

BATH SPA UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 July 2004

ANNUAL REPORT AND FINANCIAL STATEMENTS 2004

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UNIVERSITY COLLEGE INFORMATION

Governors

Mr I Ahluwalia
Mr J Amey
Mr P Bland
Professor J Brown
Councillor J Gay (from 28 April 2004)
Mr A Harris
Professor P Luna
Mr D Mackintosh
Mr F Morgan (Director and Chief Executive)
Rev S Oberst (to 8 April 2004)
Mr P Parker
Mr I Phillips
Ms S Pirie (Chair)
Dr G Smith
Ms M Toman
Mr P Wilson
Dr R Woodbridge

Directorate:	Mr F Morgan	Director and Chief Executive
	Dr A G Thomas	Assistant Director
	Dr D Timms	Assistant Director
	Mr A E Dewberry	Assistant Director

Auditors:

RSM Robson Rhodes LLP
Chartered Accountants
Hanover House
Queen Charlotte Street
Bristol BS1 4EX

Bankers

National Westminster Bank PLC
Old Bank Branch
Bath Business Centre
Bath BA1 5AH

Solicitors:

Burges Salmon
Narrow Quay House
Narrow Quay
Bristol BS1 4AH

Address for Enquiries:

Bath Spa University College
Newton Park
Newton St Loe
Bath BA2 9BN

REPORT OF THE BOARD OF GOVERNORS

This report reviews the main developments of the financial period August 2003 to July 2004, and describes the main features of the University College's financial position.

Glossary

AHRB	Arts and Humanities Research Board
BA	Bachelor of Arts
BSc	Bachelor of Science
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
HR	Human Resources
ICT	Information and Communications Technology
IT	Information Technology
JANET	Joint Academic Network
JISC	Joint Information Systems Committee
KS	Key Stage
MA	Master of Arts
MPPD	Modular Programme of Professional Development
Ofsted	Office for Standards in Education
PE	Physical Education
PGCE	Postgraduate Certificate in Education
QAA	Quality Assurance Agency for Higher Education
QTS	Qualified Teacher Status
TTA	Teacher Training Agency
VC	Visual Culture

1. The Main Developments of Financial Period 2003/04

1.1 General

Bath Spa University College has continued with its Corporate Strategy of being a medium sized higher education institution providing teaching of the highest quality in a student centred environment, always against a backcloth of sound financial management. The College continues to be popular for students and to recruit exceptionally well. Applications in 2003 rose by 4% against a general increase of 3.3% across the sector. Demand for nearly all subjects remains buoyant, but Creative Music Technology still provides the highest ratio of applications to places (9:1). The total number of students at the University College in 2003/04 was 4,533 FTE (4,062 in 2002/03).

The University College continues to win additional student numbers via competitive bidding processes with the funding agencies. Amongst other successes during 2003/04 the University College attracted funding for 120 full time additional, fully funded places from HEFCE (as part of a total of over 400 over three years) and 50 additional full time places from the TTA. These outstanding successes are undoubtedly based very largely on the quality of our teaching provision, which is nationally accepted as being of the highest standard.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

1.2 Academic developments

The major academic developments in 2003/04 were:

- (i) The University College developed an application to the Privy Council for university title, in line with provisions made by the Secretary of State for Higher Education consequent on the Government White Paper *The Future of Higher Education* (DfES, January 2003).
- (ii) For the third year running, the “league tables” of higher education institutions in the *Sunday Times* ranked BSUC among the top ten non-chartered HEIs.
- (iii) Successful Ofsted inspections of the management and quality assurance of primary provision. The report graded primary provision as “1”: “very good”, the highest grade available. Ofsted scores include no individual “cell” graded lower than “2” (Good) for any part of our provision, primary or secondary, and the primary scores are equally distributed between 1s and 2s.
- (iv) The following new programmes were approved

Historical and Cultural Studies

MA Bath History and Culture

Science and the Environment

PG Cert Applied Research Skills

Foundation Degree: Tourism

Social Sciences

BA Business and Management

BSc Psychology (Single Hons)

Foundation Degree: Health and Social Care

Music and Performing Arts

Foundation Degree: Performing Arts at Weston College

Education

BA Education (Single Hons)

PGCE Modern Languages (KS2/3 & Secondary)

Foundation Degree: Teacher Assistants

English and Creative Studies

MA Writing for Young People

MRes English

And the following programmes were reviewed

Science and the Environment

D&T/Food Studies

Historical and Cultural Studies

Media Communication/Cultural Studies

History

Social Sciences

Business Studies (follow-up review from 2002/03)

- (v) A member of the English staff won a Leverhulme fellowship: of 90 recipients, only two others were from the “post-92” sector of higher education. Several members of staff won awards from AHRB. Two members of staff were awarded Arts Council England Writers’ Awards.
- (vi) We made the first intake to a range of new foundation degrees, planned in collaboration with local FECS and also the University of Bath and the Royal Agricultural College, Cirencester. The new degrees, though each is an award of one of the three HEIs, share common curriculum and some academic management elements.
- (vii) BSUC had another highly successful admissions round, with almost no recourse to clearing.

REPORT OF THE BOARD OF GOVERNORS *(continued)***2. The main features of the University College's financial position****2.1 Results for the year**

The University College is operating successfully, ensuring that necessary resourcing is in place for all its major activities. The consolidated income, expenditure and results for the year to 31 July 2004 are summarised as follows:

	2003/04	2002/03
	£'000	£'000
Income	27,633	23,634
Expenditure	(26,267)	(22,665)
Release from revaluation reserve	151	151
Historical cost surplus after tax	1,517	1,120

2.2 Reserves

Consolidated reserves (excluding revaluation reserve) can be summarised as follows:

	2003/04	2002/03	Increase/ (decrease)
	£'000	£'000	£'000
Strategic reserves	414	414	-
Project reserves	699	766	(67)
Specific reserves	1,903	1,731	172
General reserves	5,659	4,247	1,412
Total reserves	<u>8,675</u>	<u>7,158</u>	<u>1,517</u>

2.3 Committed future expenditure on buildings

During 2004/05 the University College will continue work on a new Performing Arts Studio Project – a major capital development supporting funded expansion of the College's portfolio in Drama, Dance, Music and Interactive Multimedia. This £4,000,000 development is being partly financed with a grant of £1,000,000 from the Higher Education Funding Council.

In addition the College will shortly commence work to extend the Library and ICT provision at Newton Park following the relocation of the Students' Union into refurbished larger premises. The total cost of this scheme, expected to be some £1,935,000, will be funded from HEFCE Project Capital funding plus a contribution of £500,000 from the Students' Union.

2.4 Financial strategy

The University College adopts a prudent financial strategy in support of its strategic plan, which provides for the maintenance and development of the infrastructure, ensures the delivery of high quality programmes of study to as wide a range of students as possible, and normally requires year on year the formulation of balanced annual budgets.

(i) Aims

The University College bases its financial strategy on two particular aims

- sustained financial health, including liquidity, prudent reserves and tight budgetary control and
- responsibility arising from being a publicly funded organisation incorporating financial control, audit, accountability, value for money, and controls against fraud and maladministration.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

2.4 Financial strategy *(continued)*

(ii) Key elements of success

The key elements of success include:

- the University College's consistent ability to work within the revenue estimates set by the Board of Governors
- full involvement by the Board of Governors, a vigorous and successful Audit Committee, which has ensured follow up of all audit issues, and strong experienced financial managers
- a good contribution to revenue budget from independent private sector sources including fees from overseas students and from student accommodation and from conferences.

(iii) Evidence of success

The success of the University College in meeting its financial obligations is evidenced by:

- prudent levels of unencumbered reserves,
- year on year surpluses enabling future continued investment and
- positive cash balances and absence of loans other than the local authority debt charges inherited upon incorporation. Capital and interest payments on the local authority loan are 100% reimbursed by HEFCE.

(iv) Grants Awarded

The University College has been successful in obtaining specific grant support from funding councils and the National Lottery in recent years, particularly in relation to:

- major works - library extension;
- major works - laboratories;
- funding for development of teaching and learning (History and Sociology);
- United Kingdom Education and Research Networking Association – ICT infrastructure development;
- JISC - development of a college-wide information strategy;
- National Lottery grant for extension of the Michael Tippett Centre auditorium;
- National Lottery grant in support of the Newton Park Estate restoration plan;
- JISC - connection to the Bristol metropolitan area network, significantly improving JANET and other external IT links;
- Higher Education Innovation Fund;
- New Technology Institute funding for capital infrastructure and additional funded foundation degree provision
- major works - a new Drama Arena and expansion of the performing arts at Newton Park.

While we are grateful for this support, we also emphasise that the quality of our bids and the appropriateness of the needs they define is a testimony to the University College's corporate self-confidence. We expect to repeat the quality of such bids in future.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

2.5 Short term and imminent developments

Short term and imminent developments are as follows:

- (i) For 2004/05 the HEFCE Funding Methodology has been changed. Changes include:
 - adjustment to prices for certain courses to more closely reflect the costs nationally of banded subjects.
 - new premiums for foundation degree and part time study.
 - consolidation of previously earmarked funding into core teaching grants.
- (ii) The University College continues to respond to opportunities for expansion within the HEFCE and TTA funding methodologies, and has recently been particularly successful in winning additional funding for TTA funded part time professional development activities.
- (iii) Work on a new £4m Performing Arts Studio will continue during 2004/05 with final completion in 2005/06. The scheme is partly funded by a £1,000,000 HEFCE grant, with the balance being funded through growth in student numbers.
- (iv) During the next two years the University College will work with the recognised Unions towards implementation of a nationally negotiated framework agreement for the modernisation of pay structures. Members of both NATFHE and UNISON have now accepted the agreement which paves the way for a single new pay spine before 2006, applying to all but the most senior University College staff. The framework is designed to ensure greater pay equality and transparency through job evaluation exercises detailing staff roles and responsibilities. It builds in flexibility for universities to set pay levels locally under national guide-lines, introduces market-based pay supplements to attract staff in shortage subject areas, and formalises a type of performance-related pay by adding extra spine points for staff contribution.
- (v) The Waterside Court student residence development in Bath, financed by a public private partnership with Unite plc, was completed in August 2004. This has increased the provision of managed en-suite accommodation by 316 study bedrooms for Bath Spa students from 2004/05.
- (vi) The University College will continue to respond positively to the requirements of disability legislation with an on-going programme of adaptations utilising HEFCE infrastructure funding.
- (vii) The University College will continue to implement strategies to improve productivity and efficiency and will further develop its costing and pricing strategy that encompasses all of its activities.
- (viii) The University College has recognised unpaid student tuition fee debt as becoming a significant problem for the sector, and has developed strategies for managing its own position. These include improvements in access to (and the management of) student data; the formulation of clear debt management policies; and the improvement of systems for monitoring and collection of debt.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

3. Corporate governance

3.1 Statement

The University College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Throughout the year ended 31 July 2004, the University College has been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Colleges. The University College has also fully considered, and where appropriate implemented, all of the recommendations of the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 1998.

3.2 Summary of the College's structure of corporate governance

The College's Board of Governors comprises lay and academic persons appointed under the Instrument of Government of the College, the majority of whom are non-executive. The roles of Chair and Deputy Chair of the Board of Governors are separated from the role of the College's Director and Chief Executive. The matters specifically referred to the Board of Governors for decisions are set out in the Articles of Government of the College; by custom and under the Financial Memorandum with the Higher Education Funding Council for England and the Funding Agreement with the Teacher Training Agency. The Board of Governors holds to itself the responsibilities for the ongoing strategic direction of the University College, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary company.

The Board of Governors meets four times a year; and has several Committees including a Policy and Resources Committee, an Emoluments Committee, a Committee of Independent Members and an Audit Committee. All of these Committees are formally constituted with terms of reference, and comprise mainly lay members of the Board of Governors, one of whom is designated to chair meetings.

The *Policy and Resources Committee* inter alia recommends to the Board of Governors the College's annual income and expenditure budget and monitors performance in relation to the approved budgets. It reviews the College's annual financial statements together with the accounting policies.

The *Emoluments Committee* determines the annual remuneration of senior postholders.

The *Committee of Independent Members* determines, where required by the instrument of Government, the appointment of Independent Members to the Board of Governors.

The *Audit Committee* meets at least twice annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the College's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the College's business and monitors adherence with the regulatory requirements. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the External Auditors on their own for independent discussions.

Nominations for filling vacancies in the Board of Governors are sought by the Board from members of the Board, from constituencies within the College including Academic Board, Director's Corporate Team and the Unions. Such nominations are subject to the formal approval of the Board of Governors or by the Committee of Independent Members, under arrangements prescribed by the Instrument of Government.

REPORT OF THE BOARD OF GOVERNORS *(continued)*

3.3 Statement of the responsibilities of the Board of Governors

In accordance with the University College's Articles of Government, the Board of Governors of Bath Spa University College is responsible for the administration and management of the affairs of the College, and is required to present audited financial statements for each financial year.

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

In causing the financial statements to be prepared, the Board of Governors 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; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Governors is satisfied that the College 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 Board of Governors has taken reasonable steps to:

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

3.4 Statement of Internal Control

The Board of Governors 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 they are responsible, in accordance with the Articles of Government and the Financial Memoranda with the Funding Councils.

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

REPORT OF THE BOARD OF GOVERNORS *(continued)*

3.4 Statement of Internal Control *(continued)*

The system of internal control is based on an on-going process designed to identify the principal risks to the University College's 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 2004 and up to the date of approval of the financial statements, and in accordance with HEFCE guidance.

The Board of Governors has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- The Board of Governors meets regularly four times a year to consider the plans and strategic direction of the University College.
- The Board of Governors receives periodic reports from the Audit Committee concerning internal control, and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- The Board of Governors has established the Policy & Resources Committee as the risk committee to oversee risk management
- The Audit Committee receives regular reports from the Head of Internal Audit which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the University College's system of internal control, together with recommendations for improvement.
- A regular programme of meetings of senior staff is held to identify and keep up to date the record of risks facing the University College.
- A system of key performance and risk indicators has been developed.
- A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- An organisation-wide risk register is now maintained.
- Reports are received from budget holders, department heads and project managers on internal control activities.

Review of the effectiveness of the system of internal control is informed by the Internal Audit Service which operates to standards defined in the HEFCE Audit Code of Practice and which is regularly reviewed for effectiveness by the HEFCE Audit Service. The Internal Auditors submit regular reports which include their opinion on the adequacy and effectiveness of the University College's system of internal control, with recommendations for improvement.

Review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University College, 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.

By Order of the Board of Governors

S J Pirie OBE
Chair

27 October 2004

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF BATH SPA UNIVERSITY COLLEGE

We have audited the consolidated financial statements of Bath Spa University College and its subsidiary ("the group") for the year ended 31 July 2004, which comprise the income and expenditure account, the balance sheets, the cashflow statement, the statement of total recognised gains and losses and the related notes.

These financial statements were prepared under the historic cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

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

Respective responsibilities of the Board of Governors and auditors

As described in the statement of the Board of Governors' responsibilities, the Board of Governors is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University College for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council for England or the Teacher Training Agency were applied in accordance with the financial memorandum and any other terms and conditions attached to them.

We have reviewed whether the Corporate Governance Statement in paragraph 3 of pages 7 to 9 reflects the College's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the College's corporate governance procedures or its risk and controls procedures.

We also report to you if, in our opinion, the Board of Governors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Board of Governors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF BATH SPA UNIVERSITY COLLEGE *(continued)*

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of Bath Spa University College and of the group at 31 July 2004 and of the group's surplus of income over expenditure for the year then ended.

In our opinion, in all material respects, funds from whatever source administered by the University College for specific purposes were properly applied for the intended purposes and, where relevant, managed in accordance with appropriate legislation for the year ended 31 July 2004.

In our opinion, in all material respects, funds provided by the Higher Education Funding Council for England and the Teacher Training Agency were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2004.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Bristol, England
27 October 2004

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable UK Accounting Standards.

Basis of accounting

These financial statements are prepared under the historical cost convention as modified to include buildings taken over from Avon County Council at valuation.

Basis of consolidation

The financial statements consolidate the results of the College and its subsidiary company, Bath Spa University College Limited, for the year ended 31 July 2004.

The consolidated financial statements do not include those of Bath Spa University College Students' Union as it is an association with charitable status in which the College has no financial interest and no control or significant influence over policy decisions.

Grants from Funding Council

Revenue based grants are credited to revenue in the same period in which the revenue expenditure to which they relate is charged. Capital based grants are credited to revenue over the useful life of the asset by treating the amount of the grant as a deferred credit, a portion of which is transferred to revenue annually.

Tuition fees and other income

Tuition fees and other income, which exclude value added tax, represent the invoiced value of services supplied. Tuition fees are accounted for on an accruals basis.

Pension arrangements

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme and the Avon Pension Fund. Employers' pension contributions are charged to the income and expenditure account in the year to which the salaries on which they are payable relate. Full details of the basis of accruing pension costs are given in note 20.

Leases

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

Maintenance of premises

The total cost of maintenance of premises is charged to the income and expenditure account in the period it is incurred.

Tangible fixed assets

Tangible fixed assets taken over from Avon County Council at 1 April 1989 are stated at a valuation adjusted for depreciation. The bases of valuation are explained in note 12. Tangible fixed assets acquired since 1 April 1989 are stated at cost less accumulated depreciation.

The transitional rules set out in FRS 15 Tangible Fixed Assets were adopted as at 31 July 2000 and book values of property assets were frozen accordingly.

Equipment costing less than £2,500 per individual item or group of related items is written off in the year of acquisition.

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

Tangible fixed assets *(continued)*

Building improvements	10% per annum
Music equipment	20% per annum
Motor vehicles	25% per annum
Equipment, fixtures and fittings	25% per annum
Computer software and hardware	33 ^{1/3} % per annum

Freehold buildings are amortised over their useful economic lives on a basis consistent with the Vigers estimate of remaining property life (this ranges from 13 to 50 years). Leasehold buildings are amortised over the lesser of the life of the lease and their useful economic lives. The Newton Park estate is held on a 99 year lease that expires in 2044. Freehold land is not depreciated.

Stocks

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits.

Provisions

Provisions are recognised when the College 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.

Reserves

In accordance with the College's strategic plans, reserves are earmarked for specific capital and revenue projects and are transferred to general reserves on completion of the relevant project.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2004

	Note	2004 £'000	2003 £'000
INCOME			
Funding Council grants	1	17,556	14,674
Tuition fees and education contracts	2	6,149	5,225
Research grants and contracts	3	120	181
Other income	4	3,497	3,352
Investment income	5	311	202
Total income		<u>27,633</u>	<u>23,634</u>
EXPENDITURE			
Staff costs	6	15,001	12,852
Other operating expenses	7	10,118	8,721
Depreciation	-	998	931
Interest payable	8	150	161
Total expenditure	9	<u>(26,267)</u>	<u>(22,665)</u>
Surplus after depreciation of assets at valuation and before taxation		1,366	969
Taxation	10	<u>-</u>	<u>-</u>
Surplus after depreciation of assets at valuation and after taxation	19	<u><u>1,366</u></u>	<u><u>969</u></u>

The consolidated income and expenditure of the College and its subsidiary relate wholly to continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2004

	Note	2004 £'000	2003 £'000
Surplus after depreciation of assets at valuation and taxation		1,366	969
Principal reimbursed - Bristol City Council loan	19	76	72
Total recognised gains and losses relating to the year		<u>1,442</u>	<u>1,041</u>

CONSOLIDATED NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
For the year ended 31 July 2004

	2004 £'000	2003 £'000
Surplus after depreciation of assets at valuation and after taxation	1,366	969
Difference between an historical cost depreciation charge and the actual depreciation for the year calculated on the revalued amount	151	151
Historical cost surplus after taxation	<u>1,517</u>	<u>1,120</u>

CONSOLIDATED BALANCE SHEET
At 31 July 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible assets	12	12,298	12,379
CURRENT ASSETS			
Stocks		60	74
Debtors	14	902	684
Cash at bank and in hand		8,870	6,643
		9,832	7,401
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(4,457)	(3,599)
NET CURRENT ASSETS		5,375	3,802
TOTAL ASSETS LESS CURRENT LIABILITIES		17,673	16,181
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(1,821)	(1,900)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(646)	(738)
NET ASSETS		15,206	13,543
DEFERRED CAPITAL GRANTS	18	2,318	2,097
RESERVES			
Revaluation reserve	19	4,213	4,288
Specific project and strategic reserves	19	3,016	2,911
General reserves	19	5,659	4,247
Total Reserves		12,888	11,446
TOTAL		15,206	13,543

These financial statements were approved by the Board of Governors on 27 October 2004 and signed on its behalf by:

F Morgan
Director

S J Pirie OBE
Chair

COLLEGE BALANCE SHEET
At 31 July 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible assets	12	12,279	12,331
Investments	13	-	-
		<u>12,279</u>	<u>12,331</u>
CURRENT ASSETS			
Stocks		59	74
Debtors	14	954	776
Cash at bank and in hand		8,870	6,643
		<u>9,883</u>	<u>7,493</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(4,421)	(3,583)
NET CURRENT ASSETS		<u>5,462</u>	<u>3,910</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,741	16,241
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(1,821)	(1,900)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(646)	(738)
NET ASSETS		<u>15,274</u>	<u>13,603</u>
DEFERRED CAPITAL GRANTS	18	2,318	2,097
RESERVES			
Revaluation reserve	19	4,213	4,288
Specific project and strategic reserves	19	3,016	2,911
General reserves	19	5,727	4,307
Total Reserves		<u>12,956</u>	<u>11,506</u>
TOTAL		<u>15,274</u>	<u>13,603</u>

These financial statements were approved by the Board of Governors on 27 October 2004 and signed on its behalf by:

F Morgan
Director

S J Pirie OBE
Chair

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2004

	Note	2004 £'000	2003 £'000
Cash flow from operating activities	21	2,317	1,995
Returns on investments and servicing of finance	22	161	41
Capital expenditure and financial investment	23	(251)	(744)
Management of liquid resources	24	-	1,000
Financing	25	-	-
Increase in cash in year	26	<u>2,227</u>	<u>2,292</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 31 July 2004

	2004 £'000	2003 £'000
Increase in cash in the year	2,227	2,292
Decrease in short term deposits	-	(1,000)
Repayment of debt	76	72
Change in net funds	<u>2,303</u>	<u>1,364</u>
Net funds at 1 August	4,667	3,303
Net funds at 31 July	<u><u>6,970</u></u>	<u><u>4,667</u></u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

1. FUNDING COUNCIL GRANTS	HEFCE £'000	TTA £'000	2004 £'000	2003 £'000
Recurrent grant	13,723	3,417	17,140	14,307
Specific grant - inherited debt	150	-	150	161
Deferred capital grants released in year:				
- Buildings	179	-	179	187
- Equipment	87	-	87	19
	<u>14,139</u>	<u>3,417</u>	<u>17,556</u>	<u>14,674</u>
2. TUITION FEES AND EDUCATION CONTRACTS			2004 £'000	2003 £'000
Full-time students			4,642	4,035
Full-time students charged overseas fees			1,240	936
Part-time fees			267	254
			<u>6,149</u>	<u>5,225</u>
3. RESEARCH GRANTS AND CONTRACTS			2004 £'000	2003 £'000
Research Councils			24	14
Other grants and contracts			96	167
			<u>120</u>	<u>181</u>
4. OTHER INCOME			2004 £'000	2003 £'000
Residences, catering and conferences			1,749	1,590
Other income			1,665	1,724
Deferred capital grants released in year:				
- Buildings			83	38
			<u>3,497</u>	<u>3,352</u>
5. INVESTMENT INCOME			2004 £'000	2003 £'000
Income from short term investments			<u>311</u>	<u>202</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

6. STAFF COSTS	2004	2003
	£'000	£'000
Wages and salaries	12,729	11,115
Social security costs	989	791
Other pension costs	1,283	946
	<u>15,001</u>	<u>12,852</u>
Average staff numbers by major category (full-time equivalent):	No.	No.
Academic staff	198	181
Hourly- paid lecturers	57	48
Technicians	26	25
Support staff - administration	133	122
Support staff - other	25	24
Support staff - manual workers	54	54
	<u>493</u>	<u>454</u>
Emoluments of the Director and Chief Executive:	£'000	£'000
Remuneration	118	105
Residential emolument	13	13
Benefits in kind	2	2
	<u>133</u>	<u>120</u>
Pension contributions	<u>18</u>	<u>11</u>
Remuneration of higher paid staff excluding Director and Chief Executive	No.	No.
£70,001 - £80,000	-	2
£80,001 - £90,000	2	1
£90,001 - £100,000	2	-
	<u>2</u>	<u>3</u>
7. OTHER OPERATING EXPENSES	2004	2003
	£'000	£'000
Academic equipment and consumables	1,366	991
Franchise provision	938	765
Teacher training - school experience	584	459
Office equipment and consumables	1,057	1,147
Telephone and postage	269	256
Advertising and publicity	418	375
Subscriptions	151	151
Agency staff	629	534
Transport, travel and accommodation	758	685
Utilities and insurance	1,079	782
Reactive and cyclical maintenance	893	788
Planned maintenance	1,102	949
Other expenses	874	839
	<u>10,118</u>	<u>8,721</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

7. OTHER OPERATING EXPENSES <i>(continued)</i>	2004	2003
	£'000	£'000
Other Operating Expenses include:		
Auditors' remuneration - external audit	14	14
- internal audit	11	11
- other services from external and internal audit	2	4
Hire of plant and machinery – operating leases	4	4
Student Union grant	120	103
	<u> </u>	<u> </u>

8. INTEREST PAYABLE	2004	2003
	£'000	£'000
Loans not wholly repayable within five years	150	161
	<u> </u>	<u> </u>

9. ANALYSIS OF 2003/04 EXPENDITURE BY ACTIVITY

	Staff costs £'000	Depreciation £'000	Other operating expenses £'000	Interest payable £'000	Total £'000
Academic departments	9,301	143	3,267	-	12,711
Academic services	961	222	532	-	1,715
Research grants and contracts	93	2	76	-	171
Residences, catering and conferences	534	93	669	17	1,313
General education expenditure	868	40	951	-	1,859
Premises	275	396	1,749	133	2,553
Administration	1,802	46	1,076	-	2,924
Staff and student services	324	3	266	-	593
Other expenses	843	53	1,532	-	2,428
	<u>15,001</u>	<u>998</u>	<u>10,118</u>	<u>150</u>	<u>26,267</u>

The depreciation charge has been funded by: **£'000**

Deferred capital grants	304
Revaluation reserve released	151
General income	543
	<u>998</u>

10. TAXATION

The College, having charitable status, is liable to UK Corporation Tax only on activities which are additional to its principal educational activities. The College's activities did not give rise to any taxable profit.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004
11. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The surplus on continuing operations for the period is made up as follows:

	2004	2003
	£'000	£'000
College's surplus for the year	1,374	977
Deficit incurred by the subsidiary undertaking and transferred to the College under a deed of covenant	(8)	(8)
Total	<u>1,366</u>	<u>969</u>

12. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Long leasehold properties £'000	Building improve- ments £'000	Fixtures, equipment and vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2003					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,139	3,521	2,487	11,147
Additions at cost	-	79	336	518	933
Disposals					
Valuation	-	-	-	-	-
Cost	-	-	(8)	(541)	(549)
At 31 July 2004					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,218	3,849	2,464	11,531
	<u>2,496</u>	<u>10,769</u>	<u>3,849</u>	<u>3,753</u>	<u>20,867</u>
Accumulated depreciation					
At 1 August 2003	382	2,004	2,470	3,248	8,104
Charge for year	31	224	293	450	998
Disposals	-	-	(6)	(527)	(533)
At 31 July 2004	<u>413</u>	<u>2,228</u>	<u>2,757</u>	<u>3,171</u>	<u>8,569</u>
Net book value					
At 31 July 2004	<u>2,083</u>	<u>8,541</u>	<u>1,092</u>	<u>582</u>	<u>12,298</u>
At 31 July 2003	<u>2,114</u>	<u>8,686</u>	<u>1,051</u>	<u>528</u>	<u>12,379</u>
Inherited	2,083	4,071	-	-	6,154
Financed by Capital Grant	-	1,580	570	168	2,318
Other	-	2,890	522	414	3,826
Net Book Value At 31 July 2004	<u>2,083</u>	<u>8,541</u>	<u>1,092</u>	<u>582</u>	<u>12,298</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

12. TANGIBLE FIXED ASSETS *(continued)*

College	Freehold land and buildings £'000	Long leasehold properties £'000	Building improve- ments £'000	Fixtures, equipment and vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2003					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,139	3,496	2,292	10,927
Additions at cost	-	79	335	514	928
Disposals					
Valuation	-	-	-	-	-
Cost	-	-	(7)	(510)	(517)
At 31 July 2004					
Valuation	2,496	5,551	-	1,289	9,336
Cost	-	5,218	3,824	2,296	11,338
	<u>2,496</u>	<u>10,769</u>	<u>3,824</u>	<u>3,585</u>	<u>20,674</u>
Accumulated depreciation					
At 1 August 2003	382	2,004	2,454	3,092	7,932
Charge for year	31	224	291	427	973
Disposals	-	-	(6)	(504)	(510)
At 31 July 2004	<u>413</u>	<u>2,228</u>	<u>2,739</u>	<u>3,015</u>	<u>8,395</u>
Net book value					
At 31 July 2004	<u><u>2,083</u></u>	<u><u>8,541</u></u>	<u><u>1,085</u></u>	<u><u>570</u></u>	<u><u>12,279</u></u>
At 31 July 2003	<u><u>2,114</u></u>	<u><u>8,686</u></u>	<u><u>1,042</u></u>	<u><u>489</u></u>	<u><u>12,331</u></u>
Inherited	2,083	4,071	-	-	6,154
Financed by Capital Grant	-	1,580	570	168	2,318
Other	-	2,890	515	402	3,807
Net Book Value					
At 31 July 2004	<u><u>2,083</u></u>	<u><u>8,541</u></u>	<u><u>1,085</u></u>	<u><u>570</u></u>	<u><u>12,279</u></u>

The statement of asset valuation practice and guidance notes prepared by the Royal Institution of Chartered Surveyors provides that the normal basis of valuation for assets is open market value for existing use (SAVP 1). However, SAVP 1 is qualified to the extent that this may not be appropriate in respect of specialised properties which rarely, if ever, change hands and for which there is no clear evidence of open market transactions involving comparable properties. In these cases the alternative basis of valuation provided by the guidance notes is that of depreciated replacement cost (DRC).

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

12. TANGIBLE FIXED ASSETS *(continued)*

Land and buildings were revalued by Vigers - International Property Consultants at 31 March 1991. The property owned by the College at Sion Hill is considered by Vigers to be sufficiently general in its design to be comparable with other educational buildings in the area and has been valued at open market value for existing use. Those at Somerset Place and on the campus at Newton Park are considered to be most appropriately valued by the DRC basis described above and have therefore been valued accordingly.

The leasehold property at Corsham Court has been valued at £Nil. Vigers do not recommend placing a value on this property since the lease could be regarded as onerous. The costs associated with the lease are in fact refunded to the College by its funding body and there are at present no plans to change this.

Land and buildings with a net book value of £6,154,000 have been funded from Treasury sources. Should these particular properties be sold, the College would either have to surrender the proceeds to the Treasury or use them in accordance with the financial memorandum with the Higher Education Funding Council for England.

Equipment

Equipment taken over from Avon County Council at 31 March 1989 was brought into the accounts at 1 April 1990 at a value which reflects its replacement cost at the date of original purchase less depreciation representing usage since that date.

13. INVESTMENTS	2004	2003
	£	£
Shares in subsidiary	2	2
	<u>2</u>	<u>2</u>

The College owns 100% of the issued ordinary £1 shares of Bath Spa University College Limited, a company incorporated in England and Wales. The principal business activities of this company are conference lettings and short courses.

14. DEBTORS	Group		College	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	149	64	149	64
Income receivable from the HEFCE	173	114	173	114
Amounts due from subsidiary undertaking	-	-	52	92
Other debtors	366	319	366	319
Prepayments and accrued income	214	187	214	187
	<u>902</u>	<u>684</u>	<u>954</u>	<u>776</u>

No debtors were due after more than one year.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		College	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Current portion of long term loan	79	76	79	76
Trade creditors	1,073	885	1,073	885
Taxation and social security	337	289	337	289
Other creditors	351	193	351	193
Accruals and deferred income	2,617	2,156	2,581	2,140
	<u>4,457</u>	<u>3,599</u>	<u>4,421</u>	<u>3,583</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group and College	2004	2003
	£'000	£'000
Long-term loan		
Due within one year	79	76
Between two and five years	240	255
In five years or more	1,502	1,569
	<u>1,821</u>	<u>1,900</u>

The long term loan, which is unsecured, is due to Bristol City Council, with interest based on a 5 per cent sinking fund approach.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Group and College	Enhanced Pension provision (Note 20)	Landlords' Guarantees provision	Total provisions
	£'000	£'000	£'000
At 1 August 2003	553	185	738
Charge to Income and expenditure	38	90	128
Utilised in year	(35)	(185)	(220)
At 31 July 2004	<u>556</u>	<u>90</u>	<u>646</u>

To ensure that there is sufficient residential accommodation for its first year students the University College contracts with external providers. In return for guaranteed availability of places the College will pay a proportion of the rent for any unfilled places. At 31 July 2004 the College has a liability for 31 out of 365 study bedrooms and a provision for £90,000 has been established in the financial statements.

The Board of Governors consider that the provision will be paid during the forthcoming year and consequently have not discounted the provision to net present value.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

18. DEFERRED CAPITAL GRANTS

Group and College	HEFCE £'000	Other Grants £'000	Total £'000
At 1 August 2003			
Buildings	927	1,133	2,060
Equipment	37	-	37
	<u>964</u>	<u>1,133</u>	<u>2,097</u>
Cash received			
Buildings	308	156	464
Equipment	218	-	218
	<u>526</u>	<u>156</u>	<u>682</u>
Released to income and expenditure account			
Buildings	179	195	374
Equipment	87	-	87
	<u>266</u>	<u>195</u>	<u>461</u>
At 31 July 2004			
Buildings	1,056	1,094	2,150
Equipment	168	-	168
	<u>1,224</u>	<u>1,094</u>	<u>2,318</u>

There are no deferred capital grants in the subsidiary.

19. RESERVES

Group	Revaluation reserve £'000	Specific project and strategic reserves £'000	General reserves £'000	Total 2004 £'000	Total 2003 £'000
Balance at 1 August	4,288	2,911	4,247	11,446	10,405
Surplus for the year	-	-	1,366	1,366	969
Transfer from specific reserves	-	105	(105)	-	-
Transfer from revaluation reserve to income and expenditure account	(151)	-	151	-	-
Principal reimbursed – Bristol City Council loan	76	-	-	76	72
Balance at 31 July	<u>4,213</u>	<u>3,016</u>	<u>5,659</u>	<u>12,888</u>	<u>11,446</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004
19. RESERVES *(continued)*

College	Revaluation reserve £'000	Specific project and strategic reserves £'000	General reserves £'000	Total 2004 £'000	Total 2003 £'000
Balance at 1 August	4,288	2,911	4,307	11,506	10,457
Surplus for the year	-	-	1,374	1,374	977
Transfer from specific reserves	-	105	(105)	-	-
Transfer from revaluation reserve to income and expenditure account	(151)	-	151	-	-
Principal reimbursed – Bristol City Council loan	76	-	-	76	72
Balance at 31 July	<u>4,213</u>	<u>3,016</u>	<u>5,727</u>	<u>12,956</u>	<u>11,506</u>

20. PENSION COSTS

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, Avon Pension Fund, (LGPS). The total pension cost for the period was £1,283,000 (2002/03 £946,000).

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

SSAP 24

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective Benefits
Investment returns per annum	7.0% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£142,880 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004
20. PENSION COSTS *(continued)*

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the year ended 31 July 2004 the employer contribution was 13.5%. The total pension cost for the period was £858,000 (2002/03 £574,000).

An appropriate SSAP 24 provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

Avon Pension Fund (LGPS)

The College participates in the Avon Pension Fund which is a funded defined benefit pension scheme with the assets held in separate trustee administered funds. The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2004 was £665,000 of which employers' contributions totalled £425,000 and employees' contributions totalled £240,000. The agreed contribution rates for future years are 10.7% for employers and 6% for employees. Surpluses and deficits are spread over employees' future service lives. The pensions charge recorded by the College during the accounting period was equal to the contributions payable.

SSAP 24

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

	Past Service Liabilities	Future Service Liabilities
Return on investments	5.7%	6.5%
Salary inflation	3.3%	3.5%
Pension inflation	2.3%	2.5%
Valuation date		31 March 2001
Valuation method		Projected Unit
Market value of assets at date		£1,563 million
Market value of assets as a percentage of accrued benefits		100%

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2001 updated to 31 July 2004 by a qualified independent actuary.

	2004	2003	2002
Rate of increase in salaries	3.8%	3.5%	3.5%
Rate of increase in pensions in payment	2.8%	2.5%	2.5%
Discount Rate	5.7%	5.5%	6.0%
Inflation assumption	2.8%	2.5%	2.5%

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004
20. PENSION COSTS *(continued)*
Avon Pension Fund (LGPS) *(continued)*

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

	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £'000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £'000	Long term rate of return expected at 31 July 2002	Value at 31 July 2002 £'000
Equities	7.5%	5,937	7.5%	4,982	8.0%	4,329
Bonds Government	5.0%	1,248	4.7%	1,249	6.0%	1,362
Other	5.7%	644	5.5%	498	-	-
Other	4.5%	119	3.8%	95	4.0%	338
		<u>7,948</u>		<u>6,824</u>		<u>6,029</u>

The following amounts at 31 July 2004 were measured in accordance with the requirements of FRS17:

	2004 £'000	2003 £'000
University College estimated share of assets	7,948	6,824
Present value of scheme liabilities	(10,908)	(9,446)
Deficit in the scheme – Net pension liability	<u>(2,960)</u>	<u>(2,622)</u>

Under the transitional arrangements of FRS17, no provision has been made by the college for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

Balance Sheet Presentation	2004 £'000	2003 £'000
*Net assets excluding FRS17 pension liability	15,206	13,543
Net Pension liability	(2,960)	(2,622)
Net assets including FRS 17 pension liability	<u>12,246</u>	<u>10,921</u>
Reserves Note		
*General reserve excluding FRS 17 pension liability	5,659	4,247
*General reserve excluding FRS 17 pension liability	(2,960)	(2,622)
General reserve including pension liability	<u>2,699</u>	<u>1,625</u>

* Amounts exclude SSAP 24 provisions for LGPS scheme underfunding included within the College balance sheet.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004
20. PENSION COSTS *(continued)*
Avon Pension Fund (LGPS) *(continued)*

Under the transitional arrangements of FRS 17, the College's pension charge for the year calculated under FRS 17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP 24 basis). If the charge had been included on an FRS 17 basis, the following entries would be made.

Analysis of amounts charged to income and expenditure account:

	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Service cost	526	396
Total operating charge	526	396
Analysis of net return on pension scheme		
Expected return on pension scheme assets	484	457
Interest on expected scheme liabilities	(539)	(475)
Net return	(55)	(18)

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)

	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Actual return less expected return on pension scheme assets	19	(77)
Change in financial and demographic assumptions underlying the scheme liabilities	(201)	(835)
Actuarial gain / (loss) recognised in STRGL	(182)	(912)

Movement in surplus during year

	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Surplus / (Deficit) in scheme at 1 August	(2,622)	(1,668)
Movement in year:		
Current service cost	(526)	(396)
Contributions	425	372
Net interest / return on assets	(55)	(18)
Actuarial (loss)	(182)	(912)
Deficit on scheme at 31 July	(2,960)	(2,622)

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

20. PENSION COSTS *(continued)*

Avon Pension Fund (LGPS) *(continued)*

History of experience gains and losses

	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000	Year Ended 31 July 2002 £'000
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	19	(77)	(1,729)
% of scheme assets	(1%)	(1%)	(29%)
Experience gains and losses on scheme liabilities:			
Amount (£'000)	(201)	(835)	-
% of scheme liabilities	2%	9%	-
Total amount recognised in the statement of total recognised gains and losses:			
Amount (£'000)	(182)	(912)	(1,729)
% of the present value of the scheme liabilities	2%	10%	22%

The TPS cost includes an amount in respect of enhanced pension entitlements of staff taking early retirement under the reorganisation programme. An amount of £556,000 (2003: £553,000) is included in provisions representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the Bath Spa University College of enhanced pension entitlements over the estimated life expectancy of each relevant employee. The provision represents an undiscounted amount as the directors consider the affect of discounting would not have a material effect on the amount provided.

**21. RECONCILIATION OF SURPLUS BEFORE TAXATION TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	2004 £'000	2003 £'000
Surplus before taxation	1,366	969
Interest payable	150	161
Interest receivable	(311)	(202)
Release of capital grant	(461)	(244)
Depreciation	998	931
Decrease in stock	14	4
(Increase)/Decrease in debtors	(218)	114
Increase in creditors	855	90
(Decrease)/Increase in provisions	(92)	175
Loss/(Profit) on sale of fixed assets	16	(3)
Net cash inflow from operating activities	2,317	1,995

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

22.	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		2004	2003
			£'000	£'000
	Interest received		311	202
	Bristol City Council loan interest repayments		(150)	(161)
			<hr/>	<hr/>
	Net cash inflow/(outflow) from returns on investments and servicing of finance		161	41
			<hr/> <hr/>	<hr/> <hr/>
23.	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		2004	2003
			£'000	£'000
	Purchase of tangible fixed assets		(933)	(733)
	Deferred capital grant received		682	(15)
	Proceeds from sale of fixed assets		-	4
			<hr/>	<hr/>
	Net outflow from capital expenditure and financial investment		(251)	(744)
			<hr/> <hr/>	<hr/> <hr/>
24.	MANAGEMENT OF LIQUID RESOURCES		2004	2003
			£'000	£'000
	Decrease in short-term deposits		-	1,000
			<hr/>	<hr/>
	Net cash inflow from management of liquid resources		-	1,000
			<hr/> <hr/>	<hr/> <hr/>
25.	FINANCING		2004	2003
			£'000	£'000
	Bristol City Council loan capital repayments		(76)	(72)
	HEFCE reimbursement		76	72
			<hr/>	<hr/>
	Net cash inflow/(outflow) from financing		-	-
			<hr/> <hr/>	<hr/> <hr/>
26.	ANALYSIS OF CHANGES IN NET FUNDS			
		At 1 August		At 31 July
		2003	Cash flows	2004
		£'000	£'000	£'000
	Cash at bank and in hand	6,643	2,227	8,870
	Short term deposits	-	-	-
	Debt due within one year	(76)	76	(79)
	Debt due after one year	(1,900)	-	(1,821)
		<hr/>	<hr/>	<hr/>
	Net Funds	4,667	2,303	6,970
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

27. CAPITAL COMMITMENTS	2004	2003
	£'000	£'000
Capital commitments at 31 July	396	121
Authorised but not contracted at 31 July	3,862	3,928
	<u>4,258</u>	<u>4,049</u>

28. FINANCIAL COMMITMENTS

At 31 July 2004 the Group and College had annual commitments under non-cancellable operating leases as follows:

Other	2004	2003
	£'000	£'000
Expiring within one year	4	4
Expiring within one to five years	-	-
	<u>4</u>	<u>4</u>

29. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. There were no such transactions in the year.

30. ACCESS FUNDS

	2004	2003
	£'000	£'000
Funding Council Grants	428	400
Interest Earned	3	5
	<u>431</u>	<u>405</u>
Disbursed to Students	(431)	(405)
	<u>-</u>	<u>-</u>
Balance unspent at 31 July	-	-

Funding council grants are available solely for students; the college acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2004

31. TEACHER TRAINING AGENCY BURSARIES

	2004	2003
	£'000	£'000
Teacher Training Bursaries	2,859	2,391
Disbursed to Students	<u>(2,726)</u>	<u>(2,278)</u>
Balance unspent at 31 July	<u>133</u>	<u>113</u>

	2004	2003
	£'000	£'000
Secondary Subject Shortage Scheme	330	120
Disbursed to Students	<u>(173)</u>	<u>(120)</u>
Balance unspent at 31 July	<u>157</u>	<u>-</u>

Teacher Training Bursaries are available solely for students; the college acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	2004	2003
	£'000	£'000
Minority Ethnic Recruitment	9	9
Expenditure	<u>(9)</u>	<u>(9)</u>
Balance unspent at 31 July	<u>-</u>	<u>-</u>