Oxford and Cherwell Valley College

Members' report and financial statements

For the year ended 31 July 2012

Members' report and financial statements

Page **Contents**

Members' report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal Status

The Corporation was established by the Secretary of State for Education and Skills on 1 April 2003 under the provisions of the Further and Higher Education Act 1992 for the purpose of conducting the business of Oxford and Cherwell College. On 1 August 2003, the property, rights and liabilities of Oxford College of Further Education, North Oxfordshire College and Rycotewood College were transferred to Oxford and Cherwell College, a further education corporation incorporated for the purposes of running the activities of these three Colleges on a merged basis. At the date of merger, responsibility for the financial operations of the three former Colleges passed to the Governors and management of Oxford and Cherwell College.

On 17th August 2005 the College changed its name to Oxford and Cherwell Valley College (OCVC).

Mission

Our students will be equipped with the contemporary knowledge, professional values and interpersonal skills to achieve employment and citizenship.

Intent

We will strive for excellence in all that we do.

Values

Inspire, Innovate, Respect

Strategic Priorities

The College has six strategic priorities aligned to six key themes, which together incorporate all of our activities.

Teaching and Learning
- To deliver inspirational teaching that equips our students with contemporary knowledge and professional skills, enabling them to be active learners, employees and citizens.

People and Change
- To help our staff be professional and proactive in their pursuit of current knowledge and skills, and to demonstrate their commitment to embodying our values, and responding positively and innovatively to the challenges we face.

Strategic Relationships
- To develop key partnerships with employers, community groups, schools, higher education and other agencies, to deliver leading-edge provision to the benefit of our students.

Curriculum Development and Design
- To develop a distinctive and leading-edge curriculum which delivers the skills needed by locally-based employers and provides students with valuable skills for the future.

Operating and Financial Review *(continued)*

Strategic Priorities (continued)

Customer Experience
- To develop our systems, processes and people so that we captivate our customers with an outstanding experience.

Efficiency and Stewardship
- To have good financial health, be highly commercial and care for the environment.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Developments

Reading College

On 1st August 2010 the College, along with its then partner, The Learning and Skills Network (LSN), acquired the Further Education business and assets of the former Reading College from Thames Valley University (now University of West London).

Group Structure

Reading College was owned and controlled by Reading College Limited, a company limited by guarantee and a registered charity. The original members of the company were LSN and OCVC, but following the withdrawal of LSN on 31st March 2011, OCVC became the sole member and the company was wholly controlled by OCVC. The structure of Reading College was unique and had the following characteristics:

- OCVC was the sole Member of the company.
- All of the directors of the company were appointed by OCVC and were either OCVC Governors or employees.
- All of the company's public funding (the vast majority of its income) was received from OCVC. Because it is not a 'designated FE College' the SFA and the EFA did not fund it directly, instead they gave all of the funding to OCVC.
- OCVC was effectively the funding body, which means all of the publicly funded students at Reading College were technically students of OCVC.
- All of the staff employed at Reading College are employees of OCVC, but seconded to Reading and managed by the local senior management team.
- The freehold buildings at Reading are owned by OCVC and were leased to Reading College Limited.
- Reading College is financially dependent upon OCVC.
- OCVC provides Reading College with the following shared services; Finance, Management Information, Property and Facilities, IT Services, Business Development, Human Resources.

Considering the characteristics described above, it was decided that the financial results of Reading College should be consolidated into the OCVC financial statements in 2010/11.

On 1st August 2012, the assets and business of Reading College Limited were transferred to the OCVC Corporation and Reading College Limited ceased trading. Reading College retains a separate identity and continues to be locally managed. A Community Board was created in 2011/12, which reports to the OCVC Corporation and represents the interests of the local community.

Operating and Financial Review *(continued)*

Financial position

Financial results

The income and expenditure account on page 16 consolidates the results of OCVC and Reading College. The breakdown of the income and expenditure by College is analysed below:

	OCVC	Reading College	Group
	£000	***£000***	***£000***
Total income	32,965	19,678	52,643
Total expenditure	(31,542)	(19,012)	(50,554)
Surplus / (deficit) for the year before FRS17 adjustments	**1,423**	**666**	**2,089**
FRS 17 retirement benefits charge – pension finance cost	(158)	0	(158)
FRS 17 retirement benefits (credit)/charge – staff costs	(495)	0	(495)
Surplus/ (deficit) for the year	**770**	**666**	**1,436**

OCVC reported a surplus (excluding FRS 17 adjustments) of £1,423,000 *(2010/11: £1,780,000 surplus).* This exceeded budget expectations.

On acquisition from Thames Valley University, Reading College inherited a deficit of £3.2m. Significant progress was made last year with the college restructure. The out turn this year is a £666,000 surplus (2010/11 £1,733,000 deficit which was inclusive of reorganisation costs of £1,833,000). The recovery plan is robust and the college expects to achieve a surplus again in 2012/13.

The group surplus (excluding FRS 17 adjustments) is £2,089,000 which is considerably better than expectations.

The Group has accumulated reserves of £23,231,000 and cash balances of £4,854,000.

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.

All borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum with the Skills Funding Agency.

Cash flows

Operating cash flow was a net cash in-flow of £4,148,000 (For 2010/11 this was a net cash in-flow of £4,903,000).

Liquidity

The size of the College's total borrowing and its approach to interest rate have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Operating and Financial Review *(continued)*

Student numbers

The College had 20,362 learners in the period (2010/11: 17,806).

Achievements

Success rate for the College is 82.9% for 2011/12 which good compared with latest published national benchmark of 81.4% (2010/11).

Inspection

The College was inspected by Ofsted in October 2008. The summary grades awarded were:

Effectiveness of provision	Good: Grade 2
Capacity to improve	Good: Grade 2
Achievement and standards	Good: Grade 2
Quality of provision	Good: Grade 2
Leadership and management	Good: Grade 2

Future developments

The College has taken prudent action to prepare for the anticipated cuts in public sector spending. We plan to make best use of the opportunities which will be available, including apprenticeships, international students, higher education and employer funded work.

A new Creative Industries Centre at the Banbury campus was completed and opened to Students in 2011. The second phase of the transformation of the Banbury Campus is underway and includes the development of a Design/Media Industries and a Motor Industries Centre. The Corporation has approved outline plans for phase 1 of a major project to redevelop the Oxford campus; work is expected to commence summer 2013.

The College is lead sponsor of UTC Reading, a technical academy in Reading. Work is currently underway developing the new campus at Crescent Road and is scheduled to open in September 2013.

RESOURCES

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

Financial
The Group has £24.0 million of net assets (including £15.5 million pension liability) and no debt falling due in less than one year.

People
The Group employs 911 people (expressed as full time equivalents), of whom 493 are teaching staff.

Reputation
The College has a good reputation locally and nationally which is important for the College to be successful in attracting students and external relationships.

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 Senior Management Team 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 Senior Management Team 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 which is reviewed regularly by the relevant committees and 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.

Outlined below is a list of some of the principal risk factors that may prevent the College achieving its objectives. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Failure to improve student success rates
- Public sector funding cuts
- Inability to recruit staff with appropriate skills and motivation
- Marketing strategy may not deliver enrolment targets
- Lack of investment in college buildings and facilities

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Oxford and Cherwell Valley College has many stakeholders. These include; students, funding agencies, staff, local employers (with specific links), local authorities, government offices, the local community, other FE institutions, trade unions, professional bodies.

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

Equal Opportunities and the employment of disabled persons

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.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005. In particular, the College makes the following commitments:

a as part of the redevelopment of the buildings it is installing lifts and ramps, etc, so that eventually most of the facilities will allow access to people with a disability;

Operating and Financial Review *(continued)*

Disability statement *(continued)*

b there is a list of specialist equipment, lighting for audio facilities, etc, which the College can make available for use by students;

c the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;

d the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;

e specialists programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;

f counselling and welfare services are described in the College charter.

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 December 2012 and signed on its behalf by:

....
Chairman

Professional advisers

Financial statements auditors:	KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham B4 6GH
Internal auditors:	RSM Tenon, 66 Chiltern Street, London W1U 4GB
Bankers:	Lloyds TSB Bank Plc, 1 High Street, Carfax, Oxford, OX1 4AA
Solicitors:	Morgan Cole, Buxton Court, 3 West Way, Oxford, OX2 0SZ

Statement of Corporate Governance and Internal Control

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

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

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2011.

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees Served
Graham Blackburn	Re-appointed 29.03.11	4 years		External	FE&GP, Campus, Remuneration, Search (Corporation Chairman)
Marie Brankin	18.10.11	4 years		External	HR
Lesha Chetty	17.07.12	4 years		External	FE&GP, campus
Edward Curtis	13.12.11	Until July 2012	26.03.12	Student	
Sally Dicketts	01.10.03	Ex officio		Principal	FE&GP, CQS, Search, HR, Campus
Sue Donaldson	14.12.10	4 years		External	HR, Remuneration
Aaron Forth	17.07.12	2 years		Staff (Teaching)	CQS
Bernard Grenville-Jones	09.04.11	4 years		External	Audit
Charles Holmes	Re-appointed 18.10.10	4 years		External	Search
David Hornsey	Re-appointed 06.12.08	4 years	17.07.12	External	FE&GP, Campus
Mark Ibison	17.07.12	4 years		External	FE&GP, campus
Evelyn James	18.07.12	4 years		External	HR
Chris Jones	29.03.11	4 years		External	Audit, Remuneration
Jane Kijewski	19.10.10	2 years	13.12.11	Staff (Teaching)	CQS
Paul Miller	Re-appointed 09.04.11	1 year	08.04.12	External	FE&GP, HR, Search, Remuneration, Campus
Sa'ad Medhat	20.10.09	4 years		External	CQS
Lorenza Noguiera	13.12.11 Re-appointed 16.10.12	Until July 2012 Until July 2013	18.07.12	Student	

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees Served
Elizabeth Paris	Re-appointed 21.07.09 Re-joined Corporation 16.10.12	4 years	Sabbatical for 2011-12	External	CQS
David Shepley-Cuthbert	09.04.11 Reappointed 09.04.12	1 year		External	FE&GP, Search, Remuneration, Campus
Paul Stallard	Re-appointed 19.10.10	2 years	15.10.12	Staff (Business Support)	Campus
Natasha Waller	16.10.12	2 years		Staff (Business Support)	Campus
Terry Watts	14.12.10	4 years		External	CQS, Remuneration
Carly Ward	09.04.11	4 years	03.10.12	External	CQS
Deborah Wharton	Reappointed 29.03.11	4 years		External	HR, Reading College Advisory Board Chairman

Emma Thompson is the Clerk to the Corporation.

It is 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 meets four times in each year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are 'Finance Estates & General Purposes', 'Remuneration', 'Search', 'Audit', 'Human Resources' and 'Curriculum, Quality & Standards'. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Oxford & Cherwell Valley College
Oxpens Road,
Oxford OX1 1SA.

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

All members 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.

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

There is a clear division of responsibility in that the roles of the Chairman of the Corporation and Principal 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 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 is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

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

Details of remuneration for the year ended 31 July 2012 are set out in notes 5 and 6 to the financial statements.

Audit Committee

The audit committee comprises four members of the Corporation (who exclude the Principal and Chairman) and one co-opted member. 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 three times in each year 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 College management. The Committee also receives and considers reports from the SFA and EFA, 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. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the Skills Funding Agency (SFA). She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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

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 the College for the year ended 31 July 2012 and up to the date of approval of the annual report and financial statements.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with requirements of the SFA and EFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) 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 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 in their management letter and other reports.

The Principal has been advised on the implications of the result of her 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.

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

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 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 December 2012 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2012.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

Going Concern

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

Approved by order of the members of the Corporation on 11 December 2012 and signed on its behalf by:

Chairman

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 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 Institutions and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young People's 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 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 to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Oxford and Cherwell Valley 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.

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 EFA (formerly the YPLA) and the SFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 EFA and SFA are not put at risk.

Approved by order of the members of the Corporation on 11 December 2012 and signed on its behalf by:

....
Chairman

Independent auditor's report to the Corporation of Oxford and Cherwell Valley College

We have audited the Group and College financial statements ("the financial statements") of Oxford and Cherwell Valley College ("the College") for the year ended 31 July 2012 set out on pages 16 to 38. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Oxford and Cherwell Valley College and Auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's' and of the College's affairs as at 31 July 2012 and of the Group's surplus of income over expenditure for the year then ended;

- 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 EFA 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.

MJRowley

18 December 2012

M.J. Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Number One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Independent regularity report to the Corporation of Oxford and Cherwell Valley College and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 19 January 2009 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 Oxford and Cherwell Valley College ('the College') during the year ended 31 July 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding. Our review work has been undertaken so that we might state to the Corporation and the Chief 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 Oxford and Cherwell Valley College and Auditors

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

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

Basis of opinion

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

Opinion

In our opinion, in all material respects, the expenditure disbursed and income received during the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

MJ Rowley

18 December 2012

M.J. Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Number One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Consolidated Income and expenditure account
for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Income			
Funding Council Income	2	43,853	44,517
Tuition fees and education contracts	3	5,583	5,683
Other income		3,200	4,690
Investment income	4	7	27
Total income		**52,643**	**54,917**
Expenditure			
Staff costs	5	34,678	39,159
Other operating expenses	7	13,582	13,315
Depreciation	10	2,780	2,700
Interest and other finance costs	8	167	174
Total expenditure		**51,207**	**55,348**
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and before exceptional items and tax	18	1,436	(431)
Loss on disposal of assets		0	0
Surplus / (deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		1,436	(431)
Taxation	9	0	0
Surplus / (deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets and tax		**1,436**	**(431)**

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

Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and tax	18	1,436	(431)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	17	218	218
Historical cost surplus / (deficit) for the year		**1,654**	**(213)**

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and tax	18	1,436	(431)
Actuarial (loss) / gain in respect of pension schemes	19	(5,610)	1,757
Actuarial (loss) / gain in respect of enhanced pension provision	15	(26)	66
Transfer of assets from the former Thames Valley University	18	0	9,095
Total recognised (losses) / gains relating to the year		**(4,200)**	**10,487**

Reconciliation	**£'000**
Opening reserves	24,134
Total recognised losses for the year	(4,200)
Closing reserves	**19,934**

Balance sheets
as at 31 July 2012

	Note	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Fixed assets					
Tangible assets	10	42,090	33,361	40,437	31,970
Current assets					
Debtors	11	1,180	3,746	2,438	4,025
Cash at bank & in hand		4,854	4,575	3,982	3,034
		6,034	8,321	6,420	7,059
Creditors: Amounts falling due within one year	12	(6,105)	(5,037)	(8,296)	(5,194)
Net current (liabilities)/assets		(71)	3,284	(1,876)	1,865
Total assets less current liabilities		42,019	36,645	38,561	33,835
Creditors: Amounts falling due after more than one year	13	(1,000)	(1,000)	0	0
Provisions for liabilities and charges	15	(1,123)	(998)	(1,260)	(1,120)
Net assets excluding pension liability		**39,896**	**34,647**	**37,301**	**32,715**
Net pension liability	19	(15,525)	(15,525)	(9,262)	(8,241)
Net assets including pension liability		**24,371**	**19,122**	**28,039**	**24,474**
Deferred capital grants	16	4,437	4,437	3,905	3,905
Reserves					
Revaluation reserve	17	12,228	12,228	12,446	12,446
Income and expenditure account	18	23,231	17,982	20,950	16,364
Pension reserve	19	(15,525)	(15,525)	(9,262)	(8,241)
		24,371	**19,122**	**28,039**	**24,474**

The financial statements on pages 16 to 37 were approved by the Corporation on 11 December 2012 and were signed on its behalf by:

Chairman

Principal

Consolidated Cash flow statement
for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Cash flow from operating activities	20	4,148	4,903
Returns on investments and servicing of finance	22	(2)	20
Capital expenditure and financial investment	22	(3,770)	(6,493)
Cash flow before use of liquid resources and financing		376	(1,570)
Management of liquid resources		0	0
Financing	22	496	(571)
Increase / (decrease) in cash		872	(2,141)

Reconciliation of net cash flow to movement in net funds

	2012 £'000	2011 £'000
Increase / (decrease) in cash in the period	872	(2,141)
Change in net debt resulting from cash flows	(496)	571
Movement in net funds in period	376	(1,570)
Net funds at 1 August	3,478	5,048
Net funds at 31 July	3,854	3,478

Notes
(forming part of the financial statements)

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

The consolidated financial statements include the financial statements of the College and its subsidiary Reading College (date of acquisition, 1 August 2010) made up to 31 July 2012. In accordance with the 2007 SORP, the combination of Oxford and Cherwell Valley College and Reading College has been accounted for as an acquisition for nil consideration from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation. As there is an excess of the fair value of the assets acquired over the fair value of the liabilities assumed, then the resulting gain has been treated as a gift and reflected in statement of total recognised gains and losses. This constitutes an override of FRS10 'Goodwill and intangible assets' which is necessary in the view of the Corporation in order for the financial statements to give a true and fair view.

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

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

Other discrete funds received during the year from the SFA and EFA (formerly the LSC) are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding agency.

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 Learning and Skills Council and its successor organisations (see note 27).

Non-recurrent grants from the SFA and EFA (formerly 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 receivable and includes all fees payable by students or their sponsors, for example the National Health Service.

Notes *(continued)*

1. Statement of accounting policies *(continued)*

Recognition of income *(continued)*

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

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

Post retirement benefits

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

Contributions to the TPS scheme 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 19.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a 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 SFA.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired 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 adopted the transitional provisions of FRS 15 and has determined not to subsequently revalue its fixed assets from the amounts currently included within the financial statements. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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.

Notes *(continued)*

1. Statement of accounting policies *(continued)*

***Tangible Fixed Assets** (continued)*

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(s) may not be recoverable.

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
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

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.

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 is depreciated on a straight line basis over its remaining useful economic life to the College of 5 years. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles	-	4 years
General equipment	-	5 years
Computer equipment	-	3 years
Furniture	-	10 years

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. 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.

Notes *(continued)*

1. Statement of accounting policies *(continued)*

***Tangible Fixed Assets** (continued)*

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

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Listed investments held as fixed assets or endowment assets are stated at market value.

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

The College 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 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.

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the SFA and EFA (formerly the LSC) and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs 1 member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes *(continued)*

1. Statement of accounting policies *(continued)*

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College currently has £1m of loans outstanding with bankers repayable after 1 year with a facility in place for a total of £5m of long term bank loans. The College intends to secure an additional £5m to complete the funding of its capital development programme.

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

2 Funding Council income

	2012 £'000	2011 £'000
Recurrent grant – SFA and EFA (formerly the LSC)	37,675	38,297
Recurrent grant – HEFCE	52	165
Non recurrent grants – SFA and EFA (formerly the LSC)	5,886	5,850
Releases of deferred capital grants		
Buildings (note 16)	202	155
Equipment (note 16)	38	50
	43,853	**44,517**

3 Tuition fees and education contracts

	2012 £'000	2011 £'000
Tuition Fees	2,720	3,157
Education Contracts	2,863	2,526
	5,583	**5,683**

4 Investment income

	2011 £'000	2011 £'000
Interest receivable	7	27

Notes *(continued)*

5 Staff numbers and costs

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

	2012 Number	2011 Number
Teaching staff	493	554
Non Teaching staff	418	500
	911	**1,054**

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements. Staff costs for the above persons were as follows:

	2012 £'000	2011 £'000
Wages and salaries	25,809	31,615
Social security costs	1,922	2,195
Other pension costs (includes FRS17 adjustments of £495,000; £311,000 in 2011)	3,482	3,932
Payroll sub total	**31,213**	**37,742**
Contracted-out lecturing services	3,465	1,417
	34,678	**39,159**

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges was:

	2012 Number of senior post-holders	2012 Number of other staff	2011 Number of senior post-holders	2011 Number of other staff
£60,001 to £70,000	0	7	0	10
£70,001 to £80,000	0	2	0	0
£80,001 to £90,000	0	2	0	3
£90,001 to £100,000	0	2	0	0
£130,001 to £140,000	1	0	1	0
£140,001 to £150,000	0	1	0	0
£170,001 to £180,000	0	0	1	0
£180,001 to £190,000	1	0	0	0

6 Emoluments of senior post-holders and members

	2012 Number	2011 Number
The number of senior post-holders including the Principal was	**2**	**2**

Notes *(continued)*

6 Emoluments of senior post-holders and members *(continued)*

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

	£'000	£'000
Salaries	243	238
Pension contributions	34	34
Other	35	41
	312	**313**

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

	2012 £'000	2011 £'000
Salaries	143	140
Pension contributions	20	20
Other	19	20
	182	**180**

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

The members of the corporation other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7 Other operating expenses

	2012 £'000	2011 £'000
Teaching costs	2,404	2,355
Non teaching costs	7,912	7,438
Premises costs	3,266	3,522
	13,582	**13,315**

Other operating expenses include:	2012 £'000	2011 £'000
Auditors remuneration:		
Financial statements audit	52	57
Internal audit	28	50
Other services from external audit	0	20

Notes *(continued)*

8 Interest payable

	2012 £'000	2011 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	9	7
FRS17 Pension Cost	158	167
	167	**174**

9 Taxation

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

10 Tangible fixed assets

	Group			College		
	Freehold Land and Buildings £'000	Equipment £'000	Total £'000	Freehold Land and Buildings £'000	Equipment £'000	Total £'000
Cost or valuation						
At 1 August 2011	48,568	18,433	67,001	41,189	13,277	54,466
Additions	2,898	1,535	4,433	2,472	897	3,369
Disposals	0	0	0	0	0	0
At 31 July 2012	51,466	19,968	71,434	43,661	14,174	57,835
Accumulated depreciation						
At 1 August 2011	11,072	15,492	26,564	10,965	11,531	22,496
Charge for year	1,381	1,399	2,780	1,149	829	1,978
Eliminated in respect of disposals	0	0	0	0	0	0
At 31 July 2012	12,453	16,891	29,344	12,114	12,360	24,474
Net book value						
At 31 July 2012	**39,013**	**3,077**	**42,090**	**31,547**	**1,814**	**33,361**
At 31 July 2011	37,496	2,941	40,437	30,224	1,746	31,970
Inherited	12,228	0	12,228	15,627	0	15,627
Financed by capital grant	4,183	254	4,437	4,183	254	4,437
Other	22,602	2,823	25,425	11,737	1,560	13,297
	39,013	**3,077**	**42,090**	**31,547**	**1,814**	**33,361**

Notes *(continued)*

10 Tangible fixed assets *(continued)*

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

Land and buildings were valued by the three former colleges for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £12,228,000 *(2011: £12,446,000)* have been financed from exchequer funds. 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.

If inherited land and buildings had not been valued they would have been included at a cost of £nil.

11 Debtors

	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Amounts falling due within one year:				
Trade debtors	720	538	725	393
Prepayments and accrued income	449	355	1,713	1,187
Other Debtors	11	11	0	0
Loan to Reading College	0	2,842	0	0
	1,180	3,746	2,438	1,580
Amounts falling due after more than one year:				
Loan to Reading College	0	0	0	2,445
	1,180	**3,746**	**2,438**	**4,025**

12 Creditors: Amounts falling due within one year

	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Bank loans and overdrafts	0	0	504	504
Other payments received in advance	323	261	848	779
Trade creditors	2,768	2,109	2,465	1,383
Other taxation and social security	720	720	1,052	741
Accruals and deferred income	1,843	1,496	3,276	1,636
Other amounts owed to Skills Funding Agency	451	451	151	151
	6,105	**5,037**	**8,296**	**5,194**

Notes *(continued)*

13 Creditors: Amounts falling due after more than one year

	Group 2012 £'000	College 2012 £'000	Group 2011 £'000	College 2011 £'000
Bank loans	**1,000**	**1,000**	**0**	**0**

14 Analysis of borrowings

Bank loans and overdrafts

	Group and College 2012 £'000	Group and College 2011 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	0	504
Between two and five years	200	0
After 5 years	800	0
	1,000	**504**

The College has one unsecured variable rate bank loan which is repayable by instalments falling due between May 2014 and May 2029.

15 Provisions for liabilities and charges

	Group			College		
	Enhanced Pension £'000	Litigation Costs £'000	TOTAL £'000	Enhanced Pension £'000	Other £'000	TOTAL £'000
At 1 August 2011	993	267	1,260	993	127	1,120
Expenditure in period	(74)	(15)	(89)	(74)	0	(74)
Actuarial loss over the year	26	0	26	26	0	26
Transferred (from) / to income and expenditure account	53	(127)	(74)	53	(127)	(74)
At 31 July 2012	**998**	**125**	**1,123**	**998**	**0**	**998**

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the SFA.

The principal assumptions for this calculation are:

	2012	2011
Price inflation	3.89%	5.36%
Discount rate	2.50%	2.75%

Notes *(continued)*

16 Deferred capital grants

	Group and College		
	SFA and EFA £'000	Other Grants £'000	Total £'000
At 1 August 2011	2,111	1,794	3,905
Grants deferred	1,066	1	1,067
Released to income and expenditure account	(240)	(295)	(535)
At 31 July 2011	**2,937**	**1,500**	**4,437**

17 Revaluation reserve

	Group and College £'000
At 1 August 2011	12,446
Transfer from revaluation reserve to income and expenditure account in respect of: Depreciation on re-valued assets	(218)
At 31 July 2012	**12,228**

18 Income and expenditure account

	Group £'000	College £'000
At 1 August 2011	11,688	7,102
Deficit on continuing operations after depreciation of assets at valuation and tax	1,436	770
Transfer from revaluation reserve to income and expenditure account – depreciation	218	218
Actuarial (loss)/gain in respect of pension scheme	(5,636)	(5,636)
At 31 July 2012	**7,706**	**2,454**

Balance represented by	£'000	£'000
Pension reserve	(15,525)	(15,525)
Income and expenditure account excluding pension reserve	23,231	17,979
At 31 July 2012	**7,706**	**2,454**

Notes *(continued)*

19 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

		2012 £'000		2011 £'000
Teachers pension scheme: contributions paid		1,829		2,139
Local Government Pension Scheme:				
Contributions paid	1,142		962	
FRS17 charge	495		311	
Charge to the Income & Expenditure Account		1,637		1,273
Total Pension Cost		**3,466**		**3,412**

Contributions amounting to £377,000 (2011: £381,000) were payable to the schemes and are included in creditors.

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 valuations	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5 %
Salary scale increases per annum	5.0 %
Market value of assets at date of last valuation	£162,650m

Proportion of members' accrued benefits covered by the actuarial value of the assets 98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 August 2011 to 31 July 2012 the employer contribution rate was 14.1%. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Under the definitions 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 set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

Notes *(continued)*

19 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2012 was £1,669,000 of which employers contributions totalled £1,142,000 and employees' contributions totalled £527,000. The contribution rate for 2012/13 has been set at 13.9%.

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

Principal Actuarial Assumptions	**2012**	**2011**	**2010**
RPI Increase	2.6%	3.5%	3.2%
CPI Increase	1.8%	2.7%	2.7%
Rate of increase in salaries	4.0%	5.0%	4.7%
Rate of increase in pensions	1.8%	2.7%	2.7%
Discount rate for liabilities	3.9%	5.3%	5.4%
Commutation of pensions to lump sums	50%	50%	50%

Mortality assumptions

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

		At 31 July 2012	**At 31 July 2011**
Retiring today	Males	19.0	21.5
	Females	23.1	24.1
Retiring in 20 years	Males	21.0	23.4
	Females	25.0	25.9

The approximate split of the assets for the Fund as a whole and the assumed rates of return were:

	Long term expected rate of return at 31 July 2012	**Asset split at 31 July 2012**	Long term expected rate of return at 31 July 2011	Asset split at 31 July 2011	Long term expected rate of return at 31 July 2010	Asset split at 31 July 2010
Equities	6.3%	72.0%	7.5%	73.0%	7.8%	68.0%
Property	5.3%	6.0%	6.5%	6.0%	6.8%	6.0%
Gilts	2.8%	8.0%	4.0%	8.0%	4.3%	10.0%
Other bonds	3.9%	9.0%	5.3%	8.0%	5.4%	8.0%
Cash	0.5%	3.0%	3.0%	2.0%	3.0%	5%
Other	2.5%	2.0%	5.0%	3.0%	7.8%	3%
Total	**5.5%**	**100%**	6.8%	100%	7.0%	100%

Notes *(continued)*

19 Pensions and similar obligations *(continued)*

	2012 £'000	2011 £'000
College's estimated asset share	23,564	22,558
Present value of scheme liabilities	(39,028)	(31,762)
Estimated unfunded liabilities	(61)	(58)
Deficit in the scheme	**(15,525)**	**(9,262)**

Analysis of the amount charged to the income and expenditure account

	2012 £'000	2011 £'000
Service cost	1,741	1,306
Unfunded pension payments	(5)	(5)
Curtailments and settlements	69	5
Total operating charge	**1,805**	**1,306**

Analysis of pension finance income / (costs)

	2012 £000	2011 £000
Expected return on pension scheme assets	1,563	1,071
Interest on pension scheme liabilities	(1,721)	(1,238)
Pension finance costs	**(158)**	**(167)**

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

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(5,610)	1,757
Experience gains and losses arising on the scheme liabilities	0	0
Past service cost	0	0
Actuarial (loss)/gain recognised in STRGL	**(5,610)**	**1,757**

Notes *(continued)*

19 Pensions and similar obligations *(continued)*

Movement in deficit during year

	2012 £'000	2011 £'000
Deficit in scheme at beginning of year	(9,262)	(9,917)
Movement in year:		
Current service charge	(1,741)	(1,306)
Contributions	1,310	995
Past service costs	0	0
Unfunded Pension	5	5
Net interest on assets	(158)	(167)
Settlements or curtailments	(69)	(5)
Transfer of liability in respect of Reading College	0	(624)
Actuarial gain / (loss)	(5,610)	1,757
Deficit in scheme at end of year	**(15,525)**	**(9,262)**

Asset and Liability Reconciliation

	2012 £'000	2011 £'000
Reconciliation of Liabilities		
Liabilities at start of period	31,820	27,330
Service cost	1,741	1,306
Interest cost	1,721	1,238
Employee contributions	530	434
Experience gains and losses on scheme liabilities	0	0
Actuarial (gain)/loss	4,305	(3,517)
Benefits paid	(1,092)	(604)
Past Service cost	0	0
Curtailments and settlements	69	5
Unfunded pension payments	(5)	(5)
Liabilties assumed in a business combination	0	5,633
Liabilities at end of period	**39,089**	**31,820**

Reconciliation of Assets

	2012 £'000	2011 £'000
Assets at start of period	22,558	17,413
Expected return on assets	1,563	1,071
Actuarial (loss)/gain	(1,305)	(1,760)
Employer contributions	1,315	1,000
Employee contributions	530	434
Benefits paid	(1,097)	(609)
Receipt of bulk transfer value in respect of transfer of staff from LSN	0	5,009
Assets at end of period	**23,564**	**22,558**

Notes *(continued)*

19 Pensions and similar obligations *(continued)*

History of experience gains or losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual return on					
assets: Amount	(1,305)	(1,760)	1,566	(2,800)	(1,690)
% of scheme assets	-5.5%	-7.8%	8.9%	-19.8%	-11.0%
Experience gains and losses on scheme liabilities					
Amount	(3)	4,244	(11)	(60)	650
% of scheme liabilities	(0.0%)	13.3%	-0.04%	-0.2%	3.1%
Total amounts recognised in statement of total recognised gains and losses					
Amount	(5,610)	1,757	1,545	(6,220)	(910)
% of scheme liabilities			5.6%	-23.6%	-4.3%

20 Reconciliation of operating deficit to net cash flow from operating activities

	2012 £'000	2011 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	1,436	(431)
Depreciation (note 10)	2,780	2,700
Deferred capital grants released to income (note 16)	(535)	(541)
Pension cost less contributions payable (note 19)	495	311
Loss on disposal of tangible fixed assets	0	0
Interest receivable (note 4)	(7)	(27)
Interest payable (note 8)	167	174
Decrease / (increase) in debtors	1,258	(920)
Increase / (decrease) in creditors	(1,283)	3,712
(Decrease) / increase in provisions	(163)	(75)
Net cash flow from operating activities	**4,148**	**4,903**

21 Analysis of changes in net funds

	At 31 July 2011 £'000	Cash Flows £'000	**At 31 July 2012 £'000**
Cash at bank and in hand	3.982	872	4,854
Debts due after 1 year	0	(1,000)	(1,000)
Debts due within 1 year	(504)	504	0
Total	**3,478**	**376**	**3,854**

Notes (continued)

22 Analysis of cash flows for headings netted in the cash flow statement

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Interest received	7	27
Interest paid	(9)	(7)
Net cash outflow from returns on investments and servicing of finance	(2)	20
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,837)	(6,532)
Sales of tangible fixed assets	0	0
Deferred capital grants received	1,067	39
Net cash outflow for capital expenditure and financial investment	(3,770)	(6,493)
Management of liquid resources		
Withdrawals from deposits	0	0
Placing of deposits	0	0
Net cash inflow from management of liquid resources	0	0
Financing		
Repayment of bank loan	(504)	(571)
New Bank Loan	1,000	0
Net cash outflow from financing	496	(571)

23 Post balance sheet events

Post balance sheet events are detailed in the members report.

24 Capital commitments

	2012 £'000	2011 £'000
Commitments contracted for at 31 July (Group and College)	**3,800**	**2,157**

25 Financial commitments

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

Land & Buildings	2012 £'000	2011 £'000
Expiring between two and five years inclusive	0	40

Notes *(continued)*

26 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 arm's 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'.

The Chairman of the Corporation is a partner of a firm of property & construction consultants which is advising the College on its capital investment programme.

Transactions with the SFA and EFA (formerly the LSC) and HEFCE are detailed in notes 2, 12, 16.

27 Amounts disbursed as agent

Learner support funds	**2012 £'000**	**2011 £'000**
Unspent balance from 2010-11	116	0
Grants from the SFA and EFA (formerly the LSC)	1,631	958
	1,747	958
Disbursed to students	(1,238)	(765)
Administration costs	(61)	(46)
Balance unspent at 31 July	448	147

Grants from the SFA and EFA (formerly the LSC) 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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.