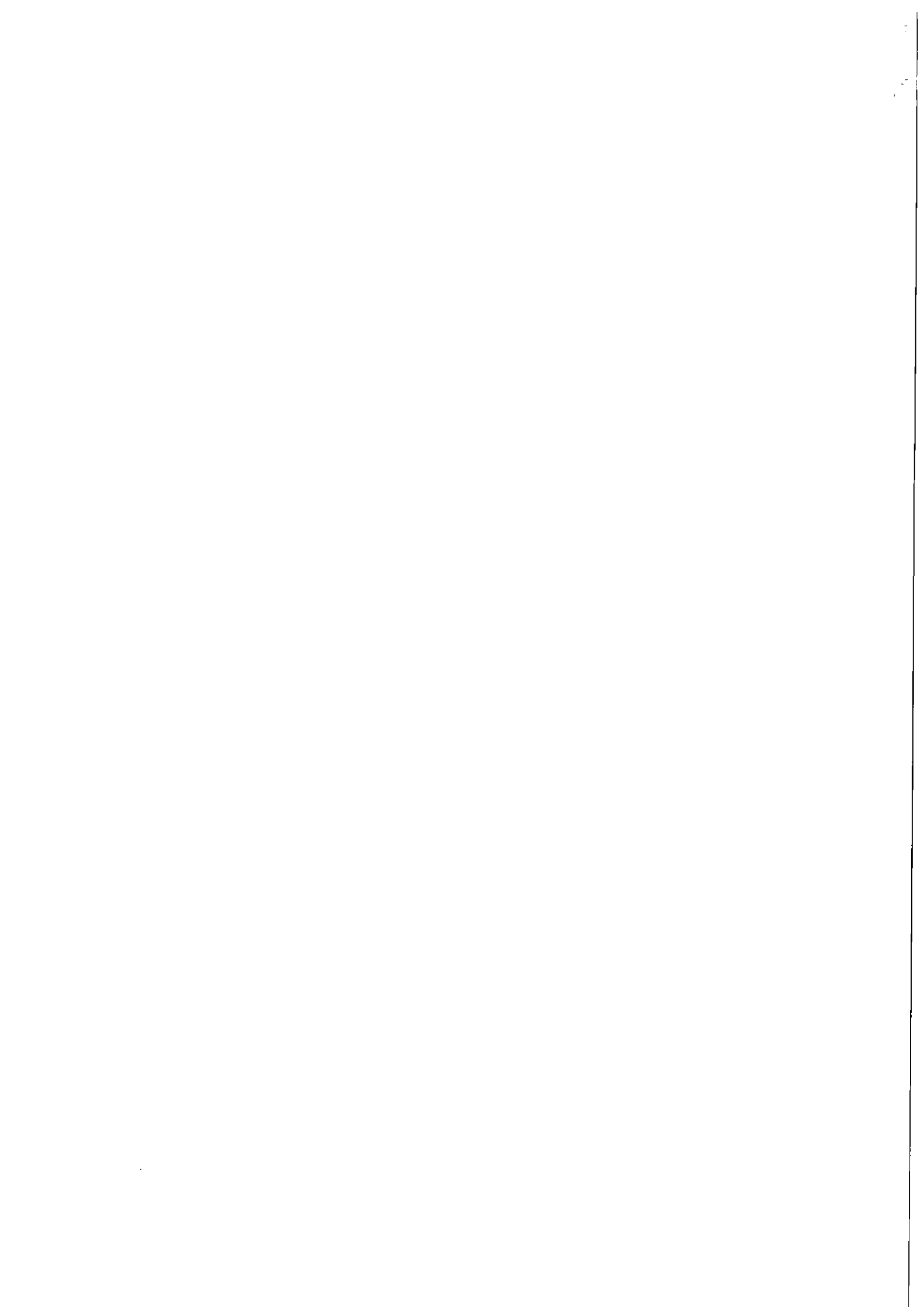


South Staffordshire College

**Members' report and financial
Statements**

For the year ended 31 July 2012



Members' report and financial statements

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Members' Report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

Mission

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

"To create a single responsive college that will provide improved access to a range of outstanding provision for adults, young people and businesses whilst promoting social inclusion and supporting economic prosperity for stakeholders within Southern Staffordshire and beyond. To create a world-class college based on a federation of campuses to serve their respective local communities".

Implementation of strategic plan

South Staffordshire College has adopted the following Critical Success Factors in order to achieve its strategic objectives:

LEARNER PERFORMANCE

- Deliver outstanding results to at least 7% above National Average by 2013
- Increase learner satisfaction to category A by 2020
- Achieve Outstanding at the next full Ofsted inspection

STAFF

- Embed 2020 behaviours
- Achieve Investors in People Silver status by 2015
- Become an employer of choice of choice by 2015

FINANCE

- Maintain a Framework for Excellence grading of at least Good
- Achieve an operating surplus of at least £250K annually
- Invest a minimum of 1% of turnover in capital
- Achieve annual funding body targets agreed by the corporation

FACILITIES

- Deliver the Estates Strategy by 2020
- Deliver content of the E-Learning Strategy by 2015
- Achieve Eco Campus "gold" standard by 2015.

GROWTH

- Achieve viable learner number targets set by the corporation
- Achieve annual employer volume targets agreed by the corporation
- Increase commercial income by 20% by 2015
- Pro-actively engage with key stakeholder groups

Financial objectives

South Staffordshire College set financial objectives for the year ending 31 July 2012; these are listed below together with performance for the year up to July 2012:

Objective

1. Operating surplus to be achieved - surplus of £515k achieved
2. To ensure pay expenditure does not exceed 65% of total income - Achieved 63% including restructuring costs and 61% excluding restructuring.
3. To ensure tuition fee income reaches £1,600k – this was revised in year to £1,300k and £1,121k was achieved.
4. To deliver to 4,180 learner number target on the main EFA learner responsive funded contracts – 3,802 learner numbers delivered, although no impact on funding for 2011/12.
5. To reduce dependency on EFA/SFA income to be no more than 80% - 82% delivered which was in line with the revised forecast.
6. To ensure cash days in hand are at least 50 – achieved 99 days.
7. Invest a minimum of £1.35m in capital expenditure – achieved - £2.77m invested.

Operating and Financial Review (*continued*)

Performance indicators

Recruitment for 16-18 learner responsive provision was lower than the EFA target set for 2011/12 with recruitment for adults being below the target set by the SFA. This trend is generally reflected across the sector as the focus is on the attainment of full level 2 & 3 qualifications leading to fewer numbers of learners but who undertake longer qualifications which enables the College still to achieve its EFA funding cash target.

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 the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of Good is considered an acceptable outcome.

Financial position

Financial results

The College made an operating surplus for the period ended 31 July 2012 of £515k (2010/11: £1,128k surplus).

The College has accumulated reserves of £29,476k (2010/11 £30,606k) and cash balances of £8,140k (2010/11 £9,876k).

Tangible fixed asset additions during the year amounted to £2,771k of which £623k was on equipment and £2,148k on land and buildings. This includes the investment in land and buildings partly funded by two successful capital bids to the SFA for investment on the Rodbaston and Cannock Campuses.

Treasury policies and objectives

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

The approved Financial Regulations specify that investments can be made on the money market or in interest bearing bank accounts only. In addition where the cash held exceeds £2,500k then the College will place sums with two or more institutions. Any short term borrowing for temporary revenue purposes to be agreed by Chair of the Corporation, the Chief Executive

Operating and Financial Review (continued)

Principal and the Vice Principal (Finance and Resources). Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency/EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

During the year there was a net cash outflow of £1,736k (2010/11 cash inflow £2,598k). No new loans or overdrafts were needed during the year to support the major capital investment undertaken.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

During 2011/12 the College has delivered activity that has produced main funding body income of £24,526k (2010/11 £28,982k) against funding body allocations of £26,592k.

Student achievements

The third full year of operation for South Staffordshire College saw an improvement in success rates for Learner Responsive provision from 84% in 2010/11 to 88% in 2011/12, building on a significant improvement in the previous year.

Functional skills results have continued to improve and are 14% above the national average in 2011/12.

Overall success rates for Employer Responsive provision has shown a significant improvement in both workplace and apprenticeship delivery. There remain some issues around timely success rates for work based learning which will be targeted for improvement in 2012/13.

Curriculum developments

Quality processes have been standardised and developed across South Staffordshire College to enhance monitoring of performance through course reviews, carried out three times in the year, an increase in the number of mock inspections of curriculum areas, extended during the year to include service areas for the first time, and a continued improvement in the rigour of the lesson observation process, leading to an increase of 3%, to 87% of lessons graded Good or better.

The monitoring of quality improvement actions have again ensured that the suitability of curriculum, and its delivery plan, has been carefully scrutinised for 2011/12, based on quality and value for money criteria, leading to a number of additional improvements expected to result in further improvements in success rates across the College in 2012/13.

2011/12 saw the opening of a new teaching block at Rodbaston Campus named the Foster Centre, providing a much enhanced learning environment for students based at that site. A successful bid was also submitted to redevelop the main Cannock campus, which no longer meets learner needs for up to date facilities.

The College continued to deliver provision for 14-16 year olds in association with local schools as part of the Increased Flexibility Programme and ACE programme aimed at disaffected learners. The College delivers, very successfully, at separate 14-16 centres at TORC in Tamworth, and Aelfgar in Rugeley, as well as at its main sites, and is closely involved in the delivery of Diplomas and vocational qualifications in conjunction with local schools. The College has developed, over recent years, a very good reputation for dealing with 14-16 year old learners and currently is one of the main providers of such provision within Staffordshire.

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%. The College is committed to paying all suppliers within the timescales provided it is satisfied that goods and services have been provided in accordance with the agreed terms and conditions. The College incurred no interest charges in respect of late payments during 2011/12.

Post balance sheet events

There have been no significant post balance sheet events.

Resources

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

Tangible resources include:

Financial

The College has £29,476k of net assets (including £5,500k pension liability) and long term debt of £5,342k.

People

The College employs 623 people (expressed as full time equivalents), of whom 376 or 60% are teaching staff.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES:

The College gave priority to risk management and as such ensured an assessment of key business risks was undertaken with approval of the risk register prior to the commencement of the year.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at each meeting of the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the SFA and EFA. In 2011/12, 82% of the College's revenue was ultimately public funded and this level of requirement is expected to reduce year on year. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels. Following the Comprehensive Spending Review funding levels for the College 2011/12 have significantly reduced. Both the EFA and the SFA have notified the Sector of their intention to revise the current funding methodologies which will create further uncertainty regarding longer term funding assumptions.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training to attract increased income from employers and individuals.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the SFA and EFA funding bodies.

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50% in 2011/12. In line with the majority of other colleges, South Staffordshire College will seek to increase tuition fees in accordance with the fee assumptions. The price elasticity of adult learning for the College is not yet fully understood. The risk for the College is that demand falls off as fees increased. This will impact on the growth strategy of the College

Operating and Financial Review (continued)

This risk is mitigated in a number of ways:

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

3. Maintain adequate funding of pension liabilities

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

4. Capital Developments

In light of the collapse of capital funding in the Further Education Sector the College has developed an affordable accommodation strategy to enhance its estate which has been approved by the Board. As a result of this early planning the College was well placed to bid for funds for a new teaching block on the Rodbaston Campus when additional funds became available. As a result the successful bid secured £1m of funding from the SFA and building work was completed on schedule for the start of the 2011/12 academic year. This new building has created much improved classroom facilities and a central social hub for learners.

A further bid to the SFA for £2m Enhanced Renewal Grant funding was submitted in October 2011 to contribute towards a major refurbishment of the Main building located at the Green in Cannock. The college was notified that it was successful in securing funding towards the project at the end of December 2011 with the College financing two thirds of the cost from its own reserves and a new loan. It is expected that this much needed modernised building will be open to learners in September 2013

5. Employer Engagement

The College has a significant delivery for learners in the workplace and much of this is done in conjunction with partners. By the nature of this work it is a key risk and much work has been undertaken during 2011/12 to further embed detailed and robust processes to mitigate associated risks.

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education Sector Funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies/LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College is the lead sponsor for a new Academy via the Rural Enterprise Academy Trust limited, a company limited by guarantee and an exempt charity. During 2011/12 the college worked closely with the Trust and the Department for Education to ensure readiness for opening this new school in September 2012.

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

Equal opportunities and employment of disabled persons

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

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

Operating and Financial Review (continued)

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005

- a. As part of its accommodation strategy the College updated its access audit. Disabled facilities, supported by capital grants, have been improved on both the Progress Centre and Tamworth sites. In addition The College has successfully secured capital funding to develop a new, self contained, independent living skills centre for LDD learners which is located at the Progress Centre.
- b. The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e. The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f. Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the South Staffordshire College Corporation on 14th December 2012 and signed on its behalf by:



R Faulkner
Chairman

Professional advisers

Financial statements and regularity auditor:

KPMG LLP, One Snowhill,
Snow Hill Queensway,
Birmingham B4 6GH.

Internal auditors:

RSM Tenon,
The Poynt,
45 Wollaton St,
Nottingham,
East Midlands,
NG1 5FW.

Bankers:

Yorkshire Bank plc, 1 Market Place,
Cannock, Staffs, WS11 1BS.

Santander, PO Box 1109, Bradford,
BD1 5XS.

Bank of Scotland, 11 Earl Grey Street,
Edinburgh, EH3 9BN

Barclays Bank plc, PO Box 130,
Dudley, West Midlands, DY1 1YR.

Lloyds TSB, 5 Market Square,
Stafford, ST16 2JL.

The Co- Operative Bank, PO Box 101,
1 Balloon Street, Manchester, M60
4PE.

Solicitors

Martineau, St Phillips House,
St Phillips Place,
Birmingham, B3 2PP.

Pickering & Butters
19 Greengate Street
Stafford
ST16 2LU

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 FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 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, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012.

The Corporation

The members who served the Corporation during the period to 31 July 2012 were as follows:

Continuing Members:

Name	Date of appointment to SSC Board	Term of office	Date of resignation	Status of appointment	SSC Committees served
Philip Atkins	1/08/08	Until 2/12/14		External	Audit Committee (apptd 1/08/08),
Bill Avery	1/08/08	Until 21/05/15		External Vice Chairman (apptd 1/08/11)	Governance and Search Committee (apptd 1/08/11)
Sue Bard	1/08/08	Until 13/10/13		External	Governance & Search Committee (apptd 16/10/09)
Ray Faulkner	1/08/08	Until 31/12/12		External Chairman	Governance & Search Committee (apptd 1/08/08)
Gerry Hindley	1/08/08	Until 31/01/14		External	Audit Committee (apptd 1/08/11)
Josh Humpage	31/10/11	Until 31/07/12		Student	
Steve James	1/08/08	Until 27/09/12		External	
Khaja Khan	1/08/08	Until		External	Governance and Search

*South Staffordshire College
Members' report and financial statements
- For the year ended 31 July 2012*

Name	Date of appointment to SSC Board	Term of office	Date of resignation	Status of appointment	SSC Committees served
		28/02/14			Committee (apptd. 18/10/10)
Tim Legge	1/08/08	Until 18/07/13		External	
Lisa Littlewood	27/02/12	Until 26/02/16		Staff	
Andrew Minifie	1/08/08	Until 9/07/15	Resigned 31/7/12 (to be co-opted non-governor member of Audit Comm wef 1/08/12)	External	Audit Committee (apptd 1/08/08),
Ryan Moore	31/10/11	Until 31/07/12		Student	
Graham Morley	1/08/08			Principal	Governance & Search Committee (apptd 1/08/08)
Jean-Pierre Parsons	1/08/08	Until 12/02/14	Resigned 31/7/12	External	Audit Committee (apptd 1/08/08),
Ian Sanday	10/12/10	Until 9/12/14		Staff	None
Hazel Squire	22/3/10	Until 21/3/14	Resigned 30/11/11	Staff	
Chris Taylor	1/08/08	Until 15/11/13		External	Audit Committee (apptd 1/08/08),
Les Trigg	1/08/08	Until 4/04/16		External	Governance & Search Committee (apptd 1/08/08)
Rita Booth (nee Wilson)	N/A	Until 9/12/12	Resigned 31/07/12	Co-opted non-governor to Audit Comm.	Audit Committee (apptd 19/1/09)

Members who have Resigned:

Name	Date of appointment to SSC Board	Term of office	Date of resignation	Status of appointment	SSC Committees served
Hazel Squire	22/03/10	Until 21/3/14	Resigned 30/11/11 on leaving College employment	Staff	

Ian James Consultancy has acted as the Clerk to the Corporation for South Staffordshire College from 1st August 2008.

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 has met regularly throughout 2011/12.

The Corporation conducts its business through a number of committees following the Carver model (a model of principles for all governing boards that enables them to focus on the larger issues). Each committee has terms of reference, which have been approved by the Corporation. These committees are Governance and 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:

South Staffordshire College (Rodbaston Campus),
Penkridge,
Staffs
ST19 5PH

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.

Statement of Corporate Governance and Internal Control (continued)

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance and search committee comprising of 6 members which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years. This can be extended with the approval of the Board.

The College's Governance and Search Committee responsibilities also include making recommendations to the Board on the remuneration and benefits of the Chief Executive Principal and other senior post-holders.

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 5 members of the Corporation (who exclude the Principal and Chair) and one non governor member. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

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

Statement of Corporate Governance and Internal Control (continued)

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the Learning and Skills Council (LSC) and its successor organisations. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Staffordshire College for the year ended 31 July 2012 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

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

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

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

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Chief Executive Principal has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

Statement of Corporate Governance and Internal Control (continued)

The Executive Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Leadership Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 14th December meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by receiving the full Financial Management and Control Evaluation self assessment documentation.

Capacity to handle risk

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

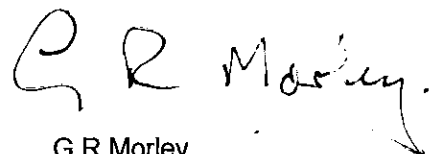
Going Concern

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

Approved by order of the members of the South Staffordshire College Corporation on 14th December 2012 and signed on its behalf by:



R Faulkner
Chairman



G R Morley
Chief Executive Principal

Statement of the responsibilities of the members of the Corporation

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

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

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

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

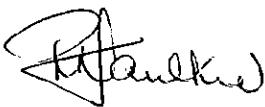
The Corporation is also required to prepare a members report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds by the Skills Funding Agency and EFA are not put at risk.

Approved by order of the members of the Corporation on 14th December 2012 and signed on its behalf by:



R Faulkner
Chairman

Independent auditor's report to the Corporation of South Staffordshire College

We have audited the College financial statements ("the financial statements") of South Staffordshire College for the year ended 31 July 2012 set out on pages 25 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of South Staffordshire College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 24, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Members' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the 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 revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the YPLA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

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


Mike Rowley

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

18th 14 December 2012

Independent regularity report to the Corporation of South Staffordshire College and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 21 January 2009 and further to the requirements of the Chief Executive of Skills Funding, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of South Staffordshire College ('the College') during the year ended 31 July 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Members of the Corporation of South Staffordshire College and Auditors

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

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council in 2004. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

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



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

18th December 2012

INCOME AND EXPENDITURE ACCOUNT
 for the year ended 31 July 2012

		2012	2011
	<i>Notes</i>	£000	£000
Income			
Funding body income	2	24,933	29,876
Tuition fees and education contracts	3	3,400	4,427
Research grants and contracts	4	23	51
Other income	5	1,894	1,517
Investment income	6	157	81
Total Income		30,407	35,952
Expenditure			
Staff costs	7	18,828	21,878
Other operating expenses	9	9,074	10,822
Depreciation	13	1,641	1,611
Interest payable and other finance costs	10	348	513
Total expenditure		29,891	34,824
Surplus on continuing operations		515	1,128
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional costs and tax	12	515	1,128
Surplus on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items, disposal of assets and tax		515	1,128

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

**Statement of total recognised gains and losses
for the year 31 July 2012**

	2012	2011
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	515	1,128
Actuarial gain/(loss) in respect of pension scheme. 22	(1,643)	3,749
Total recognised gains since the last period	<u>(1,128)</u>	<u>4,877</u>

	2012	2011
	£'000	£'000
Reconciliation		
Opening reserves	21,653	16,776
Total recognised gains for the year	(1,128)	4,877
Closing reserves	<u>20,525</u>	<u>21,653</u>

**Statement of historical cost surpluses and deficits
for the year ended 31 July 2012**

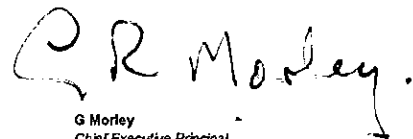
	2012	2011
	£'000	£'000
Surplus on continuing operations before taxation	515	1,128
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount 21	162	201
Historical cost surplus for the year before taxation	<u>677</u>	<u>1,329</u>

Balance sheet as at 31 July 2012		As At 31 July 12	As At 31 July 11
		£'000	£'000
Fixed assets			
Tangible assets	13	35,530	34,509
Investments	14	<u>42</u>	<u>37</u>
		<u>35,672</u>	<u>34,546</u>
Debtors: Amounts falling due after more than one year	15	280	339
Current assets			
Stock		168	146
Debtors	16	1,606	985
Cash at bank and in hand	24	8,140	9,876
		<u>9,914</u>	<u>11,007</u>
Creditors: Amounts falling due within one year	17	(5,547)	(5,735)
Net current assets		<u>4,367</u>	<u>5,272</u>
Total assets less current liabilities		<u>40,318</u>	<u>40,157</u>
Creditors: Amounts falling due after more than one year	17	(5,342)	(5,739)
Net assets excluding pension liability		34,976	34,418
Net pension liability	22	(5,500)	(3,812)
Net assets including pension liability		<u>29,476</u>	<u>30,606</u>
Deferred capital grants	19	8,950	8,954
Reserves			
Revaluation reserve	20	8,505	8,667
Income and expenditure account excluding pension reserve	21	17,520	16,798
Pension reserve		(5,500)	(3,812)
Total Reserves		<u>29,476</u>	<u>30,606</u>

The financial statements on pages 21 to 40 were approved by the Corporation of South Staffordshire College on 14 December 2012 and were signed on its behalf by:



R Faulkner
Chairman



G Morley
Chief Executive Principal

Cash flow statement
for the year ended 31 July 2012

		2012 £'000	2011 £'000
Cash flow from operating activities	23	1,252	5,235
Returns on investments and servicing of finance	25	(214)	(250)
Capital expenditure and financial investment	25	(2,395)	(2,081)
Cash (outflow)/inflow before use of liquid resources and financing		(1,357)	2,905
Financing	25	(379)	(307)
 (Decrease)/increase in cash		(1,736)	2,598

Reconciliation of net cash flow to movement in net funds

		2012 £'000	2011 £'000
(Decrease)/increase in cash in the period		(1,736)	2,598
Change in net funds resulting from cash flows		379	307
Movement in net funds in period		(1,357)	2,905
Net funds at 1 August		3,762	857
Net funds at 31 July		2,405	3,762

Notes to the Financial Statements

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: 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 EFA in the 2011/12 Accounts Direction Handbook.

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

Going concern

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

The College currently has 4 separate loans totalling £5.3m outstanding with banks. The College's forecasts and financial projections indicate that it will be able to operate within the existing facilities and covenants for the foreseeable future.

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

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Skills Funding Agency. (see note 31).

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

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

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

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

Post retirement benefits

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

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

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

Further details of the pension schemes are given in note 22.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the period that the member of staff retires.

1 Statement of accounting policies (continued)

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 60 years.

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

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

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

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

Subsequent expenditure on existing fixed assets

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

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

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

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 2011. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. If assets are individually less than £2,000 but are purchased as a group which collectively total more than £2,000, for example furniture items for a classroom, then those assets are capitalised. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Both inherited equipment and other equipment is depreciated on a straight line basis over its remaining useful economic life to the College as follows:

Motor vehicles	7 years
General equipment & plant	10 years
Computer equipment	3 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

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

1 Statement of accounting policies (continued)

Investments

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 stated at the lower of their cost and net realisable value. This includes stocks held by the College's Visitor Centre.

The stock valuation of the farm consists of farm animals and produce at the Rodbaston Campus. The stock is valued annually by a professional valuer.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

Provisions

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

Cash

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 31 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs 3 FTE member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes (continued)

2 Funding Body Grants

	2012	2011
	£'000	£'000
Recurrent grant - SFA/EFA	24,526	28,982
Non recurrent grants - SFA/EFA	106	593
Releases of deferred capital grants	300	301
	<u>24,932</u>	<u>29,876</u>

3 Tuition fees and education contracts

	2012	2011
	£'000	£'000
Tuition fees	1,121	1,558
Education contracts		
Local Education Authority	1,266	1,402
Higher Education (HE) Income	978	1,215
University for Industry	0	5
Other Contracts	35	247
	<u>3,400</u>	<u>4,427</u>

Included within the above amounts are tuition fees funded by bursaries of £9k (2010/11 £4k).

4 Research grants and contracts

	2012	2011
	£'000	£'000
Other grants and contracts	23	51
	<u>23</u>	<u>51</u>

5 Other Income

	2012	2011
	£'000	£'000
Other income	1,824	1,450
Releases from deferred capital grants (non SFA/EFA)	70	67
	<u>1,894</u>	<u>1,517</u>

6 Investment Income

	2012	2011
	£'000	£'000
Other Interest receivable	134	81
Pension Finance Income (note 22)	23	0
	<u>157</u>	<u>81</u>

Notes (continued)

7 Staff numbers and costs

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

	2012 FTEs	2011 FTEs
Teaching staff	376	421
Non teaching staff	247	270
	623	691

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements

Staff costs for the above persons were as follows:

	2012 £'000	2011 £'000
Teaching departments	9,745	11,789
Teaching support services	2,055	2,273
Other support services	390	368
Administration and central services	4,848	4,848
Premises	1,337	1,272
FRS 17 costs	67	81
Actuarial strain	17	143
Restructuring costs	369	1,104
Total	18,828	21,878
	£'000	£'000
Wages and salaries	15,116	16,528
Social security costs	1,010	1,170
Pension contributions	1,756	1,873
FRS 17 costs	67	81
Actuarial strain	17	143
Payroll sub total	17,966	19,795
Contracted out lecturing services	493	979
Restructuring costs	369	1,104
Total	18,828	21,878

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

	2012 Senior Post Holders	2011 Senior Post Holders
£60,001 to £70,000	-	-
£90,001 to £100,000	-	-
£100,001 to £110,000	2	2
£140,001 to £150,000	-	-
£150,001 to £160,000	1	-
£160,001 to £170,000	-	1
	3	3
	Other Staff	Other Staff
£60,001 to £70,000	3	6
£70,001 to £80,000	5	2
	8	8

The above bandings exclude any payments made for compensation for loss of office.

Notes(continued)

8 Emoluments of senior post holders and members

Senior post holders are defined as members of the senior management team.

	2012 Number	2011 Number
The number of senior post-holders including the Principal was	3	3

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

	2012 £'000	2011 £'000
Salaries	318	338
Pension contributions	47	48
	365	386

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

	2012 £'000	2011 £'000
Salary	140	148
Pension contributions	20	21
	160	169

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

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

9 Other operating expenses

	2012 £'000	2011 £'000
Teaching costs	3,722	5,180
Non-teaching costs	3,270	3,640
Premises costs	2,082	2,002
	8,074	10,822

Other operating expenses include:

Auditors remuneration:		
Financial Statements Audit	33	29
Internal audit	23	25
Other services from external audit	11	166
Other services from Internal audit	8	2
Losses on disposal of tangible fixed assets	1	0
Hire of other assets - operating leases	113	166
	189	388

Notes (continued)

10 Interest payable

	2012	2011
	£'000	£'000
On bank loans and overdrafts		
Repayable wholly or partly in more than five years	348	331
Pension scheme finance costs	0	182
	348	613

11 Taxation

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

12 Surplus on continuing operations for the year

The Surplus on continuing operations for the period is made up as follows:

	2012	2011
	£'000	£'000
College Surplus for the year	515	1,128
	515	1,128

13 Tangible fixed assets

	Assets under construction	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>				
At 1 August 2011	2,852	38,880	7,098	48,830
Transfers	(2,852)	2,852	0	0
Additions	299	1,849	623	2,771
Disposals	0	0	(40)	(40)
At 31 July 2012	299	43,581	7,681	51,561
<i>Accumulated depreciation</i>				
At 1 August 2011	0	9,345	4,976	14,321
Charge for year	0	940	701	1,641
Eliminated in respect of disposals	0	0	(31)	(31)
At 31 July 2012	0	10,285	5,646	15,931
<i>Net book value</i>				
At 31 July 2012	299	33,296	2,034	35,630
At 31 July 2011	2,852	29,535	2,122	34,509

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

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

Land and Buildings includes the cost of the Staffordshire University Lichfield Centre Project, which commenced in 1997 and was completed in 2006. The Project spanned a number of phases and was partly grant funded, and partly funded by a loan jointly repayable by the College and Staffordshire University.

Assets under construction relate to the refurbishment of Cannock campus due for completion in September 2013, which is partly funded from SFA grant.

Notes (continued)

14 Investments

The College owns shares valued at £42k (2011 £37k) These shares were valued at the closing market price as at 31 July 2012.

15 Debtors: Amounts falling due after more than one year

	2012 £'000	2011 £'000
Amounts owed by Staffordshire University	280	339
Loan to Staffordshire University repayable as follows:		
Within one year	59	55
	59	55
Between one and two years	63	59
Between two and five years	217	203
Over five years	0	77
After more than one year	280	339
	339	394

The loan is in respect of Staffordshire University, Lichfield Centre. A fixed charge is held over the property.

16 Debtors: Amounts falling due within one year

	2012 £'000	2011 £'000
Trade debtors	187	241
Amounts owed by Staffordshire University	59	55
Prepayments and accrued income	1,135	519
Amounts owed by the SFA/EFA	225	169
	1,606	984

17 Creditors: Amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans and overdrafts	380	360
Other loans	17	17
Payments received on account	87	49
Trade creditors	352	800
Other taxation and social security	571	1,090
Accruals	1,716	2,149
Other creditors	74	130
Other amounts owed to SFA/EFA	2,349	1,140
	6,547	6,735

Creditors: Amounts falling due after more than one year

	2012 £'000	2011 £'000
Bank loans	5,342	5,739
	5,342	5,739

Notes (continued)

18 Analysis of borrowings

Bank loans and overdrafts

	2012 £'000	2011 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	397	377
Between one and two years	416	397
Between two and five years	1,338	1,288
In five years or more	3,588	4,054
	5,739	6,116
	5,739	6,116

The College has secured a £2m 20 year term loan facility with Lloyds Banking Group. At the year end, the College had drawn down £1m of this facility. A bank loan at fixed rate of 6.5% is repayable by instalments falling due before 30 June 2024 totalling £1.2m and is secured against the freehold land and buildings at the Progress Centre.

A loan of £2m repayable over 25 years and £1.5m repayable over 22 years relate to the building of the new Jubilee block on the Tamworth Campus and extension works on the Lichfield site wholly funded by the College.

b) Other loans

	2012 £'000	2011 £'000
Within one year		
Salix loan	17	17
	17	17
	17	17

The final payment was made in year for the interest free loan from Staffordshire County Council.

A further interest free loan was received from SALIX to fund energy savings schemes. This is repayable over a 5 year period.

19 Deferred capital grants

	SFA & predecessor organisations	Other Grants	Total
	£000	£000	£000
At 1 August 2011	6,921	2,033	8,954
Cash Received	376	0	376
Released to Income and Expenditure Account	(300)	(70)	(370)
Eliminated in respect of disposals	(8)	(2)	(10)
At 31 July 2012	6,989	1,961	8,950
	6,989	1,961	8,950

Notes (continued)

20 Revaluation reserve

	2012 £'000	2011 £'000
At 1 August 2011	8,667	8,888
Transfer from Revaluation reserve to Income and expenditure account in respect of Depreciation on revalued assets	(162)	(201)
At 31 July 2012	8,505	8,687

21 Movement on general reserves

	2012 £'000	2011 £'000
At 1 August 2011	12,986	7,908
Surplus on continuing operations after depreciation of assets at valuation and tax	515	1,128
Transfer from revaluation reserve to Income and expenditure account	162	201
Actuarial gain/(loss) in respect of pension scheme	(1,643)	3,749
At 31 July 2012	12,020	12,986
Balance represented by		
	£'000	£'000
Pension reserve	(5,500)	(3,812)
Income and expenditure account excluding pension reserve	17,520	16,798
At 31 July 2011	12,020	12,986

22 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme, (LGPS). The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

Total pension cost for the year	2012 £'000	2011 £'000
Teachers Pension Scheme: contributions paid	902	1,019
Local Government Pension Scheme: Contributions paid	854	854
FRS 17 retirement benefits debit/(credit)	67	81
Actuarial strain	17	143
Charge to the Income and Expenditure Account (staff costs)	1,840	2,097
Total Pension Cost	1,840	2,097

Employer Contributions amounting to £151k (as at 31 July 2011- £161k) were payable to the schemes as at 31 July 2012, and are included in creditors.

Notes (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972

The pensions cost is assessed not less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations	31 March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5 %
Salary scale increases per annum	5.0 %
Market value of assets at date of last valuation	£162,650m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.68%

Following the implementation of Teachers' Pensions (Employers Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions . For the period 1 August 2010 to 31 July 2012 the employer contribution rate was 14.1% The employee contribution rates are now graduated according to salary within the range of 6.4% to 8.8%

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31st July 2012 were £1,102,170 of which employers' contributions totalled £803,092 and employees' contributions totalled £299,077. The agreed employers' contribution rate was 16.6% from 1st April 2011, this increased to 17.4% from 1st April 2012. Employees' contribution rates are now graduated according to salary within the range 5.5% to 7.5%.

The following information is based upon a full actuarial valuation of the fund as at 31 March 2011 updated to 31 July 2012 by a qualified independent actuary.

Principal Actuarial Assumptions

	2012	2011
Inflation		
Pension /price Increase rate CPI	2.2%	2.7%
Rate of increase in salaries	4.5%	5.0%
Rate of increase in pensions	2.2%	2.7%
Discount rate for liabilities	4.4%	5.3%
Commutation of Pensions		
Pre April 2008 service	50%	50%
Post April 2008 service	75%	75%

Notes (continued)

22 Pensions 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:

	2012	2011
<i>Retiring today</i>		
Males	21.2	21.2
Females	23.4	23.4
<i>Retiring in 20 years</i>		
Males	23.3	23.3
Females	25.6	25.6

The College's share of the assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 Jul 12	Value at 31 Jul 12	Long term rate of return expected at 31 Jul 11	Value at 31 Jul 11
Equities	5.5%	16,606	7.0%	15,062
Bonds	2.8%	2,841	4.6%	2,849
Property	3.7%	1,967	5.1%	1,828
Cash	2.8%	437	4.0%	814
Total market value of assets		21,851		20,363

	2012 £'000	2011 £'000
College's estimated asset share	21,851	20,353
Present value of scheme liabilities	(27,351)	(24,165)
Deficit in the scheme	(5,500)	(3,812)

	2012 £'000	2011 £'000
Analysis of the amount charged to the income and expenditure account		
Employer service cost (net of employee contributions)	23	62
Loss on Curtailments	44	19
Total operating Credit/(Charge)	67	81

	2012 £'000	2011 £'000
Analysis of pension finance costs		
Expected return on pension scheme assets	(1,321)	(1,103)
Interest on pension scheme liabilities	1,298	1,285
Pension finance Costs	(23)	182

Notes (continued)

22 Pensions and similar obligations

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

	2012	2011
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	(426)	2,540
Actuarial gains/(losses) on scheme liabilities	(1,217)	1,209
Actuarial gain/(losses) recognised in STRGL	(1,643)	3,749

Movement in deficit during the period

	2012	2011
	£'000	£'000
Deficit in scheme at beginning of year	(3,812)	(7,298)
Movement in year:		
Current service charge	(952)	(897)
Contributions	929	835
Net (interest)/return on assets	23	(182)
Actuarial loss	(1,643)	3,749
Curtailments and Settlements	(45)	(19)
Deficit in scheme at end of year	(5,500)	(3,812)

22 Pensions and similar obligations

Asset and Liability Reconciliation

	2012	2011
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	24,165	23,541
Service cost	952	897
Interest cost	1,298	1,285
Employee contributions	299	323
Actuarial losses/(gains)	1,217	(1,209)
Benefits paid	(625)	(691)
Curtailments and settlements	45	19
Liabilities at end of period	27,351	24,165

Reconciliation of Assets

Assets at start of period	20,353	16,243
Expected return on assets	1,321	1,103
Actuarial gains/(losses)	(426)	2,540
Employer contributions	929	808
Employee contributions	299	323
Benefits paid	(625)	(664)
Assets at end of period	21,851	20,353

Notes (continued)

22 Pensions and similar obligations (continued)

History of experience gains or losses

	2012	2011	2010	2009	2008
Difference between the expected and actual return on assets:	(426)	2,540	1,331	(2,204)	(4,382)
Amount	27,351	24,165	23,541	21,479	22,633
% of scheme assets	(1.6%)	10.5%	5.7%	(10.3%)	(19.4%)
Experience gains and (losses) on scheme liabilities	-305	494	20	(123)	334
Amount	21,851	20,353	16,243	13,235	17,153
% of scheme liabilities	(1.4%)	2.4%	0.1%	(0.9%)	1.9%
Total amounts recognised in statement of total recognised gains and (losses)	(1,643)	3,749	(201)	(4,682)	(1,494)
Amount	21,851	20,353	16,243	13,235	17,153
% of scheme liabilities	(7.5%)	18.4%	(1.2%)	(35.4%)	(8.7%)

23 Reconciliation of operating surplus to net cash inflow from operating activities

	2012	2011
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and tax	515	1,128
Depreciation (note 13)	1,641	1,611
Deferred capital grants released to income (note 20)	(370)	(368)
Interest payable	348	331
Interest receivable	(157)	(81)
Pension cost less contributions payable (note 23)	67	81
Pension finance cost/(income)	(23)	182
Increase in stocks	(22)	(19)
Increase/(Decrease) in debtors < 1 year	(563)	1,095
Decrease/(Increase) in debtors > 1 year	59	54
(Decrease)/increase in creditors < 1 year	(239)	1,497
(Decrease)/Increase in creditors > 1 year	0	(274)
(Decrease) in Provisions	0	0
Increase in valuation of Investments	(5)	(2)
Net cash inflow from operating activities	1,262	6,235

24 Analysis of changes in net funds

	At 1 August 2011 £'000	Cash flows £'000	At 31st July 2012 £'000
Cash at bank and in hand	9,876	(1,736)	8,140
	9,876	(1,736)	8,140
Debt due within one year	(377)	(20)	(397)
Debt due after one year	(5,739)	397	(5,342)
Total	3,760	(1,359)	2,401

Notes (continued)

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

	2012 £'000	2011 £'000
Returns on Investments and servicing of finance		
Interest received	134	81
Interest paid	(348)	(331)
	(214)	(250)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,771)	(3,420)
Deferred capital grants received	376	1,340
	(2,395)	(2,081)
Financing		
Debt due beyond a year:		
New loans repayable by 2016	42	67
Repayment of amounts borrowed	(421)	(374)
	(379)	(307)
Management of liquid resources		

26 Capital commitments

	2012 £'000	2011 £'000
Commitments contracted for at 31 July	804	2,686
Commitments authorised but not contracted for at 31 July	6,031	0

27 Financial commitments

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

	2012 £'000	2011 £'000
Expiring within one year	84	56
Expiring between two and five years	152	7
	236	63

28 Contingent liability

During 2011-12 the College was approved to be the lead sponsor in the establishment of a free school on its Rodbaston Campus which will be opened as "The Rural Enterprise Academy" (TREA) to deliver education to 14-16 year old learners. The College has entered into a 30 year lease with TREA for the rent of buildings that are to be converted to Academy use and some new build. The new buildings, the refurbishment and IT costs are being 100% funded by the Department for Education. As a result the College may be required to pay back this funding if the Academy closes and the premises are not used for an agreed alternative publicly funded educational use. The amount repayable reduces annually over the 30 year period of the lease, from a starting value of £3,890,380 in year 1. The likelihood of repayment is remote.

29 Related Party Transactions

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

Transactions with the SFA and EFA are detailed in notes 2, 16, 17 and 20

30 Post balance sheet events

There are no post balance sheet events to report.

Notes (continued)

31 Amounts Disbursed as Agent

Discretionary learner support funds	2012 £'000	2011 £'000
Funding body grants		
Bursary	367	0
Childcare	77	73
Hardship support	241	178
Residential bursaries	105	164
Discretionary ESOL	0	8
	<hr/>	<hr/>
	790	423
Disbursed to students	(517)	(276)
Administration costs	(39)	(21)
	<hr/>	<hr/>
Balance unspent at 31 July Included In Creditors	234	126
	<hr/>	<hr/>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In the circumstances, the grants and related disbursements have therefore been exclude from the income and expenditure account, other than when the College has directly incurred expenditure itself.

The income and expenditure consolidated in the College's financial statements relates to the purchase of equipment from the support fund and the payment of accommodation and travel cost by the College on the student's behalf.

