

BEDFORD COLLEGE

**Report and Financial Statements
for the year ended 31 July 2008**

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Operating and Financial Review

Nature, Objectives and Strategies:

The members present their report and the audited financial statements for the year ended 31 July 2008.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Bedford College. The College is an exempt charity for the purposes of the Charities Act 1993.

The Corporation was incorporated as Bedford College.

Mission

The College's mission, as approved by its members, is to:

- *Promote the value of learning*
- *Extend opportunity to enhance the social and economic development of the communities it serves*
- *Create purposeful learning environments that enable students to meet their aspirations*
- *Support and develop its staff*

and by so doing be perceived as the first choice provider of further education and training in Bedfordshire and its surrounding area.

Implementation of strategic plan

In July 2006 the members of the Corporation approved a new strategic plan for the four years to July 2010. The seven strategic aims contained therein are to be:

- the leading advocate for learning within the local community with strong and productive links with other partners
- a nationally recognised centre of excellence in arts and technology education
- the leading provider of care, leisure, and business training in the county
- the best local sixth form measured by results and value added
- a leading and innovative provider of work-based and community-based learning
- a provider of expert and individual guidance, advice and other student support services including first class learning environments
- a first choice employer, well managed and financially robust.

The College has continued to make sound progress in addressing the actions in the Strategic Plan to the extent that they are largely complete and a new Strategic Plan is being developed.

Financial objectives

The College has two key financial objectives, which are to remain financially robust and to remain solvent. There are also five strategic baseline indicators against which the College regularly measures itself and it was ahead of all of these during 2007-08.

Operating and Financial Review (continued)

Performance indicators

During the year, and in conjunction with its commitment to obtaining the European Foundation for Quality Management (EFQM) award, the College developed a set of process related key performance indicators which were monitored monthly.

Although the LSC continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. These development plans focus on four headline targets:

- learner number growth and achievement of LSC funding targets
- learner success rates
- teacher qualifications
- employer engagement

In 2007-08 the College exceeded its LSC full-time 16–18 learner number target by 4%, and the full-time adult target by 46%. The overall funding target was exceeded by 5%. Learner success is referred to below, and all teaching staff hold a recognised teaching qualification or are enrolled on a programme to achieve this. Employer engagement targets have been met.

The LSC is also moving towards a new system of performance measures for colleges, the “Framework for Excellence”. This framework is intended to be implemented across all providers in 2008/09 and in the intervening period, pilot institutions are developing the measures to be employed. The College will be monitored against the draft measures alongside the existing measures. The Framework has three dimensions:

- Responsiveness
- Effectiveness
- Finance

each of which has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

The College is committed to observing the importance of the measures and indicators within the draft Framework and is monitoring these through the completion of the annual Finance Record for the LSC. As benchmarks develop so the College will be better placed to take appropriate action in the light of the overall performance rating. The current rating of Good is considered an acceptable outcome.

Financial Position:

Financial results

The financial statements included in this report, show the College’s financial health continues to be outstanding. The LSC, in monitoring Colleges’ financial strength, continues to place the College in its highest category, ‘A’.

In the year there was a 6% increase in income to £23,100,000. The College exceeded its overall LSC funding target and regrets that such over-performance is no longer directly rewarded, although acknowledges the recognition given for such performance on future year settlements. The operating surplus fell to £472,000 from £561,000 in the previous year.

The relative financial health of the College means that it is well placed to continue its redevelopment plan, but the programme will be dependent upon continuing to receive substantial support from the LSC’s capital fund.

Operating and Financial Review (continued)

Tangible fixed asset additions during the year amounted to £3,460,000. This was split between land and buildings acquired of £2,361,000 and equipment purchased of £1,099,000. In the main, this related to the South Bank Arts Centre and 14-16 Centre.

The College has significant reliance on the LSC for its principal funding source, largely from recurrent grants. In 2007/08 the LSC provided 74% of the College's total income.

Treasury policies and objectives

The College has a treasury management policy in place covering the management of the College's cash flows, its banking, money market and capital market transactions. It deals with the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

Cash flows

At £960,000 (2006/07 £560,000), operating cash in flow was reasonably stable. There is a net cash outflow of £850,000 (2006/07 £2,007,000 net inflow), due to expenditure on building projects.

Liquidity

The College currently has good liquidity with no need for loans, following completion of the South Bank Arts Centre and prior to commencement of the next stage of the redevelopment work.

Student numbers

In 2007/08 the College has delivered activity that has produced £15,198,000 in LSC main allocation funding (2006/07 £14,393,000). The College had approximately 9,700 LSC-funded and 4,400 non-LSC-funded students.

Student achievements

Students continue to prosper at the College. Overall success rates are now at 83%. This is the best achieved by a local college and puts us right at the top of the table. There is no reason to expect the upwards trend of the last few years to be reversed.

Curriculum developments

Some good progress was made across the college in terms of curriculum development and achievement. Some noteworthy elements were:

- the opening of the new South Bank Arts Centre
- excellent levels of growth in the 14-16 age group
- the College's continuing success as the lead institution in Bedfordshire for Train to Gain, leading the Bedfordshire and Luton consortium of colleges and training providers
- significant progress continues with the University of Bedfordshire, in further developing higher education at the College

Future developments

The College continues with its redevelopment plans which upon completion will provide a quality learning establishment for all its students and staff.

Operating and Financial Review (continued)

Principal Risks and Uncertainties:

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

Based on the strategic plan, the Executive team acting as the Risk Management Group undertakes a comprehensive review of the 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 Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

Stakeholder Relationships:

Equal opportunities and employment of disabled persons

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

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

Disability statement

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

Operating and Financial Review (continued)

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 11 November 2008 and signed on its behalf by:

Roger Whysall
Chair

Professional advisers

Financial statement and regularity auditors:

MacIntyre Hudson LLP

Internal auditors:

RSM Bentley Jennison

Bankers:

Barclays Bank PLC

Solicitors:

Borneo Linnels

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2008.

The Corporation

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

Name	Date of Appointment	Term of Office	Date of Retirement or Resignation	Category of Membership
Mr M R Weeden Chairman to 30.11.07	Re-appointed July 2006	4 years		External (Business)
Mr R Whysall Chairman wef 1.12.07	Re-appointed March 2005	4 years		External (Business)
Mr M Whitlock Vice Chair	Re-appointed July 2008	3 years		External
Miss P I Barrett	Re-appointed November 2006	4 years		External (Co-opted)
Mr K Bromboszcz	Re-appointed July 2008	4 years		External
Mr B Cue	July 2006	4 years	30 Nov 2007	Local Authority
Mr J Frost	July 2006	4 years		External (Community)
Mr M J Hartley	Re-appointed December 2007	4 years		External (Community)
Mrs L Hockey	November 2006	4 years		External (Co-opted)
Mr B S Hundal	Re-appointed March 2008	4 years		External
Ms J Hunt	Re-appointed July 2008	4 years		External
Mr M Y Kiteley	Re-appointed July 2006	4 years		External (Business)
Mr D A Parry	Re-appointed December 2005	4 years		External (Business)
Mr I Pryce	December 1998	-		Chief Executive
Mrs E M A Punter	Re-appointed August 2007	2 years		Staff
Mr D J Shingler	Re-appointed May 2008	4 years		External
Mr D Sims	July 2008	1 year		Student
Miss S Smith	November 2007	9 months	31 July 2008	Student
Miss V Taylor	August 2007	1 year	31 July 2008	Student
Mr M Ward	August 2007	2 years		Staff

Statement of Corporate Governance and Internal Control (continued)

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

Corporation Committees and their membership during the year

Audit	Mr D A Parry* Mr B Cue (to 30.11.07) Mr M Y Kiteley**	Mr M Whitlock Mr M Ward (wef 1.12.07)
Corporate Governance	Mr R Whysall* (Chair wef 1.12.07) Mr M R Weeden* (Chair to 30.11.07) Miss P I Barrett Mr K Bromboszcz (wef 1.12.07) Mr M Y Kiteley	Mr D A Parry Mr I Pryce Mr D J Shingler Mr M Whitlock**
Finance, Estates & Strategy	Mr K Bromboszcz* (Chair wef 1.12.07; Vice Chair to 30.11.07) Mr R Whysall* (Chair to 30.11.07) Mr M Hartley Mrs L Hockey** (Vice Chair wef 1.12.07)	Mr I Pryce Mr D J Shingler Mr M R Weeden
Human Resources	Mr M Whitlock* Miss P I Barrett Mr. J. Frost	Mr B Hundal** Mr I Pryce Mr R Whysall
Remuneration	Mr R Whysall* (Chair wef 1.12.07, Vice Chair to 30.11.07) Mr M R Weeden** (Chair to 30.11.07, Vice Chair wef 1.12.07) Miss P I Barrett Mr K Bromboszcz (wef 1.12.07)	Mr M Y Kiteley Mr D A Parry Mr D J Shingler Mr M Whitlock
Search	Mr D J Shingler* Miss P I Barrett Mr M Hartley** Mr B Hundal Mr M Y Kiteley Mr D A Parry	Mr I Pryce Mrs E M A Punter (wef 1.12.07) Mr M R Weeden Mr M Whitlock Mr R Whysall
Quality, Standards and Achievement	Mr M Y Kiteley* Mr K Bromboszcz Mr B Hundal Ms J Hunt** Mr I Pryce Mrs E M A Punter	Mr D Sims (wef 1.8.08) Miss S Smith (1.12.07-31.7.08) Miss V Taylor (to 31.7.08) Mr M Ward Mr M Weeden

*Committee Chair

** Committee Vice-Chair

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation Board meets at least three times a year.

Full minutes of all meetings, except those deemed to be confidential by the members of the Corporation, are available from the Clerk to the Corporation at:

Bedford College
Cauldwell Street
Bedford
MK42 9HA

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

Statement of Corporate Governance and Internal Control (continued)

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of twelve members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training for new members is provided as required.

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

Remuneration committee

Throughout the year ending 31 July 2008, the College's Remuneration Committee comprised eight members of the Corporation. The Committee has delegated authority from the Corporation to determine the remuneration and terms and conditions of employment of the Chief Executive and other senior post-holders.

Details of remuneration of the Chief Executive and other senior post-holders for the year ended 31 July 2008 are set out in note 6 to the financial statements.

Audit committee

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

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

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Statement of Corporate Governance and Internal Control (continued)

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bedford College for the year ended 31 July 2008 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2008 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Bedford College has an internal audit service, which operates in accordance with the requirements of the LSC's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Head of Internal Audit (HIA) provides the members of the Corporation with an annual report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors (for colleges in plan-led funding), the LSC-appointed funding auditors (for colleges outside plan-led funding) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2008 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2008 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2008.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 11 November 2008 and signed on its behalf by:

R Whysall

Chairman

I Pryce

Chief Executive

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the LSC 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 Institutions* 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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 LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC may prescribe from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the LSC are not put at risk.

Approved by order of the members of the Corporation on 11 November 2008 and signed on its behalf by:

R Whysall
Chair

Independent Auditors' Report to the Corporation of Bedford College

We have audited the financial statements of Bedford College for the year ended 31 July 2008, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Corporation, as a body, in accordance with statutory requirements. 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 Bedford College and Auditors

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Members Report and financial statements in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

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

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the Corporation of Bedford 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 as at 31 July 2008 and of the College's surplus of income over expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

MacIntyre Hudson LLP

Date

Chartered Accountants
Registered Auditors

New Bridge House
30-34 New Bridge Street
London
EC4V 6BJ

Independent Auditors' Report on Regularity to the Corporation of Bedford College ('the Corporation') and the Learning and Skills Council ('the LSC')

In accordance with the terms of our engagement letter dated 10 May 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Bedford College ('the College') for the year ended 31 July 2008 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 LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC 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 LSC, for our review work, for this report, or for the opinion we have formed.

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

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2008 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2008 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

MacIntyre Hudson LLP
Chartered Accountants

Date

Income and Expenditure Account

	Notes	2008 £'000	2007 £'000
INCOME			
Funding council income	2	18,159	17,118
Tuition fees and education contracts	3	3,550	3,329
Other income		1,072	907
Endowment and investment income	4	373	376
		<hr/>	<hr/>
Total income		23,154	21,730
EXPENDITURE			
Staff costs	5	14,715	13,649
Other operating expenses	7	6,632	6,152
Depreciation	11	1,295	1,332
Interest payable	8	-	36
		<hr/>	<hr/>
Total expenditure		22,642	21,169
Surplus on continuing operations after depreciation of assets at valuation and before tax		512	561
(Loss)/profit on disposal of assets	11	(40)	3,701
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		472	4,262
Taxation	9	-	-
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation and tax	10	472	4,262
		<hr/>	<hr/>
Surplus for the year retained within general reserves		472	4,262

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

Statement of Historical Cost Surplus

	Notes	2008 £'000	2007 £'000
Surplus on continuing operations before taxation	10	472	4,262
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	16	207	207
Disposals	16	-	71
		<u>679</u>	<u>4,540</u>
Historical cost surplus for the year before taxation		<u>679</u>	<u>4,540</u>
Historical cost surplus for the year after taxation		<u>679</u>	<u>4,540</u>

Statement of Total Recognised Gains and Losses

	Notes	2008 £'000	2007 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax	10	472	4,262
Actuarial (loss)/gain in respect of pension scheme	24	(56)	1,271
		<u>416</u>	<u>5,533</u>
Total recognised losses since last report		<u>416</u>	<u>5,533</u>
Reconciliation			
Opening reserves and endowments		21,640	16,107
Total recognised losses for the year		416	5,533
		<u>22,056</u>	<u>21,640</u>
Closing reserves and endowments		<u>22,056</u>	<u>21,640</u>

Balance sheets as at 31 July

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	11	25,041	22,916
		<hr/>	<hr/>
Total fixed assets		25,041	22,916
		<hr/>	<hr/>
Current assets			
Stocks		37	33
Debtors	12	995	1,403
Investments	22	4,100	5,450
Cash at bank and in hand	22	823	323
		<hr/>	<hr/>
Total current assets		5,955	7,209
Less: Creditors – amounts falling due within one year	13	(2,633)	(3,355)
		<hr/>	<hr/>
Net current assets		3,322	3,854
		<hr/>	<hr/>
Total assets less current liabilities		28,363	26,770
		<hr/>	<hr/>
Less: Creditors – amounts falling due after more than one year	14	-	-
		<hr/>	<hr/>
Net assets excluding pension liability		28,363	26,770
		<hr/>	<hr/>
Net pension (liability)	24	(1,984)	(1,712)
		<hr/>	<hr/>
NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)		26,379	25,058
		<hr/>	<hr/>
Deferred capital grants	15	4,323	3,418
		<hr/>	<hr/>
Income and expenditure account excluding pension reserve	17	14,512	13,617
Pension reserve	24	(1,984)	(1,712)
		<hr/>	<hr/>
Income and expenditure account including pension reserve	17	12,528	11,905
Revaluation reserve	16	9,528	9,735
		<hr/>	<hr/>
Total reserves		22,056	21,640
		<hr/>	<hr/>
TOTAL		26,379	25,058
		<hr/>	<hr/>

The financial statements on pages 17 to 38 were approved by the Corporation on 11 November 2008 and were signed on its behalf on that date by:

R Whysall - Chair

I Pryce - Principal

Cash Flow Statement

	Notes	2008 £'000	2007 £'000
Cash inflow from operating activities	18	963	557
Returns on investments and servicing of finance	19	335	376
Taxation	9	-	-
Capital expenditure and financial investment	20	(2,148)	1,074
Management of liquid resources	21	1,350	(2,350)
		<hr/>	<hr/>
Increase / (decrease) in cash in the year	22	<u>500</u>	<u>(343)</u>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase/(decrease) in cash in the period	22	500	(343)
Cash inflow from liquid resources	21	(1,350)	2,350
		<hr/>	<hr/>
Movement in net funds in the period	22	(850)	2,007
Net funds at 1 August	22	5,773	3,766
		<hr/>	<hr/>
Net funds at 31 July	22	<u>4,923</u>	<u>5,773</u>

Notes to the Accounts

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the LSC in the Accounts Direction Handbook.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Recognition of income

The recurrent grants from the LSC and HEFCE represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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

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

Post retirement benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 24, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Notes to the Accounts (continued)

1 Accounting policies (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the LSC.

Tangible fixed assets

Land and buildings

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

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

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

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

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

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. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

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

Notes to the Accounts (continued)

1 Accounting policies (continued)

Tangible Fixed Assets (continued)

Equipment

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

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

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

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

Leased assets

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

The College had no assets on finance leases as at 31 July 2008.

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.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Foreign currency translation

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

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

Notes to the Accounts (continued)

1 Accounting policies (continued)

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid resources

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

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 30.

Notes to the Accounts (continued)

2 Funding council income

	Notes	2008 £'000	2007 £'000
Recurrent grant - LSC		15,198	14,393
Recurrent grant - HEFCE		938	925
Non recurrent grants - LSC		1,881	1,640
Releases of deferred capital grants	15	<u>142</u>	<u>160</u>
		<u>18,159</u>	<u>17,118</u>

The College is the lead partner in a consortium delivering Train to Gain in the Eastern region. The income shown above includes that earned by the College in its capacity both as a provider and as a consortium lead. All other income claimed from the LSC and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

	2008 £'000	2007 £'000
Train To Gain income	1,183	86
Payments to non college partners	(763)	(28)
Payments to FE College partners	(85)	-
	<u>335</u>	<u>58</u>
Net income	<u>335</u>	<u>58</u>

3 Tuition fees and education contracts

	2008 £'000	2007 £'000
Tuition fees	1,999	2,003
Education contracts	1,551	1,326
	<u>3,550</u>	<u>3,329</u>
Total	<u>3,550</u>	<u>3,329</u>

4 Endowment and investment income

	Notes	2008 £'000	2007 £'000
Other interest receivable		335	376
		<u>335</u>	<u>376</u>
Pension finance income	24	38	
		<u>373</u>	<u>376</u>
Total		<u>373</u>	<u>376</u>

Notes to the Accounts (continued)

5 Staff costs

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

	2008 No.	2007 No.
Teaching staff	367	368
Non teaching staff	119	124
	<u>486</u>	<u>492</u>
Staff costs for the above persons		
	2008 £'000	2007 £'000
Wages and salaries	11,986	11,201
Social security costs	887	828
Other pension costs (including FRS 17 adjustments of £254,000 – 2007 £291,000)	1,532	1,453
	<u>14,405</u>	<u>13,482</u>
Contracted out staffing services	310	167
	<u>14,715</u>	<u>13,649</u>

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

	Senior post-holders		Other staff	
	2008 No.	2007 No.	2008 No.	2007 No.
£ 60,001 to £ 70,000	1	1	3	-
£ 70,001 to £ 80,000	-	1	-	-
£ 80,001 to £ 90,000	1	1	-	-
£ 90,001 to £100,000	1	-	-	-
£120,001 to £130,000	-	1	-	-
£130,001 to £140,000	1	-	-	-
	<u>4</u>	<u>4</u>	<u>3</u>	<u>-</u>

6 Senior post-holders' emoluments

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

Notes to the Accounts (continued)

Senior post-holders' emoluments (continued)

	2008 No.	2007 No.
The number of senior post-holders including the Principal was:	5	5

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

	2008 £'000	2007 £'000
Salaries	370	345
Benefits in kind	10	9
Pension contributions	43	38
Total emoluments	423	392

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

	2008 £'000	2007 £'000
Salaries	115	104
Benefits in kind	7	7
Sales and benefits	122	111
Pension contributions	13	10

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

7 Other operating expenses

	2008 £'000	2007 £'000
Teaching costs	2,426	2,585
Non teaching costs	2,239	2,051
Premises costs	1,967	1,516
Total	6,632	6,152

Other operating expenses include:

	£'000	£'000
Auditors' remuneration:		
Financial statements audit	17	16
Internal audit	14	13
Other services provided by the financial statements auditors	-	-
Other services provided by the internal auditors	-	4
Losses on disposal of tangible fixed assets (where not material)	(40)	(71)
Hire of plant and machinery – operating leases	47	36
Hire of other assets – operating leases	-	-

Notes to the Accounts (continued)

8 Interest payable

		2008 £'000	2007 £'000
Pension finance costs	24	-	36
Total		<u>-</u>	<u>36</u>

9 Taxation

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

10 Surplus on continuing operations for the period

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

	2008 £'000	2007 £'000
College's surplus for the period	472	4,262
Total	<u>472</u>	<u>4,262</u>

11 Tangible fixed assets

	Land and Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2007	25,113	3,952	29,065
Additions	2,361	1,099	3,460
Surplus on revaluation	-	-	-
Disposals	(44)	-	(44)
At 31 July 2008	<u>27,430</u>	<u>5,051</u>	<u>32,481</u>
Depreciation			
At 1 August 2007	3,810	2,339	6,149
Charge for the year	575	720	1,295
Revaluation	-	-	-
Elimination in respect of disposals	(4)	-	(4)
At 31 July 2008	<u>4,381</u>	<u>3,059</u>	<u>7,440</u>
Net book value at 31 July 2008	<u>23,049</u>	<u>1,992</u>	<u>25,041</u>
Net book value at 31 July 2007	<u>21,303</u>	<u>1,613</u>	<u>22,916</u>

Notes to the Accounts (continued)

11 Tangible fixed assets (continued)

Inherited	9,524	-	9,524
Financed by capital grant	3,596	727	4,323
Other	9,929	1,265	11,194
	<hr/>		
Net Book Value at 31 July 2008	23,049	1,992	25,041

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

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £9,523,753 have been partly financed by 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 LSC, to surrender the proceeds.

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
	<hr/>
Net book value based on cost	Nil

12 Debtors: amounts falling due within one year

	2008	2007
	£'000	£'000
Trade debtors	181	359
Prepayments and accrued income	769	1,044
Amounts owed by the LSC	45	-
	<hr/>	<hr/>
Total	995	1,403

13 Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Payments received in advance	620	1,116
Trade creditors	450	201
Other taxation and social security	400	371
Accruals	1,115	1,650
Amounts owed to the LSC	48	17
	<hr/>	<hr/>
Total	2,633	3,355

Notes to the Accounts (continued)

14 Creditors: amounts falling due after more than year

	2008 £'000	2007 £'000
Other Creditors	-	-
Total	-	-

15 Deferred capital grants

	LSC grants £'000	Other grants £'000	Total £'000
At 1 August 2007	2,637	781	3,418
Cash received	261	1,050	1,311
Released to income and expenditure account	(142)	(264)	(406)
Total	2,756	1,567	4,323

16 Revaluation reserve

	Notes	2008 £'000	2007 £'000
At 1 August		9,735	10,013
Revaluations in the period			
Transfer from revaluation reserve to general reserve in respect of:			
Disposals		-	(71)
Depreciation on revalued assets		(207)	(207)
At 31 July		9,528	9,735

17 Movement on general reserves

	Notes	£'000	£'000
Income and expenditure account reserve			
At 1 August		11,905	6,094
Surplus retained for the year	10	472	4,262
Transfer from revaluation reserve	16	207	278
Actuarial loss in respect of pension scheme	24	(56)	1,271
At 31 July		12,528	11,905
Balance represented by:			
Pension reserve	24	(1,984)	(1,712)
Income and expenditure account reserve excluding pension reserve		14,512	13,617
At 31 July		12,528	11,905

Notes to the Accounts (continued)

18 Reconciliation of continued operating surplus to net cash inflow from operating activities

	Notes	2008 £'000	2007 £'000
Surplus on continuing operations after depreciation of assets at valuation	10	472	4,262
Depreciation	11	1,295	1,332
Deferred capital grants released to income	15	(406)	(439)
Loss/(surplus) on disposal of tangible fixed assets	11	40	(3,630)
Interest payable	24	-	36
Interest receivable	4	(335)	(376)
FRS 17 pension cost less contributions payable	24	254	(209)
FRS 17 pension finance income	24	(38)	-
(Increase) in stocks		(5)	(8)
Decrease/(Increase) in debtors	12	408	(665)
(Decrease)/increase in creditors	13	(722)	244
Net cash inflow from operating activities		963	547

19 Returns on investments and servicing of finance

	Notes	2008 £'000	2007 £'000
Other interest received	4	335	376
Interest paid	24	-	(36)
Interest element of pension	24	38	-
Net cash inflow from returns on investment and servicing of finance		373	340

20 Capital expenditure and financial investment

	Notes	2008 £'000	2007 £'000
Purchase of tangible fixed assets	11	(3,459)	(4,820)
Sales of tangible fixed assets	11	-	3,701
Deferred capital grants received	15	1,311	2,193
Net cash outflow from capital expenditure and financial investment		(2,148)	1,074

Notes to the Accounts (continued)

21 Management of liquid resources

	Notes	2008 £'000	2007 £'000
Withdrawals from deposits	22	1,350	-
Placing of deposits		-	(2,350)
Net cash inflow from management of liquid resources		1,350	(2,350)

22 Analysis of changes in net funds

	At 1 August 2007 £'000	Cash flows £'000	At 31 July 2008 £'000
Cash in hand, and at bank	323	500	823
Current asset investments	5,450	(1,350)	4,100
Total changes in net funds	5,773	(850)	4,923

23 Major non-cash transactions

Nil

24 Pension and similar obligations

The College's employees may belong to one of two pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedfordshire County Council. Both are defined-benefit schemes.

Total pension cost for the year	2007/08 £000	2006/07 £000
Teachers Pension Scheme: contributions paid	859	773
Local Government Pension Scheme:		
Contributions paid	419	889
FRS 17 charge	254	(209)
Charge to the Income and Expenditure Account (staff costs)	673	680
Enhanced pension charge to Income and Expenditure Account (staff costs)	-	-
Total Pension Cost for Year	1,532	1,453

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2007.

Notes to the Accounts (continued)

24 Pension and similar obligations (continued)

Teachers' Pension Scheme

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

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

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

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2007 to 31 July 2008 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2008 was £643,000 of which employer's contributions totalled £419,000 and employees' contributions totalled £224,000. The agreed contribution rates for future years are 11.9% for employers and contributions of between 5.5% and 7.5% dependant of the full time equivalent salary for employees.

Notes to the Accounts (continued)

24 Pensions and similar obligations (continued)

FRS 17

<u>Principal Actuarial Assumptions</u>	At 31 July 2008	At 31 July 2007
Rate of increase in salaries	5.3%	4.8%
Rate of increase for pensions in payment / inflation	3.8%	3.3%
Discount rate for liabilities	6.7%	5.8%
Commutation of pensions to lump sums		

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 2008	At 31 July 2007
<u>Retiring today</u>		
Males	19.60	18.40
Females	22.50	21.30
<u>Retiring in 20 years</u>		
Males	20.70	19.60
Females	23.60	22.50

Local Government Pension Scheme (Continued)

The assets and liabilities in the scheme (of which the college's share is estimated to be 0.77%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007
		£'000		£'000
Equities	7.8%	6,383	8.0%	6,854
Bonds	5.7%	1,745	5.2%	1,552
Property	5.7%	861	6.0%	1,053
Cash	4.8%	283	5.1%	333
Total market value of assets		9,272		9,792
Present value of scheme liabilities				
- Funded		(11,256)		(11,504)
- Unfunded		-		-
(Deficit) in the scheme		(1,984)		(1,712)

Notes to the Accounts (continued)

24 Pensions and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	2008 £'000	2007 £'000
Employer service cost (net of employee contributions)	550	668
Past service cost	123	12
	<hr/>	<hr/>
Total operating charge	673	680

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	724	554
	(686)	(590)
Interest on pension liabilities	<hr/>	<hr/>
Pension finance income / (costs)	38	(36)

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

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(1,664)	219
Experience (losses)	-	(3)
Change in financial and demographic assumptions underlying the scheme liabilities	1,608	1,055
	<hr/>	<hr/>
Actuarial loss recognised in STRGL	(56)	1271

Local Government Pension Scheme (Continued)

Movement in surplus/(deficit) during year

	2008 £'000	2007 £'000
Surplus/(deficit) in scheme at 1 August	(1,712)	(3,156)
Movement in year:		
Employer service cost (net of employee contributions)	(550)	(668)
Employer contributions	419	889
Past service cost	(123)	-
Impact of curtailments & settlements	-	(12)
Net interest/return on assets	38	(36)
Actuarial (loss) / gain	(56)	1,271
	<hr/>	<hr/>
(Deficit) in scheme at 31 July	(1,984)	(1,712)

Notes to the Accounts (continued)

24 Pensions and similar obligations (continued)

Asset and Liability Reconciliation

	2008 £'000	2007 £'000
Reconciliation of Liabilities		
Liabilities at start of period	11,504	11,185
Service cost	550	668
Interest cost	686	590
Employee contributions	224	200
Experience gains and losses on scheme liabilities	-	-
Actuarial (gain)/loss	(1,608)	(1,052)
Benefits paid	(223)	(99)
Past Service cost	123	-
Curtailments and settlements	-	12
Liabilities at end of period	11,256	11,504
Reconciliation of Assets		
Assets at start of period	9,792	8,029
Expected return on assets	724	554
Actuarial gain/(loss)	(1,664)	219
Employer contributions	419	889
Employee contributions	224	200
Benefits paid	(223)	(99)
Assets at end of period	9,272	9,792

Local Government Pension Scheme (Continued)

History of experience gains and losses

	2008	2007	2006	2005	2004
Difference between the expected and actual return on assets:					
Amount £'000	(1,664)	219	288	653	46
percentage of scheme assets	-17.9%	2.2%	3.6%	9.7%	0.9%
Experience gains and losses on scheme liabilities:					
Amount £'000	1,031	(3)	-	(86)	-
percentage of scheme liabilities	9.2%	0.0%	0.0%	0.9%	0.0%
Total amount recognised in STRGL:					
Amount £'000	(56)	1,271	(172)	(508)	71
percentage of scheme liabilities	0.0%	11.0%	-1.5%	-5.4%	1.0%

Notes to the Accounts (continued)

25 Contingent liability

At 31 July 2008, the College had a money market investment of £1,300,000 with Heritable Bank, a subsidiary of the Icelandic bank Landsbanki. This amount is included within the Investments figure in the accounts. The investment, placed on 13 February 2008, was due to mature on 7 October 2008. On this date, Heritable Bank was put into administration and the College has to date been unable to recover these funds.

No provision has been made in the accounts against this deposit as there is currently no reliable information available to determine how much, if any, of this investment may be recovered.

26 Post-balance sheet events

On 30 September 2008, the College placed a further £650,000 on a money market investment with Heritable Bank. At the time of placing this investment, College management had no indication that the Bank was undergoing any problems, and indeed its credit rating at this time was within those specified by the College's treasury management policy.

On 7 October 2008, Heritable Bank (which is a subsidiary of the Icelandic bank Landsbanki) was put into administration and all assets frozen. As detailed in note 25, the College has been unable to recover other funds invested with this bank, and it is currently unsure how much, if any, of this investment it may be able to recover.

27 Capital commitments

	2008 £'000	2007 £'000
Commitments contracted for at 31 July	1,888	2,610
Authorised but not contracted for at 31 July	185	-

28 Financial commitments

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

	2008 £'000	2007 £'000
Land and buildings		
Expiring within one year	32	39
Expiring within two and five years inclusive	236	198
Expiring in over five years	85	112
	<u>353</u>	<u>349</u>
Other		
Expiring within one year	8	22
Expiring within two and five years inclusive	-	-
Expiring in over five years	-	-
	<u>8</u>	<u>22</u>

Notes to the Accounts (continued)

29 Related party transactions

Owing to the nature of the College's operations and the composition of the Corporation Board 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 Corporation Board may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with the LSC and HEFCE are detailed in notes 2, and 15.

30 Amounts disbursed as agent

Learner support funds

	2008 £'000	2007 £'000
LSC grants – hardship funds	187	165
LSC grants – childcare	66	58
Other Funding bodies grants	<u>2</u>	<u>26</u>
	255	249
Disbursed to students	(255)	(231)
Amount consolidated in financial statements	-	(18)
	<u> </u>	<u> </u>
Balance unspent as at 31 July, included in creditors	<u> </u>	<u> </u>
	-	-

LSC grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.