City of Bristol College

Members' report and consolidated financial statements

For the year ended 31 July 2012

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 2012.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of City of Bristol College. The College is an exempt charity for the purposes of the Charities Act 2011.

Financial highlights

The results for the year show a loss on continuing operations after depreciation of assets at valuation and before joint venture activity, tax and surplus on asset disposals of £1,315k *(2010/11: surplus of £1,863k)*. During the year, there was a nil loss on joint venture activity and a profit on disposal of fixed assets of £164k, producing a loss before tax of £1,151k *(2010/11: £2,059k)*. There was no corporation tax charge (*2010/11: £nil)* in the year. At 31 July 2012 the College had cash balances of £13.3m *(2010/11: £13.1m)* and accumulated reserves (excluding the Pension Reserve) of £54.7m *(2010/11: £55.0m)*.

Mission

The Governors reviewed the College's mission during 2007/08 and adopted a revised mission statement as follows:

Achieving Potential and Creating Prosperity

An outstanding provider of lifelong education and training

A leading force in unlocking potential, transforming lives and contributing to the prosperity of all of Bristol and the region.

The College

City of Bristol College is one of the largest further and higher education colleges in the UK.

We offer the widest range of academic and vocational qualifications in the area, with more than 2,000 courses available from entry to degree level and we provide education and training to more than 30,000 learners.

Operating and Financial Review *(continued)*

Our Learners

14-19-year-olds: We are the main provider of post-16 education in Bristol with around 7,000 16-18 year old students following College-based or Apprenticeship programmes. We also link with several local schools to provide learning for 14 – 16 year olds.

Adults: Nearly 30,000 adults choose to study with us each year at one of our six main centres, at one of our local community partner venues or in their own workplace.

Apprentices: We are one of the largest further education providers of Apprenticeships in England with around 3,000 of our students aged 16-18 and 19+ studying for an Apprenticeship at the College.

Higher Education students: By working together with universities and awarding bodies, the College has made significant contributions to the delivery of higher education in Bristol. These include developing specialist courses for the region, and generally widening participation in higher education in the area.

International students: A range of courses are available for international students, including International English, A Levels, Access to Higher Education, university level courses, postgraduate diplomas and vocational courses.

Employers: Our employer-focused training helps businesses train and develop their workforce, helping bridge the gap between local jobs and local skills.

Our Staff

It's not only our students who benefit from the College's excellent training and development opportunities. Support is available for staff to reach their full potential. Through our Investors in People Gold award, the College is recognised for developing employees who make a valuable contribution to the College's provision of excellent teaching and support services.

Our Centres

The College is made up of six main centres across Bristol at; Ashley Down, College Green, Orpen Park, Parkway, Soundwell and South Bristol Skills Academy, offering excellent facilities including purpose-built, well-equipped classrooms and workshops. In addition, we have a wide range of community partners allowing us to offer courses in some 29 venues across the City.

Our Role in Bristol and the South West

The College contributes to the prosperity of the city and the wider region as the leading provider of high quality education, training and skills development. An independent study has shown that the College makes a significant contribution to the local economy.

Operating and Financial Review *(continued)*

Implementation of the strategic plan

The College published a strategic plan for 2009-12, which linked to key priorities within the property strategy and financial forecasts. The Corporation monitored performance against specific objectives in the Development Plan for 2011/12 that underpinned the strategic aims. Scrutiny was carried out by the Curriculum and Quality Committee on a regular basis. The objectives were to:

1. Achieve and celebrate outstanding success for our learners within an inclusive and safe environment.
2. Develop innovation and flexibility in teaching and learning, curriculum delivery and support system, to meet the different needs of our learners and customers.
3. Expand provision to meet local and sub regional priorities, community cohesion and develop new markets.
4. Deliver efficiency savings to sustain financial stability whilst maintaining frontline services and provision.
5. Provide strategic leadership in partnerships to support prosperity and communities in Bristol and the sub region.

The College is in line to achieve these targets and at the last Ofsted inspection the College was graded 'Good'.

Financial objectives

The Governors have approved the Financial Strategy for the College. The three-year financial Forecast sets out to achieve the generation of positive cash flow from operations each year, and to maintain the status of Financial Health category A at the end of the plan. The 3-year Financial Targets approved by Governors are:

1. Maintain turnover at the 2010/11budget level and replace declining income streams with new income streams, or growth in lines that are not central government funded.

2. Create a capital fund for a development in North Bristol.

3. Develop a plan to deliver a surplus of 1% in 2009/10, 1.5% in 2010/11 and 2% in 2011/12.

4. Absorb the impact of efficiency gains required in the delivery to 16/18 year old students based on an assumption that rates per learner will be held.

5. Absorb the impact of inflation within the cost base.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place which sets out the objectives of treasury management to:-

- provide a means by which the College can meet its commitments;
- ensure that sufficient sums are available at short or no notice to meet foreseeable requirements; and
- earn an acceptable rate of return on surplus funds without undue risk.

Cash flows

In the year ended 31 July 2012 net cash inflow was £4,783k *(2010/11: £7,871k)*.

Operating and Financial Review *(continued)*

Curriculum developments

The curriculum offering of the College is under constant review and changes are made to meet the needs of learners and employers. Curriculum design has been a focus of attention particularly in relation to meeting the needs of employers and providing routes to employment. The College has been developing new frameworks both for Apprenticeships and Higher Apprenticeships. The latter is part of a joint initiative with other colleges in the West of England Local Enterprise Partnership area. There has also been a radical change to the curriculum for adults at Foundation level focusing on very short courses for the unemployed and routes into employment.

Transparency arrangements

The Corporation has adopted the FE Code of Government and assesses that it is fully compliant with the provisions of the Code.

The Corporation conducts its business through the following committees: Audit; Curriculum and Quality; Finance and General Purposes; Remuneration; and Search. Each committee has terms of reference which have been approved by the full Corporation.

Full minutes of all meetings (except Remuneration Committee and Confidential Minutes) are available on the College website and from the Clerk to the Corporation at:

City of Bristol College
College Green Centre
St Georges Road
Bristol BS1 5UA

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 and is published on the website.

Operating and Financial Review *(continued)*

Subsidiary Companies

The College has three subsidiary companies.

During the year the College acquired a new business called the South West Apprenticeship Company Limited. The principal business activity is that of an apprenticeship training agency.

Any surpluses generated by these subsidiary companies are transferred to the College under Gift Aid.

Name	Nature of business	Surplus / (Deficit) for year after Gift Aid
Partners In Business (West) Limited	Education & Training	£nil
SBLN Limited	Vocational training and computer related activity	(£29)
South West Apprenticeship Company Limited	Apprenticeship training agency	(£56,331)

Staff and student involvement

The College considers good communication with its staff to be very important and to this end the Principal sends a regular bulletin to all staff. The College encourages staff and student involvement through membership of formal committees.

Taxation

The majority of the College's activities are not chargeable to corporation tax.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources used during the year include College owned sites at Ashley Down, College Green, Orpen Park, Parkway, Soundwell and South Bristol Skills Academy.

Financial

The group has £53.1m of net assets (including a £19.2m pension liability) with long term debt of £14.8m.

Operating and Financial Review *(continued)*

Reputation

The College has a very good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and maintaining external relationships.

Principal risks and uncertainties

The College continues to develop and embed internal controls that include; financial, operational and risk management.

Based on the strategic plan, the Executive undertakes a comprehensive review of the key risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Executive will also consider any risks which may arise as a result of new areas of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at each meeting of the Audit Committee. 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 principal risk factors that affect the College are:

- **Quality**

The College is aware that its success data is below benchmark in some areas and that this could impact on its reputation, recruitment and its future funding:

This risk, which is closely monitored by the Executive, senior managers and the Curriculum and Quality Committee, is being mitigated in a number of ways:

- A College improvement plan has been implemented.
- Trend analysis is being carried out to focus on potential weaknesses and achieve impact in key areas.
- Regular 'success surgeries' are held with the faculties.

- **Current economic conditions**

The current economic conditions have created a highly volatile market resulting in uncertainty for the College; in particular, Government Policy towards the eligibility of funding for learners who are either unemployed or at risk of redundancy. The risk to the College is that changes to rules on eligibility are not activated quickly enough to enable the needs of these learners to be met. There is a further risk to the College that individuals will not be able to afford the fees.

The College is continuing to be proactive, working with the funding bodies to influence rapid response to redress the impact of the recession.

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. We respect differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's web 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 which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability statement

The College has implemented an Equality Framework which aims to reduce disadvantages, discrimination, and inequalities of opportunity, and promote diversity in terms of its learners, workforce, the community and partners as well as in the services it delivers. As part of this the College recognises its legal responsibilities set out in the Equality Act 2010.

The College wants disabled people learning, working and visiting City of Bristol College to be enabled to participate fully by: -

- Removing barriers and changing attitudes that prevent disabled people from getting access to education, employment and services provided by the College and its partners.
- Promoting Disability Equality at all levels within the College.
- Working together with disabled people, organisations of disabled people and disability access groups to achieve equality of opportunity.
- Involving disabled people including our disabled employees and students on employment matters and the services we provide.
- Training its own employees, so they are aware of and have the skills to take positive action in removing barriers placed in the way of disabled people by society.
- Creating a culture where harassment and discrimination against disabled people is unacceptable and will be stopped, should it occur.
- Creating a culture where both learners and employees feel able to declare their disability so that accurate information is available to help us look at such things, reasonable adjustments, priority areas and targets for improvement.
- Act as an example of good practice to other organisations.
- Utilising our Single Equalities Scheme and Action Plan to cover all Faculties, Units and activities within the College.

The College aims to remove any identified barriers to obtaining its services and will seek to ensure that the services provided are those that are required.

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.

Members' report approval

Approved by order of the members of the Corporation on 17 December 2012 and signed on its behalf by:

Richard Eke

R Eke
Chairman

Professional advisers

Financial statements auditor:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham, B4 6GH
Internal auditors:	RSM Tenon Westpoint 78 Queens Road Bristol, BS8 1QU
Bankers:	National Westminster Bank plc 32 Corn Street Bristol BS99 7UG
	Barclays Bank plc Bristol and North Somerset Group PO Box 207 Bristol BS99 7AJ
	Lloyds TSB Canons House Canons Way Bristol, BS99 7LB
Solicitors:	Burges Salmon Narrow Quay House Prince Street Bristol BS1 4AH
	Osborne Clarke 50 Queen Charlotte Street Bristol BS1 4HE
	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL

Statement of Corporate Governance and Internal Control

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2012.
The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2011.

The Corporation

The members who served the Corporation 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 resignation / retirement	Status of appointment	Committees served
Mr H Al-Lami	24 October 2012	1 year		Elected student	
Mr TW Bray	1 August 2008	4 years	31 July 2012	Member	Member: Finance & General Purposes
Re-appointed	1 August 2012	4 years			
Mr I Crawford	22 October 2008	4 years	21 October 2012	Member	
Re-appointed	22 October 2012				
Mr R Eke	1 August 2008	4 years	31 July 2012	Member	Vice Chair: Corporation 2011/12 Chair: Curriculum & Quality; Member: Remuneration
Re-appointed	1 August 2012	4 years			Chair: Corporation 2012/13 Member: Finance & General Purposes and Search
Mr K Elliott	1 December 2002		31 July 2012	Principal	Member: Finance & General Purposes and Search
Mrs H Goddard	20 October 2011	4 years		Member	Member: Finance & General Purposes
Mr S Hewitt	28 March 2010	4 years		Member	Chair: Audit
Mr S Hindley	17 Oct 2007	4 years	16 October 2011	Member	
Ms A Hudson	14 Dec 2010	4 years		Member	
Fate Markos	1 August 2011	1 year	31 July 2012	Elected student	
Mr N Middleton	1 August 2008	4 years	31 July 2012	Member	Chairman: Corporation; Finance and General Purposes, Search and Remuneration;
Ms L Merilion	3 September 2012			Principal	Member: Finance & General Purposes and Search
Mr B Price	14 Dec 2009	3 years		Member	Member: Audit and Curriculum & Quality
Ms N Rehman	15 Jul 2010	3 years	31 July 2012	Elected staff	Member: Curriculum & Quality

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

The Corporation (continued)

Name	Date of appointment	Term of office	Date of resignation / retirement	Status of appointment	Committees served
Oliver Sanger	1 August 2011	1 year	31 July 2012	Elected student	
Mr C Scriven	4 Mar 2010	3 years		Elected staff	Member: Audit
Ms A Smith	14 Jul 2011	4 years	24 October 2012	Member	Member: Curriculum & Quality
Ms L Thom	28 March 2011	2 years		Member	Member: Curriculum & Quality and Remuneration
Mr M Timmins	15 July 2009	4 years		Member	Member: Finance & General Purposes, Search and Remuneration
Mr M Williams	21 Oct 2009	4 years		Member	Member: Finance & General Purposes Vice Chair: Corporation 2012/13 Member: Remuneration

Mr I Venn acts as the Clerk to the Corporation.

The following persons acted as directors of the College's wholly owned subsidiaries Partners in Business (West) Limited and SBLN Limited: J Bridle (Director of Finance) and K Elliott CBE (Principal)

The following persons acted as directors of the College's wholly owned subsidiary South West Apprenticeships Limited: J Bridle (Director of Finance), K Elliott CBE (Principal), L McMillan (Vice Principal), I Venn (Corporation Secretary) and C Vertigen (SWAC Operations Director)

The following persons acted as directors of the companies in which the College has membership:

Trust in Learning Limited - K Elliott CBE (Principal) and J Stradling (Deputy Principal)

South West Skills Centre Limited – Corporate Directors represented by M James (Director of Business Development) and H Lloyd (Head of Commerce, Learning and Skills). This company was disolved during the year.

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

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

The Corporation (continued)

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 & safety and environmental issues. The Corporation meets at least once a term.

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 of the Corporation and the Principal & Chief Executive of the College 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 which comprises of four members and one co-opted member and is responsible for the selection and nomination of any new non elected member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Remuneration Committee

Throughout the year ending 31 July 2012 the College's Remuneration Committee comprised four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, other senior post holders and the Clerk.

Details of remuneration for the year ended 31 July 2012 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (who exclude the Principal, the Chair and members of the Finance and General Purposes Committee) and two co-opted members who are both Chartered Accountants with significant audit experience. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least once each term and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of

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

Audit Committee (continued)

College management. The Committee also receives and considers reports from the SFA and other 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 recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal 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.

The Corporation has delegated day-to-day responsibility to the Principal, 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 the post holder is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the SFA and other funding bodies. The post holder is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 City of Bristol College for the year ended 31 July 2012 and up to the date of approval of the annual report and financial statements.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 Corporation;
- Regular reviews by the Corporation 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; and

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

The risk and control framework (continued)

- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the 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) annually provides the Corporation with a 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 Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The work of the Executive within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors in their management letter and other reports.

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

The Executive 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 across the college and reinforced by risk awareness training. The Executive and Audit Committee also receive regular reports from the internal auditors, 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 Executive and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2012 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by considering documentation from the Executive and internal audit, and taking account of events since 31 July 2012.

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.

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

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 they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 17 December 2012 and signed on its behalf by:

R Eke
Chairman

L Merilion
Principal

Statement of the responsibilities of the members of the Corporation

The members of the Corporation of the College 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 and the Corporation of the College, the Corporation, through its Principal, 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 and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency, and 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to 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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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 Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions they may from time to time prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 17 December 2012 and signed on its behalf by:

Richard Eke

R Eke
Chairman

Independent auditor's report to the Corporation of City of Bristol College

We have audited the Group and College financial statements ("the financial statements") of City of Bristol College for the year ended 31 July 2012 set out on pages 22 to 53. 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 Article 22 of 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 Members of the Corporation of City of Bristol College and Auditors

As explained more fully in the Statement of the Corporation's responsibilities set out on page 18, 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

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 Members' Report 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.

Independent auditor's report to the Corporation of City of Bristol College *(continued)*

Opinion

In our opinion the financial statements:

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

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

In our opinion:

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

M J Rowley .... 18th December 2012

M J Rowley
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent regularity report to the Corporation of City of Bristol College ('the College') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 15 November 2006 and further to the requirements of the Chief Executive of Skills Funding, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of City of Bristol College ('the College') during 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 and the Chief Executive of Skills Funding. Our review work has been undertaken so that we might state to the Corporation and the Chief Chief Executive of Skills Funding those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Chief Executive of Skills Funding, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of City of Bristol 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 disbursed and income received is 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 Learning and Skills Council. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during 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 Learning and Skills Council in 2004. 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 disbursed and income received during 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.

MJ Rowley .... 18th December 2012 ....

M J Rowley
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Consolidated income and expenditure account

for the year ended 31 July 2012

	Note	2012	2011
		£000	£000
Income			
Funding Body Income	*2*	**50,482**	50,775
Tuition fees and education contracts	*3*	**12,884**	12,661
Research grants and contracts	*4*	**89**	91
Other income	*5*	**4,278**	3,936
Investment income	*6*	**104**	67
Total income		**67,837**	67,530
Expenditure			
Staff costs	*7*	**43,391**	42,281
Other operating expenses	*9*	**18,713**	16,930
Depreciation	*13*	**5,593**	4,974
Interest payable and other finance costs	*10*	**1,455**	1,482
Total expenditure		**69,152**	65,667
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and before joint venture activity, tax and profit on asset disposals		**(1,315)**	1,863
Net deficit on joint venture activities		**(-)**	(10)
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and joint venture activity but before tax and profit on asset disposals		**(1,315)**	1,853
Profit on disposal of assets		**164**	206
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, joint venture activities and profit on disposal of assets but before tax		**(1,151)**	2,059
Taxation	*11*	**-**	-
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, joint venture activities, profit on disposal of assets and tax	*12*	**(1,151)**	2,059

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

Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2012

	Note	**2012**	2011
		£000	£000
(Deficit) / surplus on continuing operations before taxation		**(1,151)**	2,059
Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued amounts	*21*	**184**	184
Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued disposals	*21*	**205**	4
Historical cost (deficit) / surplus for the year before tax		**(762)**	2,247
Taxation		**-**	-
Historical cost (deficit) / surplus for the year after tax		**(762)**	2,247

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2012

		2012	2011
		£000	£000
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation	*12*	**(1,151)**	2,059
Actuarial (loss) / gain in respect of pension scheme	*28*	**(3,292)**	318
Total recognised (losses) / gains relating to the year		**(4,443)**	2,377

Reconciliation

Opening reserves	**39,936**	37,559
Total recognised (loss) / gain for the year	**(4,443)**	2,377
Closing reserves	**35,493**	39,936

Consolidated balance sheet
at 31 July 2012

	Note	2012		2011	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*13*		79,954		81,579
Investments in joint ventures	*14*				
Share of gross assets		-		1	
Share of gross liabilities		-		(1)	
			-		-
			79,954		81,579
Current assets					
Land & Buildings for sale		610		-	
Stock		45		55	
Debtors	*15*	4,039		4,076	
Cash at bank and in hand		13,312		13,154	
		18,006		17,285	
Creditors: amounts falling due within one year	*16*	(10,556)		(9,369)	
Net current assets			7,450		7,916
Total assets less current liabilities			87,404		89,495
Creditors: amounts falling due after more than one year	*17*		(14,790)		(15,470)
Provisions for liabilities and charges	*19*		(247)		(235)
Net assets excluding pension liability			72,367		73,790
Net pension liability	*28*		(19,221)		(15,071)
Net assets including pension liability			53,146		58,719
Deferred capital grants	*20*		17,653		18,783
Reserves					
Income & expenditure account excluding pension reserves			49,381		49,285
Pension reserve			(19,221)		(15,071)
Income & expenditure including pension reserves	*22*		30,160		34,214
Revaluation reserve	*21*		5,333		5,722
Total			53,146		58,719

These financial statements were approved by the Corporation on 17 December 2012 and were signed on its behalf by:

Richard Eke

R Eke
Chairman

L Merilion
Principal

College balance sheet
at 31 July 2012

	Note	**2012**		2011	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*13*		**79,938**		81,579
Investments	*14*				
Share of joint venture gross assets		(-)		1	
Share of joint venture gross liabilities		(-)		(1)	
			-		
			79,938		81,579
Current assets					
Land & buildings for sale		**610**		-	
Stock		**45**		55	
Debtors	*15*	**3,945**		4,237	
Cash at bank and in hand		**13,292**		12,953	
		17,892		17,245	
Creditors: amounts falling due within one year	*16*	**(10,406)**		(9,365)	
Net current assets			**7,486**		7,880
Total assets less current liabilities			**87,424**		89,459
Creditors: amounts falling due after more than one year	*17*		**(14,790)**		(15,470)
Provisions for liabilities and charges	*19*		**(247)**		(235)
Net assets excluding pension liability			**72,387**		73,754
Net pension liability	*28*		**(19,221)**		(15,071)
Net assets including pension liability			**53,166**		58,683
Deferred capital grants	*20*		**17,653**		18,783
Reserves					
Income & expenditure account excluding pension reserves	*22*		**49,401**		49,249
Pension reserve			**(19,221)**		(15,071)
Income & expenditure including pension reserves			**30,180**		34,178
Revaluation reserve	*21*		**5,333**		5,722
Total			**53,166**		58,683

These financial statements were approved by the Corporation on 17 December 2012 and were signed on its behalf by:

Richard Eke ....

R Eke
Chair

....

L Merilion
Principal

Consolidated cash flow statement

for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Cash flow from operating activities	*23*	**4,783**	7,871
Returns on investments and servicing of finance	*24*	**(1,351)**	(1,415)
Capital expenditure and financial investment	*25*	**(2,594)**	(857)
Financing outflow	*26*	**(680)**	(680)
Increase in cash in the year		**158**	4,919

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Increase in cash in the year		**158**	4,919
Cash outflow from repayments of amounts borrowed		**680**	680
Movement in net funds in year		**838**	5,599
Net debt at beginning of year		**(2,996)**	(8,595)
Net debt at year end	*27*	**(2,158)**	(2,996)

Notes *(forming part of the financial statements)*

1 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 2007 Statement of Recommended Practice (SORP) "Accounting for Further and Higher Education Institutions" and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and EFA, in the Accounts Direction Handbook 2011/12.

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.

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 cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £15,470k of loans outstanding with bankers on terms negotiated in 2010. The terms of this agreement are for up to another 23 years. 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.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings.

Under the acquisition method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are prepared to 31 July.

Recognition of income

Funding body grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer Responsive funding is receivable based on latest ILR returns in respect of the current financial year, but subject to consideration of the College's performance relative to maximum contract values. 16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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.

Notes *(continued)*

1 Accounting Policies (continued)

Other discrete funding body funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the funding bodies (see note 34).

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 receivable and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post retirement benefits

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

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.

Further details of the pension schemes are given in note 28.

Notes *(continued)*

1 Accounting Policies (continued)

Enhanced Pensions

The actual cost of the enhanced ongoing pension to a number of former members of staff is paid by the College annually. An estimate of the expected future cost of these enhancements was charged in full to the College's income and expenditure account in the year that these staff members retired. In each subsequent year a charge has been made to the provision in the balance sheet, using the enhanced pension spreadsheet provided by the funding bodies.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and quinquennial valuations using a prospective benefit method for the TPS.

Tangible fixed assets

The College's policy is to carry all assets at historical cost, except for inherited assets which are included on the balance sheet at the valuation in place when the College implemented FRS 15 for the first time.

a) Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost at incorporation. Other land and buildings 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 between 25 and 50 years and for major adaptations to buildings over the remaining period of their useful life.

Leasehold buildings are depreciated over the term of the lease.

Building refurbishments are depreciated over 10 years.

On adoption of FRS 15, the College followed the transitional provisions 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.

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 capitalised as part of the cost of those assets.

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

b) *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2012. They are not depreciated until they are brought into use.

Notes *(continued)*

1 Accounting Policies (continued)

c) Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment inherited from the local education authority has been fully depreciated. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Inherited equipment and motor vehicles	-	25% per annum
Computer equipment	-	33.3% per annum
General equipment	-	20% per annum

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.

Maintenance of premises

The College has a 10 year planned maintenance programme which is reviewed on an annual basis. The cost of routine planned maintenance expenditure is charged to the income and expenditure account in the period it is incurred. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Capitalisation of finance cost

As a change in policy, Finance costs directly associated with capital work are capitalised along with other construction costs during the construction phase of tangible fixed assets. Capitalisation of such financing costs will cease when substantially all the activities that are necessary to get the tangible fixed asset ready for use are complete.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Notes *(continued)*

1 Accounting Policies (continued)

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.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2011 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 2011 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 companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and 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 learner support funds and adult learning grants. Related income received from the main funding body and subsequent disbursements to students are excluded from the income and expenditure account (and are shown separately in note 34), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Notes *(continued)*

2 Funding Body Grants

	SFA & EFA £000	HEFCE £000	TOTAL 2012 £000	TOTAL 2011 £000
Recurrent grant	38,275	-	38,275	38,953
Work based learning (WBL)	7,033	-	7,033	5,310
Adjustment to WBL funding relating to previous year	7	-	7	-
Releases of deferred capital grants				
Land and buildings	1,079	-	1,079	789
Equipment	66	-	66	136
ESF EUL	841	-	841	900
Train to gain	2,658	-	2,658	3,808
Other funds	173	96	269	270
Work Experience Pilot	80	-	80	-
Young Apprentices	19	-	19	80
Integrated Employment Skills	37	-	37	150
Widening Participation	-	118	118	125
Golden Hello	-	-	-	30
	50,268	214	50,482	50,775

Notes *(continued)*

3 Tuition fees and education contracts

	2012 £000	2011 £000
Tuition fees and charges		
UK Higher Education Students	**1,292**	1,244
European Union (EU) and United Kingdom	**6,991**	5,868
Non-EU students	**774**	928
Fees paid by or on behalf of individual students	**9,057**	8,040
Education contracts		
Local Education Authority	**586**	703
Higher Education (HE) income	**3,004**	3,532
Other income	**237**	386
	3,827	4,621
	12,884	12,661

There were no tuition fees funded by bursaries *(2011: £nil).*

4 Research grants and contracts

	2012 £000	2011 £000
Releases from deferred capital grants (non main funding bodies)	**86**	90
Other grants and contracts	**3**	1
	89	91

5 Other income

	2012 £000	2011 £000
Residences, catering and conferences	**109**	203
Other income generating activities	**564**	771
Exam fees	**582**	575
Sales of materials	**459**	528
Student travel	**387**	282
Project income	**269**	348
Cash back on loan facility	**-**	291
VAT repayment*	**555**	-
Apprenticeship Training Agency income	**600**	-
Other income	**753**	938
	4,278	3,936

* In recent years the College had entered into a lease and lease back arrangement in respect of some of its equipment purchases. During the year the College received a refund of VAT of £555k (2011 £nil) related to this arrangement.

Notes *(continued)*

6 Investment income

	2012	2011
	£000	£000
Bank interest receivable	**104**	67

7 Staff numbers and costs

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

	2012 No.	2011 No.
Teaching departments		
Teaching staff	**614**	651
Other	**256**	241
Teaching support services	**164**	178
Other support services	**78**	69
Administration and central services	**101**	93
Premises	**51**	55
Other	**81**	21
	1,345	1,308

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements.

Staff costs	**2012**	2011
	£000	£000
Wages and salaries	**34,833**	34,437
Social security costs	**2,511**	2,512
Other pension costs	**4,038**	4,036
FRS 17 adjustment	**301**	259
Contracted out lecturing services	**867**	544
Exceptional restructuring costs	**841**	493
	43,391	42,281

Notes *(continued)*

7 Staff numbers and costs *(continued)*

	2012 £000	2011 £000
General education	**617**	604
Teaching departments		
Teaching staff	**22,261**	23,126
Other	**6,539**	5,984
Teaching support services	**4,196**	4,486
Other support services	**2,194**	1,892
Administration and central services	**3,826**	3,545
Premises	**1,249**	1,348
Other income generating activities	**500**	-
Sub total	**41,382**	40,985
FRS 17 adjustment	**301**	259
Contracted out lecturing services	**867**	544
Exceptional restructuring costs	**841**	493
	43,391	42,281

	2012 £000	2011 £000
Employment costs for staff on permanent contracts	**35,510**	35,495
Employment costs for staff on short term and temporary contracts	**6,173**	5,749
Contracted out lecturing services	**867**	544
Exceptional restructuring costs	**841**	493
	43,391	42,281

The exceptional restructuring costs were approved by the Principal in line with the College's Redundancy policy and are scrutinised by the Remuneration Committee.

The number of staff, including senior post-holders and the Principal, who received emoluments and settlement payments (including employer pension contributions) in the following ranges was:

	Year ended 31 July 2012		Year ended 31 July 2011	
	Senior post holders	**Other staff**	Senior post holders	Other staff
	No.	**No.**	No.	No.
£60,001 to £70,000	-	12	-	15
£70,001 to £80,000	2	8	1	6
£80,001 to £90,000	-	-	-	1
£100,001 to £110,000	2	-	3	-
£120,001 to £130,000	1	-	1	-
£170,001 to £180,000	1	-	-	-
£180,001 to £190,000	-	-	1	-
	6*	**20**	6	22

*There were 7 Senior Post Holders in post at the year end. An additional Vice Principal joined the College from February 2012. They received less than £60,000 of emoluments (including employer's pension contributions) during the period to the year end, and are therefore not included in the above table.

Notes *(continued)*

8 Emoluments of senior post-holders and members

Senior post-holders are defined as the Principal (or Chief Executive), the Clerk and holders of other senior posts whom the Board have 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 Board of Governors.

	2012	2011
	No.	No.
The number of senior post-holders including the Principal was	**7***	6

* Includes one senior member of staff, who became a Senior Post Holder during the year.

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

	2012	2011
	£000	£000
Salaries	**617**	596
Benefits in kind	**6**	6
Pension contributions	**79**	83
Total emoluments	**702**	685

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

	2012	2011
	£000	£000
Principal's salary	**157**	160
Benefits in kind	**2**	2
Pension contributions	**13**	22
	172	184

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

No Members of the Corporation other than the Principal and the staff members received any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes *(continued)*

9 Other operating expenses

	2012	2011
	£000	£000
Teaching departments	**4,209**	4,004
Teaching support services	**1,032**	967
Other support services	**1,120**	1,286
Administration and central services	**1,529**	1,176
General education (Examinations and Marketing)	**2,314**	2,205
Premises costs - running costs	**2,277**	1,917
- maintenance	**533**	476
- rents and leases	**827**	811
Planned maintenance	**236**	906
Other income generating activities	**30**	24
Catering and residence operations	**92**	340
Franchised provision	**4,185**	2,469
Bursary payments to HE students	**-**	4
Other expenses	**329**	345
	18,713	16,930

Other operating expenses include:		
Operating leases (buildings & equipment)	**825**	845
Auditors remuneration:		
Financial statements audit *	**28**	25
Internal audit	**19**	24
Other services	**2**	-

* - includes £22,800 in respect of the College *(2011: £22,450)*

Notes *(continued)*

10 Interest payable

	2012	2011
	£000	£000
Bank loans	898	936
Pension finance costs	557	546
	1,455	1,482

11 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either period.

12 (Deficit) / surplus on continuing operations for the year

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

	2012	2011
	£000	£000
College's (deficit) / surplus for the year	(1,095)	2,059
Retained from subsidiary undertakings, after gift aid to the College	(56)	-
	(1,151)	2,059

Notes *(continued)*

13 Tangible fixed assets

The College carries inherited assets at a net book value of £5,333,961 *(2011: £5,722,185).* The assets were valued on incorporation and not updated since. The historic cost of the assets is £nil.

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

Group	Land and buildings leasehold	Land and buildings freehold	Equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2011	12,979	86,476	18,169	502	118,126
Transfers	-	409	93	(502)	-
Additions	-	1,090	1,535	2,178	4,803
Transfer to current assets	-	(610)	-	-	(610)
Disposals	-	(287)	-	-	(287)
At 31 July 2012	**12,979**	**87,078**	**19,797**	**2,178**	**122,032**
Depreciation					
At 1 August 2011	2,784	19,366	14,397	-	36,547
Charge for the year	259	3,594	1,740	-	5,593
Disposals	-	(62)	-	-	(62)
At 31 July 2012	**3,043**	**22,898**	**16,137**	**-**	**42,078**
Net book value					
At 31 July 2012	**9,936**	**64,180**	**3,660**	**2,178**	**79,954**
At 1 August 2011	10,195	67,110	3,772	502	81,579

Notes *(continued)*

13 Tangible fixed assets *(continued)*

Inherited land and buildings were valued at incorporation at depreciated replacement cost by a firm of independent chartered surveyors as at 25 July 1997. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a replacement cost basis with the assistance of independent professional advice.

If inherited land and buildings had not been valued, they would have been included at the following amounts:

	£000
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	-

Land and buildings with a net book value of £17,256,790 *(2011: £18,276,189)* have been partly financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Skills Funding Agency, to surrender the proceeds.

College	Land and buildings leasehold £000	Land and buildings freehold £000	Equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 1 August 2011	12,979	86,476	18,169	502	118,126
Transfers	-	409	93	(502)	-
Additions	-	1,090	1,518	2,178	4,786
Transfer to current assets	-	(610)	-	-	(610)
Disposals	-	(287)	-	-	(287)
At 31 July 2012	**12,979**	**87,078**	**19,780**	**2,178**	**122,015**
Depreciation					
At 1 August 2011	2,784	19,366	14,397	-	36,547
Charge for the year	259	3,594	1,739	-	5,592
Disposals	-	(62)	-	-	(62)
At 31 July 2012	**3,043**	**22,898**	**16,136**	**-**	**42,077**
Net book value					
At 31 July 2012	**9,936**	**64,180**	**3,644**	**2,178**	**79,938**
At 1 August 2011	10,195	67,110	3,772	502	81,579

Notes *(continued)*

14 Investments

College	2012 £	2011 £
Subsidiary companies	**3**	2

	£'000	£'000
Joint Ventures		
Share of Gross Assets	-	1
Share of Gross Liabilities	-	(1)
Associates	-	-
	-	-

The College owns 100% of the issued ordinary shares of Partners in Business (West) Limited (formerly HRD Limited) and SBLN Limited. Both companies are incorporated in England. The principal business activity of Partners in Business (West) Limited is the supply of educational goods and services which are taxable supplies and of SBLN Limited the provision of information technology related training and consulting.

During the year the College acquired a new business activity, and set up a new subsidiary company for the trade, called the South West Apprenticeship Company Limited. The principal business activity is that of an apprenticeship training agency. The College owns 100% of the issued ordinary shares.

The College was party to a joint venture called Skills Centre South West Limited, a company limited by guarantee. However, during the year ended 31 July 2012 the company was dissolved.

The College continues to be party to an associate partnership called Trust in Learning Limited, a company limited by guarantee, with two other parties (Bristol City Council & The University of the West of England). The principal business activity being to oversee specific Trust Schools in Bristol, and to enhance the educational experience and success of the students. In accordance with FRS 9, one third of the net assets and liabilities, and surplus have been recognised by the College.

Notes *(continued)*

15 Debtors

	2012 Group £'000	College £'000	2011 Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	**975**	**827**	1,809	1,494
Amounts owed by subsidiary undertakings	**-**	**78**	-	512
Other debtors	**2,183**	**2,185**	954	954
Prepayments and accrued income	**548**	**522**	349	313
Amounts due from funding bodies	**333**	**333**	964	964
	4,039	**3,945**	4,076	4,237

16 Creditors: amounts falling due within one year

Group	**2012 £000**	2011 £000
Bank loans and overdrafts (note 18)	**680**	680
Payments received on account	**653**	1,163
Trade creditors	**1,589**	956
Other taxation and social security	**939**	967
Accruals	**4,275**	5,009
Restricted funds on acquisition of Brunel & Gordano Training Limited	**46**	60
Other creditors	**2,374**	534
	10,556	9,369

College		
Bank loans and overdrafts	**680**	680
Payments received on account	**547**	1,163
Trade creditors	**1,539**	955
Other taxation and social security	**930**	967
Accruals	**4,265**	5,006
Restricted funds on acquisition of Brunel & Gordano Training Limited	**46**	60
Other creditors	**2,399**	534
	10,406	9,365

Notes *(continued)*

17 Creditors: amounts falling due after more than one year

Group and College	**2012**	2011
	£000	£000
Bank loans (note 18)	**14,790**	15,470
	14,790	15,470

18 Borrowings:

Bank loans and overdrafts

	2012	2011
	£000	£000
Bank loans are repayable as follows:		
In one year or less	**680**	680
Between one and two years	**680**	680
Between two and five years	**2,040**	2,040
Over five years	**12,070**	12,750
	15,470	16,150

A 25 year commercial loan of £17 million was taken in April 2010, repayable in instalments by 2035. The rate on this loan is 5.67%.

Notes *(continued)*

19 Provisions for liabilities and charges

	Enhanced Pension Provision
Group and College	**£000**
At 1 August 2011	235
Expenditure in the year	(17)
Transferred from income & expenditure account	29
At 31 July 2012	**247**

20 Deferred capital grants

	Other	Main funding bodies	Total
Group and College	£000	£000	**£000**
At 1 August 2011	421	18,362	18,783
Cash receivable	-	100	100
Released to income and expenditure account	85	1,145	1,230
At 31 July 2012	**336**	**17,317**	**17,653**

Notes *(continued)*

21 Revaluation reserve

Group and College	2012 £000	2011 £000
At 1 August	**5,722**	5,910
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	**(184)**	(184)
Depreciation on disposal of revalued assets	**(205)**	(4)
At 31 July	**5,333**	5,722

22 Income and expenditure account

	Group £000	College £000
At 1 August 2011	34,214	34,178
Deficit on continuing operations after depreciation of assets at valuation and tax	(1,151)	(1,095)
Transfer from revaluation reserve to income and expenditure account		
Depreciation on revalued assets	184	184
Depreciation on disposal of revalued assets	205	205
Actuarial loss in respect of pension scheme	(3,292)	(3,292)
At 31 July 2012	**30,160**	**30,180**
Represented by:		
Income and expenditure account – excluding pension reserve	49,381	49,401
Pension reserve	(19,221)	(19,221)
At 31 July 2012	**30,160**	**30,180**

Notes *(continued)*

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

	2012	2011
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation and tax	(1,151)	2,059
Depreciation (note 13)	5,593	4,974
Deferred capital grants released to income (note 20)	(1,230)	(1,015)
Profit on disposal of tangible fixed assets	(174)	(214)
Interest payable (note 10)	1,455	1,482
Pension cost less contributions payable (note 28)	858	805
Decrease / (increase) in stocks	10	(9)
Decrease in debtors	37	625
Decrease in creditors	(523)	(767)
Increase / (decrease) in provisions	12	(2)
Interest receivable (note 6)	(104)	(67)
Net cash inflow from operating activities	4,783	7,871

24 Returns on investments and servicing of finance

	2012 £000	2011 £000
Interest received	104	67
Interest paid	(1,455)	(1,482)
Net cash outflow from returns on investments and servicing of finance	(1,351)	(1,415)

Notes *(continued)*

25 Capital expenditure

	2012 £000	2011 £000
Purchase of tangible fixed assets	**(3,093)**	(3,925)
Deferred capital grants received	**100**	2,718
Capital proceeds received	**399**	350
Net cash outflow for capital expenditure	**(2,594)**	(857)

26 Financing

	2012 £000	2011 £000
Debt due beyond a year:		
Repayment of amounts borrowed	**(680)**	(680)
Net cash outflow from financing	**(680)**	(680)

27 Analysis of changes in net funds

	At 1 August 2011 £000	Cash flows £000	Other Changes £000	**At 31 July 2012 £000**
Cash at bank and in hand	13,154	158	-	**13,312**
Debt due within one year	(680)	-	-	**(680)**
Debt due after one year	(15,470)	680	-	**(14,790)**
	(2,996)	838	-	**(2,158)**

28 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension contributions paid for the period was £5,868,695 *(2011: £5,880,541)* of which employers' contributions were £3,997,822 *(2011: £4,032,094)* and employees contributions were £1,870,873 *(2011: £1,848,447)*.

Notes *(continued)*

28 Pension and similar obligations *(continued)*

Total pension cost for the year

	2012	2011
	£000	£000
Teachers Pension Scheme: contributions paid	**2,331**	2,404
Local Government Pension Scheme:		
Contributions paid	**1,665**	1,627
FRS 17 charge	**301**	259
Charge to the Income and Expenditure Account (staff costs)	**4,297**	4,290
Enhanced pension charge / (release) to Income and Expenditure Account (staff costs)	**29**	14
Total Pension Cost	**4,326**	**4,304**

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme 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.

The pensions cost is 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	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution rate was 14.1% *(2011: 14.1%)*. From April 2011 the employee rate is banded based on actual salary, therefore there are a number of applicable rates in force from this point. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Under the definition set out in Financial Reporting Standard 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 FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has now set out below the information available on the deficit in 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 2012 was £2,392,417 *(2011: £2,350,017)* of which employers contributions totalled £1,665,894 *(2011: £1,627,797)* and employees' contributions totalled £726,523 *(2011: £722,220)*. The agreed employers contribution rate for the year August 2011 to July 2012 was 15.4%. From April 2009 the employee rate is banded based on actual salary, therefore there are a number of applicable rates in force from this point.

Notes *(continued)*

28 Pension and similar obligations *(continued)*

FRS 17

The following information is based on a full actuarial valuation of the fund as at 31st March 2010 updated to 31st July 2012 by a qualified independent actuary.

Principal Actuarial Assumptions

	31 July 2012	31 July 2011	31 July 2010
	%	%	%
Inflation assumption (CPI)	**2.1**	2.9	2.7
Rate of increase in salaries	**3.6**	4.4	4.5
Rate of increase for pensions	**2.1**	2.9	2.7
Discount rate for liabilities	**4.3**	5.3	5.5
Assumption reference commutation to lump sums	**50**	50	50

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement. 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
Retiring today		
Males	**22.8**	22.7
Females	**25.7**	25.6
Retiring in 20 years		
Males	**25.1**	25.0
Females	**28.1**	28.0

The College's share of the assets 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	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010
	%	**£000**	%	£000	%	£000
Equities	**7.0**	**21,946**	7.0	21,729	7.5	19,106
Government Bonds	**2.5**	**4,652**	3.9	4,654	4.2	4,816
Other Bonds	**3.4**	**4,539**	4.9	2,799	5.1	2,807
Property	**6.0**	**2,776**	6.0	2,379	6.5	1,563
Cash/Liquidity	**0.5**	**675**	0.5	595	0.5	702
Other	**7.0**	**2,926**	7.5	2,834	7.5	2,903
Total market value of assets		**37,514**		34,990		31,897

Notes *(continued)*

28 Pension and similar obligations *(continued)*

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
College's estimated asset share	**37,514**	34,990	31,897
Present value of scheme liabilities	**(56,735)**	(50,061)	(46,481)
Deficit in the scheme	**(19,221)**	(15,071)	(14,584)

Analysis of the amount charged to the income and expenditure account

	2012 £'000	2011 £'000
Employer service cost (net of employee contributions)	**(1,976)**	(1,868)
Effect of curtailment or settlements	**(13)**	(169)
Total operating charge	**(1,989)**	(2,037)

Analysis of pension finance cost

	2012 £'000	2011 £'000
Expected return on pension scheme assets	**2,144**	2,040
Interest on pension scheme liabilities	**(2,701)**	(2,586)
Pension finance cost	**(557)**	(546)

Notes *(continued)*

28 Pension and similar obligations *(continued)*

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

	2012 £'000	2011 £'000
Actuarial (loss) / gain on pension scheme assets	**(1,168)**	53
Actuarial (loss) / gain on scheme liabilities	**(2,124)**	265
Actuarial (loss) / gain recognised in STRGL	**(3,292)**	318

Asset and Liability Reconciliation

	2012 £'000	2011 £'000
Reconciliation of Liabilities		
Liabilities at start of period	**50,061**	46,481
Service cost	**1,976**	1,868
Interest cost	**2,701**	2,586
Employee contributions	**727**	722
Actuarial loss / (gain)	**2,124**	(265)
Benefits/transfers paid	**(867)**	(1,500)
Curtailments and settlements	**13**	169
Liabilities at end of period	56,735	50,061
Reconciliation of Assets		
Assets at start of period	**34,990**	31,897
Expected return on assets	**2,144**	2,040
Actuarial (loss) /gain	**(1,168)**	53
Employer contributions	**1,688**	1,778
Employee contributions	**727**	722
Benefits / transfers paid	**(867)**	(1,500)
Assets at end of period	37,514	34,990

Employer contributions for the year ended 31st July 2013 are estimated as £1,660,000.

Notes *(continued)*

28 Pension and similar obligations *(continued)*

History of experience gains and losses	**Year ended 2012 £m**	Year ended 2011 £m	Year ended 2010 £m	Year ended 2009 £m	Year ended 2008 £m
Difference between the expected and actual return on assets:					
Amount £m	**(1.168)**	0.053	2.557	(2.749)	(2.485)
% of scheme assets	**3.1%**	(0.2%)	(8.0%)	(11.1%)	(10.2%)
Experience gains and losses on scheme liabilities:					
Amount £m	**0.000**	(0.265)	2.755	(4.100)	3.492
% of scheme liabilities	**0%**	(0.5%)	(5.9%)	(9.9%)	8.6%
Total amount recognised in STRGL					
Amount £m	**3,292**	(0.318)	0.198	(1.351)	5.999
% of scheme liabilities	**5.8%**	(0.6%)	(0.4%)	(3.3%)	14.7%

29 Capital commitments

Group and College	**2012 £000**	**2011 £000**
Commitments authorised, but not contracted for, at 31 July	**684**	603

30 Financial commitments

At 31 July, the Group and the College had annual commitments under non-cancellable operating leases for other assets as follows:

	Equipment		**Land & Buildings**	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Expiring within one year	**12**	-	**30**	22
Expiring between two and five years	**132**	144	**665**	659
	144	144	**695**	681

Notes *(continued)*

31 Contingent gain

The College has sold land and buildings as part of its accommodation strategy, specifically with respect to the Ashley Down site. The sale and purchase agreement allows for further consideration ('overage') in favour of College should the acquiring developers exceed their current forecast of new houses sold.

During the year the College received £nil of overage consideration *(2011: £nil).*

32 Related party transactions

Due 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 organisations in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'

Transactions with the funding bodies are detailed in note 2, 15 and 20.

33 Post balance sheet events

Since the balance sheet date, the global economic downturn has continued, resulting in volatility in investment markets. As a result there is an increased risk that the value of investments held by the College, whether directly or indirectly (such as through the pension fund) may have deteriorated. However, any such deterioration is considered to be a non adjusting event and as such has not been reflected in these financial statements.

34 Amounts Disbursed as Agent

Learner support funds

	2012	2011
	£000	£000
Funding Body grants	**1,764**	1,101
Disbursed to students	**(1,652)**	(1,005)
Administration fees	**(88)**	(55)
Balance unspent at 31 July	**24**	41
Interest Earned	**4**	3

Funding body grants are available solely for students. In the majority of instances, the College acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.