



# **Report and Financial Statements**

**For the year ended 31 July 2012**

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## OPERATING AND FINANCIAL REVIEW

### HIGHLIGHTS OF THE YEAR

- A Level results the best ever at 98.2%;
- A very successful Quality Assurance Agency for Higher Education visit resulting in the highest review the College could achieve;
- New relationship with Job Centre Plus leading to 257 Skills for Life enrolments for unemployed Wakefield residents;
- First phase of LLDD Strategy initiated leading to provision of a new progression route for 19 year old learners from Oakfield Park School;
- Catering students selected to provide a showcase on breadmaking at the International Worldskills finals in London;
- Launch of the Children's University with 2000 members as at August 2012;
- Phase 1 of Wakefield City Campus renewal programme completed and in use;
- Major refurbishment scheme on the City Campus to provide new home for Media and Art and Games Development;
- Training restaurant voted Wakefield's best restaurant of the year for second year in succession;
- Launch of the Go Green sustainability programme;
- A new management team in place;
- A solid performance in Sunday Times best companies employee survey;
- Wakefield Museum acquired for Performing Arts – opening 2013;
- Yorkshire Cup Rugby Champions.

### FINANCIAL HEADLINES

- Reduction in income of 2.0%;
- Reduction in expenditure of 7.6%;
- 67.9% of income spent on staffing (including re-structuring costs);
- £1,108,000 (6.3% of total staffing budget) spent on contracted out staffing services;
- Historical cost surplus of £1,260,000;
- Operating surplus of £613,000.

## NATURE, OBJECTIVES AND STRATEGY

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

### Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Wakefield College. The College is an exempt charity for the purposes of the Charities Act 2011.

### Mission

The College's Mission for the year under review was:

**"transforming lives through learning..."**

...inspiring young people, adults and employers through world-class learning and challenging them to fulfil their potential for the benefit of their communities"

The College is a general further education college with students engaged on a comprehensive range of Further and Higher Education programmes. The College is based at three main campuses: Thornes Park, Wakefield City Centre, and Castleford at Glasshoughton.

### Implementation of Strategic Plan

On 18 October 2011 the Corporation formally approved the College's Strategic Plan for the 2011/12 academic year. The College's strategic priorities for the period under review are:

- To inspire people to learn;
- To be a great place to work;
- To develop an outstanding reputation;
- To plan and deliver exceptional buildings;
- To be financially strong.

Against each of these priorities specific objectives and supporting targets are set and progress monitored and reported to the Corporation.

Progress against the objectives set out in the plan for 2011/12 has been excellent with the vast majority of objectives met.

Key objectives achieved include:

- Significant improvement in student satisfaction with teaching and learning through a whole College programme of “supported experiments”;
- Completion of the impressive Harrison Building, Phase 1 of the property strategy at Wakefield City Centre Campus;
- Efficiency gains and quality improvements through re-structure and effective implementation of technology;
- Successfully supporting many adults back into employment through productive relationships with JobCentrePlus;
- Raising awareness amongst students and employers of the opportunities offered by apprenticeships through 100 Apprenticeships in 100 Days – a joint venture with Wakefield District Council and the National Apprenticeship Service;
- Launching the Children’s University.

## Financial Objectives

Key financial targets for the College are set each year as part of the strategic planning process. In July 2011 the following targets were defined to ensure sound financial health:

**(i) Ensure the availability of cash resources to support the College’s redevelopment scheme**

Governors approved a revised property strategy in January 2010 and a master plan was presented to Governors for approval on 18 January 2011. Phase One of that plan is now complete and has been financed from College reserves. The speed of further progress will be determined by the College’s ability to realise value from surplus assets, its ability to generate cash from operating surpluses, and to obtain appropriate and affordable external finance.

**(ii) Staffing costs not to exceed 67% of income**

The staffing costs for the year under review were 67.9% of income (67.2% excluding restructuring costs of £173,000) (2010/11 – 71.1% and 68.9% excluding restructuring costs of £587,000).

**(iii) To retain a ‘good’ financial health**

During the year the Skills Funding Agency confirmed the College’s financial health as ‘outstanding’.

**(iv) To work towards achieving an 'other income' target of greater than 20%**

In 2011/12, 19.5% of income came from sources other than the funding bodies. (2010/11 – 20.8%).

**(v) To continue to work towards the Treasury's target of making 95% of payments to suppliers within 30 days.**

The College paid 91.5% of its invoices within 30 days (2010/11 – 87.2%).

**(vi) Trade debtor days (excluding funding body payments) will not exceed 35 days by the end of 2011/12.**

Debtor days averaged 23.6 days during the year under review (2010/11 – 31.5 days).

## Performance Indicators

FE Choices (formerly the “Framework for Excellence”) has four key performance indicators:

- Success rates;
- Learner destinations;
- Satisfaction survey (formerly “learner views”);
- Satisfaction survey (formerly “employer views”).

The College is committed to observing the importance of these measures and indicators and in addition is monitoring its performance through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of Outstanding is considered a true assessment.

## FINANCIAL POSITION

### Financial Results

The College produced an operating surplus in the year of £613,000 (2010/11 - operating deficit of £2,592,000).

The historical cost surplus for the period was £1,260,000 (2010/11: £1,743,000 deficit).

It should be noted that the surplus reported is after property related expenditure of £830,000 which relates to other refurbishment works required at the Wakefield City Campus to support the College's property strategy.

The College's reserves at 31 July 2012 (excluding the revaluation reserve, the FRS17 pension reserve and restricted reserves) stood at £32,298,000 (31 July 2011: £30,784,000).

Tangible fixed asset additions during the year amounted to £4,850,000. In total, £4,489,000 was spent on Phase 1 of the redevelopment of the Wakefield campus, £221,000 on IT, £4,000 on vehicles, and £136,000 on general equipment.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2011/12 the funding bodies provided 80.5% of the College's total income (2010/11: 79.2%).

The College's strategic and operational plans include the renewal and rationalisation of its estate.

## Treasury Management

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.

Wakefield College has a published Treasury Management Policy which requires that a formal treasury management plan is considered and approved by Governors on an annual basis.

The College generated £190,000 (2010/11: £154,000) from the management of its cash balances.

A key focus of treasury management activity for the College is to ensure that resources are in place to support the property strategy.

## Cash Flows

The College realised a net cash inflow on operating activities of £1,855,000 during 2011/12 (2010/11: £4,082,000).

The College's cash balances (including invested amounts) stood at £11,371,000 (31 July 2011: £12,266,000). The College therefore has a reasonable base from which to consider its options for future investment.

## **Governance Arrangements**

The Corporation conducts its business in accordance with its Instrument and Articles of Government and Standing Orders. The Corporation has established a number of committees: Audit; Finance and Capital; Remuneration; and Search, and approved their terms of reference. A calendar of meetings and schedule of business is agreed for the Corporation and its committees on an annual basis. Minutes of all meetings are available from the Clerk to the Corporation at Wakefield College, Margaret Street, Wakefield, West Yorkshire, WF1 2DH.

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the City Campus.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Student Numbers**

In 2011/12 the College delivered activity that produced £20,985,000 in funding body main allocation (2010/11 - £21,447,000). The College had approximately 7,896 funded learners, and 2,179 non-funded learners (2010/11 – 8,511 and 2,407 respectively. Student numbers for 2010/11 have been updated for the final funding return).

### **Student achievements**

Success rates declined for 16-18 year olds at all levels in 2011-12, primarily as a result of a small number of discrete areas of under-performance. When excluded from headline rates, success rates improved at levels 1 and 3.

For adults, success rates were above national averages and above College targets at levels 1 and 2. However, there was a decline at level 3, largely attributable to under-performance at AS level.

Apprentices performed well and above national averages in all three age groups and there was a strong performance by 19-24 year olds undertaking Advanced Apprenticeships.

Workplace learning again performed strongly with large numbers of students achieving high and significantly above national average success rates.

Students on our Higher Education provision performed very well with many qualifications securing a 100% pass rate and many improvements on the previous year.

## Curriculum Developments

The College offers a wide range of academic and vocational provision, which is responsive to local and regional needs. With a focus on continuous improvement the following matters are worthy of note:

- Hair & Beauty 'World Skills' Event – Wakefield College hosted the event and achieved numerous regional wins along with 2 National Finalists;
- Construction saw the graduation of the first Level 3 Advanced Apprentices in Plumbing and the introduction of the New Level 3 Advanced Apprenticeships in Professional and Technician Studies;
- Gaskells Winner of Restaurant of the Year by Civic Society;
- Hospitality and Catering students were shortlisted and attended the WorldSkills Showcase event in London;
- Substantial delivery of large scale IT programme for local authority;
- Services to Business provider of choice for Job Centre Plus, receiving 1,500+ referrals;
- Services to Business delivery of Sector Based Work Academies has led to 102 individuals successfully gaining employment (over 90% of those referred);
- Services to Business awarded the contract to provide Driver Certificate of Professional Competence qualifications for Kirklees Council Transport Services training more than 400 drivers;
- Services to Business worked in partnership with Harrogate and District NHS Foundation Trust to deliver training for a new support role to assist discharge and rehabilitation;
- As part of the College's strategy to expand HE provision we have introduced a HND in public services, and a new progression pathway to Foundation Degree for advanced level childcare students;
- A peer mentorship programme has been successfully piloted in public services, and mentoring for excellence and success schemes piloted with Sixth Form students;
- A researcher-in-residence scheme resulted in science students having the opportunity to work with a post-doctoral medical research scientist and to perform some of the techniques used in her own research. The results on the Advanced Diploma in Applied Science were amongst the best in the College. Enrolments on GCSE science increased dramatically and students performed very well;

- Students from Performing Arts and Music presented their sixth festival of music, dance and theatre which attracted over 1500 visitors. It provided yet another platform for professional practice to take place, including productions at the Theatre Royal and the outdoor music festival;
- Performing Arts and Music students took part in external competitions including “Your future in the Mix”, an advertising campaign to promote FE across the region in conjunction with Galaxy Radio and Capital FM. A number of groups participated in work delivered to schools in the area, including schools tours in Dance and Acting and workshops delivered in which students take their first steps in becoming arts facilitators. Visits to London and Berlin and local and regional theatres exposed students to the cutting edge in performance practice.

### **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 2011 to 31 July 2012, the College paid 91.5% of its invoices within 30 days (2010/11– 87.2%). The College incurred no interest charges in respect of late payment for this period, but is introducing a number of strategies to improve performance against this measure.

### **Post-Balance Sheet Events**

The College has signed a long term lease with Wakefield District Metropolitan Council for the Wakefield Museum. Work has begun to enable the building to accommodate our performing arts activity and the facility is expected to open in 2013.

### **Future Developments**

The College has agreed total funding body income of £20m for the 2012/13 financial year. This includes funding from the Higher Education Council for England which has been confirmed at £950,000 for the same period.

Participation levels for funding body activity are expected to remain strong with 16-19 recruitment exceeding targets despite reductions in the overall cohort across the District.

As part of the estate rationalisation and redevelopment the College is exploring how strategic partnerships might assist it to provide access to first class, industry standard facilities for learners. Senior managers and Governors are considering possible financing options and their affordability for future development.

The College is working hard to build relationships with local schools and with local employers to ensure that it is at the heart of the education, training and skills agenda. In this context the provision of opportunities for apprenticeships features very highly as does a range of other employer engagement activities. Following the demise of the Educational Maintenance Allowance, the College will continue to explore ways of supporting students who are financially disadvantaged.

The further education sector faces continuing uncertainty over the period covered by the College's strategic plan, particularly in relation to funding and the impact of government policy. The College is responding positively to these challenges and in considering the strategies to be employed in addressing them, members have no concerns about the College's continued ability to be a successful provider of learning to its communities, nor about its ability to resource adequately its activities. The College has no borrowings and a reasonable level of reserves, and so has a solid platform from which to continue its success.

In addition to the risk management arrangements outlined elsewhere in this review, and the robust approach taken to risk management, arrangements are in place to monitor closely the performance of its operations, and the College has a constant focus on growing income, controlling costs and achieving efficiencies to ensure that resources can be re-invested in core activities.

## Resources

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

- Tangible resources include the College campuses at Thornes Park, Castleford and Wakefield City Centre.
- The College has £50.4m of tangible assets.
- Full time equivalent staff paid in year amounted to 514, of which 366 were teaching related.
- The College enjoys a high profile and good reputation within Wakefield and beyond.

## Principal risks and uncertainties

The College's ability to achieve its vision and strategic priorities may be affected by a number of threats arising from the financial and operating environment, and its capacity to mitigate the risks and uncertainties that these threats create. The College therefore has well-established systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation. The key elements of the College's Risk Management framework are identified in the Statement of Corporate Governance and Internal Control on page 18.

Outlined below is a description of the principal risks and uncertainties that may affect the College in the coming year. Not all of these factors are within our control and the challenge for the College will be to manage the impact of these uncertainties on our strategic direction. The College's risk environment will therefore continue to be monitored regularly by College managers, the Principalship and Governors to ensure that any emerging risks are identified, prioritised and mitigated and opportunities are maximised.

## Future Funding

Planning for the coming year continues to take place against a challenging financial risk environment – a drop in income due to reduced levels of funding across the college sector; a declining demographic of people in the 16-24 age band which has led to increased competition for learners between FE providers; and other changes to Government policy, including increased HE fees, 24+ Advanced Learning Loans and a focus on funding for Apprenticeships.

In 2012/13, the College has planned for 9.5% drop in income and for 76.8% of our income to come from the Skills Funding Agency and the Education Funding Agency although the impact of reviews of the funding methodology and other policy shifts is still largely unknown. The impact of this risk will be mitigated by:

- Revising the College's curriculum offer to maximise funding and success rates;
- Strengthening our partnerships and collaborations;
- Increasing our schools liaison activities in order to increase our market share of 16+ school leavers;
- Ensuring that our marketing strategy supports the College as the first choice for employers and prospective learners;
- Focusing our business development team to grow employer work;
- Undertaking market research to identify new areas for full cost delivery;
- Continued dialogue with the various funding bodies and the Local Authority and ensure that the curriculum is focussed on economic growth areas and to secure a University Centre in Wakefield.

## Employee Engagement and Morale

The need to be more efficient has also necessitated reviews to the College's management structure and staffing establishment, with increased focus on ensuring efficient curriculum delivery; maximising the utilisation of teaching staff; and reducing support and administrative staff costs. These efficiencies and changes may inevitably lead to a reduction in staff morale and enthusiasm which in turn may have a negative impact on quality and success rates. The College plans to mitigate this by:

- Implementing an Organisational Development Plan;
- Implementing strategies to improve employee engagement with College priorities;
- Providing improved career development opportunities, talent management and succession planning;
- Engaging staff in corporate strategies to improve the quality of teaching and learning;
- Reviewing the Business Systems Strategy to prioritise affordable developments with the biggest impact;
- Continued responsiveness to issues which emerge through business reviews.

## Property Strategy

The College will continue with plans to redevelop the existing Margaret Street City Centre Campus in the heart of Wakefield. The redevelopment was originally the second part of a two phased College-wide property strategy produced in 2004, the first phase being a new-build 'skillsXchange' which opened in Castleford in February 2009. In the context of current economic constraints, expenditure to achieve the next phase of our property strategy will come from existing reserves and therefore must be carefully controlled if we are to fund and deliver the property master plan within a reasonable timeframe and that is affordable. The failure to dispose of our Thornes Park Campus in a timely way may also affect our ability to fund further developments including the development of a University Centre for Wakefield in partnership with the Local Authority.

To mitigate risks in this area we are currently reviewing our property strategy which will be considered by Governors in the New Year. The College will also need to manage the potential negative impacts of property development on the student learning experience through contract management and clear communications to students.

## **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.

## **Relationship with our partners, stakeholders and communities**

In common with other colleges and universities, Wakefield College contributes to and benefits from a broad range of important relationships. These include those with:

- Students;
- Parents or carers of students;
- Staff;
- Education sector funding bodies;
- Local employers;
- Local authorities;
- Local and regional partnerships;
- The local community;
- Other FE institutions, local schools and universities;
- 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.

## **Equality and Diversity and Employment of Disabled Persons**

Wakefield 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. The College's Single Equality Scheme is published on the College's website. This Scheme will be implemented, resourced and monitored regularly.

The College considers all job 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.

## 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 Acts 2001 and 2005.

- 98% of our facilities are accessible for people with disabilities and we strive to ensure all that is reasonably practicable is done to ensure access to people with disabilities. The College is now registered with the Disabled-Go website.
- There is a register of specialist equipment which the College can make available for use by students with disabilities.

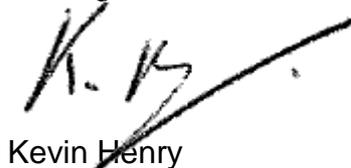
The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning support workers who provide a variety of support for learning. There is a continuing programme of staff development to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

- Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
- The College's 'Adaptations of Materials' service can provide information/course materials in alternative media – for example Braille, enlarged text, etc.

## DISCLOSURE OF INFORMATION TO AUDITORS

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

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



Kevin Henry  
Chair of Corporation

## PROFESSIONAL ADVISORS

### **Financial Statements and**

#### **Regularity auditor:**

Grant Thornton UK LLP  
2 Broadfield Court  
Sheffield  
S8 0XF

#### **Internal auditors:**

RSM Tenon Group Plc  
The Poynt  
45 Wollaton Street  
Nottingham  
NG1 5FW

#### **Solicitors:**

Eversheds  
Cloth Hall Court  
Infirmary Street  
Leeds  
LS1 2JB

#### **Insurance Brokers:**

Marsh Ltd  
1 Whitehall  
Whitehall Road  
Leeds  
LS1 4HR

### **Bankers:**

Close Brothers Ltd  
10 Crown Place  
London  
EC2A 4FT

Bank of Scotland  
33 Old Broad Street  
London  
BX2 1LB

Lloyds TSB plc  
2nd Floor  
Lisbon House  
116 Wellington Street  
Leeds  
LS1 4LT

Santander UK plc  
Bootle  
Merseyside  
L30 4GB

Cater Allen  
9 Nelson Street  
Bradford  
West Yorkshire  
BD1 5AN

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

## MEMBERS WHO SERVED THE CORPORATION SINCE 1 AUGUST 2011

The Members who served on the Corporation during the year and up to the date of signature of this report were as listed below:

Name	Date of Appointment/ Re-appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served
<b>Lewis ALLISON</b>	August 2011	1 year	July 2012	Student	-
<b>Nasim ASLAM</b>	October 2010	4 years	-	External	Search from Jan 12
<b>Robin BARRON</b>	October 2008	4 years	October 2012	External	Search to Dec 11 Finance and Capital from Jan 12
<b>Heather BECKHAM</b>	July 2011	4 years	-	Staff	-
<b>Paul CAMPBELL</b> (Vice Chair from Jan 12)	July 2009	4 years	-	External	Audit to Dec 11 Finance and Capital (Chair) from Jan 12 Remuneration (Vice Chair)
<b>Kevin HENRY</b> (Vice Chair to Dec 11; Chair from Jan 12)	July 2006/ July 2010	4 years	-	External	Finance and Capital (Chair) to Dec 11 Remuneration Search from Jan 12
<b>Tim HOWE</b>	March 2009	4 years	-	External	Finance and Capital
<b>Andrew McCONNELL</b>	October 2006/ October 2010	4 years	-	External	Audit Remuneration (Chair)
<b>Naomi McKAY</b>	January 2011/ October 2011	1 year	July 2012	Student	-
<b>Shane O'DONNELL</b>	December 2011	4 years	-	Staff	-
<b>Cath ORANGE</b> (Chair to Dec 11)	April 2002/ April 2006/ April 2010	4 years	-	External	Finance and Capital to Dec 11 Remuneration Search (Chair) to Dec 11 Audit from Jan 12

Name	Date of Appointment/ Re-appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served
<b>Lynn PERKIN</b>	October 2007/ October 2011	2 years	-	External	Audit (Vice Chair) to Dec 11 Finance and Capital (Vice Chair) from Jan 12
<b>Michele PHILLIPS</b>	July 2008/ July 2012	4 years	-	External	Finance and Capital (Vice Chair) to Dec 11 Audit (Vice Chair) from Jan 12
<b>Andy WALLHEAD</b>	May 2011	4 years	-	External	Audit (Chair from Jan 12)
<b>Jane WALTON</b>	October 2009	4 years	-	External	Search (Vice Chair to Dec 11; Chair from Jan 12)
<b>Sam WRIGHT</b>	March 2011	n/a	-	Principal and Chief Executive	Finance and Capital Search
Nils Elgar acts as Clerk to the Corporation					



Kevin Henry  
Chair of Corporation  
11 December 2012

## 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 (“the code”) issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Corporation, 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 2012.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times in carrying out its responsibilities. The Corporation has agreed to adopt the English Colleges’ Foundation Code of Governance issued by the Association of Colleges in December 2011, for the 2012/13 financial year.

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and Capital Committee, Remuneration, Search, 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:

Wakefield College  
Margaret Street  
Wakefield  
West Yorkshire  
WF1 2DH

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 and Principal 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, consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration except for the Principal and Staff/Student members. 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**

The Remuneration Committee comprises four members. The Committee's responsibilities include determining on behalf of the Corporation the specific remuneration packages of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2012 are set out in Note 8 to the financial statements.

## **Audit Committee**

The Audit Committee comprises four members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

## **Internal Control**

### **Purpose of the Statement**

The purpose of this statement is to assist the understanding of the framework within which the College's system of internal control is managed and reviewed, and the main components of the system.

### **Scope of Responsibility**

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. This includes reviewing financial, strategic, operational, regulatory and compliance controls and risk management procedures. In recognition of this responsibility, procedures have been implemented to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the College. 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 designated the Audit Committee as the Risk Committee. Its role is to advise the Board on the adequacy and effectiveness of the College's whole system of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness. The Audit Committee also approve the Risk Management Policy and Strategy; agree on an annual basis the significant risks to which the College is exposed; and, ensure that the control environment is sufficient to manage these risks effectively.

The Corporation has delegated day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Wakefield College and its funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

### **The Purpose of the System of Internal Control**

The College acknowledges the risks inherent in its business and is committed to managing those risks that pose a significant threat to the achievement of its strategic objectives and financial health. The system of internal control is an ongoing process designed to identify and evaluate those risks that the Corporation consider to be significant to the College in terms of:

- securing the earning capacity, funding and assets of the College;
- safeguarding staff and learners to prevent injury and harm;
- protecting service delivery and quality;
- ensuring the integrity and resilience of information systems;
- protecting the image and reputation of the College;
- ensuring probity and sound ethical conduct;
- avoiding financial loss through fraud and corruption;
- avoiding criminal prosecution and civil litigation;
- ensuring effective corporate governance;

And to manage them efficiently, effectively and economically.

The system of internal control, therefore, provides for a documented and auditable trail of accountability and should provide impetus for continuous improvement across the College's operations. 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, not absolute, assurance of effectiveness.

### **The Internal Control and Risk Management Framework**

The College encourages the taking of measured risk that may provide opportunities to meet one or more of its objectives. The internal control and risk management framework is designed to integrate risk management into the culture of the College; raise awareness of the need for risk management; encourage a positive approach to risk taking; support improved decision-making, innovation and performance; and, manage risk in accordance with best practice. The framework continues to evolve and enables the College to respond to a variety of strategic, operational, financial, commercial, regulatory and reputational risks. It provides assurances to successive levels of management and, ultimately, the Board. The key components of the risk and control framework include:

#### **Objective Setting**

The College's Operational Plan is formulated from a Strategic Plan that includes the annual identification of risks. Strategic objectives support the College's mission and values and have been communicated to employees in order to provide effective direction on risk assessment and control issues.

#### **Event Identification**

Internal and external events which could impact upon the achievement of the College's objectives and the needs of our stakeholders are identified as part of the annual strategic planning process and on an on-going basis. College managers have been alerted to the need to consider risks as part of their everyday business and risks are routinely identified as part of any proposals for new business; major capital projects; approval of new curriculum offer; authorisation of the recruitment of new staff and other changes to the staffing establishment; procurement of new suppliers and contractors; areas susceptible to fraud and/or irregularity; and College activities which may have health and safety issues.

#### **Risk Assessment**

The College has identified a risk management policy and framework designed to integrate risk management into the culture of the College and manage risk in accordance with best practice. In order to implement the risk management strategy, the College has adopted a risk management policy in line with advice from the Internal Audit Service (IAS). This includes a scoring methodology so that inherent and residual risks can be consistently identified and prioritised.

The College produces an annual risk management plan, each July, in which the College identifies the risks to the achievement of its strategic and operational objectives and prioritises them to form a risk register. This exercise takes place on an annual basis to ensure that risks remain aligned with the College's strategic priorities.

### **Risk Response**

Risk Management has been incorporated into the corporate planning and decision making processes of the College and in the operations of the Directorates, Academies and Service Areas. Within the College, day-to-day management of operational risk is an intrinsic part of every manager's role and annual risk training is provided to assist staff in managing risk appropriate to their responsibilities, goals and objectives.

### **Control Activities**

The Deputy Principal is responsible for ensuring that the College has comprehensive budgeting systems and an annual budget. The Principalship is responsible, individually and collectively, for ensuring that the College's operations are managed within budget. They demonstrate, through actions as well as policies, the necessary commitment to competence and integrity and to fostering a climate of trust within the College. These include:

- clearly defined financial regulations and procedures including protocols for capital investment and other major developments;
- a strategic and financial planning cycle involving staff at all levels of the College in the setting of objectives and actions and the allocation of resources;
- rigorous termly reviews of business areas to evaluate performance, assess areas of risk and opportunity and take appropriate action;
- a comprehensive anti-bribery policy, fraud policy and response plan, 'whistle-blowing' policy and disaster management and business continuity plan, which have been communicated to staff so that they are aware of the procedures for reporting significant risk issues and control failings to appropriate levels of management;
- Continuing professional development and identification of personal objectives and operational tasks through annual appraisal, linked to the achievement of the College's strategic objectives and management of key risks;
- a College-wide approach to evaluating the quality of teaching and learning and service areas including plans to address issues of poor performance;

- a high profile health and safety management system, led by the Principal, which actively promotes the commitment to and development of good health and safety;
- a human resources strategy designed to meet the needs of the College in achieving its objectives whilst responding to changes in legislation;
- estates management based on a property strategy formulated to meet the needs of the College and its community;
- integrated management information systems designed to provide accurate and timely data and analysis to management to support decisions and monitor progress towards policies, strategies and targets.

### **Information and Communication**

Regular reports are prepared by management which allow the Corporation to monitor the key strategic, business and financial activities and risks. This includes periodic and annual financial reports which indicate financial performance against forecasts; monthly monitoring of targets (financial, student recruitment and retention, financial management accounts, income, staffing costs and staff utilisation); investigation of significant variances from budget and termly reviews of identified risks.

### **Monitoring**

There are ongoing processes, embedded within the College's business operations, which monitor effective application of the policies, processes and activities related to internal control and risk management. As part of the College's performance monitoring arrangements, the Principalship receive regular reports that enable them to monitor key risks throughout the year and provide appropriate information to the Corporation. All papers and reports presented to the Principalship are linked to key risks. They are intended to identify any emerging risks for which mitigating action can be promptly implemented.

The Principalship and the Audit Committee receive regular reports from the IAS, which include recommendations for improvement. The Audit Committee's role in this area provides a high-level review of the arrangements for internal control.

The Corporation ensures that its business calendar and agendas enable risk management and internal control to be considered on a regular basis during the year so that there is a full risk and control assessment before reporting on 31 July each year. This includes reports on the effectiveness of risk management by the Audit Committee and Principalship.

The College has an Internal Audit Service (IAS) which operates in accordance with the requirements of the LSC’s Audit Code of Practice and submits regular reports, which include their independent opinion on the adequacy and effectiveness of the system of internal control along with recommendations for improvement. The work of the internal audit service is informed by the College’s analysis of risk, and annual internal audit plans are based on this analysis. The internal audit annual and strategic plans are approved by the Board. The Head of Internal Audit (HIA) provides the governing body with an annual report on internal audit activity in the College. The report includes the HIA’s independent opinion on the adequacy and effectiveness of the College’s system of risk management, controls and governance processes.

**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 following reports:

Source	Area	Assurance
Internal Audit Service (RSM Tenon)	Internal Control, Governance and Risk Management	Sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the College’s arrangements
Audit Committee	Internal Control, Governance and Risk Management	The College’s systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money) are both adequate and effective

Source	Area	Assurance
Financial Statements and Regularity Auditor (Grant Thornton)	Annual Accounts and College's income and expenditure	The financial statements give a true and fair view. No material weaknesses in control identified
Management	Risk Management	The processes in place during the year were adequate in identifying, evaluating and managing the College's significant risks
Management	Financial Management and Control	The overall self-assessed grade for the college's financial management and control arrangements is GOOD.
College Self-Assessment Report (Based on 2010/11)	Overall effectiveness	Grade 2 (Good)
Integrated Quality and Enhancement Review	Quality Assurance Agency (for Higher Education)	Full Assurance
Best Companies	Human Resources	Solid level of employee engagement
Skills Funding Agency	Learner Records and Funding	In all material respects, the Final Funding Claim 2011/12 has been properly compiled in accordance with the relevant guidance issued by the Skills Funding Agency/EFA

Source	Area	Assurance
Health and Safety Committee	Health and Safety	The annual report of the Health and Safety Management Committee does not identify any significant weaknesses in control. In student surveys during the period, 97% of students confirmed that they feel safe.

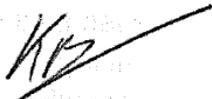
**Capacity to Handle Risk**

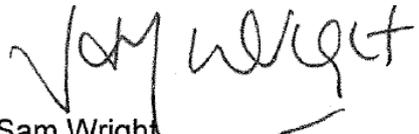
During the year, periodic reviews of the risk register have been conducted by the Governing Body, Principalship and risk owners. Independent and objective assurance on the effectiveness of control systems has been provided by the IAS through risk-based audits and reviews of internal control. The effectiveness of the system of internal control for the year ended 31 July 2012 and the period up to the date of approval of the Annual Accounts was reviewed in December 2012 by the Governing Body, specifically for the purposes of this statement, in line with the criteria set out in the Turnbull guidance on the Combined Code. The Corporation is of a view that there is a formal ongoing process, which accords with the Turnbull guidance, for identifying, evaluating and managing the College’s significant risks that has been in place for the period ended 31 July 2012 and up to the date of approval of the annual report and accounts.

**Going Concern**

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

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

  
 Kevin Henry  
 Chair of Corporation

  
 Sam Wright  
 Principal

## STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

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

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

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

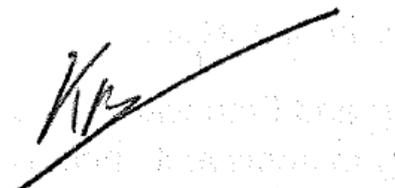
The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is trying to achieve it, including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Corporation 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 income and expenditure 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/Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency/Education Funding Agency 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/Education Funding Agency are not put at risk.

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



Kevin Henry  
Chair of Corporation  
11 December 2012

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF WAKEFIELD COLLEGE

We have audited the financial statements (“the financial statements”) of Wakefield College which comprise of the income and expenditure account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses, the statement of historical cost surpluses and deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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 members of the Corporation of Wakefield College and Auditor**

As described more fully in the Statement of the responsibilities of the members of the corporation, on page 28, the College's 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 Statement of Responsibilities of the Members of the Corporation 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**

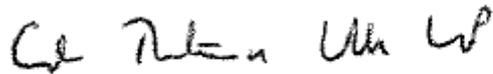
In our opinion the financial statements:

- 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 2012 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 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.



Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
Sheffield

## INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE CORPORATION OF WAKEFIELD COLLEGE AND THE CHIEF EXECUTIVE OF SKILLS FUNDING

In accordance with the terms of our engagement letter dated 5 November 2012 and further to the requirements of the Chief Executive of Skills Funding, we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Wakefield College ('the College') for the year ended 31 July 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding. Our 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 work, for this report, or for the opinion we have formed.

### **Respective responsibilities of the Members of the Corporation of Wakefield College and Auditors**

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

Our responsibilities for this work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice, as amended by the Joint 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 and income for the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Basis of opinion**

We conducted our work in accordance with the Audit Code of Practice, as amended by the Joint Audit Code of Practice, and the Regularity Audit Framework issued by the Learning and Skills Council. Our work includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

### **Opinion**

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

*Colin M. Ullah*

Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
Sheffield

*17 December 2012*

## INCOME AND EXPENDITURE ACCOUNT

For the Period from 1 August 2011 to 31 July 2012

	Notes	2012 £000s	Restated 2011 £000s
<b>Income</b>			
Funding body grants	2	22,149	22,240
Tuition fees and education contracts	3	2,677	2,775
Other grants and contracts	4	201	693
Other income	5	795	744
Endowment and investment income	6	248	155
<b>Total income</b>		<b>26,070</b>	<b>26,607</b>
<b>Expenditure</b>			
Staff costs	7	17,695	18,916
Other operating expenses	9	5,817	6,058
Depreciation	12	1,945	2,333
Interest and other finance costs	10	-	233
<b>Total expenditure</b>		<b>25,457</b>	<b>27,540</b>
Surplus/(deficit) on continuing operations after depreciation of assets at valuation but before loss on valuation of fixed assets and tax		<b>613</b>	<b>(933)</b>
Loss on valuation of fixed assets below original cost		-	(1,660)
Surplus/(deficit) on continuing operations after depreciation of assets at valuation but before tax		<b>613</b>	<b>(2,593)</b>
Taxation		-	-
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, exceptional items and tax		<b>613</b>	<b>(2,593)</b>
Surplus for the year transferred from accumulated income in endowment funds		-	<b>1</b>
Surplus/(deficit) for the year within income and expenditure reserve		<b>613</b>	<b>(2,592)</b>

The income and expenditure account is in respect of continuing activities. The figures for 2011 are reinstated to exclude partner payments.

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Period from 1 August 2011 to 31 July 2012

	Notes	2012 £000s	2011 £000s
Surplus/(deficit) on continuing operations before tax		613	(2,593)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	<u>647</u>	<u>850</u>
<b>Historical cost surplus/(deficit) for the period</b>		<b><u>1,260</u></b>	<b><u>(1,743)</u></b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the Period from 1 August 2011 to 31 July 2012

	Notes	2012 £000s	2011 £000s
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax		613	(2,593)
Deficit on valuation of fixed assets	12	-	(2,204)
Actuarial (loss)/gain in respect of pension scheme	22	(4,369)	5,450
<b>Total recognised (loss)/gain relating to the period</b>		<b>(3,756)</b>	<b>653</b>
<b>Reconciliation</b>			
Opening reserves and endowments		41,778	41,125
Total recognised (loss)/gain for the year		(3,756)	653
<b>CLOSING RESERVES AND ENDOWMENTS</b>		<b>38,022</b>	<b>41,778</b>

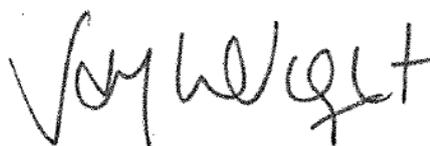
## BALANCE SHEET

	Notes	2012 £000s	2011 £000s
<b>Fixed Assets</b>			
Tangible assets	12	50,381	47,479
Endowment asset investments	19	42	42
<b>Current Assets</b>			
Debtors	14	794	752
Investments	27	8,860	11,500
Cash at bank and in hand	27	2,511	766
		12,165	13,018
<b>Less creditors: amounts falling due within one year</b>	15	(6,049)	(5,213)
<b>Net current assets</b>		<b>6,116</b>	<b>7,805</b>
<b>Total assets less current liabilities</b>		<b>56,539</b>	<b>55,326</b>
Provisions for liabilities	17	(3,695)	(3,645)
<b>Net assets excluding pension liability</b>		<b>52,844</b>	<b>51,681</b>
Net pension liability	22	(10,346)	(5,723)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>42,498</b>	<b>45,958</b>
Deferred capital grants	18	4,476	4,180
Specific endowments	19	42	42
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	21	32,298	30,784
Pension reserve	22	(10,346)	(5,723)
Income and expenditure account including pension reserve	21	21,952	25,061
Revaluation reserve	20	16,028	16,675
<b>Total reserves</b>		<b>37,980</b>	<b>41,736</b>
<b>TOTAL FUNDS</b>		<b>42,498</b>	<b>45,958</b>

The financial statements on pages 34 to 62 were approved by the Corporation on 11 December 2012 and were signed on its behalf by:



Kevin Henry (Chair of the Corporation)



Sam Wright (Principal)

## CASH FLOW STATEMENT

For the period from 1 August 2011 to 31 July 2012

	Notes	2012 £000s	2011 £000s
<b>Net cash inflow from operating activities</b>	23	1,855	4,082
Returns on investments and servicing of finance	24	201	137
Capital expenditure and financial investment	25	(2,951)	(303)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(895)</b>	<b>3,916</b>
Management of liquid resources	26	2,640	(3,499)
<b>Increase in cash in the period</b>		<b>1,745</b>	<b>417</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the period		1,745	417
Cash (outflow)/inflow from liquid resources	26	(2,640)	3,499
Movement in net funds in period	27	(895)	3,916
Net funds at 1 August	27	12,308	8,392
<b>Net funds at 31 July</b>		<b>11,413</b>	<b>12,308</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2011 TO 31 JULY 2012

## 1 Accounting Policies

### Statement of Principal Accounting Policies

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

### Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency in the 2011/12 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 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 currently has no loans.

The College has sufficient liquidity to fund Phase 1 of the redevelopment of the Wakefield campus and this was completed September 2012. The Property Strategy details the development of the Wakefield campus over 5 phases which will allow for the redevelopment to progress over a number of years, subject to the availability of adequate financing.

The College's financial forecast shows a breakeven budget for 2012/13 excluding any further investment in additional property improvements.

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 preparation of its Financial Statements.

### Recognition of Income

The recurrent grant from the funding bodies is that receivable as determined by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding

allocation attributable to the current financial year and is credited directly to the income and expenditure account.

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.

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

Income from grants, contracts and other services rendered is included to the extent that 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. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

## Pension Schemes

### POST-RETIREMENT BENEFITS

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

## **ENHANCED PENSIONS**

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

## **Tangible Fixed Assets**

### **A. LAND AND BUILDINGS**

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable.

The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 17 and 58 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.

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

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

### **B. ASSETS UNDER CONSTRUCTION**

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

#### **Subsequent expenditure on existing fixed assets**

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

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

### **C. EQUIPMENT**

Unless items have been grouped then equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

- motor vehicles – 5 years
- computer equipment – 3 years
- other equipment – 3 years
- furniture, fixtures and plant – 5 years

Works of Art are not depreciated, as it is considered that the assets will maintain or appreciate in value.

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.

### **Investments and Endowment Assets**

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

### **Stocks**

Stocks are not valued as they are not considered to be significant.

### **Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded at the rates 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 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 charges 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.

## **Liquid Resources**

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

## **Provisions**

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

## **Agency Arrangements**

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 32 to the Accounts, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

## 2 FUNDING BODY GRANTS

	2012 £000s	2011 £000s restated
Education Funding Agency recurrent grant	15,029	15,828
Skills Funding Agency recurrent grant	4,578	4,274
HEFCE recurrent grant	1,378	1,345
Education Funding Agency non recurrent grants	99	73
Skills Funding Agency non recurrent grants	859	453
Releases of deferred capital grants (note 18)	206	267
<b>Total</b>	<b>22,149</b>	<b>22,240</b>

Foundation learning income of £131,000 included above within Education Funding Agency recurrent grant of £15,029,000 excludes payments to partner organisations. Total income claimed in the year and the related payments to partners was as follows:

	2012 £000s	2011 £000s restated
Education Funding Agency recurrent grant	390	396
Payments to non-College partners	(259)	(317)
<b>Total</b>	<b>131</b>	<b>79</b>

Workplace Learning income of £456,000 included within Skills Funding Agency recurrent grant of £4,578,000 above excludes payments to partner organisations. Total income claimed in the year and the related payments to partners was as follows:

	2012 £000s	2011 £000s
Skills Funding Agency recurrent grant	738	944
Payments to non-College partners	(282)	(309)
<b>Total</b>	<b>456</b>	<b>635</b>

### 3 TUITION FEES AND EDUCATION CONTRACTS

	2012	2011
	£000s	£000s
UK Higher Education students	765	670
UK Further Education students	1,152	1,214
Non-European Union students	138	188
<b>Total fees paid by or on behalf of individual students</b>	<b>2,055</b>	<b>2,072</b>
Higher Education contracts	116	173
Other contracts	246	220
Apprenticeship contracts	260	310
<b>Sub-total</b>	<b>622</b>	<b>703</b>
<b>Total</b>	<b>2,677</b>	<b>2,775</b>

### 4 OTHER GRANTS AND CONTRACTS

	2012	2011
	£000s	£000s
European funds	115	163
Other funds	86	530
<b>Total</b>	<b>201</b>	<b>693</b>

### 5 OTHER INCOME

	2012	2011
	£000s	£000s
Other income	657	610
Release of deferred Capital Grants (non-Funding Council)	138	134
<b>Total</b>	<b>795</b>	<b>744</b>

## 6 ENDOWMENT AND INVESTMENT INCOME

	Notes	2012 £000s	2011 £000s
Other investment income		190	154
Investment income from specific endowment asset		1	1
<b>Sub Total</b>		<b>191</b>	<b>155</b>
Pension finance income (note 22)		57	-
<b>Total</b>		<b>248</b>	<b>155</b>

## 7 STAFF COSTS

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

	2012	2011
	Number	Number
Teaching departments – teaching staff	237	253
Teaching departments – other staff	54	60
Teaching support services	75	73
Other support services	6	6
Administration and central services	106	112
Premises	36	39
<b>Total</b>	<b>514</b>	<b>543</b>

	£000s	£000s
<b>Staff Costs for the Above Persons</b>		
Teaching departments – teaching staff	8,748	9,176
Teaching departments – other staff	1,198	1,305
Teaching support services	1,842	1,798
Other support services	218	242
Administration and central services	3,260	3,409
Premises	747	793
Staff restructuring	173	587
FRS17 retirement benefit charge	311	370
Enhanced pension provision adjustment	90	100
<b>Payroll sub-total</b>	<b>16,587</b>	<b>17,780</b>
Contracted out staffing services	1,108	1,136
<b>Total</b>	<b>17,695</b>	<b>18,916</b>

## 7 STAFF COSTS (CONTINUED)

	2012 £000s	2011 £000s
<b>Analysed as follows:</b>		
Wages and salaries	13,494	14,093
Social Security costs	926	973
Other pension costs (including FRS17 adjustments of £311,000 : 2011 £370,000)	1,904	2,027
Enhanced pension provision adjustment	90	100
Restructuring costs	173	587
<b>Sub-Total</b>	<b>16,587</b>	<b>17,780</b>
Contracted out staffing services	1,108	1,136
<b>Total</b>	<b>17,695</b>	<b>18,916</b>
<b>Total staff costs, analysed by type of contract were:</b>		
Employment costs for staff on permanent contracts	15,695	16,052
Employment costs for staff on short-term and temporary contracts	318	671
Contracted out staffing services	1,108	1,136
FRS17 retirement benefit charge	311	370
Restructuring costs	173	587
Enhanced pension provision adjustment	90	100
<b>Total</b>	<b>17,695</b>	<b>18,916</b>

## 8 EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS

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

	2012 Number	2011 Number
The number of senior post-holders including the Principal was:	3	3
	<b>2012 £000s</b>	<b>2011 £000s</b>
Senior post-holders' emoluments are made up as follows:		
Salaries	234	234
Pension contributions	32	31
<b>Total emoluments</b>	<b>266</b>	<b>265</b>

## 8 EMOLUMENTS OF SENIOR POST HOLDERS AND MEMBERS (CONTINUED)

The number of staff, including senior postholders and the Principal, who received emoluments, including pension contributions, in the following ranges was:

	2012		2011	
	Number of senior post-holders	Number of other Staff	Number of senior post-holders	Number of other Staff
£60,001 to £70,000	-	5	-	-
£80,001 to £90,000	-	-	1	-
£90,001 to £100,000	1	-	-	1
£130,001 to £140,000	1	-	1	-
<b>Total</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>1</b>

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

	2012 £000s	2011 £000s
Salary	120	122
Pension contributions	17	17
<b>Total emoluments</b>	<b>137</b>	<b>139</b>

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

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

## 9 OTHER OPERATING EXPENSES

	2012 £000s	2011 £000s restated
Teaching departments	1,277	1,523
Teaching support services	98	97
Other support services	384	387
Administration and central services	942	1,001
General education expenditure	779	796
Premises costs – running costs	884	1,040
Premises costs – maintenance	355	257
Catering operations	54	76
Costs associated with property strategy	830	669
Interest on enhanced pension provision	195	193
Other expenses	19	19
<b>Total</b>	<b>5,817</b>	<b>6,058</b>

Other operating expenses include:

Auditors' remuneration

- internal audit	20	20
- financial statements audit	16	15
- taxation compliance services provided by financial statements auditors	3	-
- other services provided by the internal auditors	17	-
Hire of other assets – operating leases	67	57

## 10 INTEREST PAYABLE

	2012 £000s	2011 £000s
Pension finance costs (note 22)	-	233
<b>Total</b>	<b>-</b>	<b>233</b>

## 11 TAXATION

The members do not believe the College was liable for any Corporation tax arising out of its activities during this period (2010/11 – nil).

## 12 TANGIBLE FIXED ASSETS

	Assets under course of Construction £000s	Freehold Land and Buildings £000s	Equipment £000s	Total £000s
<b>Cost or valuation at 1 August 2011</b>	-	46,337	8,546	54,883
Additions	4,489	-	361	4,850
Disposals	-	-	(2,175)	(2,175)
<b>At 31 July 2012</b>	<b>4,489</b>	<b>46,337</b>	<b>6,732</b>	<b>57,558</b>
<b>Depreciation at 1 August 2011</b>	-	-	7,404	7,404
Charge for period	-	1,308	637	1,945
Eliminated in respect of disposals	-	-	(2,172)	(2,172)
<b>At 31 July 2011</b>	-	<b>1,308</b>	<b>5,869</b>	<b>7,177</b>
<b>Net book value at 31 July 2012</b>	<b>4,489</b>	<b>45,029</b>	<b>863</b>	<b>50,381</b>
Net book value at 31 July 2011	-	46,337	1,142	47,479
Inherited	-	4,170	-	4,170
Financed by capital grant	-	3,687	295	3,982
Revalued	-	11,858	-	11,858
Other	4,489	25,314	568	30,371
<b>Net book value at 31 July 2012</b>	<b>4,489</b>	<b>45,029</b>	<b>863</b>	<b>50,381</b>

Land and buildings with a net book value of £3,686,794 have been partly financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

The College's land and buildings were valued at 31 July 2011 at depreciated replacement cost by the District Valuer in accordance with the RICS Appraisal and Valuation Standards as published by the Royal Institution of Chartered Surveyors. The revalued amount was £46,336,800. These have been included in the financial statements at depreciated replacement cost, as determined by the District Valuer.

The valuation has not been updated as the corporation is not aware of any material change in value.

Included within freehold land and building additions are the costs to date relating to the first phase of the city centre redevelopment. Remaining costs yet to be paid to the contractor are included in note 28 - Capital Commitments.

## 12 TANGIBLE FIXED ASSETS (CONTINUED)

If land and buildings had not been revalued they would have been included at the following amount:

	£000s
Cost	37,637
Aggregate depreciation based on cost	<u>(2,488)</u>
<b>Net book value based on cost</b>	<b><u>35,149</u></b>

## 13 INVESTMENTS

Current asset investments represent funds held in short-term deposit accounts.

## 14 DEBTORS

	2012 £000s	2011 £000s
Amounts falling due within one year:		
Trade debtors	241	366
Prepayments and accrued income	407	322
Amounts owed by the Skills Funding Agency	146	64
<b>Total</b>	<b><u>794</u></b>	<b><u>752</u></b>

## 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £000s	2011 £000s
Payments received on account	1,473	1,842
Trade creditors	133	154
Taxation and social security	292	324
Pension creditor	237	118
Accruals	2,772	1,680
Amounts owed to the Education Funding Agency/Skills Funding Agency	1,142	1,095
<b>Total</b>	<b><u>6,049</u></b>	<b><u>5,213</u></b>

## 16 ANALYSIS OF BORROWINGS OF THE COLLEGE

The College had no bank loans, overdrafts or finance leases at the balance sheet date.

## 17 PROVISIONS FOR LIABILITIES

	<b>Enhanced Pension £000s</b>
<b>At 1 August 2011</b>	3,645
Transferred from income and expenditure account:	
- Interest cost	195
- Actuarial loss	90
Expenditure in the period	(235)
	<u>3,695</u>
<b>At 31 July 2012</b>	<u><u>3,695</u></u>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	<b>2012</b>	<b>2011</b>
Price inflation	3.74%	3.74%
Discount rate	2.50%	2.75%

## 18 DEFERRED CAPITAL GRANTS

	<b>ERDF £000s</b>	<b>Funding Body £000s</b>	<b>Other £000s</b>	<b>Total £000s</b>
<b>At 1 August 2011</b>				
- Land and buildings	594	3,138	98	3,830
- Equipment	-	188	162	350
Cash received:				
- Land and buildings	-	442	-	442
- Equipment	-	17	181	198
Released to income and expenditure account:				
- Land and buildings	(32)	(79)	(3)	(114)
- Equipment	-	(127)	(103)	(230)
	<u>562</u>	<u>3,579</u>	<u>335</u>	<u>4,476</u>
<b>At 31 July 2012</b>				
Land and buildings	562	3,501	95	4,158
Equipment	-	78	240	318
	<u>562</u>	<u>3,579</u>	<u>335</u>	<u>4,476</u>
<b>At 31 July 2012</b>	<u><u>562</u></u>	<u><u>3,579</u></u>	<u><u>335</u></u>	<u><u>4,476</u></u>

## 19 SPECIFIC ENDOWMENTS

	£000s
<b>As at 1 August 2011</b>	42
Expenditure for year	(1)
Income for year	1
	<hr/>
<b>As at 31 July 2012</b>	<b>42</b>
	<hr/> <hr/>

These funds represent a prize fund.

## 20 REVALUATION RESERVE

	2012	2011
	£000s	£000s
<b>At 1 August</b>	16,675	19,729
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(647)	(850)
Deficit on revaluation of properties	-	(2,204)
	<hr/>	<hr/>
<b>At 31 July</b>	<b>16,028</b>	<b>16,675</b>
	<hr/> <hr/>	<hr/> <hr/>

## 21 INCOME AND EXPENDITURE RESERVE

	2012	2011
	Total	Total
	£000s	£000s
<b>At 1 August</b>	25,061	21,353
Surplus/(deficit) for the year	613	(2,593)
Surplus for the year transferred for accumulated income in endowment funds	-	1
Transfer from revaluation reserve in respect of depreciation on revalued assets	647	850
Actuarial (loss)/gain in respect of pension scheme	(4,369)	5,450
	<hr/>	<hr/>
<b>At 31 July</b>	<b>21,952</b>	<b>25,061</b>
	<hr/> <hr/>	<hr/> <hr/>
Balance represented by:		
Pension reserve	(10,346)	(5,723)
Income and expenditure account reserve	32,298	30,784
	<hr/>	<hr/>
	<b>21,952</b>	<b>25,061</b>
	<hr/> <hr/>	<hr/> <hr/>

## 22 PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by West Yorkshire Pension Fund. Both are defined benefit schemes.

	2012 £000s	2011 £000s
Teachers Pension Scheme contribution	971	1,010
Local Government Pension Scheme:		
Contributions paid	650	825
FRS17 charge	<u>311</u>	<u>370</u>
Charge to the Income and Expenditure Account (staff costs)	961	1,195
Less amounts recognised as enhanced pension payments	(8)	(7)
Less amounts recognised as restructuring	(20)	(191)
Timing difference on additional Local Government Pension Scheme accruals	-	20
<b>Total Pension Cost for Year</b>	<b><u>1,904</u></b>	<b><u>2,027</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS was 31 March 2010.

Contributions amounting to £198,000 (2011: £80,000) were payable to the Schemes at 31 July and are included within creditors.

### Teachers' Pension Scheme (TPS)

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

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

## 22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Following the implementation of Teachers' Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period 1 August 2011 to 31 July 2012 the employer contribution was 14.1%. The employee rate was 6.4% for the period to 31 March 2012 with rates between 6.4% and 8.8% depending on the member's salary from 1 April 2012. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

### FRS17

Under the definitions set out in Financial Reporting Standard 17 (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

### Local Government Pension Scheme (LGPS)

The LGPS (West Yorkshire Pension Fund) is a funded defined benefit scheme, with the assets held in separate funds administered by Bradford Metropolitan District Council. The total contribution made for the year ended 31 July 2012 was £912,000 of which employer's contributions totalled £621,000 and employees' contributions totalled £291,000. The agreed contribution rates for future years are 13.3%. Employee contributions are between 5.5% and 7.5% dependent on the full time equivalent salary.

### FRS17

Principal Actuarial Assumptions	Funded 2012	Unfunded 2012	Funded 2011	Unfunded 2011
Rate of increase in salaries	4.6%	-	5.2%	-
Rate of increase for pensions in payment/inflation	2.1%	1.8%	2.8%	2.7%
Discount rate for scheme liabilities	4.1%	3.9%	5.3%	5.3%
CPI inflation assumption	2.1%	1.8%	2.8%	2.7%
RPI inflation assumption	3.1%	2.8%	3.7%	3.6%

## 22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

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

	At 31 July 2012	At 31 July 2011
<i>Retiring today/current pensioners:</i>		
Males	22.0	21.9
Females	24.1	24.0
<i>Retiring in 20 years/future pensioners:</i>		
Males	23.8	23.7
Females	26.1	26.0

The assets and liabilities in the scheme and the expected rates of return were:

	Long-term rate of return expected 2012	Value 2012 £000s	Long-term rate of return expected 2011	Value 2011 £000s
Equities	7.5%	14,759	7.9%	15,415
Bonds				
- Government	2.5%	2,808	3.9%	2,446
- Other	3.2%	1,204	4.7%	844
Property	7.0%	760	7.4%	759
Cash	1.4%	591	1.5%	443
Other	7.5%	992	7.9%	1,180
<b>Total Market Value of Assets</b>		<b>21,114</b>		<b>21,087</b>
Present value of scheme liabilities				
- Funded		(31,336)		(26,693)
- Unfunded		(124)		(117)
<b>Deficit in the scheme</b>		<b>(10,346)</b>		<b>(5,723)</b>

## 22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

	2012 £000s	2011 £000s
<b>Analysis of the amount charged to income and expenditure account</b>		
Employer service cost (net of employer contributions)	(291)	(198)
Past service cost	(2)	(172)
<b>Total operating charge</b>	<b>(293)</b>	<b>(370)</b>
<b>Analysis of pension finance cost</b>		
Expected return on pension scheme assets	1,478	1,366
Interest on pension liabilities	(1,421)	(1,599)
<b>Pension finance income/(cost)</b>	<b>57</b>	<b>(233)</b>
<b>Amount recognised in the statement of total recognised gains and losses (STRGL)</b>	<b>2012 £000s</b>	<b>2011 £000s</b>
Actual return less expected return on pension scheme assets	(1,131)	506
Experience (loss)/gain on scheme liabilities	(106)	4,082
Change in financial and demographic assumptions underlying the scheme liabilities	(3,132)	862
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b>(4,369)</b>	<b>5,450</b>
	<b>2012 £000s</b>	<b>2011 £000s</b>
<b>Movement in deficit during year</b>		
Deficit in scheme at 1 August	(5,723)	(10,570)
Movement in year:		
Current service charge	(941)	(1,023)
Employer contributions	650	825
Past service cost	(20)	(172)
Pension finance income/(cost)	57	(233)
Actuarial (loss)/gain	(4,369)	5,450
<b>Deficit in scheme at 31 July</b>	<b>(10,346)</b>	<b>(5,723)</b>

## 22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Asset and liability reconciliation	2012	2011
	£000s	£000s
<b>Reconciliation of liabilities</b>		
<b>Liabilities at start of period</b>	26,810	29,094
Current service cost	941	1,023
Interest cost	1,421	1,599
Employee contributions	293	312
Actuarial loss/(gain)	3,238	(4,944)
Benefits paid	(1,263)	(446)
Past service cost	20	172
	31,460	26,810

Included within the closing liability is £115,000 relating to unfunded obligations.

Asset and liability reconciliation	2012	2011
	£000s	£000s
<b>Reconciliation of assets</b>		
<b>Assets at start of period</b>	21,087	18,524
Expected return on assets	1,478	1,366
Actuarial (loss)/gain	(1,131)	506
Employer contributions	650	825
Employee contributions	293	312
Benefits paid	(1,263)	(446)
<b>Assets at end of period</b>	21,114	21,087

The estimated value of employer contributions for the year ended 31 July 2013 is £631,000.

	2012	2011	2010	2009	2008
<b>History of experience gains and losses</b>					
Actuarial gains/(losses) on assets:					
Amount £000s	(1,131)	506	1,294	(1,843)	(2,163)
% of scheme assets	(5.4)	2.4			
Experience gains/(losses) on scheme liabilities:					
Amount £000s	(106)	4,082	179	(47)	(1,044)
% of scheme liabilities	(0.4)	15.2			
Total amount recognised in STRGL:					
Amount £000s	(4,369)	5,450	148	(3,852)	(5,294)
% of scheme liabilities	(13.9)	20.3			

## 23 RECONCILIATION OF OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Note	2012 £000s	2011 £000s
Surplus/(deficit) on continuing operations after depreciation of assets at valuation		613	(2,593)
Loss on valuation		-	1,660
Depreciation	12	1,945	2,333
Deferred capital grants released to income	18	(344)	(401)
Pension cost less contribution payable	22	311	370
(Increase)/decrease in debtors		(52)	303
(Decrease)/increase in creditors		(420)	2,264
Increase in provisions	17	50	68
Interest receivable	6	(190)	(154)
FRS17 pension finance income	6	(57)	-
Endowment income receivable		(1)	(1)
Interest payable	10	-	233
<b>Net cash inflow from operating activities</b>		<b>1,855</b>	<b>4,082</b>

## 24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012 £000s	2011 £000s
Interest received	200	136
Endowment income received	1	1
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>201</b>	<b>137</b>

## 25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012 £000s	2011 £000s
Purchase of tangible fixed assets	(3,591)	(570)
Deferred capital grants received	640	267
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(2,951)</b>	<b>(303)</b>

## 26 MANAGEMENT OF LIQUID RESOURCES

	2012 £000s	2011 £000s
Placing of short-term deposits	(2,640)	3,500
Movement on endowment assets	-	(1)
	<b>(2,640)</b>	<b>3,499</b>

## 27 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2011 £000s	Cashflows £000s	As at 31 July 2012 £000s
Endowment asset	42	-	42
Cash in hand and at bank	766	1,745	2,511
Current asset investments	11,500	(2,640)	8,860
<b>Total</b>	<b>12,308</b>	<b>(895)</b>	<b>11,413</b>

## 28 CAPITAL COMMITMENTS

	2012 £000s	2011 £000s
Contracted for at 31 July	1,379	415

Capital commitments include the contracts in place for the first phase of the City Centre Campus redevelopment.

## 29 FINANCIAL COMMITMENTS

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

	As at 31 July 2012	As at 31 July 2011
<b>Other</b>	<b>£000s</b>	<b>£000s</b>
Expiring within one year	1	43
Expiring between two and five years inclusive	13	1
<b>Total</b>	<b>14</b>	<b>44</b>

## 30 RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions may take place with organisations in which a member of the Board of Governors may have an interest. However, all transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's Financial Regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

### 31 AMOUNTS DISBURSED AS AGENT

	2012 £000s	2011 £000s
Funding body grants – hardship	582	175
Disbursed to students	(363)	(79)
Administration costs	(29)	(9)
Amount consolidated in financial statements	-	(22)
<b>Balance unspent as at 31 July</b>	<b>190</b>	<b>65</b>
Funding body grants - childcare	79	62
Disbursed to students	(64)	(39)
Administration costs	(4)	(3)
<b>Balance unspent as at 31 July</b>	<b>11</b>	<b>20</b>
Funding body grants – HEFCE	18	10
Funds brought forward from previous year	1	1
Disbursed to students	(3)	(3)
Administration costs	(1)	-
Funds carried forward to following year	(2)	(1)
<b>Balance unspent as at 31 July</b>	<b>13</b>	<b>7</b>

Funding body grants are available solely for students. In the majority of instances, the College acts only as paying agent. In these circumstances, the grants and related disbursements are, therefore, excluded from the Income and Expenditure Account.

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