

City of Bristol College

**Members' report and consolidated
financial statements**

For the year ended 31 July 2013

Contents

Operating and Financial Review	3
Professional Advisors	11
Statement of Corporate Governance and Internal Control	12
Statement of the Responsibilities of the Members of the Corporation	18
Independent Auditor's Report to the Corporation of City of Bristol College	19
Independent regularity report to the Corporation of City of Bristol College and the Chief Executive of Skills	
Funding	21
Consolidated income and expenditure account	22
Consolidated statement of historical cost surpluses and deficits	23
Consolidated statement of total recognised gains and losses	23
Consolidated balance sheet	24
College balance sheet	25
Consolidated cash flow statement	26
Reconciliation of net cash flow to movement in net funds	26
Notes to the financial statements	27

Operating and Financial Review

Nature, objectives and strategies

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting 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 £7,368k (2011/12: loss of £1,315k). During the year, there was a nil loss on joint venture activity and a profit on disposal of fixed assets of £591k, producing a loss before tax of £6,777k (2011/12: loss of £1,151k). During the year there was a corporation tax charge of £60k (2011/12: £nil). At 31 July 2013 the College had cash balances of £6.5m (2011/12: £13.3m) and accumulated reserves (excluding the Pension Reserve) of £48.7m (2011/12: £54.7m).

Mission

The Governors reviewed the College's mission during 2012/13 and adopted a revised mission statement as follows:

Creating lifetime opportunities through outstanding education and training

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 currently has 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. The leases at Orpen Park end in November and December 2013 and will not be renewed following the opening of the Advanced Engineering Centre (see below).

A new building has been completed alongside the existing centre at Parkway, which has also been refurbished. The two buildings will make up the Advanced Engineering Centre and will be opened in September 2013.

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 2010-13, which linked to key priorities within the property strategy and financial forecasts. The Corporation monitored performance against specific objectives in the Development Plan for 2012/13 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 did not achieve the success targets and received an Ofsted grading of 'unsatisfactory' in February 2013.

Financial objectives

The Governors had previously approved the Financial Strategy for the College. The 3-year Financial Targets approved by Governors were:

1. Maintain total operating income at or above £62m, continuing to replace reductions in public funding with new commercial income
2. Absorb the impact of efficiency gains required in the delivery to students
3. Absorb the impact of inflation within the cost base
4. Change practices in non-faculty areas, Implement new ways of providing administrative support to faculties and release resources through efficiency in teaching to enable the proportion of income spent on core operations to be reduced in each of years 2 and 3 of the plan.
5. Deliver an operating surplus at a level of £500k each year.
6. Generate cash from operations of at least 8% of operating income to be invested in the capital plan.
7. Bring the Advanced Centre for Engineering on stream by September 2013 & enable us to exit the Orpen Park in December 2013.

However, the College's financial position deteriorated in 2012/13, the main contributing factors being the significant underperformance of the SFA funded contracts, which are subject to claw back in early 2014 and the associated costs of the in year restructuring of the Curriculum Management team identified as part of the Quality Improvement Plan. The College has developed a Financial Recovery Action Plan (FRAP) that has been reviewed by external stakeholders and has now been fully adopted. The FRAP includes a substantial cost base savings exercise to rebalance the College's budget going forward.

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.

Operating and Financial Review *(continued)*

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 2013 net cash inflow was £3,942k (2011/12 £4,783k)

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.

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	£-
SBLN Limited	Vocational training and computer related activity	(£62)
South West Apprenticeship Company Limited	Apprenticeship training agency	(£159,824)

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 and delivers 'Time to Talk' sessions which are for all staff and take place across each of the centres regularly. These are face-to-face meetings where the Principal does a short presentation followed by an opportunity for staff to ask Questions. The College encourages active 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, Parkway, Soundwell and South Bristol Skills Academy.

Financial

The group has £50.8m of net assets (including a £16.8m pension liability) with long term debt of £14.1m.

Operating and Financial Review *(continued)*

Reputation

The College continues to have a good reputation locally despite the grading from the Ofsted inspection. 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 by 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.

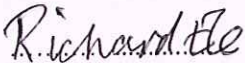
Operating and Financial Review *(continued)*

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 13 February 2014 and signed on its behalf by:


R Eke
Chairman

Professional advisers

Financial statements auditor:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham, B4 6GH
Internal auditors:	Baker Tilly Suite 205, Regus House Malthouse Avenue, Cardiff Gate Business Park Cardiff, CF23 8RU
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 2013.

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	31 July 2013	Elected student	
Mr I Bassett	1 August 2013	4 years		Member	Member: Finance & General Purposes, Property Strategy and Remuneration 2013/14
Mr TW Bray	1 August 2012	4 years		Member	Member: Finance & General Purposes and Remuneration
Ms R Campbell	13 December 2012	4 years		Member	Member: Curriculum & Quality
Mr I Crawford	22 October 2012	4 years	31 July 2013	Member	
Mr R Eke	1 August 2012	4 years		Member	Chair: Corporation 2012/13 Chair: Curriculum & Quality Chair: Remuneration Chair: Search & Governance Member: Finance & General Purposes
Mr R Gaunt (Co-opted)	1 November 2012				Co-opted: Audit
Mrs H Goddard	20 October 2011	4 years		Member	Member: Finance & General Purposes and Remuneration
Ms P Golding (Co-opted)	1 August 1996				Co-opted: Search & Governance
Ms P Grigg (Co-opted)	1 August 2013				Co-opted: Finance & General Purposes
Mr S Hewitt	28 March 2010	4 years		Member	Chair: Audit
Mr S Hindley	16 October 2011	4 years	31 July 2013	Member	
Ms A Hudson	14 December 2010	4 years	31 July 2013	Member	
Ms J Matthews	13 December 2012	4 years		Member	Member: Curriculum & Quality and Search & Governance
Ms S Meadows	13 December 2012	4 years		Member	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
Ms L Merilion	3 September 2012			Principal	Member: Finance & General Purposes, Curriculum & Quality and Search & Governance
Ms V Moon	1 August 2013	4 years		Member	Member: Audit 2013/14
Mr B Price	14 December 2012	4 years		Member	Member: Audit and Curriculum & Quality
Ms K Rendell (Co-opted)	1 August 2000		1 May 2013		Co-opted: Finance & General Purposes
Mr J Scaife (Co-opted)	1 August 2005				Co-opted: Audit
Mr R Shiner	13 December 2012	4 years		Member	Member: HE Board, Audit 2013/14
Mr C Scriven	4 Mar 2010	3 years	31 July 2013	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	31 July 2013	Member	Member: Curriculum & Quality and Search & Governance
Mr M Timmins	15 July 2009	4 years	31 July 2013	Member	Member: Finance & General Purposes, Search and Remuneration
Mr M Williams	21 Oct 2009	4 years	20 October 2013	Member	Vice Chair: Corporation 2012/13 Chair: Finance & General Purposes Member: Remuneration

Mr I Venn acted as the Clerk to the Corporation in 2012/13. Ms C Gledhill was appointed as Clerk from 1 September 2013

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 L Merilion (Principal)

The following persons acted as directors of the College's wholly owned subsidiary South West Apprenticeships Company Limited (SWAC): J Bridle (Director of Finance), L McMillan (Vice Principal), L Merilion (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 - L Merilion (Principal) and J Stradling (Deputy Principal)

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 2013 the College's Remuneration Committee comprised five 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 2013 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 her 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 2013 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 and Senior Leadership Team within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors and regularity auditors in their management letter and other reports.

The 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 the College's Risk Register, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive and Senior Leadership receives regular 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, members of the Senior Leadership Team (as appropriate) 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 emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. 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.

Significant control weaknesses were identified specifically in relation to the following:

- The College's budgeting and financial monitoring processes
- Funding data and the veracity of underpinning learner records to support funding claims

The Corporation acknowledges these issues, and that management has actively taken steps to enhance the College's systems and control environment in this regard.

Capacity to handle risk

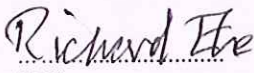
The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2013 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)*

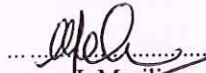
Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, further detailed within note 1 Accounting Policies (pages 27 & 28). 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 13 February 2014 and signed on its behalf by:



R Eke
Chairman



L Merillon
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 13 February 2014 and signed on its behalf by:



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 2013 set out on pages 22 to 54. 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 2013 and of the Group's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

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



.....
Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 February 2014

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 20 August 2013 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 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding. Our review work has been undertaken so that we might state to the Corporation and the 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 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the 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 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



.....
Michael Rowley
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 February 2014

Consolidated income and expenditure account
for the year ended 31 July 2013

	<i>Note</i>	2013	2012
		£000	£000
Income			
Funding Body Income	2	43,652	50,482
Tuition fees and education contracts	3	11,130	12,884
Research grants and contracts	4	86	89
Other income	5	4,605	4,278
Investment income	6	79	104
		<hr/>	<hr/>
Total income		59,552	67,837
		<hr/>	<hr/>
Expenditure			
Staff costs	7	43,584	43,391
Other operating expenses	9	16,813	18,713
Depreciation	13	5,295	5,593
Interest payable and other finance costs	10	1,228	1,455
		<hr/>	<hr/>
Total expenditure		66,920	69,152
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of assets at valuation and before joint venture activity, tax and profit on asset disposals		(7,368)	(1,315)
Net deficit on joint venture activities		(-)	(-)
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of assets at valuation and joint venture activity but before tax and profit on asset disposals		(7,368)	(1,315)
Profit on disposal of assets		591	164
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of assets at valuation, joint venture activities and profit on disposal of assets but before tax		(6,777)	(1,151)
Taxation	11	(60)	-
		<hr/>	<hr/>
Deficit on continuing operations after depreciation of assets at valuation, joint venture activities, profit on disposal of assets and tax	12	(6,837)	(1,151)
		<hr/> <hr/>	<hr/> <hr/>

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 2013

	<i>Note</i>	2013	2012
		£000	£000
Deficit on continuing operations before taxation		(6,777)	(1,151)
Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued amounts	21	128	184
Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued disposals	21	35	205
		<hr/>	<hr/>
Historical cost deficit for the year before tax		(6,614)	(762)
Taxation		(60)	-
		<hr/>	<hr/>
Historical cost deficit for the year after tax		(6,674)	(762)
		<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2013

		2013	2012
		£000	£000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and taxation	12	(6,837)	(1,151)
Actuarial gain / (loss) in respect of pension scheme	28	3,216	(3,292)
		<hr/>	<hr/>
Total recognised losses relating to the year		(3,621)	(4,443)
		<hr/>	<hr/>
Reconciliation			
Opening reserves		35,493	39,936
Total recognised loss for the year		(3,621)	(4,443)
		<hr/>	<hr/>
Closing reserves		31,872	35,493
		<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet
at 31 July 2013

	<i>Note</i>	2013		2012	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	<i>13</i>		85,470		79,954
Investments in joint ventures	<i>14</i>				
Share of gross assets		-		-	
Share of gross liabilities		-		-	
			<u>85,470</u>		<u>79,954</u>
Current assets					
Land & Buildings for sale		610		610	
Stock		64		45	
Debtors	<i>15</i>	2,885		4,039	
Cash at bank and in hand		6,522		13,312	
		<u>10,081</u>		<u>18,006</u>	
Creditors: amounts falling due within one year	<i>16</i>	<u>(13,721)</u>		<u>(10,556)</u>	
Net current (liabilities) / assets			<u>(3,640)</u>		<u>7,450</u>
Total assets less current liabilities			<u>81,830</u>		<u>87,404</u>
Creditors: amounts falling due after more than one year	<i>17</i>		<u>(14,110)</u>		<u>(14,790)</u>
Provisions for liabilities and charges	<i>19</i>		<u>(248)</u>		<u>(247)</u>
Net assets excluding pension liability			<u>67,472</u>		<u>72,367</u>
Net pension liability	<i>28</i>		<u>(16,829)</u>		<u>(19,221)</u>
Net assets including pension liability			<u>50,643</u>		<u>53,146</u>
Deferred capital grants	<i>20</i>		<u>18,771</u>		<u>17,653</u>
Reserves					
Income & expenditure account excluding pension reserves			43,531		49,381
Pension reserve			(16,829)		(19,221)
Income & expenditure including pension reserves	<i>22</i>		<u>26,702</u>		<u>30,160</u>
Revaluation reserve	<i>21</i>		<u>5,170</u>		<u>5,333</u>
Total			<u>50,643</u>		<u>53,146</u>

These financial statements were approved by the Corporation on 13 February 2014 and were signed on its behalf by:

Richard Eke
.....
R Eke
Chairman

L Merilion
.....
L Merilion
Principal

College balance sheet
at 31 July 2013

	Note	2013		2012	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	13		85,458		79,938
Investments	14				
Share of joint venture gross assets		(-)		(-)	
Share of joint venture gross liabilities		(-)		(-)	
			<u>-</u>		<u>-</u>
			85,458		79,938
Current assets					
Land & buildings for sale		610		610	
Stock		64		45	
Debtors	15	3,003		3,945	
Cash at bank and in hand		6,482		13,292	
		<u>10,159</u>		<u>17,892</u>	
Creditors: amounts falling due within one year	16	<u>(13,607)</u>		<u>(10,406)</u>	
Net current (liabilities) / assets			<u>(3,448)</u>		<u>7,486</u>
Total assets less current liabilities			<u>82,010</u>		<u>87,424</u>
Creditors: amounts falling due after more than one year	17		<u>(14,110)</u>		<u>(14,790)</u>
Provisions for liabilities and charges	19		(248)		(247)
Net assets excluding pension liability			<u>67,652</u>		<u>72,387</u>
Net pension liability	28		<u>(16,829)</u>		<u>(19,221)</u>
Net assets including pension liability			<u>50,823</u>		<u>53,166</u>
Deferred capital grants	20		<u>18,771</u>		<u>17,653</u>
Reserves					
Income & expenditure account excluding pension reserves	22		43,711		49,401
Pension reserve			<u>(16,829)</u>		<u>(19,221)</u>
Income & expenditure including pension reserves			<u>26,882</u>		<u>30,180</u>
Revaluation reserve	21		<u>5,170</u>		<u>5,333</u>
Total			<u>50,823</u>		<u>53,166</u>

These financial statements were approved by the Corporation on 13 February 2014 and were signed on its behalf by:


.....
R Eke
Chair


.....
L Meriljon
Principal

Consolidated cash flow statement
for the year ended 31 July 2013

	<i>Note</i>	2013 £000	2012 £000
Cash flow from operating activities	23	3,942	4,783
Returns on investments and servicing of finance	24	(1,149)	(1,351)
Capital expenditure and financial investment	25	(8,903)	(2,594)
Financing outflow	26	(680)	(680)
		<hr/>	<hr/>
(Decrease) / Increase in cash in the year		(6,790)	158
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net funds
for the year ended 31 July 2013

	<i>Note</i>	2013 £000	2013 £000
(Decrease) / increase in cash in the year		(6,790)	158
Cash outflow from repayments of amounts borrowed		680	680
		<hr/>	<hr/>
Movement in net funds in year		(6,110)	838
Net debt at beginning of year		(2,158)	(2,996)
		<hr/>	<hr/>
Net debt at year end	27	(8,268)	(2,158)
		<hr/> <hr/>	<hr/> <hr/>

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 2012/13.

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 financial statements have been prepared on the going concern basis, which the Corporation believes to be appropriate on the basis set out below.

The College has recently been reviewed under the intervention process, as set out in 'Rigour and Responsiveness in Skills (April 13)'. A Further Education (FE) Advisor was tasked with advising the Minister and Chief Executives of the Skills Funding Agency, on whether the college has the capacity and capability to deliver quality improvements and financial recovery. The College received a favourable outcome and the Minister endorsed the College Senior Management to lead its own recovery.

The College has implemented a Financial Recovery Action Plan ('FRAP') covering the period to 31 July 2015 and, as part of this, has prepared projected cash flow information for the period ending twelve months from the date of the approval of these financial statements. This has identified that the College is not financially viable as an independent entity in its present state and will be reliant on support from third parties, including the Skills Funding Agency and its bankers, Barclays. As detailed at Note 18, the College currently has £14,790,000 of loans outstanding with Barclays on terms negotiated in 2010. The terms of this agreement are for up to another 22 years.

Specifically, without such support, the College would be unable to settle the claw back of £5,078,463 in respect of underperformance against the 2012/13 Adult Single Budget and an additional £376,165 repayment for the underspend of Discretionary Learner Support Funds. Furthermore, in addition to the latter, based on its current cashflow projections, the College has a maximum requirement for a further £3,000,000 of cash flow support in March 2014, which includes 'head room' of £500,000.

Whilst the Skills Funding Agency cannot formally guarantee that it will continue to fund the College, it has indicated to the Corporation that it will defer the above funding claw backs and make available the cash flow support noted above, and furthermore through a regular monthly review of the College's working capital needs, ensure the College has sufficient cash resources to remain in operation for at least the next twelve months from the date of approval of these financial statements. The College's cash flow projections assume that the above funding clawbacks and the additional cash flow support will be repaid in full by August 2015.

The College has also discussed its forward financing needs with Barclays and the position regarding its compliance with its loan covenants. The College breached its loan covenants at 31 July 2013, for which a waiver was obtained from the bank in advance of the year end and it has remained in breach since that date, for which waivers have been provided by the bank. At the date of approval of these financial statements, Barclays had agreed amendments to the terms of the facility agreement, including revised covenants. On the basis of the College's current forecasts, the Corporation are satisfied the covenants will be met and that therefore the facility should be available to the College for at least the next twelve months from the date of approval of these financial statements.

Notes (continued)

1 Accounting Policies (continued)

Going concern (continued)

On the basis of the above, the Corporation considers that it will continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any college placing reliance on its funding body and bankers for financial support, the Corporation acknowledges that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, on the basis of the foregoing, they have no reason to believe that it will not do so.

The Corporation therefore believes it is appropriate to prepare the financial statements on a going concern basis.

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 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.

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.

Notes (continued)

1 Accounting Policies (continued)

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.

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.

Notes (continued)

1 Accounting Policies (continued)

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 2013. 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

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 2013 £000	TOTAL 2012 £000
Recurrent grant	33,744	186	33,930	38,275
Adjustment to funding relating to previous year	530	-	530	-
Work based learning including Train to Gain	7,120	-	7,120	9,691
Adjustment to funding relating to previous year	33	-	33	7
Releases of deferred capital grants				
Land and buildings	825	-	825	1,079
Equipment	45	45	90	66
ESF EUL	654	-	654	841
Other funds	189	52	241	269
Work Experience Pilot	97	-	97	80
Young Apprentices	-	-	-	19
Integrated Employment Skills	-	-	-	37
Widening Participation	-	132	132	118
	<hr/>	<hr/>	<hr/>	<hr/>
	43,237	415	43,652	50,482
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

3 Tuition fees and education contracts

	2013 £000	2012 £000
Tuition fees and charges		
UK Higher Education Students	2,180	1,292
European Union (EU) and United Kingdom	5,935	6,991
Non-EU students	779	774
	<hr/>	<hr/>
Fees paid by or on behalf of individual students	8,894	9,057
	<hr/>	<hr/>
Education contracts		
Local Education Authority	446	586
Higher Education (HE) income	1,653	3,004
Other income	137	237
	<hr/>	<hr/>
	2,236	3,827
	<hr/>	<hr/>
	11,130	12,884
	<hr/> <hr/>	<hr/> <hr/>

There were no tuition fees funded by bursaries (2012: £nil).

4 Research grants and contracts

	2013 £000	2012 £000
Releases from deferred capital grants (non main funding bodies)	85	86
Other grants and contracts	1	3
	<hr/>	<hr/>
	86	89
	<hr/> <hr/>	<hr/> <hr/>

5 Other income

	2013 £000	2012 £000
Residences, catering and conferences	165	109
Other income generating activities	546	564
Exam fees	388	582
Sales of materials	368	459
Student travel	553	387
Project income	341	269
VAT repayment*	-	555
Overage (note 31)	250	-
Regional Growth Fund income	191	-
Apprenticeship Training Agency income	891	600
Other income	912	753
	<hr/>	<hr/>
	4,605	4,278
	<hr/> <hr/>	<hr/> <hr/>

*Previously the College had entered into a lease and lease back arrangement in respect of some of its equipment purchases. During 2012 the College received a refund of VAT of £555k relating to this arrangement. There were no similar receipts in 2013.

Notes (continued)

6 Investment income

	2013	2012
	£000	£000
Bank interest receivable	79	104
	<u>79</u>	<u>104</u>

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:

	2013 No.	2012 No.
Teaching departments		
Teaching staff	574	614
Other	235	256
Teaching support services	167	164
Other support services	77	78
Administration and central services	103	101
Premises	49	51
Other	112	81
	<u>1,317</u>	<u>1,345</u>

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

	2013	2012
	£000	£000
Staff costs		
Wages and salaries	33,894	34,833
Social security costs	2,458	2,511
Other pension costs	3,883	4,038
FRS 17 adjustment	453	301
Contracted out lecturing services	459	867
Exceptional restructuring costs	2,437	841
	<u>43,584</u>	<u>43,391</u>

Notes (continued)

7 Staff numbers and costs (continued)

	2013	2012
	£000	£000
General education	632	617
Teaching departments		
Teaching staff	21,075	22,261
Other	6,232	6,539
Teaching support services	4,298	4,196
Other support services	2,161	2,194
Administration and central services	3,851	3,826
Premises	1,201	1,249
Other income generating activities	785	500
	<hr/>	<hr/>
Sub total	40,235	41,382
FRS 17 adjustment	453	301
Contracted out lecturing services	459	867
Exceptional restructuring costs	2,437	841
	<hr/>	<hr/>
	43,584	43,391
	<hr/> <hr/>	<hr/> <hr/>
Employment costs for staff on permanent contracts	33,791	35,510
Employment costs for staff on short term and temporary contracts	6,897	6,173
Contracted out lecturing services	459	867
Exceptional restructuring costs	2,437	841
	<hr/>	<hr/>
	43,584	43,391
	<hr/> <hr/>	<hr/> <hr/>

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 2013		Year ended 31 July 2012	
	Senior post holders	Other staff	Senior post holders	Other staff
	No.	No.	No.	No.
£60,001 to £70,000	1	5	-	12
£70,001 to £80,000	-	4	2	8
£90,001 to £100,000	3	1	-	-
£100,001 to £110,000	1	-	2	-
£110,001 to £120,000	1	1	-	-
£120,001 to £130,000	-	-	1	-
£130,001 to £140,000	-	2	-	-
£140,001 to £150,000	-	1	-	-
£160,001 to £170,000	-	2	-	-
£170,001 to £180,000	1	-	1	-
£180,001 to £190,000	-	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7*	17**	6	20
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*There were 7 Senior Post Holders in post at the 2013 year end. During the year, the post holder of the Deputy Principal changed. The new post holder joined the College from April 2013. 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.

** Includes a number of staff that received settlement payments in the year, as a result of the curriculum manager restructure.

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.

	2013 No.	2012 No.
The number of senior post-holders including the Principal was	7	7*

*2012 includes an additional senior member of staff, who became a Senior Post Holder during the year.

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

	2013 £000	2012 £000
Salaries	684	617
Benefits in kind	5	6
Pension contributions	98	79
Total emoluments	787	702

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

	2013 £000	2012 £000
Principal's salary	156	157
Benefits in kind	-	2
Pension contributions	22	13
	178	172

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

	2013	2012
	£000	£000
Teaching departments	3,916	4,209
Teaching support services	804	1,032
Other support services	1,170	1,120
Administration and central services	1,322	1,529
General education (Examinations and Marketing)	2,147	2,314
Premises costs - running costs	2,397	2,277
- maintenance	622	533
- rents and leases	791	827
Planned maintenance	559	236
Other income generating activities	36	30
Catering and residence operations	92	92
Franchised provision	2,619	4,185
Other expenses	338	329
	16,813	18,713
	16,813	18,713
Other operating expenses include:		
Operating leases (buildings & equipment)	833	825
Auditors remuneration:		
Financial statements audit *	32	32
Internal audit	19	19
Other services	6	2
	6	2
	6	2

* - includes £25,020 in respect of the College (2012: £25,020)

Notes *(continued)*

10 Interest payable

	2013	2012
	£000	£000
Bank loans	857	898
Pension finance costs	371	557
	1,228	1,455
	1,228	1,455

11 Taxation

Analysis of the tax charge:

	2013	2012
	£000	£000
United Kingdom corporation tax at 24% (2011/12 24%)	60	-
	60	-
	60	-

12 Deficit on continuing operations for the year

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

	2013	2012
	£000	£000
College's deficit for the year	(6,677)	(1,095)
Retained from subsidiary undertakings, after gift aid to the College	(160)	(56)
	(6,837)	(1,151)
	(6,837)	(1,151)

Notes (continued)

13 Tangible fixed assets

The College carries inherited assets at a net book value of £5,170,394 (2012: £5,333,961). 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 £000	Land and buildings freehold £000	Equipment £000	Assets in the course of construction £000	Total £000
<i>Cost or valuation</i>					
At 1 August 2012	12,979	87,078	19,797	2,178	122,032
Transfers	-	100	46	(146)	-
Additions	-	1,142	514	9,191	10,847
Transfer to current assets	-	-	-	-	-
Disposals	-	(123)	(6,232)	-	(6,355)
At 31 July 2013	12,979	88,197	14,125	11,223	126,524
<i>Depreciation</i>					
At 1 August 2012	3,043	22,898	16,137	-	42,078
Charge for the year	259	3,056	1,980	-	5,295
Disposals	-	(87)	(6,232)	-	(6,319)
At 31 July 2013	3,302	25,867	11,885	-	41,054
<i>Net book value</i>					
At 31 July 2013	9,677	62,330	2,240	11,223	85,470
At 1 August 2012	9,936	64,180	3,660	2,178	79,954

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 £16,474,381 (2012: £17,256,790) 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
<i>Cost or valuation</i>					
At 1 August 2012	12,979	87,078	19,780	2,178	122,015
Transfers	-	100	46	(146)	-
Additions	-	1,142	514	9,191	10,847
Transfer to current assets	-	-	-	-	-
Disposals	-	(123)	(6,232)	-	(6,355)
	12,979	88,197	14,108	11,223	126,507
At 31 July 2013	12,979	88,197	14,108	11,223	126,507
<i>Depreciation</i>					
At 1 August 2012	3,043	22,898	16,136	-	42,077
Charge for the year	259	3,056	1,976	-	5,291
Disposals	-	(87)	(6,232)	-	(6,319)
	3,302	25,867	11,880	-	41,049
At 31 July 2013	3,302	25,867	11,880	-	41,049
<i>Net book value</i>					
At 31 July 2013	9,677	62,330	2,228	11,223	85,458
At 1 August 2012	9,936	64,180	3,644	2,178	79,938

Notes (continued)

14 Investments

College	2013 £	2012 £
Subsidiary companies	3	3
	<u> </u>	<u> </u>
	£'000	£'000
Joint Ventures		
Share of Gross Assets	-	-
Share of Gross Liabilities	-	-
Associates	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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.

The College owns 100% of the issued ordinary shares of the South West Apprenticeship Company Limited, a company incorporated in England. The principal business activity is that of an apprenticeship training agency.

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

	2013		2012	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade debtors	850	782	975	827
Amounts owed by subsidiary undertakings	-	229	-	78
Other debtors	1,667	1,667	2,183	2,185
Prepayments and accrued income	368	325	548	522
Amounts due from funding bodies	-	-	333	333
	<u>2,885</u>	<u>3,003</u>	<u>4,039</u>	<u>3,945</u>

16 Creditors: amounts falling due within one year

Group	2013 £000	2012 £000
Bank loans and overdrafts (note 18)	680	680
Payments received on account	538	653
Trade creditors	1,475	1,589
Corporation Tax	60	-
Other taxation and social security	1,051	939
Accruals	4,279	4,275
Restricted funds on acquisition of Brunel & Gordano Training Limited	37	46
Amounts due to funding bodies	4,775	-
Other creditors	826	2,374
	<u>13,721</u>	<u>10,556</u>
College		
Bank loans and overdrafts	680	680
Payments received on account	469	547
Trade creditors	1,476	1,539
Corporation Tax	60	-
Other taxation and social security	1,043	930
Accruals	4,239	4,265
Restricted funds on acquisition of Brunel & Gordano Training Limited	37	46
Amounts due to funding bodies	4,775	-
Other creditors	828	2,399
	<u>13,607</u>	<u>10,406</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

Group and College	2013 £000	2012 £000
Bank loans (note 18)	14,110	14,790
	<u>14,110</u>	<u>14,790</u>

18 Borrowings:

Bank loans and overdrafts

Bank loans and overdrafts	2013 £000	2012 £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	11,390	12,070
	<u>14,790</u>	<u>15,470</u>

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 2012	247
Expenditure in the year	(18)
Transferred from income & expenditure account	<u>19</u>
At 31 July 2013	<u>248</u>

20 Deferred capital grants

	WIP	Other	Main funding bodies	Total
Group and College	£000	£000	£000	£000
At 1 August 2012	-	336	17,317	17,653
Cash receivable	1,998	-	120	2,118
Released to income and expenditure account	(-)	(85)	(915)	(1,000)
At 31 July 2013	<u>1,998</u>	<u>251</u>	<u>16,522</u>	<u>18,771</u>

Notes (continued)

21 Revaluation reserve

Group and College	2013 £000	2012 £000
At 1 August	5,333	5,722
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	(128)	(184)
Depreciation on disposal of revalued assets	(35)	(205)
	<hr/>	<hr/>
At 31 July	5,170	5,333
	<hr/> <hr/>	<hr/> <hr/>

22 Income and expenditure account

	Group £000	College £000
At 1 August 2012	30,160	30,180
Deficit on continuing operations after depreciation of assets at valuation and tax	(6,837)	(6,677)
Transfer from revaluation reserve to income and expenditure account		
Depreciation on revalued assets	128	128
Depreciation on disposal of revalued assets	35	35
Actuarial gain in respect of pension scheme	3,216	3,216
	<hr/>	<hr/>
At 31 July 2013	26,702	26,882
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Income and expenditure account – excluding pension reserve	43,531	43,711
Pension reserve	(16,829)	(16,829)
	<hr/>	<hr/>
At 31 July 2013	26,702	26,882
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Reconciliation of consolidated operating deficit to net cash inflow from operating activities

	2013	2012
	£000	£000
Deficit on continuing operations after depreciation of assets at valuation and tax	(6,837)	(1,151)
Depreciation (note 13)	5,295	5,593
Deferred capital grants released to income (note 20)	(1,000)	(1,230)
Profit on disposal of tangible fixed assets	(613)	(174)
Interest payable (note 10)	1,228	1,455
Pension cost less contributions payable (note 28)	824	858
(Increase) / decrease in stocks	(19)	10
Decrease in debtors	1,154	37
Increase / (Decrease) in creditors	3,988	(523)
Increase in provisions	1	12
Interest receivable (note 6)	(79)	(104)
	3,942	4,783
Net cash inflow from operating activities	3,942	4,783

24 Returns on investments and servicing of finance

	2013	2012
	£000	£000
Interest received	79	104
Interest paid	(1,228)	(1,455)
	(1,149)	(1,351)
Net cash outflow from returns on investments and servicing of finance	(1,149)	(1,351)

Notes (continued)

25 Capital expenditure

	2013 £000	2012 £000
Purchase of tangible fixed assets	(11,670)	(3,093)
Deferred capital grants received	2,118	100
Capital proceeds received	649	399
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(8,903)	(2,594)
	<hr/> <hr/>	<hr/> <hr/>

26 Financing

	2013 £000	2012 £000
Debt due beyond a year: Repayment of amounts borrowed	(680)	(680)
	<hr/>	<hr/>
Net cash outflow from financing	(680)	(680)
	<hr/> <hr/>	<hr/> <hr/>

27 Analysis of changes in net funds

	At 1 August 2012 £000	Cash flows £000	Other Changes £000	At 31 July 2013 £000
Cash at bank and in hand	13,312	(6,790)	-	6,522
Debt due within one year	(680)	-	-	(680)
Debt due after one year	(14,790)	680	-	(14,110)
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,158)	(6,110)	-	(8,268)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 £5,782,386 (2012: £5,868,695) of which employers' contributions were £3,772,939 (2012: £3,997,822) and employees contributions were £2,009,447 (2012: £1,870,873).

Notes (continued)

28 Pension and similar obligations (continued)	2013	2012
Total pension cost for the year	£000	£000
Teachers Pension Scheme: contributions paid	2,134	2,331
Local Government Pension Scheme:		
Contributions paid	1,639	1,665
FRS 17 charge	453	301
Charge to the Income and Expenditure Account (staff costs)	4,226	4,297
Enhanced pension charge / (release) to Income and Expenditure Account (staff costs)	19	29
Total Pension Cost	4,245	4,326

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 2012 to 31 July 2013 the employer contribution rate was 14.1% (2012: 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 2013 was £2,324,065 (2012: £2,392,417) of which employers contributions totalled £1,638,679 (2012: £1,665,894) and employees' contributions totalled £685,386 (2012: £726,523). The agreed employers contribution rate for the period August 2012 to March 2013 was 15.4%, and for the period April 2013 to July 2013 was 15.8%. 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 2013 by a qualified independent actuary.

Principal Actuarial Assumptions

	31 July 2013	31 July 2012	31 July 2011
	%	%	%
Inflation assumption (CPI)	2.4	2.1	2.9
Rate of increase in salaries	3.9	3.6	4.4
Rate of increase for pensions	2.4	2.1	2.9
Discount rate for liabilities	4.5	4.3	5.3
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 2013	At 31 July 2012
<i>Retiring today</i>		
Males	22.9	22.8
Females	25.9	25.7
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	28.2	28.1

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 2013	Value at 31 July 2013	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	%	£000
Equities	7.0	28,884	7.0	21,946	7.0	21,729
Government Bonds	3.3	4,792	2.5	4,652	3.9	4,654
Other Bonds	4.3	3,941	3.4	4,539	4.9	2,799
Property	5.7	3,179	6.0	2,776	6.0	2,379
Cash/Liquidity	0.5	806	0.5	675	0.5	595
Other	7.0	3,179	7.0	2,926	7.5	2,834
Total market value of assets		<u>44,781</u>		<u>37,514</u>		<u>34,990</u>

Notes *(continued)*

28 Pension and similar obligations *(continued)*

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
College's estimated asset share	44,781	37,514	34,990
Present value of scheme liabilities	<u>(61,610)</u>	<u>(56,735)</u>	<u>(50,061)</u>
Deficit in the scheme	<u><u>(16,829)</u></u>	<u><u>(19,221)</u></u>	<u><u>(15,071)</u></u>

Analysis of the amount charged to the income and expenditure account

	2013 £'000	2012 £'000
Employer service cost (net of employee contributions)	(2,093)	(1,976)
Effect of curtailment or settlements	(44)	(13)
Total operating charge	<u><u>(2,137)</u></u>	<u><u>(1,989)</u></u>

Analysis of pension finance cost

	2013 £'000	2012 £'000
Expected return on pension scheme assets	2,096	2,144
Interest on pension scheme liabilities	(2,467)	(2,701)
Pension finance cost	<u><u>(371)</u></u>	<u><u>(557)</u></u>

Notes (continued)

28 Pension and similar obligations (continued)

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

	2013	2012
	£'000	£'000
Actuarial gain / (loss) on pension scheme assets	4,379	(1,168)
Actuarial loss on scheme liabilities	(1,163)	(2,124)
	<u>3,216</u>	<u>(3,292)</u>
Actuarial gain / (loss) recognised in STRGL	<u>3,216</u>	<u>(3,292)</u>

Asset and Liability Reconciliation

	2013	2012
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	56,735	50,061
Service cost	2,093	1,976
Interest cost	2,467	2,701
Employee contributions	688	727
Actuarial loss	1,163	2,124
Benefits/transfers paid	(1,580)	(867)
Curtailments and settlements	44	13
Liabilities at end of period	<u>61,610</u>	<u>56,735</u>
Reconciliation of Assets		
Assets at start of period	37,514	34,990
Expected return on assets	2,096	2,144
Actuarial gain / (loss)	4,379	(1,168)
Employer contributions	1,684	1,688
Employee contributions	688	727
Benefits / transfers paid	(1,580)	(867)
Assets at end of period	<u>44,781</u>	<u>37,514</u>

Employer contributions for the year ended 31st July 2014 are estimated as £1,710,000.

Notes (continued)

28 Pension and similar obligations (continued)

History of experience gains and losses	Year ended 2013 £m	Year ended 2012 £m	Year ended 2011 £m	Year ended 2010 £m	Year ended 2009 £m
Difference between the expected and actual return on assets:					
Amount £m	4,379	(1,168)	0,053	2,557	(2,749)
% of scheme assets	(9.8%)	3.1%	(0.2%)	(8.0%)	11.1%
Experience gains and losses on scheme liabilities:					
Amount £m	1,163	2,124	(0,265)	2,755	(4,100)
% of scheme liabilities	1.9%	3.7%	(0.5%)	5.9%	(9.9%)
Total amount recognised in STRGL					
Amount £m	(3,216)	3,292	(0,318)	0,198	(1,351)
% of scheme liabilities	(5.2%)	5.8%	(0.6%)	(0.4%)	(3.3%)

29 Capital commitments

Group and College	2013 £000	2012 £000
Commitments authorised, but not contracted for, at 31 July	571	684

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Expiring within one year	132	12	389	30
Expiring between two and five years	20	132	51	665
	<u>152</u>	<u>144</u>	<u>440</u>	<u>695</u>

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 £250k of overage consideration (2012: £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

	2013 £000	2012 £000
Funding Body grants	2,279	1,764
Disbursed to students	(1,742)	(1,652)
Administration fees	(113)	(88)
	424	24
Interest Earned	5	4

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.