

**Stafford College**

**Members' report and financial statements**

For the year ended 31 July 2011

## Members' report and financial statements

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## **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 under the Further and Higher Education Act 1992 for the purpose of conducting Stafford College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

#### **Mission**

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

Stafford College will raise learner aspirations and achievements through excellence in performance and successful partnerships.

#### **Implementation of strategic plan**

In 2010, the College prepared a development plan for the period 2010 to 2013. This strategic plan includes an accommodation strategy and financial forecasts. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are to:

- Raise standards of student achievement and satisfaction
- Optimise learning opportunities for the broadest range of learners
- Support staff to achieve their full potential
- Optimise physical and financial resources
- Develop and maintain strong and effective external partnerships
- Contribute to economic and cultural prosperity
- Be an inclusive College that celebrates diversity and demonstrates a commitment to equality

The College is on target for achieving these objectives.

## Operating and Financial Review (*continued*)

### Financial objectives

The College's financial objectives are:

- To maintain a cash in hand position of 60 days
- To achieve a current ratio of 2
- SFA / YPLA income to represent a maximum of 70%
- Maintain Outstanding Financial Health status

Following the approval of the Colleges Accommodation Strategy, these objectives are being reviewed to reflect the anticipated impact on the Colleges balance sheet.

A series of performance indicators have been agreed to monitor the successful implementation of the policies and to maintain the College's "Outstanding" Financial Health Category status as assessed by the SFA, in the long term.

These objectives will be subject to review by the College, to respond to for example, changes in funding priorities or changes in the Colleges balance sheet profile as a result of the Accommodation Strategy.

### Performance indicators

The "Framework for Excellence" has four key performance indicators:

- Success rates
- Learner destinations
- Learner views
- Employer views

The financial Indicators (Financial Health and Financial Management and Control) will continue to be graded and will be reported to providers directly by the relevant funding body. As this direct reporting occurs earlier than Framework for Excellence reporting, these Performance Indicators will no longer be included in the Framework for Excellence Application.

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of "Outstanding" is considered an acceptable outcome for the 2010/2011 Financial Statements. Over the period of the 3-year financial plan the rating is expected to reduce to "Satisfactory" rising again to "Good" by 2013/2014, as a result of a major capital investment to construct a new building on the main College campus.

### Financial position

#### *Financial results*

The College generated an operating surplus in the year of £644,000 (2009/10: £410,000 surplus before revaluation adjustments for impairment of buildings of £5,493,000).

The College has accumulated reserves of £1,154,000 and cash balances of £5,854,000

Tangible fixed asset additions during the year amounted to £2,014,000

The College has significant reliance on the Government funding for its principal funding sources.

## **Operating and Financial Review (*continued*)**

### ***Treasury policies and objectives***

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

### ***Cash flows***

At £2,125,000 (2009/10 £2,478,000), operating cash flow was reasonably strong.

### ***Liquidity***

During the year the College agreed a secured loan of £8.6 million in order to undertake a major new build project.

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. The loan has not yet been drawn down and compliance with loan covenants will be closely monitored.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2010/11 the College has delivered activity that has produced £14,797,000 in funding body main allocation funding (2009/10 – £15,654,000). The College had approximately 5,145 SFA / YPLA funded, 2,452 LA funded and 1,310 non funded students.

### **Student achievements**

The success rates for learners on long qualifications in 2009/2010 was 70%. Success rates are expected to increase in 2010/2011. Over this period the rate of increases in national averages has slowed. It is anticipated that national averages should reduce, reflecting stricter rules on data management and the change to the mix and balance of provision.

### **Curriculum developments**

The College's curriculum offer is broad but primarily focussed on provision for young people. Care has been taken to develop pathways for progression for 16-18 year olds from Level 1 through to Level 3 and in addition there are progression routes to Level 4 in many vocational areas. The rates of progression between levels within the College are very high and HE is the destination of over 50% of the College's Level 3 leavers.

## **Operating and Financial Review (*continued*)**

The College has provision in all Further Education Sector Subject Areas. The majority of full-time 16-18 year old learners study BTEC Diplomas offered at Level 1, 2 and 3. The largest curriculum areas overall are Health, Public Services and Care; Arts, Media and Publishing; and Business Admin and Law. The majority of part-time learners are adults studying vocational programmes or leisure classes. In addition, the College offers apprenticeship for adults and young people and has contracts for the delivery of provision for the Department of Work and Pensions.

Partnership work is a particular strength of the College. The College is a member of SURF (Staffordshire University Regional Federation) and currently has the largest number of HE students of the SURF Colleges. Some employer responsive work is delivered via partners and there is a successful well-established partnership with Francesco Group for learner responsive courses in hair and beauty. The College is a key player in the Stafford Collegiate, a very successful arrangement with Stafford high schools for a shared A/AS Levels offer across the town.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2010 to 31 July 2011, the College paid 95% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period. The average number of days taken to pay a purchase invoice during the period was 16 days. The College incurred no interest charges in respect of late payment for this period

### **Future developments**

The College will complete a £12.8M redevelopment project in 2012/2013.

Further opportunities to grow provision, including partnerships, will be considered.

### **RESOURCES**

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

Tangible resources include the main College campus with a net book value of £12.5M.

#### *Financial*

The College has £14.5 million of net assets (including £3.3 million pension liability). The College has entered into a bank loan agreement for £8.6M to fund the construction of a new building on the main site. The loan has not yet been drawn down as construction will take place during the period 2011 to 2012.

#### *People*

The College employs 461 people (expressed as full time equivalents), of whom 259 are teaching staff.

#### *Reputation*

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at 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 at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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 description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

#### 1. Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies and HEFCE. In 2010/11, 89% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of two issues which may impact on future funding,

- The demand led funding system applied to FE colleges and other providers in respect of adult provision from August 2008. The funding methodology applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.
- The government is reviewing its priorities for the adult skills sector following the Leitch report into the skills needed for the UK to compete in the global economy.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies in due course

## Operating and Financial Review (*continued*)

### 2. Tuition fee policy

Ministers have confirmed that the fee assumption increased from 47.5% in 2009/10 to 50% in 2010/11. In line with the majority of other colleges, the College will set tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

### 3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

### 4. Accommodation Strategy

The College has embarked on a £12.8M capital project to provide new facilities for students, including Library, Catering, Beauty IT, and other functions. The Skill Centre, Workshop and Link Blocks have been demolished to make space for the new build, which will commence in the Autumn term 2011. Construction will be complete by October 2012. The project is part funded by a new bank loan of £8.6M and from College reserves.

## STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Stafford College has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- 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 employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences, especially those Protected Characteristics detailed in the Equality Act 2010 and other aspects of difference. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Single Equality and Diversity Policy is published on the College's internet site.

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

### Accessibility 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 Acts 2001 and 2006:

- a As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2003/04, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access. Work on the project is now complete.
- b The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d 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.
- e 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.
- f Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

### 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 16 December 2011 and signed on its behalf by:



A P Davison  
Chairman

## Professional advisers

Financial statements and regularity auditors: KPMG LLP, Birmingham

Internal auditors: RSM Tenon, Stoke

Bankers: Barclays Bank PLC

Solicitors: Martineau, Birmingham

## 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 financial statements 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
M R Bagguley	9.6.99 9.6.03 9.6.07 9.6.11	4 years 4 years 4 years 4 years		Business Member Business Member External Member External Member	Audit (Chair); Search & Governance
S Birkin	7.10.04 7.10.08	4 years 4 years		Co-opted Member External Member	Remuneration (Chair); Resources (Chair); Search & Governance
I Blachford	19.10.07 19.10.11	4 years 4 years		External Member External Member	Curriculum Standards & Performance; Search & Governance
P W Buttery	19.10.07 19.10.11	4 years 4 years			Resources
Cllr W D Davis	13.2.04  13.2.08	4 years  4 years	  Deceased February 2011	Local Authority Nominated Member (Stafford Borough Council)	Resources
A P Davison	1.4.96 1.4.00 1.4.04 1.4.08	4 years 4 years 4 years 4 years		Business Member Business Member Business Member External Member	Remuneration; Resources; Search & Governance; Chair of the Corporation
Mrs S Green	13.7.10	4 years		Staff Member (Support)	Curriculum Standards & Performance
Mrs H Haroon-Iqbal	26.4.07	4 years	6 June 2011	External Member	Curriculum Standards & Performance; Search & Governance
G M Humby	21.3.02 21.3.06 21.3.10	4 years 4 years 4 years		Business Member Business Member External Member	Curriculum Standards & Performance; Remuneration; Resources
Miss S Kenny	9.12.10	1 academic year	31 July 2011	Student Member	Curriculum Standards & Performance
I Mason	17.1.01 17.1.05 17.1.09	4 years 4 years 4 years		Community Member Community Member External Member	Audit; Curriculum Standards & Performance (chair); Remuneration; Search & Governance (Chair); Vice Chair of the Corporation
Miss S Pinnock	9.12.10	1 academic year	7.3.11	Student Member	Curriculum Standards & Performance
Mrs J K Tanner	5.4.09	4 years		External Member	Resources
G Taylor-Marshall	16.12.08	4 years		Staff Member (Teaching)	Audit; Curriculum Standards & Performance
S Willis	14.12.00	Ex officio		Principal	Curriculum Standards & Performance;

					Resources; Search & Governance
Clr M Winnington	16.10.09	4 years		External Member	Resources
Mrs V Woodward	19.12.02	1 academic year	31.7.03	Student Member	Curriculum Standards & Performance
	9.10.03	4 years		Co-opted Member	Audit; Curriculum Standards & Performance
	9.10.07	4 years		External Member	
	9.10.11	4 years		External Member	

J P Charleton acts as 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. In furtherance of this responsibility, the Corporation has adopted the practice of appointing Associate Governors and externally co-opted (non-Board) committee members with proven skills and expertise in key areas to assist the Board in its work. Whilst eligible for appointment to any of the Corporation's committees, within the constraints of Standing Orders, members serving in these categories may attend full Corporation meetings only as observers: they do not have voting rights at such meetings and therefore do not participate directly in the Corporation's decision-making processes.

Members serving in the category of Associate Governor or externally co-opted committee member during the period were:

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
R Barnett	25.9.08	Ex officio <sup>1</sup>		Associate Governor	Search & Governance
Mrs J Deaville	23.4.10	4 years		Associate Governor	Audit
Prof H Duggal	19.10.06	4 years		Associate Governor	Audit Audit transferring to Curriculum Standards & Performance in Oct 2011
	19.10.10	4 years		Associate Governor	
L Glover	26.4.07	4 years		Externally co-opted member	Audit
	26.4.11	4 years		Externally co-opted member	Audit
Clr P Jones	15.7.11	4 years		Associate Governor	Resources
Lt Col S Nesmith	14.10.10	4 years	6.9.11	Associate Governor	Resources
Dr T Ramgopal	8.12.04	Ex officio <sup>2</sup>	31.7.11	Associate Governor	Search & Governance
P Slater	9.2.06	4 years		Externally co-opted member	Audit
	9.2.10	4 years		Externally co-opted member	Audit
I Starkie	16.10.08	4 years		Associate Governor	Resources

<sup>1</sup> Representing the President of the Stafford and District Chamber of Commerce

<sup>2</sup> Representing the Vice Chancellor of Staffordshire University

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 on a termly basis.

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 Resources, Remuneration, Search & Governance, Curriculum Standards & Performance, and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Stafford College  
Earl Street  
Stafford  
ST16 2QR

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair 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 comprising nine members 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 four years.

### ***Remuneration Committee***

Throughout the year ending 31 July 2011, the College's remuneration committee comprised four members. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2011 are set out in note 7 to the financial statements.

### ***Audit Committee***

The Audit Committee comprises four members of the Corporation (who exclude the Principal and Chair) plus two Associate Governors and two externally-co-opted (non-Board) members. 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 on a termly basis 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 main FE funding bodies, as they affect the College's business.

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

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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation and 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 Stafford College for the year ended 31 July 2011 and up to the date of approval of the annual report and financial statements.

#### ***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 accounts. This process is regularly reviewed by the Corporation.

#### ***The risk and control framework***

The system of internal control is based on a framework of regular management information, 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

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

- 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 LSC's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

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, the regularity auditors in their management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Audit Committee also receives 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 October 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)*

### 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 16 December 2011 and signed on its behalf by:



A P Davison  
*Chairman*



S Willis  
*Principal*

## Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency, the YPLA and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and the YPLA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and the YPLA and any other conditions 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 from the Skills Funding Agency and the YPLA are not put at risk.

Approved by order of the members of the Corporation on 16 December 2011 and signed on its behalf by:



A P Davison  
Chair



## Independent auditor's report to the Corporation of Stafford College

We have audited the College financial statements ("the financial statements") of Stafford College for the year ended 31 July 2011 set out on pages 20 to 44. 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 Stafford College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, 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 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 [describe Annual 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 College's affairs as at 31 July 2011 and of the College'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 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.

**Andy Argyle**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
Number One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH

December 2011



## **Independent regularity report to the Corporation of Stafford College and the Chief Executive of Skills Funding**

In accordance with the terms of our engagement letter dated 18 April 2006 and further to the requirements of the Chief Executive of Skills Funding, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Stafford 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 Stafford 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.

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

December 2011

**Income and expenditure account**  
*for the year ended 31 July 2011*

	Note	2011 £'000	2010 £'000
<b>Income</b>			
Funding body grants	2	17,789	16,965
Tuition fees and education contracts	3	2,914	2,923
Research grants and contracts	4	86	42
Other income		1,098	996
Investment income	5	37	20
		<hr/>	<hr/>
<b>Total income</b>		<b>21,924</b>	<b>20,946</b>
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	6	13,316	13,457
Other operating expenses	8	6,549	5,795
Depreciation	12	1,079	1,029
Land and buildings revaluation		-	5,493
Interest and other finance costs	9	162	255
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>21,106</b>	<b>26,029</b>
		<hr/>	<hr/>
<b>Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax</b>		<b>818</b>	<b>(5,083)</b>
Loss on disposal of assets		(174)	-
		<hr/>	<hr/>
<b>Surplus/(deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax</b>		<b>644</b>	<b>(5,083)</b>
Taxation	10	-	-
		<hr/>	<hr/>
<b>Surplus/(Deficit) for the year retained within general reserves</b>	<b>11</b>	<b>644</b>	<b>(5,083)</b>
		<hr/>	<hr/>

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

**Statement of total recognised gains and losses**  
*for the year ended 31 July 2011*

	<i>Note</i>	2011	2010
		£'000	£'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax		644	(5,083)
Unrealised surplus on revaluation of fixed assets	12	-	6,252
Actuarial gain in respect of pension scheme	20	1,766	688
		<hr/>	<hr/>
Total recognised gains since the last period		2,410	1,857
		<hr/> <hr/>	<hr/> <hr/>

		2011	2010
		£'000	£'000
<b>Reconciliation</b>			
Opening reserves and endowments		10,826	8,969
Total recognised gains for the year		2,410	1,857
		<hr/>	<hr/>
Closing reserves		13,236	10,826
		<hr/> <hr/>	<hr/> <hr/>

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

	<i>Note</i>	2011	2010
		£'000	£'000
Surplus/(deficit) on continuing operations before taxation		644	(5,083)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	326	170
Disposal of property	18	548	-
		<hr/>	<hr/>
Historical cost surplus/(deficit) for the year before and after taxation		1,518	(4,913)
		<hr/> <hr/>	<hr/> <hr/>

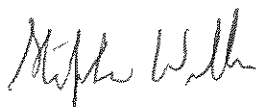
**Balance sheet**  
*as at 31 July 2011*

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	12	15,688	15,524
<hr/>			
<b>Current assets</b>			
Stock		14	36
Debtors	13	239	296
Cash at bank and in hand		5,854	4,949
<hr/>			
		6,107	5,281
<hr/>			
<b>Creditors: Amounts falling due within one year</b>	14	(3,272)	(3,082)
<hr/>			
<b>Net current assets</b>		2,835	2,199
<hr/>			
<b>Total assets less current liabilities</b>			
<b>Creditors: Amounts falling due after more than one year</b>	15	(54)	(6)
<b>Provisions for liabilities and charges</b>	16	(672)	(671)
<hr/>			
<b>Net assets excluding net pension liability</b>		17,797	17,046
<b>Net pension liability</b>	20	(3,288)	(4,917)
<hr/>			
<b>Net assets including net pension liability</b>		14,509	12,129
<hr/>			
<b>Deferred capital grants</b>	17	1,272	1,303
<hr/>			
<b>Reserves</b>			
Revaluation reserve	18	12,083	12,957
Income and expenditure account excluding pension reserve	19	4,442	2,786
Pension reserve	19	(3,288)	(4,917)
<hr/>			
<b>Income and expenditure account including pension reserve</b>		1,154	(2,131)
<hr/>			
<b>Total reserves</b>		13, 237	10,826
<hr/>			
		14,509	12,129
<hr/>			
<b>TOTAL FUNDS</b>		<u>14,509</u>	<u>12,129</u>

The financial statements on pages 20 to 44 were approved by the Corporation on 16 December 2011 and were signed on its behalf by:



**A P Davison**  
Chair



**S Willis**  
Principal

**Cash flow statement**  
*for the year ended 31 July 2011*

		2011	2010
	Note	£'000	£'000
Net cash inflow from operating activities	21	2,125	2,478
Returns on investments and servicing of finance	23	13	20
Taxation	10	-	-
Capital expenditure and financial investment	23	(1,301)	(721)
<b>Cash inflow before use of liquid resources and financing</b>		<u>837</u>	<u>1,777</u>
Management of liquid resources	23	-	-
Financing	23	75	6
<b>Increase in cash</b>		<u><u>912</u></u>	<u><u>1,783</u></u>

**Reconciliation of net cash flow to movement in net funds**

	2011	2010
	£'000	£'000
Increase in cash in the period	912	1,783
Cash inflow from new secured loan (note 23)	(80)	-
Cash inflow/(outflow) from liquid resources (note 23)	-	-
<b>Movement in net funds in period</b>	<u>832</u>	<u>1,783</u>
Net funds at 1 August	4,948	3,165
<b>Net funds at 31 July</b>	<u><u>5,780</u></u>	<u><u>4,948</u></u>

## 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.

#### ***Basis of accounting***

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### ***Going concern***

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College has negotiated an £8.6m loan with Barclays Bank on terms negotiated in 2010. The loan has not yet been drawn down. The terms of the existing agreement are for up to another 15 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### ***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 a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies 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.

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

## Notes (continued)

### 1 Statement of accounting policies (continued)

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 Skills Funding Agency/YPLA (see note 31).

Non-recurrent grants from the Skills Funding Agency, YPLA 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 grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

#### **Post retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are 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 20.

#### **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

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### *Enhanced Pensions (continued)*

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 funding bodies.

#### *Tangible fixed assets*

##### *Land and buildings*

Land and buildings inherited from the Local Education Authority were re-valued at 31 July 2010. Land and buildings acquired since incorporation included in the balance sheet were also re-valued at 31 July 2010. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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

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.

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation at the time of transfer and is now fully depreciated.

Equipment is depreciated over its useful economic life as follows:

Building improvements	-	15 years
Motor vehicles and general equipment	-	5 years
Computer, ILT equipment	-	3 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.

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

#### 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.

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### *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 is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

#### *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 discretionary support funds. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 31 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 one member of staff dedicated to the administration of Learner Support Fund applications and payments.

**Notes (continued)**

**2 Funding body grants**

	2011 £'000	2010 £'000
SFA/YPLA recurrent grant	17,184	16,075
Recurrent grant - HEFCE		
SFA/YPLA non recurrent grants	416	555
Other funding body non recurrent grants	57	145
Releases of deferred capital grants	132	190
	17,789	16,965
	17,789	16,965

**3 Tuition fees and education contracts**

	2011 £'000	2010 £'000
Tuition Fees	1,244	1,317
Education contracts	1,670	1,606
	2,914	2,923
	2,914	2,923

**4 Research grants and contracts**

	2011 £'000	2010 £'000
European Commission	-	-
Other grants and contracts	86	42
	86	42
	86	42

**5 Investment income**

	2011 £'000	2010 £'000
Investment income	37	20
	37	20

**Notes (continued)**

**6 Staff numbers and costs**

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

	2011 Number	2010 Number
Teaching staff	259	267
Non Teaching staff	202	206
	461	473
	461	473

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	11,229	11,296
Social security costs	765	767
Other pension costs (including FRS 17 adjustments of £xx,000; 2010 £xx,000)	1,298	1,318
Staff restructuring	24	76
	13,316	13,457
	13,316	13,457

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
£80,001 to £90,000	-	-	2	-
£90,001 to £100,000	2	-	-	-
£140,001 to £150,000	-	-	1	-
£150,001 to £160,000	1	-	-	-

**Notes (continued)**

**7 Emoluments of senior post holders and members**

Senior postholders are defined as members of the senior management team.

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

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

	2011 £'000	2010 £'000
Salaries	314	307
Benefits in kind	-	-
Pension contributions	41	39
	355	346

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

	2011 £'000	2010 £'000
Salaries	134	131
Benefits in kind	-	-
Pension contributions	17	17
	151	148

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

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

The Principal received a pay award of 2.1% and other senior post holders received a pay increase of 2.8%. No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

**Notes (continued)**

**8 Other operating expenses**

	2011	2010
	£'000	£'000
Teaching costs	1,731	1,703
Non teaching costs	2,866	2,797
Premises costs	1,952	1,295
	6,549	5,795
	6,549	5,795
Other operating expenses include:		
Auditors remuneration:		
Financial statements audit	19	19
Internal audit	22	18
Other services from external audit	3	6
Other services from internal audit	-	-
Hire of plant and machinery – operating leases	71	65
Hire of other assets – operating leases	213	105
	228	103
	228	103

**9 Interest payable**

	2011	2010
	£'000	£'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	-	-
Repayable within five years, by instalments	24	-
Repayable wholly or partly in more than five years	-	-
	24	-
	24	-
On finance leases		
Pension finance costs	138	255
	138	255
	138	255

**Notes (continued)**

**10 Taxation**

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

**11 Surplus/(deficit) on continuing operations for the year**

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

	2011	2010
	£'000	£'000
College's surplus/(deficit) for the year	644	(5,083)
	<u>644</u>	<u>(5,083)</u>

**12 Tangible fixed assets**

	Freehold land and buildings £'000	Fixtures and fittings £'000	Equipment £'000	Assets under construction £'000	Total £'000
<i>Cost or valuation</i>					
At 1 August 2010	13,840	1,360	9,529	-	24,729
Additions	-	-	398	1,616	2,014
Surplus on revaluation	-	-	-	-	-
Disposals	(799)	-	-	-	(799)
	<u>13,041</u>	<u>1,360</u>	<u>9,927</u>	<u>1,616</u>	<u>25,944</u>
<b>At 31 July 2011</b>	<u>13,041</u>	<u>1,360</u>	<u>9,927</u>	<u>1,616</u>	<u>25,944</u>
<i>Accumulated depreciation</i>					
At 1 August 2010	199	824	8,182	-	9,205
Charge for year	354	76	649	-	1,079
Revaluation	-	-	-	-	-
Eliminated in respect of disposals	(28)	-	-	-	(28)
	<u>525</u>	<u>900</u>	<u>8,831</u>	<u>-</u>	<u>10,256</u>
<b>At 31 July 2011</b>	<u>525</u>	<u>900</u>	<u>8,831</u>	<u>-</u>	<u>10,256</u>
<i>Net book value</i>					
At 31 July 2011	<u>12,516</u>	<u>460</u>	<u>1,096</u>	<u>1,616</u>	<u>15,688</u>
At 31 July 2010	13,641	536	1,347	-	15,524

## Notes (continued)

### 12 Tangible fixed assets (continued)

Under the provisions of FRS 15, a full valuation of the freehold land and buildings was performed at 31 July 2010, by GVA Grimley Ltd, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. The valuation was performed on the basis of depreciated replacement cost.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Staffordshire County Council Property Services Department, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. A previous full valuation was performed at 31 July 2006, by Knight Frank LLP, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes, on a depreciated replacement cost basis.

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 £12,516,000 (2009/10: £13,641,000) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the Council, to surrender the proceeds.

### 13 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Trade debtors	105	126
Other debtors	44	38
Prepayments and accrued income	90	59
Amounts owed by the Skills Funding Agency/YPLA	-	73
	<u>239</u>	<u>296</u>

### 14 Creditors: Amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans and overdrafts	21	-
Obligations under finance leases	-	-
Payments received on account	332	646
Trade creditors	228	56
Other taxation and social security	245	255
Accruals	2,036	2,125
Amounts owed to the Skills Funding Agency/YPLA	410	-
	<u>3,272</u>	<u>3,082</u>

**Notes (continued)**

**15 Creditors: Amounts falling due after more than one year**

	2011 £'000	2010 £'000
Loans not from banks	54	6

**16 Provisions for liabilities and charges**

*Group and College*

	Pension provisions £'000	Other provisions £'000	Total £'000
At 1 August 2010	200	471	671
Expenditure in the period	(100)	(1)	(101)
Provision made	86	8	94
Transferred from income and expenditure account	8	-	8
<b>At 31 July 2011</b>	<b>194</b>	<b>478</b>	<b>672</b>

Pension provisions include a provision for enhanced pensions payable to former members of staff and a provision for under-funding of the Local Government Pension Scheme. This provision has been recalculated in accordance with guidance issued by the LSC and its successor organisations.

Other provisions include £441,000 in respect of estimated costs of pay harmonisation.

**Notes (continued)**

**17 Deferred capital grants**

**Group and College**

	Funding £'000	Other grants £'000	Total £'000
At 1 August 2010	1,168	135	1,303
Cash received:	209	-	209
Released to income and expenditure account	(127)	(113)	(240)
Accelerated release of capital grants relating to the property strategy	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2011</b>	<b>1,250</b>	<b>22</b>	<b>1,272</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**18 Revaluation reserve**

	£'000
At 1 August 2010	12,957
Revaluations in the year (as per note 12)	-
Transfer from revaluation reserve to income and expenditure account in respect of:	
Disposals	(548)
Depreciation on revalued assets	(326)
Accelerated release of revaluation reserves relating to the property strategy (note x)	-
	<hr/>
<b>At 31 July 2011</b>	<b>12,083</b>
	<hr/> <hr/>

**19 Movement on general reserves**

	£'000
At 1 August 2010	(2,131)
Surplus on continuing operations after depreciation of assets at valuation and tax	644
Transfer from revaluation reserve to income and expenditure account	875
Actuarial gain in respect of pension scheme	1,766
	<hr/>
<b>At 31 July 2011</b>	<b>1,154</b>
	<hr/> <hr/>

**Balance represented by**

	£'000
Pension reserve	(3,288)
Income and expenditure account excluding pension reserve	4,442
	<hr/>
<b>At 31 July 2011</b>	<b>1,154</b>
	<hr/> <hr/>

## 20 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):

Total pension cost for the year	2010/11 £000	2009/10 £000
Teachers Pension Scheme: contributions paid	875	880
Local Government Pension Scheme:		
Contributions paid	423	400
FRS 17 charge	<u>(1)</u>	<u>38</u>
Charge to the Income and Expenditure Account (staff costs)	422	438
Enhanced pension charge to Income and Expenditure Account (staff costs)		
<b>Total Pension Cost</b>	<u><b>1,297</b></u>	<u><b>1,318</b></u>

### 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 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 £634,853 of which employers contributions totalled £441,692 and employees contributions totalled £193,161. The agreed contribution rates for future years are 16.2% for employers and 6.5% for employees.

**Notes (continued)**

**20 Pensions and similar obligations (continued)**

**Principal Actuarial Assumptions**

The following information is based on a full actuarial valuation of the fund as at 31<sup>st</sup> March 2010 updated to 31<sup>st</sup> July 2011 by a qualified independent actuary.

	2011	2010
Rate of increase in salaries	5.0%	4.9%
Rate of increase in pensions	2.7%	2.9%
Discount rate for liabilities	5.3%	5.4%
Inflation assumption (CPI)	2.7%	2.9%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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
<i>Retiring today</i>		
Males	21.2	20.8
Females	23.4	24.1
<i>Retiring in 20 years</i>		
Males	23.3	22.3
Females	25.6	25.7

The assets and liabilities in the scheme (of which the College's share is estimated at 0.40%) and the expected rates of return were:

	Long term rate of return Expected at 31 July 2011	Value at 31 July 2011	Long term rate of return expected at 31 July 2010	Value at 31 July 2010
Equities	7.00%	7,727	7.3%	7,357
Bonds	4.6%	1,462	4.8%	1,258
Property	5.1%	835	5.3%	774
Cash	4.0%	418	4.4%	290
Total market value of assets		10,442		
Present value of scheme liabilities				
Funded		(13,720)		(14,586)
Unfunded		(10)		(10)
Deficit in the scheme		(3,288)		
				(4,917)

**Notes (continued)**

**20 Pensions and similar obligations (continued)**

**Analysis of the amount charged to the income and expenditure account**

	2011 £'000	2010 £'000
Employer service cost (net of employee contributions)	531	509
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	<u>531</u>	<u>509</u>

**Analysis of pension finance income/(costs)**

	2011 £'000	2010 £'000
Expected return on pension scheme assets	659	552
Interest on pension scheme liabilities	(797)	(807)
	<hr/>	<hr/>
Pension finance income/(costs)	<u>(138)</u>	<u>(255)</u>

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

	2011 £'000	2010 £'000
Actuarial gains/(losses) on pension scheme assets	(236)	793
Past service costs	-	1,054
Actuarial gains/(losses) on scheme liabilities including CPI	2,002	(1,159)
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	<u>1,766</u>	<u>688</u>

**Movement in Pension scheme Deficit during year**

	2011 £'000	2010 £'000
Deficit in scheme at beginning of year	(4,917)	(5,312)
Movement in year:		
Current service charge	(531)	(509)
Contributions	532	471
Past service costs	-	-
Net interest on assets	(138)	(255)
Actuarial gain	1,766	688
	<hr/>	<hr/>
Deficit in scheme at end of year	<u>(3,288)</u>	<u>(4,917)</u>

**Notes (continued)**

**20 Pensions and similar obligations (continued)**

**Asset and Liability Reconciliation**

	2011 £'000	2010 £'000
<b>Reconciliation of Liabilities</b>		
Liabilities at start of period	14,596	13,077
Service cost	531	509
Interest cost	797	807
Employee contributions	193	212
Experience gains and losses on scheme liabilities	-	-
Actuarial (gain)/loss	(2,002)	1,159
Benefits paid	(385)	(260)
Past Service cost	-	(1,054)
Unfunded	-	146
Curtailments and settlements	-	-
<b>Liabilities at end of period</b>	<b>13,730</b>	<b>14,596</b>

**Reconciliation of Assets**

Assets at start of period	9,679	7,911
Expected return on assets	659	552
Actuarial gain/(loss)	(236)	793
Employer contributions	532	471
Employee contributions	193	212
Benefits paid	(385)	(260)
<b>Assets at end of period</b>	<b>10,442</b>	<b>9,679</b>

The estimated value of employer contributions for the year ended 31<sup>st</sup> July 2012 is £459,000

**History of experience gains or losses**

	2011	2010	2009	2008	2007
Difference between the expected and actual return on assets:					
Amount £'000	(236)	793	(1,404)	(2,006)	379
Experience gains and losses on scheme liabilities					
Amount £'000	2,002	(1,159)	(1,402)	843	2
Total amounts recognised in statement of total recognised gains and losses					
Amount £'000	1,766	688	(2,952)	(1,163)	1,343

**Notes (continued)**

**21 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities**

	2011	2010
	£'000	£'000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	644	(5,083)
Depreciation (note 12)	1,079	1,029
Deferred capital grants released to income (notes 2 and 4)	(240)	(201)
Loss on revaluation of Land & Buildings	-	5,493
Loss on disposal of tangible fixed assets	269	-
Interest receivable (note 5)	(37)	(20)
Interest payable (note 9)	24	-
Pension cost less contributions payable (note 20)	137	293
Decrease/(increase) in stocks	22	(10)
Decrease in debtors	57	860
Increase in creditors	169	109
Increase in provisions	1	8
	2,125	2,478
<b>Net cash inflow from operating activities</b>	<b>2,125</b>	<b>2,478</b>

**22 Analysis of changes in net funds**

	At 1 August 2010 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2011 £'000
Cash at bank and in hand	4,948	906	-	5,854
Bank overdrafts	-	-	-	-
	-	-	-	-
Debts due after 1 year	-	(54)	-	(54)
Debts due within 1 year	-	(21)	-	(21)
	-	-	-	-
<b>Total</b>	<b>4,948</b>	<b>833</b>	<b>-</b>	<b>5,779</b>

**Notes (continued)**

**23 Analysis of cash flows for headings netted in the cash flow statement**

	2011 £'000	2010 £'000
<b>Returns on Investments and servicing of finance</b>		
Interest received	37	20
Interest paid	(24)	-
	<u>13</u>	<u>20</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		
	<u>13</u>	<u>20</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2,014)	(776)
Sales of tangible fixed assets	504	-
Deferred capital grants received	209	55
	<u>(1,301)</u>	<u>(721)</u>
<b>Net cash outflow for capital expenditure and financial investment</b>		
	<u>(1,301)</u>	<u>(721)</u>
<b>Management of liquid resources</b>		
Sales of investments	-	-
Withdrawals from deposits	-	-
Purchase of investments	-	-
Placing of deposits	-	-
	<u>-</u>	<u>-</u>
<b>Net cash inflow from management of liquid resources</b>		
	<u>-</u>	<u>-</u>
<b>Financing</b>		
Debt due beyond a year:		
New unsecured loans repayable in 2026	65	6
Repayment of amounts borrowed	(11)	-
Debt due within 1 year	21	-
	<u>75</u>	<u>6</u>
<b>Net cash inflow from financing</b>		
	<u>75</u>	<u>6</u>

**24 Capital commitments**

	2011 £'000	2010 £'000
Commitments contracted for at 31 July	<u>51.7</u>	<u>43</u>
Commitments authorised by not contracted for at 31 July	<u>Nil</u>	<u>Nil</u>

**Notes (continued)**

**25 Financial commitments**

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

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	22	43	19
Expiring between two and five years inclusive	187	35	37	6
Expiring in over five years	-	-	-	-
	187	57	80	25
	187	57	80	25

**26 Contingent liability**

The College had no contingent liabilities as at 31 July 2011 (2009/2010: £NIL).

**27 Related Party Transactions**

Due to the nature of the College's operations and the composition of the Corporation (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation 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'.

Transactions with the Skills Funding Agency/YPLA and HEFCE are detailed in notes 2, 13, 14 and 17.

**28 Post balance sheet events**

There were no post balance sheet events.

**29 Cash flow relating to exceptional items**

There were no cash flows relating to exceptional items during the year.

**30 Major non-cash transactions**

There were no major non-cash transactions during the year.

**Notes (continued)**

**31 Amounts Disbursed as Agent**

**Learner support funds**

Access Funds	2011 £'000	2010 £'000
Funding body grants – hardship support	199	223
Interest earned	-	-
	<hr/>	<hr/>
Disbursed to students	(167)	(231)
Audit fees	-	-
Staffing	-	-
Administration costs	(9)	(11)
Amount consolidated in financial statements	-	29
	<hr/>	<hr/>
Balance unspent at 31 July, included in creditors	23	10
	<hr/> <hr/>	<hr/> <hr/>

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