

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

BEDFORD COLLEGE

Report and Financial Statements

For the year ended 31 July 2016

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

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Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Ian Pryce - Principal and CEO; Accounting officer
David Pridmore - Deputy Principal (To 30.04.16)
Patricia Jones – Director of Finance
Georgina Ager - Vice Principal (From 30.04.16)
Emma Lowe - Vice Principal (From 30.04.16)
Michael Johnston - Vice Principal (From 30.04.16)
Lesley Ferguson – Director of Student Services
Sarah Baxter – Director of Sales and Marketing

Board of Governors

A full list of Governors is given on page 15 - 17 of these financial statements.
Mrs Rachel Nicol acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

MHA MacIntyre Hudson
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Internal auditors:

RSM Risk Assurance Services LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Bankers:

Barclays Bank
111 High Street
Bedford
MK40 1NJ

Solicitors:

Hewitsons LLP
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

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Strategic Report

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Bedford College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was incorporated as Bedford College.

The College has two wholly owned subsidiaries, Bedford College Services Ltd and Bedford College Professional Services Ltd (incorporated November 2015), the accounts of which are consolidated into this report.

Public Benefit

Bedford College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15 -17.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its aim, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Aim

The College's aim, as contained in its strategic plan, is to support the local and national economy, by promoting social inclusion and personal advancement, through the delivery of world class skills and education to the communities we serve.

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Strategic Report (Continued)

Progress against Strategic Plan

2015-16 sees the delivery of the final year of the current 5 year Strategic Plan, the core theme of which is embedding excellence as standard, in leadership, curriculum, services and management.

Underpinning the Strategic Plan are the following eight strategic aims:

- the leading advocate for learning with strong and productive links with our partners
- a nationally recognised centre of excellence in Arts and Technology
- the leading provider of Business, Care, Land-based, Language, Leisure and Professional training in the county
- the best local sixth form measured by results and value added
- a leading and innovative provider of work-based and community-based learning
- a provider of expert and individual guidance, advice and other student support services including first class learning environments
- a first choice employer, offering exceptional development opportunities to all staff
- well managed, well governed and financially robust

The Final year of the current Strategic Plan has generated a steady improvement in success rates alongside a strong financial position. In July 2016 the College adopted a new strategic plan for the period 1 August 2016 to 31 July 2021.

Financial Objectives

The College has two key financial objectives, which are to:

- be well managed financially, monitored by the strategic baseline indicators below
- remain financially robust

The monitoring of these objectives are demonstrated through six baseline indicators against which the College regularly measures and reports to the Corporation, which are:

- Income £k
- Surplus £k
- Reserves £k
- Cash days
- Current ratio
- Skills Funding Agency Financial Health Score of Outstanding

The Skills Funding Agency has given the College a financial health rating of "Outstanding".

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Strategic Report (Continued)

Performance Indicators

FE Choices (formerly the "Framework for Excellence") has five key performance indicators, which are:

- Success rates
- Learner destinations
- Attendance
- Satisfaction survey (formerly "Learner views")
- Satisfaction survey (formerly "Employer views")

Members of the Corporation receive progress reports against these aims at each meeting. Reports demonstrate an improvement in student success.

FINANCIAL POSITION

Financial results

The Group generated a surplus in the year of £1,032,000 (2014/15 - £401,000), with total income of £35,637,000, (2014/15 - £35,818,000).

The Group has accumulated reserves of £32,178,000 (2014/15 - £26,505,000) and cash and short term investment balances of £7,895,000 (2014/15 - £6,339,000). The Group wishes to continue to accumulate reserves and cash balances in support of planned capital investment and to support financial resilience for the organisation.

There is significant reliance on the Skills Funding Agency (SFA) and the Education Funding Agency (EFA) and the Higher Education Funding Council for England and Wales (HEFCE) recurrent grants; in 2015-16 these agencies provided 58% of the College's total income (in 2014-15 56%).

The financial outcome for the College bucks the national trend as the Skills Funding Agency reports a second year with a net operating deficit for the FE Sector, with the majority (60%) of colleges reporting deficits with approximately 15 colleges reporting deficits above £5 million.

This success demonstrates the effectiveness of the College Management Team supported by the Corporation, maintaining focus on managing its affairs in an increasingly difficult and uncertain environment, whilst considering opportunities that may arise to further develop its presence in the interests of the communities it serves.

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Strategic Report (Continued)

This can be demonstrated by the work undertaken to manage the financial impacts of the pension valuation. Following the EU Referendum the value of pension deficits increased, the College took action to mitigate the increase in balance sheet liabilities by challenging the actuary assumptions. As a result, the College's pension liability was maintained at the 2014-15 level.

The College has two subsidiary companies, Bedford College Services Ltd (BCS Ltd) whose principal activity is hospitality and leisure services. In delivering these services it offers valuable work experience to the College's learners. In the year under review a surplus of £125,000 was recorded. BCS is a wholly owned subsidiary and all profits generated are transferred to the College under deed of covenant.

The second subsidiary, Bedford College Professional Services was incorporated in November 2015 whose principal activity is to employ professional support staff for deployment into the Bedford College Group.

Treasury policies and objectives

The College has a treasury management policy covering the management of the College's cash flows, its banking, money market transactions, the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College continues to repay a 5 year loan for £3m secured in 2013-14 in connection to the purchase of the freehold of Bedford Sixth Form. The borrowing was authorised by the Corporation and complies with the requirements of the financial memorandum and funding agreement.

Cash flows and liquidity

Overall cash levels demonstrated a net inflow of £0.5m (2014-15 inflow of £0.3m).

During 2015-16 the College repaid £590k of capital towards the overall £3m loan, with the College continuing to benefit from the low interest rates. It also secured a new 4 year £43k Salix loan of which it repaid £5k in 2015-16.

Reserves Policy

The College's Strategic Plan focuses on the continued development of quality for the organisation whilst maintaining outstanding financial health. Strong levels of financial reserves provides stability to support the College mission, programs, employment, and ongoing operations of the organisation, providing a source of internal funds for organisational priorities such as building repair and improvement, program opportunity, capacity building and responding to unforeseen difficulties. Our management of Reserves is guided by the preparation of a rolling 5 year financial plan to aid prediction of market and funding movements.

Our Strategic Plan sees the College returning to annual surpluses in excess of £1m, providing continued financial resilience for the organisation.

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Strategic Report (Continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015-16 the College has delivered activity that has produced £19.9m in EFA and SFA recurrent funding (2014-15 – £19.4m). The College has approximately 8,460 (2014-15 9,250) funded and 2,538 non-funded students (2014-15 4,100).

Student achievements

Students continue to prosper at the College. Overall success rates this year are expected to rise slightly and the College continues to work hard to ensure that student achievement is kept at the top of the College agenda and is confident in its abilities to maintain these high standards. Students' progression continues to increase with more students achieving level 3 qualifications and 46% of leavers accessing higher education and 42% accessing some form of paid employment.

Curriculum developments

The number of commercial courses on offer has risen as a result of funding changes from the SFA and the continued strengthening of commercial courses offered to local businesses. The College has developed a wide range of apprenticeships; strong growth in apprenticeships has placed the College as the largest provider of apprenticeships in the area.

As a large provider of general further education the college has been successful in delivering a range of alternatively branded educational offers which meet the needs of the community. A key focus of the College is preparing students for the next stage of their lives, whether this be higher education or being work ready, with the raising of aspirations and student achievement being an important part of this activity. The College recognises that students have better opportunities when they achieve higher levels of study and progression routes are built in to ease students through to achieving higher level qualifications.

Good progress can be seen in teaching and learning with steady improvement in observations made during the year, with 90% of staff recorded as good or outstanding (2014-15 88%). Teaching, learning and assessment continues to be a key focus, with increased opportunities to share good practice and resources between teaching staff and appropriate CPD in place.

The Stansfeld building was opened for the academic year 2015-16, supporting learners with learning disabilities. This new facility has provided a safe and welcoming environment for some of the College's most vulnerable students bringing specialist support under one roof.

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Strategic Report (Continued)

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 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College paid 78.4 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future developments

In August 2016 the Corporation agreed a new Strategic plan covering the period 2016-2021. The strategy focuses on quality over growth. As a result the College will prioritise the improvement of student outcomes including success, value added, point scores, progression and destinations. These priority areas will be routinely monitored by Executive and the Board.

The planned extension of the Shuttleworth leases sees a £5m capital investment into the educational facilities over the next three years. During autumn 2016 the first part of the investment will be delivered with the installation of a new livestock shelter. Following that the students will benefit from a state of the art Animal Sciences Building hosting the College's extensive range of domestic and exotic animal species. The students will benefit from immersive learning due to the creation of a South American biome, the first of its kind in an education establishment alongside science labs and classrooms.

The Cauldwell campus has planning permission to build an Advanced Electrical Engineering and Design Centre. The South East Midlands Local Enterprise Partnership (SEMLEP) are cofounding the project, recognising the demand for higher level skills in engineering within the community. It is intended that the high level courses hosted within this building will further extend the College's expertise in this area. The College is expecting the number of higher level students in both Animal Sciences and Engineering to increase over the next three to four years.

RESOURCES

The college has a five year financial plan that demonstrates it can operate as a 'going concern' during the life of this plan. Furthermore the plan is intended to build further financial resilience into the organization enabling the College to maintain the status of Financially 'Outstanding' as confirmed by the Skills Funding Agency.

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

- £32m of net assets (including £6m pension liability)
- Employs 596 people (expressed as full time equivalents) of whom 414 are within teaching areas
- 3 freehold campuses and a number of leasehold sites that enable students to train in an industry specific environment
- A good reputation locally and nationally. Maintaining a quality brand is essential for the

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Strategic Report (Continued)

- College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's learners, staff, assets and reputation.

Based on the strategic plan, the Executive operating as 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.

Risks are considered as part of the Service Area Review process undertaken by each Department in the College. Key risks are maintained at the College level within the Risk Register which is reviewed termly by the Audit Committee. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The Internal Audit Programme reflects key risks drawn from the risk register and the furtherance of strategic aims identified in the new Strategic Plan.

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 The maintained risk register Risk of withdrawal of Collaborative Provision

Withdrawal of Collaborative Provision could be brought about by changes to apprenticeship funding from April 2017, possibly reducing the level of subcontracting arrangements.

With local universities choosing to reduce joint delivery on higher level courses following the introduction of apprenticeship degrees and the removal of the recruitment cap for full time students in universities.

2 Risk of not maintaining market leadership

Could bring about a risk of not achieving the 2016-2021 Strategic Plan and the indicative growth plan set out as part of this.

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Strategic Report (Continued)

3 Risk of loss or lack of funding body income

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 72% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

4 Risk of losing staff and ability to recruit

Changes in government policy require resource planning to ensure the staff have the right skills to take forward local and national objectives.

Bedford College is located within the South East Midlands Local Enterprise Partnership (SEMLEP) region and it is anticipated that the College will take part in wave 5 Area Reviews currently planned to start from November 2016.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Bedford College has many stakeholders, it recognises the importance of these relationships and engages in regular communication. Stakeholders include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices / Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

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Strategic Report (Continued)

Equal opportunities

Bedford College is committed to the promotion and advancement of equality and diversity for its staff and students. We aim to provide a learning and working environment which values individuals equally and does not disadvantage anyone by discriminating on any grounds including age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, and sexual orientation.

The College's Equality and Diversity Policy is monitored and implemented on a planned basis, and is published on the College's intranet and website.

The College's Single Equality Scheme outlines the key priorities in terms of equality and diversity which are underpinned by the Single Equality Scheme Action Plan. The College Equality and Diversity Group, which is chaired by the Principal and has cross-college representation, is involved in the implementation and monitoring of the impact of the Single Equality Scheme Action Plan. The College publishes an Annual Equality and Diversity Report to ensure compliance with all relevant equality legislation. The College undertakes equality impact assessments on its college-wide policies.

The College has implemented an Equality and Diversity programme which is mandatory for all staff. Refresher training and updates are carried out on an ongoing basis and during the annual staff conference.

Bedford College is a 'Positive about Disabled' employer and has committed to the principles and objectives of this standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

Disability statement

The College seeks to achieve the objectives set down in the Equalities Act 2010. As part of its accommodation strategy the College has acquired planning approval for a new building specifically designed for Learners with Learning Difficulties (LLDD) provision. The College employs specialists to support students with learning difficulties and/or disabilities, such as Autism Co-ordinator, Deaf and Hard of Hearing Co-ordinator, British Sign Language Communicators, and Student Support Assistants. Specialist equipment including assistive technology is available for use by students and staff.

Personal Tutors in each curriculum area deliver individual and group tutorials aimed to develop students' personal, social and employability skills, and provide support with a range of issues, for instance, when a student is transitioning. In-house counselling support is available to all students and staff. The enhancement programme supports students' personal development via health and wellbeing, staying safe and equality and diversity information and awareness.

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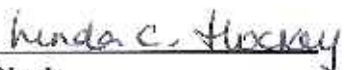
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Strategic Report (Continued)

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 7 December 2016 and signed on its behalf by:


Chair

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Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance; in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. 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 took full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in December 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

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The Corporation

The members who served on the Corporation Board during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of Office	Date of Retirement / Resignation	Status of Appointment	Committees Served	Attendance at meetings in 2015-16 ¹
Mr K Bromboszcz Chair	Re-appointed Mar 2012	4 years	July 2016	External	Finance & Estates Search & Governance Remuneration	94%
Mrs L Hockey Vice-Chair (Appointed as Chair at July 2016 Board)	Re-appointed Nov 2014	4 years		External	Finance and Estates Human Resources Search & Governance Remuneration	80%
Ms N Bandee	Appointed December 2015	1 year	July 2016	Student		67%
Mr S Briggs	Appointed Nov 2014	4 years		External	Quality, Standards & Achievement	89%
Mrs S Clough	Appointed March 2013	4 years		External	Finance and Estates Search & Governance Remuneration	83%
Mrs D Dankyi-Killick	Appointed August 2015	4 years	September 2016	External	Finance and Estates	57%
Ms J Dudeney	Re-appointed August 2016	2 years		Staff	Human Resources	83%

¹ This reflects attendance at Board and Committee meetings but does not reflect attendance at additional events such as Awards Evenings.

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Name	Date of Appointment	Term of Office	Date of Retirement / Resignation	Status of Appointment	Committees Served	Attendance at meetings in 2015-16 ¹
Mr J Frost	Re-appointed Nov 2014	4 years		External	Human Resources Search & Governance Remuneration	91%
Mr N Gray	Appointed August 2015	4 years		External	N/A	N/A
Ms E Johnson	Appointed Nov 2013	4 years		External	Human Resources	100%
Mr I Khan	Appointed December 2015	1 year	July 2016	Student	Quality, Standards and Achievement	83%
Mr M Kiteley	Re-appointed July 2014	2 years	July 2016	External	Audit Search & Governance Remuneration	100%
Mr M Lawson	Appointed August 2016	4 years		External	N/A	N/A
Mr J Marriott	Re-appointed Mar 2013	4 years		External	Quality, Standards and Achievement Search & Governance	75%
Mr S Miah	Appointed Nov 2011	4 years		External	Audit Human Resources	100%
Mr I Pryce	Appointed December 1998	-		Accounting Officer	Finance & Estates Human Resources Quality, Standards & Achievement	92%
Mr A Simmons	Appointed Nov 2013	4 years		External	Audit Search & Governance	88%

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Name	Date of Appointment	Term of Office	Date of Retirement / Resignation	Status of Appointment	Committees Served	Attendance at meetings in 2015-16 ¹
Mr A Schofield	Appointed July 2014	4 years		External	Audit Quality, Standards & Achievement	100%
Mrs S Selwood	Appointed August 2015	4 years		External	Audit	83%
Mr C Whewell	Appointed August 2015	2 years		Staff	Quality, Standards & Achievement	67%

Mrs R Nicol acts as Clerk to the Corporation

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Statement of Corporate Governance and Internal Control (continued)

It is the Corporation members' 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 a 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;

Audit

Finance and Estates

Human Resources

Quality, Standards and Achievement

Remuneration

Search and Governance

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.bedford.ac.uk or from the Clerk to the Corporation at:

Bedford College
Cauldwell Street
Bedford
MK42 9HA

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 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 role of the Chair and Accounting Officer is 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 and governance committee, consisting of between six and seven members of the Corporation, 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.

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Statement of Corporate Governance and Internal Control (continued)

Corporation Performance

The performance of the Corporation and its committees is considered annually to ensure continued improvement of the value added by this strategic support. As part of the Boards assessment of their performance the Board have been consulting on a revised mechanism for assessment going forward which takes the form of numerical and narrative feedback.

Appointments by the Corporation

The terms of reference of Bedford College Services (BCS) and Bedford College Professional Services (BCPS) provide for appointments to the relevant Boards as nominated by the Corporation.

Bedford College Academies Trusts is a Trust arrangement for schools of which Bedford College is a Member. The terms of reference of Bedford College Academies Trust Limited (BCAT Ltd) provide for appointments to the Board of BCAT Ltd as nominated by the Bedford College Corporation.

Members of the Corporation are appointed for a term of office not exceeding four years. Re-appointment is managed in accordance with the Instrument and Articles, Standing Orders and with regards to the Code.

Remuneration Committee

Throughout the year ending 31 July 2016 the College's Remuneration Committee comprised five members of the Corporation. The Committee has delegated authority from the Corporation to determine the remuneration and terms and conditions of employment of the Accounting Officer and other senior post-holders and met twice during the year.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprised five members of the Corporation (excluding the Accounting Officer and Chair). 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, reporting accountants 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 review 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.

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Statement of Corporate Governance and Internal Control (continued)

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 as well as reporting annually to the Corporation.

Search and Governance Committee

The Search and Governance Committee consisted of between six and seven members throughout the year (excluding the Accounting Officer) and operates in accordance with the written terms of reference approved by the Corporation.

The Committee meets at least twice annually and is responsible for advising the Corporation on the appointment of external governors and on matters concerning the smooth running and best corporate governance of the Corporation such as the size of the Board, the Board's own rules and procedures, training for governors, evaluation of the Corporation and the appointment of office bearers.

Finance and Estates Committee

The Finance and Estates Committee consisted of five members throughout the year (including the Accounting Officer) and operates in accordance with the written terms of reference approved by the Corporation.

The Committee meets at least termly and is responsible for monitoring the College's finance, accommodation and capital expenditure, advising the Board on solvency and the safeguarding of assets, approving capital expenditure and debt write offs (under delegated authority).

Human Resources Committee

The Human Resources Committee consisted of five members throughout the year (not including the Accounting Officer) and operates in accordance with the written terms of reference approved by the Corporation.

The Committee met three times in the year and is responsible for the approval and review of people management and development policies and procedures; ensuring compliance with employment legislation and good practice and overseeing policies and work promoting the safety and well-being of staff.

Quality, Standards and Achievement Committee

The Quality, Standards and Achievement Committee consisted of between seven and to eight members during the year (including the Accounting Officer) and operates in accordance with the terms of reference approved by the Corporation.

The Committee meets at least once a term and is responsible for briefing the Board on the quality of education provision at the College, the student experience (including safeguarding and equality and diversity), and to have oversight of quality processes.

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Statement of Corporate Governance and Internal Control (continued)

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal and Chief Executive, 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/Financial Agreement between Bedford College and the funding bodies. He 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 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 Bedford College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

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, administrative 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 governing body
- regular reviews by the governing body 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.

Bedford College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 and regularity auditors, in their management letters and other reports.

The Accounting Officer 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 other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Statement of Corporate Governance and Internal Control (continued)

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms.

The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

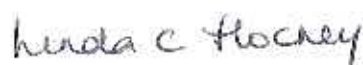
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

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 7 December 2016 and signed on its behalf by:

Signed



Linda Hockey
Chair

Signed



Ian Pryce
Accounting Officer

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)


Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.

The Corporation has considered its responsibility to notify the SFA and the EFA of material irregularity, impropriety and non-compliance with SFA and EFA terms and conditions of funding, under the financial memorandum in place between the College and the SFA and the EFA. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the SFA and the EFA.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the SFA or EFA.

Signed



Linda Hockey
Chair

07 December 2016

Signed



Ian Pryce
Accounting Officer

07 December 2016

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Statement of 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 between the SFA and the Funding Agreement agreed between the EFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2015 to 2016 financial statements issued jointly by the SFA and the EFA, 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.

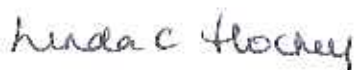
The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 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 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 SFA and EFA are used only in accordance with the Financial Memorandum and Financial Agreement with the SFA and EFA 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 in order to safeguard public and other funds and to 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 SFA and EFA are not put at risk.

Approved by order of the members of the Corporation on 7 December 2016 and signed on its behalf by:



Linda Hockey
Chair

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Independent Auditor's Report to the Corporation of Bedford College Year ended 31 July 2016

We have audited the financial statements of Bedford College which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. 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 Governors, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governors, 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 Governors, 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 Bedford College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on pages 25 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 Operating and Financial Review 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and companies affairs as at 31 July 2016 and of the Group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Independent Auditor's Report to the Corporation of Bedford College
Year ended 31 July 2016

Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (August 2016)

In our opinion:

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

MHA MacIntyre Hudson

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MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 20-12-16

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Reporting Accountant's Assurance Report on Regularity to the Corporation of Bedford College and the Secretary of State for Education acting through the Education Funding Agency and Skills Funding Agency

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2016 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Skills Funding Agency, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding body grants generated through the Individualised Learner Record (ILR) returns, for which the funding bodies have other assurance arrangements in place.

Our review has been undertaken so that we might state to the Corporation of Bedford College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Bedford College and the Secretary of State for Education acting through the Skills Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Bedford College and the Secretary of State for Education acting through the Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Bedford College

The Corporation of Bedford College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2016 are regular.

The Corporation of Bedford College is also responsible, under the requirements of the Accounts Direction for 2015 to 2016 financial statements published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2016 have been notified to the Skills Funding Agency.

Reporting accountant's responsibilities

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the year ended 31 July 2016 have not been applied for the purposes intended by Parliament or that the financial transactions do not conform to the authorities that govern them.

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Reporting Accountant's Assurance Report on Regularity to the Corporation of Bedford College and the Secretary of State for Education acting through the Skills Funding Agency (continued)

Basis of opinion

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure. The work undertaken to draw our conclusion included:

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

Opinion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MHA MacIntyre Hudson

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MHA MACINTYRE HUDSON

Chartered Accountants & Statutory Auditor

New Bridge Street House

30-34 New Bridge Street

London

EC4V 6BJ

20-12-16

BEDFORD COLLEGE CONSOLIDATED ACCOUNTS

(INCORPORATING BEDFORD COLLEGE SERVICES LTD AND BEDFORD COLLEGE PROFESSIONAL SERVICES LTD)

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Group	College	Group	College
		2016 £'000	2016 £'000	2015 £'000	2015 £'000
INCOME					
Funding body grants	2	25,761	25,761	25,813	25,813
Tuition fees and education contracts	3	7,246	7,246	7,143	7,143
Other income	4	2,595	1,945	2,850	2,128
Investment income	5	35	35	12	12
Total income		35,637	34,987	35,818	35,096
EXPENDITURE					
Staff costs	6	21,288	20,694	21,106	20,231
Fundamental restructuring costs					
Other operating expenses	7	10,670	10,756	11,666	11,925
Depreciation	10 & 11	2,128	2,114	2,205	2,186
Interest and other finance costs	8	415	415	399	399
Total expenditure		34,501	33,979	35,376	34,741
Surplus before other gains and losses exceptional items		1,136	1,008	442	355
Loss on disposal of fixed assets	11	(104)	(101)	(41)	(41)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		1,032	907	401	314
Taxation	9	-	-	-	-
Surplus for the year		1,032	907	401	314
Unrealised surplus on revaluation of assets		-	-	7,537	7,537
Actuarial Gain/(loss) in respect of pensions schemes		4,641	4,641	(1,203)	(1,203)
Total Comprehensive Income for the year		5,673	5,548	6,735	6,648

BEDFORD COLLEGE

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2014	11,532	8,238	19,770
Surplus from the income and expenditure account	401	-	401
Other comprehensive income	(1,203)	-	(1,203)
Revaluation of Land	-	7,537	7,537
Transfers between revaluation and income and expenditure reserves	163	(163)	-
	(639)	7,374	6,735
Balance at 31 July 2015	10,893	15,612	26,505
Surplus from the income and expenditure account	1,032	-	1,032
Other comprehensive income	4,641	-	4,641
Transfers between revaluation and income and expenditure reserves	163	(163)	-
Total comprehensive income for the	5,836	(163)	5,673
Balance at 31 July 2016	16,729	15,449	32,178
College			
Balance at 1 August 2014	11,782	8,238	20,020
Surplus from the income and expenditure account	314	-	314
Other comprehensive income	(1,203)	-	(1)
Revaluation of Land	-	7,537	7,537
Transfers between revaluation and income and expenditure reserves	163	(163)	-
	(726)	7,374	6,648
Balance at 31 July 2015	11,056	15,612	26,668
Surplus from the income and expenditure account	907	-	907
Other comprehensive income	4,641	-	4,641
Transfers between revaluation and income and expenditure reserves	163	(163)	-
Total comprehensive income for the	5,711	(163)	5,548
Balance at 31 July 2016	16,767	15,449	32,216

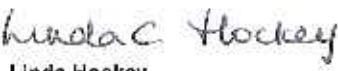
Bedford College Services and Bedford College Professional Services are 100% owned subsidiaries so there is no non-controlling interest.

BEDFORD COLLEGE

Balance sheets as at 31 July 2016

	Note	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Fixed assets					
Intangible assets	10	337	337	342	342
Tangible assets	11	43,825	43,590	44,076	44,038
Total fixed assets		43,862	43,927	44,418	44,380
Current assets					
Stocks		142	137	192	171
Trade and other receivables	13	2,735	2,745	2,195	2,353
Investments	14	5,506	5,506	4,006	4,006
Cash and cash equivalents	26	2,389	2,333	1,933	1,861
Total current assets		10,772	10,721	8,326	8,391
Less: Creditors – amounts falling due within one year	15	(7,985)	(7,861)	(6,880)	(6,744)
Net current assets		2,787	2,860	1,446	1,647
Total assets less current liabilities		46,749	46,787	45,864	46,027
Less: Creditors – amounts falling due after more than one year	16	(8,581)	(8,581)	(9,360)	(9,360)
Provisions					
Defined benefit obligations	25	(5,990)	(5,990)	(9,999)	(9,999)
Total net assets		32,178	32,216	26,505	26,668
Unrestricted reserves					
Income and expenditure account		16,729	16,767	10,893	11,056
Revaluation reserve		15,449	15,449	15,612	15,612
Total unrestricted reserves		32,178	32,216	26,505	26,668

The financial statements on pages 30 to 58 were approved by the Corporation on 7 December 2016 and were signed on its behalf on that date by:


Linda Hockey
Chair


Ian Pryce
Accounting Officer

BEDFORD COLLEGE

Consolidated Statement of Cash Flows

	Note	2016 £'000	2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		1,032	401
Adjustment for non cash items			
Depreciation	10 & 11	2,128	2,116
Decrease in stocks		50	22
(Increase) in debtors	13	(540)	(469)
Increase in creditors	15 & 16	878	2,837
Pensions costs less contributions payable		267	171
Pension interest costs	8	365	335
Adjustment for investing or financing activities			
Investment income	5	(35)	(12)
Interest payable	8	50	64
Loss on sale of fixed assets	11	104	130
		<u>4,299</u>	<u>5,595</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets	11	6	7
Investment income	5	35	12
New deposits		(1,500)	(1,000)
Payments made to acquire fixed assets	10 & 11	(1,782)	(3,704)
		<u>(3,241)</u>	<u>(4,685)</u>
Cash flows from financing activities			
Interest paid	8	(50)	(64)
Repayments of amounts borrowed	15 & 16	(552)	(575)
		<u>(602)</u>	<u>(639)</u>
Increase/(decrease) in cash and cash equivalents in the year			
		<u>456</u>	<u>271</u>
Cash and cash equivalents at beginning of the year	26	1,933	1,662
Cash and cash equivalents at end of the year	26	2,389	1,933

BEDFORD COLLEGE

Notes to the Accounts

1 Statement of accounting Policies and estimation techniques

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2015 to 2016 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 18.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold land as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

BEDFORD COLLEGE

Notes to the Accounts (continued)

1 Accounting policies (continued)

- Individual and separate financial statements - the College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Bedford College Services Limited and Bedford College Professional Services Ltd. The results of subsidiaries acquired during the period are included in the consolidated income and expenditure account from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2016.

Going concern

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

The College currently has £1.731m of loans outstanding, £1.693m with bankers on terms negotiated in 2014 and £38k for a new SALIX entered into during the current period.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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 Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102.

BEDFORD COLLEGE

Notes to the Accounts (continued)

1 Accounting policies (continued)

Non-recurrent grants from the funding 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, for example the National Health Service and local employers.

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-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension. Further details shown in note 19.

The TPS is an unfunded scheme. 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 valuations using a prospective benefit method. 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 plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

BEDFORD COLLEGE

Notes to the Accounts (continued)

1 Accounting policies (continued)

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

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.

Intangible fixed assets

The asset goodwill is amortised over 10 years being its established useful economic life. A review for impairment of intangible fixed asset is carried out annually to consider if events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable.

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. 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. 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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2015.

BEDFORD COLLEGE

Notes to the Accounts (continued)

1 Accounting policies (continued)

Tangible fixed Assets (continued)

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:

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, 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.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

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

- | | |
|---|---|
| • Freehold buildings | Over periods of 36 to 65 years |
| • Leasehold buildings | Over length of lease on a straight-line basis |
| • building improvements | 10 years on a straight-line basis |
| • plant machinery and general equipment | 10 years on a straight-line basis |
| • motor vehicles | 5 years on a straight-line basis |
| • computer equipment | 4 years on a straight-line basis |
| • fixtures and fittings | 10 years on a straight-line basis |

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.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

BEDFORD COLLEGE

Notes to the Accounts (continued)

1 Accounting policies (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. The college had no assets on finance leases as at July 2016.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Taxation

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

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

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition

BEDFORD COLLEGE

Notes to the Accounts (continued)

1 Accounting policies (continued)

Provisions

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

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 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

BEDFORD COLLEGE

Notes to the Accounts (continued)

2 Funding body grants

	2016 £'000 Group	2016 £'000 College	2015 £'000 Group	2015 £'000 College
Recurrent grants				
Skills Funding Agency	3,947	3,947	4,608	4,608
Education Funding Agency	15,971	15,971	14,815	14,815
Higher Education Funding Council	649	649	678	678
Specific grants				
Skills Funding Agency	4,825	4,825	5,401	5,401
Releases of government capital grants	369	369	311	311
Total	25,761	25,761	25,813	25,813

3 Tuition Fees and education contracts

	2016 £'000 Group	2016 £'000 College	2015 £'000 Group	2015 £'000 College
Adult education fees	2,324	2,324	2,011	2,011
Apprenticeship fees and contracts	0	0	68	68
Fees for FE loan supported courses	671	671	587	587
Fees for HE loan supported courses	2,970	2,970	3,141	3,141
Total tuition fees	5,965	5,965	5,807	5,807
Education contracts	1,281	1,281	1,336	1,336
Total	7,246	7,246	7,143	7,143

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £148,000 (2014/15 £133,000).

4 Other Income

	2016 £'000 Group	2016 £'000 College	2015 £'000 Group	2015 £'000 College
Catering and residences	598	598	610	610
Other income generating activities	1,997	1,347	2,240	1,518
Total	2,595	1,945	2,850	2,128

5 Endowment and investment income

	2016 £'000 Group	2016 £'000 College	2015 £'000 Group	2015 £'000 College
Other investment income	35	35	12	12
Total	35	35	12	12

BEDFORD COLLEGE

Notes to the Accounts (continued)

6 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2016 Group No.	2016 College No.	2015 Group No.	2015 College No.
Teaching staff	414	414	421	421
Non teaching staff	182	164	181	163
	596	578	602	584
Staff costs for the above persons:				
	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Wages and salaries	16,934	16,340	17,039	16,164
Social security costs	1,254	1,254	1,198	1,198
Other pension costs (including FRS 102 adjustments of £171,000 – 2015 £236,000)	2,630	2,630	2,385	2,385
Payroll sub total	20,818	20,224	20,622	19,747
Contracted out staffing services	470	470	484	484
Total Staff Costs	21,288	20,694	21,106	20,231

The number of key management personnel and other staff who received emoluments, excluding pension contributions and benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000	5	7	5	0
£70,001 to £80,000	1	2	1	0
£80,001 to £90,000	1	1	0	0
£90,001 to £100,000	0	0	0	0
£100,001 to £110,000	0	1	0	0
£140,001 to £150,000	0	0	0	0
£150,001 to £160,000	1	0	0	0
£190,001 to £200,000	0	1	0	0
	8	12	6	0

BEDFORD COLLEGE

Notes to the Accounts (continued)

Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Vice Principals, and Director of Finance, Student Services Director and Sales and Marketing Director. The movement between years reflects the re-arrangement of the Executive to fewer members, with the remaining Directors creating a sub group called the Directors Group which focusses on the corporate performance.

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	8	16

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	630	956
Benefits in kind	9	11
Pension contributions	108	144
National insurance	73	104
Total emoluments	820	1,215

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid key management personnel) of:

	2016 £'000	2015 £'000
Salaries	150	156
Benefits in kind	8	10
	<u>158</u>	<u>166</u>
Pension contributions	<u>26</u>	<u>27</u>

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties, in total the value of travel reimbursements for members of the Corporation for 2015-16 was £3k.

BEDFORD COLLEGE

Notes to the Accounts (continued)

7 Other operating expenses

	2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
Teaching costs	4,327	4,343	5,203	5,203
Non teaching costs	3,409	3,554	3,068	3,874
Premises costs	2,934	2,859	3,395	2,848
Total	10,670	10,756	11,666	11,925

Other operating expenses include:

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Auditors' remuneration:				
Financial statements audit	41	41	29	29
Internal audit	26	25	1	20
Hire of assets under operating leases	536	536	475	475

8 Interest and other financial costs

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
On Bank loans, overdrafts and other loans Repayable within five years, by instalments	50	50	64	64
	50	50	64	64
Pension finance costs	365	365	335	335
Total	415	415	399	399

9 Taxation

The College is an exempt charity and is therefore broadly exempt from corporation tax on its activities.

BEDFORD COLLEGE

Notes to the Accounts (continued)

10 Intangible fixed assets

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Cost or valuation				
At 1 August 2015	1,069	1,069	1,069	1,069
Additions	87	87	0	0
Disposals	0	0	0	0
At 31 July 2016	1,155	1,155	1,069	1,069
Depreciation				
At 1 August 2015	727	727	535	535
Charge for the year	91	91	192	192
Elimination in respect of disposals	0	0	0	0
At 31 July 2016	818	818	727	727
Net book value at 31 July 2016	337	337	342	342
Net book value at 31 July 2015	342	342	534	534

11 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2015	51,791	6,727	58,518
Additions	815	880	1,695
Disposals	(137)	(114)	(251)
At 31 July 2016	52,469	7,494	59,963
Depreciation			
At 1 August 2015	10,131	4,311	14,442
Charge for the year	1,157	880	2,037
Elimination in respect of disposals	(54)	(87)	(141)
At 31 July 2016	11,234	5,104	16,338
Net book value at 31 July 2016	41,235	2,389	43,625
Net book value at 31 July 2015	41,660	2,416	44,076

BEDFORD COLLEGE

Notes to the Accounts (continued)

Tangible fixed assets (College)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2015	51,775	6,613	58,388
Additions	815	953	1,768
Disposals	(137)	(53)	(190)
At 31 July 2016	52,453	7,513	59,966
Depreciation			
At 1 August 2015	10,129	4,221	14,350
Charge for the year	1,155	873	2,028
Elimination in respect of disposals	(54)	(29)	(83)
At 31 July 2016	11,230	5,065	16,295
Net book value at 31 July 2016	41,223	2,448	43,671
Net book value at 31 July 2015	41,646	2,392	44,038

Land, buildings and equipment were inherited from the local authority on 1 April 1993.

On 21 April 2014 the College received a valuation on their Freehold land; this was carried out by Lambert Smith Hampton using surveyors registered with the Royal Institution of Chartered Surveyors on a fair value existing use basis. This valuation has been accepted as the deemed cost as at 31 July 2016.

12 Fixed Asset investments

The College owns 100 per cent of the shares of Bedford College Services Limited and Bedford College Professional Services Limited, companies incorporated in England and Wales acquired at par value of £100. The principal activity of Bedford College Services Limited is hospitality and leisure services, whereas Bedford College Professional Services supplies staff to support administrative activities within Bedford College.

BEDFORD COLLEGE

Notes to the Accounts (continued)

13 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade debtors	1,692	1,684	1,191	1,148
Other debtors	155	98	69	69
Amounts owed by group undertakings:				
Subsidiary undertakings	-	78	-	207
Prepayments and accrued income	888	885	935	929
Total	<u>2,735</u>	<u>2,745</u>	<u>2,195</u>	<u>2,353</u>

14 Current investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Short term deposits	5,506	5,506	4,006	4,006
Total	<u>5,506</u>	<u>5,506</u>	<u>4,006</u>	<u>4,006</u>

15 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Payments received in advance	782	782	550	550
Trade creditors	983	980	825	800
Other creditors	1,057	996	951	855
Bank Loan	614	614	589	589
Other taxation and social security	535	511	473	503
Accruals and deferred income	3,645	3,609	3,119	3,074
Deferred income – government capital grants	369	369	373	373
Total	<u>7,985</u>	<u>7,861</u>	<u>6,880</u>	<u>6,744</u>

BEDFORD COLLEGE

Notes to the Accounts (continued)

16 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank Loan	1,117	1,117	1,694	1,694
Deferred income – government capital grants	7,464	7,464	7,666	7,666
	<u>8,581</u>	<u>8,581</u>	<u>9,360</u>	<u>9,360</u>

17 Maturity of debt

Loans are repayable as follows

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	614	614	589	589
Between one and two years	1,112	1,112	1,221	1,221
Between two and five years	5	5	473	473
Total	<u>1,731</u>	<u>1,731</u>	<u>2,283</u>	<u>2,283</u>

A bank loan of £3m is repayable by installments of £159k falling due between 3 June 2014 and 3 March 2019, interest is charged at the LIBOR plus 1.85%.

The SALIX loan of £43k is repayable by installments of £5k falling due between 1 April 2016 and 1 October 2019.

18 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Transition to FRS 102 and the 2015 FE HE SORP

	1 st August 2014		31 st July 2015	
	Group £'000	College £'000	Group £'000	College £'000
Financial Position				
Total funds under previous SORP	26,284	26,534	34,544	34,707
Deferred Capital Grant re-classified as liabilities under FRS 102	(6,514)	(6,514)	(8,039)	(8,039)
Total effect of transition to FRS 102 and 2015 FE HE SORP	<u>(6,514)</u>	<u>(6,514)</u>	<u>(8,039)</u>	<u>(8,039)</u>
Total reserves under 2015 FE HE SORP	<u>19,770</u>	<u>20,020</u>	<u>26,505</u>	<u>26,668</u>

Year ended 31st July 2015

	Group £'000	College £'000
Financial Performance		
Surplus for the year after tax under previous SORP	724	637
Unrealised surplus on revaluation of assets	7,537	7,537
Actuarial loss in respect of pensions schemes	(1,203)	(1,203)
Changes to measurement of net finance cost on defined benefit plans	(323)	(323)
Total effect of transition to FRS 102 and 2015 FE HE SORP	<u>(6,011)</u>	<u>(6,011)</u>
Total comprehensive income for the year under 2015 FE HE SORP	<u>6,735</u>	<u>6,648</u>

a) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

b) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Defined benefit obligations

c) Re-classification of deferred government capital grants

The College has previously been in receipt of certain capital grants from sources classified as government under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. The residual funds of from these grants at the year-end were included as a designated reserve. Under FRS 102 and the 2015 HE SORP these funds have been re-classified as liabilities. The split between long term and short term liabilities can be found in notes 15 and 16

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 Bedford Borough Council. Both are defined-benefit schemes.

Total pension cost for the year	Group and College	
	2016 £'000	2015 £'000
Teachers Pension Scheme: contributions paid	1,193	1,053
Local Government Pension Scheme:		
Contributions paid	1,170	1,161
FRS 102 charge	267	171
Charge to the Income and Expenditure Account (staff costs)	1,437	1,332
Total Pension Cost for Year	2,630	2,385

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £150,000 (2015 - £138,000) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Defined benefit obligations (cont)

The Teacher's Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Defined benefit obligations (cont)

The pension costs paid to TPS in the year amounted to £1,193,000 (2015: £1,053,000)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan 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 funds administered by Bedford Borough Council. The total contribution made for the year ended 31 July 2016 was £1,495,000, of which employer's contributions totalled £1,170,000 and employees' contributions totalled £325,000. The agreed contribution rates for future years are 17.3% for employers and between 5.5% and 7.5% dependant on the full time equivalent salary for employees.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	1.75%	3.50%
Rate of increase for pensions in payment / inflation	1.75%	2.60%
Discount rate for scheme liabilities	2.60%	3.60%
Inflation assumption (CPI)	1.75%	3.60%

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Defined benefit obligations (cont)

Commutation

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

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

	At 31 July 2016	At 31 July 2015
<i>Retiring today</i>		
Males	21.50	22.40
Females	23.70	24.30
<i>Retiring in 20 years</i>		
Males	22.80	24.40
Females	25.80	26.80

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
		£'000		£'000
Equities	6.80%	18,094	3.60%	13,674
Bonds	6.80%	2,088	3.60%	3,419
Property	6.80%	2,320	3.60%	2,212
Cash	6.80%	696	3.60%	804
Total market value of assets		23,198		20,109
Weighted average expected long term rate of return	5.80%		5.50%	
Actual return on plan assets		1,399		648

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Defined benefit obligations (cont)

The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	23,198	20,109
Present value of plan liabilities	(29,188)	(30,108)
Net pensions (liability)	(5,990)	(9,999)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,375	1,334
Past service cost	62	0
Total	1,437	1,334

Amounts included in Interests and other finance costs

Net interest costs	365	335
	365	335

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,399	648
Experience losses arising on defined benefit obligations	356	195
Changes in assumptions underlying the present value of plan liabilities	2,886	(2,046)
Amount recognised in Other Comprehensive Income	4,641	(1,203)

BEDFORD COLLEGE

Notes to the Accounts (continued)

19 Defined benefit obligations (cont)

	2016 £'000	2015 £'000
Surplus/(deficit) in scheme at 1 August	(9,999)	(8,290)
Movement in year:		
Current service cost	(1,375)	(1,334)
Employer contributions	1,170	1,163
Past service cost	(62)	0
Net interest on the defined (liability)/asset	(365)	(335)
Actuarial gain or loss	4,641	(1,203)
Net defined benefit (liability) at 31 July	(5,990)	(9,999)

The movement in liability between years reflects the work undertaken by KPMG. The College employed KPMG as advisors to provided alternative assumptions which have led to a revised liability level for 2016.

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	30,108	26,055
Current service cost	1,375	1,334
Interest cost	1,106	1,064
Contributions by Scheme participants	333	353
Experience gains and losses on defined benefit obligations	0	2,046
Changes in financial assumptions	(569)	(195)
Changes in demographic assumptions	(2,317)	0
Other experience	(356)	0
Estimated benefits paid	(554)	(549)
Past Service cost	62	0
Defined benefit obligations at end of period	29,188	30,108

Reconciliation of Assets

Fair value of plan assets at start of period	20,109	17,765
Return on plan assets	1,399	1,052
Interest on plan assets	741	325
Employer contributions	1,170	1,163
Contributions by Scheme participants	333	353
Estimated benefits paid	(554)	(549)
Assets at end of period	23,198	20,109

BEDFORD COLLEGE

Notes to the Accounts (continued)

20	Capital commitments		
		2016	2015
		£'000	£'000
	Commitments contracted for at 31 July 2016	937	332
	Authorised but not contracted at 31 July 2016	2,927	1,732

21 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2016	2015
	£'000	£'000
Land and buildings		
Expiring within one year	329	498
Expiring within two and five years inclusive	1,281	1,753
Expiring in over five years	1,492	2,107
	<u>3,102</u>	<u>4,358</u>

22 Contingent Liabilities

The College has agreed the transfer of pension liability relating to support staff transferring from Writtle College as part of the acquisition of Shuttleworth College. The College has agreed for this to be transferred at our next pension valuation which is expected in April 2017. Negotiations are on-going and the value cannot be accurately estimated at the present time and is therefore disclosed as a contingent liability.

23 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 will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £2,796; 9 governors (2015: £1,900; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

BEDFORD COLLEGE

Notes to the Accounts (continued)

24 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – bursary support	477	519
Funding body grants – discretionary learner support	316	317
Funding body grants – residential bursaries	29	29
Other Funding bodies grants	81	78
	<u>903</u>	<u>943</u>
Disbursed to students	(873)	(915)
Administration costs	(29)	(27)
	<u>1</u>	<u>1</u>

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

Some items of a non-material value may appear in the Consolidated Statements of Comprehensive Income (College Only) in the College's financial statements reflecting the purchase of some equipment and the payment of accommodation on the students' behalf.

25 Provisions

	College and Group	
	Defined benefit Obligations £'000	Total £'000
At 1 August 2015	9,999	9,999
Transferred from income and expenditure account	(4,009)	(4,009)
At 31 July 2015	<u>5,990</u>	<u>5,990</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 19.

BEDFORD COLLEGE

Notes to the Accounts (continued)

26 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	1,933	456	-	2,389
Total	1,933	456	-	2,389