## 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 2014.

### 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 Ltd, 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.

### Public Benefit

Bedford College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 8.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

The delivery of public benefit is covered throughout the Operating and Financial Review.

### 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.

# Operating and Financial Review (continued)

Underpinning the strategic 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.

Members of the Corporation receive progress reports against these aims at each meeting. Reports demonstrate steady improvement, underpinned by improvements to the estate and higher levels of staff and student satisfaction.

## Financial objectives

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

- be well managed financially, monitored by the strategic baseline indicators below
- remain financially robust

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

- Income £k
- Surplus £k
- Reserves £k
- Cash days
- Current ratio
- Increase in cash & cash equivalents

## 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")

# Operating and Financial Review (continued)

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

Reductions in Government funding and the introduction of funding reforms in 2013-14 saw the College operating in an increasingly challenging financial environment. The College responded well to the changes introduced resulting in an operating surplus of £635k.

During 2013-14 the College exceeded its predicted annual learner numbers for a number of its income streams and therefore maximised the grant income available from the relevant funding bodies. There is significant reliance on the Skills Funding Agency (SFA), EFA and the Higher Education Funding Council for England & Wales (HEFCE) recurrent grants; in 2013-14 these agencies provided 64% of the College's total income (2012-13 69%).

The Group had accumulated reserves of £19.8m and cash and investments balances of £4.7m as at 31 July 2014. The programme to refurbish the College buildings has begun and as agreed with the Corporation the scope will be driven by need and affordability and costs are expected to be substantial. Given the uncertainties around future funding work is planned in discrete phases.

Tangible fixed assets total £34.9m at the end of the year, an increase of £2.5m. During the year the College spent a total of £4.9m on capital expenditure, £3.0m on Bedford Sixth Form, and £1.1m on improvements to other buildings and £750k on renewing equipment. The College plans to grow the reserves to support the continued redevelopment of the buildings.

The FRS 17 actuarial valuation of the College's support staff pension scheme (Local Government Pension Scheme) continues to demonstrate a substantial deficit of £8.3m (£6m at 2012-13). The College is currently paying additional contributions of £220k a year, and is expected to continue for a further 14 years, to address the shortfall.

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 surplus of £40,000 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.

During 2013-14 the College secured a 5 year loan for £3m in order to purchase the freehold of Bedford Sixth Form. The borrowing was authorised by the Corporation and complies with the requirements of the financial memorandum and funding agreement.

### Cash flows

Cash from operating activities demonstrated a net cash inflow of £1.4m (2012-13 net cash outflow of £0.2m), with movements in funds showing in net cash outflow of £1.0m (2012-13 net cash outflows £4.4m).

# Operating and Financial Review (continued)

## Current and Future Development and Performance

### Learner numbers

In 2013-14 the College delivered activity that has produced £22.4m in, EFA and SFA recurrent funding (2012-13 £24.8m). The College had approximately 9,700 (2012-13 10,700) EFA & SFA funded learners and 4,000 (2012-13 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. During 2013-14 the College took over the operations of a Bedford based apprenticeship provider called Bedford Training Group providing different models of delivery to the College.

For many students who are returning to education or are unemployed the College can offer free education to help them enter the labour market.

A successful curriculum initiative has resulted in an increase in the number of apprentices in 2013-14. 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 76% of staff recorded as good or outstanding (2012-13 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 become more productive within the resources allocated. The College continues to set a low budgeted surplus providing the College time to adjust to lower settlement levels.

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.

During 2013-14 the College was awarded a grant by the Education Funding Agency to build a new centre for learners with learning difficulties or disabilities. The build is expected to start in October 2014 and will be complete before the next academic year and will provide enhanced facilities for learners with additional needs.

### Resources

The College:

- Has £26m of net assets (including £8.3m pension liability)
- Employs 647 people (expressed as full time equivalents) of whom 440 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.

# Operating and Financial Review (continued)

## 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 acting 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 subsequent appraisals 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;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/Local Enterprise Partnership;
- 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, age, religion or belief 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.

The College undertakes Equality impact assessments on all new policies and procedures, shaping policies to maximise inclusivity.

### 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 Equality Act 2010, 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.

# Operating and Financial Review (continued)

## 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 December 2014 and signed on its behalf by:**

**Kevin Bromboszcz**
**Chair**

## Professional advisers

**Financial statements and regularity auditors:**
MHA MacIntyre Hudson

**Internal auditors:**
Baker Tilly LLP

**Principal Bankers:**
Barclays Bank PLC

**Principal Solicitors:**
Hewitsons LLP

# Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. with consideration of the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance; in particular we have adopted some elements of the English Colleges' Foundation Code of Governance in addition to our adoption of the principles of the UK Corporate Governance Code.

In the opinion of the Governors, the College exceeds 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 2014. 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 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 the following provision at this time:

| **Reference** | **Requirement** | **Explanation** |
|---|---|---|
| 2.5 | A biennial review of the Corporations own rules and procedures. | This was considered excessive. Full and meaningful reviews of the Instrument and Articles of Government, Standing Orders and other associated procedures are scheduled to happen at least every five years, with more frequent reviews if required. |

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

**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 | Attendance at meetings in 2013-14[1] |
|---|---|---|---|---|---|
| Mr K Bromboszcz **Chair** | Re-appointed Mar 2012 | 4 years | | External | 100% |
| Mrs L Hockey **Vice-Chair** | Re-appointed Nov 2014 | 4 years | | External | 79% |
| Mrs S Clough | Appointed March 2013 | 4 years | | External | 93% |
| Ms J Dudeney | Appointed Jul 2014 | 2 years | | Staff | 100% |
| Mr J Frost | Re-appointed Nov 2014 | 4 years | | External | 80% |
| Mr B Hundal | Re-appointed Nov 2011 | 4 years | Jul 2014 | External | 63% |
| Ms J Hunt | Re-appointed Mar 2012 | 4 years | | External | 92% |
| Ms E Johnson | Appointed Nov 2013 | 4 years | | External | 75% |
| Mr M Kiteley | Re-appointed Apr 2014 | 4 years | | External | 100% |
| Mr J Marriott | Re-appointed Mar 2013 | 4 years | | External | 90% |
| Mr S Miah | Appointed November 2011 | 4 years | | External | 100% |
| Ms N Nyoni | Appointed July 2013 | 2 years | | Staff | 56% |
| Mr D Parry | Re-appointed December 2009 | 4 years | December 2013 | External | 100% |
| Mr I Pryce | Appointed December 1998 | - | | Accounting Officer | 94% |
| Mr A Simmons | Appointed Nov 2013 | 4 years | | External | 86% |
| Ms D Troughton | Appointed July 2012 | 2 years | Jul 2014 | Staff | 75% |
| Miss A Twist | Appointed Nov 2013 | 1 year | Jul 2014 | Student | 50% |
| Dr H Wassif | Appointed Nov 2011 | 4 years | | External | 25% |
| Mr M Whitlock | Re-appointed July 2011 | 4 years | | External | 95% |
| Miss J Worth | Appointed Nov 2013 | 1 year | Jul 2014 | Student | 50% |

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.

[1] This reflects attendance at Board and Committee meetings but does not reflect attendance at additional events such as Awards Evenings.

In 2013-14 The Corporation conducted its business through seven committees. Each committee has terms of reference, which have been approved by the Corporation Board. These committees were

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

The Board adopted a new committee structure which will apply in the 2014-15 year with the following Committees

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

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 Accounting Officer (Accounting Office) 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.

**Appointments by the Corporation**

The terms of reference of Bedford College Services (BCS) provides for an appointment to the BCS Board as nominated by the Corporation.

**Remuneration committee**

The Remuneration Committee comprises of six members of the Corporation (excluding the Accounting Officer). The Committee has delegated authority from the Corporation to determine the remuneration and terms and conditions of employment of the Accounting Officer and other senior post-holders and met once during the year.

Details of the remuneration of the Accounting Officer and other senior post-holders for the year ended 31 July 2014 are set out in note 6 to the financial statements.

**Audit committee**

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

The Committee meets at least annually and was 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 six members throughout the year (including the Accounting Officer) and operates 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.

From September 2014 the Committee will operate as the Finance and Estates Committee.

**Human Resources Committee**

The Human Resources Committee consisted of seven members throughout the year (including the Accounting Officer) 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 eight to ten members during the year (including the Accounting Officer) and operate in accordance with the 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 Principal and 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 2014 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 2014 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 system with an annual budget, 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 EFA and SFAs *Joint 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. As a minimum 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*

The Accounting Officer 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 other reports.

The Accounting Officer 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. The Corporation uses documentation from the senior management team and internal audit and takes account of events since 31 July 2013 before making its assessment for the year ended 31 July 2014.

Based on the advice of the Audit Committee and the Accounting Officer the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the effective and efficient use of resources, the solvency of the institution and body and the safeguarding of their assets.

**Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Corporation has considered its responsibility to notify the Skills Funding Agency and Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency/Education Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency/Education Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that ***to the best of its knowledge***, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency or Education Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency or Education Funding Agency.

*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 December 2014 and signed on its behalf by:**

| | |
|---|---|
| **K Bromboszcz** | **I Pryce** |
| **Chair** | **Accounting Officer** |

## 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 SFA and the Corporation of the College, and the Conditions of Funding Agreement agreed between the EFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the *Accounts Direction* issued jointly by the SFA and 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 Operating and financial 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 are used only in accordance with the Financial Memorandum from the SFA, that funds from the EFA are used only in accordance with the Conditions of the Funding Agreement with the EFA, as well as 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 15 December 2014 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 2014, set out on pages 16 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

## Respective Responsibilities of the Corporation of Bedford College and Auditor

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

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

## Scope of the audit of the financial statements

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

## Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and of the College's affairs as at 31 July 2014 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

## Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the 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 18-12-14

**MHA MacIntyre Hudson**
Chartered Accountants
Registered Auditors

**Date**

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

In accordance with the terms of our engagement letter and further to the requirements of the Accounting Officer 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 2014 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 Accounting Officer of the SFA, and the EFA. Our review work has been undertaken so that we might state to the Corporation and the Accounting Officer 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 Accounting Officer, 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 2014 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 2014 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

MHA MacIntyre Hudson        18-12-14

**MHA MacIntyre Hudson**
Chartered Accountants
Registered Auditors

**Date**

# Consolidated Income and Expenditure Account

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **INCOME** | | | |
| Funding body grants | 2 | 26,974 | 28,504 |
| Tuition fees and education contracts | 3 | 6,348 | 4,466 |
| Other income | | 2,487 | 3,501 |
| Endowment and investment income | 4 | 20 | 94 |
| **Total income** | | **35,829** | **36,565** |
| **EXPENDITURE** | | | |
| Staff costs | 5 | 20,397 | 21,453 |
| Other operating expenses | 7 | 12,504 | 12,948 |
| Depreciation | 12&13 | 2,310 | 2,481 |
| Interest and other finance costs | 9 | 118 | 226 |
| **Total expenditure** | | **35,329** | **37,108** |
| Surplus/Loss on continuing operations prior to exceptional items | | 500 | (543) |
| Investments written back | 8 | 335 | - |
| Academy sponsorship written back | 29 | - | 750 |
| **Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax** | | **835** | **207** |
| Loss on disposal of fixed assets | 13 | (200) | (565) |
| Taxation | 10 | - | - |
| **Surplus/(loss) on continuing operations after depreciation of assets at valuation and tax** | 11 | **635** | **(358)** |
| Surplus for the year transferred from accumulated income in endowments funds | | - | - |
| **Surplus/(loss) for the year retained within general reserves** | | **635** | **(358)** |

The income and expenditure account is in respect of continuing activities

# Consolidated Statement of Historical Cost Surpluses and Deficits

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Surplus/(deficit) on continuing operations before taxation | | 635 | (358) |
| Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount | 20 | 260 | 205 |
| **Historical cost surplus/(deficit) for the year before taxation** | | 895 | (153) |
| **Historical cost surplus/(deficit) for the year after taxation** | | 895 | (153) |

# Consolidated Statement of Total Recognised Gains and Losses

| | | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax | | 635 | (358) |
| Actuarial gain in respect of pension scheme | 28 | (1,968) | 857 |
| **Total recognised (losses)/gains since last report** | | **(1,333)** | **499** |
| **Reconciliation** | | | |
| Opening reserves and endowments | | 21,103 | 20,604 |
| Total recognised (losses)/gains for the year | | (1,333) | 499 |
| **Closing reserves and endowments** | | **19,770** | **21,103** |

# Balance sheets as at 31 July

| | Note | Group 2014 £'000 | College 2014 £'000 | Group 2013 £'000 | College 2013 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 12 | 534 | 534 | 641 | 641 |
| Tangible assets | 13 | 34,896 | 34,839 | 32,433 | 32,356 |
| **Total fixed assets** | | **35,430** | **35,373** | **33,074** | **32,997** |
| **Current assets** | | | | | |
| Stocks | | 214 | 189 | 220 | 198 |
| Debtors | 15 | 1,726 | 2,165 | 1,749 | 2,089 |
| Investments | 27 | 3,006 | 3,006 | 2,506 | 2,506 |
| Cash at bank and in hand | 27 | 1,662 | 1,528 | 283 | 198 |
| Total current assets | | 6,608 | 6,888 | 4,758 | 4,991 |
| **Less: Creditors – amounts falling due within one year** | 16 | (5,181) | (5,154) | (4,115) | (3,981) |
| **Net current assets** | | **1,427** | **1,734** | **643** | **1,010** |
| **Total assets less current liabilities** | | **36,857** | **37,107** | **33,717** | **34,007** |
| **Less: Creditors – amounts falling due after more than one year** | 17 | (2,283) | (2,283) | (18) | (18) |
| **Net assets excluding pension liability** | | **34,574** | **34,824** | **33,699** | **33,989** |
| Net pension liability | 28 | (8,290) | (8,290) | (5,986) | (5,986) |
| **NET ASSETS INCLUDING PENSION LIABILITY** | | **26,284** | **26,534** | **27,713** | **28,003** |
| **Deferred capital grants** | 19 | 6,514 | 6,514 | 6,610 | 6,610 |
| **Reserves** | | | | | |
| Income and expenditure account excluding pension reserve | 21 | 19,822 | 20,072 | 18,591 | 18,881 |
| Pension reserve | 28 | (8,290) | (8,290) | (5,986) | (5,986) |
| Income and expenditure account including pension reserve | 21 | 11,532 | 11,782 | 12,605 | 12,895 |
| Revaluation reserve | 20 | 8,238 | 8,238 | 8,498 | 8,498 |
| **Total reserves** | | **19,770** | **20,020** | **21,103** | **21,393** |
| **TOTAL FUNDS** | | **26,284** | **26,534** | **27,713** | **28,003** |

The financial statements on pages 16 to 41 were approved by the Corporation on 15 December 2014 and were signed on its behalf on that date by:

**K Bromboszcz**
**Chair**

**Ian Pryce**
**Accounting Officer**

# Consolidated Cash Flow Statement

| | Note | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|---|
| **Cash inflow from operating activities** | **22** | 3,569 | (894) |
| Returns on investments and servicing of finance | **23** | 2 | 94 |
| Taxation | **10** | - | - |
| Capital expenditure and financial investment | **24** | (4,550) | (3,601) |
| Management of liquid resources | **25** | (500) | 4,154 |
| Financing | **26** | 2,858 | - |
| **Increase/(decrease) in cash in the year** | | **1,379** | **(247)** |

**Reconciliation of net cash flow to movement in net funds/(debt)**

| | Note | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|---|
| Increase/(decrease) in cash in the period | | 1,379 | (247) |
| Cash inflow from liquid resources | **25** | 500 | (4,154) |
| Cash inflow from new unsecured loan | **26** | (2,858) | - |
| Movement in net funds in the period | | (979) | (4,401) |
| Net funds at 1 August | **27** | 2,789 | 7,190 |
| **Net funds at 31 July** | | **1,810** | **2,789** |

# 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 2013/14 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 2014.

## Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £2.9m of loans outstanding with bankers on terms negotiated in 2014.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

### 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.

## 1 Accounting policies (continued)

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 payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, 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.

## Notes to the Accounts (continued)

### 1 Accounting policies (continued)

### Tangible fixed Assets (continued)

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
- 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 2014.

### 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.

## Notes to the Accounts (continued)

### 1 Accounting policies (continued)

#### 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.

#### 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 35, 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

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| YPLA - Income | | - | - |
| SFA recurrent grant | | 5,897 | 8,541 |
| EFA recurrent grant | | 16,522 | 16,231 |
| HEFCE Recurrent grant | | 385 | 542 |
| SFA - non recurrent grant | | 89 | 1,915 |
| Other SFA - non recurrent grant | | 3,669 | 931 |
| Releases of deferred capital grants | 19 | 412 | 344 |
| **Total** | | **26,974** | **28,504** |

### 3 Tuition Fees and education contracts

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Tuition fees | 5,233 | 3,633 |
| Education contracts | 1,115 | 833 |
| **Total** | **6,348** | **4,466** |

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £52,000 (2012/13 £51,800).

### 4 Endowment and investment income

| | Notes | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Other investment income | | 20 | 94 |
| | | **20** | **94** |
| **Total** | | **20** | **94** |

## 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:

| | 2014 No. | 2013 No. |
|---|---|---|
| Teaching staff | 440 | 453 |
| Non-teaching staff | 207 | 227 |
| | **647** | **680** |

**Staff costs for the above persons**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Wages and salaries | 16,465 | 17,454 |
| Social security costs | 1,168 | 1,252 |
| Other pension costs (including FRS 17 adjustments of £236,000 – 2013 £210,000) | 2,236 | 2,096 |
| **Payroll sub total** | **19,869** | **20,802** |
| Contracted out staffing services | 528 | 651 |
| **Total Staff costs** | **20,397** | **21,453** |

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 | |
|---|---|---|---|---|
| | 2014 No. | 2013 No. | 2014 No. | 2013 No. |
| £60,001 to £70,000 | 0 | 0 | 8 | 7 |
| £70,001 to £80,000 | 1 | 1 | 1 | 1 |
| £80,001 to £90,000 | 1 | 0 | 0 | 0 |
| £90,001 to £100,000 | 0 | 0 | 0 | 0 |
| £100,001 to £110,000 | 1 | 1 | 0 | 0 |
| £140,001 to £150,000 | 0 | 0 | 0 | 0 |
| £150,001 to £160,000 | 1 | 1 | 0 | 0 |
| | **4** | **3** | **9** | **8** |

## Notes to the Accounts (continued)

### 6 Senior post holders' emoluments

Senior post-holders are defined as the Accounting Officer 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.

| | 2014<br>No. | 2013<br>No. |
|---|---|---|
| The number of senior post-holders including the Accounting Officer was: | 5 | 5 |

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

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| Salaries | 390 | 360 |
| Benefits in kind | 8 | 8 |
| Pension contributions | 58 | 51 |
| **Total emoluments** | **456** | **419** |

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

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| Salaries | 136 | 134 |
| Benefits in kind | 7 | 7 |
| | 143 | 141 |
| Pension contributions | 21 | 18 |

The pension contributions in respect of the Accounting Officer 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.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

## Notes to the Accounts (continued)

### 7 Other operating expenses

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Teaching costs | | 5,206 | 5,896 |
| Non-teaching costs | | 3,301 | 3,117 |
| Premises costs | | 3,997 | 3,935 |
| **Total** | | **12,504** | **12,948** |

| **Other operating expenses include:** | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Auditors' remuneration: | | |
| Financial statements audit | 37 | 28 |
| Internal audit | 21 | 19 |
| Other services provided by the internal auditors | 0 | 9 |
| Hire of plant and machinery – operating leases | 104 | 99 |

### 8 Investments

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Funds deposited with an Icelandic bank write bank | 334 | 0 |
| **Total** | **334** | **0** |

### 9 Interest and other financial costs

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| On Bank loans, overdrafts and other loans | | | |
| Repayable within five years, by instalments | | 18 | 0 |
| | | 18 | 0 |
| Pension finance costs | 28 | 100 | 226 |
| **Total** | | **118** | **226** |

### 10 Taxation

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

## Notes to the Accounts (continued)

### 11 Surplus/(deficit) on continuing operations for the period

The surplus/(deficit) on continuing operations for the year is made up as follows:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| College's (loss)/surplus for the period | 595 | (204) |
| Deficit generated by subsidiary undertakings | 40 | (154) |
| **Total** | **635** | **(358)** |

### 12 Intangible fixed assets

**Group and College**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Cost or valuation** | | |
| At 1 August 2013 | 1,069 | 1,069 |
| Additions | - | - |
| Surplus on revaluation | - | - |
| Disposals | - | - |
| **At 31 July 2014** | **1,069** | **1,069** |
| **Depreciation** | | |
| At 1 August 2013 | 428 | 321 |
| Charge for the year | 107 | 107 |
| **At 31 July 2014** | **535** | **428** |
| **Net book value at 31 July 2014** | **534** | **641** |
| Net book value at 31 July 2013 | 641 | 748 |

## Notes to the Accounts (continued)

### 13 Tangible fixed assets (Group)

| | Land and buildings Freehold | Equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | |
| At 1 August 2013 | 37,803 | 4,895 | 42,698 |
| Additions | 4,116 | 750 | 4,866 |
| Disposals | (189) | (23) | (212) |
| **At 31 July 2014** | **41,730** | **5,622** | **47,352** |
| **Depreciation** | | | |
| At 1 August 2013 | 7,769 | 2,496 | 10,265 |
| Charge for the year | 1,292 | 911 | 2,203 |
| Disposals | - | (12) | (12) |
| **At 31 July 2014** | **9,061** | **3,395** | **12,456** |
| **Net book value at 31 July 2014** | **32,669** | **2,227** | **34,896** |
| Net book value at 31 July 2013 | 30,034 | 2,399 | 32,433 |

### College only

| | Land and buildings Freehold | Equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost or valuation** | | | |
| At 1 August 2013 | 37,787 | 4,786 | 42,573 |
| Additions | 4,116 | 745 | 4,861 |
| Disposals | (189) | (23) | (212) |
| **At 31 July 2014** | **41,714** | **5,508** | **47,222** |
| **Depreciation** | | | |
| At 1 August 2013 | 7,768 | 2,449 | 10,217 |
| Charge for the year | 1,291 | 887 | 2,178 |
| Disposals | - | (12) | (12) |
| **At 31 July 2014** | **9,059** | **3,324** | **12,383** |
| **Net book value at 31 July 2014** | **32,655** | **2,184** | **34,839** |
| Net book value at 31 July 2013 | 30,019 | 2,337 | 32,356 |

# Notes to the Accounts (continued)

## 13 Tangible fixed assets (college only)

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

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 building 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 2014 £'000 | College 2014 £'000 | Group 2013 £'000 | College 2013 £'000 |
|---|---|---|---|---|
| Amounts falling due within one year: | | | | |
| Trade debtors | 945 | 875 | 596 | 523 |
| Other debtors | - | - | 12 | 12 |
| Prepayments and accrued income | 781 | 780 | 1,141 | 1,130 |
| Amounts owed by group undertakings | - | 510 | - | 424 |
| **Total** | **1,726** | **2,165** | **1,749** | **2,089** |

## 16 Creditors: amounts falling due within one year

| | Group 2014 £'000 | College 2014 £'000 | Group 2013 £'000 | College 2013 £'000 |
|---|---|---|---|---|
| Payments received in advance | 320 | 320 | 146 | 146 |
| Trade creditors | 693 | 670 | 357 | 327 |
| Other creditors | 1,307 | 1,256 | 1,299 | 1,234 |
| Provisions | 106 | 106 | - | - |
| Bank Loan | 575 | 575 | - | - |
| Other taxation and social security | 520 | 574 | 558 | 519 |
| Accruals | 1,660 | 1,653 | 1,755 | 1,755 |
| **Total** | **5,181** | **5,154** | **4,115** | **3,981** |

## Notes to the Accounts (continued)

### 17 Creditors: amounts falling due after one year

| | Group 2014 £'000 | College 2014 £'000 | Group 2013 £'000 | College 2013 £'000 |
|---|---|---|---|---|
| Salix Loan | 0 | 0 | 18 | 18 |
| Bank Loan | 2,283 | 2,283 | 0 | 0 |
| | **2,283** | **2,283** | **18** | **18** |

### 18 Borrowings

Bank loan are repayable as follows

| | Group 2014 £'000 | College 2014 £'000 | Group 2013 £'000 | College 2013 £'000 |
|---|---|---|---|---|
| In one year or less | 575 | 575 | - | - |
| Between one and two years | 1,192 | 1,192 | - | - |
| Between two and five years | 1,091 | 1,091 | - | - |
| **Total** | **2,858** | **2,858** | **-** | **-** |

The bank loan is repayable by instalments of £159k falling due between 3 June 2014 and 3 March 2019 interest is charged at 7.11%.

### 19 Deferred capital grants

| | Group and College | | |
|---|---|---|---|
| | Funded Grants £'000 | Other grants £'000 | Total £'000 |
| At 1 August 2013 | 3,952 | 2,658 | 6,610 |
| Cash received | 457 | (141) | 316 |
| Released to income and expenditure account | 277 | 135 | 412 |
| **At 31 July 2014** | **4,132** | **2,382** | **6,514** |

## Notes to the Accounts (continued)

### 20 Revaluation reserve

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| At 1 August 2013 | 8,498 | 8,703 |
| Transfer from revaluation reserve to general reserve in respect of: | | |
| Depreciation on revalued assets | (260) | (205) |
| **At 31 July 2014** | **8,238** | **8,498** |

### 21 Movement on general reserve

| | | Group 2014 £'000 | College 2014 £'000 | Group 2013 £'000 | College 2013 £'000 |
|---|---|---|---|---|---|
| **Income and expenditure account reserve** | | | | | |
| At 1 August 2013 | | 12,605 | 12,895 | 11,901 | 12,037 |
| surplus retained for the year | 11 | 635 | 595 | (358) | (204) |
| Transfer from revaluation reserve | 19 | 260 | 260 | 205 | 205 |
| Actuarial gain in respect of pension scheme | 28 | (1,968) | (1,968) | 857 | 857 |
| **At 31 July 2014** | | **11,532** | **11,782** | **12,605** | **12,895** |
| Balance represented by: | | | | | |
| Pension reserve | 28 | (8,290) | (8,290) | (5,986) | (5,986) |
| Income and expenditure account reserve excluding pension reserve | | 19,822 | 20,072 | 18,591 | 18,881 |
| **At 31 July 2014** | | **11,532** | **11,782** | **12,605** | **12,895** |

## Notes to the Accounts (continued)

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

| | Notes | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Surplus/(loss) on continuing operations after depreciation of assets at valuation | | 635 | (358) |
| Depreciation and amortisation | 12&13 | 2,310 | 2,481 |
| Deferred capital grants released to income | 19 | (412) | (344) |
| Loss on disposal of tangible fixed assets | | 200 | 550 |
| Interest payable | 9 | 18 | - |
| Interest receivable | 4 | (20) | (94) |
| FRS 17 pension cost less contributions payable | 28 | 236 | 210 |
| FRS 17 pension finance cost | 9 | 100 | 226 |
| Decrease/(increase) in stocks | | 6 | (66) |
| Decrease/(increase) in debtors | 15 | 23 | (143) |
| Increase/(decrease) in creditors | 16 | 473 | (3,356) |
| **Net cash inflow from operating activities** | | **3,569** | **(894)** |

### 23 Returns on investments and servicing of finance

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Other interest received | 4 | 20 | 94 |
| Interest paid | 9 | (18) | - |
| **Net cash inflow from returns on investment and servicing of finance** | | **2** | **94** |

### 24 Capital expenditure and financial investment

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Purchase of intangible fixed assets | | - | - |
| Purchase of tangible fixed assets | 13 | (4,866) | (4,166) |
| Sales of Tangible fixed assets | | - | 15 |
| Deferred capital grants received | 19 | 316 | 550 |
| **Net cash outflow from capital expenditure and financial investment** | | **(4,550)** | **(3,601)** |

## Notes to the Accounts (continued)

### 25 Management of liquid resources

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| (Outflow)/Inflow of deposits | (500) | 4,154 |
| **Net cash inflow from management of liquid resources** | **(500)** | **4,154** |

### 26 Financing

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Debt due beyond a year: | | |
| New unsecured loans repayable by 2019 | 3,000 | - |
| Repayment of amounts borrowed | (142) | - |
| **Net cash inflow from financing** | **2,858** | **-** |

### 27 Analysis of changes in net funds

| | At 1 August 2013 £'000 | Cash flows £'000 | At 31 July 2014 £'000 |
|---|---|---|---|
| Cash in hand, and at bank | 283 | 1,379 | 1,662 |
| Cash asset investments | 2,506 | 500 | 3,006 |
| | 2,789 | 1,879 | 4,668 |
| Debt due within 1 year | 0 | (575) | (575) |
| Debt due after 1 year | 0 | (2,283) | (2,283) |
| **Total** | **2,789** | **(979)** | **1,810** |

## Notes to the Accounts (continued)

### 28 Pension and similar obligations

The College's 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 2014 £'000** | | **2013 £'000** |
|---|---|---|---|---|
| Teachers' Pension Scheme: contributions paid | | 1,076 | | 1,107 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 924 | | 781 | |
| FRS 17 charge | 236 | | 210 | |
| Charge to the Income and Expenditure Account (staff costs) | | 1,160 | | 991 |
| Early retirement pension charge to Income and Expenditure Account (staff costs) | | - | | - |
| **Total Pension Cost for Year** | | **2,236** | | **2,098** |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013.

Contributions amounting to £145,000 (2013 - £135,000) 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.

**The Teacher's 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.

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

**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 last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

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.

As noted the last formal 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 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 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

**Scheme Changes**
From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with Employer contributions set at 14.1%. With effect from 1st April 2014 the employee contributions rates were increased and ranged between 6.4% and 12.4%, depending a member's Full Time Equivalent salary, with Employer contributions set to increase to 16.4% from September 2015

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation

The Proposed Final Agreement can be found at:

**http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf**

The pension costs paid to TPS in the year amounted to £1,076,000 (2013 £1,107,000)

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

*FRS 17*

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has 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 2014 was £1,244,000, of which employer's contributions totalled £924,000 and employees' contributions totalled £320,000. The agreed contribution rates for future years are 17.2% for employers and between 5.5% and 12.5% dependant on the full time equivalent salary for employees.

*FRS 17*

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary

| **Principal Actuarial Assumptions** | **At 31 July 2014** | **At 31 July 2013** |
|---|---|---|
| Rate of increase in salaries | 3.50% | 5.10% |
| Rate of increase for pensions in payment / inflation | 2.70% | 2.80% |
| Discount rate for scheme liabilities | 4.00% | 4.60% |
| Inflation assumption (CPI) | 5.80% | 5.70% |

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 2014** | **At 31 July 2013** |
|---|---|---|
| *Retiring today* | | |
| Males | 22.40 | 21.60 |
| Females | 24.30 | 23.20 |
| *Retiring in 20 years* | | |
| Males | 24.40 | 23.60 |
| Females | 26.80 | 25.60 |

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

**Local Government Pension Scheme (Continued)**

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

| | Long-term rate of return expected at 31 July 2014 | Value at 31 July 2014 | Long-term rate of return expected at 31 July 2013 | Value at 31 July 2013 |
|---|---|---|---|---|
| | | £'000 | | £'000 |
| Equities | 6.60% | 12,435 | 6.40% | 11,270 |
| Bonds | 3.70% | 3,198 | 3.90% | 3,059 |
| Property | 4.70% | 1,599 | 4.60% | 1,288 |
| Cash | 3.60% | 533 | 3.40% | 483 |
| **Total market value of assets** | | **17,765** | | **16,100** |
| Present value of scheme liabilities | | | | |
| - Funded | | (26,055) | | (22,086) |
| - Unfunded | | - | | - |
| Related deferred tax liability | | - | | - |
| **Deficit in the scheme** | | **(8,290)** | | **(5,986)** |

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

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Employer service cost (net of employee contributions) | 1,135 | 991 |
| Total operating charge | **1,135** | **991** |

**Analysis of pension finance income / (costs)**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Expected return on pension scheme assets | 937 | 607 |
| Interest on pension liabilities | (1,037) | (833) |
| **Pension finance costs** | **(100)** | **(226)** |

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

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Actuarial gains on pension scheme assets | 29 | 1,344 |
| Actuarial (losses) on scheme liabilities | (1,997) | (487) |
| **Actuarial loss recognised in STRGL** | **(1,968)** | **857** |

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

**Local Government Pension Scheme (Continued)**

**Movement in deficit during year**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Deficit in scheme at 1 August 2013 | (5,986) | (6,407) |
| Movement in year: | | |
| Employer service cost (net of employee contributions) | (1,135) | (991) |
| Employer contributions | 928 | 781 |
| Past service cost | - | - |
| Impact of curtailments & settlements | (29) | - |
| Net interest/return on assets | (100) | (226) |
| Actuarial gain or loss | (1,968) | 857 |
| **Deficit in scheme at 31 July 2014** | **(8,290)** | **(5,986)** |

**Asset and Liability Reconciliation**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Reconciliation of Liabilities** | | |
| **Liabilities at start of period** | 22,086 | 19,867 |
| Service cost | 1,135 | 991 |
| Interest cost | 1,037 | 833 |
| Employee contributions | 323 | 301 |
| Actuarial (gain)/loss | 1,997 | 487 |
| Benefits paid | (552) | (393) |
| Actuarial gain on change of assumption in respect of future pension increases | - | - |
| Curtailments and settlements | 29 | - |
| **Liabilities at end of period*** | **26,055** | **22,086** |
| **Reconciliation of Assets** | | |
| **Assets at start of period** | 16,100 | 13,460 |
| Expected return on assets | 937 | 607 |
| Actuarial gain/(loss) | 29 | 1,344 |
| Employer contributions | 928 | 781 |
| Employee contributions | 323 | 301 |
| Benefits paid | (552) | (393) |
| **Assets at end of period** | **17,765** | **16,100** |

The estimated value of employer contributions for the year ended 31st July 2015 is £ 1,136,000

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

**Local Government Pension Scheme (Continued)**

**Deficit Contribution**

College has entered into an agreement with the LGPS to make additional contributions of £220,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again

**History of experience gains and losses**

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Difference between the expected and actual return on assets: | | | | | |
| Amount £'000* | 29 | 1,344 | (383) | 1,022 | 589 |
| Experience gains and losses on scheme liabilities: | | | | | |
| Amount £'000* | (772) | - | (201) | 378 | - |
| Total amount recognised in STRGL: | | | | | |
| Amount £'000* | (1,968) | 857 | 2,672 | 2,102 | (511) |

### 29 Exceptional costs

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Sponsor donation to the Bedford Academy not now required | - | 750 |
| | - | 750 |

### 30 Post balance sheet events

| | 2014 | 2013 |
|---|---|---|
| Post balance sheet events | Nil | Nil |

### 31 Capital commitments

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Commitments contracted for at 31 July 2014 | 265 | 166 |
| Authorised but not contracted at 31 July 2014 | 6,037 | 7,981 |

## Notes to the Accounts (continued)

### 32 Financial commitments

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

| | Group and College | |
|---|---|---|
| | 2014 | 2013 |
| | £'000 | £'000 |
| Land and buildings | - | - |
| Expiring within one year | - | 55 |
| Expiring within two and five years inclusive | 57 | 57 |
| Expiring in over five years | 417 | 591 |
| | 474 | 703 |
| Expiring within two and five years inclusive | - | 8 |
| | - | 8 |

### 33 Contingent Liabilities

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 on-going 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.

### 34 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.

Transactions with the funding bodies and HEFCE are detailed in notes 2, 15, 16 and 19.

### 35 Amounts disbursed as agent

**Learner support funds**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| Funding body grants – hardship funds | 894 | 802 |
| Funding body grants – childcare | 80 | 185 |
| Other Funding bodies grants | 30 | 29 |
| | 1,004 | 1,016 |
| Disbursed to students | (718) | (764) |
| Administration costs | (43) | (23) |
| Amount College Only in financial statements | (240) | (229) |
| Balance unspent as at 31 July 2014, included in creditors | 3 | 0 |

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 College Only 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