regard to the guidance on public benefit published by the Charity Commission in exercising their trustees’ powers or duties. The induction programme for new members of Council includes coverage of the Commission’s guidance. The full Council membership receives periodic briefings on regulatory matters, including the Charity Commission’s guidance and the requirements of the Office for Students.

Our commitment to delivering public benefit is at the core of our Mission. In furtherance of our Mission, our key objective continues to be to deliver excellence in our two primary charitable purposes, research and education.

Excellence in research, for us, means:

- Our research is internationally renowned – tackling global challenges and attracting world-class researchers to work with us.
- Our research collaborations attract prestigious academic and commercial partners – increasing our research power and extending our influence.
- Our enterprise and innovation delivers scientific and economic impact – benefiting communities locally, regionally, nationally and internationally.
- Our research environment is vibrant and supportive – nurturing talent from doctoral students and early career researchers through to established academics.
- Our culture is one of open enquiry and debate – challenging received wisdom and fostering the highest standards of research integrity.

Excellence in education, for us, means:

- Our teaching is inspiring and highly valued, delivered through a focussed range of curricula that are academically rigorous, research driven and practice-based.
- Our learning is enhanced through high-quality spaces, effective technologies, and support for students’ active participation.
- Our community is inclusive, supportive and engaged, enriched by the diverse and international backgrounds of our students and staff.
- Our students are empowered to make positive contributions to society – locally, nationally or internationally – through attributes including awareness, understanding, reflection and intellectual curiosity.
- Our graduates have high levels of personal, professional, and academic skills enabling them to fulfil their potential and thrive in their chosen employment.

## Research

In accordance with our Mission and charitable purposes, we aim to benefit society through our research. Our research ethos has a strong focus upon impact, tackling challenges of global significance from sustainability to health and wellbeing. Our faculty comprises some of the finest researchers from around the world. As established in our Royal Charter, we value research partnerships and work with business, industry, the professions, the public sector and the voluntary sector. Consequently, our research benefits a wide range of stakeholders with international as well as national beneficiaries, ranging from individuals with improved health to international corporates with more energy efficient products.

Through advancing knowledge, the University’s research has a wide range of public benefits:

- stimulating economic development;
- informing public policy and professional practice;
- innovating, informing and inspiring;
- advancing individual and societal wellbeing;
- building international connections.

The international excellence of the University’s research was evidenced in 2014-15 by the outcomes of the Research Excellence Framework (REF) evaluation

## Public Benefit Statement (continued)

of research quality. In terms of the overall quality of our submission, 32% was judged to be 4\*, defined as world-leading in terms of originality, significance and rigour, with a total of 87% judged 4\*/3\*, defined as world-leading/internationally excellent. Our overall grade point average (GPA) was 3.17, placing us 12th in the research quality ranking of UK universities (excluding specialist institutions). The REF methodology also included a national evaluation of research impact for the first time and we performed strongly in this measure.

Our research continues to have tangible economic and social benefits, for example:

- A new app, Bluelce, developed by Professor Stallard from our Department for Health, has been included in the NHS Apps Library so it can be prescribed by GPs to help young people manage urges to self-harm. It has three components: mood monitoring, mood lifting, and routing to emergency numbers. Through the app, young users monitor and record their mood each day. If their mood is low, they are automatically routed to the mood-lifting section.
- The University of Bath is part of a consortium of academic and industry partners awarded Government funding to conduct research aimed at overcoming battery challenges to accelerate the electric vehicle (EV) revolution. Professor Saiful Islam and Dr Benjamin Morgan, both from the Department of Chemistry are leading the Bath-based contribution to the research. The Multi-Scale Modelling project aims to develop new computational tools to understand and predict battery performance by connecting understanding of battery materials at the atomic level all the way up to a battery pack.
- The Department for Health often invites members of our local community to participate in its research studies. One example is a project launched in 2017/18 which invited members of the community to participate in a study of how diet and exercise affect health through changes in metabolism and friendly bacteria in the gut. In return for their participation, the participants were offered personalised diet and exercise plans.

Much of the research in the School of Management has a direct impact on our local and regional economy:

- Professor Dimo Dimov and Dr Henrietta Sherwin lead the Social Enterprise and Innovation Programme (SEIP) which works to reach out across communities in the West of England and provide a significant boost to the local economy. This project is funded by the European Regional Development Fund and works alongside Bath SETSquared Innovation Centre, The School for Social Entrepreneurs (SSE), Voscur, and CVS South Gloucestershire. The Programme funds new social enterprises and supports business growth for existing ventures by providing advice, mentoring and development support to newly formed enterprises.
- Dr Phil Tomlinson and Dr Felicia Fai hold a Regional Studies Association grant which explores how place based regional strategies can be used to deliver more regional economic growth, by using large organisations which are already engaged in research, to connect local actors and spur entrepreneurial ideas and innovation. Phil and Felicia are part of a team which has received funding from the European Regional Development Fund which will see the establishment of two business acceleration hubs (in Engineering and digital) in the South West.

In continuing to invest in the strategic expansion of our research base we will increase its impact and, hence, its public benefit. In 2017/18, the value of our research portfolio was over £140 million. Around 60% of our research income is provided by UK research councils and these funders include impact in their criteria for evaluating grant applications. Consequently, the University has an objective view of the potential public benefit of much of its research.

We will continue to strengthen our international research links to enhance our international profile and our ability to sustain a world class research capability.

Further examples of how our research is delivering public benefit can be found at: [www.bath.ac.uk/research](http://www.bath.ac.uk/research).

## Public Benefit Statement (continued)

We believe that there is a clear secondary order 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 providing expert comment on topical issues.

We work proactively to ensure that our research is disseminated and understood beyond the world of academia. Our Institute for Policy Research has published a series of Policy Briefs which are circulated to key decision-makers. Our Public Engagement unit also plays a key role in disseminating our research. We offer a range of public lectures which are free to attend. We utilise a wide variety of media to disseminate knowledge beyond the confines of campus, including MOOCS, Twitter and Facebook.

### Teaching

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

- developing people;
- providing skills for the workforce;
- informing professional practice;
- innovating, informing and inspiring;
- building international connections.

The University was awarded Gold in Year 2 of the Teaching Excellence Framework and the TEF Panel found that: "The provider metrics supplemented by the submission indicate that students from all backgrounds achieve consistently outstanding outcomes. Very high proportions of students continue with their studies and progress to employment, highly skilled employment or further study, notably exceeding the provider benchmark. The metrics indicate outstanding levels of satisfaction with teaching on my course, academic support and assessment and feedback from a diverse body of students, notably exceeding the provider benchmarks." This confirms that the main beneficiaries of our teaching (by volume), our undergraduates, are receiving a high quality experience.

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 one of the features that distinguishes us from other top UK research-intensive 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 growth and policy development, as well as making a positive social contribution. Graduate destination data for 2016/17 indicates that 89% of our employed full time UK first degree graduates were in the top three occupational groups, compared with 74% of employed graduates nationally (compared with 2015/16 figures of 87% and 71% respectively). The mean salary for our graduates was £27,000, which was £4,500 higher than the mean for all UK HE providers.

During 2017/18 we have focussed on enhancing the experience of all our student beneficiaries, creating new Learning Commons for undergraduates and a new Doctoral College for postgraduate research students. We have also implemented plans to centralise the admissions process for postgraduate taught students. In response to the high demand for our programmes, our student population has been growing. The growth in our core headcount student population between 2016/17 and 2017/18 was 4.5%. In 2017/18, our core student population comprised 13,303 undergraduates, 2,849 taught postgraduates and 1,494 research postgraduates.

Our students are key beneficiaries of our teaching activities and we measure our success in terms of their retention rates, their employability and their satisfaction. Our completion and employment rates are some of the best in the sector and we were ranked fourth in the UK for student satisfaction in the 2018 Times Higher Education (THE) Student Experience Survey. Council receives annual reports on completion and employability performance. Our aim is to ensure that the percentage of our employed UK full-time first degree graduates in the top three occupational groups (professional or managerial

## Public Benefit Statement (continued)

jobs) remains above 80%. The latest available dataset relates to 2016/17 and the proportion of our graduates in the top three occupational groups was 89%. National data shows that the percentage of our full-time first degree entrants who continue or qualify with us is around 96.1% (Source: HESA Performance Indicators - Table T3a).

Beneficiaries of our teaching activities range from primary school age (aspiration raising/mentoring) through to mature learners (continuing professional development and MOOCs), and include undergraduates, taught postgraduates and research postgraduates. We recruit internationally and are committed to promoting a diverse student population. During 2017/18, we have negotiated with a commercial partner to offer online programmes from 2019. This will enable us to deliver teaching in a mode that is likely to be more convenient for mature students and those with caring responsibilities.

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;
- **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 success.

We recognise that undergraduate 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. In 2017-18 we provided £3.4m of financial support to 1,124 undergraduate students in the form of bursaries and fee waivers for individuals paying fees under the 2012 fee regime with a household residual income (HRI) of

£22,000 or below. This included £250k of support to 50 students in receipt of the University's new Gold Scholarship Programme, which is jointly funded by the University and sponsors. In addition, we provided £10k of financial support to 10 undergraduate students under the pre-2012 fee regime with HRI's of £50,000 and below. Our Alumni Funds provided £457k of financial support to 235 undergraduates with an HRI of £42,875 and below. In total, £3.9m of means-tested financial support was awarded to 1,369 undergraduate students.

Employers are also beneficiaries of our teaching activities through the skillset of our graduates. In the 2019 QS world ranking, the University of Bath was ranked 95th in the world in the employer reputation performance measure. We also measure our success in delivering the skills that employers want in terms of our ability to maintain our network of placement sponsors. During 2017/18, we have been working alongside employers in certain Trailblazer Groups to develop the occupational standards for several new Level 7 degree apprenticeships. We plan to offer our first Level 7 degree apprenticeship in October 2018.

During 2017/18, a University of Bath-led consortium was given the responsibility of launching the new, national Institute of Coding to improve digital skills in the UK workforce. The Institute of Coding brings together universities, large corporates, small and medium sized enterprises, established industry groups, experts in the delivery of distance and non-traditional learning and professional bodies to develop and deliver innovative, industry-focused education across the UK.

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. In providing a wide range of opportunities to learn through experience and enhance personal development and career prospects, we are producing graduates who are well-equipped to act as good citizens and members of local, national and international society.

## Public Benefit Statement (continued)



Masters students from the School of Management contribute to a range of local charities in 2017/18:

- As part of the MSc Practice Track, 37 teams of students from the School of Management worked with 23 local and regional charities. The objectives of the work were to raise awareness and funds for the charity while introducing ideas for stakeholder and community engagement. The ideas were based on skills and knowledge gained during the taught portion of the MSc. For example, two groups worked with Bath Carnival in raising awareness of related causes, one group worked with Bath Welcomes Refugees, and another worked with the Bath Carers' Centre. The average amount raised was around £300 per group (resulting in more than £10,000 raised in total by all teams). Charities reported that, beyond the funds raised, they saw this as an opportunity to try new approaches to raising awareness of their causes.
- Shortly after arrival to start their Masters degree, MSc students have the opportunity to collaborate with local and national charities as part of the School of Management Community Challenge. In 2017-18, 130 students participated in projects with 15 different charities, these included traditional fundraising, digital awareness campaigns and running events for service users. The prize winners

employed their social media expertise to help Paws-Gist create a successful online fundraising campaign. ([www.youtube.com/watch?v=VD5i\\_lgXMMI&feature=youtu.be](https://www.youtube.com/watch?v=VD5i_lgXMMI&feature=youtu.be)). Another group raised over £800 for their charity through fundraising events.

The Bath Award, launched in 2009/10, provides an accreditation framework so that students can present all the transferable skills, competences and capabilities demonstrated through their extra-curricular activities to employers in a systematic fashion.

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

## Public Benefit Statement (continued)

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

We are keen to ensure that our students and graduates have a strong awareness of the environmental impact of their actions. Students in campus residences are encouraged to take part in an annual competition to reduce energy use and we are increasing opportunities for students to recycle waste materials. At the end of the 2016/17 session, 36 tonnes of 'end of term' unwanted food, clothing, crockery and appliances were collected and donated to charities instead of being sent to landfill. This initiative was repeated at the end of the 2017/18 session.

### Creativity, Enterprise and Innovation

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

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

We are sector leaders in knowledge exchange, applying fresh thinking to accelerate economic growth and social advances. Our Innovation Centre is helping to diversify the economic profile of the City by incubating high yield businesses. The University of Bath is a member of the SETsquared partnership which in February 2018 was ranked at the world's leading University-linked business incubator, a position it has occupied since 2015.

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 offer a public arts programme, including visual arts, theatre, dance and music.

### International Engagement

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

In addition to the international profile of our teaching and research activities, we are forging international connections through our alumni network and our world class sports facilities. We have over 100,000 alumni, representing 169 countries. Our alumni are encouraged to make philanthropic donations to enhance the student experience, our physical infrastructure and our research capacity. This enhances our capacity to deliver our charitable objectives. During 2017/18, the University progressed the construction work on the Milner Centre for Evolution, having received its largest ever philanthropic donation of £5.6 million from Dr Jonathan Milner.

### Public Detriment

We are the second largest employer in Bath & North East Somerset, with around 3,500 employees. Our 2016 Staff Satisfaction Survey showed that 87% of respondents thought the University was a good place to work. In 2015/16, we commissioned Oxford Economics to undertake an evaluation of the economic impact that we have on the Bath and North East Somerset area. Its report estimated that in 2014/15, we contributed £294 million to the B&NES' GDP (around 6.2% of its economic output).



## Public Benefit Statement (continued)

We do not believe that there is any direct harm or detriment to the public arising from our Mission and corporate goals. However, our success in attracting students does mean that our student population puts a significant demand on the residential accommodation in the Bath and North East Somerset area. During 2017/18, we have been liaising with Bath and North East Somerset Council during the development of our new Campus Masterplan which will inform, and be informed by, the new B&NES local Plan. We held a number of consultation events during 2017/18 to seek feedback on the options for the further development of campus. We hold three meetings a year of the Local Residents' Forum to ensure that our nearest neighbours are briefed on our capital plans and our programme of events for campus. In this way, we try to mitigate the impact of our activities on our immediate community.

We also 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;
- 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 includes 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 minimising carbon emissions and were the first UK HEI to undertake the Carbon Trust's Higher Education Carbon Management process in its 'pre-pilot' phase in 2003. Our initial carbon reduction target was to reduce CO<sub>2</sub> emissions from gas combustion and electricity usage by 12.5% from a 2003/04 baseline of 0.11 tonnes/m<sup>2</sup> building floor area by 2010, which we achieved by December 2010. In 2015/16, Council agreed to monitor four Key Performance Indicators in relation to sustainability – total carbon emissions (total impact), carbon emissions per m<sup>2</sup> GIA (efficiency measure), total water use, and water use per m<sup>2</sup> GIA. During 2017/18, Council noted that the University's energy and water usage was lower than 10 years' earlier despite the expansion of the physical infrastructure on campus. Carbon emissions in 2015/16 had decreased by 16% since 2015.

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 2017/18, we published our fourth annual statement on research integrity. 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 UK 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. The University is committed to the three Rs – Refinement, Reduction and Replacement of experiments involving animals.



# Corporate Governance Statement

The University is committed to exhibiting good practice in all aspects of corporate governance. The University complies with the Higher Education Code of Governance adopted by the Committee of University Chairs (CUC) in December 2014 and revised in June 2018.

This summary describes the manner in which it has applied the principles set out in the Code. 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 President and Vice-Chancellor. The matters specifically reserved to the Council for decision are set out in the Statutes of the University, and under the 'Terms and conditions of funding for HEIs' of the Office for Students. 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 Office for Students 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 (now Audit and Risk Assurance 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, Vice-Chair, Pro-Chancellor and Treasurer.

The Remuneration Committee met three times in 2017/18 and henceforth will normally meet four times a year. The terms of reference of the Remuneration Committee can be found at: [www.bath.ac.uk/statutory-bodies-committees/bodies-and-committees-council/remuneration](http://www.bath.ac.uk/statutory-bodies-committees/bodies-and-committees-council/remuneration). The Remuneration Committee has delegated authority from Council to determine the remuneration of the President and Vice-Chancellor, Deputy Vice-Chancellor & Provost, Pro-Vice-Chancellors, Deans of Faculties/School, the Director of Finance, the University Secretary and the Director of Estates. It is chaired by a lay member of Council. For the period of this report its membership also included the Chair of Council, the Treasurer, and a further independent member of Council (elected by Council). The Vice-Chancellor is no longer a member. Council has also agreed to student and staff membership which has been implemented at the start of 2018/19. This membership is consistent with the Committee of University Chairs (CUC) Higher Education Code of Governance and the CUC's Illustrative Practice Note. The Director of Human Resources attends as adviser and secretary to the Committee, along with a specialist external adviser.

The Remuneration Committee has a range of information available at its meetings, including details of the current remuneration and benefits of the postholders within its remit, senior salary benchmarking data and information on individual and organisational performance. The Committee carefully considers assessments of performance, market factors, affordability and the safeguarding of public funds, when establishing remuneration levels.

The minutes of Remuneration Committee meetings are submitted to Council at its next meeting as a report of the business of the Committee. The Remuneration Committee would also consider any severance payments to senior staff earning in excess of £100k per year in accordance with CUC Guidance.

## Corporate Governance Statement (continued)

The Audit Committee, on behalf of Council, has an ongoing programme for reviewing the effectiveness of the University's system of internal control. From 2018/19, the Audit Committee will become the Audit and Risk Assurance Committee. 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 Office for Students, 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 Higher Education Code of Governance, Council keeps its effectiveness under regular review. An external effectiveness review of Council was undertaken during 2017/18 by the Halpin Partnership. It concluded that the University's model of governance, in common with other universities incorporated by Royal Charter, remains fit for purpose. It also concluded that whilst the University was compliant in terms of current sector guidance, there are a number of areas in which it can increase the effectiveness of Council and its committees. See the report at: [www.bath.ac.uk/publications/the-halpin-review](http://www.bath.ac.uk/publications/the-halpin-review).

A Steering Group has been set up by the University Council to consider the recommendations of the Halpin Review of Council Effectiveness and related governance issues, review representations from the University community, investigate practices at other institutions, consider options and practical implications and make recommendations to Council for actions to be taken. A number of such recommendations have already been made to, by, Council as at the date of this report.

The Steering Group will oversee the implementation of actions agreed by Council and report back to Council on any concerns arising.

HEFCE published a report on 20 November 2017 into matters of governance affecting senior remuneration at the University. It confirmed that the Remuneration Committee met the basic requirements of HEFCE and CUC guidance but that there was scope for improvement in the way in which it operated, particularly in terms of its transparency. At the meeting of Council on 30 November 2017 the Council accepted the recommendations in the report and agreed certain changes to remuneration governance. The effectiveness review explicitly included consideration of all the recommendations in the HEFCE report.

The University commits to upholding the relevant public interest governance principles set out by the Office for Students, including the additional public interest governance principle: 'Records', namely: 'Where degree awarding powers are solely contained in the provider's governing documents, and no order either under section 76 of the Further and Higher Education Act 1992, or under HERA exists, the provisions setting out those powers must be retained and may not be altered without the consent of the OfS.'

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 'Nolan Principles of Public Life' as referred to in the CUC Higher Education Code of Governance. A register of interests is maintained and updated annually. Members of Council are also required to declare if any of the contra-indicators published by the Office for Students' in the context of 'fit and proper' person status apply to them.

### 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, the Memorandum of assurance and accountability with HEFCE and the terms and conditions of funding of the Office for Students.

## Corporate Governance Statement (continued)

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 approach 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 undertakes operational risk management at the institution, during 2018/19, this role is being assumed by the University Executive Board;
- Risk management forms part of the planning process of the University and covers all risks – governance, management, quality, reputational and financial;
- Faculties and key professional service departments have risk registers in place, which are updated annually as part of the planning process;
- The University maintains a corporate risk register which is updated annually and progress on improvement actions is reviewed. The risk register includes an evaluation of the likelihood and impact of risks becoming a reality;
- Council receives a report reviewing the corporate risk register at each of its meetings. Annually, it receives an overall report for the year, and an updated register;
- Council annually reviews the effectiveness of the risk management process and internal controls, via receipt of reports from Audit Committee;

- 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. On 1 August 2018, the Audit Committee became the Audit and Risk Assurance Committee;

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 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 2018 and up to the date of approval of the financial statements, has operated effectively throughout the year and accords with guidance from the HEFCE and the Office for Students.

# Statement of Responsibilities of the University's Council

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

The primary responsibilities of the Council are:

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the FE/HE SORP, and other relevant accounting standards.

We acknowledge our responsibilities under the Memorandum for Assurance and Accountability (MAA) with the Higher Education Funding Council for England (HEFCE) and the Terms and Conditions of Funding for Higher Education Institutions for the Period to 31 July 2019 (OfS 2018.15) issued by the Office for Students (OfS).

Within the terms and conditions of the MAA between the HEFCE and the Council of the University and between the OfS 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.

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

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

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

The Council has taken reasonable steps to:

- ensure that public funds are used only for the purposes for which they have been given and in accordance with any specific terms and conditions from the HEFCE, the Office for Students, Research England and other public funding bodies;
- 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.

# Statement of Responsibilities of the University's Council (continued)

In accordance with the terms and conditions of funding published by the Office for Students (OfS), Council is responsible for the use of public funds and has assured itself that the University:

- a** Has a robust and comprehensive system of risk management, control and corporate governance, including procedures for the prevention and detection of corruption, fraud, bribery and irregularities.
- b** Has regular, reliable, timely and adequate information to monitor performance and track the use of public funds.
- c** Plans and manages its activities to remain sustainable and financially viable.
- d** Informs the OfS of any material change in its circumstances, including any significant developments that could impact on the mutual interests of the University and the OfS.
- e** Uses public funds for proper purposes and seeks to achieve value for money from public funds.
- f** Complies with the mandatory requirements relating to audit and financial reporting, set out in the OfS Audit Code of Practice and in the OfS annual accounts direction.
- g** Submits to the OfS:
  - i** The annual accountability return, including signed audited financial statements prepared in accordance with the OfS Accounts Direction.
  - ii** Other information that the OfS may reasonably request.
  - iii** Any data requested on the Office for Students' or Research England's behalf by the Higher Education Statistics Agency (HESA).
- h** Has adequate and effective arrangements for the management and quality assurance of data submitted to HESA, the Student Loans Company, the OfS and other funding or regulatory bodies.
- i** Has an effective framework – overseen by its Senate – to manage the quality of learning and teaching and to maintain academic standards.
- j** Considers and acts on the OfS' assessment of its risk specifically in relation to these funding purposes.



To assist and enable it to discharge its responsibilities under the OfS terms and conditions, Council has designated the Vice-Chancellor/Acting Vice-Chancellor as its Accountable Officer to report to the OfS on its behalf. The accountable officer is personally responsible to the governing body for ensuring compliance with the terms and conditions of funding and for providing the OfS with clear assurances to this effect.

# Statement of Equality Objectives 2016-18

(revised May 2017)

**The University's Equality Objectives for the period 2016-18 are:**

- 1 Increase to 18% the proportion of women professors, taking steps at all levels to attract, retain and promote able women academics.
- 2 Secure the University's reaccreditation for Athena Scientific Women's Academic Network (SWAN) (at least bronze level) in 2017 and support all STEM departments to achieve and maintain awards by 2018, secure at least one departmental silver award, improving the outcomes for women academics.
- 3 Achieve a year-on-year reduction in the attainment gap for Black, Asian and Minority Ethnic (BAME) students.
- 4 Improve provision for disabled students by way of enhanced physical access and more inclusive teaching practices.
- 5 Address and reduce incidents at the University of harassment and bullying among students.
- 6 Deliver the targets in the access agreement to increase the proportion of home students from lower Socio-Economic Classifications (SECs) and Low Participation neighbourhoods.
- 7 Secure enhanced equality and diversity engagement across departments.
- 8 Foster greater awareness of those with a religion.
- 9 Analyse, develop and implement actions to further Race Equality.

## Highlights

The University is able to report significant progress over the three year life of this Statement of Equality Objectives (with a new 3 year document being considered for 2019-2021).

Achievements against the above objectives include at the date of this report 19% of professors identifying as women, exceeding our target of 18% and marking an increase from 12% in 2015.

The University was reaccredited as an institutional bronze for Athena SWAN in April 2017, with 12 departments now holding awards (two at silver level), again exceeding our objective.

The degree attainment gap has reduced for BAME students. An Access Audit has been carried out, with all agreed resulting works now complete.

The University and Students' Union jointly launched the #NeverOK campaign in September 2017, which has been well-received. The campaign targets all forms of harassment, assault, discrimination and bullying.

The first year of a new Equality, Diversity and Inclusion team has resulted in a significant increase in engagement across departments, with a record attendance of 220 at the successful Equality Forum held jointly with Bath Spa University in March.

A Religion Coordinating Group, with representation from those of several faiths and those of no faith, is now meeting regularly.



# Membership of University of Bath Council

(between 1 August 2017 and 29 November 2018)

Mr Thomas Sheppard	Chair of Council (until 26 September 2018)
Mrs Ruth Foreman	Acting Chair of Council (from 27 September 2018)
Mr Peter Troughton	Pro-Chancellor
Sir Julian Horn-Smith	Pro-Chancellor (until 31 July 2018)
Mr Roger Whorrod	Pro-Chancellor (from 1 August 2017)
Mr Peter Wyman	Treasurer and Vice-Chair (until 31 December 2017)
Mr John Preston	Appointed by Council (Treasurer from 1 January 2018)
Professor Dame Glynis Breakwell	President & Vice-Chancellor (until 31 August 2018)
Professor Bernie Morley	Deputy Vice-Chancellor & Provost, Acting Vice-Chancellor (from 1 September 2018)
Dr Aki Salo	Chair of Academic Assembly (until 31 July 2018)
Dr Jane White	Chair of Academic Assembly (from 1 August 2018)
Mr Tim Ford	Appointed by Council
Professor Barry Gilbertson	Appointed by Council
Ms Anne Goodman	Appointed by Council
Mr John Stanion	Appointed by Council (until 16 June 2018 – (dec'd)
Mr Sam Sharpe	Appointed by Council (until 31 July 2018)
Baroness Ruby McGregor-Smith	Appointed by Council
Mrs Catherine Mealing-Jones	Appointed by Council
Mrs Christine Gibbons	Appointed by Convocation
Professor David Bird	Elected by Senate
Dr Alison Nightingale	Elected by Senate (until 18 March 2018)
Professor G Price	Elected by Senate (from 26 April 2018)
Ms K Robinson	Elected by Senate
Professor Danae Stanton Fraser	Elected by Senate
Dr Steve Wharton	Elected by Academic Assembly (until 31 July 2018)
Dr Michael Carley	Elected by Academic Assembly (from 1 August 2018)
Dr Chris Roche	Elected by non-Academic Staff (until 31 July 2018)
Mr Mesar Hameed	Elected by non-Academic Staff (from 1 August 2018)
Mr Ben Davies	Student Member (President) (until 29 June 2018)
Ms Eve Alcock	Student Member (President) (from 30 June 2018)
Miss Chloe Page	Student Member (Education Officer) (until 29 June 2018)
Mr Jack Kitchen	Student Member (Education Officer) (30 June 2018)



# Annual Remuneration Report

## Introduction

The University of Bath Remuneration Committee, under delegated authority from the University Council, determines the remuneration of senior officers of the University. The current Terms of Reference<sup>1</sup> are available on the University web pages. The minutes of each meeting are submitted to the University Council.

## Remuneration Committee membership and meeting attendance for academic year 2017/18

Status	Name	Start of term	End of term	Attendance at meetings		
				14 Mar 18	16 Apr 18	19 Jul 18
Members	Thomas Sheppard	1 Aug 14	31 Jul 20*	•	•	•
	Prof Barry Gilbertson	22 Feb 18	31 Jul 20	•	•	•
	John Preston	1 Aug 16	31 Dec 20	•	•	•
	Anne Goodman	19 Feb 18	31 Jul 18	•	•	•
	Peter Wyman	1 Jan 11	31 Dec 17			
	John Stanion	1 Aug 15	16 Jan 18			
	Prof Dame Glynis Breakwell	1 Sep 01	24 Oct 17			
In attendance	Richard Brooks, Secretary	-	-	•	•	•
	David Allen, Halpin Partnership	-	-	•		
	John Rushforth, CUC	-	-	•		
	Peter Smith, Korn Ferry	-	-		•	
	Katharine Turner, FIT Consultants	-	-			•

\*Thomas Sheppard resigned as Chair 30 Nov 2017. Ruth Foreman was interim Acting Chair. Barry Gilbertson became new Chair on 22 Feb 2018.

On 30 November 2017, the University Council agreed a series of changes to the remit, membership and operation of the Remuneration Committee following a review<sup>2</sup> carried out by the Higher Education Funding Council for England. On 24 May 2018, the University Council considered a report<sup>3</sup> from the independent Council Effectiveness Review which included further recommendations regarding the remit, membership and operation of the Committee. Implementation of these recommendations is being overseen by a Council Steering Group and the Remuneration Committee now includes staff and student membership plus an external specialist adviser.

## Approach to Remuneration

The overall goal of our approach to senior staff remuneration is to offer pay levels appropriate to attract, retain and motivate senior staff with the appropriate skills and qualifications to lead the delivery of the University's mission and strategic objectives. A statement<sup>4</sup> on the guiding principles was agreed by the University Council on 30 November 2017 and published on the University web-pages.

The objectives for the Vice-Chancellor are set by the Chair of Council. The objectives of senior officers within

<sup>1</sup> [www.bath.ac.uk/statutory-bodies-committees/bodies-and-committees-council/remuneration/](http://www.bath.ac.uk/statutory-bodies-committees/bodies-and-committees-council/remuneration/)

<sup>2</sup> [www.hefce.ac.uk/reg/staffpay/bath/](http://www.hefce.ac.uk/reg/staffpay/bath/)

<sup>3</sup> [www.bath.ac.uk/publications/the-halpin-review/attachments/halpin-review.pdf](http://www.bath.ac.uk/publications/the-halpin-review/attachments/halpin-review.pdf)

<sup>4</sup> [www.bath.ac.uk/corporate-information/statement-on-the-remuneration-of-senior-staff/](http://www.bath.ac.uk/corporate-information/statement-on-the-remuneration-of-senior-staff/)

# Annual Remuneration Report

(continued)



the remit of the Remuneration Committee are set by the Vice-Chancellor. The objectives set do not cover every element of the role, but identify key result areas where individual performance is critical to deliver the overall organisational objectives. They cover, inter alia:

- Education: including TEF, NSS, student recruitment, outcomes and employability
- Research: including REF, grants, impact and major initiatives (eg. IAAPS)
- Leadership: including workforce statistics, financial performance, external relationships, major projects, rankings and engagement

Alongside performance, the Remuneration Committee reviews market data to benchmark remuneration levels. For the Vice-Chancellor the main data is from the Committee of University Chairs annual survey of Vice-Chancellor remuneration, making comparison with Universities of similar scale, complexity and ranking<sup>5</sup>. For other senior roles, the primary data is from the University and Colleges Employers Association annual senior staff salary survey compared to both the whole HE sector and institutions of similar revenue. Given the comparability of some senior roles with those in the private, public and third sectors, and the increasing mobility of senior staff, these are augmented with other relevant comparators.

Emergent in 2018/19 is greater use of internal comparators, such as the ratio with staff median pay. The Remuneration Committee will in future take into account this information and the nationally negotiated annual pay award in its determinations.

The University policies on expenses<sup>6</sup> and on income<sup>7,8</sup> generated by individuals from external bodies are published on the University web-pages.

<sup>5</sup> The main comparators were: Surrey, Loughborough, Lancaster, UEA, York, Essex. Although different in scale, the following were also considered: Exeter, Newcastle, Bristol, Liverpool, Warwick.

<sup>6</sup> [www.bath.ac.uk/corporate-information/travel-subsistence-and-entertaining-policy/](http://www.bath.ac.uk/corporate-information/travel-subsistence-and-entertaining-policy/)

<sup>7</sup> [www.bath.ac.uk/ordinances/18.pdf](http://www.bath.ac.uk/ordinances/18.pdf)

<sup>8</sup> [www.bath.ac.uk/corporate-information/academic-consultancy/](http://www.bath.ac.uk/corporate-information/academic-consultancy/)

# Annual Remuneration Report

## (continued)

### Decisions in the 2017/18 academic year

In **October 2017** the Remuneration Committee was asked for advice on the starting salary for the Pro-Vice Chancellor (International and Doctoral) and separately on a retention issue for a role within the Committee's remit. Business cases and benchmark data were provided to support these decisions which were agreed unanimously using the out-of-committee procedure.

In **November 2017** the Remuneration Committee was asked for their advice on recommending to Council a proposal for the Vice-Chancellor to resign from the University. The remuneration package for the retiring Vice-Chancellor, last set in 2016/17, reflected an extended and sustained period of high performance keeping the University of Bath in the top range of all national rankings. It recognises the growth in student numbers and research income, while sustaining quality and international reputation amongst students, partners and the academic community. The Committee considered independent legal advice and as a result took the unanimous decision to recommend to Council using the agreed out-of-committee procedure. This included an agreement that the Vice-Chancellor will take no further pay rises while employed by the University.

In **February 2018** a new Chair Professor Barry Gilbertson was appointed following the decision that the Remuneration Committee would no longer be chaired by the Chair of Council.

In **March 2018** the Remuneration Committee was asked by the Committee on the Office of Vice-Chancellor to advise on the remuneration package to be applied in the recruitment process. The Committee undertook considerable research into benchmarks and

extensive consultation with staff, students, alumni and other stakeholders in determining a potential remuneration package for the new Vice-Chancellor. One of the key principles adopted was for the Vice-Chancellor to be subject to the same policies as other staff wherever practical. The Remuneration Committee determined a remuneration package which included a basic salary range which compared to the staff median of 7:1 to 8.2:1; comparator Universities being in the range 7:1 to 10:1. Given that other elements of the remuneration package sit at the lower end of provision across the sector the agreed basic salary of £266k (a ratio of 7.9:1) sits in a comfortable position within the range.

From **March 2018**, the focus of the work of the Remuneration Committee has been towards establishing remuneration policy and procedure, following appropriate guidelines and advice, for the coming year 2018/19 and thereafter.

In **April 2018** the Remuneration Committee considered its remit, policies and practices and operating cycle. A decision was taken to move the annual decision on salaries within its remit from July to September to align better with the other remuneration cycles at the University and the national pay award.

In **July 2018** the Remuneration Committee considered its approach to the annual determination of salaries and subsequent reporting to Council. The meeting also provided guidance to the Vice-Chancellor on a senior staff retention issue for an individual not within the remit of the Committee. Preparatory to the implementation of recommendations from the Council Effectiveness Review, the President of the Students' Union attended the meeting as Observer. The meeting also considered data relating to Professorial and other Senior Staff pay, taking a particular interest in equality issues.

# Independent auditors' report to the Council of the University of Bath (the "institution")

## Report on the audit of the financial statements

### Opinion

In our opinion, the University of Bath's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2018 and of the group's and of the parent institution's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students' ("OfS's") Accounts direction (OfS 2018.26).

We have audited the financial statements, which comprise the Consolidated and University Balance Sheets as at 31 July 2018; the Consolidated and University Statement of Comprehensive Income; the Consolidated and University Statement of Changes in Reserves; the Consolidated Cash Flow Statement for the year then ended; the Consolidated and University Statement of Principal Accounting Policies; and the notes to the financial statements, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the

audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and,

## Independent auditors' report to the Council of the University of Bath (the "institution") (continued)

in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the Council for the financial statements*

As explained more fully in the Statement of Responsibilities of the University's Council set out on page 28, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

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

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Charters and Statutes of the institution, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Opinions on other matters prescribed in the OfS and Research England Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended)

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by the Higher Education Funding Council for England and the OfS have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

29 November 2018





# Consolidated and University Statement of Principal Accounting Policies

## 1 Basis of preparation

The financial statements have been prepared in accordance with both the FE/HE SORP and with FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102.

The financial statements are prepared under the historical cost convention (modified by the revaluation of fixed assets, non-current and current asset investments and derivative financial instruments).

A prior year adjustment was made as set out in note 27.

As the Group has substantial reserves and is forecasting continuing surpluses, the financial statements have been prepared on a going concern basis.

## 2 Basis of consolidation

These financial statements consolidate the results of the University and its subsidiary undertaking for the financial year to 31 July 2018.

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 exert control nor exercise dominant influence over policy decisions.

## 3 Recognition of income

Income from the sale of goods or services is credited to the Statement of Consolidated Income (SOCI) when the goods or services are supplied to the external customer or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the SOCI over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

All income from short-term investments and deposits (including those held as endowments) is credited to the SOCI on a receivable basis.

### *Grant funding*

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

### *Donations and endowments*

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

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

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

## Consolidated and University Statement of Principal Accounting Policies (continued)

### *Capital grants*

Capital grants are recognised as income when the University is entitled to the income and performance related conditions have been met.

## 4 Accounting for retirement benefits

The two principal pension schemes in which the University participates are USS and the Avon Pension Fund (APF), part of LGPS. Throughout current and preceding periods, both these schemes are defined benefit only schemes and externally funded. The assets of these schemes are held in separate trustee-administered funds. Each fund is valued every three years by professionally qualified independent actuaries.

### *Defined benefit scheme*

Defined benefit schemes are post-employment benefit schemes other than defined contribution schemes. The University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit schemes net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

### *Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using the closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of the equivalent term to the liabilities. The actuarial

valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to the operating surplus are the current service costs and the cost of scheme introductions, benefit charges, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the SOCI and comprises the interest cost on the defined benefit obligation and interest income on the schemes assets, calculated by multiplying the fair value of the schemes assets at the beginning of the period by the rate used to discount the benefit obligations.

### *Defined contribution scheme*

Defined contribution schemes are post-employment benefit schemes under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the SOCI in the periods during which services were rendered by employees.

### *Universities Superannuation Scheme (USS)*

The USS is a multi-employer scheme for which it is not possible to identify the University's share of the underlying assets and liabilities due to the mutual nature of the scheme. Therefore the University accounts as if it were a defined contribution scheme, so that the amount charged to the SOCI represents the contributions payable to the scheme in the accounting period.

A liability is recorded within Provisions for the discounted fair value of the contractual contributions under the deficit recovery plan in existence at the balance sheet date.

## 5 Employee benefits

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

## Consolidated and University Statement of Principal Accounting Policies (continued)

### 6 Foreign currency

Transactions denominated in foreign currencies are translated using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period, with all resulting exchange differences being recognised in the SOCI. Exchange differences arising on the translation of a financial liability designated as an effective hedge against a foreign denominated investment are recognised in the SOCI as Other Comprehensive Income.

### 7 Leases

Operating leases are where the University does not assume substantially all the risks and rewards of ownership, rental costs under operating leases are charged to the SOCI as the costs are incurred. Any lease premium or incentives are spread over the minimum lease term.

Finance leases are where the University assumes substantially all the risks and rewards of ownership of the asset. Leased assets acquired by way of a finance lease and the corresponding lease liability are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease so as to produce a constant rate of interest on the remaining balance of the liability.

### 8 Fixed Assets

#### *Land and Buildings*

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to their fair value. The University has a policy of ensuring all assets are revalued by an external valuer every four years, such that the fair value is not materially different to the current value. The basis of the valuation is a combination of depreciated replacement cost, existing use and open market value depending on the nature of the property.

Freehold and Leasehold land are not depreciated as they are considered to have an indefinite useful life.

Buildings are depreciated over a maximum period of 50 years. The remaining expected life of buildings is reviewed annually by an appropriately qualified member of the Estates department and, where material, the accumulated and future depreciation is adjusted in accordance with FRS15. Land and building additions since the last valuation and assets in the course of construction are valued at cost. Depreciation commences at the beginning of the year following occupation.

Building refurbishments are depreciated over the remaining expected life of the building in which the refurbishment takes place, up to a maximum of 25 years. At the next revaluation the entire building will be re-lived as appropriate.

Assets under the course of construction are all valued at cost and include a mixture of new buildings and refurbishments and improvements to existing 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

#### *Equipment*

Equipment costing less than £25k 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.

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 donated, the asset is recorded at valuation. The donation is recorded as income in the SOCI in the year it is received.

## Consolidated and University Statement of Principal Accounting Policies (continued)

### 9 Maintenance of Premises

The cost of routine corrective maintenance and planned maintenance are both charged to the SOCI in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

### 10 Investments

Non-current and current asset investments are held at fair value where this can be readily determined and cost where no market exists. Those investments with a maturity of 3 months or less are shown as cash and cash equivalents. The fair value movement in non-current and current asset investments is recognised in the SOCI.

### 11 Derivatives

The University uses derivative financial instruments to reduce exposure to interest rate movements on its loans and foreign exchange movements on its investments. These derivatives are not held for speculation purposes and relate to actual assets or liabilities. Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair values are recorded within other comprehensive income where the hedging arrangement is effective and in interest payable where it is deemed to be ineffective.

### 12 Stocks

Stocks are stated at the lower of cost and net realisable value.

### 13 Cash and Cash Equivalent

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.

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

Assets that form Endowment funds are included within Cash at Bank or Investments as appropriate.

### 14 Provisions, Contingent Liabilities and Contingent Assets.

Provisions are recognised in the financial statements 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.

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

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

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

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

### 15 Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

## Consolidated and University Statement of Principal Accounting Policies (continued)

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 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 VAT. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

### 16 Key sources of estimation uncertainty and judgements in applying accounting policies.

#### *Key sources of estimation uncertainty:*

##### **Fixed Assets**

Land and buildings are held at fair value. A periodic valuation exercise is undertaken by an external qualified chartered surveyor to ensure the carrying value of the assets are not materially different to their fair value. The University will apply the methodology adopted by the external surveyor to other buildings by extrapolation to ensure the assets are not materially misstated in the financial statements. Tangible fixed assets, other than investment properties, are depreciated over their remaining useful economic lives taking into account residual value, where appropriate, see note 13 for the carrying amount of the property, plant and equipment. The remaining useful economic life of an asset and any residual value are assessed annually by a qualified member of staff and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

##### **Local Government Pension Scheme (LGPS)**

The present value of the LGPS defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used

in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Sensitivity analysis is also included in note 26 based on the assumptions used. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

##### **Universities Superannuation Scheme (USS)**

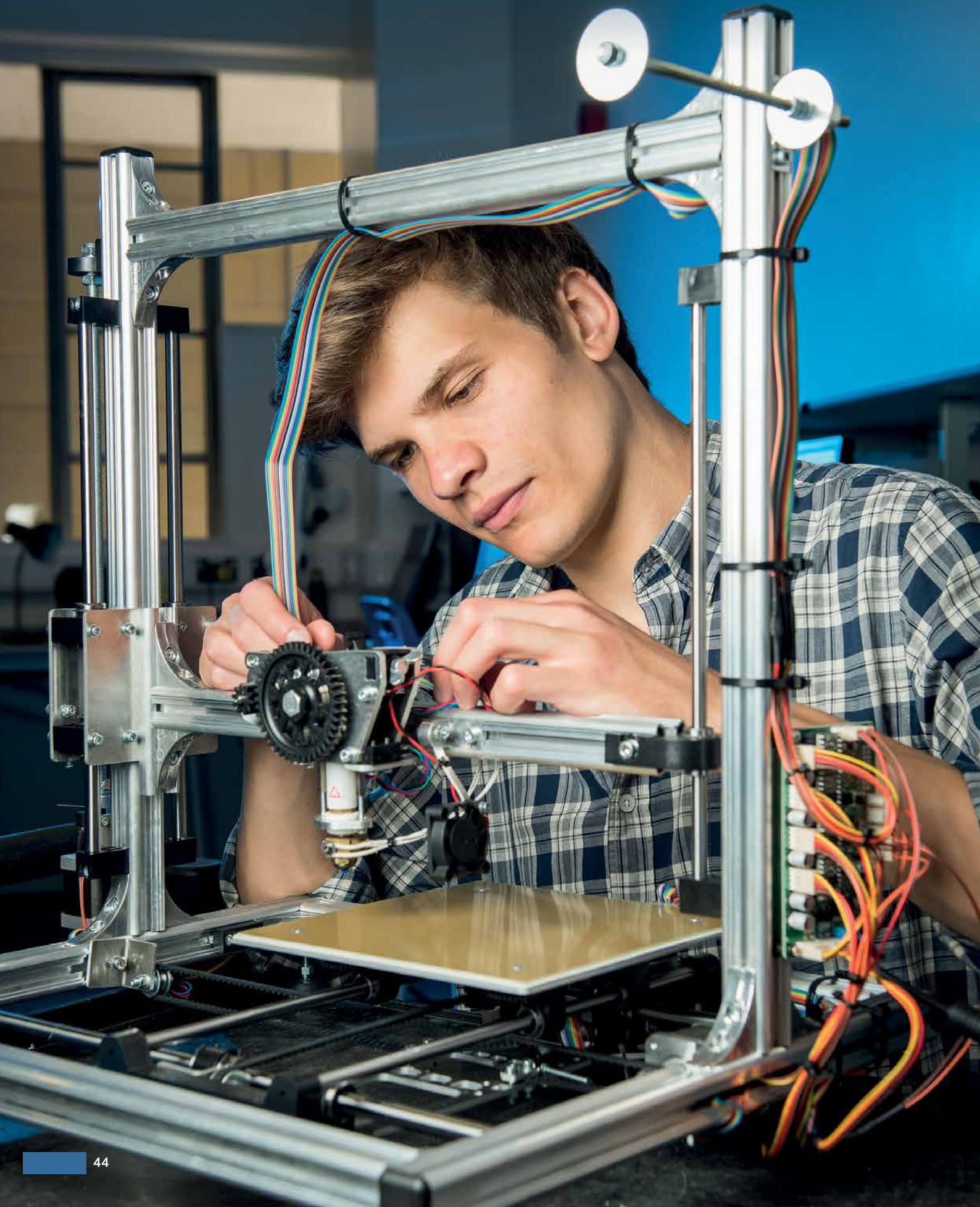
The present value of the USS provision depends on a number of estimates used by management in respect of discount rate, future salary increases and numbers of staff in USS. Any changes in these assumptions, which are disclosed in note 21 will impact the carrying amount of the pension liability.

##### **Impairment of debtors**

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the net carrying amount of the debtors and associated impairment provision.

##### **Classification of financial liabilities**

All of the University's financial liabilities have been classified as basic financial instruments. In respect of the loans made by North Western Mutual Life Insurance Company and Met Life (Note 19), judgement has been applied in determining this classification. As part of the agreement, the issuers of the debt, who are based in the US, have entered into a cross currency swaps to ensure that they are not adversely impacted by foreign exchange rate movements between \$ and £, should the University repay the debt early. We consider any resultant financial impact for the University to represent reasonable compensation for early repayment and as such have classified the debt as basic. As a result, the financial liability is reflected in the financial statements at amortised cost.



# Consolidated and University Statement of Comprehensive Income

for the year ended 31 July 2018

	Note	<i>Consolidated</i>		<i>University</i>	
		2018 £m	2017 £m	2018 £m	2017 £m
<b>Income</b>					
Tuition fees and education contracts	1	<b>164.0</b>	148.8	<b>164.0</b>	148.8
Funding body grants	2	<b>32.0</b>	31.9	<b>32.0</b>	31.9
Research grants and contracts	3	<b>37.0</b>	35.1	<b>37.0</b>	35.1
Other	4	<b>49.5</b>	47.2	<b>49.5</b>	47.2
Investment income	6	<b>2.7</b>	1.0	<b>2.7</b>	1.0
Donations & endowments	7	<b>2.8</b>	2.8	<b>2.7</b>	2.8
<b>Total income</b>		<b>288.0</b>	266.8	<b>287.9</b>	266.8
<b>Expenditure</b>					
Staff costs	8	<b>155.0</b>	143.6	<b>155.0</b>	143.6
Other operating expenses	9	<b>94.7</b>	95.4	<b>94.7</b>	95.4
Depreciation	9	<b>25.4</b>	24.1	<b>25.9</b>	24.6
Interest and other finance costs	11	<b>7.5</b>	5.0	<b>7.5</b>	5.0
<b>Total expenditure</b>		<b>282.6</b>	268.1	<b>283.1</b>	268.6
<b>Surplus/(Deficit) before gains and losses</b>					
		<b>5.4</b>	(1.3)	<b>4.8</b>	(1.8)
(Decrease)/increase in market value of non current asset investments	14	<b>(0.1)</b>	0.3	<b>(0.1)</b>	0.3
Increase in market value of current asset investments	16	<b>1.5</b>	5.8	<b>1.5</b>	5.8
<b>Surplus for the year</b>		<b>6.8</b>	4.8	<b>6.2</b>	4.3
<b>Revaluation reserve</b>					
Actuarial gain in respect of pension schemes	26	<b>15.5</b>	5.0	<b>15.5</b>	5.0
Change in the fair value of tangible fixed assets		<b>26.4</b>	52.8	<b>26.4</b>	52.8
Change in the fair value of derivatives	20	<b>0.7</b>	2.7	<b>0.7</b>	2.7
<b>Total Comprehensive Income in the year</b>		<b>49.4</b>	65.3	<b>48.8</b>	64.8
<b>Represented by</b>					
Endowment comprehensive income for the year		<b>0.6</b>	0.8	<b>0.6</b>	0.8
Restricted comprehensive income (expenditure) for the year		<b>0.4</b>	(0.1)	<b>0.4</b>	(0.1)
Unrestricted comprehensive income for the year		<b>22.0</b>	11.8	<b>21.4</b>	11.3
Revaluation reserve comprehensive income for the year		<b>26.4</b>	52.8	<b>26.4</b>	52.8
<b>Total Comprehensive Income in the year</b>		<b>49.4</b>	65.3	<b>48.8</b>	64.8

## Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2018

### CONSOLIDATED

	Endowment Reserve £m	Restricted Reserve £m	Unrestricted Reserve £m	Revaluation Reserve £m	Total £m
At 1 August 2016	5.2	2.0	181.3	257.7	446.2
Surplus/(Deficit) for the year	0.8	(0.1)	4.1	-	4.8
Depreciation on revalued assets	-	-	7.5	(7.5)	0.0
Other comprehensive income	-	-	7.7	52.8	60.5
<b>At 31 July 2017</b>	<b>6.0</b>	<b>1.9</b>	<b>200.6</b>	<b>303.0</b>	<b>511.5</b>
At 1 August 2017	6.0	1.9	200.6	303.0	511.5
Reclassification of Restricted reserve	0.3	(0.3)	-	-	-
Surplus for the year	0.6	0.4	22.0	-	23.0
Depreciation on revalued assets	-	-	9.4	(9.4)	-
Other comprehensive income	-	-	-	26.4	26.4
<b>At 31 July 2018</b>	<b>6.9</b>	<b>2.0</b>	<b>232.0</b>	<b>320.0</b>	<b>560.9</b>

### UNIVERSITY

	Endowment Reserve £m	Restricted Reserve £m	Unrestricted Reserve £m	Revaluation Reserve £m	Total £m
At 1 August 2016	5.2	2.0	183.0	257.7	447.9
Surplus/(Deficit) for the year	0.8	(0.1)	3.6	-	4.3
Depreciation on revalued assets	-	-	7.5	(7.5)	-
Other comprehensive income	-	-	7.7	52.8	60.5
<b>At 31 July 2017</b>	<b>6.0</b>	<b>1.9</b>	<b>201.8</b>	<b>303.0</b>	<b>512.7</b>
At 1 August 2017	6.0	1.9	201.8	303.0	512.7
Reclassification of Restricted reserve	0.3	(0.3)	-	-	-
Surplus for the year	0.6	0.4	21.4	0.0	22.4
Depreciation on revalued assets	-	-	9.4	(9.4)	-
Other comprehensive income	-	-	-	26.4	26.4
<b>At 31 July 2018</b>	<b>6.9</b>	<b>2.0</b>	<b>232.6</b>	<b>320.0</b>	<b>561.5</b>



## Consolidated and University Balance Sheets

as at 31 July 2018

	Note	Consolidated		University	
		2018 £m	2017 £m	2018 £m	2017 £m
<b>Non-Current Assets</b>					
Fixed Assets	13	724.5	677.0	725.1	678.1
Investments	14	1.2	1.7	1.2	1.7
		<b>725.7</b>	<b>678.7</b>	<b>726.3</b>	<b>679.8</b>
<b>Current Assets</b>					
Stock		0.4	0.3	0.6	0.5
Trade and other Receivables	15	17.4	16.5	17.4	16.5
Investments	16	204.9	115.5	204.9	115.5
Cash and cash equivalents		8.3	6.7	8.1	6.5
		<b>231.0</b>	<b>139.0</b>	<b>231.0</b>	<b>139.1</b>
<b>Creditors : Amounts Falling Due Within One Year</b>					
	17	(69.0)	(60.8)	(69.0)	(60.8)
<b>Net Current Assets</b>		<b>162.0</b>	<b>78.2</b>	<b>162.0</b>	<b>78.3</b>
<b>Total Assets Less Current Liabilities</b>		<b>887.7</b>	<b>756.9</b>	<b>888.3</b>	<b>758.1</b>
<b>Creditors : Amounts Falling Due After More Than One Year</b>					
	18	(258.2)	(165.3)	(258.2)	(165.3)
<b>Provisions</b>					
Pension provisions	21	(68.6)	(80.1)	(68.6)	(80.1)
<b>Total Net Assets</b>		<b>560.9</b>	<b>511.5</b>	<b>561.5</b>	<b>512.7</b>
<b>Restricted Reserves</b>					
Income & expenditure reserve - endowment reserve	22	6.9	6.0	6.9	6.0
Income & expenditure reserve - restricted reserve	23	2.0	1.9	2.0	1.9
<b>Unrestricted Reserves</b>					
Income & expenditure reserve - unrestricted reserve		232.0	200.6	232.6	201.8
Revaluation Reserve		320.0	303.0	320.0	303.0
<b>Total Reserves</b>		<b>560.9</b>	<b>511.5</b>	<b>561.5</b>	<b>512.7</b>

The Financial Statements on pages 39 to 76 were approved by the Council on 29 November 2018 and signed on its behalf by:

**Professor Bernie Morley**  
Acting Vice-Chancellor

**Mr John Preston**  
Treasurer

# Consolidated Cash Flow Statement

for the year ended 31 July 2018

		Consolidated	
	Note	2018 £m	2017 £m
<b>Cash flow generated from operating activities</b>			
Surplus for the year		6.8	4.8
<b>Adjustment for non-cash items</b>			
Depreciation	13	25.4	24.1
Impairment of Tangible Fixed Assets	9	(1.1)	1.1
(Decrease) in USS pension provision	21	(1.1)	(1.0)
LGPS pension costs less contributions paid	26	3.7	0.5
Loss/(gain) in non-current asset investments	14	0.1	(0.3)
(Gain) on current investments	16	(1.5)	(5.8)
(Gain) on hedging arrangements	11	(0.5)	(1.5)
Decrease in stock		0.1	0.4
(Increase) in operational debtors	15	(1.0)	(0.5)
Increase in operating creditors	17	1.8	5.1
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(2.8)	(1.0)
Interest payable	11	6.2	4.6
New endowment income	7	(0.3)	(0.4)
Capital grant receipts	2 & 4	(2.9)	(3.9)
<b>Net cash inflow from operating activities</b>		<b>32.9</b>	<b>26.1</b>
<b>Cash flow from investing activities</b>			
Investment income	6	2.8	1.0
Proceeds from the sale of Fixed Asset Investments		0.4	-
Payments made to acquire fixed assets		(39.9)	(24.4)
Capital donations & grant receipts		4.1	3.2
Net (acquisitions) of current asset investments	16	(87.8)	(0.7)
<b>Net cash outflow from investing activities</b>		<b>(120.4)</b>	<b>(20.9)</b>
<b>Cash flow from funding activities</b>			
Interest paid	11	(6.2)	(4.6)
New Loans received	19	100.0	-
New endowment cash received	7	0.3	0.4
Repayments of amounts borrowed	19	(5.0)	(5.0)
<b>Net cash outflow from funding activities</b>		<b>89.1</b>	<b>(9.2)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>1.6</b>	<b>(4.0)</b>
Cash and cash equivalents at the beginning of the year		6.7	10.7
Cash and cash equivalents at the end of the year		8.3	6.7
		<b>1.6</b>	<b>(4.0)</b>



## Notes to the Financial Statements

### 1 TUITION FEES AND EDUCATION CONTRACTS

	Consolidated & University	
	2018	2017
	£m	£m
Full-time UK higher education students	82.9	78.6
Full-time EU higher education students	13.1	12.5
Full time overseas higher education students	52.5	43.9
Part-time higher education students	4.6	4.9
Short course fees	2.7	1.9
Research training support grants and other fees	8.2	7.0
	<b>164.0</b>	<b>148.8</b>

### 2 FUNDING BODY GRANTS

	Consolidated & University	
	2018	2017
	£m	£m
<b>Recurrent Grants</b>		
Office for Students	27.7	27.2
<b>Specific Grants</b>		
Office for Students	1.4	0.8
<b>Capital Grant</b>		
Office for Students	2.9	3.9
	<b>32.0</b>	<b>31.9</b>

### 3 RESEARCH GRANTS AND CONTRACTS

	Consolidated & University	
	2018	2017
	£m	£m
Research Councils	19.8	19.7
UK charitable bodies	2.2	2.1
European Commission	5.5	4.8
Other sponsors	9.5	8.5
	<b>37.0</b>	<b>35.1</b>

Research income includes £0.7m (2016/17 £1.3m) expended on equipment which has been capitalised in the year

## Notes to the Financial Statements (continued)

**4 OTHER INCOME**

	<b>Consolidated &amp; University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Residences, catering and conferences	32.2	29.7
Other services rendered (note 5)	7.3	7.8
Retail income	4.7	4.4
Miscellaneous grants	0.8	0.6
Rents	0.6	0.5
Other capital grants receivable	-	0.1
VAT recovery	0.4	0.4
Health and hospital authorities	0.1	0.2
Car parking	0.6	0.6
Westwood Nursery	0.5	0.5
Income from intellectual property rights	0.2	0.2
Other income	2.1	2.2
	<b>49.5</b>	<b>47.2</b>

**5 OTHER SERVICES RENDERED**

	<b>Consolidated &amp; University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Academic departments & centres	<b>1.8</b>	1.7
Computing, library & other academic services	<b>0.9</b>	0.9
Sports and related facilities	<b>4.3</b>	4.7
Other	<b>0.3</b>	0.5
	<b>7.3</b>	<b>7.8</b>

## Notes to the Financial Statements (continued)

**6 INVESTMENT INCOME**

	<b>Consolidated &amp; University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Investment Income on Endowments	0.1	0.1
Net income and gains from investments	2.1	0.5
Other investment income	0.5	0.4
	<b>2.7</b>	<b>1.0</b>

**7 DONATIONS & ENDOWMENTS**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
New Endowments	0.3	0.4
Donations with restrictions	1.7	1.5
Unrestricted donations	0.8	0.9
	<b>2.8</b>	<b>2.8</b>

	<b>University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
New Endowments	0.3	0.4
Donations with restrictions	1.7	1.5
Unrestricted donations	0.7	0.9
	<b>2.7</b>	<b>2.8</b>

## Notes to the Financial Statements (continued)

<b>8 STAFF COSTS</b>		
	<b>Consolidated &amp; University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Salaries	127.6	118.0
Social security costs	11.5	10.7
Other Pension costs	20.2	19.0
	<b>159.3</b>	<b>147.7</b>
less: paid on behalf of other organisations	(4.2)	(4.0)
less: capitalised within the cost of buildings	(0.1)	(0.1)
	<b>155.0</b>	<b>143.6</b>
<b>Emoluments of the President &amp; Vice-Chancellor</b>		
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Salary	407,840	401,127
Performance related bonus	-	-
Salary in lieu of pension contributions	61,910	60,878
Benefits in kind	8,748	9,471
	<b>478,498</b>	<b>471,476</b>
Pension contributions	-	-
	<b>478,498</b>	<b>471,476</b>
Benefits in kind included above;		
Medical Expenses	4,741	5,405
Accommodation	2,814	2,800
Subscriptions	406	322
Subsidised loans	787	944
	<b>8,748</b>	<b>9,471</b>
Non-taxable benefits include:		
Accommodation	12,750	12,240
	<b>12,750</b>	<b>12,240</b>

Non-taxable benefits relate to market value rental of the proportion of the property provided by the University to and occupied by the President & Vice Chancellor.

## Notes to the Financial Statements (continued)

### 8 STAFF COSTS (continued)

On 27 November 2017 Professor Dame Glynis Breakwell resigned from the position of President & Vice-Chancellor with effect from 31 August 2018 to take up a sabbatical previously awarded by the University and so the University will continue to employ Professor Dame Glynis Breakwell as a Professor to 28 February 2019. The University will pay her £235,200 for the duties she will undertake for the University during this period. The provision of accommodation to the President & Vice Chancellor ceased when her time as President & Vice-Chancellor ended.

The remuneration package for the retiring President & Vice-Chancellor, last set in 2016/17, reflects an extended and sustained period of high performance, keeping the University of Bath in the top range of all national rankings. It recognises the growth in student numbers and research income, while sustaining quality and international reputation amongst students, partners and the academic community. The Remuneration Committee receives both information on the University's performance over the preceding year and the Chair of Council's assessment of the performance of the President & Vice Chancellor.

The President & Vice Chancellor has previously been provided with a loan as a cost effective means of providing the benefits to which she was contractually entitled. This loan, of £31k will be written off when the retiring President & Vice Chancellor leaves the University on 28 February 2019 as the University contractually committed to in 2001. The University has provided for the non-recovery of this loan.

On 1 September 2018 Professor Bernie Morley was appointed Acting Vice Chancellor, Professor Morley will not receive any additional remuneration whilst performing these duties.

On 3 September 2018 the University announced the appointment of Professor Ian White as Vice-Chancellor & President of the University with effect from 8 April 2019. Professor White will be paid an annual salary of £266,000 and be responsible for his own domestic accommodation. Further details can be found at <https://www.bath.ac.uk/corporate-information/vice-chancellor-remuneration/>



## Notes to the Financial Statements (continued)

**8 STAFF COSTS (continued)****Remuneration of other higher paid staff**

Remuneration of other higher paid staff, excluding employer's pension contributions and before salary sacrifice are:

FTE Salary Band	Academic		Professional Services		Restated	
	Teaching & Research	Senior Leadership		2018 Number	2017 Number	
£100,000 - £104,999	7	-	1	8	14	
£105,000 - £109,999	9	1	1	11	13	
£110,000 - £114,999	4	3	-	7	5	
£115,000 - £119,999	1	2	2	5	7	
£120,000 - £124,999	4	1	-	5	1	
£125,000 - £129,999	1	-	-	1	-	
£130,000 - £134,999	-	-	1	1	1	
£135,000 - £139,999	-	3	-	3	1	
£140,000 - £144,999	1	-	-	1	2	
£145,000 - £149,999	1	-	-	1	-	
£150,000 - £154,999	-	-	-	-	2	
£155,000 - £159,999	-	1	1	2	-	
£160,000 - £164,999	-	1	-	1	-	
£165,000 - £169,999	2	-	-	2	2	
£170,000 - £174,999	-	-	1	1	1	
£175,000 - £179,999	-	-	-	-	1	
£185,000 - £189,999	-	-	-	-	1	
£190,000 - £194,999	-	-	-	-	1	
£195,000 - £199,999	-	1	-	1	-	
£200,000 - £204,999	-	1	-	1	-	
	<b>30</b>	<b>14</b>	<b>7</b>	<b>51</b>	<b>52</b>	

The reason for restatement for prior year figures is provided in note 27.

## Notes to the Financial Statements (continued)

**8 STAFF COSTS (continued)**

The table below shows the ratio between the highest salary in the organisation and the median salary along with the ratio between the highest salary in the organisation and the lowest salary which is a disclosure in addition to that required by the OfS Accounts Direction.

<b>Ratios to Highest FTE Salary</b>	<b>2018</b>	<b>2017</b>
Median FTE Basic Pay	<b>12.2</b>	<b>12.2</b>
Median FTE Total Pay	<b>11.9</b>	<b>11.9</b>
Lowest FTE Basic Pay	<b>24.6</b>	<b>25.7</b>
Lowest FTE Total Pay	<b>28.3</b>	<b>29.5</b>

The difference between basic pay and total pay includes pension contributions made by the University. There is no difference, in this respect, between the instance of "lowest FTE Basic Pay" and "lowest FTE Total Pay" as they both recognise pension opt out.

The above ratios exclude atypical workers and agency workers, data in respect of the working hours of these workers is not held in a consistent manner with that of employees and therefore they have been omitted from the ratio calculations.

<b>Average staff numbers by major category:</b>	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Education & Research	<b>1,244</b>	1,188
Technical & Experimental	<b>144</b>	141
Management, Specialist & Administrative	<b>1,129</b>	1,074
Operational & Facilities Support	<b>544</b>	525
	<b>3,061</b>	2,928

**Key management personnel**

The Vice-Chancellor's Group represents the University's 'key management personnel' for 2017/18 as it was this group which has the authority and responsibility for planning, directing and controlling the activities of the University. The Vice-Chancellor's Group consisted of the following roles:

President & Vice-Chancellor	Vice-President (Implementation)
Deputy Vice-Chancellor & Provost	Director of Finance
Pro-Vice-Chancellor (International & Doctoral)	University Secretary
Pro-Vice-Chancellor (Learning and Teaching)	Director of Policy & Planning
Pro-Vice-Chancellor (Research)	

	<b>2018</b>	<b>2017</b>
Key management personnel compensation	<b>£1,891,169</b>	<b>£1,826,848</b>
Full time equivalent (number)	<b>8.58</b>	8.08

Compensation includes remuneration and all employer benefits paid or payable in exchange for services provided by its key management personnel in the year.

	<b>2018</b>	<b>2017</b>
<b>Severance Payments</b>		
Total amount of compensation paid for the loss of office	<b>£366,588</b>	£311,821
Number of Staff	<b>72</b>	73

Severance payments include a mixture of redundancy costs, typically at the end of a fixed term contract and settlement agreements.

## Notes to the Financial Statements (continued)

## 9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Other Operating Expenses	Depreciation	Interest Payable	2018 Total	2017 Total
	£m	£m	£m	£m	£m	£m
Academic departments	78.7	21.8	1.6	-	102.1	96.2
Academic Services	15.2	10.6	0.9	-	26.7	25.4
Central administration	13.8	5.4	-	-	19.2	17.0
General educational expenditure	4.3	15.2	-	-	19.5	17.9
Staff & student facilities	5.7	3.3	0.5	-	9.5	9.3
Premises	6.8	11.0	14.7	3.6	36.1	35.0
Residences, retail & catering operations	9.3	16.4	6.1	2.5	34.3	31.9
Research grants and contracts	16.3	8.8	1.6	-	26.7	25.7
Other services rendered	3.4	3.3	-	0.1	6.8	6.9
Other expenses	1.5	(1.1)	-	1.3	1.7	2.8
<b>Consolidated</b>	<b>155.0</b>	<b>94.7</b>	<b>25.4</b>	<b>7.5</b>	<b>282.6</b>	<b>268.1</b>
<b>University of Bath</b>	<b>155.0</b>	<b>94.7</b>	<b>25.9</b>	<b>7.5</b>	<b>283.1</b>	<b>268.6</b>

## Consolidated &amp; University

## Other Operating Expenses include:

	2018	2017
	£	£
External Auditors Remuneration (Group and University)		
- Audit Services - Consolidated financial statements	61,800	60,000
- Grant claims	-	-
- Other Fees	7,200	3,500
- US federal loan	3,000	2,750
- Non-Audit Services	-	-
	<b>72,000</b>	<b>66,250</b>
	£	£

Virgil Building repairs and refurbishment costs	-	4,298,809
Impairments following land & building valuation	(1,061,644)	1,152,413

Reimbursements to Council Members for expenditure incurred whilst carrying out their duties amounted to £7,825 (2016/17 £6,942). 12 members of Council (2016/17 7 members) claimed expenses during the year.

Council Members did not receive any remuneration from the University, except by reason of their employment by the University.

## Notes to the Financial Statements (continued)

### 10 RELATED PARTY TRANSACTIONS

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

#### Universities Superannuation Scheme Ltd (USS)

USS provide a pension scheme for University staff, details of the transactions with USS are disclosed in Note 26. Professor Dame Glynis Breakwell and Dr Steve Wharton (member of Council until 31 July 2018) were Directors of USS for the period covered by these Financial Statements.

#### Economic and Social Research Council (ESRC)

The ESRC is the UK's largest organisation funding research on economic and social issues. In 2017-18 the University received £1.1m (2016-17 £0.9m) from the ESRC. The current portfolio value of ESRC awards at 31 July 2018 is £3.1m (2017 £2.4m) and the University was owed £127,635.22 (2017 £10,598.07).

Professor Dame Glynis Breakwell was a member of the ESRC Council for the period covered by these Financial Statements.

#### Student Union

The University provided a grant of £1.6m (2016-17 £1.460m) to the Students' Union. At 31 July 2018 the University was owed £160k (2016-17 £168k) by the Students' Union.

### 11 INTEREST AND OTHER FINANCE COST

	Consolidated & University	
	2018	2017
	£m	£m
Loans not wholly repayable within five years	6.2	4.6
Change in discounted value of future USS payments (note 21)	0.5	0.5
Change in the fair value of derivatives (note 20)	(0.5)	(1.5)
LGPS net interest charge (note 26)	1.3	1.4
	7.5	5.0

### 12 CAPITAL COMMITMENTS

	Consolidated & University	
	2018	2017
	£m	£m
Provision has not been made for the following capital commitments at 31 July 2018		
<b>Capital Commitments</b>		
Funded by University funds	42.5	35.8
Capital commitments contracted at 31 July	42.5	35.8

## Notes to the Financial Statements (continued)

<b>13 FIXED ASSETS</b>						
<b>Consolidated</b>						
	<b>Land and Buildings</b>		<b>Equipment</b>	<b>Assets in the Course of</b>	<b>Assets in the Course of</b>	<b>Total</b>
	<b>Freehold</b>	<b>Leasehold</b>		<b>Construction Buildings</b>	<b>Construction Equipment</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost / Valuation</b>						
At 1st August 2017	14.1	636.5	77.6	13.3	-	741.5
Additions at Cost	0.1	2.3	2.6	40.3	0.1	45.4
Disposals	-	-	(0.4)	-	-	(0.4)
Revaluations	4.2	8.7	-	-	-	12.9
<b>At 31 July 2018</b>	<b>18.4</b>	<b>647.5</b>	<b>79.8</b>	<b>53.6</b>	<b>0.1</b>	<b>799.4</b>
<b>Accumulated Depreciation</b>						
At 1st August 2017	0.1	1.0	63.4	-	-	64.5
Charge in Year	0.6	19.9	4.7	0.2	-	25.4
Disposals	-	-	(0.4)	-	-	(0.4)
Revaluations	(0.5)	(14.1)	-	-	-	(14.6)
<b>At 31 July 2018</b>	<b>0.2</b>	<b>6.8</b>	<b>67.7</b>	<b>0.2</b>	<b>-</b>	<b>74.9</b>
<b>Net Book Value</b>						
<b>At 31 July 2018</b>	<b>18.2</b>	<b>640.7</b>	<b>12.1</b>	<b>53.4</b>	<b>0.1</b>	<b>724.5</b>
At 1st August 2017	14.0	635.5	14.2	13.3	-	677.0

The University revalues its freehold and leasehold Land & Building on a rolling basis with approximately 25% of the Estates valued each year. This valuation is carried out by Eddisons Commercial Limited, an external Chartered Surveyor on the basis of Existing Use, Depreciated Replacement Cost or Market Valuation according to the nature and use of each building. The valuation was prepared in accordance with the Valuation Standards published by the Royal Institute of Chartered Surveyors.

The 31 July 2018 Valuation from Eddisons Commercial Limited of a selection of buildings increased the fair value of land and buildings by £10,482,917. The methodology adopted by Eddisons was then applied by the University to the remaining buildings measured by Depreciated Replacement Cost to reflect their fair value. The increase in fair value following the University's application was £16,959,417.

The movement in land and building values following the revaluation is written back through the reversal of accumulated depreciation charged since the previous valuation exercise.

## Notes to the Financial Statements (continued)

**13 FIXED ASSETS (continued)**

	University					Total £m
	Land and Buildings		Equipment £m	Assets in the Course of Construction Buildings £m	Assets in the Course of Construction Equipment £m	
	Freehold	Leasehold				
	£m	£m	£m	£m	£m	
<b>Cost / Valuation</b>						
At 1st August 2017	14.1	638.9	77.6	13.3	-	743.9
Additions at Cost	0.1	2.3	2.6	40.3	0.1	45.4
Disposals	-	-	(0.4)	-	-	(0.4)
Revaluations	4.2	8.7	-	-	-	12.9
<b>At 31 July 2018</b>	<b>18.4</b>	<b>649.9</b>	<b>79.8</b>	<b>53.6</b>	<b>0.1</b>	<b>801.8</b>
<b>Accumulated Depreciation</b>						
At 1st August 2017	0.1	2.2	63.5	-	-	65.8
Charge in Year	0.6	19.9	5.2	0.2	-	25.9
Disposals	-	-	(0.4)	-	-	(0.4)
Revaluations	(0.5)	(14.1)	-	-	-	(14.6)
<b>At 31 July 2018</b>	<b>0.2</b>	<b>8.0</b>	<b>68.3</b>	<b>0.2</b>	<b>-</b>	<b>76.7</b>
<b>Net Book Value</b>						
<b>At 31 July 2018</b>	<b>18.2</b>	<b>641.9</b>	<b>11.5</b>	<b>53.4</b>	<b>0.1</b>	<b>725.1</b>
<b>At 1st August 2017</b>	<b>14.0</b>	<b>636.7</b>	<b>14.1</b>	<b>13.3</b>	<b>-</b>	<b>678.1</b>

Freehold and Leasehold Land and Buildings measured by valuation at 31 July 2018 includes the following historical cost:

	Consolidated & University	
	2018 £m	2017 £m
Freehold land and buildings	11.8	11.8
Leasehold land and buildings	461.7	459.5

Leasehold land and buildings includes land with a value of £85,790,000 (£82,060,000 2016-17) which is not depreciated.

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

## Notes to the Financial Statements (continued)

**14 NON CURRENT ASSET INVESTMENTS**

	Consolidated		University	
	2018 £m	2017 £m	2018 £m	2017 £m
At 1 August				
Other investments	1.7	1.4	1.7	1.4
Disposal of investments	(0.4)	-	(0.4)	-
Movement in market value	(0.1)	0.3	(0.1)	0.3
At 31 July				
Other investments	1.2	1.7	1.2	1.7

**Subsidiary companies**

The University owns 100% of the following company which is registered in England:-

Company Name	Principal Activities	Share holding	Year end
University of Bath Three 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.

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
<i>Included above:</i>				
CVCP Properties plc 1 Ordinary share	36	36	36	36
Atlas Genetics Ltd 600 Ordinary shares (0.1p)	101	104	101	104
CiteAb Ltd 15,000 Ordinary shares (0.1p)	20	20	20	20
Glythera Ltd 53,288 Ordinary shares (0.1p)	277	277	277	277
Bath Crescent Seedcorn Fund (BCSF)	760	1,268	760	1,268
	1,194	1,705	1,194	1,705

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 BCSF. 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.

The University's total holdings in CiteAb Ltd amount to 55,000 shares: 15,000 held directly by the University and a further 40,000 held through the BCSF. Although this represents 33.3% of the company's total shares, the University does not exercise a significant influence over the company, and it is therefore not accounted for as an associate.

## Notes to the Financial Statements (continued)

**15 TRADE AND OTHER RECEIVABLES**

	<b>Consolidated &amp; University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Prepayments and accrued income	3.7	2.9
Research grant receivables	8.3	7.4
Other receivables	5.4	6.2
	<b>17.4</b>	<b>16.5</b>
Due within one year	17.4	16.3
Due in more than one year	-	0.2
	<b>17.4</b>	<b>16.5</b>

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

**16 CURRENT ASSET INVESTMENTS**

	<b>Investments measured at</b>		<b>Consolidated &amp; University</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>	<b>Total</b>	<b>Total</b>
			<b>£m</b>	<b>£m</b>
At 1 August 2017	84.5	31.1	<b>115.5</b>	110.4
Reclassification	3.8	(3.8)	-	-
New investments	91.7	48.8	<b>140.5</b>	62.7
Disposal of investments	(23.6)	(29.0)	<b>(52.6)</b>	(63.4)
Market value movement	1.5	0.0	<b>1.5</b>	5.8
At 31 July 2018	<b>157.9</b>	<b>47.1</b>	<b>204.9</b>	<b>115.5</b>

Investments measured at market value includes quoted investments of £119.5m (£72.4m) and those held in unit funds where a market value can be determined of £38.4m (£15.8m).

Investments measured at cost include those held in money market funds, certificates of deposit and fixed deposits.



## Notes to the Financial Statements (continued)

**17 CREDITORS : AMOUNTS FALLING DUE  
WITHIN ONE YEAR**

	Consolidated & University	
	2018	2017
	£m	£m
Bank loans (note 19)	5.0	5.0
Trade Payables	20.3	16.1
Social Security and other taxation payable	5.9	5.6
Derivatives (note 20)	1.0	0.1
Deferred income	36.8	34.0
	<b>69.0</b>	<b>60.8</b>

**Deferred Income**

Included in deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Consolidated & University	
	2018	2017
	£m	£m
Donations	6.9	5.8
Research grants received on account	17.5	14.8
Grant income	1.1	1.8
Other income	11.3	11.6
	<b>36.8</b>	<b>34.0</b>

**18 CREDITORS: AMOUNTS FALLING DUE  
AFTER MORE THAN ONE YEAR**

	Consolidated & University	
	2018	2017
	£m	£m
Bank loans (note 19)	244.6	149.6
Derivatives (note 20)	13.6	15.7
	<b>258.2</b>	<b>165.3</b>

## Notes to the Financial Statements (continued)

**19 BORROWINGS**

<i>Analysis of Financing</i>	<b>Consolidated &amp; University</b>	
	<b>2018</b>	2017
	<b>£m</b>	£m
Bank loans and overdrafts are repayable as follows:		
In one year or less	5.0	5.0
Between one and two years	5.0	5.0
Between two and five years	15.2	15.1
In five years or more	224.4	129.4
	<b>249.6</b>	154.5

The University has drawn down the following loans

**Lloyds Bank Plc**

Rate		Base Rate/LIBOR + 0.2% margin
Repayment - Tranche 1	£26.0m	Quarterly repayments from Dec 2011 to Sept 2036
Repayment - Tranche 2	£26.0m	20% Sept 2026; 20% Sept 2031; 60% Sept 2036

**Barclays Bank Plc**

Rate		LIBOR + 0.2% margin
Repayment - Tranche 1	£26.0m	Quarterly repayments from June 2012 to March 2037
Repayment - Tranche 2	£26.0m	£5m March 2022; £6m March 2027; £15m March 2032

**European Investment Bank (EIB)**

Rate		Fixed rate of 4.021%
Repayment	£65.0m	22 Annual repayments of £2,955k from 31 July 2017.

**North Western Mutual Life Insurance Company**

Rate		Fixed rate 2.63% (Gilts + margin)
Repayment	£45.0m	Repayment in full upon maturity 12 January 2038.

**Met Life**

Rate		Fixed rate 2.77% (Gilts + margin)
Repayment	£55.0m	Repayment in full upon maturity 12 January 2048.

The University has entered into three interest rate swap agreements (derivatives) in relation to elements of the two £52m 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 hedging £m	Interest Rate %	Expiry Date
10.0	4.70%	June 2027
17.7	5.16%	December 2036
10.0	3.95%	November 2037
<u>37.7</u>		

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

## Notes to the Financial Statements (continued)

**20 DERIVATIVES**

The University is using hedge accounting for its interest rate swaps and foreign exchange options and as a result determines the "effectiveness" of the hedging arrangements as defined in FRS102. The market value movement of "effective" hedging arrangements is disclosed in Other Comprehensive Income whilst the market value movement for "ineffective" interest rate hedging instruments is disclosed in Interest Payable and "ineffective" foreign exchange instruments is disclosed in Other Operating expenses.

Hedging Instrument	Expiry Date	Amount	Consolidated & University					Movement in market value
			Market Value at 2018 £m	Market Value at 2017 £m	Movement in market value 2018 £m	Disposals in year 2018 £m	Total Movement 2018 £m	
Interest rate swaps	Between 2027 &	£37.2m	13.6	15.6	(2.0)	0.0	(2.0)	(3.9)
Foreign exchange options	by 31 July 2019	\$74.5m	1.0	0.2	0.8	(0.1)	0.7	(3.4)
			<b>14.6</b>	<b>15.8</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>(7.2)</b>

Interest rate swaps are hedging instruments associated with the University's loan portfolio with Lloyds Bank plc and Barclays Bank plc

Foreign Exchange options are hedging instruments associated with the University current asset investments in USD denominated funds

The movement in market value for 2017/18 is a gain of £1.2m (2016/17 gain of £4.2m) is reported as follows:

	Consolidated & University	
	2018 £m	2017 £m
Interest Payable (note 11)	(0.5)	(1.5)
Other Operating expenses (note 9)	-	-
Other Comprehensive Income	(0.7)	(2.7)
	<b>(1.2)</b>	<b>(4.2)</b>

	Consolidated & University	
	2018 £m	2017 £m
Disclosure of Derivatives as Liabilities		
Liabilities due in less than one year	1.0	0.1
Liabilities due in more than one year	13.6	15.7
	<b>14.6</b>	<b>15.8</b>

## Notes to the Financial Statements (continued)

**21 PROVISION FOR LIABILITIES**

	Consolidated & University			
	Obligations to fund deficit on USS Pension (note 26)	Defined Benefit obligations LGPS (note 26)	Total 2018	Total 2017
	£m	£m	£m	£m
At 1 August	26.3	53.8	80.1	84.3
Utilised in year	(1.6)	-	(1.6)	(1.5)
Additions in year	0.5	5.1	5.6	2.3
Unused amounts reversed	-	(15.5)	(15.5)	(5.0)
<b>At 31 July</b>	<b>25.2</b>	<b>43.4</b>	<b>68.6</b>	<b>80.1</b>

**Obligations to fund deficit on USS Pension**

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the 13 year period of the contracted obligation in assessing the value of this provision and these are disclosed below;

The contracted obligation is currently forecast to end on 31 July 2031.

	2018	2017
Discount rate at year end	2.21%	1.91%
Pensionable salary growth:	Between 2.6% and 3.9% in first 4 years and then 2.4% thereafter	Between 2.4% and 3.7% in first 4 years and then 2.4% thereafter
USS membership growth:	in the range 0% - 2.7%	in the range 0% - 3.5%

**Defined Benefit obligations (LGPS)**

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 102 as a defined benefit scheme based on a full actuarial valuation of the Fund as at 31 March 2013, updated to 31 July 2016 by a qualified independent actuary.

## Notes to the Financial Statements (continued)

**22 ENDOWMENTS****Consolidated & University**

Restricted net assets relating to endowments are as follows:

	<b>Restricted Permanent £m</b>	<b>Expendable £m</b>	<b>2018 Total £m</b>	<b>2017 Total £m</b>
At 1 August				
Capital	2.2	3.5	<b>5.7</b>	5.0
Accumulated Income	-	0.3	<b>0.3</b>	0.2
	<b>2.2</b>	<b>3.8</b>	<b>6.0</b>	<b>5.2</b>
New endowments	-	0.3	<b>0.3</b>	0.6
Investment income	-	0.3	<b>0.3</b>	0.1
Expenditure	(0.1)	(0.1)	(0.2)	(0.5)
Increase in market value of investments	0.1	0.1	<b>0.2</b>	0.6
Reclassification	-	0.3	<b>0.3</b>	-
<b>At 31 July</b>	<b>2.2</b>	<b>4.7</b>	<b>6.9</b>	<b>6.0</b>
<b>Representing:</b>				
Capital	2.2	4.2	<b>6.4</b>	5.7
Accumulated Income	-	0.5	<b>0.5</b>	0.3
	<b>2.2</b>	<b>4.7</b>	<b>6.9</b>	<b>6.0</b>
<b>Analysis by type of purpose</b>				
- Glaxo Fund- Lectureships	1.3	-	<b>1.3</b>	1.2
- Medlock Charitable Trust - Lectureships	-	1.2	<b>1.2</b>	0.9
- Esther Parkin Trust- Lectureships	-	0.7	<b>0.7</b>	0.5
- John & Barbara Redwood - Scholarships	-	0.5	<b>0.5</b>	0.2
- Roger & Sue Whorrod Fund - Scholarships	-	0.5	<b>0.5</b>	0.3
Other Lectureships	0.1	0.6	<b>0.7</b>	0.5
Scholarships and bursaries	0.7	0.7	<b>1.4</b>	1.9
Prize Funds	0.1	0.1	<b>0.2</b>	0.2
General	-	0.4	<b>0.4</b>	0.3
	<b>2.2</b>	<b>4.7</b>	<b>6.9</b>	<b>6.0</b>
<b>Analysis by asset</b>				
Current and non-current asset investments	2.1	2.9	<b>5.0</b>	4.4
Cash and cash equivalents	0.1	1.8	<b>1.9</b>	1.6
	<b>2.2</b>	<b>4.7</b>	<b>6.9</b>	<b>6.0</b>

## Notes to the Financial Statements (continued)

## 23 RESTRICTED RESERVES

## Consolidated &amp; University

Reserves with restrictions are as follows:

	Other Income	Donations	2018 Total £m	2017 Total £m
	£m	£m		
At 1 August 2017	0.4	1.5	1.9	2.0
New grants	0.2	-	0.2	0.8
New donations	-	0.6	0.6	0.6
Reclassification of reserves	-	(0.3)	(0.3)	-
Expenditure	-	(0.4)	(0.4)	(1.5)
<b>At 31 July 2018</b>	<b>0.6</b>	<b>1.4</b>	<b>2.0</b>	<b>1.9</b>
<b>Analysis by type of purpose</b>				
Lectureships	-	-	-	-
Research support	0.2	-	0.2	0.3
Scholarships and bursaries	-	0.5	0.5	0.6
General	0.4	0.9	1.3	1.0
	0.6	1.4	2.0	1.9



## Notes to the Financial Statements (continued)

### 24 CONTINGENT LIABILITY

On 5 April 2016 the University entered into seven short-term nomination agreements with Empiric (Bath JSW) Limited whereby the University underwrites the shortfall in the letting of rooms in a number of student residences. At 31 July 2018 the maximum value of the underwriting is £6,610,619 (£8,742,863 31 July 2017). The University does not expect any liability to be incurred as a result of these contracts as it expects all residences will be fully let as per the nomination agreements.

### 25 LEASE OBLIGATIONS

The University had total operating lease commitments in respect of leased property as follows:

	<b>Consolidated &amp; University</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>Lease Commitments</b>		
Lease commitments due in more than one year but less than five years	<b>5.4</b>	5.2
Lease commitments due between two & five years	<b>23.1</b>	22.5
Lease commitments due in more than five years	<b>41.4</b>	47.4
<b>Total Lease commitments</b>	<b>69.9</b>	<b>75.1</b>

Operating leases are held for nine properties used by the University as student and office accommodation. As the University does not control the significant residual value in these properties upon the expiry of the lease period they have not been accounted for as Service Concession Arrangements.

The lease arrangements for student accommodation expire between 2024 and 2032 and include eight properties, the lease payments are reported in other operating expenses.

### 26 PENSIONS

#### Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 148,000 members and the University had 2,210 (2,154) active members at 31 July 2018.

Because of the mutual nature of the scheme, its assets are not hypothecated to individual Universities and a scheme wide contribution rate is set, at the balance sheet date this was 18%. The University is exposed to actuarial risks associated with other Universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, therefore, as required by FRS 102 (28), accounts for the scheme as if it were a defined contribution scheme. The total cost charged to the SOCI is £14.3m (£13.1m 2016/17).

## Notes to the Financial Statements (continued)

**26 PENSIONS (continued)****Universities Superannuation Scheme (continued)**

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date",) which 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,) rates of increase in salary and pensions and the assumed rates of mortality.

This valuation was the third valuation for USS under the 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	<b>2018</b>	<b>2017</b>
Discount rate:	2.6%	2.6%
Pensionable salary growth:	n/a	n/a
Pensions increases (CPI):	2.0%	2.4%

The main demographic assumption used relates to mortality in retirement, these are in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality: 98% of S1NA ["light"] YoB tables - no age rating

Female members' mortality: 99% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	<b>2018</b>	<b>2017</b>
Males currently 65 yrs:	24.5	24.4
Females currently 65 yrs:	26.0	26.6
Males currently 45 yrs:	26.5	26.5
Females currently 45 yrs:	27.8	29.0

**Existing Benefits**

Scheme assets:	£63.6bn	£60.0bn
Total scheme liabilities:	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88.0%	77.0%



## Notes to the Financial Statements (continued)

### 26 PENSIONS (continued)

#### Universities Superannuation Scheme (continued)

Sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between Retail Price Index and Consumer Price Index	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers, enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. However, the trustee is mindful of the difficult economic climate that exists for defined benefits pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan become necessary following the next valuation to compile a formal financial management plan, which will bring together the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

For further information on the contractual obligations to fund past deficits see note 21.

#### 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:

Return on investments	4.4%
Long-term Salary inflation	3.7%
Pension inflation	2.2%
Valuation date	31 March 2016
Valuation method	Projected Unit
Market value of assets at date of last valuation	£3,737 million
Market value of assets as a percentage of accrued benefits	86.0%

The contributions payable by the University were equal to 15.10% of total pensionable salaries from March 2017.

## Notes to the Financial Statements (continued)

**26 PENSIONS (continued)****Local Government Pension Scheme**

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 102 as a defined benefit scheme based on a full actuarial valuation of the Fund as at 31 March 2016, updated to 31 July 2018 by a qualified independent actuary.

The material assumptions used by the actuary for FRS 102 at 31 July 2018 were:-

At end of year	31 July 2018 %	31 July 2017 %
Rate of CPI inflation:	2.2	2.2
Rate of increase in salaries:	3.7	3.7
Rate of increase in pensions:	2.3	2.2
Discount rate:	2.9	2.5

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

	31 July 2018	31 July 2017
Non-retired members	S2PA CMI_2015_[1.75%] 94% (male) S2PA CMI_2015[1.5%] 81% (female)	S2PA CMI_2015_[1.75%] 94% (male) S2PA CMI_2015[1.5%] 81% (female)
Retired members	S2PA CMI_2015_[1.75%] 93% (male) S2PA CMI_2015_[1.5%] 85%	S2PA CMI_2015_[1.75%] 93% (male) S2PA CMI_2015_[1.5%] 85% (female)

*Life expectancy*

Male / female future pensioner 65 in 20 years	26.2 / 28.8 years	26.0 / 28.7 years
Male / female current pensioner aged 65	23.6 / 26.1 years	23.5 / 26.0 years

The sensitivities regarding the principal assumptions used to measure the University's share of the scheme liabilities as at the valuation on 31 July 2018 are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £3 million
Rate of CPI Inflation	Increase by 0.1%	Increase by £3.1 million
Rate of salary growth	Increase by 0.1%	Increase by £0.3 million
Members live longer	1 year longer	Increase by £3.2 million

## Notes to the Financial Statements (continued)

**26 PENSIONS (continued)****Local Government Pension Scheme (continued)***The University's share of the scheme's assets and liabilities:*

	2018 £m	2017 £m
Market value of assets	125.2	117.0
Present value of scheme liabilities	(168.6)	(170.8)
<b>Net pension liability</b>	<b>(43.4)</b>	<b>(53.8)</b>

*Amounts charged to SOCI:*

	2018 £m	2017 £m
<i>Included in staff costs for the year (note 8)</i>		
Current service cost	6.7	5.6
Unfunded benefits	-	-
<b>Total operating charge</b>	<b>6.7</b>	<b>5.6</b>

	2018 £m	2017 £m
<i>Analysis of amount charged to interest payable</i>		
Net interest charge (note 11)	1.3	1.4
<b>Net charge</b>	<b>1.3</b>	<b>1.4</b>

## Notes to the Financial Statements (continued)

**26 PENSIONS (continued)****Local Government Pension Scheme (continued)****Amounts recognised in the Statement of Comprehensive Income**

	2018 £m	2017 £m
Actual return less expected return on pension scheme	-	-
Change in assumptions underlying the present value of the scheme assets	5.2	7.2
of the scheme liabilities	10.3	(2.2)
<b>Actuarial gain recognised in the SOCI</b>	<b>15.5</b>	<b>5.0</b>

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

	2018 £m	2017 £m
Deficit in scheme at 1 August	53.8	56.9
Movement in the year:		
Current service and curtailment costs	6.7	5.6
Contributions by the employer	(3.0)	(5.2)
Administrative charge	0.1	0.1
Net interest charge	1.3	1.4
<b>Net Movement in the year</b>	<b>5.1</b>	<b>1.9</b>
Actuarial (gain)	(15.5)	(5.0)
<b>Deficit in scheme at 31 July</b>	<b>43.4</b>	<b>53.8</b>

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

	2018 £m	2017 £m
At the beginning of the year	170.7	162.1
Current service cost	6.7	5.6
Interest on pension liabilities	4.2	4.0
Member contributions	1.2	1.1
Actuarial losses on liabilities - other	(10.3)	2.2
Curtailments	-	-
Benefits/transfers paid	(4.0)	(4.3)
<b>At the end of the year</b>	<b>168.5</b>	<b>170.7</b>

## Notes to the Financial Statements (continued)

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

	2018 £m	2017 £m
At the beginning of the year	117.0	105.2
Expected return on plan assets	2.9	2.7
Actuarial gains on assets	5.2	7.2
Administrative expenses	(0.1)	(0.1)
Contributions by the employer	3.0	5.2
Contributions by scheme participants	1.2	1.1
Benefits/transfers paid	(4.0)	(4.3)
<b>At the end of the year</b>	<b>125.2</b>	<b>117.0</b>

**Analysis of the scheme assets:**

	2018 £m	2017 £m
Equities	49.1	59.1
Government bonds	14.5	13.7
Other bonds	15.4	9.1
Property	11.6	10.2
Cash/liquidity	4.8	1.9
Other	29.8	23.0
<b>At the end of the year</b>	<b>125.2</b>	<b>117.0</b>

**Total pension costs (note 8)**

	2018 £m	2017 £m
Universities Superannuation Scheme: employer only contributions	15.8	14.8
Universities Superannuation Scheme: provision movement	(1.6)	(1.5)
	<b>14.2</b>	<b>13.3</b>
Avon Pension Fund	5.9	5.6
Contributions to other pension schemes	0.1	0.1
<b>Total pension costs</b>	<b>20.2</b>	<b>19.0</b>

## Notes to the Financial Statements (continued)

### 27 PRIOR YEAR ADJUSTMENT

#### Remuneration of other higher paid staff

The 2016/17 Financial Statements disclosed 45 staff had received remuneration of £100k or more in 2016/17.

The remuneration disclosure was mis-stated as it did not include staff whose full-time equivalent remuneration exceeded £100k and this has been corrected in these Financial Statements in note 8 with 52 staff now disclosed.

### 28 POST BALANCE SHEET EVENT

#### Local Government Pension Scheme

On 26 October 2018 the High Court made a judgement confirming that pension schemes are required to equalise male and female benefits for the effect of guaranteed minimum pensions (GMP). This will increase the liabilities of affected schemes, including the LGPS, a cost that will ultimately need to be met either from scheme assets or from additional contributions.

Early assessments of this indicates that the change in the University's share of scheme liabilities is unlikely to be material.



## Key Financial Performance Indicators to the Financial Statements

### KEY FINANCIAL PERFORMANCE INDICATORS TO THE FINANCIAL STATEMENTS

#### Historic Cost Operating Surplus

	Note	2018 £m	2017 £m
Total Income	SOCI	288.0	266.8
Capital Grants	2 & 4	(2.9)	(4.0)
New Endowments received	7	(0.3)	-
Realised gain on disposal of investments & derivatives	6	(0.9)	(0.1)
<b>Operating Surplus : Total Income</b>		<b>283.9</b>	<b>262.7</b>
Total Expenditure	SOCI	282.6	268.1
Movement on USS provision	26	1.6	1.5
Depreciation on revalued assets	13	(9.4)	(7.5)
Change in discounted value of future USS payments	11	(0.5)	(0.5)
Virgil Building maintenance charge	9	-	(4.3)
Net impairment of land & buildings	9	1.1	(1.2)
Decrease in fair value of derivatives	11	0.5	1.5
LGPS net interest charge	26	(1.3)	(1.4)
LGPS increase in staff cost and expenses	9 & 26	(3.0)	(2.1)
<b>Operating Surplus : Total Expenditure</b>		<b>271.6</b>	<b>254.1</b>
<b>Operating Surplus</b>		<b>12.3</b>	<b>8.6</b>
Operating surplus as a % of Operating Surplus : Total Income		4.3%	3.3%

#### EBITDA (Earnings before interest, tax, depreciation & amortisation)

	Note	2018 £m	2017 £m
Surplus/(Deficit) before gains and losses	SOCI	5.4	(1.3)
Interest payable	11	7.5	5.0
Changes to pension provisions within staff costs	21	3.2	2.5
Depreciation	9	25.4	24.1
Impairments	9	(1.1)	1.2
<b>EBITDA</b>		<b>40.4</b>	<b>31.5</b>
<b>Total Income</b>		<b>288.0</b>	<b>266.8</b>
<b>EBITDA %</b>		<b>14.0%</b>	<b>11.8%</b>

The EBITDA definition is in the format that the University is required to submit to Office for Students (OfS). The introduction of FRS102 and the changes to the treatment of capital grants means that the data shown in the graph on page 13 includes capital grant income for year 2014/15 and all preceding years.

## Key Financial Performance Indicators to the Financial Statements (continued)

### KEY FINANCIAL PERFORMANCE INDICATORS TO THE FINANCIAL STATEMENTS

#### Net Debt

	Note	2018 £m	2017 £m
Investments	16	204.9	115.5
Cash and cash equivalents	Bal Sheet	8.4	6.7
Bank loans due within 1 year	19	(5.0)	(5.0)
Bank loans due after 1 year	19	(244.5)	(149.6)
Total Market value of derivatives	20	(14.6)	(15.8)
<b>Net Debt</b>		<b>(50.8)</b>	<b>(48.2)</b>

Net debt for the years shown includes the market value of interest rate swaps and foreign exchange options.

#### Gearing Ratio

	Note	2018 £m	2017 £m
Net Debt (A)		50.8	48.2
Total Net Assets (B)	Bal Sheet	560.9	511.5
<b>Gearing Ratio (A/B)</b>		<b>9.1%</b>	<b>9.4%</b>



## Glossary

### List of acronyms used in the Financial Statements

Acronym	full title
APF	Avon Pension Fund
B&BSP	Bristol and Bath Science Park, Dirac Crescent, Emersons Green, Bristol
B&NES	Bath & North East Somerset Council
BUFDG	British Universities Finance Directors Group.
CPI	Consumer Price Index
CUC	Committee of University Chairs
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EC	European Community
EU	European Union
FE/HE SORP	Statement of Recommended Practice: Accounting for Further and Higher Education
FPE	Full Person Equivalent
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
GIA	Gross Internal Area
GPA	Grade Point Average
HC	Historical Cost
HE	Higher Education
HEI	Higher Education Institution
HESA	Higher Education Statistics Agency
HRI	Household Residual Income
IAAPS	Institute of Advanced Automotive Propulsion Systems
IOC	Institute of Coding
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LIBOR	London Interbank Offered Rate
MAA	Memorandum of Assurance and Accountability
MOOCS	Massive Open Online Courses
NSS	National Student Survey
OfS	Office for Students
QS	Quacquarelli Symonds
R&D	Research and Development
RDEC	Research and Development Expenditure Credits
REF	Research Excellence Framework
SOCI	Statement of Comprehensive Income
SME	Small and Medium-Sized Enterprises
STEM	Science Technology Engineering Maths
TEF	Teaching Excellence Framework
UKRI	United Kingdom Research and Innovations
USS	Universities Superannuation Scheme
VAT	Value Added Tax







UNIVERSITY OF  
**BATH**

**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 JULY 2018