

Annual Report & Financial Statements



**Be more
at Bedford
College**

**For the year ended
31 July 2011**

BEDFORD COLLEGE

Financial Statements for the year ended 31 July 2011

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Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2011.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Bedford College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

The Corporation was incorporated as Bedford College.

Mission

The College's mission, as contained in its strategic plan, is to support the local and national economy through the promotion, development and delivery of excellent skills training and vocational education, and also to promote social inclusion and personal advancement within the local communities served.

Implementation of strategic plan

In March 2010 the members of the Corporation received a new strategic plan for the three years to July 2013. The core theme is about embedding excellence as standard, in leadership, curriculum, services and management. Underpinning the plan are the following eight strategic aims:

- the leading advocate for learning with strong and productive links with other partners
- a nationally recognised centre of excellence in Arts and Technology education
- the leading provider of Business, Care, Land-based, Language, Leisure, and Professional training in the county
- the best local sixth form measured by results and value added
- a leading and innovative provider of work-based and community-based learning
- a provider of expert and individual guidance, advice and other student support services including first class learning environments
- a first choice employer, offering exceptional development opportunities to all staff
- well managed, well governed and financially robust.

A summary of progress against these aims is considered by members of the Corporation at all its meetings

Financial objectives

The College has two key financial objectives, which are to remain financially robust and to remain solvent. There are also five strategic baseline indicators against which the College regularly measures itself and it was ahead of all of these during 2010-11.

Operating and Financial Review (continued)

Performance indicators

Since 2008-09, the College has been working to a new system of performance measurement established by the former Learning Skills Council (LSC) and called the "Framework for Excellence". The Framework has four key performance indicators:

- Success rates
- Learner destinations
- Learner views
- Employer views

The Financial Indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body.

The College is committed to observing the importance of the measures and indicators within the draft Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency (SFA). The current rating of Outstanding reflects the standards of performance that are embedded within the organisation.

Financial Position

Financial results

The financial statements included in this report show that the College's financial health continues to be outstanding. The SFA, in monitoring Colleges' financial strength, continues to place the College in its highest category, 'Outstanding'.

In the year there was an impressive 7% increase in income to £32.8m. This was all organic growth. The College yet again exceeded most of its key government funding targets. The operating surplus before exceptional items increased by 22% to £1.28m.

The College has one subsidiary company, Bedford College Services Limited whose principal activity is hospitality and leisure services. In delivering these services it offers valuable work experience to the College's learners. Any surpluses generated by the company are transferred to the College under deed of covenant. In the year under review a deficit of £117,000 was recorded. This is considered to be a short term issue and a number of measures have been put in place to ensure a substantial improvement in financial performance.

The Group had accumulated reserves of £22.2m and cash balances of £8.9m as at 31 July 2011. The College aims to continue to accumulate reserves in order to help finance substantial refurbishment of its buildings which is being planned for the coming years.

Tangible fixed assets totalled £26.8m at the end of the year, a slight increase from the previous year as additions exceeded depreciation charges yet again. £24.7m related to land and buildings and £2.1m was equipment.

The College has significant reliance on the SFA, the Young People's Learning Agency (YPLA) and the Higher Education Funding Council for England & Wales (HEFCE) for its principal funding, largely from recurrent grants. In 2010-11 these agencies provided 76% of the College's total income, compared with 77% in the previous year.

During the year the College spent or committed a total of £6.4m on capital expenditure, mostly on improvements to buildings. The key project, which was started in the year, was a £4.3m redevelopment of the Workshop Block as a beacon of sustainability, supported by £2m of grant funding from the East of England Development Agency and the SFA.

Operating and Financial Review (continued)

Of continuing major concern are the College's pension scheme obligations. Whilst the teachers' scheme is unfunded and therefore no deficit can be determined, the technical FRS 17 actuarial valuation of its support staff scheme (Local Government Pension Scheme) has a substantial deficit of £3.5m. Although the deficit reduced for the second year running, this time by £1.6m, the College is currently paying additional contributions of £113k a year, and expected to continue for 15 years, to address the shortfall.

In addition to the above, it is clear that public sector funding will reduce for a number of years as a result of the overall impact of the banking crisis and other recessionary factors on public finances. The College continues to develop its strategy to deal with this, and it represents an unprecedented challenge.

Treasury policies and objectives

The College has a treasury management policy covering the management of the College's cash flows, its banking, and money market transactions. The aim is to optimise investment income within acceptable risk, which is defined in the policy.

Cash flows

At £4.87m (2009-10 £4.17m), operating cash inflow was very strong. Net cash inflows were £3.3m (2009-10 £206,000).

Liquidity

The College had no borrowings during the year, and has no short term borrowing needs. However loan finance may need to be secured to support the refurbishment programme being developed. The Financial Regulations and the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the SFA define approval levels for borrowing.

Current and Future Development and Performance

Learner numbers

In 2010-11 the College delivered activity that has produced £20,194,000 in YPLA & SFA recurrent funding (2009-10 £19,451,000). The College had approximately 11,750 (2009-10 13,750) YPLA & SFA funded learners and 4,700 (2009-10 4,300) other-funded or non-funded students.

Student achievements

Students continue to prosper at the College. Overall success rates this year are expected to be similar to last year. The College continues to work hard to ensure that student achievement is kept at the top of everyone's agenda and is confident in its ability to maintain these high levels.

Curriculum developments

The main thrust on curriculum development in 2010/11 was the move towards additional commercial courses, embracing the changes as a result of the National Qualifications Framework being replaced by the Qualification Credit Framework, the development of Apprenticeships and the demise on Train to Gain.

The number of commercial courses on offer has risen as a result of funding changes from the SFA. Most of our mainstream 16-18 full time courses have been reviewed in light of the NQF/QCF requirements. We have developed a wider range of Apprenticeships and developed partnerships to develop different models of apprenticeship delivery. Our employer engagement activities have been to develop Apprenticeships with employers to replace where possible the previous Train to Gain products.

Operating and Financial Review (continued)

The College has agreed its fees strategy for Higher Education for 2012/13 when a large part of our Higher Education effectively becomes part of our commercial offer.

Courses are designed to ensure students are able to move securely into the labour market. A successful curriculum initiative has been the substantial increase the number of apprentices, which is planned to grow substantially in 2011-12. Other courses prepare students for university. These include Aim Higher, Access courses for adults, and continuation of Level 4 courses including HNCs and degrees some on behalf of the University of Bedfordshire where they clearly fit the needs of our students.

Future developments

The College has started to redevelop the main Cauldwell Street campus and is finalising its Property Strategy which centres on refurbishment of all key existing buildings. The scope will be driven by need and affordability and costs are expected to be substantial. However given the uncertainties around future funding work will be planned in discrete phases.

College management, effectively supported by the Corporation Board, remains focused on managing its affairs in an increasingly difficult and uncertain environment, but has a positive outlook on opportunities that may arise to further develop its presence in the interests of the communities it serves.

Principal Risks and Uncertainties

The College has continued to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic aims, the Executive team acting as the Risk Management Group undertakes periodic reviews of the risks to which the College is exposed. They identify systems and procedures, including actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group has begun to consider formally the risk environment on a termly basis.

A risk register is maintained at the College level which is reviewed termly by the Group and the Audit Committee and approved annually by the Corporation Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Owing to the sensitive nature of the risk analysis this information has to remain confidential.

Stakeholder Relationships

In line with other colleges and with universities, Bedford College has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Operating and Financial Review (continued)

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. Differences in race, gender, sexual orientation, able-bodiedness, class and age are respected and valued positively. The College strives vigorously to remove conditions which place people at a disadvantage and will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy, as well as its Race Equality Policy, is published on its Internet site.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

Disability statement

The College's Disability Policy is available to all students, visitors and enquirers and is published on its Internet website. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005, and has continued to improve the accessibility and appropriateness of its facilities for students with disabilities and is committed to relocating classes should there be an access problem for a particular student. The College has substantially increased its intake of students with disabilities, on both mainstream and specialist programmes. The main site has a number of parking spaces reserved for disabled students.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 10 November 2011 and signed on its behalf by:

Roger Whysall
Chair

Operating and Financial Review (continued)

Professional advisers

Financial statements and regularity auditors:

MacIntyre Hudson LLP

Internal auditors:

RSM Tenon LLP

Principal Bankers:

Barclays Bank PLC

Principal Solicitors:

Hewitsons LLP

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Corporation members, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2011.

The Corporation

The members who served on the Corporation Board during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of Office	Date of Retirement or Resignation	Category of Membership
Mr R Whysall Chairman	Re-appointed March 2009	4 years		External
Mr K Bromboszcz Vice-Chairman	Re-appointed July 2008	4 years		External
Miss P I Barrett	Re-appointed November 2010	2 years		External
Ms F Cameron-Mackintosh	Re-appointed July 2011	1 year 1 month		Student
Mr D Faulkner	Appointed July 2010	2 years 1 month		Staff
Mr J Frost	Re-appointed July 2010	4 years		External
Miss S Hancock-Johnson	Appointed Nov 2010	8 months	July 2011	Student
Mr M J Hartley	Re-appointed December 2007	4 years	Jan 2011	External
Mrs L Hockey	Re-appointed November 2010	4 years		External
Mr B S Hundal	Re-appointed March 2008	4 years		External
Ms J Hunt	Re-appointed July 2008	4 years		External
Mr M Y Kiteley	Re-appointed July 2010	4 years		External
Mr J R Marriott	Appointed March 2009	4 years		External
Mr D A Parry	Re-appointed December 2009	4 years		External
Mr I Preece	Appointed July 2011	2 years		Staff
Mr I Pryce	Appointed December 1998	-		Chief Executive
Mrs E M A Punter	Re-appointed August 2009	2 years	July 2011	Staff
Mr D J Shingler	Re-appointed May 2008	4 years		External
Mr M R Weeden	Re-appointed July 2010	4 years		External
Mr M Whitlock	Re-appointed July 2011	4 years		External

Statement of Corporate Governance and Internal Control (continued)

The Corporation conducts its business through seven Committees as described below. Each Committee has terms of reference, which have been approved by the Corporation Board.

Corporation Committees and their membership during the year

Audit	Mr D A Parry* Mr M Y Kiteley** Mr J R Marriott	Mr M Whitlock
Corporate Governance	Mr R Whysall* Mr M Whitlock** Miss P I Barrett Mr K A Bromboszcz Mr M Y Kiteley	Mr D A Parry Mr I Pryce Mr D J Shingler Mr M R Weeden
Finance, Estates & Strategy	Mr K A Bromboszcz* Mrs L Hockey** Mr M Hartley (to 15.01.11) Mr I Pryce	Mr M R Weeden Mr M Whitlock Mr R Whysall
Human Resources	Mr M Whitlock* Mr B Hundal** Miss P I Barrett	Mr J Frost Mr I Pryce Mr D J Shingler
Remuneration	Mr R Whysall* Mr M R Weeden** Miss P I Barrett Mr K A Bromboszcz	Mr M Y Kiteley Mr D A Parry Mr D J Shingler Mr M Whitlock
Search	Mr D J Shingler* Mr M Hartley** (to 15.01.11) Mr M Whitlock** (from 05.04.11) Miss P I Barrett Mr B Hundal Ms J Hunt (from 05.04.11)	Mr M Y Kiteley Mr D A Parry Mr I Pryce Mrs E M A Punter Mr M R Weeden Mr R Whysall
Quality, Standards and Achievement	Mr M Y Kiteley* Ms J Hunt** Mr K A Bromboszcz Ms F Cameron-Mackintosh (from 31.07.11) Mr D D Faulkner Miss S Hancock-Johnson (from 15.11.10)	Mr B Hundal Mr J R Marriott Mr I Preece (from 01.08.11) Mr I Pryce Mrs E M A Punter (to 31.07.11) Mr M Weeden

*Committee Chair

** Committee Vice-Chair

It is the members of the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation Board meets at least three times a year.

Full minutes of all meetings, except those elements deemed to be confidential by the members of the Corporation, are available on the College's website or from the Clerk to the Corporation at:

Bedford College
Cauldwell Street
Bedford
MK42 9HA

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

Statement of Corporate Governance and Internal Control (continued)

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Chief Executive are separate, and there is a comprehensive programme of continuous professional development available to all members of the Corporation.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of twelve members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training for new members is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Committee

The Remuneration Committee comprised eight members of the Corporation. The Committee has delegated authority from the Corporation to determine the remuneration and terms and conditions of employment of the Chief Executive and other senior post-holders and met once during the year.

Details of the remuneration of the Chief Executive and other senior post-holders for the year ended 31 July 2011 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprised four members of the Corporation (excluding the Chief Executive and Chair) throughout the year. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Statement of Corporate Governance and Internal Control (continued)

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Bedford College and the LSC and its successor organisations. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bedford College for the year ended 31 July 2011 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2011 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Bedford College has an internal audit service, which operates in accordance with the requirements of the former LSC's *Audit Code of Practice* which has been adopted by its successor organisations. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Head of Internal Audit (HIA) provides the members of the Corporation with an annual report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (continued)*Review of effectiveness*

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements and regularity auditors (in their management letter).

The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation Board's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2011 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2011.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 10 November 2011 and signed on its behalf by:

R Whysall
Chairman

I Pryce
Principal & Chief Executive

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency (SFA) and the Corporation of the College, the Corporation, through its Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the SFA and the Young People's Learning Agency ('the YPLA'), which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Bedford College website is the responsibility of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the SFA and YPLA are used only in accordance with the Financial Memorandum with the SFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

Approved by order of the members of the Corporation on 10 November 2011 and signed on its behalf by:

R Whysall
Chair

Independent Auditors' Report to the Corporation of Bedford College

We have audited the Group and College financial statements of Bedford College for the year ended 31 July 2011, set out on pages 16 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditors' 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Bedford College and Auditor

As explained more fully in the Statement of the Corporation members' responsibilities set out on page 13, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether: the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and of the College's affairs as at 31 July 2011 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the Young Persons Learning Agency and the Audit Code of Practice issued by the former Learning and Skills Council.

In our opinion:

- Proper accounting records have been kept, and
- The financial statements are in agreement with the accounting records.

Independent Auditors' Report on Regularity to the Corporation of Bedford College ('the Corporation') and the Skills Funding Agency

In accordance with the terms of our engagement letter and further to the requirements of the Skills Funding Agency ('the SFA') and the Young People's Learning Agency ('the YPLA'), we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Bedford College ('the College') for the year ended 31 July 2011 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the SFA and YPLA. Our review work has been undertaken so that we might state to the Corporation and the SFA and YPLA those matters we are required to state to it in a 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 Corporation and the SFA and YPLA, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Bedford College and Auditors

The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the SFA and YPLA. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the SFA and YPLA. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

MacIntyre Hudson LLP
Chartered Accountants
Registered Auditors

Date

Consolidated Income and Expenditure Account

		2011 £'000	2010 £'000
INCOME	Notes		
Funding body grants	2	25,051	23,651
Tuition fees and education contracts	3	4,726	4,553
Other income		2,910	2,348
Endowment and investment income	4	103	82
Total income		32,790	30,634
EXPENDITURE			
Staff costs	5	19,007	18,617
Other operating expenses	7	10,288	8,798
Depreciation and amortisation	12 & 13	2,030	1,877
Interest and other finance costs	9 & 26	190	299
Total expenditure		31,515	29,591
Surplus on continuing operations after depreciation and prior to exceptional items		1,275	1,043
Investment written back	8	-	200
Academy Sponsorship	27	-	(1,000)
Surplus on continuing operations after exceptional items but before tax		1,275	243
Profit on disposal of assets	23	2	-
Surplus on continuing operations after depreciation, exceptional items and disposal of assets but before tax	11	1,277	243
Taxation	10	-	-
Surplus on continuing operations after depreciation of assets at valuation and tax	11	1,277	243
Surplus for the year retained within general reserves		1,277	243

The income and expenditure account is in respect of continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits

	Notes	2011 £'000	2010 £'000
Surplus on continuing operations before taxation	11	1,277	243
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	206	206
Historical cost surplus for the year before taxation		1,483	449
Historical cost surplus for the year after taxation		1,483	449

Consolidated Statement of Total Recognised Gains and Losses

	Notes	2011 £'000	2010 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax	11	1,277	243
Actuarial gain in respect of pension scheme including the CPI adjustment of £nil (2010 £1,179,000)	26	2,102	668
Total recognised gains since last report		3,379	911
Reconciliation			
Opening reserves and endowments		18,852	17,941
Total recognised gains for the year		3,379	911
Closing reserves and endowments		22,231	18,852

Balance sheets as at 31 July

	Notes	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Fixed assets					
Intangible assets	12	855	855	962	962
Tangible assets	13	26,803	26,755	26,566	26,556
Total fixed assets		27,658	27,610	27,528	27,518
Current assets					
Stocks		111	96	100	84
Debtors	15	1,310	1,411	757	851
Investments	25	8,543	8,543	4,376	4,376
Cash at bank and in hand	25	352	232	1,224	944
Total current assets		10,316	10,282	6,457	6,255
Less: Creditors – amounts falling due within one year	16	(6,547)	(6,329)	(4,351)	(4,120)
Net current assets		3,769	3,953	2,106	2,135
Total assets less current liabilities		31,427	31,563	29,634	29,653
Less: Creditors – amounts falling due after more than one year	17	(938)	(938)	(1,050)	(1,050)
Net assets excluding pension liability		30,489	30,625	28,584	28,603
Net pension liability	26	(3,539)	(3,539)	(5,153)	(5,153)
NET ASSETS INCLUDING PENSION LIABILITY		26,950	27,086	23,431	23,450
Deferred capital grants	18	4,719	4,719	4,579	4,579
Income and expenditure account excluding pension reserve	20	16,860	16,996	14,889	14,908
Pension reserve	26	(3,539)	(3,539)	(5,153)	(5,153)
Income and expenditure account including pension reserve	20	13,321	13,457	9,736	9,755
Revaluation reserve	19	8,910	8,910	9,116	9,116
Total reserves		22,231	22,367	18,852	18,871
TOTAL		26,950	27,086	23,431	23,450

The financial statements on pages 16 to 37 were approved by the Corporation on 10 November 2011 and were signed on its behalf on that date by:

Roger Whysall
Chair

Ian Pryce
Principal & Chief Executive

Consolidated Cash Flow Statement

	Notes	2011 £'000	2010 £'000
Cash inflow from operating activities	21	4,866	4,171
Returns on investments and servicing of finance	4	103	82
Taxation	10	-	-
Capital expenditure and financial investment	23	(1,674)	(4,047)
Management of liquid resources	24	(4,167)	702
Increase in cash in the year		(872)	908
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		(872)	908
Cash inflow from liquid resources	24	4,167	(702)
Movement in net funds in the period		3,295	206
Net funds at 1 August	25	5,600	5,394
Net funds at 31 July		8,895	5,600

Notes to the Accounts

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the SFA and the YPLA in the 2010/11 Accounts Direction Handbook.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Bedford College Services Limited. The results of subsidiaries acquired during the period are included in the consolidated income and expenditure account from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2011.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service and local employers.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Notes to the Accounts (continued)

1 Accounting policies (continued)

Post retirement benefits (continued)

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Intangible fixed assets

The asset goodwill is amortised over 10 years being its established useful economic life. A review for impairment of intangible fixed asset is carried out annually to consider if events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs

Notes to the Accounts (continued)

1 Accounting policies (continued)

Tangible fixed Assets (continued)

- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – 10 years on a straight-line basis
- motor vehicles – 3 years on a straight-line basis
- computer equipment – 4 years on a straight-line basis
- furniture, fixtures and fittings – 5 years on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

The college had no assets on finance leases as at July 2011

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Notes to the Accounts (continued)**1 Accounting policies (continued)****Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the LSC or its successor organisations and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes to the Accounts (continued)**2 Funding body grants**

	Notes	2011 £'000	2010 £'000
Recurrent grant - LSC		-	11,754
Recurrent grant - YPLA		14,491	5,549
Recurrent grant - SFA		5,703	2,148
Recurrent grant - HEFCE		1,018	1,047
Non recurrent grant - LSC		205	2,148
Non recurrent grant - SFA		2,781	795
Non recurrent grant - YPLA		668	-
Releases of deferred capital grants	18	185	210
Total		25,051	23,651

The College was the lead partner in a consortium to deliver Train to Gain in the Eastern region until 31 March 2010. The income shown above includes that earned by the College in its capacity both as a provider and as the consortium lead. All other income claimed from the funding provider and payable to consortium partners has been excluded from these accounts. Total income claimed in the year and the related payments to partners were as follows:

	2011 £'000	2010 £'000
Train To Gain income	1,132	1,819
Payments to non College partners	(17)	(568)
Payments to College partners	-	(25)
Net income	1,115	1,226

3 Tuition fees and education contracts

	2011 £'000	2010 £'000
Tuition fees	2,864	2,621
Education contracts	1,862	1,932
Total	4,726	4,553

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £63,900 (2009-10 £54,000).

4 Investment income

	2011 £'000	2010 £'000
Other interest receivable	103	82
Total	103	82

Notes to the Accounts (continued)**5 Staff Costs**

The average number of persons (including senior post-holders) employed by the College during the year described as full time equivalents, was:

	2011 No.	2010 No.
Teaching staff	435	477
Non teaching staff	195	156
	<hr/>	<hr/>
	630	633

Staff costs for the above persons

	2011 £'000	2010 £'000
Wages and salaries	15,697	15,376
Social security costs	1,079	1,130
Other pension costs (including FRS 17 adjustments of £298,000 – (2010 £152,000))	1,897	1,811
	<hr/>	<hr/>
Payroll sub total	18,673	18,317
Contracted out staffing services	334	300
	<hr/>	<hr/>
	19,007	18,617

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2011 No.	2010	2011 No.	2010 No.
£ 60,001 to £ 70,000	-	1	5	3
£ 70,001 to £ 80,000	1	-	3	2
£ 80,001 to £ 90,000	-	1	-	-
£ 90,001 to £100,000	1	-	-	-
£100,001 to £110,000	1	1	-	-
£140,001 to £150,000	-	1	-	-
£150,001 to £160,000	1	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4	4	8	5

6 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

Notes to the Accounts (continued)**6 Senior post-holders' emoluments (continued)**

	2011 No.	2010 No.
The number of senior post-holders including the Principal was:	5	5
Senior post-holders' emoluments are made up as follows:		
	2011 £'000	2010 £'000
Salaries	394	390
Benefits in kind	8	9
Pension contributions	49	47
Total emoluments	451	446

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	2011 £'000	2010 £'000
Salaries	138	127
Benefits in kind	7	7
	145	134
Pension contributions	15	14

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

7 Other operating expenses

	Group 2011 £'000	Group 2010 £'000
Teaching costs	3,590	2,826
Non teaching costs	2,943	3,201
Premises costs	3,755	2,771
Total	10,288	8,798

Other operating expenses include:

Auditors' remuneration:		
Financial statement audit	22	17
Internal audit	15	15
Hire of plant and machinery – operating leases	33	32

8 Investments

	2011 £'000	2010 £'000
Funds deposited with an Icelandic bank write back	-	200
Total	-	200

Notes to the Accounts (continued)**9 Interest payable**

	Notes	Group 2011 £'000	Group 2010 £'000
Pension finance costs	26	190	299
Total		190	299

10 Taxation

The college is an exempt charity and is therefore broadly exempt from corporation tax on its activities

11 Surplus on continuing operations for the period

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

	Group 2011 £'000	Group 2010 £'000
College's surplus for the period	1,394	262
Deficit generated by subsidiary undertaking	(117)	(19)
Total	1,277	243

12 Intangible fixed assets

	Group 2011 £'000	Group 2010 £'000
Cost or valuation		
At 1 August 2010	1,069	1,069
Additions	-	-
Disposals	-	-
At 31 July 2011	1,069	1,069
Amortisation		
At 1 August 2010	107	-
Charge for the year	107	107
At 31 July 2011	214	107
Net book value at 31 July 2011	855	962
Net book value at 31 July 2010	962	1,069

Notes to the Accounts (continued)**13 Tangible fixed assets
Group**

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2010	30,368	7,055	37,423
Additions	1,037	1,123	2,160
Disposals	-	(22)	(22)
At 31 July 2011	31,405	8,156	39,561
Depreciation			
At 1 August 2010	5,835	5,022	10,857
Charge for the year	883	1,040	1,923
Elimination in respect of disposals	-	(22)	(22)
At 31 July 2011	6,718	6,040	12,758
Net book value at 31 July 2011	24,687	2,116	26,803
Net book value at 31 July 2010	24,533	2,033	26,566

College

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2010	30,368	7,041	37,409
Additions	1,037	1,076	2,113
Disposals	-	(22)	(22)
At 31 July 2011	31,405	8,095	39,500
Depreciation			
At 1 August 2010	5,835	5,018	10,853
Charge for the year	883	1,031	1,914
Elimination in respect of disposals	-	(22)	(22)
At 31 July 2011	6,718	6,027	12,745
Net book value at 31 July 2011	24,687	2,068	26,755
Net book value at 31 July 2010	24,533	2,023	26,556

Notes to the Accounts (continued)**13 Tangible fixed assets (continued)**

The transitional arrangements of FRS 15 'Financial Reporting Standard for Tangible Fixed Assets' have been applied for land and buildings which allows previous valuations to be adopted.

Land, buildings and equipment were inherited from the local authority on 1 April 1993. Inherited land was valued at open market value for 'college' use and buildings at depreciated cost, by a firm of independent chartered surveyors. Their valuation will not be updated. Inherited equipment is now fully written off. If inherited land and buildings had not been valued they would have been included at nil value as no consideration was paid.

Land and buildings with a net book value of £8,904,879 have been partly financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

14 Investments

The College owns 100 per cent of the shares of Bedford College Services Limited a company incorporated in England and Wales acquired at par value of £100. The principal activity of Bedford College Services Limited is hospitality and leisure services.

15 Debtors

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Amounts falling due within one year:				
Trade debtors	214	159	207	179
Other Debtors	35	36	12	12
Prepayments and accrued income	1,061	1,058	538	599
Amounts owed by group undertakings	-	158	-	61
Total	1,310	1,411	757	851

16 Creditors: amounts falling due within one year

	Group 2011 £'000	College 2011 £'000	Group 2010 £'000	College 2010 £'000
Payments received in advance	2,069	2,069	813	813
Trade creditors	645	600	590	528
Other creditors	1,481	1,348	385	300
Other taxation and social security	536	496	563	498
Accruals	1,816	1,816	2,000	1,952
Amounts owed to group undertakings	-	-	-	29
Total	6,547	6,329	4,351	4,120

Notes to the Accounts (continued)

17 Creditors: amounts falling due after one year

	Group and College	
	2011	2010
	£'000	£'000
Other Creditors	938	1,050
Total	938	1,050

18 Deferred Capital Grants

	LSC grants	Group and College	
	£'000	Other grants	Total
	£'000	£'000	£'000
At 1 August 2010	3,216	1,363	4,579
Cash received	230	254	484
Released to income and expenditure account	185	159	344
At 31 July 2011	3,261	1,458	4,719

19 Revaluation reserve

	Group and College	
	College 2011	College 2010
	£'000	£'000
At 1 August	9,116	9,322
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(206)	(206)
At 31 July	8,910	9,116

20 Movement on general reserves

	Notes	Group 2011	College 2011	Group 2010	College 2010
		£'000	£'000	£'000	£'000
Income and expenditure account reserve					
At 1 August		9,736	9,755	8,619	8,619
Surplus retained for the year	11	1,277	1,394	243	262
Transfer from revaluation reserve	19	206	206	206	206
Actuarial gain in respect of pension scheme	26	2,102	2,102	668	668
At 31 July		13,321	13,457	9,736	9,755

Notes to the Accounts (continued)**Movement on General Reserves (continued)**

		Group 2011 £'000s	College 2011 £'000s	Group 2010 £'000s	College 2010 £'000s
Balance represented by:		(3,539)	(3,539)	(5,153)	
Pension reserve	26	16,860	16,996	14,889	(5,153)
Income and expenditure account reserve excluding pension reserve					14,908
		<u>13,321</u>	<u>13,457</u>	<u>9,736</u>	<u>9,755</u>

21 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities

	Notes	2011 £'000	2010 £'000
Surplus on continuing operations after depreciation of assets at valuation	11	1,277	243
Depreciation and amortisation	12 & 13	2,030	1,877
Deferred capital grants released to income	18	(344)	(431)
Profit on disposal of tangible fixed assets	23	(2)	-
Interest receivable	4	(103)	(82)
FRS 17 pension cost less contributions payable	26	298	152
FRS 17 pension finance cost	26	190	299
Increase in stocks		(11)	(77)
Increase in debtors	15	(553)	66
Increase in creditors	16 & 17	2,084	2,124
Net cash inflow from operating activities		<u>4,866</u>	<u>4,171</u>

22 Returns on investments and servicing of finance

	Notes	2011 £'000	2010 £'000
Other interest received	4	103	82
Net cash inflow from returns on investment and servicing of finance		<u>103</u>	<u>82</u>

23 Capital expenditure and financial investment

	Notes	2011 £'000	2010 £'000
Purchase of intangible fixed assets	12	-	(1,069)
Purchase of tangible fixed assets	13	(2,160)	(3,130)
Sales of tangible fixed assets	13	2	-
Deferred capital grants received	18	484	152
Net cash outflow from capital expenditure and financial investment		<u>(1,674)</u>	<u>(4,047)</u>

Notes to the Accounts (continued)**24 Management of liquid resources**

	2011 £'000	2010 £'000
Placing of deposits	4,167	702
Net cash inflow from management of liquid resources	<u>4,167</u>	<u>702</u>

25 Analysis of changes in net funds

	At 1 August 2010 £'000	Cash flows £'000	At 31 July 2011 £'000
Cash in hand, and at bank	1,224	(872)	352
Current asset investments	4,376	4,167	8,543
	<u>5,600</u>	<u>3,295</u>	<u>8,895</u>

26 Pension and similar obligations

The Colleges employees belong to two principal pension schemes: The Teachers Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedford Borough Council. Both are defined-benefit schemes.

	Group and College	
	2011 £000	2010 £000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	1,039	1,042
Local Government Pension Scheme:		
Contributions paid	560	584
FRS 17 charge	<u>298</u>	<u>152</u>
Charge to the Income and Expenditure Account (staff costs)	858	736
Early retirement pension charge to Income and Expenditure Account (staff costs)	<u>-</u>	<u>33</u>
Total Pension Cost for Year	<u>1,897</u>	<u>1,811</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

Teachers' Pension Scheme

The TPS 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. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four 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 (under the new provisions)
Actuarial method

31 March 2004
Prospective benefits

Notes to the Accounts (continued)**Pensions and similar obligations (continued)**

Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88 %

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2010 to 31 July 2011 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standards (FRS17) 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 taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

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 2011 was £820,732, of which employer's contributions totalled £560,088 and employees' contributions totalled £260,644. The agreed contribution rates for future years are 11.9 per cent for employers and contributions of between 5.5% and 7.5% dependant on the full time equivalent salary for employees. In addition regular payments of £113,000 per year are being paid to eliminate the deficit

FRS 17**Principal Actuarial Assumptions**

	At 31 July 2011	At 31 July 2010
Rate of increase for pensions in payment/inflation	5.00%	4.90%
Rate of increase in salaries*	2.70%	2.90%
Expected return on scheme assets	5.30%	5.40%
Discount rate for scheme liabilities	5.80%	6.30%
Commutation of pensions to lump sums	50.00%	50.00%

*1% for first two years

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2011	At 31 July 2010
<i>Retiring today</i>		
Males	21.60	20.80
Females	23.20	24.10
<i>Retiring in 20 years</i>		
Males	23.60	22.30
Females	25.60	25.70

Notes to the accounts (continued)**26 Pension and similar obligations (continued)**

The college's share of the assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010
		£'000		£'000
Equities	7.00%	6,517	7.30%	6,231
Bonds	4.60%	3,258	4.80%	2,429
Property	5.10%	1,128	5.30%	950
Cash	4.00%	1,629	4.40%	950
Total market value of assets		12,532		10,560
Present value of scheme liabilities				
- Funded		(16,071)		(15,713)
- Unfunded		-		-
Related deferred tax liability		-		-
Deficit in the scheme		(3,539)		(5,153)

Analysis of the amount charged to income and expenditure account

	2011 £'000	2010 £'000
Employer service cost (net of employee contributions)	835	685
Past service gain	-	(1,179)
Losses on curtailments	-	51
Total operating charge/(gain)	835	(443)

Analysis of pension finance costs

Expected return on pension scheme assets	673	573
Interest on pension liabilities	(863)	(872)
Pension finance costs	(190)	(299)

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2011 £'000	2010 £'000
Actuarial gains on pension scheme assets	1,022	589
Actuarial gain/(loss) on scheme liability including CPI credit of £Nil (2010 £117,900)	1,080	(1,100)
Actuarial gain on change of assumption in respect of future pension increases	-	1,179
Actuarial gain recognised in STRGL	2,102	668

Notes to the accounts (continued)**26 Pension and similar obligations (continued)****Movement in Deficit during year**

	2011 £'000	2010 £'000
Deficit in scheme at 1 August	(5,153)	(5,370)
Movement in year:		
Employer service cost (net of employee contributions)	(835)	(685)
Employer contributions	537	584
Past service cost	-	1,179
Impact of curtailments & settlements	-	(51)
Net interest on assets	(190)	(299)
Actuarial gain/(loss)	2,102	(511)
Deficit in scheme at 31 July	(3,539)	(5,153)

Asset and Liability Reconciliation

	2011 £'000	2010 £'000
Reconciliation of Liabilities		
Liabilities at start of period	15,713	14,161
Service cost	835	685
Interest cost	863	872
Employee contributions	265	281
Actuarial gain/(loss)	(1,080)	1,100
Benefits paid	(525)	(258)
Actuarial gain on change of assumption in respect of future pension increases	-	(1,179)
Curtailments and settlements	-	51
Liabilities at end of period	16,071	15,713
	2011 £'000	2010 £'000
Assets at start of period	10,560	8,791
Expected return on assets	673	573
Actuarial gain	1,022	589
Employer contributions	537	584
Employee contributions	265	281
Benefits paid	(525)	(258)
Assets at end of period	12,532	10,560

The estimated value of employer contributions for the year ended 31st July 2012 is £689,000.

Notes to the accounts (continued)**26 Pension and similar obligations (continued)****Reconciliation of Assets****History of experience gains and losses**

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference between the expected and actual return on assets:	1,022	589	(1,638)	(1,638)	(1664)
Experience gains and losses on scheme liabilities:	378	-	-	1,031	(3)
Total amount recognised in STRGL:	2,102	668	(3,251)	(3,251)	56

27 Exceptional costs

	Group and College	
	2011 £'000	2010 £'000
Sponsor Donation to the Bedford Academy	-	1,000
Net exceptional costs	<u>-</u>	<u>1,000</u>

The College is a co-sponsor of the Bedford Academy and as such was required to commit £1,000,000 by way of donations to the operation. Of this £250,000 was paid in 2010, and the rest is due within five years.

28 Post-balance sheet events

In October 2011 a ninth dividend of £83,535 was received from the administrators of the Heritable Bank. Further dividends of at least £200,000 are expected over the remaining period of Administration.

29 Capital commitments

	Group and College	
	2011 £'000	2010 £'000
Commitments contracted for at 31 July	<u>4,093</u>	<u>259</u>
Authorised but not contracted at 31 July	<u>1,607</u>	<u>1,890</u>

30 Financial commitments

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

	Group and College	
	2011 £'000	2010 £'000
Land and buildings		
Expiring within one year	11	-
Expiring within two and five years inclusive	185	159
Expiring in over five years	1,950	237
	<u>2,146</u>	<u>396</u>

Notes to the Accounts (continued)**Financial commitments (continued)**

Other		
Expiring within two and five years inclusive	-	32
	<hr/>	<hr/>
	-	32
	<hr/>	<hr/>

31 Contingent liability

The College has been unable to finalise the transfer of pension funds relating to support staff transferring from Writtle College as part of the acquisition of Shuttleworth College. This may be a liability, but the College is advised that it has a case to claim any transfer shortfall from Writtle College. Negotiations are ongoing and the value cannot be accurately estimated at the present time and is therefore disclosed as a contingent liability. The total liability is not expected to exceed £400,000.

32 Related party transactions

Owing 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

33 Amounts disbursed as agent - Learner support funds

	2011 £'000	2010 £'000
Funding body grants – hardship funds	297	259
Funding body grants – childcare	76	84
Other Funding bodies grants	9	18
	<hr/>	<hr/>
	382	361
Disbursed to students	(373)	(353)
Staffing	-	-
Administration costs	(9)	(8)
Amount consolidated in financial statements	-	-
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	-	-
	<hr/>	<hr/>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.