Oxford and Cherwell Valley College

Members' report and financial statements

For the year ended 31 July 2011

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 2011.

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). There were clear strategic benefits to OCVC from this acquisition. The OCVC Group now has a greater critical mass, giving future security. There have been significant economies of scale, leading to cost savings for the Group. We also benefit from curriculum synergies, the sharing of good practice and improved opportunities to undertake more full cost work. A further benefit will be improved career prospects for ambitious staff. On 1st April 2011 LSN withdrew from the partnership and Reading College is therefore wholly controlled by OCVC and part of the OCVC Group.

Group Structure

Reading College is 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, OCVC is the sole member and the company is wholly controlled by OCVC. The structure of Reading College is unique and has the following characteristics:

- OCVC is the sole Member of the company.
- All of the directors of the company are appointed by OCVC and currently are either OCVC Governors or employees.
- All of the company's public funding (the vast majority of its income) is received from OCVC. Because it is not a 'designated FE College' the SFA and the YPLA do not fund it directly, instead they give all of the funding to OCVC.
- OCVC is effectively the funding body, which means all of the publicly funded students at Reading College are 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 leased to Reading College.
- 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.

Although LSN were members of Reading College until 31st March 2011, because of the characteristics described above, it has been decided that the financial results of Reading College should be consolidated into the OCVC financial statements for the whole of the financial year 2010/11.

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	32,783	22,134	54,917
Total expenditure	(31,003)	(23,867)	(54,870)
Surplus / (deficit) for the year before FRS17 adjustments	**1,780**	**(1,733)**	**47**
FRS 17 retirement benefits charge – pension finance cost	(167)		(167)
FRS 17 retirement benefits (credit)/charge – staff costs	(311)		(311)
Surplus/ (deficit) for the year	**1,302**	**(1,733)**	**(431)**

OCVC reported a surplus (excluding FRS 17 adjustments) of £1,780,000 *(2009/10: £432,000 surplus).* This exceeded budget expectations.

Reading College is in financial recovery. On acquisition from Thames Valley University there was an inherited deficit of £3.2m. Significant progress has been made and the out-turn deficit is £1,733,000 which is inclusive of reorganisation costs of £1,833,000. A robust recovery plan will return the college to surplus in 2012/13.

The group surplus (excluding FRS 17 adjustments) is £47,000 which is considerably better than expectations.

The Group has accumulated reserves of £20,381,000 and cash balances of £3,982,000.

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 SFA.

Cash flows

Operating cash flow was a net cash in-flow of £4,903,000 (For 2009/10 this was a net cash in-flow of £1,952,000).

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 17,806 learners in the period (2009/10: 14,297).

Learner numbers increased because of the addition of Reading College.

Achievements

Success rates are good compared with national benchmarks.

	College Actual 2010/11	National Bench-mark
OCVC long qualifications	79.5	78.8

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.

The Corporation approved an exciting project to create a new Creative Industries Centre at the Banbury Campus. The building was completed and opened to students in September 2011. This begins the transformation of the Banbury Campus. Approval has also been given to develop a Media Industries and Motor Industries Centre on the Banbury Campus. Detailed plans for phase 1 of a major project to redevelop the Oxford campus are also being prepared.

OCVC plans to 'hive-up' the Reading College Company into the OCVC corporation on 1st August 2012 and at that point Reading College Limited will cease trading. This will not affect the Group's commitment to Reading College having a separate identity and it will continue to be locally managed. We intend to create a Community Board, which will report to the OCVC Corporation and will represent the interests of the local community.

The College has been successful in its application to be lead sponsor of a University Technical College in Reading, which is scheduled to open in September 2012.

Operating and Financial Review *(continued)*

RESOURCES

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

Financial
The Group has £28.0 million of net assets (including £9.3 million pension liability) and total debt of £504,000 falling due in less than one year.

People
The Group employs 1,054 people (expressed as full time equivalents), of whom 554 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.

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 Finance, Estates and General Purposes Committee 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.

Operating and Financial Review *(continued)*

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;
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 26 January 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, Bunnian Place, Basingstoke, Hampshire, RG21 7JE
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 London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 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
Sally Dicketts	01.10.03	Ex officio		Principal	FE&GP, CQS, Search, HR, Campus
Sue Donaldson	14.12.10	4 years		External	HR
Bernard Goodchild	Re-appointed 09.04.07	4 years	08.04.11	External	CQS, Audit,
Bernard Grenville-Jones	09.04.11	4 years		External	Audit
Mary Harpley	Re-appointed 16.10.08	4 years	30.11.10	External	CQS, Remuneration
Geoff Hayward	Re-appointed 15.07.08	4 years	31.12.10	External	CQS, Audit
Charles Holmes	Re-appointed 18.10.10	4 years		External	
David Hornsey	Re-appointed 06.12.08	4 years		External	FE&GP, Campus
Chris Jones	29.03.11	4 years		External	Audit
Jane Kijewski	19.10.10	2 years		Staff (Teaching)	CQS
Paul Miller	Re-appointed 09.04.11	1 year		External	FE&GP, HR, Search, Remuneration, Campus (Corporation Chairman)
Keith Mitchell	Re-appointed 21.07.09	2 years	20.7.11	External	
Sa'ad Medhat	20.10.09	4 years		External	
Elizabeth Paris	Re-appointed 21.07.09	4 years		External	CQS, Search
David Shepley-Cuthbert	Re-appointed 09.04.11	1 year		External	FE&GP, Search, Remuneration, Campus
Paul Stallard	Re-appointed 19.10.10	2 years		Staff (Business Support)	Campus
Michael John Stone	20.07.10	4 years	15.03.11	External	HR
Guy Walker	09.04.07	4 years	08.04.11	External	Audit, HR
Terry Watts	14.12.10	4 years		External	CQS
Carly Ward	09.04.11	4 years		External	CQS
Deborah Wharton	Reappointed 29.03.11	4 years		External	HR

Emma Thompson is the Clerk to the Corporation.

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

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.

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 2011, 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 2011 are set out in notes 5 and 6 to the financial statements.

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

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 YPLA, 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.

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 2011 and up to the date of approval of the annual report and financial statements.

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

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 YPLA'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.

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 2011 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2011.

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

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 2011 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 26 January 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 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 YPLA and SFA are not put at risk.

Approved by order of the members of the Corporation on 26 January 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 2011 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 2011 and of the Group's deficit 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 YPLA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

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

Mike 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 2011 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 2011 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 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Mike 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 2011

	Note	2011	2010
		£'000	**£'000**
Income			
Funding Council Income	2	44,517	25,672
Tuition fees and education contracts	3	5,683	4,065
Other income		4,690	3,189
Investment income	4	27	34
Total income		**54,917**	**32,960**
Expenditure			
Staff costs	5	39,159	21,984
Other operating expenses	7	13,315	8,723
Depreciation	10	2,700	1,815
Interest and other finance costs	8	174	636
Total expenditure		**55,348**	**33,158**
Surplus / (deficit) on continuing operations after depreciation of assets at valuation and before exceptional items and tax	18	(431)	(198)
Loss on disposal of assets		0	(4)
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(431)	(202)
Taxation	9	0	0
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets and tax		**(431)**	**(202)**

The results shown above include income and expenditure arising from the acquisition of the Further Education business and assets of the former Reading College from Thames Valley University (now University of West London) on 1 August 2010.

Consolidated statement of historical cost surpluses and deficits
for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	*18*	(431)	(202)
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	*17*	218	219
Historical cost (deficit)/surplus for the year		**(213)**	**17**

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	*18*	(431)	(202)
Actuarial gain in respect of pension schemes	*19*	1,757	2,997
Actuarial gain in respect of enhanced pension provision	*15*	66	0
Transfer of assets from the former Thames Valley University	*18*	9,095	0
Total recognised gains / (losses) relating to the year		**10,487**	**2,795**

Reconciliation	**£'000**	**£'000**
Opening reserves	13,647	10,852
Total recognised gains for the year	10,487	2,795
Closing reserves	**24,134**	**13,647**

Balance sheets
as at 31 July 2011

	Note	Group 2011 £'000	College 2011 £'000	College 2010 £'000
Fixed assets				
Tangible assets	*10*	40,437	31,970	26,887
Current assets				
Debtors	*11*	2,438	4,025	1,517
Cash at bank & in hand		3,982	3,034	6,123
		6,420	7,059	7,640
Creditors: Amounts falling due within one year	*12*	(8,296)	(5,194)	(4,652)
Net current (liabilities)/assets		(1,876)	1,865	2,988
Total assets less current liabilities		38,561	33,835	29,875
Creditors: Amounts falling due after more than one year	*13*	0	0	(503)
Provisions for liabilities and charges	*15*	(1,260)	(1,120)	(1,401)
Net assets excluding pension liability		**37,301**	**32,715**	**27,971**
Net pension liability	*19*	(9,262)	(8,241)	(9,917)
Net assets including pension liability		**28,039**	**24,474**	**18,054**
Deferred capital grants	*16*	3,905	3,905	4,407
Reserves				
Revaluation reserve	*17*	12,446	12,446	12,664
Income and expenditure account	*18*	20,950	16,364	10,900
Pension reserve	*19*	(9,262)	(8,241)	(9,917)
		28,039	**24,474**	**18,054**

The financial statements on pages 16 to 38 were approved by the Corporation on 26 January 2012 and were signed on its behalf by:

....
Chairman

....
Principal

Consolidated Cash flow statement

for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Cash flow from operating activities	*20*	4,903	1,952
Returns on investments and servicing of finance	*22*	20	22
Capital expenditure and financial investment	*22*	(6,493)	(885)
Cash flow before use of liquid resources and financing		(1,570)	1,089
Management of liquid resources		0	0
Financing	*22*	(571)	(423)
Increase / (decrease) in cash		(2,141)	666

Reconciliation of net cash flow to movement in net funds

	2011 £'000	2010 £'000
(Decrease) / increase in cash in the period	(2,141)	666
Change in net debt resulting from cash flows	571	423
Movement in net funds in period	(1,570)	1,089
Net funds/(debt) at 1 August	5,048	3,959
Net funds at 31 July	3,478	5,048

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 YPLA in the 2010/11 Accounts Direction Handbook.

The consolidated financial statements include the financial statements of the College and its subsidiary Reading College made up to 31 July 2011. 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 YPLA (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 YPLA (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 YPLA (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 £0.5m of loans outstanding with bankers repayable within 1 year and is in the process of arranging £6.5m of long term bank loans to fund 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

	2011 £'000	2010 £'000
Recurrent grant – SFA and YPLA (formerly the LSC)	38,297	20,575
Recurrent grant – HEFCE	165	237
Non recurrent grants – SFA and YPLA (formerly the LSC)	5,850	4,592
Releases of deferred capital grants		
Buildings (note 16)	155	157
Equipment (note 16)	50	111
	44,517	**25,672**

3 Tuition fees and education contracts

	2011 £'000	2010 £'000
Tuition Fees	3,157	2,053
Education Contracts	2,526	2,012
	5,683	**4,065**

4 Investment income

	2011 £'000	2010 £'000
Interest receivable	**27**	**34**

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:

	2011 Number	2010 Number
Teaching staff	554	357
Non Teaching staff	500	299
	1,054	**656**

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:

	2011 £'000	2010 £'000
Wages and salaries	31,615	17,642
Social security costs	2,195	1,268
Other pension costs (including FRS17 adjustments of £311,000 ;(£10,000 in 2010)	3,932	2,024
Payroll sub total	**37,742**	**20,934**
Contracted-out lecturing services	1,417	1,050
	39,159	**21,984**

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

	2011 Number of senior post-holders	2011 Number of other staff	2010 Number of senior post-holders	2010 Number of other staff
£60,001 to £70,000	0	10	0	9
£80,001 to £90,000	0	3	0	0
£120,001 to £130,000	0	0	2	0
£130,001 to £140,000	1	0	0	0
£170,001 to £180,000	1	0	1	0

6 Emoluments of senior post-holders and members

	2011 Number	2010 Number
The number of senior post-holders including the Principal was	**2**	**3**

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

	£'000	£'000
Salaries	238	331
Pension contributions	34	47
Other	41	46
	313	**424**

Notes *(continued)*

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

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

	2011 £'000	2010 £'000
Salaries	140	138
Pension contributions	20	19
Other	20	15
	180	**172**

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme / 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

	2011 £'000	2010 £'000
Teaching costs	2,355	1,926
Non teaching costs	7,438	4,715
Premises costs	3,522	2,082
	13,315	**8,723**

Other operating expenses include:	2011 £'000	2010 £'000
Auditors remuneration:		
Financial statements audit	73	38
Internal audit	50	26
Other services from external audit	20	51

8 Interest payable

	2011 £'000	2010 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	7	12
FRS17 Pension Cost	167	624
	174	**636**

Notes *(continued)*

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	Equipment	Total	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2010	35,088	12,444	47,532	35,088	12,444	47,532
Transfer from the former Thames Valley University	8,700	4,394	13,094	3,400	0	3,400
Additions	4,780	1,595	6,375	2,701	833	3,534
Disposals	0	0	0	0	0	0
At 31 July 2011	48,568	18,433	67,001	41,189	13,277	54,466
Accumulated depreciation						
At 1 August 2010	9,979	10,666	20,645	9,979	10,666	20,645
Transfer from the former Thames Valley University	0	3,219	3,219	0	0	0
Charge for year	1,093	1,607	2,700	986	865	1,851
Eliminated in respect of disposals	0	0	0	0	0	0
At 31 July 2011	11,072	15,492	26,564	10,965	11,531	22,496
Net book value						
At 31 July 2011	**37,496**	**2,941**	**40,437**	**30,224**	**1,746**	**31,970**
At 31 July 2010	25,109	1,778	26,887	25,109	1,778	26,887
Inherited	12,446	0	12,446	12,446	0	12,446
Financed by capital grant	3,541	364	3,905	3,541	364	3,905
Other	21,509	2,577	24,087	14,237	1,382	15,619
	37,496	**2,941**	**40,437**	**30,224**	**1,746**	**31,970**

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.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Land and buildings includes £4,253,000 of building refurbishment work in progress at the year end.

Land and buildings with a net book value of £12,446,000 *(2010: £12,664,000)* 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 2011 £'000	College 2011 £'000	College 2010 £'000
Amounts falling due within one year:			
Trade debtors	725	393	299
Prepayments and accrued income	1,713	1,187	1,218
	2,438	1,580	1,517
Amounts falling due after more than one year:			
Loan to Reading College	0	2,445	0
	2,438	**4,025**	**1,517**

12 Creditors: Amounts falling due within one year

	Group 2011 £'000	College 2011 £'000	College 2010 £'000
Bank loans and overdrafts	504	504	572
Other payments received in advance	848	779	445
Trade creditors	2,465	1,383	1,612
Other taxation and social security	1,052	741	635
Accruals and deferred income	3,276	1,636	1,347
Other amounts owed to Skills Funding Agency	151	151	41
	8,296	**5,194**	**4,652**

13 Creditors: Amounts falling due after more than one year

	Group 2011 £'000	College 2011 £'000	College 2010 £'000
Bank loans	**0**	**0**	**503**

Notes *(continued)*

14 Analysis of borrowings

Bank loans and overdrafts

	Group and College	
	2011	**2010**
	£'000	**£'000**
Bank loans and overdrafts are repayable as follows:		
Within one year	504	572
Between two and five years	0	503
	504	**1,075**

The College has one unsecured variable rate bank loan which is repayable by instalments falling due between 1 August 2011 and 30 April 2012.

15 Provisions for liabilities and charges

	Group			College		
	Enhanced Pension	**Other**	**TOTAL**	**Enhanced Pension**	**Other**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2010	1,070	331	1,401	1,070	331	1,401
Expenditure in period	(69)	(95)	(164)	(69)	(95)	(164)
Actuarial gain over the year	(66)	0	(66)	(66)	0	(66)
Transferred (from) / to income and expenditure account	58	31	89	58	(109)	(51)
At 31 July 2011	**993**	**267**	**1,260**	**993**	**127**	**1,120**

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:

	2011	2010
Price inflation	5.36%	5.4%
Discount rate	2.75%	3.0%

Other provisions include an amount of £46,000 for a contract settlement, £81,000 provided for back dated utilities charges and £140k for litigation costs.

Notes *(continued)*

16 Deferred capital grants

	Group and College		
	SFA and YPLA (formerly the LSC) £'000	Other Grants £'000	Total £'000
At 1 August 2010	2,318	2,089	4,407
Grants deferred	0	39	39
Released to income and expenditure account	(207)	(334)	(541)
At 31 July 2011	**2,111**	**1,794**	**3,905**

17 Revaluation reserve

	Group and College £'000
At 1 August 2010	12,664
Transfer from revaluation reserve to income and expenditure account in respect of:	
Depreciation on re-valued assets	(218)
At 31 July 2011	**12,446**

18 Income and expenditure account

	Group £'000	College £'000
At 1 August 2010	983	983
Deficit on continuing operations after depreciation of assets at valuation and tax	(431)	1,302
Transfer from revaluation reserve to income and expenditure account – depreciation	218	218
Actuarial gain in respect of pension scheme	1,823	2,219
Assets acquired from the former Thames Valley University in respect of its divestment of Further Education provision in Reading	9,095	3,400
At 31 July 2011	**11,688**	**8,122**

Balance represented by

	£'000	£'000
Pension reserve	(9,262)	(8,241)
Income and expenditure account excluding pension reserve	20,950	16,363
At 31 July 2011	**11,688**	**8,122**

The income & expenditure reserve includes £2,171,000 designated reserves to be used towards the cost of capital projects approved by the Skills Funding Agency.

Notes *(continued)*

18 Income and expenditure account *(continued)*

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).

No consideration was transferred and the book and fair values of the classes of assets and liabilities were as follows:-

	£'000
Tangible fixed assets	
Freehold land and buildings	8,700
Equipment	1,175
Assets acquired	9,875
Legal fees	(156)
LGPS pension scheme liability	(624)
Negative Goodwill arising	**9,095**

The valuation of the land and buildings acquired was undertaken by a qualified chartered surveyor, who is independent of the College.

The negative goodwill has been eliminated in full in the statement of total recognised gains and losses during the current year.

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).

		2011 £'000		**2010 £'000**
Teachers pension scheme: contributions paid		2,139		1,101
Local Government Pension Scheme:				
Contributions paid	962		849	
FRS17 charge	311		10	
Charge to the Income & Expenditure Account		1,273		859
Total Pension Cost		**3,412**		**1,960**

Contributions amounting to £381,000 (2010: £236,000) were payable to the schemes and are included in creditors.

Notes *(continued)*

19 Pensions and similar obligations (continued)

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 2010 to 31 July 2011 the employer contribution rate was 14.1%. The employee contribution rate was 6.4% for the same period. 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.

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 2011 was £1,402,000 of which employers contributions totalled £962,000 and employees' contributions totalled £440,000. The contribution rate for 2011/12 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 2011 by a qualified independent actuary.

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

Notes *(continued)*

19 Pensions and similar obligations *(continued)*

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 2011	At 31 July 2010
Retiring today	Males	21.5	23.1
	Females	24.1	25.0
Retiring in 20 years	Males	23.4	25.4
	Females	25.9	27.3

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31 July 2010, the College considered the Oxfordshire County Council Pension Fund scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL') in the 2009/10 financial statements. Following the issue of Urgent Issues Task Force ('UITF') Abstract 48 in December 2010, the College has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

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 2011	**Asset split at 31 July 2011**	Long term expected rate of return at 31 July 2010	Asset split at 31 July 2010	Long term expected rate of return at 31 July 2009	Asset split at 31 July 2009
Equities	7.5%	73.0%	7.8%	68.0%	8.0 %	68.3%
Property	6.5%	6.0%	6.8%	6.0%	7.0 %	3.5%
Gilts	4.0%	8.0%	4.3%	10.0%	4.5 %	12.2%
Other bonds	5.3%	8.0%	5.4%	8.0%	5.9 %	7.5%
Cash	3.0%	2.0%	3.0%	5%	0.9 %	8.5%
Other	5.0%	3.0%	7.8%	3%		
Total	**6.8%**	**100%**	7.0%	100%	6.8%	100.0%

	2011 £'000	**2010 £'000**
College's estimated asset share	22,558	17,413
Present value of scheme liabilities	(31,762)	(27,266)
Estimated unfunded liabilities	(58)	(64)
Deficit in the scheme	**(9,262)**	**(9,917)**

Notes *(continued)*

19 Pensions and similar obligations *(continued)*

Analysis of the amount charged to the income and expenditure account

	2011 £'000	2010 £'000
Service cost	1,306	826
Unfunded pension payments	(5)	(5)
Curtailments and settlements	5	8
Total operating charge	**1,306**	**829**

Analysis of pension finance income / (costs)

	2011 £000	2010 £000
Expected return on pension scheme assets	1,071	985
Interest on pension scheme liabilities	(1,238)	(1,609)
Pension finance costs	**(167)**	**(624)**

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

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	1,757	1,566
Experience gains and losses arising on the scheme liabilities	0	(21)
Past service cost	0	1,452
Actuarial gain recognised in STRGL	**1,757**	**2,997**

Movement in deficit during year

	2011 £'000	2010 £'000
Deficit in scheme at beginning of year	(9,917)	(12,280)
Movement in year:		
Current service charge	(1,306)	(826)
Contributions	995	819
Past service costs	0	1,452
Unfunded Pension	5	5
Net interest on assets	(167)	(624)
Settlements or curtailments	(5)	(8)
Transfer of liability in respect of Reading College	(624)	0
Actuarial gain / (loss)	1,757	1,545
Deficit in scheme at end of year	**(9,262)**	**(9,917)**

Notes *(continued)*

19 Pensions and similar obligations *(continued)*

Asset and Liability Reconciliation

	2011 £'000	2010 £'000
Reconciliation of Liabilities		
Liabilities at start of period	27,330	26,390
Service cost	1,306	826
Interest cost	1,238	1,609
Employee contributions	434	346
Experience gains and losses on scheme liabilities	0	0
Actuarial (gain)/loss	(3,517)	21
Benefits paid	(604)	(413)
Past Service cost	0	(1,452)
Curtailments and settlements	5	8
Unfunded pension payments	(5)	(5)
Liabilties assumed in a business combination	5,633	
Liabilities at end of period	**31,820**	**27,330**
Reconciliation of Assets		
Assets at start of period	17,413	14,110
Expected return on assets	1,071	985
Actuarial (loss)/gain	(1,760)	1,566
Employer contributions	1,000	824
Employee contributions	434	346
Benefits paid	(609)	(418)
Receipt of bulk transfer value in respect of transfer of staff from LSN	5,009	0
Assets at end of period	**22,558**	**17,413**

The estimated value of employer contributions for the year ended 31st July 2011 is £1,275,000

History of experience gains or losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference between the expected and actual return on					
assets: Amount	(1,761)	1,566	(2,800)	(1,690)	570
% of scheme assets	-7.8%	8.9%	-19.8%	-11.0%	3.7%
Experience gains and losses on scheme liabilities					
Amount	4,244	(11)	(60)	650	(30)
% of scheme liabilities	13.3%	-0.04%	-0.2%	3.1%	-0.1%
Total amounts recognised in statement of total recognised gains and losses					
Amount	1,757	1,545	(6,220)	(910)	1,840
% of scheme liabilities		5.6%	-23.6%	-4.3%	9.1%

Notes *(continued)*

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

	2011 £'000	2010 £'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	(431)	(202)
Depreciation (note 10)	2,700	1,815
Deferred capital grants released to income (note 16)	(541)	(606)
Pension cost less contributions payable (note 19)	311	10
Loss on disposal of tangible fixed assets	0	4
Interest receivable (note 4)	(27)	(34)
Interest payable (note 8)	174	636
Decrease / (increase) in debtors	(920)	644
Increase / (decrease) in creditors	3,712	(509)
(Decrease) / increase in provisions	(75)	194
Net cash flow from operating activities	**4,903**	**1,952**

21 Analysis of changes in net funds

	At 31 July 2010 £'000	Cash Flows £'000	**At 31 July 2011 £'000**
Cash at bank and in hand	6,123	(2,141)	3,982
Debts due after 1 year	(503)	503	0
Debts due within 1 year	(572)	68	(504)
Total	**5,048**	**(1,570)**	**3,478**

£2,171,000 of the funds within cash and bank has arisen from the sale of part of the Oxford campus and in line with SFA requirements is held for capital reinvestment in the College infrastructure.

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

	2011 £'000	2010 £'000
Returns on investments and servicing of finance		
Interest received	27	34
Interest paid	(7)	(12)
Net cash outflow from returns on investments and servicing of finance	20	22
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(6,077)	(1,074)
Sales of tangible fixed assets	0	0
Deferred capital grants received	39	189
Net cash outflow for capital expenditure and financial investment	(6,038)	(885)

Notes *(continued)*

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

	2011 £'000	2010 £'000
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	(571)	(423)
Capital element of finance lease rental payments	0	0
Net cash outflow from financing	(571)	(423)

23 Post balance sheet events

Post balance sheet events are detailed in the members report.

24 Capital commitments

	2011 £'000	2010 £'000
Commitments contracted for at 31 July (Group and College)	**2,157**	**0**

25 Financial commitments

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

Land & Buildings	2011 £'000	2010 £'000
Expiring between two and five years inclusive	0	0

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 arms length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Three of the College Governors are Trustees of Oxpens Education Trust, a company which provides property services and leasing facilities to Oxford & Cherwell Valley College on an arms length basis.

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

27 Amounts disbursed as agent

Learner support funds	**2011** **£'000**	**2010** **£'000**
Grants from the SFA and YPLA (formerly the LSC)	958	442
Interest earned	0	0
	958	442
Disbursed to students	(765)	(398)
Administration costs	(46)	(22)
Balance unspent at 31 July	147	22

Grants from the SFA and YPLA (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.