

Stafford College

Members' report and financial statements

For the year ended 31 July 2008

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 2008. For the purposes of these financial statements, the name of the Corporation has been abbreviated, in places, to Stafford College or the College or the Corporation.

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.

Mission

Stafford College will meet learner needs and aspirations through excellence in performance and successful partnerships.

Implementation of strategic plan

In January 2008, the College prepared a development plan for the period 2008 to 2011. This development plan includes an accommodation strategy and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic aims are:

- Raise standards
- Optimise learner opportunities for the broadest range of learners
- Realise staff potential
- Optimise physical and financial resources
- Develop and maintain effective external partnerships
- Contribute to the economic and cultural prosperity of the community
- Provide an inclusive College committed to the principles of equality and diversity.

The College is on target for achieving these objectives.

The College's specific objectives for 2007/08 and achievement of these objectives include:

- A continued rise in full time student numbers; full time numbers rose by 7.7%.
- Improvements in retention rates; retention rates improved by 3% between 2005/06 and 2006/07 and are expected to improve by a further 2% in 2007/08 based on provisional data.
- the percentage of qualified teaching staff employed by the College rose to 76% for teaching staff on permanent contracts and was 66% overall.
- Further extended links with local employers, including 421 new enrolments on Train to Gain programmes

The College's financial objectives are:

- To maintain a cash in hand position of 60 days
- To achieve a current ratio of 2
- LSC income to represent a maximum of 70% of total income

Operating and Financial Review (*continued*)

- To achieve an operating surplus of at least 2% of income

A series of performance indicators have been agreed to monitor the successful implementation of the policies and to maintain/ improve the College's Grade A status as assessed by the LSC, 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

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

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

In 2007/08 the College significantly exceeded the LSC funding and learner number targets. Learner growth was achieved in the government priority 16-18 year group.

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

- Responsiveness
- Effectiveness
- Finance

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

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

Financial position

Financial results

The College generated an operating deficit in the year of £1,249,000 (*2006/07 operating surplus: £431,000*). The result in 2007/08 is stated after accounting for exceptional depreciation costs to reflect the reduced economic lives of buildings scheduled for demolition between 2009 and 2011.

The historical cost surplus for the year is £353,000 (*2006/07 historic cost surplus: £639,000*).

The College's main source of income is recurrent grant from the LSC. In 2007/08 this amounted to £13,014,000, 68% of income* (*2006/07: £12,011,000, 69%*).

The College has accumulated reserves of £5,967,000, 48.2% of income* (*2007 accumulated reserves: £6,777,000, 44.9% of income**) and cash balances of £4,716,000 (*2007 cash balances: £3,678,000*).

Operating and Financial Review (*continued*)

Consolidated net current assets amounted to £2,205,000 (*2007 net current assets: £1,474,000*). The current ratio of current assets to current liabilities is 1.70 (*2007 current ratio: 1.54*).

Tangible fixed asset additions during the year amounted to £555,000 and related mainly to items of equipment.

- * The definition of income for the purpose of these comparisons is consistent with the LSC definition of income for the purpose of ratio analysis: i.e., total income less restructuring fund grant, release of deferred capital grants, learner support fund grant, and income for payments under Section 6(5) of the Further and Higher Education Act 1992.

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 Financial Memorandum with the LSC. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the LSC.

Cash flows

At £1,339,000 (2006/07 £1,991,000), operating cash flow was strong.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College is funded according to the level of activity it generates each year. In 2007/08, the College achieved an estimated 3,223 full time equivalent (FTE) learners against an allocation of 3,198 FTE learners. In the priority 16-18 year group the college achieved 2,455 FTE learners against an allocation of 2,418 and adult learners were 768 FTE learners, against a target allocation of 780.

In 2007/08 the College has delivered activity that has produced £13,379,000 in LSC main allocation funding (2006/07 – £12,552,000). The College had approximately 8,009 LSC FE-funded and 5,651 LSC-other-funded and non-LSC-funded students.

In 2006/2007 the success rate on long courses was 72% (source: CPR summer 2008). This is a 5% increase on the 2005/2006 outcome of 67%. The College anticipates an improvement in 2007/2008 of a further 1% improvement in learner success rates on long courses.

Operating and Financial Review (*continued*)

Transparency arrangements

During 2007/08 the Corporation conducted its business through a number of committees. Each committee had terms of reference which have been approved by the full Corporation. These committees were: Audit, Resources, Remuneration, Search and Governance and Curriculum Standards & Performance.

The Corporation has four scheduled meetings each year and the Resources, Audit and Curriculum Standards & Performance Committees each have at least three. The Remuneration and Search and Governance Committees are convened as necessary. Full minutes of all meetings are available from the Clerk to the Corporation at:

Stafford College
Earl Street
Stafford
ST16 2QR

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.

The College had in place throughout the year a policy of liability insurance for both governors and College staff.

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.

The College has provision in all but one of the LSC's Sector Subject Areas. The majority of full-time 16-18 year old learners study BTEC National Diplomas and BTEC First Diplomas. The largest curriculum areas overall are Health, Public Services and Care; ICT; Arts Media and Publishing; and Business Admin and Law.

The College has been particularly successful in developing curriculum in partnership with others. The College is a member of SURF (Staffordshire University Regional Federation) and currently has the largest number of HE students of any of the SURF Colleges. The College is a key player in the Stafford Collegiate, a very successful arrangement with Stafford high schools for the delivery of A/AS Levels. In addition, the College has been successful in developing Train to Gain provision for employers as part of the Staffordshire Consortium.

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 1st August 2007 to 31 July 2008, the college paid 89% of its invoices within 30 days. The average number of days taken to pay a purchase invoice during the period was 24 days. The college incurred no interest charges in respect of late payment for this period.

It is the College's policy to pay all of its suppliers within 30 days of the date of the invoice, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The College does not follow any code or standard on payment practice nor is it the College's policy to agree terms of payment in advance with suppliers. The number of days' purchases outstanding for payment by the College at the year end was 14.4 days.

Operating and Financial Review (*continued*)

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 £13M.

Financial

The College has £15 million of total net assets (including £2 million pension liability). The College currently has no long term debt.

People

The College employs 463 people (expressed as full time equivalents), of whom 272 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.

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 on a termly basis by the Senior Management Team and 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.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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 LSC and HEFCE. In 2008, 88.8% 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 LSC is introducing a new demand led funding system to apply 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.
- 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.

Operating and Financial Review (*continued*)

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 the local LSC

2. Tuition fee policy

The LSC intend to raise individual contributions. Ministers have confirmed that the fee assumption will increase to 42.5% in 2008/09, 47.5% in 2009/10 and 50% in 2010/11. In line with the majority of other colleges, the College will increase 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 increased and this has been the Colleges experience to date. 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 £55M capital project to substantially rebuild the Main Earl Street Site. The project was taken to RIBA Stage C in 2007/08 and gained LSC funding Approval in Principle in June 2008.

Operating and Financial Review (*continued*)

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.

Equal opportunities and employment of disabled persons

Stafford College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy, including its policy on Race Relations and Transgender, 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.

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:

- 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 successful 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

Operating and Financial Review (*continued*)

- 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.

Staff and student involvement

The College considers good communications with its staff and students to be very important and encourages the involvement of both through membership of the Corporation and other groups. Communication and consultation with staff also takes place in a variety of other ways including: individual annual review interviews, staff team briefings and "summer review" processes, staff questionnaires, a weekly bulletin and monthly newsletter, and through formal Trades Union procedures. Communication and consultation with students takes place in personal and group tutorial meetings, through student group representatives, the Students Union and through questionnaires following induction, whilst on-programme and on completion. The College also has a system for complaints and accolades, administered by the Quality Unit.

Charitable and taxation status

The College is an exempt charity for the purposes of the Charities Act 1993 and is not liable to corporation tax.

Disclosure of information to auditors

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

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

A P Davison
Chair

Professional advisers

Financial Statement auditors:	KPMG LLP; Birmingham
Internal Audit Service:	Bentley Jennison; Stoke
Bankers:	Barclays Bank PLC
Solicitors:	Martineau Johnson; 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 revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

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

The Corporation

The members who served 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	Category of appointment*	Committees served
Mr M R Bagguley	9.6.99 9.6.03 9.6.07	4 years 4 years 4 years		Business Member Business Member Business Member	Audit (Chair)
Mrs K Baker	16.12.04	4 years		Staff Member (Teaching)	Curriculum Standards & Performance, Search & Governance
Mr S Birkin	7.10.04	4 years		Co-opted Member	Remuneration (Chair); Resources (Chair)
Mr I Blachford	19.10.07	4 years		Co-opted Member	Resources
Mr D Bridgeman	22.5.08	end of 2007/08 academic year	31.7.08	Student Member	Curriculum Standards & Performance
Mr P Buttery	19.10.07	4 years		Business Member	Resources
Mr K Cackett	18.10.01 18.10.05	4 years 4 years	31.12.07	Local Authority Nominated Member (Staffs LEA)	Curriculum Standards & Performance; Search & Governance (Chair)
Cllr W D Davis	13.2.04 13.2.08	4 years 4 years		Local Authority Nominated Member (Stafford Borough Council) External Member	Resources
Mr 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	Search & Governance; Remuneration; Resources; Chair of Corporation wef 14.12.06
Mr J F Duggan	13.7.06	4 years		Staff Member (Support)	Curriculum Standards & Performance
Mr R Eccles	19.10.07	1 academic year	3.3.08	Student Member	Curriculum Standards & Performance
Mrs H Haroon-Iqbal	26.4.07	4 years		Business Member	Curriculum Standards & Performance
Mr G M Humby	21.3.02 21.3.06	4 years 4 years		Business Member Business Member	Curriculum Standards & Performance; Remuneration; Resources
Mr I Mason	17.1.01 17.1.05	4 years 4 years		Community Member Community Member	Audit; Curriculum Standards & Performance (Chair); Remuneration Search & Governance (Chair); Vice Chair of the Corporation
Miss S Poxon	19.10.07	1 academic year	31.7.08	Student Member	Curriculum Standards & Performance
Cllr R Simpson	7.2.08	4 years		External Member	Curriculum Standards & Performance
Mr I Starkie	1.8.06	4 years	23.8.07	Business Member	Resources
Mrs M Weale	5.4.01 5.4.05	4 years 4 years		Business Member Business Member	Audit; Search & Governance
Mr S Willis	14.12.00	Ex officio		Principal	Curriculum Standards & Performance; Search & Governance; Resources

Corporate Governance *(continued)*

Name	Date of appointment	Term of office	Date of resignation	Category of appointment*	Committees served
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	Curriculum Standards & Performance; Audit
	9.10.07	4 years		Co-opted Member	

* All categories of Board membership, with the exception of Staff and Student Members and the Principal, were reclassified as External following revisions to the Instrument and Articles of Government published by the DIUS, taking effect from 1 January 2008

During the period the role of Clerk to the Corporation was undertaken by Mr J P Charleton

The composition of the Corporation is set out on pages 9 and 10. 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 committee members. 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 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	Category of appointment	Committees served
Mr R Barnett	- 25.9.08	- 4 years		Externally co-opted member ¹ Associate Governor	Search & Governance
Dr H Duggal	19.10.06	4 years		Associate Governor	Resources
Mr L Glover	26.4.07	4 years		Externally co-opted member	Audit
Mr P Slater	9.2.06	4 years		Externally co-opted member	Audit
Dr T Ramgopal	-	-		Externally co-opted member ²	Search & Governance
Col C H Turner	16.5.07	4 years		Associate Governor	Resources

¹ Representing the President of the Stafford and District Chamber of Commerce - an ex-officio position on the Committee:

² Representing the Vice Chancellor of Staffordshire University - an ex-officio position on the Committee

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

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.

Corporate Governance *(continued)*

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 & Governance committee, comprising five Corporation members and two externally co-opted (ex-officio) 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 4 years.

Resources Committee

The Resources Committee comprises 7 members of the Corporation plus 2 Associate Governors and operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on matters relating to the use of human, physical, information and financial resources of the College.

Remuneration Committee

The composition of the College's remuneration committee comprises four Corporation 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 2008 are set out in note 8 to the financial statements.

Audit Committee

The audit committee comprises four members of the Corporation (who exclude the Principal and Chair) plus two externally co-opted members and one Associate Governor. 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 LSC, as they affect the College's business.

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

Management is responsible for the implementation of agreed 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.

Corporate Governance *(continued)*

Internal Control

Scope of responsibility

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

The corporation has delegated the day-to-day responsibility to the 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 Learning and Skills Council (LSC). He 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 Stafford College for the year ended 31 July 2008 and up to the date of approval of the annual report and financial statements.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with requirements of the LSC's Interim 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.

Corporate Governance *(continued)*

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 and 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 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 2008 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2008 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2008.

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 year ending 31 July 2008 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 Governing Body/Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

A P Davison
Chair

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 by the Learning and Skills Council ('the Council') 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 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC may prescribe from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 LSC are not put at risk.

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

A P Davison
Chair



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' 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 2008 which comprise the College income and expenditure account, the College balance sheet, the College statement of total recognised gains and losses, the College cash flow statement and the related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the Corporation, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Members of the Corporation of Stafford College and Auditors

The College's Corporation's responsibilities for preparing the Members' Report and financial statements in accordance with the Accounts Direction issued by the Learning and Skills Council, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 14.

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

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

We read the Members' Report and the Statement of Corporate Governance and Internal Control and consider the implications for our report if we become aware of any apparent misstatement within them or material inconsistencies with the financial statements.

Basis of Audit Opinion

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

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



Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2008 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

KPMG LLP
Chartered Accountants
Registered Auditor

11 December 2008

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.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL

Independent regularity report to the Corporation of Stafford College and the Learning and Skills Council ('the LSC')

In accordance with the terms of our engagement letter dated 18 April 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Stafford College ('the College') during the year ended 31 July 2008 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the LSC, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of 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 LSC. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2008 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

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

KPMG LLP
Chartered Accountants
Registered Auditor

11 December 2008

Income and expenditure account for the year ended 31 July 2008

	<i>Note</i>	2008	2007
		£'000	£'000
Income			
Funding Council income	2	15,520	14,084
Tuition fees and education contracts	3	2,723	2,456
Research grants and contracts	4	63	76
Other income	5	1,032	861
Investment income	6	330	230
		<hr/>	<hr/>
Total income		19,668	17,707
		<hr/> <hr/>	<hr/> <hr/>
Expenditure			
Staff costs	7	12,150	11,597
Other operating expenses	9	5,972	4,642
Depreciation	13	2,795	1,018
Interest payable		-	19
		<hr/>	<hr/>
Total expenditure		20,917	17,276
		<hr/> <hr/>	<hr/> <hr/>
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and before tax		(1,249)	431
Profit on disposal of assets	13	-	-
		<hr/>	<hr/>
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax		(1,249)	431
Taxation	11	-	-
		<hr/>	<hr/>
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposals of assets and tax		(1,249)	431
		<hr/> <hr/>	<hr/> <hr/>

Statement of total recognised gains and losses
for the year ended 31 July 2008

	<i>Note</i>	2008	2007
		£'000	£'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	<i>12</i>	(1,249)	431
Unrealised surplus on revaluation of fixed assets	<i>13</i>	-	(301)
Actuarial (loss)/gain in respect of pension scheme	<i>20</i>	(1,163)	1,343
Total recognised gains relating to the year		(2,412)	1,473
Reconciliation			
Opening reserves		15,425	13,952
Total recognised gains and losses for the year		(2,412)	1,473
Closing reserves		13,013	15,425

Statement of historical cost surpluses and deficits
for the year ended 31 July 2008

	<i>Note</i>	2008	2007
		£'000	£'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(1,249)	431
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	<i>18</i>	87	208
Realisation of property revaluation gains of previous years	<i>18</i>	1,515	-
Historical cost surplus for the year		353	639

Balance sheet
at 31 July 2008

	<i>Note</i>	2008	2007
		£'000	£'000
Fixed assets			
Tangible assets	<i>13</i>	15,391	17,631
		<hr/>	<hr/>
Current assets			
Stock		35	30
Debtors	<i>14</i>	597	472
Cash at bank and in hand		4,716	3,678
		<hr/>	<hr/>
		5,348	4,180
Creditors: Amounts falling due within one year	<i>15</i>	(3,143)	(2,706)
		<hr/>	<hr/>
Net current assets		2,205	1,474
		<hr/>	<hr/>
Total assets less current liabilities		17,596	19,105
Creditors: Amounts falling due after one year		-	-
Provisions for liabilities and charges	<i>16</i>	(624)	(546)
		<hr/>	<hr/>
Net assets excluding pension liability		16,972	18,559
Net pension liability	<i>20</i>	(2,247)	(1,018)
		<hr/>	<hr/>
Net assets including pension liability		14,725	17,541
		<hr/> <hr/>	<hr/> <hr/>
Deferred capital grants	<i>17</i>	1,712	2,116
Reserves			
Revaluation reserve	<i>18</i>	7,046	8,648
Income and expenditure account excluding pension reserve	<i>19</i>	8,214	7,795
Pension reserve	<i>20</i>	(2,247)	(1,018)
		<hr/>	<hr/>
Income and expenditure account including pension reserve	<i>19</i>	5,967	6,777
		<hr/>	<hr/>
		14,725	17,541
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 18 to 45 were approved by the Corporation on 11 December 2008 and were signed on its behalf by:

A P Davison
Chair

S Willis
Principal

Cash flow statement
for the year ended 31 July 2008

	<i>Note</i>	2008 £'000	2007 £'000
Net cash flow from operating activities	21	1,339	1,761
Returns on investments and servicing of finance	23	249	173
Taxation		-	-
Capital expenditure and financial investment	23	(547)	(929)
Cash inflow before use of liquid resources and financing		1,041	1,005
Management of liquid resources	23	-	986
Financing		-	-
Increase in cash in the year		1,041	1,991

Reconciliation of net cash flow to movement in net funds

		2008 £'000	2007 £'000
Increase in cash in the year		1,041	1,991
Cash inflow from liquid resources	23	-	(986)
Net reduction in market value of current asset investments	21	-	(29)
Movement in net funds in year		1,041	976
Net funds at 1 August	22	3,675	2,699
Net funds at 31 July		4,716	3,675

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 Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council, in the Accounts Direction Handbook.

Basis of accounting

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

Recognition of income

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

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

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 (see note 29).

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

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

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

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

Notes (continued)

1 Statement of accounting policies

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. As stated in note 20, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid each year.

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

Enhanced pensions

The actual cost of any enhanced ongoing pension to former members of staff is paid by a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of former members of staff is charged in full to the College's Income and Expenditure Account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pension spreadsheet provided by the LSC.

Further details of the pension schemes are given in note 20.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority were re-valued at 31 July 2006. Land and buildings acquired since incorporation are included in the balance sheet at cost less depreciation. 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.

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

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

Notes (continued)

1 Statement of accounting policies (continued)

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.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

- Market value of the fixed asset has subsequently improved
- 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

Equipment

Equipment, including computer equipment and printers, costing £1,000 or more per individual item or group of items is capitalised at cost, subject to its expected useful economic life. All other equipment is written off to the income and expenditure account in the period of acquisition. 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.

Notes (*continued*)

1 **Statement of accounting policies** (*continued*)

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.

Investments

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable 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 period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

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

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.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Liquid resources

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

Notes (*continued*)

1 **Statement of accounting policies** (*continued*)

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 and LSC grants for Collegiate data management development of software. Related payments received from the LSC and subsequent disbursements to students and other further education colleges are excluded from the Income and Expenditure account and are shown separately in note 29, except for the element of the grants received which is available to the College to cover administration costs relating to the grants. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes *(continued)*

2 Funding Council grants

	TOTAL	TOTAL
	2008	2007
	£'000	£'000
Recurrent grant	13,014	12,011
Work based learning	873	991
Releases of deferred capital grants:		
Buildings (note 17)	166	32
Equipment (note 17)	154	247
Teachers' Pay Initiative	57	50
14-16 year old	104	200
LID	100	-
EMA	-	23
CoVE	33	7
Disability discrimination grant	-	20
OLASS	168	133
Train to Gain	551	108
Energy Saving Grant	75	-
Golden Hellos	-	10
ESF Co-financing	175	244
Other funds	50	8
	15,520	14,084
	=====	=====

Notes (*continued*)

3 Tuition fees and education contracts

	2008	2007
	£'000	£'000
UK Higher Education students	416	300
European Union (EU) (including home)	803	792
European Union (EU) (excluding UK) students	-	5
Non-EU students	10	14
	<hr/>	<hr/>
Total fees paid by or on behalf of individual students	1,229	1,111
	<hr/>	<hr/>
Education contracts		
Local Education Authority (LEA)	608	495
Higher Education (HE) income	886	839
Other income	-	11
	<hr/>	<hr/>
	2,723	2,456
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

4 Research grants and contracts

	2008 £'000	2007 £'000
European Commission	44	6
Other grants and contracts	19	70
	63	76
	63	76

5 Other income

	2008 £'000	2007 £'000
Residences, catering and conferences	58	64
Other income generating activities	13	2
Other income	850	770
Release of non-LSC Capital grants	111	25
	1,032	861
	1,032	861

6 Investment income

	2008 £'000	2007 £'000
Other interest receivable	249	192
Pension finance income	81	38
	330	230
	330	230

Notes (continued)

7 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:

	2008	2007
	Number	Number
Teaching departments – teaching staff	273	258
Teaching departments – other staff	64	63
Teaching support services	25	19
Other support services	20	20
Administration and central services	55	58
Premises	26	27
	<hr/>	<hr/>
	463	445
	<hr/> <hr/>	<hr/> <hr/>

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:

	2008	2007
	£'000	£'000
Teaching departments – teaching staff	7,523	6,924
Teaching departments – other staff	1,217	1,146
Teaching support services	482	353
Other support services	416	389
Administration and central services	1,542	1,542
Premises	469	457
Other costs (including Teachers' Pay Initiative)	346	576
Staff restructuring	7	12
FRS 17 retirement benefits charge	148	198
	<hr/>	<hr/>
	12,150	11,597
	<hr/> <hr/>	<hr/> <hr/>
Wages and salaries	10,233	9,800
Social security costs	689	645
Other pension costs	1,228	1,140
Staff restructuring	-	12
	<hr/>	<hr/>
Payroll sub total	12,150	11,597
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

7 Staff numbers and costs *(continued)*

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

	2008	2007
	Number of senior post-holders	Number of senior post-holders
£70,001 to £80,000	-	2
£80,001 to £90,000	2	-
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	1
£120,001 to £130,000	-	-
£130,001 to £140,000	1	-
	3	3
	3	3

A general pay award of 2.5% (2006/07: 3%) was made with effect from 1 February 2008, and was approved by the Corporation. There are no College staff, other than senior post-holders, paid in excess of £60,000 per annum.

8 Emoluments of senior post holders and members

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

	2008	2007
	£	£
Senior post-holders' emoluments are made up as follows:		
Salaries	281,849	260,901
Pension contributions	35,210	34,472
	317,059	295,374
	317,059	295,374

Notes (continued)

8 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:

	2008 £	2007 £
Salaries	120,722	103,000
Pension contributions	15,320	14,273
	<u>136,042</u>	<u>117,273</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the relevant Pension Schemes 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.

Senior post-holders, including the Principal and other higher paid staff received a pay increase of 5%. No bonuses or other salary enhancements were awarded to senior post-holders or other higher paid staff.

9 Other operating expenses

	2008 £'000	2007 £'000
Teaching departments	718	597
Teaching support services	551	468
Other support services	185	187
Administration and central services	2,092	1,526
Premises costs – running costs	361	380
- maintenance	664	587
- rents and leases	164	151
Catering and residences	67	51
Payments to partners	789	328
Other expenses	381	368
	<u>5,972</u>	<u>4,642</u>
Other operating expenses include:		
Auditors remuneration:		
Financial statements audit *	25	31
Internal audit **	17	13
Other services from external audit***	8	8
Other services from internal audit	-	-
Losses on disposal of tangible fixed assets	-	-
Hire of plant and machinery – operating leases	51	45
Hire of other assets – operating leases	-	-

Notes *(continued)*

10 Interest payable

	2008	2007
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years	-	19
Repayable wholly or partly in more than five years	-	-
	-	19
	-	19

11 Taxation

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

12 (Deficit)/Surplus on continuing operations for the year

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

	2008	2007
	£'000	£'000
College's (deficit)/surplus for the year	(1,249)	431
	(1,249)	431

13 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures and fittings £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 1 August 2007	16,767	1,441	7,613	25,821
Additions	-	12	543	555
Disposals	-	-	-	-
At 31 July 2008	16,767	1,453	8,156	26,376
<i>Depreciation</i>				
At 1 August 2007	1,204	603	6,383	8,190
Charge for year	1,971	146	536	2,653
Impairment	1	142	-	142
Eliminated in respect of disposals	2	-	-	-
At 31 July 2008	3,317	749	6,919	10,985
<i>Net book value</i>				
At 31 July 2008	13,450	704	1,237	15,391
At 1 August 2007	15,563	838	1,229	17,630

Under the provisions of FRS 15, a full valuation of the freehold land and buildings 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. The valuation was performed on the basis of depreciated replacement cost.

Land and buildings were previously 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.

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 £9,117,000 (2007: £10,709,000) 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.

1 The College is embarking on a £55 million substantial rebuild and refurbishment of the main campus, which will require the demolition of existing buildings currently held in the balance sheet at a net book value of £3,211,000. The value of these buildings will be written down over the remaining useful economic lives before demolition. The depreciation charge for the year therefore includes £1,782,000 accelerated depreciation charges to write down the balance sheet value of buildings scheduled for demolition over their remaining useful life.

2 A fire in the Workshop Block in April 2008 resulted in a reduction in value of the building.

Notes (*continued*)

14 Debtors

	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	257	75
Prepayments and accrued income	55	39
Other debtors	105	116
Amounts due from the LSC	180	242
	597	472
	597	472

15 Creditors: Amounts falling due within one year

	2008	2007
	£'000	£'000
Trade creditors	235	185
Payments received in advance	380	394
Other taxation and social security	237	215
Accruals and deferred income	2,291	1,912
	3,143	2,706
	3,143	2,706

16 Provisions for liabilities and charges

	Pension provisions	Other provisions	Total
	£'000	£'000	£'000
At 1 August 2007	174	372	546
Released to income and expenditure account	(29)	-	(29)
Transferred from income and expenditure account	8	99	107
	153	471	624
At 31 July 2008	153	471	624

Pension provisions include a provision for enhanced pensions payable to former senior post holders and a provision for under-funding of the Local Government Pension Scheme. Other provisions include £443,000 in respect of estimated costs of pay harmonisation.

Notes (*continued*)

17 Deferred capital grants

	LSC	Other Grants	Total
	£'000	£'000	£'000
At 1 August 2007	1,824	292	2,116
Grants received	27	-	27
Released to income and expenditure account	(300)	(131)	(431)
	<hr/>	<hr/>	<hr/>
At 31 July 2008	1,551	161	1,712
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Revaluation reserve

	£'000
At 1 August 2007	8,648
Revaluation in the period (note 13)	-
Transfer from revaluation reserve to income and expenditure reserve in respect of:	
Fire impairment	(142)
Depreciation on revalued assets	(87)
Accelerated depreciation	(1,373)
	<hr/>
At 31 July 2008	7,046
	<hr/> <hr/>

19 Movement on general reserves

	2008	2007
	£'000	£'000
At 1 August	6,777	4,795
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax	(1,249)	431
Transfer from revaluation reserve to income and expenditure account	1,602	208
Actuarial gain/(loss) in respect of pension scheme	(1,163)	1,343
	<hr/>	<hr/>
At 31 July	5,967	6,777
	<hr/> <hr/>	<hr/> <hr/>
Balance represented by:		
Pension reserve	(2,247)	(1,018)
Income and expenditure account excluding pension reserve	8,214	7,795
	<hr/>	<hr/>
At 31 July	5,967	6,777
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

20 Pension and similar obligations

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

Total pension cost for the year	2008	2008	2007	2007
	£000	£000	£000	£000
Teachers Pension Scheme: contributions paid		719		657
Local Government Pension Scheme:				
Contributions paid	331		285	
FRS 17 charge	178		198	
Charge to the Income and Expenditure Account (staff costs)		509		483
Enhanced pension charge to Income and Expenditure Account (staff costs)		-		-
Total Pension Cost		<u>1,228</u>		<u>1,140</u>

Contributions amounting to £138,042 (2007: £122,873) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

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 2007 to 31 July 2008 the employer contribution rate was 13.7%. The employee contribution rate was 6.4% for the same period.

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

Notes (*continued*)

20 Pension and similar obligations

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The agreed contribution rates for future years are 12.9% for employers and 5.25% - 7.5% for employees.

The following information is based upon a full actuarial valuation of the fund as 31 March 2007 updated to 31 July 2008 by a qualified independent actuary.

Principal Actuarial Assumptions

	2008	2007
Inflation	2.9%	2.6%
Rate of increase in salaries	5.3%	4.8%
Rate of increase in pensions	3.8%	3.3%
Discount rate for liabilities	6.7%	5.8%

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement (2007: 25%).

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

	At 31 July 2008	At 31 July 2007
<i>Retiring today</i>		
Males	19.6	18.4
Females	22.5	21.3
<i>Retiring in 20 years</i>		
Males	20.7	18.4
Females	23.6	21.3

Notes (continued)

20 Pension and similar obligations

The assets in the scheme (of which the College's share is estimated at 0.379% and the expected rates of return were:

	2008	Value at		2007	Value at		2006	Value at
	Long term rate	31 July 2008		Long term rate	31 July 2007		Long term rate	31 July 2006
	of return			of return			of return	
	expected at	£'000		expected at	£'000		expected at	£'000
	31 July 2008			31 July 2007			31 July 2006	
Equities	7.8%	6,260		8.0%	7,111		7.7%	6,112
Bonds	5.7%	1,132		5.2%	1,188		4.7%	971
Property	5.7%	709		6.0%	795		5.7%	630
Cash	4.8%	182		5.1%	202		4.8%	314
		<hr/>			<hr/>			<hr/>
Total market value of assets		8,283			9,296			6,721
		<hr/> <hr/>			<hr/> <hr/>			<hr/> <hr/>

	2008	2007	2006
	£'000	£'000	£'000
College's estimated asset share	8,283	9,296	8,027
Present value of scheme liabilities	(10,530)	(10,314)	(10,222)
	<hr/>	<hr/>	<hr/>
Deficit in the scheme	(2,247)	(1,018)	(2,195)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount charged to income and expenditure account

	2008	2007
	£'000	£'000
Employer service cost (net of employee contributions)	436	490
Past service cost	115	-
Curtailement and settlement	-	14
	<hr/>	<hr/>
Total operating charge	551	504
	<hr/> <hr/>	<hr/> <hr/>

Analysis of pension finance income/(costs)

	2008	2007
	£'000	£'000
Expected return on pension scheme assets	699	578
Interest on pension liabilities	(618)	(540)
	<hr/>	<hr/>
Pension finance income	81	38
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

20 Pension and similar obligations *(continued)*

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

	2008	2007
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	(2,006)	374
Actuarial gains/(losses) on scheme liabilities	843	969
Actuarial gain recognised in STRGL	<u>(1,163)</u>	<u>1,343</u>

Movement in deficit during year

	2008	2007
	£'000	£'000
Deficit in scheme at 1 August	(1,108)	(2,195)
Movement in year:		
Current service charge	(436)	(490)
Contributions	373	306
Past service costs	(115)	-
Impact of settlements and curtailments	-	(14)
Net interest/return on pension scheme	81	38
Actuarial gain/(loss)	(1,163)	1,343
Unfunded teachers pension benefits eliminated from net scheme deficit	31	(6)
Deficit in scheme at 31 July	<u>(2,247)</u>	<u>(1,018)</u>

Asset and Liability Reconciliation

	2008	2007
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	10,314	10,222
Service cost	436	490
Interest cost	618	540
Employee contributions	171	157
Experience gains and losses on scheme liabilities	(843)	(964)
Benefits paid	(250)	(151)
Past Service cost	115	-
Curtailments and settlements	-	14
Unfunded TPA eliminated	(31)	6
Liabilities at end of period	<u>10,530</u>	<u>10,314</u>
Assets at start of period	9,296	8,027
Expected return on assets	699	578
Actuarial gain/(loss)	(2,006)	379
Employer contributions	373	306
Employee contributions	171	157
Benefits paid	(250)	(151)
Assets at end of period	<u>8,283</u>	<u>9,296</u>

Notes *(continued)*

20 Pension and similar obligations *(continued)*

History of experience gains or losses

	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Actuarial gains/(losses) on assets Amount	(2,006)	379	576	764	61
Experience gains and losses on scheme liabilities Amount	290	2	(125)	699	(48)
Total amounts recognised in statement of total recognised gains and losses Amount	(1,163)	1,343	26	287	36

Notes *(continued)*

21 Reconciliation of operating result to net cash inflow from operating activities

	2008	2007
	£'000	£'000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax	(1,249)	431
Depreciation (note 13)	2,795	1,018
Deferred capital grants released to income (note 17)	(433)	(304)
Acquisition of freehold land and buildings (note 13)	-	(16)
Increase in value for current asset investments	-	29
Interest payable (note 10)	-	19
Pension cost less contributions payable (note 20)	97	160
(Increase)/Decrease in stocks	(5)	(15)
Decrease/(Increase) in debtors	(183)	246
Increase in other debtors	57	387
Increase/(Decrease) in creditors	409	(322)
Increase/(Decrease) in other taxation and social security	22	(4)
Increase/(Decrease) in provisions for liabilities and charges	78	324
Interest receivable (note 6)	(249)	(192)
	<hr/>	<hr/>
Net cash flow from operating activities	1,339	1,761
	<hr/> <hr/>	<hr/> <hr/>

22 Analysis of changes in net funds

	At 1 August 2007	Cash flows	At 31 July 2008
	£'000	£'000	£'000
Cash at bank and in hand	3,678	1,038	4,716
	<hr/>	<hr/>	<hr/>
	3,678	1,038	4,716
Debt due within 1 year	-	-	-
Debt due after 1 year	-	-	-
Current asset investments	-	-	-
	<hr/>	<hr/>	<hr/>
Total	3,678	1,038	4,716
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

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

	2008	2007
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	249	192
Interest paid on bank loans, overdrafts and other loans	-	(19)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	249	173
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(555)	(1,226)
Deferred capital grants received	8	297
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(547)	(929)
	<hr/> <hr/>	<hr/> <hr/>
Management of liquid resources		
Sales of investments	-	1,064
Purchase of investments	-	(78)
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	-	986
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Bank loan	-	-
	<hr/>	<hr/>
Net cash inflow from financing	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

24 Capital commitments

	2008	2007
	£'000	£'000
Commitments contracted for at 31 July	106	163
	<u> </u>	<u> </u>

25 Financial commitments

The College had annual commitments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	73	16	70	48
Expiring between two and five years inclusive	119	4	96	7
Expiring in over five years	120	-	140	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	312	20	306	56
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 Contingent liability

The college had no contingent liabilities as at 31 July 2008.

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

Transactions with the LSC and HEFCE are detailed in notes 2, 14 and 15.

Notes (*continued*)

28 Post balance sheet events

There were no post balance sheet events.

29 Amounts Disbursed as Agent

Learner support funds

	2008	2007
	£'000	£'000
Funding Council grants	250	244
Interest earned	-	-
	<hr/>	<hr/>
	250	244
Disbursed to students	(237)	(226)
Administration	(13)	(12)
	<hr/>	<hr/>
Balance unspent at 31 July	-	6
	<hr/> <hr/>	<hr/> <hr/>

LSC grants are available solely for students; the College acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.

LID Fund

	2008	2007
	£'000	£'000
Funding Council grants	-	80
Disbursed to partners	-	(80)
	<hr/>	<hr/>
Balance unspent at 31 July	-	-
	<hr/> <hr/>	<hr/> <hr/>

LSC LID grant funding for disbursement to Stafford High Schools through the Collegiate in relation to a data improvement project; the College acts only as a paying agent. The grant and related disbursements have therefore been excluded from the income and expenditure account.