

Annual Report  
& Financial Statements

BEDFORD COLLEGE

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**FUTURE**



\*with added  
**SUPPORT**  
from Bedford College

For the year ended 31 July 2010



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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 2010.

### *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.

### *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 2009-10.

## 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 three dimensions:

- Responsiveness
- Effectiveness
- Finance

Each of these has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

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). As benchmarks develop so the College will be better placed to take appropriate action in the light of the overall performance rating. 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 LSC and its successor organisations, in monitoring Colleges' financial strength, continues to place the College in its highest category, 'Outstanding'.

In the year there was a 24% increase in income to £30.6m. This followed the acquisition of Writtle College's Bedfordshire interests known as Shuttleworth College. Organic growth was 5%. The College yet again exceeded its key LSC funding targets. The operating surplus before exceptional items increased strongly to £1.04m from £714,000 in the previous year. After exceptional items a surplus on continuing operations of £243,000 was recorded compared with a loss of £864,000 last year.

The College has one subsidiary company, Bedford College Services Limited, which commenced trading on 1 August 2009 and whose principal activity is hospitality and leisure services. Any surpluses generated by the company are transferred to the College under deed of covenant. In the current year, a small deficit of £19,000 was recorded.

The Group had accumulated reserves of £18.85m and cash balances of £5.6m as at 31 July 2010. The College wishes to continue to accumulate reserves in order to help finance substantial refurbishment in the coming years.

Tangible fixed assets totalled £26.6m at the end of the year, after additions during the year of £3.1m. Of this £2.1m related to land and buildings and the rest was equipment.

The College has significant reliance on the LSC and its successor organisations for its principal funding source, largely from recurrent grants. In 2009-10 the LSC and its successor organisations provided 77% of the College's total income, compared with 78.5% in the previous year.

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 deficit to £5.15m, despite an adjustment in the College's favour of almost £1.2m following the change to future annual pension increases to CPI from RPI, as announced by the Government in June 2010. Whilst the immediate substantive impact is on the College's Balance Sheet, annual adjustments of up to £400,000 have had to be made to reflect increasing costs and sizeable increases in pension contributions will have to be accommodated from April 2011.

## Operating and Financial Review (continued)

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, money market and capital market transactions. The aim is to optimise investment income within acceptable risk, which is defined in the policy

### *Cash flows*

At £4.1m (2008-09 £1.14m), operating cash inflow was very strong. There is a net cash inflow of £206,000 (2008-09 £471,000), as the pace of capital expenditure slowed.

### *Liquidity*

The College had no borrowings during the year, and has no short term borrowing needs. However loan finance will 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

### *Student numbers*

In 2009-10 the College delivered activity that has produced £19,451,000 in LSC and its successor organisation' recurrent funding (2008-09 £16,044,000). The College recruited more than 18,000 students, made up of approximately 13,750 funded by the LSC and its successor organisations-funded, 800 HE funded and 3,500 other students.

### *Student achievements*

Students continue to prosper at the College. Overall success rates this year are expected to be 85%, compared with 86% 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 College has an on-going process of course review introducing new and modifying existing courses to better suit learners' needs. It has again been awarded the Green Gown Award for its provision of courses relating to sustainability. The successful acquisition of Shuttleworth College has enabled the College to complete its cover of all curriculum areas covered by the FE sector.

Courses are designed to ensure students are able to move securely into the labour market. A major current curriculum initiative this year is to increase the number of apprentices. Other courses prepare students for university. These include Aim Higher, Access courses for adults, close liaison with a range of universities including the University of Bedfordshire in particular, and continuation of Level 4 courses including HNCs and degrees where they clearly fit the needs of our students.

During the year the College successfully managed the implications of reduced funding for adult learners and is well placed to manage further anticipated cutbacks. Elsewhere the thriving 14-16 vocational programme continued to be popular with schools with almost 1,000 pupils participating throughout the year.

Through its on-going '3 to 2' scheme and other quality initiatives the College is improving teaching standards throughout.

## Operating and Financial Review (continued)

### *Future developments*

In 2009 the College abandoned its plans to redevelop the main Cauldwell Street campus and is now focused on developing a plan to mostly refurbish existing buildings. The scope will be driven by need and affordability and is expected to cost up to £22m over an eight year period. 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, and has a positive outlook about opportunities that may arise to further develop its presence in the interests of the communities it serves.

### **Principal Risks and Uncertainties**

The College has undertaken further work during the year 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 plan, the Executive team acting as the Risk Management Group undertakes a comprehensive annual review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable 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 15 November 2010 and signed on its behalf by:**

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**Roger Whysall**  
Chair

## **Operating and Financial Review (continued)**

### **Professional advisers**

**Financial statement and regularity auditors:**

MacIntyre Hudson LLP

**Internal auditors:**

RSM Bentley Jennison LLP

**Bankers:**

Barclays Bank PLC

**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 revised Combined Code on Corporate Governance issued by the London Stock Exchange. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2010.

### 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 <b>Chairman</b>	Re-appointed March 2009	4 years		External
Mr M Whitlock <b>Vice Chair</b>	Re-appointed July 2008	3 years		External
Ms A Abobade	August 2009	1 year	31 July 2010	Student
Miss P I Barrett	Re-appointed November 2006	4 years		External (Co-opted)
Ms L Barringer	Appointed 12 November 2009	8½ months	31 July 2010	Student
Mr K Bromboszcz	Re-appointed July 2008	4 years		External
Mr D D Faulkner	Appointed 1 July 2010	2 years 1 month		Staff
Mr J Frost	Re-appointed July 2010	4 years		External
Mr M J Hartley	Re-appointed December 2007	4 years		External (Community)
Mrs L Hockey	November 2006	4 years		External (Co-opted)
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	March 2009	4 years		External
Mr D A Parry	Re-appointed December 2009	4 years		External
Mr I Pryce	December 1998	-		Chief Executive
Mrs E M A Punter	Re-appointed August 2009	2 years		Staff
Mr D J Shingler	Re-appointed May 2008	4 years		External
Mr M Ward	Re-appointed August 2009	2 years	10 May 2010	Staff
Mr M R Weeden	Re-appointed July 2010	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

<b>Audit</b>	<b>Mr D A Parry*</b> Mr M Y Kiteley** Mr J R Marriott (wef 01.12.09)	Mr M Whitlock (to 01.12.09) Mr M Ward (to 10.05.10)
<b>Corporate Governance</b>	<b>Mr R Whysall*</b> 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
<b>Finance, Estates &amp; Strategy</b>	<b>Mr K A Bromboszcz*</b> Mrs L Hockey** Mr M Hartley Mr I Pryce	Mr D J Shingler (to 01.12.09) Mr M R Weeden Mr M Whitlock (wef 01.12.09) Mr R Whysall
<b>Human Resources</b>	<b>Mr M Whitlock*</b> Mr B Hundal** Miss P I Barrett Mr J Frost	Mr I Pryce Mr D J Shingler (wef 01.12.09) Mr R Whysall (to 01.12.09)
<b>Remuneration</b>	<b>Mr R Whysall*</b> 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
<b>Search</b>	<b>Mr D J Shingler*</b> Mr M Hartley** Miss P I Barrett Mr B Hundal Mr M Y Kiteley Mr D A Parry	Mr I Pryce Mrs E M A Punter Mr M R Weeden Mr M Whitlock Mr R Whysall
<b>Quality, Standards and Achievement</b>	<b>Mr M Y Kiteley*</b> Ms J Hunt** Ms A Abobade (01.08.10- 31.07.10) Ms L Barringer (01.12.09-31.07.10) Mr K A Bromboszcz Mr D D Faulkner (wef 01.07.10)	Mr B Hundal Mr J R Marriott Mr I Pryce Mrs E M A Punter Mr M Ward (to 10.05.10) 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 2010 are set out in note 7 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 2010 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 2010 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 and).

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's agenda includes a regular item for consideration of risk and control and 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 July 2010 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2010 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2010.

*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 15 November 2010 and signed on its behalf by:**

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**R Whysall**  
Chairman

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**I Pryce**  
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 by the 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 LSC, SFA and YPLA are used only in accordance with the Financial Memorandum with the LSC and 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 by the LSC are not put at risk.

**Approved by order of the members of the Corporation on 15 November 2010 and signed on its behalf by:**

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**R Whysall**  
**Chair**

## **Independent Auditors' Report to the Corporation of Bedford College**

We have audited the financial statements of Bedford College for the year ended 31 July 2010, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical 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 Corporation, as a body, in accordance with statutory requirements. 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 Members of the Corporation of Bedford College and Auditors**

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Members Report and financial statements in accordance with the 2009-10 Accounts Direction, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College 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 Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College'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 us 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 Corporation of Bedford College (cont)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College and the group as at 31 July 2010 and of the group's surplus of income over expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2009-10 Accounts Direction issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

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**MacIntyre Hudson LLP**  
Chartered Accountants  
Registered Auditors

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Date



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

In accordance with the terms of our engagement letter and further to the requirements of the SFA 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 2010 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. Our review work has been undertaken so that we might state to the Corporation and the SFA those matters we are required to state to them 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, 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 Young People's Learning Agency ('the 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 2010 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 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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**MacIntyre Hudson LLP**  
Chartered Accountants

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Date

**Consolidated Income and Expenditure Account**

		Continuing Operations			
		2010 £'000	2010 £'000 Acquisitions	2010 £'000 Group	2009 £'000 College
<b>INCOME</b>					
Funding body income	2	20,791	2,860	23,651	19,376
Tuition fees and education contracts	3	4,158	395	4,553	4,141
Other income		915	1,433	2,348	1,071
Endowment and investment income	4	82	-	82	86
<b>Total income</b>		<b>25,946</b>	<b>4,688</b>	<b>30,634</b>	<b>24,674</b>
<b>EXPENDITURE</b>					
Staff costs	5	16,611	2,006	18,617	15,552
Other operating expenses	7	6,343	2,455	8,798	6,664
Depreciation and amortisation	12 & 13	1,873	4	1,877	1,648
Interest and other finance costs	9 & 27	299	-	299	96
<b>Total expenditure</b>		<b>25,126</b>	<b>4,465</b>	<b>29,591</b>	<b>23,960</b>
<b>Surplus on continuing operations prior to exceptional items</b>		<b>820</b>	<b>223</b>	<b>1,043</b>	<b>714</b>
Investment written back/(down)	8	200	-	200	(700)
Academy Sponsorship	28	(1,000)	-	(1,000)	-
Aborted redevelopment costs	28	-	-	-	(878)
<b>Surplus/(deficit) on continuing operations after exceptional items but before tax</b>		<b>20</b>	<b>223</b>	<b>243</b>	<b>(864)</b>
Taxation	10	-	-	-	-
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax</b>	11	<b>20</b>	<b>223</b>	<b>243</b>	<b>(864)</b>
<b>Surplus/(deficit) for the year retained within general reserves</b>		<b>20</b>	<b>223</b>	<b>243</b>	<b>(864)</b>

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

**Consolidated Statement of Historical Cost Surpluses and Deficits**

	Notes	2010	2009
		£'000	£'000
Surplus/(deficit) on continuing operations before taxation	11	243	(864)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	20	206	206
		<hr/>	<hr/>
<b>Historical cost surplus/(deficit) for the year before taxation</b>		<b>449</b>	<b>(658)</b>
		<hr/>	<hr/>
<b>Historical cost surplus/(deficit) for the year after taxation</b>		<b>449</b>	<b>(658)</b>

**Consolidated Statement of Total Recognised Gains and Losses**

	Notes	2010	2009
		£'000	£'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	11	243	(864)
Actuarial gain (loss) in respect of pension scheme	27	668	(3,251)
		<hr/>	<hr/>
<b>Total recognised gains/(losses) since last report</b>		<b>911</b>	<b>(4,115)</b>
		<hr/>	<hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		17,941	22,056
Total recognised gains/(losses) for the year		911	(4,115)
		<hr/>	<hr/>
<b>Closing reserves and endowments</b>		<b>18,852</b>	<b>17,941</b>

## Balance sheets as at 31 July

	Notes	Group 2010 £'000	College 2010 £'000	College 2009 £'000
<b>Fixed assets</b>				
Intangible assets	12	962	962	-
Tangible assets	13	26,566	26,556	25,206
		<hr/>	<hr/>	<hr/>
<b>Total fixed assets</b>		<b>27,528</b>	<b>27,518</b>	<b>25,206</b>
		<hr/>	<hr/>	<hr/>
<b>Current assets</b>				
Stocks		100	84	23
Debtors	16	757	851	823
Investments	26	4,376	4,376	5,078
Cash at bank and in hand	26	1,224	944	316
		<hr/>	<hr/>	<hr/>
Total current assets		6,457	6,255	6,240
Less: Creditors – amounts falling due within one year	17	(4,351)	(4,120)	(3,277)
		<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		<b>2,106</b>	<b>2,135</b>	<b>2,963</b>
		<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>29,634</b>	<b>29,653</b>	<b>28,169</b>
Less: Creditors – amounts falling due after more than one year	18	(1,050)	(1,050)	-
		<hr/>	<hr/>	<hr/>
<b>Net assets excluding pension liability</b>		<b>28,584</b>	<b>28,603</b>	<b>28,169</b>
Net pension liability	27	(5,153)	(5,153)	(5,370)
		<hr/>	<hr/>	<hr/>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>23,431</b>	<b>23,450</b>	<b>22,799</b>
		<hr/>	<hr/>	<hr/>
Deferred capital grants	19	4,579	4,579	4,858
Income and expenditure account excluding pension reserve	21	14,889	14,908	13,989
Pension reserve	27	(5,153)	(5,153)	(5,370)
		<hr/>	<hr/>	<hr/>
Income and expenditure account including pension reserve	21	9,736	9,755	8,619
Revaluation reserve	20	9,116	9,116	9,322
		<hr/>	<hr/>	<hr/>
<b>Total reserves</b>		<b>18,852</b>	<b>18,871</b>	<b>17,941</b>
		<hr/>	<hr/>	<hr/>
<b>TOTAL</b>		<b>23,431</b>	<b>23,450</b>	<b>22,799</b>
		<hr/>	<hr/>	<hr/>

The financial statements on pages 18 to 39 were approved by the Corporation on 15 November 2010 and were signed on its behalf on that date by:

**Roger Whysall**  
Chair

**Ian Pryce**  
Principal

**Consolidated Cash Flow Statement**

	<b>Notes</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Cash inflow from operating activities</b>	22	4,171	1,144
Returns on investments and servicing of finance	4	82	86
Taxation	10	-	-
Capital expenditure and financial investment	24	(4,047)	(759)
Management of liquid resources	25	702	(978)
		<hr/>	<hr/>
<b>Increase/(decrease) in cash in the year</b>	26	<b><u>908</u></b>	<b><u>(507)</u></b>
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase/(decrease) in cash in the period	26	908	(507)
Cash (outflow)/inflow from liquid resources	25	(702)	978
		<hr/>	<hr/>
Movement in net funds in the period	26	206	471
Net funds at 1 August	26	5,394	4,923
		<hr/>	<hr/>
<b>Net funds at 31 July</b>	26	<b><u>5,600</u></b>	<b><u>5,394</u></b>

## 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 in the 2009-10 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.

#### 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 2010.

#### 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 LSC and its successor organisations or other 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 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).

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

## Notes to the Accounts (continued)

### 1 Accounting policies (continued)

#### Post retirement benefits (continued)

payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, 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 assets 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
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

## Notes to the Accounts (continued)

### 1 Accounting policies (continued)

#### Tangible fixed Assets (continued)

##### 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 2010

#### 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 an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

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)****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.

**Agency arrangements**

The College acts as an agent in the collection and payment of Learner 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 34, except for up to 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 income**

	Notes	2010 £'000	2009 £'000
Recurrent grant - LSC		11,754	16,044
Recurrent grant - YPLA		5,549	-
Recurrent grant - SFA		2,148	-
Recurrent grant - HEFCE		1,047	1,000
Non recurrent grants - LSC		2,148	2,066
Non recurrent grants - SFA		795	-
Releases of deferred capital grants	19	210	266
<b>Total</b>		<b>23,651</b>	<b>19,376</b>

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 LSC and the YPLA and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners were as follows:

	2010 £'000	2009 £'000
Train To Gain income	1,819	2,169
Payments to non College partners	(568)	(1,163)
Payments to College partners	(25)	(170)
<b>Net income</b>	<b>1,226</b>	<b>836</b>

**3 Tuition fees and education contracts**

	2010 £'000	2009 £'000
Tuition fees	2,621	2,282
Education contracts	1,932	1,859
<b>Total</b>	<b>4,553</b>	<b>4,141</b>

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £54,000 (2008-09 £44,000).

**4 Investment income**

	2010 £'000	2009 £'000
Other interest receivable	82	86
<b>Total</b>	<b>82</b>	<b>86</b>

**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:

	<b>Group 2010 No.</b>	<b>College 2009 No.</b>
Teaching staff	477	392
Non teaching staff	156	123
	<hr/> <b>633</b> <hr/>	<hr/> <b>515</b> <hr/>
<b>Staff costs for the above persons</b>		
	<b>Group 2010 £'000</b>	<b>College 2009 £'000</b>
Wages and salaries	15,376	13,001
Social security costs	1,130	957
Other pension costs (including FRS 17 adjustments of £152,000 – 2009 (£39,000))	1,811	1,465
	<hr/> <b>18,317</b> <hr/>	<hr/> <b>15,423</b> <hr/>
<b>Payroll sub total</b>		
Contracted out staffing services	300	129
	<hr/> <b>18,617</b> <hr/>	<hr/> <b>15,552</b> <hr/>

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2010 No.</b>	<b>2009</b>	<b>2010 No.</b>	<b>2009 No.</b>
£ 60,001 to £ 70,000	1	1	3	6
£ 70,001 to £ 80,000	-	-	2	-
£ 80,001 to £ 90,000	1	1	-	-
£ 90,001 to £100,000	-	1	-	-
£100,001 to £110,000	1	-	-	-
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	1	-	-	-
	<hr/> <b>4</b> <hr/>	<hr/> <b>4</b> <hr/>	<hr/> <b>5</b> <hr/>	<hr/> <b>6</b> <hr/>

**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)**

	<b>2010 No.</b>	<b>2009 No.</b>
The number of senior post-holders including the Principal was:	5	5
Senior post-holders' emoluments are made up as follows:		
	<b>2010 £'000</b>	<b>2009 £'000</b>
Salaries	390	379
Benefits in kind	9	8
Pension contributions	47	46
<b>Total emoluments</b>	<b>446</b>	<b>433</b>

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

	<b>2010 £'000</b>	<b>2009 £'000</b>
Salaries	127	120
Benefits in kind	7	7
	134	127
Pension contributions	14	13

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 are paid at the same rate as for other employees.

**7 Other operating expenses**

	<b>2010 £'000</b>	<b>2009 £'000</b>
Teaching costs	2,826	2,183
Non teaching costs	3,201	2,412
Premises costs	2,771	2,069
<b>Total</b>	<b>8,798</b>	<b>6,664</b>

**Other operating expenses include:**

Auditors' remuneration:		
Financial statements audit	17	17
Internal audit	15	15
Hire of plant and machinery – operating leases	32	29

**8 Investments**

	<b>2010 £'000</b>	<b>2009 £'000</b>
Funds deposited with an Icelandic bank write back/(write down)	200	(700)
<b>Total</b>	<b>200</b>	<b>(700)</b>

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

	Notes	Group 2010 £'000	College 2009 £'000
Pension finance costs	27	299	96
<b>Total</b>		<b>299</b>	<b>96</b>

**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 2010 £'000	College 2009 £'000
College's surplus/deficit for the period	262	(864)
Deficit generated by subsidiary undertakings	(19)	-
<b>Total</b>	<b>243</b>	<b>(864)</b>

**12 Intangible fixed assets**

	Group 2010 £'000	College 2009 £'000
<b>Cost or valuation</b>		
At 1 August 2009	-	-
Additions	1,069	-
Disposals	-	-
<b>At 31 July 2010</b>	<b>1,069</b>	<b>-</b>
<b>Depreciation</b>		
At 1 August 2009	-	-
Charge for the year	107	-
Elimination in respect of disposals	-	-
<b>At 31 July 2010</b>	<b>107</b>	<b>-</b>
<b>Net book value at 31 July 2010</b>	<b>962</b>	<b>-</b>
Net book value at 31 July 2009	-	-

In August 2009, the College acquired the Shuttleworth College activities of the Writtle College. The sum of £1,069,000 represents the premium paid over asset value.

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

	<b>Land and buildings Freehold £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 August 2009	28,274	6,019	34,293
Additions	2,094	1,036	3,130
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2010</b>	<b>30,368</b>	<b>7,055</b>	<b>37,423</b>
<b>Depreciation</b>			
At 1 August 2009	5,044	4,043	9,087
Charge for the year	791	979	1,770
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2010</b>	<b>5,835</b>	<b>5,022</b>	<b>10,857</b>
<b>Net book value at 31 July 2010</b>	<b>24,533</b>	<b>2,033</b>	<b>26,566</b>
Net book value at 31 July 2009	<hr/> 23,230	<hr/> 1,976	<hr/> 25,206
Inherited	9,111	-	9,111
Financed by capital grant	4,243	336	4,579
Other	11,179	1,697	12,866
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 July 2010</b>	<b>24,533</b>	<b>2,033</b>	<b>26,566</b>

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 £9,111,170 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.

**Notes to the Accounts (continued)****14 Tangible fixed assets (College only)**

	<b>Land and buildings Freehold</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 1 August 2009	28,274	6,019	34,293
Additions	2,094	1,022	3,116
Disposals	-	-	-
<b>At 31 July 2010</b>	<b>30,368</b>	<b>7,041</b>	<b>37,409</b>
<b>Depreciation</b>			
At 1 August 2009	5,044	4,043	9,087
Charge for the year	791	975	1,766
Elimination in respect of disposals	-	-	-
<b>At 31 July 2010</b>	<b>5,835</b>	<b>5,018</b>	<b>10,853</b>
<b>Net book value at 31 July 2010</b>	<b>24,533</b>	<b>2,023</b>	<b>26,556</b>
Net book value at 31 July 2009	23,230	1,976	25,206

**15 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.

**16 Debtors**

	<b>Group 2010 £'000</b>	<b>College 2010 £'000</b>	<b>College 2009 £'000</b>
Amounts falling due within one year:			
Trade debtors	207	179	308
Other Debtors	12	12	6
Prepayments and accrued income	538	599	464
Amounts owed by the SFA - LSC	-	-	45
Amounts owed by group undertakings	-	61	-
<b>Total</b>	<b>757</b>	<b>851</b>	<b>823</b>

**Notes to the Accounts (continued)****17 Creditors: amounts falling due within one year**

	<b>Group 2010 £'000</b>	<b>College 2010 £'000</b>	<b>College 2009 £'000</b>
Payments received in advance	813	813	686
Trade creditors	590	528	937
Other creditors	385	300	-
Other taxation and social security	563	498	416
Accruals	2,000	1,952	1,238
Amounts owed to group undertakings	-	29	-
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>4,351</b>	<b>4,120</b>	<b>3,277</b>

**18 Creditors: amounts falling due after one year**

	<b>Group 2010 £'000</b>	<b>College 2010 £'000</b>	<b>College 2009 £'000</b>
Other Creditors	1,050	1,050	-
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>1,050</b>	<b>1,050</b>	<b>-</b>

**19 Deferred capital grants**

	<b>LSC grants £'000</b>	<b>Group and College Other grants £'000</b>	<b>Total £'000</b>
At 1 August 2009	3,405	1,453	4,858
Cash received	21	131	152
Released to income and expenditure account	210	221	431
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2010</b>	<b>3,216</b>	<b>1,363</b>	<b>4,579</b>

**20 Revaluation reserve**

	<b>Group 2010 £'000</b>	<b>College 2009 £'000</b>
At 1 August	9,322	9,528
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(206)	(206)
	<hr/>	<hr/>
<b>At 31 July</b>	<b>9,116</b>	<b>9,322</b>



**Notes to the Accounts (continued)****21 Movement on general reserves**

	Notes	Group 2010 £'000	College 2010 £'000	College 2009 £'000
<b>Income and expenditure account reserve</b>				
At 1 August		8,619	8,619	12,528
Surplus/(deficit) retained for the year	11	243	262	(864)
Transfer from revaluation reserve	20	206	206	206
Actuarial gain/(loss) in respect of pension scheme	27	668	668	(3,251)
		<u>9,736</u>	<u>9,755</u>	<u>8,619</u>
<b>At 31 July</b>				
Balance represented by:				
Pension reserve	27	(5,153)	(5,153)	(5,370)
Income and expenditure account reserve excluding pension reserve		14,889	14,908	13,989
		<u>9,736</u>	<u>9,755</u>	<u>8,619</u>
<b>At 31 July</b>				

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

	Notes	Group 2010 £'000	College 2009 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation	11	243	(864)
Depreciation and amortisation	12 & 13	1,877	1,648
Deferred capital grants released to income	19	(431)	(518)
Loss on disposal of tangible fixed assets	13	-	(1)
Interest receivable	4	(82)	(86)
FRS 17 pension cost less contributions payable	27	152	39
FRS 17 pension finance cost	27	299	96
(Increase)/decrease in stocks		(77)	14
Decrease in debtors	16	66	172
Increase in creditors	17 & 18	2,124	644
		<u>4,171</u>	<u>1,144</u>
<b>Net cash inflow from operating activities</b>			

**23 Returns on investments and servicing of finance**

	Notes	Group 2010 £'000	College 2009 £'000
Other interest received	4	82	86
		<u>82</u>	<u>86</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>			

## Notes to the Accounts (continued)

## 24 Capital expenditure and financial investment

	Notes	Group 2010 £'000	College 2009 £'000
Purchase of intangible fixed assets	12	(1,069)	-
Purchase of tangible fixed assets	13	(3,130)	(1,813)
Sales of tangible fixed assets	13	-	2
Deferred capital grants received	19	152	1,052
		<u>(4,047)</u>	<u>(759)</u>

## 25 Management of liquid resources

	Group 2010 £'000	College 2009 £'000
Withdrawals from deposits/(placing of deposits)	702	(978)
	<u>702</u>	<u>(978)</u>

## 26 Analysis of changes in net funds

	College At 1 August 2009 £'000	Group Cash flows £'000	At 31 July 2010 £'000
Cash in hand, and at bank	316	908	1,224
Current asset investments	5,078	(702)	4,376
	<u>5,394</u>	<u>206</u>	<u>5,600</u>

## 27 Pension and similar obligations

Total pension cost for the year	2010 £000	2009 £000
Teachers Pension Scheme: contributions paid	1,042	905
Local Government Pension Scheme:		
Contributions paid	584	461
FRS 17 charge	<u>152</u>	<u>39</u>
Charge to the Income and Expenditure Account (staff costs)	736	500
Early retirement pension charge to Income and Expenditure Account (staff costs)	33	60
	<u>1,811</u>	<u>1,465</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 2007. Contributions amounting to £33,452 (2009 £60,000) were payable to the scheme at 31<sup>st</sup> July and are included within creditors.

**Notes to the Accounts (continued)****27 Pension and similar obligations (continued)****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)	31 March 2004
Actuarial method	Prospective benefits
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 2009 to 31 July 2010 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 2010 was £793,729, of which employer's contributions totalled £517,109 and employees' contributions totalled £276,620. 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.

**FRS 17****Principal Actuarial Assumptions**

	At 31 July 2010	At 31 July 2009
Rate of increase for pensions in payment/inflation	2.9%*	3.7%
Rate of increase in salaries	4.9%	5.2%
Expected return on scheme assets	6.3%	6.3%
Discount rate for scheme liabilities	5.4%	6.0%
Commutation of pensions to lump sums	50.0%	50.0%

\*1% for first two years

**Notes to the accounts (continued)****27 Pension and similar obligations (continued)**

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 2010	At 31 July 2009
<i>Retiring today</i>		
Males	20.8	19.6
Females	24.1	22.5
<i>Retiring in 20 years</i>		
Males	22.3	20.7
Females	25.7	23.6

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 2010	Value at 31 July 2010  £'000	Long- term rate of return expected at 31 July 2009	Value at 31 July 2009  £'000
Equities	7.3%	6,231	7.3%	5,099
Bonds	4.8%	2,429	5.3%	2,022
Property	5.3%	950	5.3%	527
Cash	4.4%	950	4.3%	1,143
<b>Total market value of assets</b>		<b>10,560</b>		<b>8,791</b>
Present value of scheme liabilities				
- Funded		(15,713)		(14,161)
- Unfunded		-		-
Related deferred tax liability		-		-
<b>Surplus/(deficit) in the scheme</b>		<b>(5,153)</b>		<b>(5,370)</b>

**Analysis of the amount charged to income and expenditure account**

	2010 £'000	2009 £'000
Employer service cost (net of employee contributions)	685	500
Past service gain	(1,179)	-
Losses on curtailments	51	-
<b>Total operating (gain)/charge</b>	<b>(443)</b>	<b>500</b>

**Analysis of pension finance costs**

Expected return on pension scheme assets	573	675
Interest on pension liabilities	(872)	(771)
<b>Pension finance costs</b>	<b>(299)</b>	<b>(96)</b>

**Notes to the accounts (continued)****27 Pension and similar obligations (continued)****Amount recognised in the statement of total recognised gains and losses (STRGL)**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gains/(losses) on pension scheme assets	589	(1,638)
Actuarial losses on scheme liabilities	(1,100)	(1,613)
Actuarial gain on change of assumption in respect of future pension increases	1,179	-
	<hr/>	<hr/>
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>668</b>	<b>(3,251)</b>
	<hr/> <hr/>	<hr/> <hr/>

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The College has considered the LGPS scheme rules and associated members' literature and has concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL'). At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue a final Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statements for the following year.

**Movement in Deficit during year**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(5,370)	(1,984)
Movement in year:		
Employer service cost (net of employee contributions)	(685)	(500)
Employer contributions	584	461
Past service cost	1,179	-
Impact of curtailments & settlements	(51)	-
Net interest on assets	(299)	(96)
Actuarial loss	(511)	(3,251)
	<hr/>	<hr/>
<b>Deficit in scheme at 31 July</b>	<b>(5,153)</b>	<b>(5,370)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Asset and Liability Reconciliation**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	14,161	11,256
Service cost	685	500
Interest cost	872	771
Employee contributions	281	249
Actuarial loss	1,100	1,613
Benefits paid	(258)	(228)
Actuarial gain on change of assumption in respect of future pension increases	(1,179)	-
Curtailments and settlements	51	-
	<hr/>	<hr/>
<b>Liabilities at end of period</b>	<b>15,713</b>	<b>14,161</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the accounts (continued)****27 Pension and similar obligations (continued)**

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
<b>Assets at start of period</b>	8,791	9,272
Expected return on assets	573	675
Actuarial gain/(loss)	589	(1,638)
Employer contributions	584	461
Employee contributions	281	249
Benefits paid	(258)	(228)
	<hr/>	<hr/>
<b>Assets at end of period</b>	<b><u>10,560</u></b>	<b><u>8,791</u></b>

The estimated value of employer contributions for the year ended 31<sup>st</sup> July 2011 is £590,000.

**Reconciliation of Assets****History of experience gains and losses**

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Difference between the expected and actual return on assets:	589	(1,638)	(1,664)	219	288
Experience gains and losses on scheme liabilities:	-	-	1,031	(3)	-
Total amount recognised in STRGL:	668	(3,251)	(56)	1,271	(172)

**28 Exceptional costs**

	<b>Group</b> <b>2010</b> <b>£'000</b>	<b>College</b> <b>2009</b> <b>£'000</b>
Sponsor Donation to the Bedford Academy	1,000	
Gross fees incurred on aborted accommodation redevelopment project	-	1,128
Grant received from LSC for aborted redevelopment	-	(250)
	<hr/>	<hr/>
Net exceptional costs	<b><u>1,000</u></b>	<b><u>878</u></b>

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 during the year, and the rest is due within five years.

In 2009 the College had to write off fees incurred on its substantial accommodation redevelopment project which was aborted because the LSC announced they had insufficient funds to support the majority of capital investment proposals in progress. A grant for the first £250,000 had been received in accordance with the standard process, which reduced the overall impact.

**29 Post-balance sheet events**

In October 2010 a fifth dividend of £82,656 was received from the administrators of the Heritable Bank. Further dividends of around £600,000 are expected over the remaining period of Administration

**Notes to the Accounts (continued)****30 Capital commitments**

	<b>Group &amp; College 2010 £'000</b>	<b>College 2009 £'000</b>
Commitments contracted for at 31 July	259	377
	<u>1,890</u>	<u>3,400</u>

**31 Financial commitments**

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

	<b>Group and College 2010 £'000</b>	<b>College 2009 £'000</b>
Land and buildings		
Expiring within one year	-	29
Expiring within two and five years inclusive	159	144
Expiring in over five years	237	161
	<u>396</u>	<u>334</u>
Other		
Expiring within one year	-	-
Expiring within two and five years inclusive	32	32
Expiring in over five years	-	-
	<u>32</u>	<u>32</u>

**32 Contingent liability**

The College has been unable to finalise the transfer of pension funds earned by support staff transferring from Writtle College as part of the acquisition of Shuttleworth College. This is expected to be a liability, but due to ongoing negotiations, 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.

**33 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

## Notes to the Accounts (continued)

## 34 Amounts disbursed as agent - Learner support funds

	2010 £'000	2009 £'000
LSC funding body grants – hardship funds	259	208
LSC funding body grants – childcare	84	92
Other Funding bodies grants	18	11
	<hr/>	<hr/>
	361	311
Disbursed to students	(353)	(271)
Staffing	-	-
Administration costs	(8)	(15)
Amount consolidated in financial statements	-	-
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>25</u>

LSC 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.