

# ANNUAL REPORT & FINANCIAL STATEMENTS





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# Operating and Financial Review

## Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2012.

### *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.

### *Mission*

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

### *Implementation of strategic plan*

In July 2012 the members of the Corporation received a new strategic plan for the five years to July 2017. The core theme is about embedding excellence as standard, in leadership, curriculum, services and management. Underpinning the plan are the following eight strategic aims:

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

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

### *Financial objectives*

The College has two key financial objectives, which are to remain financially robust and to remain solvent. There are also five strategic baseline indicators against which the College regularly measures itself and it was ahead of all of these during 2011-12.



## Operating and Financial Review (continued)

### *Performance indicators*

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

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

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

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

## Financial Position

### *Financial results*

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

In the year there was an impressive 8% increase in income to £35m. This was all organic growth. The College yet again exceeded most of its key government funding targets. The operating surplus before exceptional items remained static at £1.2m.

The College has one subsidiary company, Bedford College Services Limited whose principal activity is hospitality and leisure services. In delivering these services it offers valuable work experience to the College's learners. Any surpluses generated by the company are transferred to the College under deed of covenant. In the year under review a surplus of £484 was recorded. This is after a provision of £25k was made to cover litigation costs in respect of the cancellation of The Glade Festival in 2011.

The Group had accumulated reserves of £20.6m and cash balances of £7.2m as at 31 July 2012. The College aims to continue to accumulate reserves in order to help finance substantial refurbishment of its buildings which is being planned for the coming years.

Tangible fixed assets totalled £31.2m at the end of the year, an increase of £4.4m the Building refurbishment having commenced as mentioned previously. £29m related to land and buildings and £2.2m was equipment.

The College has significant reliance on the SFA, the EFA and the Higher Education Funding Council for England & Wales (HEFCE) for its principal funding, largely from recurrent grants. In 2011-12 these agencies provided 76% of the College's total income, the same as the previous year.

During the year the College spent a total of £6.6m on capital expenditure, mostly on improvements to buildings. The key project, which was completed during the year, was a £4.3m redevelopment of the Workshop Block as a beacon of sustainability, supported by £2m of grant funding from the East of England Development Agency and the SFA.

## Operating and Financial Review (continued)

Of continuing major concern are the College's pension scheme obligations. Whilst the teachers' scheme is unfunded and therefore no deficit can be determined, the technical FRS 17 actuarial valuation of its support staff scheme (Local Government Pension Scheme) has a substantial deficit of £6.4m (£3.5m at 2010-11). The deficit increased for the first time in two years. The College is currently paying additional contributions of £113k a year, and expected to continue for 15 years, to address the shortfall.

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

### *Treasury policies and objectives*

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

### *Cash flows*

At £2.7m (2010-11 £4.87m), operating cash inflow was strong. Net cash outflows/inflows were -£1.7m (2010-11 £3.3m). The result of increased building refurbishment.

### *Liquidity*

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

## Current and Future Development and Performance

### *Learner numbers*

In 2011-12 the College delivered activity that has produced £23,555,000 in YPLA, EFA and SFA recurrent funding (2010-11 £19,951,000). The College had approximately 11,100 (2010-11 11,750) YPLA & SFA funded learners and 4,850 (2010-11 4,700) 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 main thrust on curriculum development in 2011/12 was the move towards additional commercial courses, and the development of Apprenticeships due to the demise of Train to Gain.

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



## Operating and Financial Review (continued)

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

Courses are designed to ensure students are able to move securely into the labour market. A successful curriculum initiative has resulted in a substantial increase in the number of apprentices, which is planned to grow substantially in 2012-13. Other courses prepare students for university. These include Aim Higher, Access courses for adults, and continuation of Level 4 courses including HNCs and degrees some on behalf of the University of Bedfordshire where they clearly fit the needs of our students.

### *Future developments*

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

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

## Principal Risks and Uncertainties

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

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

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

## Stakeholder Relationships

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

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

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



## Operating and Financial Review (continued)

### *Equal opportunities and employment of disabled persons*

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

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

### *Disability statement*

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

### **Disclosure of information to auditors**

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

**Approved by order of the members of the Corporation on 8 November 2012 and signed on its behalf by:**



**Roger Whysall**  
Chair

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

### **Professional advisers**

**Financial statements and regularity auditors:**

MHA MacIntyre Hudson

**Internal auditors:**

RSM Tenon LLP

**Principal Bankers:**

Barclays Bank PLC

**Principal Solicitors:**

Hewitsons LLP

# Statement of Corporate Governance and Internal Control

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

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2012.

## The Corporation

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

Name	Date of Appointment	Term of Office	Date of Retirement / Resignation	Category of Membership
Mr R Whysall <b>Chairman</b>	Re-appointed March 2009	4 years		External
Mr K Bromboszcz <b>Vice-Chairman</b>	Re-appointed March 2012	4 years		External
Miss P I Barrett	Re-appointed November 2010	2 years		External
Ms F Cameron-Mackintosh	Re-appointed July 2011	1 year	July 2012	Student
Mr J Donnelley-Thomas	Appointed November 2011	8 months	July 2012	Student
Mr D Faulkner	Appointed July 2010	2 years	July 2012	Staff
Mr J Frost	Re-appointed July 2010	4 years		External
Mrs L Hockey	Re-appointed November 2010	4 years		External
Mr B S Hundal	Re-appointed Nov 2011	4 years		External
Ms J Hunt	Re-appointed March 2012	4 years		External
Mr M Y Kiteley	Re-appointed July 2010	4 years		External
Mr J R Marriott	Appointed March 2009	4 years		External
Mr S Miah	Appointed November 2011	4 years		External
Mr D A Parry	Re-appointed December 2009	4 years		External
Mr I Preece	Appointed July 2011	2 years		Staff
Mr I Pryce	Appointed December 1998	-		Chief Executive
Ms S Robins	Appointed August 2012	1 year		Student
Mr D J Shingler	Re-appointed May 2008	4 years	December 2011	External
Mrs D Troughton	Appointed July 2011	2 years		Staff
Dr H Wassif	Appointed November 2011	4 years		External
Mr M R Weeden	Re-appointed July 2010	4 years		External
Mr M Whitlock	Re-appointed July 2011	4 years		External



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

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 Board meets at least three times a year.

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

**Corporation Committees and their membership during the year**

<b>Audit</b>	<b>Mr D A Parry*</b> <b>Mr M Y Kiteley**</b>	Mr J R Marriott (until Nov 11) Mr S Miah (from Feb 12) Mr I Preece
<b>Corporate Governance</b>	<b>Mr R Whysall* (Chair until Jun 12)</b> <b>Mr M Y Kiteley (Chair from June 12)</b> Mr M Whitlock** Mrs J Hunt (from July 12) Miss P I Barrett	Mr K A Bromboszcz Mr D A Parry Mr I Pryce Mr M R Weeden
<b>Finance, Estates &amp; Strategy</b>	<b>Mr K A Bromboszcz*</b> Mrs L Hockey** Mr J R Marriott (from Feb 12) Mr I Pryce	Mr M R Weeden Mr M Whitlock Mr R Whysall
<b>Human Resources</b>	<b>Mr M Whitlock*</b> Mr B Hundal** Miss P I Barrett (until Nov 12) Mr J Frost	Mrs L Hockey (from Jan 12) Mr S Miah (from Jan 12) Dr H Wassif (from Jan 12) Mr I Pryce
<b>Remuneration</b>	<b>Mr R Whysall*</b> Mr M R Weeden** Miss P I Barrett Mr K A Bromboszcz	Mrs J Hunt (from Jul 12) Mr M Y Kiteley Mr D A Parry Mr M Whitlock
<b>Search</b>	<b>Mr D J Shingler* (to Nov 11)</b> <b>Mr M Whitlock* (Chair from Nov 11)</b> Miss P I Barrett Mr B Hundal Ms J Hunt	Mr M Y Kiteley Mr D A Parry Mr J R Marriott (from March 2012) Mr I Pryce Mr M R Weeden Mr R Whysall
<b>Quality, Standards and Achievement</b>	<b>Mr M Y Kiteley (Chair to July 2012)</b> <b>Ms J Hunt (Chair from July 2012)</b> Miss P I Barrett (from Jan 11) Mr K A Bromboszcz Ms F Cameron-Mackintosh (to July 2012)	Mr J Donnelley-Thomas (to July 2012) Mr D Faulkner (to July 2012) Mr B Hundal Mr J R Marriott Mr I Preece Mr I Pryce

\* *Committee Chair*

\*\* *Committee Vice-Chair*

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

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

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

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

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

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

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

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of ten members of the Corporation, which is responsible for the selection and nomination of any external 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. The search committee considers external Board Members' re-appointment to the Board. Staff and Student Governors are nominated by their own bodies and are eligible for re-appointment

**Remuneration committee**

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

Details of the remuneration of the Chief Executive and other senior post-holders for the year ended 31 July 2012 are set out in note 6 to the financial statements.

**Audit committee**

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

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

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



**Statement of Corporate Governance and Internal Control (continued)****Audit committee continued**

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.

**Internal control***Scope of responsibility*

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

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

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bedford College for the year ended 31 July 2012 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 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

*The risk and control framework*

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

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



**Statement of Corporate Governance and Internal Control (continued)****Capacity to handle risk continued**

Bedford College has an internal audit service, which operates in accordance with the requirements of the former LSC's *Audit Code of Practice* which has been adopted by its successor organisations. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and

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

annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Head of Internal Audit (HIA) provides the members of the Corporation with an annual report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

*Review of effectiveness*

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2012 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2012.

*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 08 November 2012 and signed on its behalf by:**

R Whysall  
Chairman

  
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I Pryce  
Chief Executive

  
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**Statement of Responsibilities of the Members of the Corporation**

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

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

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

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

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

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

**Approved by order of the members of the Corporation on 08 November 2012 and signed on its behalf by:**



**R Whysall**  
**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 2012, set out on pages 15 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

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

As explained more fully in the Statement of the Corporation members' responsibilities set out on page 12, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

## Scope of the audit of the financial statements

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

## Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and of the College's affairs as at 31 July 2012 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

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

In our opinion:

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

MHA MacIntyre Hudson

MHA MacIntyre Hudson  
Chartered Accountants  
Registered Auditors

23-11-12

Date



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

In accordance with the terms of our engagement letter and further to the requirements of the 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 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation, the chief executive, the SFA, and the EFA. Our review work has been undertaken so that we might state to the Corporation and the SFA and EFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, the chief executive, the SFA and the EFA, for our review work, for this report, or for the opinion we have formed.

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

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

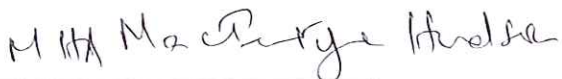
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2012 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 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



**MHA MacIntyre Hudson**  
Chartered Accountants  
Registered Auditors



Date

## Consolidated Income and Expenditure Account

		2012 £'000	2011 £'000
<b>INCOME</b>	<b>Notes</b>		
Funding body grants	2	26,872	24,808
Tuition fees and education contracts	3	4,612	4,726
Other income		3,416	2,910
Endowment and investment income	4	143	103
<b>Total income</b>		<b>35,043</b>	<b>32,547</b>
<b>EXPENDITURE</b>			
Staff costs	5	19,217	19,007
Other operating expenses	7	12,370	10,211
Depreciation and amortisation	12 & 13	2,218	2,030
Interest and other finance costs	9 & 26	125	190
<b>Total expenditure</b>		<b>33,930</b>	<b>31,438</b>
<b>Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>		<b>1,113</b>	<b>1,109</b>
Investment written back	8	100	-
<b>Surplus on continuing operations after depreciation of assets at valuation and exceptional items but before tax</b>	11	<b>1,213</b>	<b>1,109</b>
Taxation	10	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation, exceptional items and tax</b>	11	<b>1,213</b>	<b>1,109</b>
<b>Surplus for the year retained within general reserves</b>		<b>1,213</b>	<b>1,109</b>

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



## Consolidated Statement of Historical Cost Surpluses and Deficits

	Notes	2012 £'000	2011 £'000
Surplus on continuing operations before taxation	11	1,213	1,109
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	207	206
		<hr/>	<hr/>
Historical cost surplus for the year before taxation		1,420	1,315
		<hr/>	<hr/>
Historical cost surplus for the year after taxation		1,420	1,315
		<hr/>	<hr/>

## Consolidated Statement of Total Recognised Gains and Losses

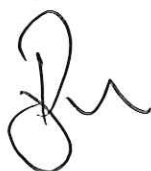
	Notes	2012 £'000	2011 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax	11	1,213	1,109
Actuarial (loss)/gain in respect of pension scheme	26	(2,672)	2,102
		<hr/>	<hr/>
Total recognised (loss)/gains since last report		(1,459)	3,211
		<hr/>	<hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		22,063	18,852
Total recognised (loss)/gains for the year		(1,459)	3,211
		<hr/>	<hr/>
Closing reserves and endowments		20,604	22,063
		<hr/>	<hr/>

**Balance sheets as at 31 July**

	Notes	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
<b>Fixed assets</b>					
Intangible assets	12	748	748	855	855
Tangible assets	13	31,208	31,165	26,803	26,755
<b>Total fixed assets</b>		<b>31,956</b>	<b>31,913</b>	<b>27,658</b>	<b>27,610</b>
<b>Current assets</b>					
Stocks		152	132	111	96
Debtors	15	1,606	1,692	1,310	1,411
Investments	25	6,660	6,660	8,543	8,543
Cash at bank and in hand	25	530	428	352	232
<b>Total current assets</b>		<b>8,948</b>	<b>8,912</b>	<b>10,316</b>	<b>10,282</b>
Less: Creditors – amounts falling due within one year	16	(6,739)	(6,524)	(6,715)	(6,497)
<b>Net current assets</b>		<b>2,209</b>	<b>2,388</b>	<b>3,601</b>	<b>3,785</b>
<b>Total assets less current liabilities</b>		<b>34,165</b>	<b>34,301</b>	<b>31,259</b>	<b>31,395</b>
Less: Creditors – amounts falling due after more than one year	17	(750)	(750)	(938)	(938)
<b>Net assets excluding pension liability</b>		<b>33,415</b>	<b>33,551</b>	<b>30,321</b>	<b>30,457</b>
Net pension liability	26	(6,407)	(6,407)	(3,539)	(3,539)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>27,008</b>	<b>27,144</b>	<b>26,782</b>	<b>26,918</b>
Deferred capital grants	18	6,404	6,404	4,719	4,719
Income and expenditure account excluding pension reserve	20	18,308	18,444	16,692	16,828
Pension reserve	26	(6,407)	(6,407)	(3,539)	(3,539)
Income and expenditure account including pension reserve	20	11,901	12,037	13,153	13,289
Revaluation reserve	19	8,703	8,703	8,910	8,910
<b>Total reserves</b>		<b>20,604</b>	<b>20,740</b>	<b>22,063</b>	<b>22,199</b>
<b>TOTAL</b>		<b>27,008</b>	<b>27,144</b>	<b>26,782</b>	<b>26,918</b>

The financial statements on pages 16 to 37 were approved by the Corporation on 8 November 2012 and were signed on its behalf on that date by:

Roger Whysall  
Chair



Ian Pryce  
Principal & Chief Executive





**Consolidated Cash Flow Statement**

	Notes	2012 £'000	2011 £'000
<b>Cash inflow from operating activities</b>	21	2,698	4,866
Returns on investments and servicing of finance	22	143	103
Taxation	10	-	-
Capital expenditure and financial investment	23	(4,546)	(1,674)
Management of liquid resources	24	1,883	(4,167)
<b>Decrease/(increase) in cash in the year</b>		<b>178</b>	<b>(872)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease/(increase) in cash in the period		178	(872)
Cash (outflow)/inflow from liquid resources	24	(1,883)	4,167
Movement in net funds in the period		(1,705)	3,295
Net funds at 1 August	25	8,895	5,600
<b>Net funds at 31 July</b>		<b>7,190</b>	<b>8,895</b>

# Notes to the Accounts

## 1 Accounting policies

### Statement of accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2011/12 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 2012.

### Recognition of income

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

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

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

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

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

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

### Post retirement benefits

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



**1 Accounting policies (continued)**

**Post retirement benefits (continued)**

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

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

**Intangible fixed assets**

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

**Tangible fixed assets**

*Land and buildings*

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

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

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

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

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

**Subsequent expenditure on existing fixed assets**

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

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



## **1 Accounting policies (continued)**

### **Tangible fixed Assets (continued)**

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

#### *Buildings owned by third parties*

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

#### *Equipment*

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

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

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

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

### **Leased assets**

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

The college had no assets on finance leases as at July 2012.

### **Stocks**

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

### **Taxation**

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

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

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

### **Liquid resources**

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



**Notes to the Accounts (continued)****1 Accounting policies (continued)****Provisions**

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Agency arrangements**

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

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

	Notes	2012 £'000	2011 £'000
Recurrent grant - YPLA		9,574	14,491
Recurrent grant - SFA		7,738	5,460
Recurrent grant - EFA		6,243	-
Recurrent grant - HEFCE		981	1,018
Non recurrent grant - LSC		-	205
Non recurrent grant - SFA		1,350	2781
Non recurrent grant - YPLA		-	668
Non recurrent grant - EFA		816	-
Releases of deferred capital grants	18	170	185
<b>Total</b>		<b>26,872</b>	<b>24,808</b>

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

	2012 £'000	2011 £'000
Train To Gain income	1,352	1,132
Payments to non College partners	(2)	(17)
<b>Net income</b>	<b>1,350</b>	<b>1,115</b>

**3 Tuition fees and education contracts**

	2012 £'000	2011 £'000
Tuition fees	2,943	2,864
Education contracts	1,669	1,862
<b>Total</b>	<b>4,612</b>	<b>4,726</b>

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £61,500 (2010-11 £63,900).

**4 Investment income**

	2012 £'000	2011 £'000
Other interest receivable	143	103
<b>Total</b>	<b>143</b>	<b>103</b>



**5 Staff Costs**

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

	<b>2012 No.</b>	<b>2011 No.</b>
Teaching staff	439	435
Non teaching staff	190	195
	<b>629</b>	<b>630</b>
<b>Staff costs for the above persons</b>		
	<b>2012 £'000</b>	<b>2011 £'000</b>
Wages and salaries	15,901	15,697
Social security costs	1,172	1,079
Other pension costs (including FRS 17 adjustments of £71,000 – (2011 £298,000))	1,856	1,897
<b>Payroll sub total</b>	<b>18,929</b>	<b>18,673</b>
Contracted out staffing services	288	334
	<b>19,217</b>	<b>19,007</b>

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2012 No.</b>	<b>2011</b>	<b>2012 No.</b>	<b>2011 No.</b>
£ 60,001 to £ 70,000	-	-	1	3
£ 70,001 to £ 80,000	1	1	3	2
£ 90,001 to £100,000	1	1	-	-
£100,001 to £110,000	1	1	-	-
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	1	-	-	-
	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>

**6 Senior post-holders' emoluments**

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

**6 Senior post-holders' emoluments (continued)**

	2012 No.	2011 No.
The number of senior post-holders including the Chief Executive was:	5	5
Senior post-holders' emoluments are made up as follows:		
	2012 £'000	2011 £'000
Salaries	396	394
Benefits in kind	8	8
Pension contributions	55	49
<b>Total emoluments</b>	<b>459</b>	<b>451</b>

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

	2012 £'000	2011 £'000
Salaries	143	138
Benefits in kind	7	7
	150	145
Pension contributions	18	15

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

**7 Other operating expenses**

	Group 2012 £'000	Group 2011 £'000
Teaching costs	5,497	3,590
Non teaching costs	3,560	2,941
Premises costs	3,313	3,680
<b>Total</b>	<b>12,370</b>	<b>10,211</b>

**Other operating expenses include:**

Auditors' remuneration:		
Financial statement audit	24	22
Internal audit	11	15
Hire of plant and machinery – operating leases	33	33

**8 Investments**

	2011 £'000	2011 £'000
Funds deposited with an Icelandic bank write back	100	-
<b>Total</b>	<b>100</b>	<b>-</b>



**9 Interest payable**

	Notes	Group 2012 £'000	Group 2011 £'000
Pension finance costs	26	(125)	(190)
<b>Total</b>		<b>(125)</b>	<b>(190)</b>

**10 Taxation**

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

**11 Surplus on continuing operations for the period**

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

	Group 2012 £'000	Group 2011 £'000
College's surplus for the period	1,213	1,226
Deficit generated by subsidiary undertaking	-	(117)
<b>Total</b>	<b>1,213</b>	<b>1,109</b>

**12 Intangible fixed assets**

	Group 2012 £'000	Group 2011 £'000
<b>Cost or valuation</b>		
At 1 August 2011	1,069	1,069
Additions	-	-
Disposals	-	-
<b>At 31 July 2012</b>	<b>1,069</b>	<b>1,069</b>
<b>Amortisation</b>		
At 1 August 2011	214	107
Charge for the year	107	107
<b>At 31 July 2012</b>	<b>321</b>	<b>214</b>
<b>Net book value at 31 July 2012</b>	<b>748</b>	<b>855</b>
Net book value at 31 July 2011	855	962

**BEDFORD COLLEGE**  
**Notes to the Accounts (continued)**

**Financial Statements for the Year Ended 31 July 2012**

**13 Tangible fixed assets**  
**Group**

	<b>Land and buildings Freehold £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 August 2011	31,405	8,156	39,561
Additions	5,375	1,190	6,565
Disposals	(645)	-	(645)
<b>At 31 July 2012</b>	<b>36,135</b>	<b>9,346</b>	<b>45,481</b>
<b>Depreciation</b>			
At 1 August 2011	6,718	6,039	12,757
Charge for the year	1,024	1,087	2,111
Elimination in respect of disposals	(595)	-	(595)
<b>At 31 July 2012</b>	<b>7,147</b>	<b>7,126</b>	<b>14,273</b>
<b>Net book value at 31 July 2012</b>	<b>28,988</b>	<b>2,220</b>	<b>31,208</b>
Net book value at 31 July 2011	24,687	2,117	26,804

**College**

	<b>Land and buildings Freehold £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 August 2011	31,405	8,095	39,500
Additions	5,375	1,181	6,556
Disposals	(645)	-	(645)
<b>At 31 July 2012</b>	<b>36,135</b>	<b>9,276</b>	<b>45,411</b>
<b>Depreciation</b>			
At 1 August 2011	6,718	6,027	12,745
Charge for the year	1,024	1,072	2,096
Elimination in respect of disposals	(595)	-	(595)
<b>At 31 July 2012</b>	<b>7,147</b>	<b>7,099</b>	<b>14,246</b>
<b>Net book value at 31 July 2012</b>	<b>28,988</b>	<b>2,177</b>	<b>31,165</b>
Net book value at 31 July 2011	24,687	2,068	26,755



**13 Tangible fixed assets (continued)**

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

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

Land and buildings with a net book value of £8,648,152 have been partly financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

**14 Investments**

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

**15 Debtors**

	<b>Group 2012 £'000</b>	<b>College 2012 £'000</b>	<b>Group 2011 £'000</b>	<b>College 2011 £'000</b>
Amounts falling due within one year:				
Trade debtors	499	461	214	159
Other Debtors	18	18	35	36
Prepayments and accrued income	1,089	1,063	1,061	1,058
Amounts owed by group undertakings	-	150	-	158
<b>Total</b>	<b>1,606</b>	<b>1,692</b>	<b>1,310</b>	<b>1,411</b>

**16 Creditors: amounts falling due within one year**

	<b>Group 2012 £'000</b>	<b>College 2012 £'000</b>	<b>Group 2011 £'000</b>	<b>College 2011 £'000</b>
Payments received in advance	1,487	1,401	2,269	2,069
Trade creditors	1,155	1,123	645	600
Other creditors	1,342	1,342	1,481	1,348
Other taxation and social security	577	516	536	496
Accruals	2,178	2,142	1,741	1,741
Amounts owing to the Skills Funding Agency/YPLA	-	-	243	243
<b>Total</b>	<b>6,739</b>	<b>6,524</b>	<b>6,715</b>	<b>6,497</b>

## Notes to the Accounts (continued)

## 17 Creditors: amounts falling due after one year

	Group and College 2012 £'000	2011 £'000
Other Creditors	750	938
<b>Total</b>	<b>750</b>	<b>938</b>

## 18 Deferred Capital Grants

	LSC grants £'000	Group and College Other grants £'000	Total £'000
At 1 August 2011	3,261	1,458	4,719
Cash received	934	1,081	2,015
Released to income and expenditure account	(170)	(160)	(330)
<b>At 31 July 2012</b>	<b>4,025</b>	<b>2,379</b>	<b>6,404</b>

## 19 Revaluation reserve

	Group and College College 2012 £'000	College 2011 £'000
At 1 August	8,910	9,116
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(207)	(206)
<b>At 31 July</b>	<b>8,703</b>	<b>8,910</b>

## 20 Movement on general reserves

	Notes	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
<b>Income and expenditure account reserve</b>					
At 1 August		13,153	13,289	9,736	9,755
Surplus retained for the year	11	1,213	1,213	1,109	1,226
Transfer from revaluation reserve	19	207	207	206	206
Actuarial (loss)/gain in respect of pension scheme	26	(2,672)	(2,672)	2,102	2,102
		<b>11,901</b>	<b>12,037</b>	<b>13,153</b>	<b>13,289</b>



**Notes to the Accounts (continued)****20 Movement on general reserves (Continued)**

	Notes	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Balance represented by:					
Pension reserve	26	(6,407)	(6,407)	(3,539)	(3,539)
Income & Expenditure account reserve excluding pension reserve		18,308	18,444	16,692	16,828
<b>At 31 July</b>		<b>11,901</b>	<b>12,037</b>	<b>13,153</b>	<b>13,289</b>

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

	Notes	2012 £'000	2011 £'000
Surplus on continuing operations after depreciation of assets at valuation	11	1,213	1,109
Depreciation and amortisation	12 & 13	2,218	2,030
Deferred capital grants released to income	18	(330)	(344)
Profit on disposal of tangible fixed assets	23	45	(2)
Interest receivable	4	(143)	(103)
FRS 17 pension cost less contributions payable	26	71	298
FRS 17 pension finance cost	26	125	190
Increase in stocks		(41)	(11)
Increase in debtors	15	(296)	(553)
Increase in creditors	16 & 17	(164)	2,252
<b>Net cash inflow from operating activities</b>		<b>2,698</b>	<b>4,866</b>

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

	Notes	2012 £'000	2011 £'000
Other interest received	4	143	103
<b>Net cash inflow from returns on investment and servicing of finance</b>		<b>143</b>	<b>103</b>

**23 Capital expenditure and financial investment**

	Notes	2012 £'000	2011 £'000
Purchase of tangible fixed assets	13	(6,565)	(2,160)
Sales of tangible fixed assets	13	4	2
Deferred capital grants received	18	2,015	484
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(4,546)</b>	<b>(1,674)</b>

**24 Management of liquid resources**

	2012 £'000	2011 £'000
(Withdrawal of)/placing of deposits	(1,883)	4,167
<b>Net cash inflow from management of liquid resources</b>	<b>(1,883)</b>	<b>4,167</b>

**25 Analysis of changes in net funds**

	At 1 August 2012 £'000	Cash flows £'000	At 31 July 2012 £'000
Cash in hand, and at bank	352	178	530
Current asset investments	8,543	(1,883)	6,660
	<b>8,895</b>	<b>(1,705)</b>	<b>7,190</b>

**26 Pension and similar obligations**

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

	Group and College	
	2012 £000	2011 £000
<b>Total pension cost for the year</b>		
Teachers Pension Scheme: contributions paid	1,060	1,039
Local Government Pension Scheme:		
Contributions paid	725	560
FRS 17 charge	71	298
Charge to the Income and Expenditure Account (staff costs)	796	858
<b>Total Pension Cost for Year</b>	<b>1,856</b>	<b>1,897</b>

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

Contributions amounting to £135,000 (2011 £122,000) were payable to the scheme at 31st July and are included within creditors.

**Teachers' Pension Scheme**

The TPS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.



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

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88 %

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2011 to 31 March 2012 the employer contribution was 14.1 per cent and the employee rate was 6.4 per cent. From April 2012 to 31 July 2012 the employer rate was 14.1 per cent, the employee rate was between 6.4 per cent and 8.4 per cent dependant on the full time equivalent salary for employees. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

**FRS 17**

Under the definitions set out in Financial Reporting Standards (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the college has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in Bedford Borough Councils trustee-administered funds. The total contribution made for the year ended 31 July 2012 was £884,232, of which employer's contributions totalled £725,447 and employees' contributions totalled £271,785. The agreed contribution rates for future years are 14.12 per cent for employers and contributions of between 5.5% and 7.5% dependant on the full time equivalent salary for employees. Regular payments of £113,000 per year are being paid to eliminate the deficit.

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

	At 31 July 2012	At 31 July 2011
Rate of increase in salaries*	4.50%	5.00%
Rate of increase for pensions in payment/inflation	2.20%	2.70%
Discount rate for scheme liabilities	4.10%	5.30%
Expected return on scheme assets	4.40%	5.80%

\*1% for first two years

**Commutation**

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum Tax-free cash for post-April 2008 service.

**26 Pension and similar obligations (continued)**

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

	At 31 July 2012	At 31 July 2011
<i>Retiring today</i>		
Males	21.60	22.60
Females	23.20	23.20
<i>Retiring in 20 years</i>		
Males	23.60	23.60
Females	25.60	25.60

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

	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011
		£'000		£'000
Equities	5.50%	7,000	7.00%	6,517
Bonds	3.50%	2,288	4.60%	3,258
Property	3.70%	1,211	5.10%	1,128
Cash	2.80%	2,961	4.00%	1,629
<b>Total market value of assets</b>		<b>13,460</b>		<b>12,532</b>
Present value of scheme liabilities				
- Funded		(19,867)		(16,071)
- Unfunded		-		-
Related deferred tax liability		-		-
<b>Deficit in the scheme</b>		<b>(6,407)</b>		<b>(3,539)</b>

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

	2012 £'000	2011 £'000
Employer service cost (net of employee contributions)	796	835
<b>Total operating charge</b>	<b>796</b>	<b>835</b>

**Analysis of pension finance costs**

Expected return on pension scheme assets	743	673
Interest on pension liabilities	(868)	(863)
<b>Pension finance costs</b>	<b>(125)</b>	<b>(190)</b>



**Notes to the accounts (continued)****26 Pension and similar obligations (continued)****Amount recognised in the statement of total recognised gains and losses (STRGL)**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial (loss)/gain on pension scheme assets	(383)	1,022
Actuarial (loss)/gain on scheme liability	(2,289)	1,080
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b><u>(2,672)</u></b>	<b><u>2,102</u></b>

**Movement in Deficit during year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(3,539)	(5,153)
Movement in year:		
Employer service cost (net of employee contributions)	(796)	(835)
Employer contributions	725	537
Net interest on assets	(125)	(190)
Actuarial ( loss)/gain	<u>(2,672)</u>	<u>2,102</u>
<b>Deficit in scheme at 31 July</b>	<b><u>(6,407)</u></b>	<b><u>(3,539)</u></b>

**Asset and Liability Reconciliation**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	<b>16,071</b>	<b>15,713</b>
Service cost	796	835
Interest cost	868	863
Employee contributions	275	265
Actuarial loss/(gain)	2,289	(1,080)
Benefits paid	<u>(432)</u>	<u>(525)</u>
<b>Liabilities at end of period</b>	<b><u>19,867</u></b>	<b><u>16,071</u></b>
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets at start of period</b>	<b>12,532</b>	<b>10,560</b>
Expected return on assets	743	673
Actuarial gain	(383)	1,022
Employer contributions	725	537
Employee contributions	275	265
Benefits paid	<u>(432)</u>	<u>(525)</u>
<b>Assets at end of period</b>	<b><u>13,460</u></b>	<b><u>12,532</u></b>

The estimated value of employer contributions for the year ended 31<sup>st</sup> July 2013 is £737,000.

**26 Pension and similar obligations (continued)**

**Reconciliation of Assets**

**History of experience gains and losses**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Difference between the expected and actual return on assets:	(383)	1,022	589	(1,638)	(1638)
Experience gains and losses on scheme liabilities:	(201)	378	-	-	(1,031)
Total amount recognised in STRGL:	2,672	2,102	668	(3,251)	(3251)

**27 Exceptional costs**

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

**29 Capital commitments**

	<b>Group and College</b>	
	<b>2011</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>488</u>	<u>4,093</u>
Authorised but not contracted at 31 July	<u>33</u>	<u>1,607</u>

**30 Financial commitments**

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

	<b>Group and College</b>	
	<b>2011</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Land and buildings		
Expiring within one year	12	11
Expiring within two and five years inclusive	120	185
Expiring in over five years	475	1,950
	<u>607</u>	<u>2,146</u>
Other		
Expiring within two and five years inclusive	33	32
	<u>33</u>	<u>32</u>

**31 Contingent liability**

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



**32 Related party transactions**

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

**33 Amounts disbursed as agent - Learner support funds**

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Funding body grants – hardship funds	589	297
Funding body grants – childcare	113	76
Other Funding bodies grants	20	9
	<hr/> 722	<hr/> 382
Disbursed to students	(453)	(373)
Staffing	-	-
Administration costs	(33)	(9)
Amount consolidated in financial statements	(144)	-
	<hr/> <b>92</b>	<hr/> <b>-</b>
Balance unspent as at 31 July, included in creditors		

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