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THE ECONOMIC IMPACT OF BATH SPA UNIVERSITY

BATH
SPA
UNIVERSITY

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November 2015

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THE IMPACT OF BATH SPA UNIVERSITY'S 2015/16 EXPANSION

STUDENT DENSITY AND ECONOMIC IMPACT
26 NOVEMBER 2015

INTRODUCTION

This study represents an extension of the analysis carried out by Oxford Economics to identify the economic impact of Bath Spa University in 2014/15. The University is planning to expand its student and staff numbers in 2015/16.¹ It is also planning to enlarge its offer of student accommodation outside the city centre. Bath Spa University commissioned Oxford Economics to investigate the impact of this expansion on the student density in Bath city centre and on the economic activity supported by the institution in the district.

To investigate the contribution of Bath Spa University's expansion and student housing developments, each chapter of the report looks at a different aspect. It is ordered as follows:

- Chapter 1 looks at the estimated changes in the student density in Bath city centre and BANES as a whole over the period 2011-2016.
- Chapter 2 investigates the estimated employment, gross value added contribution to GDP and taxes supported by the University, its students and visitors to these students in 2015/16.

¹ The student body is projected to increase by 500 students and the University is projected to hire 50 additional members of staff in 2015/16

1. STUDENT DENSITY IN BATH CITY CENTRE

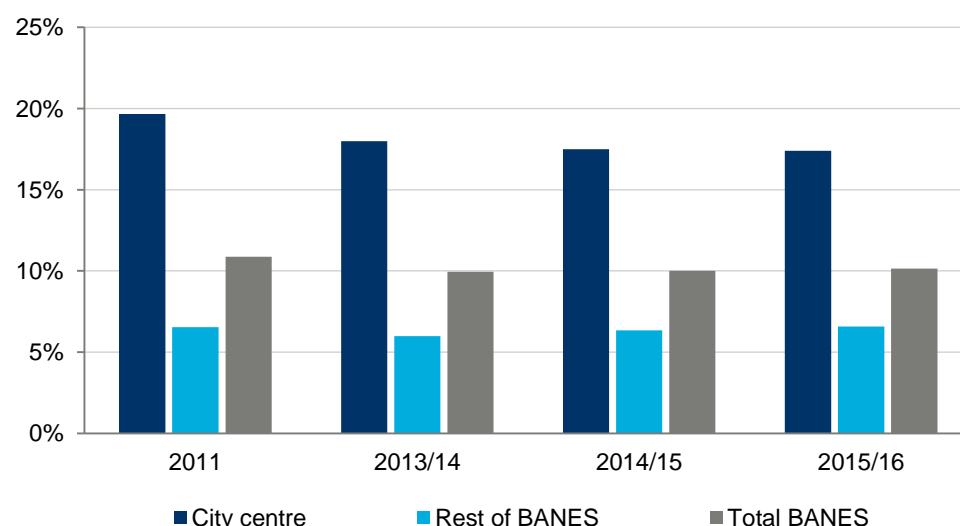
Using Census data, Oxford Economics calculated the student density for each ward in Bath and North East Somerset in 2011. The wards defined as city centre² were then aggregated to estimate what proportion of the resident population was made up of students in 2011.

In order to grow this ratio forward, Oxford Economics used the following:

- HESA data “HE student enrolments by HE provider” for Bath Spa and the University of Bath were employed to grow the number of students forward (the numerator of the ratio)
- ONS’ mid-year population estimates for BANES were used to grow forward the total population (the denominator of the ratio)
- Information provided by Bath Spa University on new student housing developments since 2013/14 was used to relocate students among wards in BANES

The estimation’s results are shown in Figure 1. Census data (2011) suggest that full-time students represented 10.9 percent of the population in the district in 2011. The student density was higher in the city centre than in the rest of BANES (19.7 percent versus 6.5 percent). However, estimates suggest that over time the student density in the city centre will decline from 19.7 percent in 2011 to 17.4 percent in 2015/16 and the student density in the district will shrink from 10.9 per cent to 10.1 percent over the same period.

Fig. 1: Estimated share of the population enrolled in full-time study in Bath and North East Somerset, 2011-2016



Source: ONS Census, ONS Population Estimates, HESA, Oxford Economics

² The following wards identify Bath city centre: Weston, Lambridge, Walcot, Newbridge, Westmoreland, Abbey, Widcombe, Bathwick, Lyncombe, and Odd Down.

2. THE ESTIMATED ECONOMIC IMPACT OF BATH SPA IN 2015/16

Bath Spa University plans to increase its staff and student number in 2015/16. This will have an impact on the following:

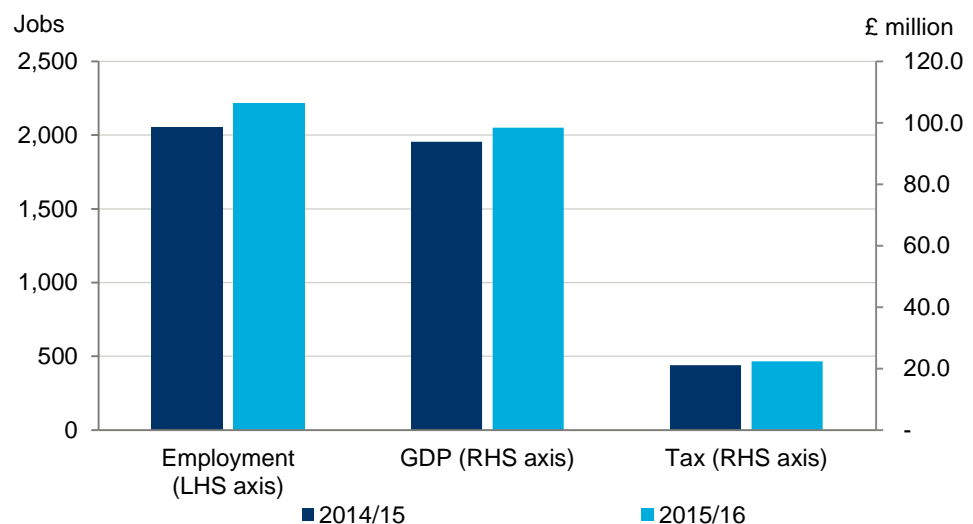
- Direct employment within the University itself
- Direct GVA, as the compensation of employees will increase
- Taxes paid by the University itself and its employees
- The induced impact, as additional staff will be paid wages which will be spent in the local area
- Students' subsistence spending
- Expenditure by visitors to students

In 2015/16, Bath Spa University and its students are estimated to support nearly 2,220 people in employment in Bath and North East Somerset, 8 percent more than in 2014/15. In 2015/16, some 1,016 people (or 46 percent of the total) will be employed by Bath Spa University itself. Subsistence spending by students who moved to the district are estimated to support another 1,026 jobs.

In total, the University and its students will make a £98.5 million gross value added contribution to Bath and North East Somerset's GDP in 2015/16, 5 percent more than in 2014/15. The largest share of this (47 percent) was generated by the University itself. The additional students made a £44.4 million gross value added contribution to GDP.

In 2015/16, the University is estimated to make a total tax contribution of £22.4 million, 6 percent more than in 2014/15. The University and its staff will be responsible for the largest share of the total. Council tax paid by the University's staff is projected to increase by 7 percent over this period.

Fig. 2: Economic impact of Bath Spa University in BANES, 2014/15 vs 2015/16



Source: Oxford Economics

26 November 2015

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To discuss the report further please contact:

Alice Gambarin: agambarin@oxfordeconomics.com

Oxford Economics

Broadwall House, 21 Broadwall, London, SE1 9PL, UK

Tel: +44 207 803 1400

EXECUTIVE SUMMARY

Bath Spa University supported over 2,050 jobs in Bath and North East Somerset in 2014/15 – equivalent to one in every 49 jobs in the district.

The University itself employs 966 people. This makes it the fifth largest employer in Bath and North East Somerset. It is considerably more than are employed by some of the city's most famous institutions. Bath's museums, historical sites and buildings employ 292 people, while Bath Rugby employs 130 people.

The University's employees are highly embedded in the local community. In 2014/15, 420 of the University's staff (or 43 percent of total) lived in Bath and North East Somerset. Another 430 (or 44 percent of total) lived in the wider South West.

2,050 JOBS

Supported by Bath Spa University and its students in Bath and North East Somerset in 2014/15

This is equivalent to one in every 49 jobs in the local area.

The University employs a wide range of people with different skills sets and backgrounds. Some 55 percent of roles are academic in teaching and research. The remaining 45 percent of the people are employed in administrative, technical or managerial roles.

In total, the University generated a value-added contribution of £93.9 million to the Bath and North East Somerset economy in 2014/15. This is equivalent to 2.0 percent of the district's economic output. Of this, the University supported a £51.7 million contribution and the University's additional students and their visitors the remaining £41.7 million contribution to GDP.

In 2014/15, Bath Spa University made a total tax contribution of £21.1 million to the UK Exchequer. This could fund the Royal United Hospital's and Royal National Hospital for Rheumatic Diseases' running cost for about a month.

£93.9 m

Economic activity supported by Bath Spa University and its students in 2014/15

This is equivalent to 2.0 percent of the economic output of Bath and North East Somerset.

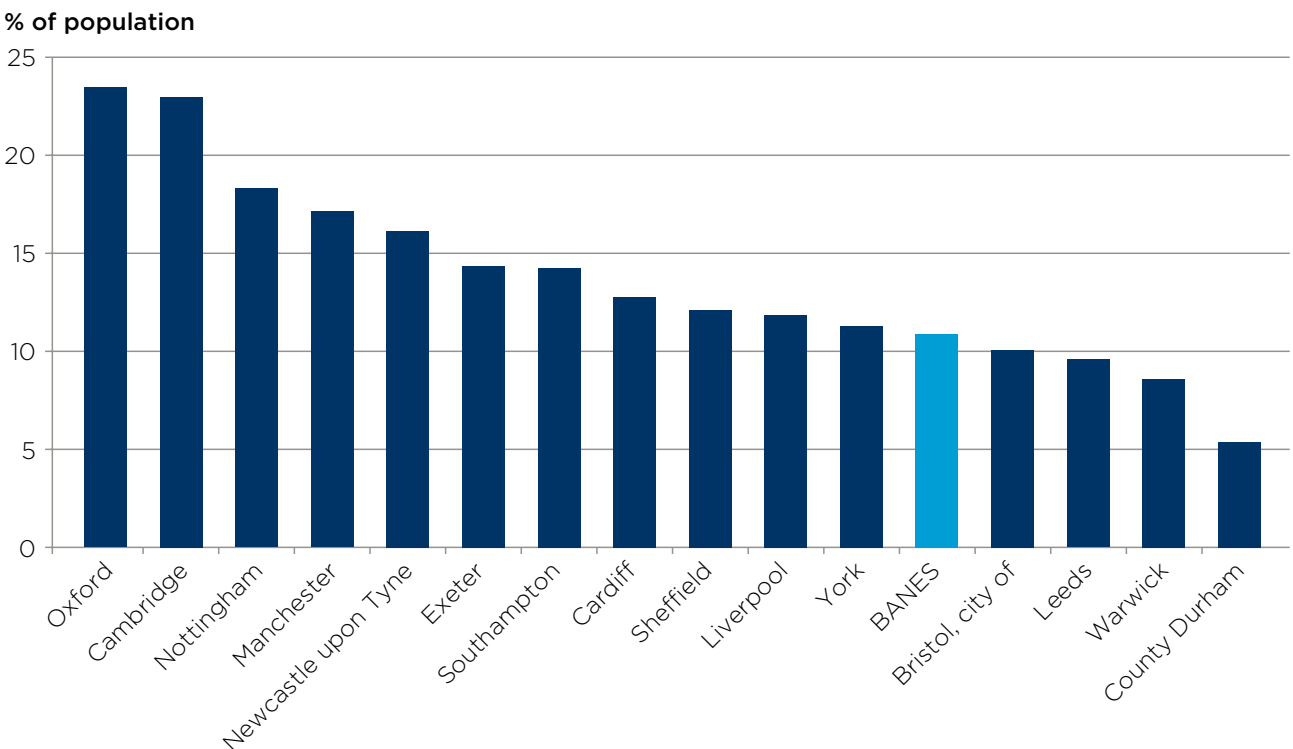


INTRODUCTION

This study investigates the economic contribution Bath Spa University makes to the district of Bath and North East Somerset. It does so by looking at the additional expenditure the University and its students bring to the local area. This stimulates economic activity at many firms across the district, boosting employment, output and tax receipts.

Bath Spa is one of two universities in Bath and North East Somerset. The Office of National Statistics' (ONS) Census data (2011) suggests that full-time students represent 10.9 percent of the population in the district. Although this is above the average of 5.4 percent for England and Wales, it is significantly below many local authorities in which some of the UK's most prominent universities are found (Figure 1).

Fig. 1: Share of the population enrolled in full-time study in the local authority districts which are home to the Russell Group of Universities, in comparison to Bath and North East Somerset



Source: ONS

As the Council's economic strategy sets out for 2014-2030, "Bath's two universities are key to the supply of highly qualified workers and are also a source of entrepreneurialism and local economic growth with several significant companies in the city having spun out of, or benefitted from, links with the Higher Education sector."¹

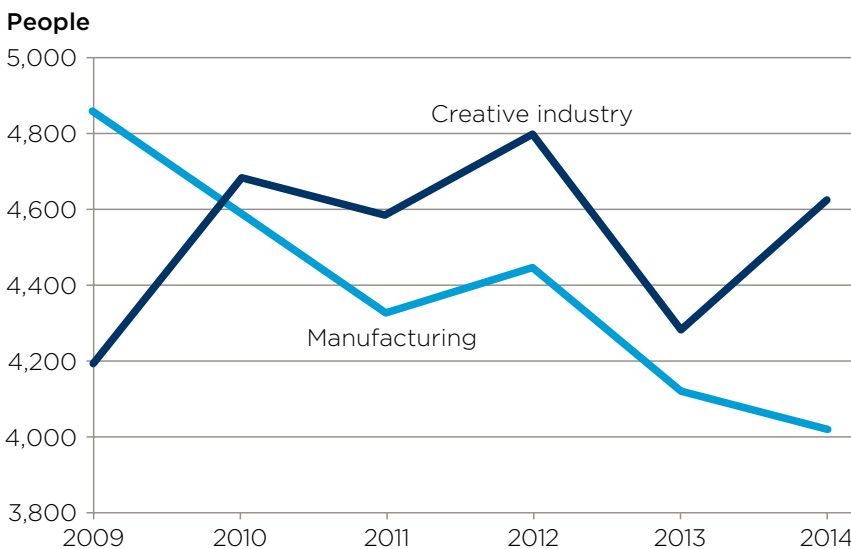
To investigate the contribution Bath Spa University makes to the Bath and North East Somerset economy each chapter of the report looks at a different metric. It is ordered as follows:

- Chapter 2 looks at the University’s contribution to employment in the district in 2014/15.
- Chapter 3 investigates the gross value added contribution to GDP supported by the University’s, its students’ and visitors to these students’ expenditure.
- Chapter 4 calculates the tax receipts that flow from the economic activity the University’s and its students’ expenditure support.

It is however important to remember that the University and its students contribute to the district’s economy through other ways which are difficult to quantify using these standard metrics. The University is focused on creativity, culture and enterprise.² Its research effort has spillover effects for local businesses, enhancing their rate of innovation and productivity. It contributes to the cultural life of Bath through its facilities and the events it organises and sponsors attracting additional tourist income into the district. While no attempt is made to quantify these non-expenditure related contributions, the growing importance of the disciplines pursued by the University in terms of local employment is illustrated by the numbers employed in the manufacturing and creative sectors in Bath and North East Somerset (Figure 2).



Fig. 2: Employment in the manufacturing and creative industries in Bath and North East Somerset, 2009-2014



Source: ONS

2. Bath Spa University, "Strategy 2020", September 2015.

INTRODUCTION TO ECONOMIC IMPACT ANALYSIS

The study undertakes a standard economic impact assessment, looking at three forms of expenditure (Figure 3).

- The first channel of impact is the direct effect. This is the economic activity generated by the University itself, for example by employing academic and operational staff and by generating economic activity through its payment of wages and generation of surpluses.
- The second channel of impact is the indirect effect, which is the employment and activity which is supported through the University’s local supply chain, as a result of its purchases of inputs of goods and services from local suppliers.
- The final channel, known as the induced effect, captures the economic activity supported by staff and those employed in direct supply chains spending their wages on goods and services in the local economy.

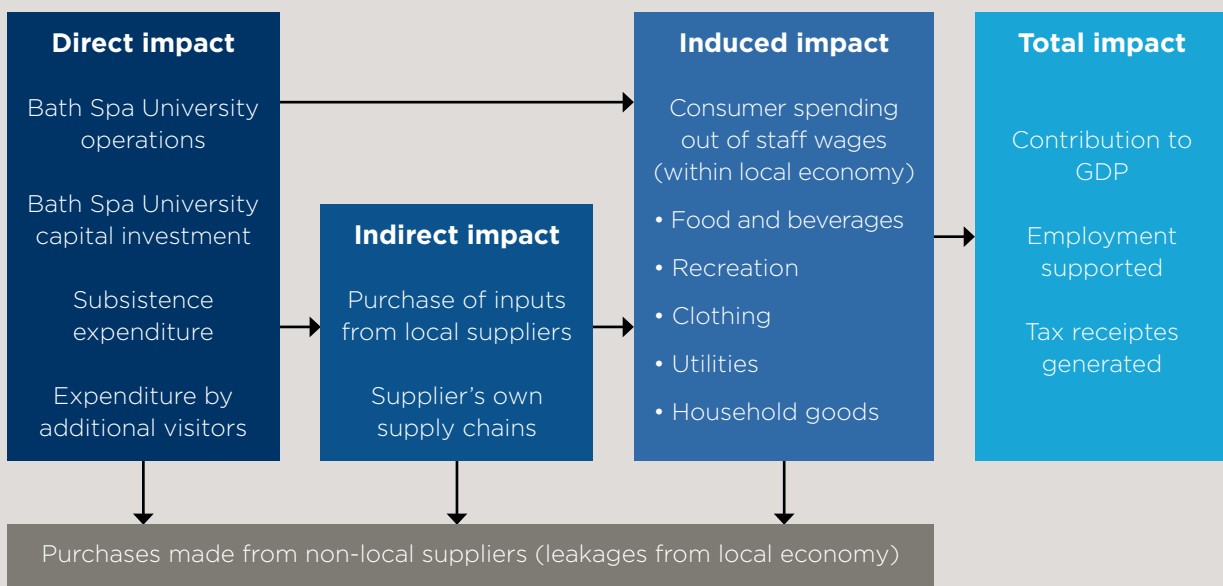
The indirect and induced impacts are calculated using multipliers derived from regional input-output tables. These are developed by combining ONS (2014) input-output data for the whole UK with the

technique developed by Flegg, et al. (1995).^{3,4} Employment and tax estimates are calculated using ONS data on labour productivity, average earnings in each industrial sector and tax allowances rates for 2014/15.

The scale of the University’s impact for each of the three channels is measured using three metrics:

- Gross value added – Gross value added is the contribution an institution or company makes to Gross Domestic Product (GDP). It is most simply viewed as the value of the output it produces less the value of inputs used in that output’s production.
- Employment – measured in headcount terms rather than on a full-time equivalent (FTE) basis to facilitate comparison with ONS employment data.
- Tax receipts – this study considers the receipts generated from Income and Corporation taxes, employee and employer National Insurance contributions and other indirect taxes paid by employees (such as VAT).

Fig. 3: The channels of economic impact



3. ONS, *Input-output analytical tables - 2010*, ed. Richard Wild (Newport: ONS, 2014).

4. Webber C. D. and Elliott M. V. Flegg A. T., "On the appropriate use of location quotients", *Regional Studies*, 29 (1995): 547-61.

1. EMPLOYMENT CONTRIBUTION

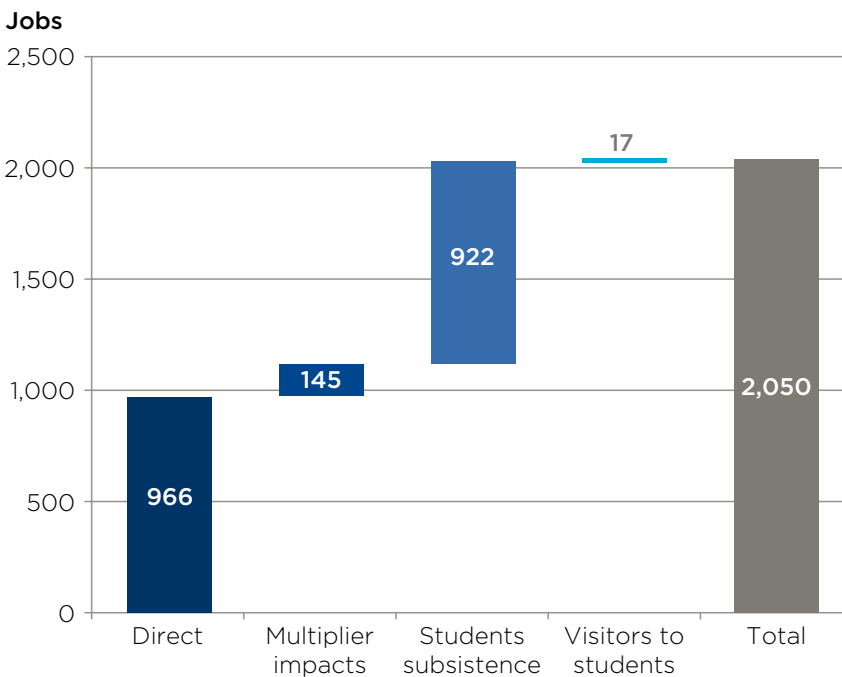
1.1 TOTAL EMPLOYMENT

The University stimulates employment in the local area by bringing additional expenditure into the economy. The University employs people, it purchases goods from local suppliers, it pays wages which get spent in local retail and leisure outlets, its students undertake expenditure and their visitors pay for accommodation and food etc.

In 2014/15, Bath Spa University and its students supported over 2,050 people in employment in Bath and North East Somerset. Therefore 1 in every 49 jobs in the district was to some degree dependent on the University's existence.

The major sources of employment are the University itself and economic activity stimulated by the subsistence spending of students attracted into the district to study at the University. In 2014/15, some 966 people (or 47 percent of the total) were employed by Bath Spa University itself (Figure 4). Subsistence spending by students who moved to the district supported another 922 jobs (or 45 percent). The University's expenditure on inputs of goods and services, wage-financed expenditure and the spending by visitors to the students accounted for the remainder of the jobs supported.

Fig. 4: Bath Spa University's total employment contribution, 2014/15

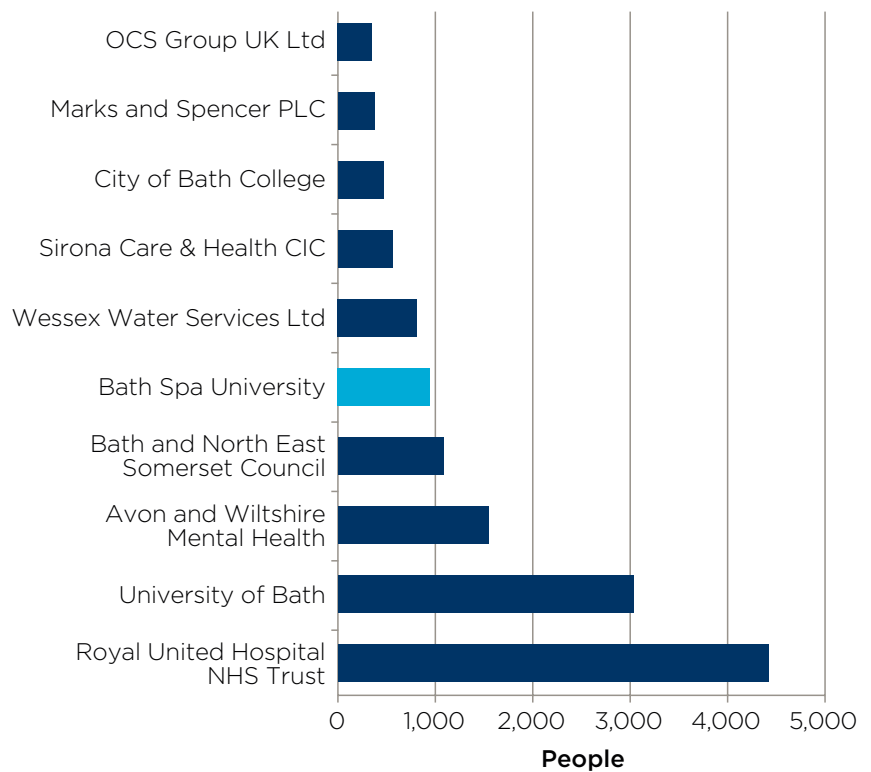


Source: Oxford Economics

1.2 THE UNIVERSITY'S OWN EMPLOYMENT

The University itself maintains a large workforce to deliver teaching, research and run its day-to-day operations. In 2014/15, it employed 966 people. This makes it the fifth largest employer in Bath and North East Somerset (Figure 5). An alternative way of putting the University's own employment into context is to compare it to some of the institutions in Bath for which the city is most famous. Its museums, historical sites and buildings which are visited by millions of people each year employ 292 people.⁵ Bath Rugby which play at the historic Rec Ground employs 130 people.⁶

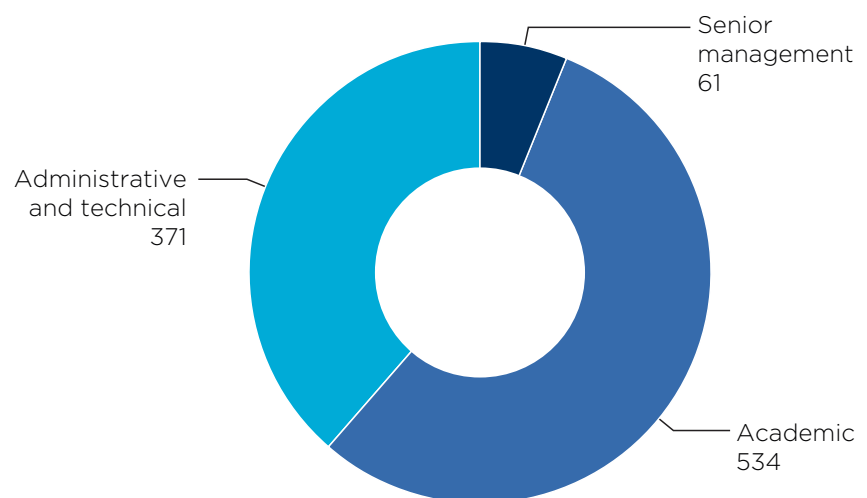
Fig. 5: Ten largest employers in Bath and North East Somerset



Source: Bath Spa University, The University of Bath, Bath and North East Somerset Council

The University employs a wide range of people with different skills and backgrounds. Besides the employees engaged in academic activity, which constitute over half of the University's workforce, it also employ hundreds of workers in its administrative departments and as senior management staff (45 percent of their workforce). Bath Spa University offers employment opportunities for people across the skills spectrum (Figure 6).

Fig. 6: Staff by major category, 2014/15



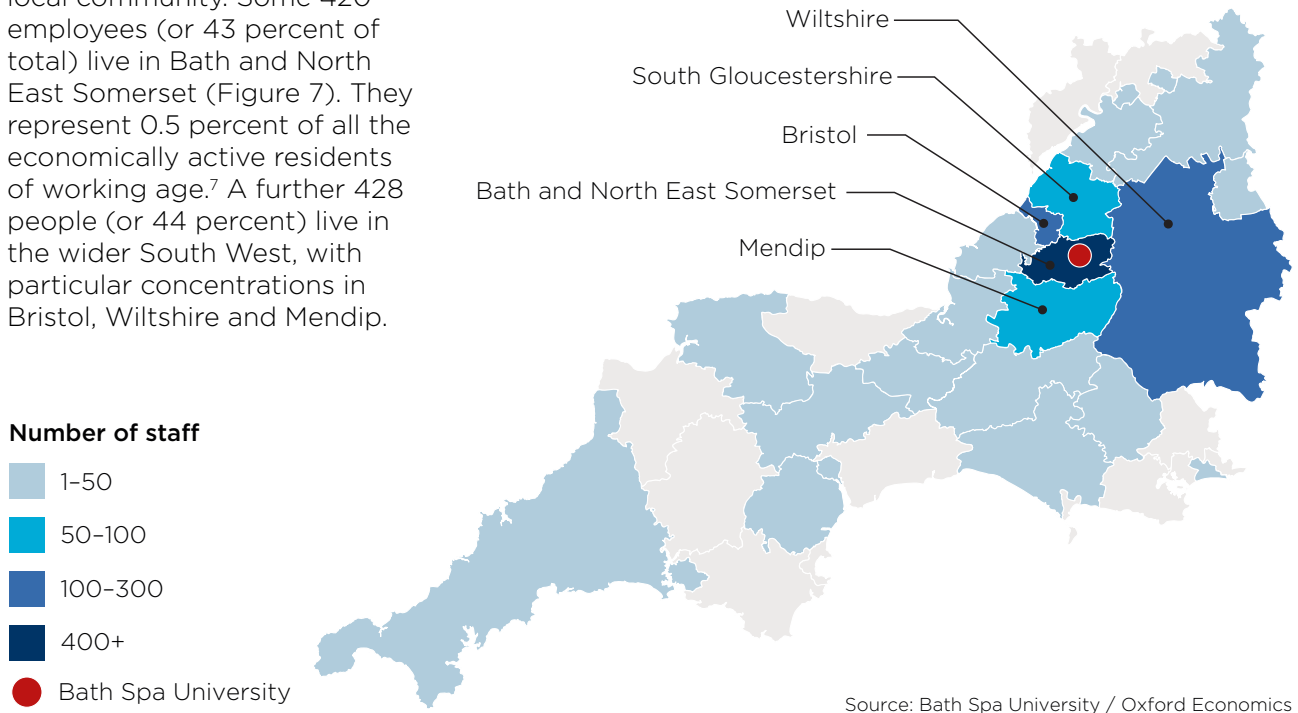
Source: Bath Spa University

5. Employment data sourced from ONS Business Register and Employment Survey for 2014 for museum activities (SIC91020) and the operation of historical sites and buildings and similar visitor attractions (SIC91030).

6. Bath Rugby Limited, (2015), 'Full accounts made up to 30/6/2014'.

The University's employees are highly embedded in the local community. Some 420 employees (or 43 percent of total) live in Bath and North East Somerset (Figure 7). They represent 0.5 percent of all the economically active residents of working age.⁷ A further 428 people (or 44 percent) live in the wider South West, with particular concentrations in Bristol, Wiltshire and Mendip.

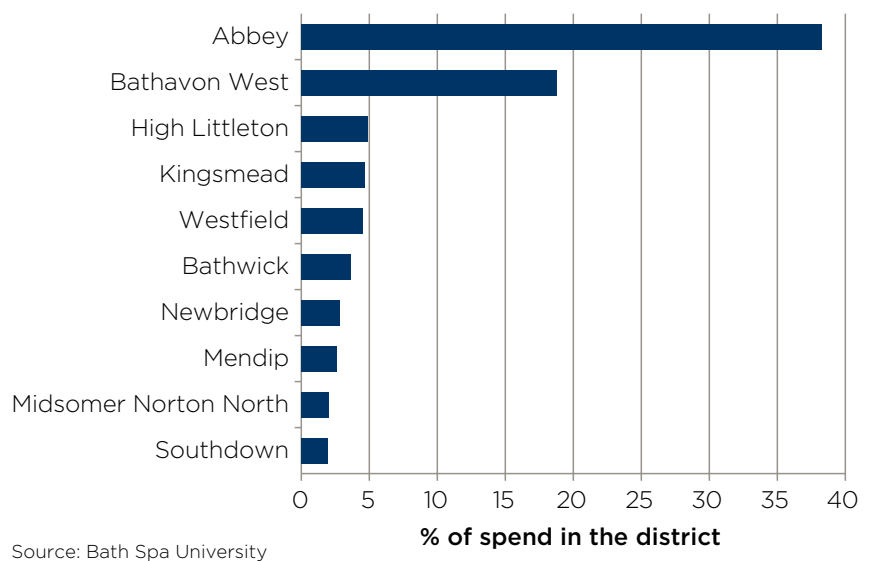
Fig. 7: Home locations of Bath Spa University's employees, 2014/15



1.3 SUPPLY CHAIN AND CONSUMER SPEND CONTRIBUTION

Bath Spa University sources many of the goods and services it purchases to operate locally. In 2014/15, the University spent £3.5 million on inputs from over 420 suppliers⁸ in Bath and North East Somerset. Suppliers located in Abbey and Bathavon West wards received 38 and 19 percent of the expenditure, respectively (Figure 8).

Fig. 8: Location of Bath Spa University's suppliers within the district by contract value, 2014/15



7. ONS, Annual Population Survey.

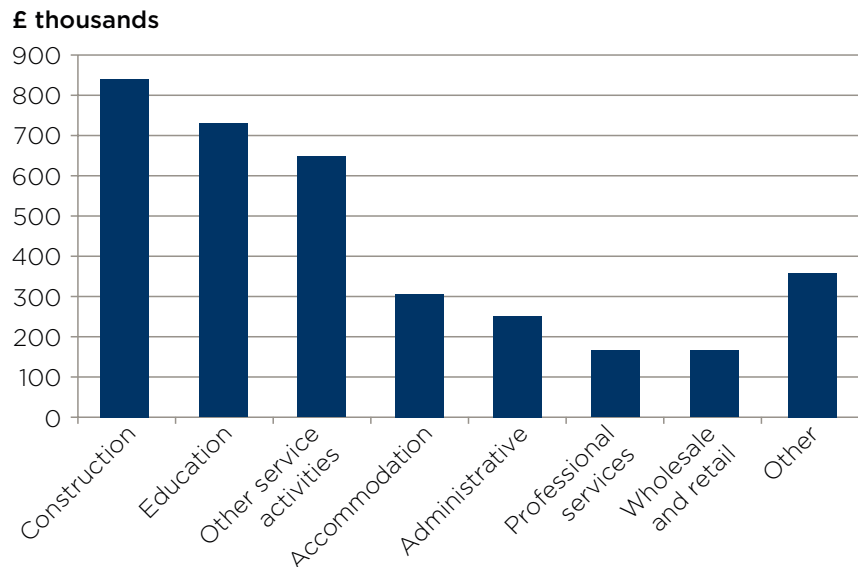
8. This study assumes that one postcode equals one business.

Nearly a quarter (or £844,000) of the value of the University's procurement budget from suppliers within the district was spent with firms in the construction industry (Figure 9). Local suppliers in the education industry (such as visiting lecturers) ranked second, receiving contracts worth £740,000. Other service activities (such as costs associated with transport) ranked third receiving contracts worth £650,000.

The University procurement expenditure stimulated activity at firms across the district. It is estimated to have supported 50 people in employment in Bath and North East Somerset.

In 2014/15, the University's 420 employees who lived in Bath and North East Somerset received £10.7 million in wages before tax. They spent a proportion of their income in local retail and leisure outlets, helping to sustain local businesses. Their expenditure and that of people working in the University's supply chain is estimated to support 100 jobs in the district. Most of these are in retailing and the hospitality sector.

Fig. 9: Procurement spend by industry, 2014/15



Source: Bath Spa University

It is likely this is an underestimate. Many of the University's staff and those employed in its direct supply chain that live elsewhere are likely to visit the district's retail and leisure outlets during lunch-breaks or after work. But it is difficult to estimate the extent of this spend.

The University has an employment multiplier of 1.15 in Bath and North East Somerset. So for every 100 jobs at the University itself, it supports a further 15 across the district.



1.4 STUDENT SUBSISTENCE SPENDING

Bath Spa University attracts students to Bath and North East Somerset from other parts of the world and keeps students previously resident in the locality. Some 4,330 of the University’s students (or 57 percent of the student body) can be classified as ‘additional’ to the local area.⁹ These students are estimated to have spent £59.0 million on local transport and food and personal items from retail and leisure outlets in Bath and North East Somerset. This ‘extra’ expenditure in the district helps to sustain many local businesses.

The students’ subsistence spending is estimated to stimulate economic activity across the district. In total, it is estimated to support an additional 920 jobs in Bath and North East Somerset.



1.5 VISITORS TO STUDENTS SPENDING

Friends and relatives visiting the students who moved to Bath and North East Somerset to study at Bath Spa University spend money in the district, generating economic activity and supporting employment in local businesses.

Visitors to students at Bath Spa University spent £0.8 million on transport, local hotels, restaurants and bars and visiting cultural, recreational and sports attractions. Taking account of the subsequent supply chain and wage consumption impacts, this spending supported around 20 jobs in the district.

9. Additional students include students who came from outside Bath to live in the area while studying and students originally from Bath, who choose to stay because of the University.

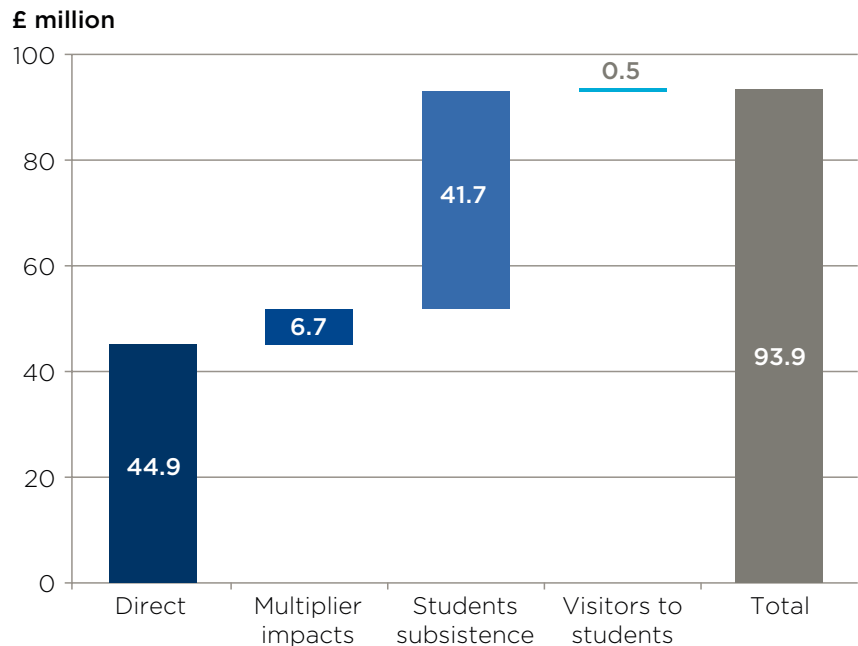
2. GDP CONTRIBUTION

2.1 TOTAL GDP CONTRIBUTION

In total, Bath Spa University and its students made a £93.9 million gross value added contribution to Bath and North East Somerset's GDP in 2014/15. This is 2.0 percent of all economic output produced in the district.

Of this, the University supported £51.7 million gross value added contribution to GDP. The majority (87 percent) of this was generated by the University itself, with the remainder resulting from its procurement from suppliers within the district and payment of wages, which in turn are spent at local retail and leisure outlets. The additional students and their visitors contributed a £41.7 million gross value added contribution to GDP (Figure 10).

Fig. 10: The contribution to GDP of Bath Spa University and its students, 2014/15

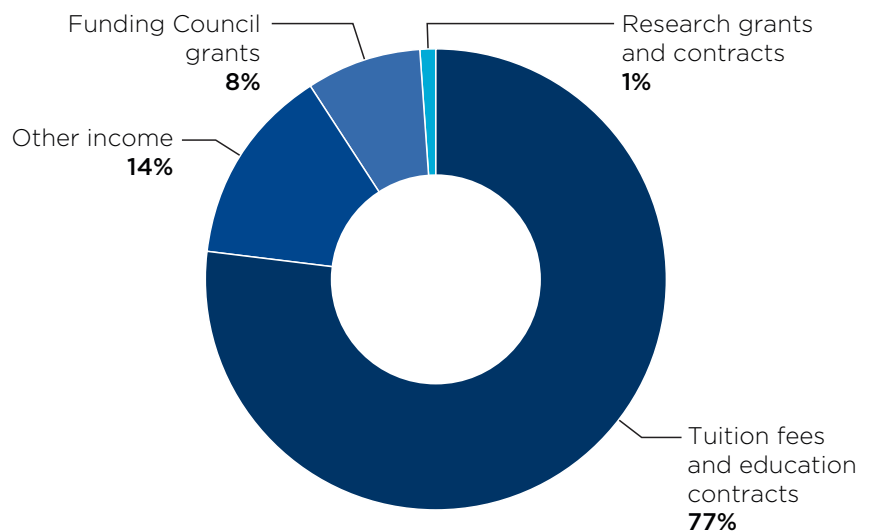


Source: Oxford Economics

2.2 DIRECT GDP CONTRIBUTION

In 2014/15, the University earned £68.8 million in income. Some £53.1 million of this came from the University's students in the form of tuition fees and education contracts (Figure 11). Another £5.1 million came from Funding Council grants and £0.9 million in the form of research grants and contracts.¹⁰

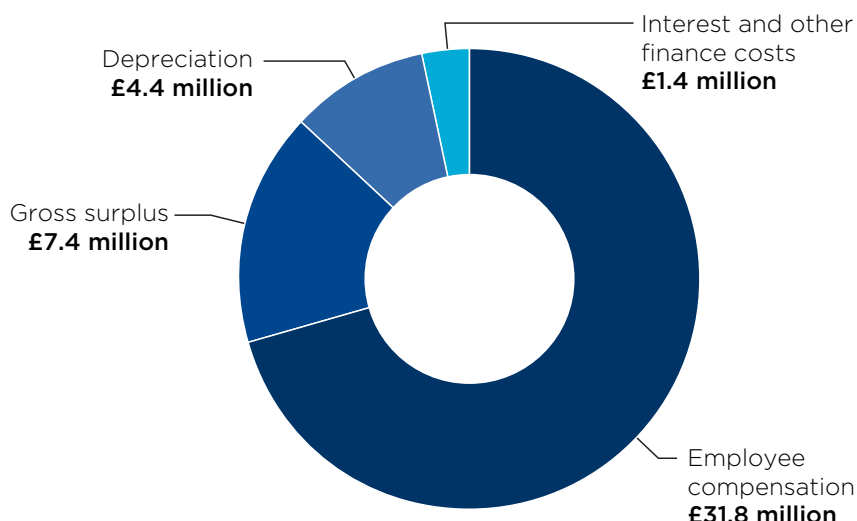
Fig. 11: The University's income by source, 2014/15



Source: Bath Spa University 2014/15 annual report

Bath Spa University spent over £61.4 million in 2014/15 on current expenditures. The University's single largest expenditure was its payment of wages and salaries to its 966 employees – and other employment costs such as pension and National Insurance contributions – amounting to £31.8 million (Figure 12). It also made a surplus of £7.4 million. Based on this information, Oxford Economics estimates the University made a £44.9 million direct gross value added contribution to GDP, or 1.0 percent of all the economic output produced in Bath and North East Somerset in 2014/15.

Fig. 12: Bath Spa University's gross value added by source, 2014/15



Source: Bath Spa University 2014/15 annual report

2.3 SUPPLY CHAIN AND CONSUMER SPEND CONTRIBUTION

The University's expenditure on inputs of goods and services and its payment of wages to staff that were subsequently spent at local retail and leisure outlets stimulated considerable activity at businesses across Bath and North East Somerset.

The University spent £3.5 million on inputs of goods and services from suppliers in Bath and North East Somerset. This was equally spread between firms in the city (51 percent of total spend) and the rest of the district (49 percent). The expenditure is estimated to support a £2.0 million gross value added contribution to GDP along the University's local supply chain.

Bath Spa University and the companies in its direct supply chain pay their staff wages. These people spend a proportion of it making purchases in local stores or buying meals in local restaurants etc. This wage-financed expenditure is estimated to support a £4.8 million gross value added contribution to GDP in the district. Most of it occurs in the retail sector and in the real estate industry.

Comparing the size of the University's own gross value added contribution to GDP with the impact it has on its supply chain and through wage consumption impacts suggest it has a GDP multiplier of 1.15. Therefore for every £100 in GDP created directly by the University, a further £15 is generated elsewhere in the Bath and North East Somerset economy.

2.4 STUDENT SUBSISTENCE SPENDING

In addition to the University's operations and the economic activity generated it directly and indirectly supports, the subsistence spending of Bath Spa University's students forms part of the overall impact of the University in Bath and North East Somerset. The 4,330 additional students' £59.0 million expenditure on transport, food and personal items is estimated to support an additional gross value added contribution to GDP of £41.7 million.

2.5 VISITORS TO STUDENTS SPENDING

Visitors to students attending Bath Spa University used local transport, stayed at hotels, paid entrance fees to the city's attractions and visited the district's restaurants and bars during their stay. This extra expenditure stimulates economic activity at local businesses. In 2014/15, visitors' to students spending is estimated to have supported a £0.5 million contribution to GDP.

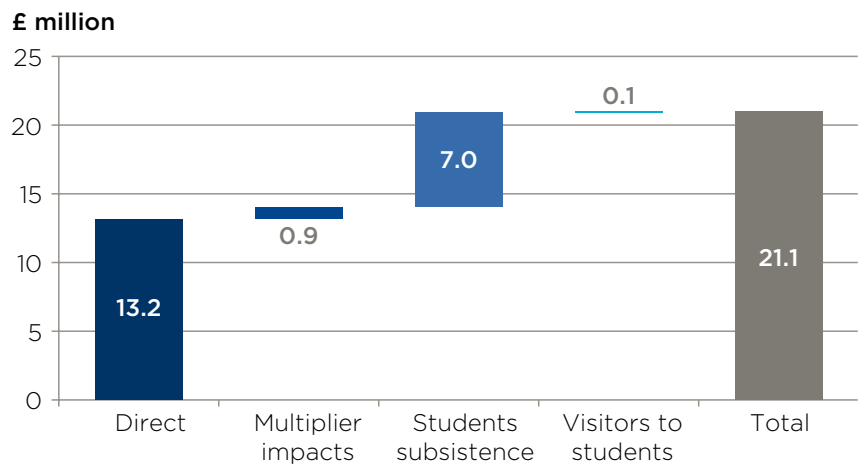


3. TAX CONTRIBUTION

3.1 TOTAL CONTRIBUTION

In 2014/15, Bath Spa University made a total tax contribution of £21.1 million to the UK Exchequer. The University and its staff were responsible for 66 percent of the total (Figure 13). Tax payments generated by the students' subsistence spending comprised a further 33 percent.

Fig. 13: Total tax contribution of Bath Spa University, 2014/15

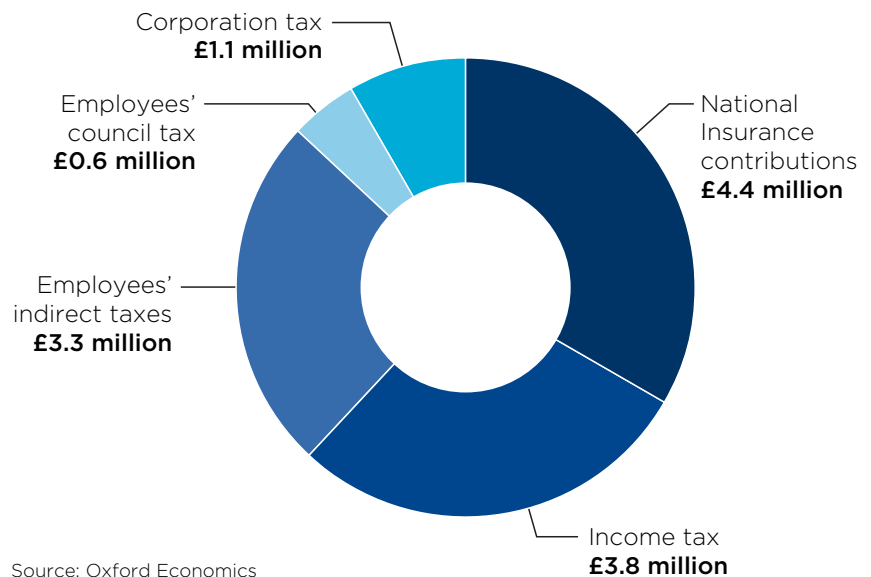


Source: Oxford Economics

3.2 THE UNIVERSITY AND ITS STAFF'S CONTRIBUTION

The University and its employees paid £13.2 million in taxes in 2014/15. Employer and employee National Insurance contributions accounted for 33 percent of the University's total direct tax contribution (£4.4 million), while Income Tax payments generated a further £3.8 million for the Exchequer. The payments of indirect taxes by Bath Spa University's employees accounted for over a quarter of the direct tax impact of the University. The University's employees paid nearly £600,000 in Council Tax in 2014/15 (Figure 14).

Fig. 14: Bath Spa University's direct tax contribution by type, 2014/15



Source: Oxford Economics

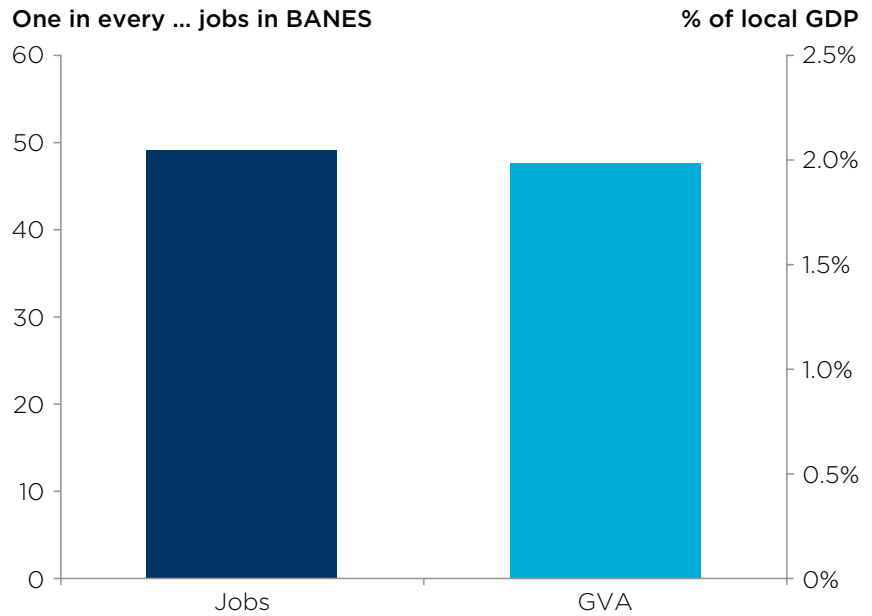
To give an indication of scale, the £21.1 million contribution to tax revenues is sufficient to pay for the Royal United Hospital's and Royal National Hospital for Rheumatic Diseases' running costs for roughly a month.

4. CONCLUSION

The total impact of Bath Spa University on Bath and North East Somerset in 2014/15 is the sum of the three channels through which it contributes to the economy – the University’s activities, the subsistence spending of its students and the spending of visitors to its students.

In total, Bath Spa University, its students and their visitors are estimated to have supported one in every 49 people in employment in Bath and North East Somerset. The University also supported a value added contribution of £93.9 million to Bath and North East Somerset economy. This is equivalent to 2.0 percent of the local economy (Figure 15).

Fig. 15: The economic impact of Bath Spa University on Bath and North East Somerset, 2014/15



Source: Oxford Economics



5. METHODOLOGICAL APPENDIX

STUDENTS' SUBSISTENCE SPENDING

Bath Spa University attracts students to Bath and North East Somerset from other parts of the world and keeps students previously resident in the locality. The subsistence spending of these students would not otherwise occur in the Bath and North East Somerset economy and is, therefore, part of the overall impact of Bath Spa University.¹¹

Subsistence expenditure refers to all spending on goods and services except for their tuition fees. It includes, for instance, the purchases of items required for facilitating their study – such as transport to University and books – as well as other consumer expenditure – including spending on food, leisure and social activities. Payments to the University in the form of tuition fees and for university accommodation are removed from the calculation so as not to double count.

The Department for Business Innovation and Skills regularly publishes data on subsistence expenditure by students. The latest available covered the 2011/12 academic year.¹² Students' expenditure is made up of:

- living costs, including food, drink, personal items etc...;
- housing costs, including rent, mortgage costs, Council Tax etc...;
- participation costs, including costs of books, stationery etc..., and;
- spending on children, if any.

Making allowance for the change in living costs between 2011/12 and 2014/15 using the Consumer Price Index indicates that the average student at Bath Spa University spends £11,100 per year, including housing costs.

To calculate how much expenditure Bath Spa University brings into the district in the form of student subsistence spending, it is necessary to compare student term time and home locations. It suggests that 3,920 students came from outside Bath and North East Somerset to live in the area while studying in 2014/15. A further 590 students lived in the area while they studying at Bath Spa University, but as these students were originally from Bath and North East Somerset, their spending cannot be treated as 'additional' unless they would have left the area to go to other higher education institutions (HEIs). Using tracking data provided by the University, it has been estimated that nearly 100 percent of full-time students would have left Bath and North East Somerset to pursue higher education elsewhere.

11. The spending of students domiciled in Bath and North East Somerset prior to attending university is not deemed to be additional to the local economy as the counterfactual scenario assumes that these students would be spending money in this economy if they were not attending Bath Spa.

12. Department for Business Innovation & Skills, Student Income and Expenditure Survey 2011/12

VISITORS TO STUDENTS

The additional visitors the University attracts to the local area come from other parts of the UK and overseas. The spending profile of the two types of visitors – domestic and international – differs by a visitor's origin; therefore two methods are used to calculate the spending impact of these visitors in Bath and North East Somerset.

Visitors from overseas

The ONS' International Passenger Survey (IPS) provides detailed data on the spending of international visitors to the UK and its nations and regions, disaggregated by purpose of the trip and by nationality of the visitor. University data indicate that, for instance, there were 290 additional students from China living in Bath and North East Somerset in 2014/15. The 2011 Census data indicate that there were 1,000 people of Chinese nationality living in Bath and North East Somerset. Therefore, 29 percent of all spending by Chinese visitors to the area who were visiting friends and relatives in the area is attributed to the Bath Spa University.

Applying this methodology to the University's 650 additional overseas students who were living in Bath and North East Somerset indicates that visitors to these students spent nearly £0.4 million in the area in 2014/15.

Domestic visitors

The University's domestic students also attract visitors to Bath and North East Somerset. Although no information is available on how many visitors each additional student receives, data do exist on the average spend of a visitor from each part of the UK to friends and relatives in the South West.¹³ Using a similar approach to that employed for overseas students it is possible to estimate the spending that these domestic visitors make in the district. This study assumes that each student from outside Bath and North East Somerset gets one visitor from their home region each year. With the likelihood that some students receive multiple family visits over the course of an academic year and that parents are often involved in the transport of personal effects at the beginning and end of session, this is probably a very conservative assumption.

Following this approach, the 3,270 additional students who came to Bath and North East Somerset to study at Bath Spa University from elsewhere in the UK attracted visitors who spent over £0.4 million in the local area.

In total in 2014/15, domestic and international visitors to students at Bath Spa University spent £0.8 million on local transport, accommodation, restaurants and bars, and visiting cultural, recreational and sports attractions.

13. Great Britain Tourism Survey (2014), online data browser

Europe, Middle East, and Africa:

Global headquarters

Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
UK
Tel: +44 (0)1865 268900

London

Broadwall House
21 Broadwall
London, SE1 9PL
UK
Tel: +44 (0)20 7803 1418

Belfast

Lagan House Sackville Street
Lisburn
County Down, BT27 4AB
UK
Tel: + 44 (0)2892 635400

Paarl

12 Cecilia Street
Paarl 7646
South Africa
Tel: +27(0)21 863-6200

Frankfurt

Mainzer Landstraße 41
60329 Frankfurt am Main
Germany
Tel: +49 69 95 925 280

Paris

25 rue Tiphaine
75015 Paris
France
Tel: +33 (0)1 56 53 98 52

Milan

Via Cadorna 3
20080 Albairate (MI)
Italy
Tel: +39 02 9406 1054

Americas:

New York

5 Hanover Square, 19th Floor
New York, NY 10004
USA
Tel: +1 (646) 786 1879

Philadelphia

303 West Lancaster Avenue
Suite 2e
Wayne, PA 19087
USA
Tel: +1 (610) 995 9600

Mexico City

Emerson 150, Despacho 802
Col. Polanco, Miguel Hidalgo
México D.F., C.P. 11560
Tel: +52 (55) 52503252

Boston

51 Sawyer Road
Building 2 - Suite 220
Waltham, MA 02453
USA
Tel: +1 (617) 206 6112

Chicago

980 N. Michigan Avenue,
Suite 1412 Chicago
Illinois, IL 60611
USA
Tel: +1 (773) 372-5762

Miami

8201 Peters Road
Suite 1000
Plantation, FL 33324
USA
Tel: +1 (954) 916 5373

Asia Pacific:

Singapore

Singapore Land Tower
37th Floor
50 Raffles Place
Singapore 048623
Tel: +65 6829 7198

Hong Kong

30/F, Suite 3112
Entertainment Building
30 Queen's Road Central
Tel: +852 3103 1096

Sydney

Level 4, 95 Pitt Street
Sydney, 2000
Australia
Tel: +61 (0)2 8249 8286

Email:

mailbox@oxfordeconomics.com

Website:

www.oxfordeconomics.com