CONTENTS

Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2013.

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 2011.

The Corporation was incorporated as Bedford College.

The College has a wholly owned subsidiary, Bedford College Services Limited, the accounts of which are consolidated into this report.

Aim

The College's aim, as contained in its strategic plan, is to support the local and national economy, by promoting social inclusion and personal advancement. Through the delivery of world class skills and education to the communities we serve.

Implementation of strategic plan

In July 2012 the members of the Corporation approved a new strategic plan for the five years to July 2017. 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 our partners
- a nationally recognised centre of excellence in Arts and Technology
- 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. Reports demonstrate steady improvement, underpinned by improvements to the College estate and higher levels of staff and student satisfaction.

Financial objectives

The College has two key financial objectives, which are to:

- be well managed
- remain financially robust

Operating and Financial Review (continued)

There are five further strategic baseline indicators against which the College regularly measures and reports to the Corporation, which are:

- Income £k
- Surplus £k
- Non-teaching costs %
- Cash days
- Reserves £k

Performance indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators, which are:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "Learner views")
- Satisfaction survey (formerly "Employer views")

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 Education Funding Agency (EFA). The current rating of Outstanding reflects the standards of performance that are embedded within the organisation.

Financial Position

Financial results

During 2012-13 the College exceeded a number of income streams and maximised the grant income available from funding bodies by exceeding the predicted annual learner numbers.

The College generated a further 3% in income, raising the College income to £35m. This was organic growth, with the College growing its operations within the current remit. There is significant reliance on the Skills Funding Agency (SFA), Education Funding Agency (EFA) and the Higher Education Funding Council for England & Wales (HEFCE) recurrent grants. In 2012-13 these agencies provided 77% of the College's total income (2011-12 76%).

In the course of the year the number of learners with additional support needs increased, this additional activity was absorbed by the College. The requirement to support these additional needs and the cost of exceeding the predicted annual learner numbers has generated no additional funding in 2012-13. It is anticipated that as a result of exceeding the 2012-13 targets the 2014-15 targets will be stretched providing the College with the ability to achieve greater funding in that year.

The effect of meeting the needs of additional learning requirements and overreaching the 2012-13 funding targets has resulted in an operating deficit before exceptional items of £543,000. Following two accounting adjustments relating to the write off of a provision and loss on disposal of fixed assets the College loss for 2012-13 is recorded as £358,000.

The Group had accumulated reserves of £21.1m and cash balances of £2.8m as at 31 July 2013. The programme to refurbish the College buildings has begun and as agreed with the Corporation the scope will be driven by need and affordability. Given the uncertainties around future funding, work will be planned in discrete phases.

Tangible fixed assets total £32.4m at the end of the year, an increase of £1.2m. During the year the College spent a total of £4.1m on capital expenditure, £2.8m on improvements to buildings The College plans to grow the reserves to support the continued redevelopment of the buildings.

Operating and Financial Review (continued)

The FRS 17 actuarial valuation of the College's support staff pension scheme (Local Government Pension Scheme) continues to demonstrate a substantial deficit of £6m (£6.4m at 2011-12).

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. In the year under review a deficit of £154,344 was recorded.

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 treasury management policy.

Cash flows

Cash from operating activities demonstrated a net cash outflow of £894,000 (2011-12 net cash inflow of £2.7m), with movement in funds showing a net cash outflow of £4.4m (2011-12 net cash outflows £1.7m). This reflects the cost of additional learner needs, exceeding the funding targets and the cost of delivering the capital programme.

Current and Future Development and Performance

Learner numbers

In 2012-13 the College delivered activity that has produced £24.8m in, EFA and SFA recurrent funding (2011-12 £23.6m). The College had approximately 12,500 (2011-12 12,500) EFA & SFA funded learners and 3,659 (2011-12 3,700) 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 number of commercial courses on offer has risen as a result of funding changes from the SFA and the continued strengthening of commercial courses offered to local businesses. The College has developed a wider range of apprenticeships and expanded its partnerships to provide different models of apprenticeship delivery.

Courses are designed to ensure students are able to move securely into the labour market. A successful curriculum initiative has resulted in an increase in the number of apprentices in 2012-13. 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.

Good progress can be seen in teaching and learning with steady improvement in observations made during the year, with 75% of staff recorded as good or outstanding (2011-12 73%).

Future developments

At a national level it is clear that Further Education funding will reduce for a number of years as already seen in other public sector settlements. This and the effects of the new funding formulas introduced for 2013-14, will bring about unprecedented reductions in recurrent grants. The College has developed a strategy to respond to this challenge through a planned cost reduction exercise and a surplus lower than that budgeted in previous years.

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.

Operating and Financial Review (continued)

With regard to the Bedford 6th Form Centre, the College will seek to exercise the purchase option on the lease during 2013-14, and given significant investment in this site will look to increase the student numbers over the next three years. Loan finance has been approved by the Corporation to support the purchase.

The College aims to become more productive within the resources allocated.

Resources

The College:

- Has £28m of net assets (including £6m pension liability)
- Employs 680 people (expressed as full time equivalents) of whom 453 are within teaching areas
- Has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

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 learners, staff, assets and reputation.

Based on the strategic aims, the Executive team acts as the Risk Management Group and undertakes periodic reviews of the risks to which the College is exposed. 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. The internal controls are implemented and the subsequent year's appraisal will review their effectiveness and progress against mitigating actions.

The risk register is maintained at the College level and is reviewed termly by the Executive and the Audit Committee and approved annually by the Corporation Board.

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.

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.

Operating and Financial Review (continued)

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 5 November 2013 and signed on its behalf by:

Kevin Bromboszcz
Chair

Professional advisers

Financial statements and regularity auditors:
MHA MacIntyre Hudson

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 FRC 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 governors, 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 2013. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012. The College has considered the requirements of the above Code carefully and has chosen not to adopt a biennial review of the Corporation's rules and procedures as a full review of the Standing Orders, Instrument and Articles of Government are carried out at least every five years with more frequent reviews as required.

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 / Resignation	Category of Membership
Mr R Whysall	Re-appointed March 2009	4 years	31 March 2013	External
Chairman (to 30 Nov 2012)				
Mr K Bromboszcz	Re-appointed March 2012	4 years		External
Vice-Chairman (to 30 Nov 2012, Chairman from 1 Dec 2012)				
Mrs L Hockey	November 2010	4 years		External
Vice-Chairman from (1 Dec 2012)				
Miss P Barrett	Re-appointed November 2010	2 years	30 Nov 2012	External
Mrs S Clough	March 2013	4 years		External
Mr L Darrington	March 2013	1 year	31 July 2013	Staff
Mr J Frost	Re-appointed July 2010	4 years		External
Mr B Hundal	Re-appointed Nov 2011	4 years		External
Ms J Hunt	Re-appointed March 2012	4 years		External
Mr M Kiteley	Re-appointed July 2010	4 years		External
Mr J Marriott	Re-appointed March 2013	4 years		External
Mr S Miah	November 2011	4 years		External
Ms N Nyoni	July 2013	2 years		Staff
Mr D Parry	Re-appointed December 2009	4 years		External
Mr I Preece	July 2011	2 years	31 July 2013	Staff
Mr I Pryce	December 1998	-		Chief Executive
Ms S Robins	July 2011	1 year	31 July 2013	Student
Ms D Troughton	July 2012	2 years		Staff
Dr H Wassif	Appointed November 2011	4 years		External
Mr M Weeden	Re-appointed July 2010	4 years	22 July 2013	External
Mr M Whitlock	Re-appointed July 2011	4 years		External

Mrs E Heaney acts as Clerk to the Corporation.

It is the Corporation members' 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 meets at least once a term.

The Corporation conducts its business through seven committees. Each committee has terms of reference, which have been approved by the Corporation Board. These committees are

- Audit
- Corporate Governance
- Finance, Estates and Strategy
- Human Resources
- Quality, Standards and Achievement
- Remuneration
- Search

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.

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.

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 ten 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 comprises of six members of the Corporation (excluding the Chief Executive). 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 2013 are set out in note 6 to the financial statements.

Audit committee

The Audit Committee comprised of four to five 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.

Corporate Governance Committee

The Corporate Governance Committee consisted of seven to nine members throughout the year (including the Chief Executive) and operates in accordance with the written terms of reference approved by the Corporation.

The Committee meets at least annually and is responsible for advising the Corporation on matters concerning the smooth running and best corporate governance of the Corporation such as the size of the

Board, the Board's own rules and procedures, training for governors, evaluation of the Corporation and the appointment of office bearers.

Finance, Estates and Strategy Committee

The Finance, Estates and Strategy Committee consisted of five to seven members throughout the year (including the Chief Executive) and operate in accordance with the written terms of reference approved by the Corporation.

The Committee meets at least termly and is responsible for monitoring the College's finance, accommodation and capital expenditure, advising the Board on solvency and the safeguarding of assets, approving capital expenditure and debt write offs (under delegated authority) and for advising on the development of strategic plans and policies.

Human Resources Committee

The Human Resources Committee consisted of seven members throughout the year (including the Chief Executive) and operates in accordance with the written terms of reference approved by the Corporation.

The Committee meets at least once a term and is responsible for the approval and review of people management and development policies and procedures; ensuring compliance with employment legislation and good practice and to overseeing policies and work promoting the safety and well-being of staff.

Quality, Standards and Achievement Committee

The Quality, Standards and Achievement Committee consisted of seven to nine members throughout the year (including the Chief Executive) and operates in accordance with the written terms of reference approved by the Corporation.

The Committee meets at least once a term and is responsible for briefing the Board on the quality of education provision at the College, the student experience (including safeguarding and equality and diversity), and to have oversight of quality processes.

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 its Funding Bodies. 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 2013 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2013 and up to the date of approval of the annual report and financial statements. 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 LSC's *Audit Code of Practice.* 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.

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 auditors and regularity auditors in their management letter and other reports.

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 November 2013 meeting the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2013.

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 05 November 2013 and signed on its behalf by:

K Bromboszcz	**I Pryce**
Chairman	**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), the Educational Funding Agency (EFA) 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 for 2012-13 financial statements* issued jointly by the SFA and the Education Funding Agency (EFA), 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 an Annual Review 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 College website is the responsibility of Bedford 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 EFA 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 by the SFA and EFA are not put at risk.

Approved by order of the members of the Corporation on 05 November 2013 and signed on its behalf by:

K Bromboszcz
Chairman

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 2013, set out on pages 14 to 36. 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 12, 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 2013 and of the Group's deficit 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 Education Funding 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.

MHA MacIntyre Hudson   18-12-13

MHA MacIntyre Hudson   **Date**
Chartered Accountants
Registered Auditors

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

In accordance with the terms of our engagement letter and further to the requirements of the Chief Executive of the Skills Funding Agency ('the SFA') and the Education Funding Agency ('the EFA'), 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 2013 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, the Chief Executive of the SFA, and the EFA. Our review work has been undertaken so that we might state to the Corporation and the Chief Executive of the SFA and EFA 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, the chief executive, the SFA and the EFA, 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 LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2013 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 LSC. 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 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants
Registered Auditors

18 - 12 - 13

Date

Consolidated Income and Expenditure Account

	Notes	2013 £'000	2012 £'000
INCOME			
Funding body grants	2	28,504	26,872
Tuition fees and education contracts	3	4,466	4,612
Other income		3,501	3,416
Endowment and investment income	4	94	143
Total income		**36,565**	**35,043**
EXPENDITURE			
Staff costs	5	21,453	19,217
Other operating expenses	7	12,948	12,370
Depreciation and amortisation	12 & 13	2,481	2,218
Interest and other finance costs	9 & 26	226	125
Total expenditure		**37,108**	**33,930**
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		**(543)**	**1,113**
Investment written back	8	-	100
Academy sponsorship written back	27	750	-
Surplus on continuing operations after depreciation of assets at valuation and exceptional items but before tax		**207**	**1,213**
Loss on disposal of assets	13	(565)	-
Taxation	10	-	-
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax	11	**(358)**	**1,213**
(Deficit)/surplus for the year retained within general reserves		**(358)**	**1213**

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

Consolidated Statement of Historical Cost Surpluses and Deficits

	Notes	2013 £'000	2012 £'000
Loss/surplus on continuing operations before taxation	11	(358)	1,213
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	205	207
Historical cost (loss)/surplus for the year before taxation		**(153)**	**1,420**
Historical cost (loss)/surplus for the year after taxation		**(153)**	**1,420**

Consolidated Statement of Total Recognised Gains and Losses

	Notes	2013 £'000	2012 £'000
(Loss)/surplus on continuing operations after depreciation of assets at valuation and tax	11	(358)	1,213
Actuarial gain/(loss) in respect of pension scheme	26	857	(2,672)
Total recognised gains/(losses) since last report		**499**	**(1,459)**

Reconciliation

	2013 £'000	2012 £'000
Opening reserves and endowments	20,604	22,063
Total recognised gains/(losses) for the year	499	(1,459)
Closing reserves and endowments	**21,103**	**20,604**

Balance sheets as at 31 July

	Notes	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Fixed assets					
Intangible assets	12	641	641	748	748
Tangible assets	13	32,433	32,356	31,208	31,165
Total fixed assets		**33,074**	**32,997**	**31,956**	**31,913**
Current assets					
Stocks		220	198	152	132
Debtors	15	1,749	2,089	1,606	1,692
Investments	25	2,506	2,506	6,660	6,660
Cash at bank and in hand	25	283	198	530	428
Total current assets		4,758	4,991	8,948	8,912
Less: Creditors – amounts falling due within one year	16	(4,115)	(3,981)	(6,739)	(6,524)
Net current assets		**643**	**1,010**	**2,209**	**2,388**
Total assets less current liabilities		**33,717**	**34,007**	**34,165**	**34,301**
Less: Creditors – amounts falling due after more than one year	17	(18)	(18)	(750)	(750)
Net assets excluding pension liability		**33,699**	**33,989**	**33,415**	**33,551**
Net pension liability	26	(5,986)	(5,986)	(6,407)	(6,407)
NET ASSETS INCLUDING PENSION LIABILITY		**27,713**	**28,003**	**27,008**	**27,144**
Deferred capital grants	18	6,610	6,610	6,404	6,404
Income and expenditure account excluding pension reserve	20	18,591	18,881	18,308	18,444
Pension reserve	26	(5,986)	(5,986)	(6,407)	(6,407)
Income and expenditure account including pension reserve	20	12,605	12,895	11,901	12,037
Revaluation reserve	19	8,498	8,498	8,703	8,703
Total reserves		**21,103**	**21,393**	**20,604**	**20,740**
TOTAL		**27,713**	**28,003**	**27,008**	**27,144**

The financial statements on pages 14 to 36 were approved by the Corporation on ~~5 November~~ 12 December 2013 and were signed on its behalf on that date by:

Kevin Bromboszcz
Chair

Ian Pryce
Principal & Chief Executive

Consolidated Cash Flow Statement

	Notes	2013 £'000	2012 £'000
Cash (outflow)/inflow from operating activities	21	(894)	2,698
Returns on investments and servicing of finance	22	94	143
Taxation	10	-	-
Capital expenditure and financial investment	23	(3,601)	(4,546)
Management of liquid resources	24	4,154	(1,883)
(Decrease)/increase in cash in the year		**(247)**	**178**

Reconciliation of net cash flow to movement in net funds

	Notes	2013 £'000	2012 £'000
(Decrease)/increase in cash in the period		(247)	178
Cash outflow from liquid resources	24	(4,154)	(1,883)
Movement in net funds in the period		(4,401)	(1,705)
Net funds at 1 August	25	7,190	8,895
Net funds at 31 July		**2,789**	**7,190**

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 Skills Funding Agency and the EFA in the 2012/13 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 2013.

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 Skills Budget 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 and the results of any funding audits. 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. The associated credit is included in the revaluation reserve. 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 re-valued 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
- plant machinery and general equipment – 10 years on a straight-line basis.
- motor vehicles – 5 years on a straight-line basis
- computer equipment – 4 years on a straight-line basis
- fixtures and fittings – 10 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 2013.

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)

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 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	2013 £'000	2012 £'000
Recurrent grant - YPLA		-	9,574
Recurrent grant - SFA		8,541	7,738
Recurrent grant – EFA		16,231	6,243
Recurrent grant - HEFCE		542	981
Non recurrent grant - SFA		931	1,350
Non recurrent grant – EFA		1,915	816
Releases of deferred capital grants	18	344	170
Total		**28,504**	**26,872**

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:

	2013 £'000	2012 £'000
Train To Gain income	-	1,352
Payments to non College partners	-	(2)
Net income	**-**	**1,350**

3 Tuition fees and education contracts

	2013 £'000	2012 £'000
Tuition fees	3,633	2,943
Education contracts	833	1,669
Total	**4,466**	**4,612**

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £51,800 (2011-12 £61,500).

4 Investment income

	2013 £'000	2012 £'000
Other interest receivable	94	143
Total	**94**	**143**

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:

	2013 No.	2012 No.
Teaching staff	453	439
Non teaching staff	227	190
	680	**629**

Staff costs for the above persons

	2013 £'000	2012 £'000
Wages and salaries	17,454	15,901
Social security costs	1,252	1,172
Other pension costs (including FRS 17 adjustments of £210,000 – (2012 £71,000))	2,096	1,856
Payroll sub total	**20,802**	**18,929**
Contracted out staffing services	651	288
	21,453	**19,217**

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	
	2013 No.	2012 No.	2013 No.	2012 No.
£ 60,001 to £ 70,000	-	-	9	1
£ 70,001 to £ 80,000	1	1	5	3
£ 90,001 to £100,000	-	1	-	-
£100,001 to £110,000	1	1	-	-
£150,001 to £160,000	1	-	-	-
£160,001 to £170,000	-	1	-	-
	3	**4**	**14**	**4**

6 Senior post-holders' emoluments

Senior post-holders are defined as the Chief Executive 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)

	2013 No.	2012 No.
The number of senior post-holders including the Chief Executive was:	5	5

Senior post-holders' emoluments are made up as follows:

	2013 £'000	2012 £'000
Salaries	360	396
Benefits in kind	8	8
Pension contributions	51	55
Total emoluments	**419**	**459**

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

	2013 £'000	2012 £'000
Salaries	134	143
Benefits in kind	7	7
	141	150
Pension contributions	18	18

The pension contributions in respect of the Chief Executive 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 2013 £'000	Group 2012 £'000
Teaching costs	6,104	5,497
Non teaching costs	2,909	3,560
Premises costs	3,935	3,313
Total	**12,948**	**12,370**

Other operating expenses include:

Auditors' remuneration:		
Financial statement audit	28	24
Internal audit	19	11
Other services provided by the internal auditor	9	-
Hire of plant and machinery – operating leases	99	33

8 Investments

	2013 £'000	2012 £'000
Funds deposited with an Icelandic bank write back	-	100
Total	-	100

Notes to the Accounts (continued)

9 Interest payable

	Notes	Group 2013 £'000	Group 2012 £'000
Pension finance costs	26	(226)	(125)
Total		**(226)**	**(125)**

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 2013 £'000	Group 2012 £'000
College's (loss)/surplus for the period	(204)	1,213
Deficit generated by subsidiary undertaking	(154)	-
Total	**(358)**	**1,213**

12 Intangible fixed assets

	Group 2013 £'000	Group 2012 £'000
Cost or valuation		
At 1 August 2012	1,069	1,069
Additions	-	-
Disposals	-	-
At 31 July 2013	**1,069**	**1,069**
Amortisation		
At 1 August 2013	321	214
Charge for the year	107	107
At 31 July 2013	428	321
Net book value at 31 July 2013	641	748
Net book value at 31 July 2012	748	855

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 2012	36,135	9,436	45,481
Additions	2,859	1,307	4,166
Disposals	1,191	5,758	6,949
At 31 July 2013	**40,185**	**16,411**	**56,596**
Depreciation			
At 1 August 2012	7,147	7,127	14,274
Charge for the year	1,258	1,116	2,374
Elimination in respect of disposals	(636)	(5747)	(6,383)
At 31 July 2013	**7,769**	**2,496**	**10,265**
Net book value at 31 July 2013	**30,034**	**2,399**	**32,433**
Net book value at 31 July 2012	28,988	2,220	31,208

College

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2012	36,135	9,276	45,411
Additions	2,843	1,268	4,111
Disposals	(1,191)	(5,758)	(6,949)
At 31 July 2013	**37,787**	**4,786**	**42,573**
Depreciation			
At 1 August 2012	7,147	7,099	14,246
Charge for the year	1,257	1,097	2,354
Elimination in respect of disposals, fully depreciated/fully written down assets	(636)	(5,747)	(6,383)
At 31 July 2013	**7,768**	**2,449**	**10,217**
Net book value at 31 July 2013	**30,019**	**2,337**	**32,356**
Net book value at 31 July 2012	28,988	2,177	31,165

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.

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 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Amounts falling due within one year:				
Trade debtors	596	523	499	461
Other Debtors	12	12	18	18
Prepayments and accrued income	1,141	1,130	1,089	1,063
Amounts owed by group undertakings	-	424	-	150
Total	1,749	2,089	1,606	1,692

16 Creditors: amounts falling due within one year

	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Payments received in advance	146	146	1,487	1,401
Trade creditors	357	327	1,155	1,123
Other creditors	1,299	1,234	1,342	1,342
Other taxation and social security	558	519	577	516
Accruals	1,755	1,755	2,178	2,142
Total	4,115	3,981	6,739	6,524

Notes to the Accounts (continued)

17 Creditors: amounts falling due after one year

	Group and College 2013 £'000	2012 £'000
Other Creditors	18	750
Total	**18**	**750**

18 Deferred Capital Grants

	Group and College		
	LSC grants £'000	Other grants £'000	Total £'000
At 1 August 2012	4,025	2,379	6,404
Cash received	100	450	550
Released to income and expenditure account	173	171	344
At 31 July 2013	**3,952**	**2,658**	**6,610**

19 Revaluation reserve

	Group and College	
	College 2013 £'000	College 2012 £'000
At 1 August	8,703	8,910
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(205)	(207)
At 31 July	**8,498**	**8,703**

20 Movement on general reserves

	Notes	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Income and expenditure account reserve					
At 1 August		11,901	12,037	13,153	13,289
(Loss)/surplus retained for the year	11	(358)	(204)	1,213	1,213
Transfer from revaluation reserve	19	205	205	207	207
Actuarial (loss)/gain in respect of pension scheme	26	857	857	(2,672)	(2,672)
		12,605	**12,895**	**11,901**	**12,037**

Notes to the Accounts (continued)

20 Movement on general reserves (Continued)

	Notes	Group 2013 £'000	College 2013 £'000	Group 2012 £'000	College 2012 £'000
Balance represented by:					
Pension reserve	26	(5,986)	(5,986)	(6,407)	(6,407)
Income & Expenditure account reserve excluding pension reserve		18,591	18,881	18,308	18,844
At 31 July		**12,605**	**12,895**	**11,901**	**12,037**

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

	Notes	2013 £'000	2012 £'000
(Loss)/surplus on continuing operations after depreciation of assets at valuation	11	(358)	1,213
Depreciation and amortisation	12 & 13	2,481	2,218
Deferred capital grants released to income	18	(344)	(330)
(Loss)/profit on disposal of tangible fixed assets	23	550	45
Interest receivable	4	(94)	(143)
FRS 17 pension cost less contributions payable	26	210	71
FRS 17 pension finance cost	26	226	125
Increase in stocks		(66)	(41)
Increase in debtors	15	(143)	(296)
Increase in creditors	16 & 17	(3,356)	(164)
Net cash inflow from operating activities		**(894)**	**2,698**

22 Returns on investments and servicing of finance

	Notes	2013 £'000	2012 £'000
Other interest received	4	94	143
Net cash inflow from returns on investment and servicing of finance		**94**	**143**

23 Capital expenditure and financial investment

	Notes	2013 £'000	2012 £'000
Purchase of tangible fixed assets	13	(4,166)	(6,565)
Sales of tangible fixed assets	13	15	4
Deferred capital grants received	18	550	2,015
Net cash outflow from capital expenditure and financial investment		**(3,601)**	**(4,546)**

Notes to the Accounts (continued)

24 Management of liquid resources

	2013 £'000	2012 £'000
Withdrawal of deposits	(4,154)	(1,883)
Net cash inflow from management of liquid resources	**(4,154)**	**(1,883)**

25 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	At 31 July 2012 £'000
Cash in hand, and at bank	530	(247)	283
Current asset investments	6,660	(4154)	2,506
	7,190	**(4,401)**	**2,789**

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.

Total pension cost for the year		Group and College 2013 £000		2012 £000
Teachers Pension Scheme: contributions paid		1,107		1,060
Local Government Pension Scheme:				
Contributions paid	781		725	
FRS 17 charge	210		71	
Charge to the Income and Expenditure Account (staff costs)		989		796
Total Pension Cost for Year		**2,096**		**1,856**

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 2011.

Contributions amounting to £135,000 (2012 £146,298) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Notes to the Accounts (continued)

Pensions and similar obligations (continued)

The Teachers' Pension Budgeting and Valuation Account
Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme
Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

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 Bedford Borough Councils trustee-administered funds. The total contribution made for the year ended 31 July 2013 was £884,232, of which employer's contributions totalled £781,040 and employees' contributions totalled £271,785. The agreed contribution rates for future years are 14.12 per cent for employers and contributions of between 5.5% and 7.5% dependant on the full time equivalent salary for employees. Regular payments of £113,000 per year are being paid to eliminate the deficit.

Notes to the accounts (continued)

26 Pension and similar obligations (continued)

FRS 17

Principal Actuarial Assumptions	At 31 July 2013	At 31 July 2012
Rate of increase in salaries	5.10%	4.50%
Rate of increase for pensions in payment/inflation	2.80%	2.20%
Discount rate for scheme liabilities	4.60%	4.10%
Expected return on scheme assets	5.70%	4.40%

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 2013	At 31 July 2012
Retiring today		
Males	21.60	21.60
Females	23.50	23.20
Retiring in 20 years		
Males	23.60	23.60
Females	25.60	25.60

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 2013	Value at 31 July 2013	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012
		£'000		£'000
Equities	6.40%	11,270	5.50%	7,000
Bonds	3.90%	3,059	3.50%	2,288
Property	4.60%	1,288	3.70%	1,211
Cash	3.40%	483	2.80%	2,961
Total market value of assets		**16,100**		**13,460**
Present value of scheme liabilities				
- Funded		(22,086)		(19,867)
- Unfunded		-		-
Related deferred tax liability		-		-
Deficit in the scheme		**(5,986)**		**(6,407)**

Notes to the accounts (continued)

26 Pension and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	2013 £'000	2012 £'000
Employer service cost (net of employee contributions)	991	796
Total operating charge	991	796

Analysis of pension finance costs

Expected return on pension scheme assets	607	743
Interest on pension liabilities	(883)	(868)
Pension finance costs	**(276)**	**(125)**

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

	2013 £'000	2012 £'000
Actuarial (loss)/gain on pension scheme assets	1,344	(383)
Actuarial (loss)/gain on scheme liability	(487)	(2,289)
Actuarial (loss)/gain recognised in STRGL	**857**	**(2,672)**

Movement in Deficit during year

	2013 £'000	2012 £'000
Deficit in scheme at 1 August	(6,407)	(3,539)
Movement in year:		
Employer service cost (net of employee contributions)	(991)	(796)
Employer contributions	781	725
Net interest on assets	(226)	(125)
Actuarial (loss)/gain	857	(2,672)
Deficit in scheme at 31 July	**(5,986)**	**(6,407)**

Notes to the accounts (continued)

26 Pension and similar obligations (continued)

Asset and Liability Reconciliation

Reconciliation of Liabilities

	2013 £'000	2012 £'000
Liabilities at start of period	19,867	16,071
Service cost	991	796
Interest cost	833	868
Employee contributions	301	275
Actuarial loss/(gain)	487	2,289
Benefits paid	(393)	(432)
Liabilities at end of period	**22,086**	**19,867**

	2013 £'000	2012 £'000
Assets at start of period	13,460	12,532
Expected return on assets	607	743
Actuarial gain	1,344	(383)
Employer contributions	781	725
Employee contributions	301	275
Benefits paid	(393)	(432)
Assets at end of period	**16,100**	**13,460**

The estimated value of employer contributions for the year ended 31st July 2013 is £821,000.

Reconciliation of Assets
History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Difference between the expected and actual return on assets:	1,344	(383)	1,022	589	(1638)
Experience gains and losses on scheme liabilities:	-	(201)	378	-	-
Total amount recognised in STRGL:	857	2,672	2,102	668	(3,251)

27 Exceptional Income

	2013 £'000	2012 £'000
Release of Deed of Gift - Sponsor donation to the Bedford Academy	(750)	-
	(750)	-

Notes to the accounts (continued)

27 Exceptional Income (continued)

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 through a Deed of Gift. Of this £250,000 was paid in 2010. In January 2012 the Department for Education confirmed they would not be enforcing existing Deeds of Gift and therefore the £750,000 has been released to income and expenditure.

28 Capital commitments

	2013 £'000	2012 £'000
Commitments contracted for at 31 July	166	488
Authorised but not contracted at 31 July	7,981	33

29 Financial commitments

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

	Group and College 2013 £'000	2012 £'000
Land and buildings		
Expiring within one year	55	12
Expiring within two and five years inclusive	32	120
Expiring in over five years	591	475
	703	**607**

	2013 £'000	2012 £'000
Other		
Expiring within two and five years inclusive	8	33
	8	**33**

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.

Notes to the Accounts (continued)

33 Amounts disbursed as agent - Learner support funds

	2013 £'000	2012 £'000
Funding body grants – hardship funds	802	589
Funding body grants – childcare	185	113
Other Funding bodies grants	29	20
	1,016	722
Disbursed to students	(764)	(453)
Staffing	-	-
Administration costs	(23)	(33)
Amount consolidated in financial statements	(229)	(144)
Balance unspent as at 31 July, included in creditors	**0**	**92**

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.