Salford City College

Report and Financial Statements

Year ended 31 July 2011

Salford City College Report and Financial Statements for the year ended 31 July 2011

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2011.

Legal status

Salford City College was formed on 2 January 2009 from the three existing colleges in Salford. On 1 January 2009 Pendleton College acquired the assets and liabilities of Eccles College and Salford College. This was achieved by the dissolution of the corporations of Eccles College and Salford College and a transfer of their employees, assets and liabilities into Pendleton College under section 27 of the Further and Higher Education Act 1992.

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Pendleton College but it changed its name to Salford City College on 2 January 2009. The College is an exempt charity for the purposes of the Charities Act 1993.

Mission

Following the creation of Salford City College, the governors adopted the following mission statement in January 2009 as follows:

"Salford City College will inspire people to create opportunities and enrich lives through learning.

It will do this by harnessing community pride, loyalty and enterprise to embrace learning as the key to opportunity and enrichment.

Underpinning this vision will be a strong sense of team spirit at all levels - staff, student, parents, employers and politicians will exploit opportunities to work together to achieve their personal goals and enrich the overall quality of life in the City.

Values

The College will be characterised by:

- *A focus on learners*
- *Transparency*
- *Integrity*
- *Respect*
- *Innovation*
- *Social responsibility*
- *Inclusivity*
- *Unconditional pursuit of excellence*
- *Leading by example*
- *Partnership and collaboration*
- *Celebrating diversity*

Specifically, the College will:

1. *Proactively promote learning opportunities available at both the College and its partner providers.*
2. *Strive to respond to the demands of individual learners, employees, employers and national priorities by developing a wide range of flexible delivery options.*
3. *Constantly seek to improve and provide learning experiences of outstanding quality."*

Strategic plan

The key objectives of this strategic plan of the College are:

Achievement of Targets

- The College identified the target learner numbers across all three colleges and associated income with the key objective being to achieve the target levels.

Marketing & Learner Recruitment

- The development of an effective marketing/public relations strategy, both internally and externally, to promote the benefits of the "merger".
- The integration of marketing teams and improved schools and community liaison.
- The further development of links with local employers and other skills agencies.
- Review and mapping of provision across the newly formed Salford City College.

Student Support Services

- The commencement of harmonisation and integration of Student Support Services, specifically policies regarding equality and diversity, and Every Child Matters.
- Effectively coordinated and cost-effective student transportation.
- Ensuring that "the learner voice" is incorporated into decision making.

Curriculum & Quality

Sixth Form Colleges

- Ensure efficient delivery of the curriculum plan and targets.
- Undertake effective self-assessment and develop consistency of approach across Salford City College.
- Identify strengths in quality procedures and start to disseminate best practice across Salford City College.
- Plan to deliver outstanding provision.
- Develop innovative curriculum and delivery.
- Contribute to improving the health of young people.
- Increase the number of young people from low income backgrounds progressing to HE.
- Increase "the learner voice" in decision making.
- Establish a structure to develop the new Diplomas.

Skills Division

- Develop new and robust management systems to ensure delivery of targets.
- Develop innovative approaches to:
    - improve employability;
    - contribute to reducing worklessness; and
    - improve qualification levels for adult learners in the city.
- Increase "the learner voice" in decision making.
- Develop new business and curriculum areas.
- Establish apprentices.
- Develop a quality assurance strategy.

MIS & e-Learning

- Develop an IT integration plan.
- Ensure combined data is produced to produce internal and external requirements.
- Develop harmonised management reporting systems.
- Merge email & internet systems.
- Establish common policies regarding data management.
- Develop a strategy for e-learning.

Human Resources

- Adopt a single framework for pay and conditions.
- Develop an effective framework for employee relations.
- Harmonise HR policies and practices.
- Attract, retain and develop skilled and well-trained staff.
- Ensure effective continuous skills development of staff.
- Recruit and retain a diverse workforce.
- Provide a healthy and safe working environment.
- Achieve and maintain Investors In People award.

Resources

Finance

- Ensure effective financial management and control.
- Develop financial reporting.
- Harmonise financial procedures.
- Ensure effective audit.

Estates

- Develop an effective Capital Strategy and submit to the funding bodies.
- Ensure effective management of the estate, offering value for money and a healthy and safe environment.
- Produce an IT hardware strategy.

The College is on target to achieve these objectives.

Financial objectives

The key ongoing financial objectives are:

- Generation of a surplus revenue position (2010/11: £2,878k surplus excluding effects of FRS 17).
- Achievement of a "satisfactory" financial health rating from Skills Funding Agency (2010/11: "outstanding"). The Skills Funding Agency has concurred with the College assessment and has agreed the 3 year financial plan for 2011-14 and concluded that the underlying financial health is good.
- Achievement of a current ratio of 1.0 (2010/11: 2.05).
- Maintenance of cash days of 30 (2010/11: 65).

Performance indicators

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

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

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

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency ("SFA")/Young Peoples Learning Agency ("YPLA"). The current rating of "satisfactory" is considered an acceptable outcome for the College at this point in time.

FINANCIAL POSITION

Financial results

The College generated an operating surplus in the year of £2,571k after FRS 17 pension adjustments (2009/10: surplus of £1,724k). This equates to an operating surplus of £2,878k before FRS 17 pension adjustments (2009/10: £508k surplus). Financial health assessments are based on operating results excluding FRS 17 adjustments.

The College has accumulated reserves (excluding pension reserve) of £18,420k (2010: £15,501k) and cash balances of £7,562k (2010: £3,445k). The College wishes to continue to accumulate reserves and cash balances to create a contingency fund.

	2010/11	2009/10	2008/09	2007/08*	2006/07*
Current ratio	2.05	1.18	1.00	1.54	1.66
Cash days in hand	65	30	39	55	55
Operating surplus (deficit) / income	6.1%	3.9%	(0.9%)	1.2%	1.2%
General reserves / income	43%	37%	48%	21%	22%
Pay costs / income	64.0%	69.2%	65.9%	64.9%	65.8%

*Comparatives relate to Pendleton College only.

Tangible Fixed Asset additions during the year amounted to £689k. This was split between fixtures and fittings of £389k and equipment purchases of £300k.

The College continues to rely significantly on the education sector funding bodies as its principal funding source, largely from recurrent grants. In 2010/11 the education sector funding bodies provided 92% of the College's total income (2009/10: 91%).

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Deputy Chief Executive. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the SFA/YPLA. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

Cash Flows

The College's operating cash in flow was £5,016k (2009/10: £1,645k). The College achieved an overall net cash in flow of £4,117 after expending £689k on the purchase of tangible fixed assets.

Liquidity

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded and the loan covenants were complied with comfortably.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2010/11 the College delivered activity against its main funding body allocations as follows:

- 16 – 18 Funding Allocation £28,121k with 5,745 learners (compared to £26,700k with 5,816 learners in 09/10).
- ALR Funding Allocation of £5,144k (although the College subsequently received an additional £323k due estimated over achievement of allocation at the Mid Year Estimate), giving a total of £5,467k, this was achieved, and 3,734 learners (compared to £5,610k with 3,807 learners in 09/10).
- Train to Gain Allocation of £2,148k which was achieved and compared to £2,367k in 09/10.
- 16 – 18 Apprentices Allocation of £104k was actually achieved compared to £66k in 09/10. The College was above profile at Quarter 2 review and received an additional allocation enabling the out-turn figure for 10/11 to increase to £156k.
- 19 – 24 Apprentices Allocation of £87k, no allocation for this in 09/10.
- PCDL Allocations remained constant from 09/10 with £468k and 2,220 learners.
- In 10/11 the College also had direct contracts for delivery of the 6 Month Unemployed Programme, ESF Funded Train to Gain, and the ESF Routes in to Work (Young Peoples Guarantee) Programme.

Student achievements

Success rates at the College are excellent.

Level 3 success rates were above the national average at 86% for 16-18 students (2009/10: 83%) and 85% for 19+ students (2009/10 83%).

At A2 Level, students also surpassed the national average pass rate by achieving an overall pass rate of 99% (2009/10: 99%).

Value Added

Value added measures overall student performance, taking into account the number of subjects and the quality of teaching and learning. The T score takes into account difficulty of subject, other factors as well as the quality of teaching and learning. Both scores are measured on a scale of 1 – 9 where 1 is "best possible", 2 is "outstanding", 3 is "excellent" and 4 is "very good".

At A level, the College achieved a value added score of 3 (2009/10: 3) and a single year T score of 3 (2009/10: 3).

For BTEC the College achieved a value added score of 2 (2009/10: 2) and a single year T Score of 2 (2009/10: 2).

Employer engagement

The College continued to be proactive in further developing its work with both employees and the workforce. The College received significant funding from the Train to Gain programme and by delivering full cost recovery courses. The total income generated from Train to Gain was £2,148k (2009/10: £2,367k).

Quality of Provision

The College was subjected to an Ofsted Inspection Visit in May 2010. the outcome of which the Corporation regarded as excellent.

The Inspectors made a judgement on a four-point scale:

1. Outstanding (Grade 1).
2. Good (Grade 2).
3. Satisfactory (Grade 3).
4. Inadequate (Grade 4).

At the end of the visit, the Inspectors graded the College as:

Area	Grade
Overall effectiveness of provision	Grade 2 / Good
Capacity to improve	Grade 1 / Outstanding
Outcomes for learners	Grade 2 / Good
Quality of provision	Grade 2 / Good
Leadership and management Safeguarding Equality and diversity	Grade 2 / Good Grade 2 / Good Grade 1 / Outstanding
Subject area Health, public services and care Science and mathematics Construction, planning and the built environment Arts, media and publishing Languages, literature and culture Business, administration and law	 Grade 2 / Good Grade 2 / Good Grade 2 / Good Grade 2 / Good Grade 2 / Good Grade 2 / Good

The outcome of the Inspection Visit was considered excellent, in the context that full College data was not available for inspection and the fact that the College was only some 18 months old. The achievement of a Grade 2 (Good) overall was a fantastic result and was credit to all the hard work of teaching and non teaching staff and demonstrated that our learners are already feeling the benefit from the "merger".

Staff and student involvement

The College believes good communication with its staff and students to be very important. There is an effective communication strategy, which includes staff meetings, a regular staff newsletter and weekly team briefings. Formal representation of staff is through the recognised trade unions. In addition, staff are able to elect two staff Governors. There is also a regular student newsletter and two student representatives on the Governing Body. Each year students are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys.

RESOURCES:

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

Tangible resources include the main college sites at Dronfield Road, Weaste Lane and Lissadel Street in Salford, Chatsworth Road in Eccles and Walkden Road in Worsley. In addition to these main sites, the needs of learners are met in a number of community based venues around the Salford area.

Financial
The College has £26.0 million of net assets (excluding pension liabilities) and long term debt of £6.3 million (including £0.4 million due within one year).

People
The College employed an average of 801 people (expressed as full time equivalents), of whom 421 were teaching staff.

Reputation
The College has an outstanding reputation locally and nationally. Maintaining brands is essential for the College's success at attracting students and external relationships. Salford City College continues to market its sixth form provision under the banners of the former colleges: Eccles College and Pendleton College.

Curriculum Developments
Salford City College is now well established and this has created curriculum synergies across centres, whilst avoiding unnecessary duplication of provision.

The college is continually reviewing the current curriculum offer and developing new programmes in response to the changing economic climate. The three Sixth Form Centres are now well established, and the Skills Division, incorporating both the City Campus and Trinity Business Training are continuing to build links such as the establishment of a wide apprenticeship offer.

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

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

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

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

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

Government funding
The College has considerable reliance on continued government funding through the education sector funding bodies. In 2010/11, 92% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of one issue which may impact on future funding which is the demand led funding system which applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the funding bodies.

Tuition fee policy

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

This risk is mitigated in a number of ways:

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

Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17. In preparing its financial forecast the College has considered the future contribution rates and planned accordingly.

STAKEHOLDER RELATIONSHIPS

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

- students;
- funding councils;
- staff;
- local employers (with specific links);
- local authorities;
- government offices/ Regional Development Agencies;
- Salford University;
- the local community;
- other FE institutions;
- trades unions; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders. The college has representatives on a number of key groups and leads in many of these areas.

Environmental statement

Salford City College accepts its responsibility to protect and conserve the college environment. As a provider of high quality education we seek to promote a sound awareness and understanding of local, national and global environmental issues and conduct our activities in an environmentally friendly manner.

Diversity, equal opportunities and employment of disabled persons

Salford City College is fully committed to delivering equality of opportunity for all its students and staff, to eliminate all forms of unfair and illegal discrimination as well as all forms of harassment and victimisation. The College has developed a Single Equality Scheme and Action Plan which provides an overview in regard to how the College will meet its equality duty, how the College will handle any cases of harassment and unlawful discrimination, how policies, processes and plans will be monitored for adverse impact, how the overall practice and outcomes of the College will be monitored and how action will be planned and delivered to address any concerns that are identified.

The Single Equality Scheme supports the Salford City College equality policies: Gender Equality Policy, Race Equality Policy, Age Discrimination Policy, Disability Equality Policy, Religious Beliefs and Sexual Orientation Policy. The College will meet these duties through the development of the Single Equality Scheme Action Plan.

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

Disability statement

The college seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Needs and Disability Acts 2001 & 2005.

1. As part of the redevelopment of the buildings it is installing ramps so that eventually most of the facilities will allow access to people with a disability (insofar as is practical).
2. There is a list of specialist equipment, such as audio visual facilities, which the College can make available for use by students.
3. The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
4. The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
5. Counselling and welfare support services are described in the College Charter.
6. A Dyslexia Specialist has been appointed to assist students.

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 12 December 2011 and signed on its behalf by:

D. Millington
Chair

Professional advisers

Financial Statements Auditors	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB
Internal Auditors	Baker Tilly Steam Mill Chester CH3 5AN
Bankers	LloydsTSB Bank plc 1st Floor 31-32 Park Row Leeds LS1 5JD
	Barclays Bank plc PO Box 4132 5th Floor 51 Mosley Street Manchester M60 1UB
	Co-operative Bank Plc Manchester Business Centre P O Box 101 Balloon Street Manchester M60 4EP
Solicitors	Eversheds 70 Great Bridgewater Street Manchester M1 5ES

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the London Stock Exchange in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2011.

The Corporation

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

Corporation Member			Committee Membership
Lucy Anns	Appointed Resigned	07/12/09 28/03/11	(Student) Human Resources, Standards
Dr Akeel Attar	Appointed Resigned	03/12/07 13/12/10	Strategy & Finance, Standards (Vice Chair)
Keith Barnes	Appointed	07/12/09	Audit
Barrie Breward	Appointed	07/12/09	Engagement, Regeneration & Renewal
John Buckley	Appointed	07/12/09	Audit (Vice Chair), Capital, Engagement, Regeneration & Renewal
Keith Elford	Appointed	01/04/09	Audit (Chair), Remuneration
Jackie Flynn	Reappointed	01/08/09	**Vice Chair of Corporation,** Strategy & Finance (Chair), Remuneration (Vice Chair), Capital Engagement Regeneration & Renewal (Vice Chair), Human Resources, Standards
Ann Gavin Daley	Appointed	31/03/08	Standards (Chair), Audit, Capital, Human Resources, Remuneration, Engagement, Regeneration & Renewal
Lindsay Harford	Appointed	30/06/08	Standards, Strategy & Finance, Engagement, Regeneration & Renewal
Sue Hilton	Reappointed	10/10/11	(Staff) Search, Audit
Scott Horner	Appointed	28/03/11	(Student) Human Resources, Standards
Gaynor Jacobs	Appointed	30/06/08	Search
David Millington	Reappointed	05/07/10	**Chair of the Corporation** Capital (Chair), Search Engagement Regeneration & Renewal, Remuneration (Chair), Standards, Strategy & Finance (Vice Chair)
Cllr Margaret Morris	Appointed	12/12/10	Engagement, Regeneration & Renewal
Ruth Oluwasakin	Appointed Appointment expired	07/12/09 31/07/11	(Student) Human Resources, Standards
Aylesh Patel	Co-opted	11/07/11	Audit
Professor Carole Roberts	Appointed	31/03/08	Engagement, Regeneration & Renewal (Chair), Human Resources (Vice Chair), Standards, Strategy & Finance, Remuneration, Capital
Noel Ruane	Appointed	11/07/11	Engagement, Regeneration & Renewal
Martin Sim			(Principal) All except Audit and Remuneration
Pat Walkington	Reappointed	05/07/10	Search (Chair), Human Resources (Chair), Strategy & Finance, Capital
Debbie Ward	Appointed	30/03/09	(Staff) Standards
Cllr John Warmisham	Appointed Resigned	07/12/09 03/09/10	Engagement, Regeneration & Renewal

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are strategy & finance, remuneration, search, standards, capital and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Salford City College
Worsley Centre
Walkden Road
Worsley
M28 7QD

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration committee

In the year ending 31 July 2011, the College's remuneration committee membership comprised five members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

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

Audit committee

The Audit Committee comprises five members of the Corporation (excluding the Principal 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, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Salford City 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 Salford City College for the year ended 31 July 2011 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 2011 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, 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; and
- the adoption of formal project management disciplines, where appropriate.

Salford City College has an internal audit service, which operates in accordance with the requirements of the *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; and
- comments made by the College's financial statements auditors, the regularity auditors (for colleges in plan-led funding), the appointed funding auditors (for colleges outside plan-led funding) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2011 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2011 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2011.

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 12 December 2011 and signed on its behalf by:

D. Millington
Chair

M. Sim
Principal

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 Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency. In accordance with those terms and conditions, the Corporation must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the surplus or deficit of the College for that year.

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

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

The Corporation is also required to prepare an Operational and Financial Review 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 Skills Funding Agency and the YPLA are used only in accordance with the Financial Memorandum with the Skills Funding Agency and the YPLA and any other conditions prescribe 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 Skills Funding Agency and the YPLA are not put at risk.

Approved by order of the members of the Corporation on 12 December 2011 and signed on its behalf by:

D. Millington
Chair

Salford City College Report and Financial Statements for the year ended 31 July 2011

Independent auditor's report to the Corporation of Salford City College

We have audited the financial statements ("the financial statements") of Salford City College for the year ended 31 July 2011 which comprise of 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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

Respective responsibilities of the members of the Corporation of Salford City College and auditor

As described in the Statement of Responsibilities of the members of the Corporation set out on page 16, the college's Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the 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 UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2011 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the YPLA and the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

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

Grant Thornton UK LLP

15/12/11

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Manchester

Date

Independent Auditor's report on Regularity to the Corporation of Salford City College ('The Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 21 June 2011 and further to the requirements of the Chief Executive of Skills Funding, we have performed procedures to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Salford City College ('the College') for the year ended 31 July 2011 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Members of the Corporation of Salford City College and Auditors

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

Our responsibilities for this work are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice as amended by the Joint Audit Code of Practice and the Regularity Audit Framework issued by the Chief Executive of Skills Funding. We report to you whether, in our opinion, in all material respects, expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

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

Opinion

In our opinion, in all material respects, the expenditure and income for the year ended 31 July 2011 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Manchester

15/12/11

Date

Salford City College Income & Expenditure Account for the year ended 31 July 2011

	Notes	£'000	2011 £'000	£'000	2010 £'000
INCOME					
Funding body grants	2		39,149		38,056
Tuition fees and education contracts	3		1,417		1,395
Other income	4		2,189		2,379
Investment income	5		14		8
Total Income			**42,769**		**41,838**
EXPENDITURE					
Staff costs	6	26,771		28,688	
Exceptional restructuring costs	6	609		246	
Other operating expenses	8	10,444		10,593	
Depreciation and impairment of tangible fixed assets	11	1,865		1,915	
Interest payable and other finance costs	9	509		740	
FRS17 Past service gain	26	-		(1,762)	
Total Expenditure			**40,198**		**40,420**
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax			2,571		1,418
Profit on disposal of assets			-		306
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax			2,571		1,724
Taxation	10		-		-
Surplus for the year retained within general reserves	20		**2,571**		**1,724**

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

The notes on pages 23 to 39 form part of the financial statements.

Salford City College Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
Surplus on continuing operations before taxation		2,571	1,724
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	41	41
Historical cost surplus for the year after taxation		**2,612**	**1,765**

Salford City College Statement of Total Recognised Gains and Losses for the year ended 31 July 2011

		2011 £'000	2010 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		2,571	1,724
Actuarial gain/(loss) in respect of pension scheme	20	2,741	(355)
Total recognised gains since last report		**5,312**	**1,369**
Reconciliation:			
Opening reserves		9,470	8,101
Total recognised gains for the year		5,312	1,369
Closing reserves		**14,782**	**9,470**

The notes on pages 23 to 39 form part of the financial statements.

Salford City College Balance Sheet as at 31 July

	Notes	2011 £'000	2010 £'000
Tangible assets	11	27,980	29,156
Investments	12	-	-
Total fixed assets		**27,980**	**29,156**
Current assets			
Stocks		6	10
Debtors	13	775	958
Cash at bank and in hand		7,562	3,445
Total current assets		8,343	4,413
Less: Creditors – amounts falling due within one year	14	(4,076)	(3,738)
Net current assets		**4,267**	**675**
Total assets less current liabilities		**32,247**	**29,831**
Less: Creditors – amounts falling due after more than one year	15	(6,008)	(6,523)
Less: Provisions for liabilities	17	(215)	(216)
Net assets excluding pension liability		**26,024**	**23,092**
Net pension liability	26	(4,551)	(6,985)
Net assets including pension liability		**21,473**	**16,107**
Deferred capital grants	18	6,691	6,637
Income and expenditure account excluding pension reserve	20	18,420	15,501
Pension reserve	26	(4,551)	(6,985)
Income and expenditure account including pension reserve	20	13,869	8,516
Revaluation reserve	19	913	954
Total reserves		**14,782**	**9,470**
TOTAL FUNDS		**21,473**	**16,107**

The financial statements were approved by the Corporation on 12 December 2011 and were signed on its behalf on that date by:

D. Millington
Chair

M. Sim
Principal

The notes on pages 23 to 39 form part of the financial statements.

Salford City College Cash Flow Statement
for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
Cash inflow from operating activities	21	5,016	1,645
Returns on investments and servicing of finance	22	(268)	(346)
Capital expenditure and financial investment	23	(236)	(604)
Financing	24	(395)	(567)
Increase in cash in the year	25	**4,117**	**128**
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		4,117	128
Cash outflow in respect of loan repayments	24	395	530
Movement in net debt in the year		4,512	658
Net debt at 1 August	25	(3,266)	(3,924)
Net funds/(debt) at 31 July	**25**	**1,246**	**(3,266)**

The notes on pages 23 to 39 form part of the financial statements.

Notes to the Accounts

1. Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP) and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). They conform to guidance published jointly by the Skills Funding Agency and the YPLA in the 2010/11 Accounts Direction Handbook.

Basis of accounting

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

The College has one subsidiary company, SCC Skills and Enterprise Training Limited, which was incorporated during the year. SCC Skills and Enterprise Training Limited has remained dormant since incorporation. Accordingly, the College has elected not to prepare consolidated financial statements on the basis that the subsidiary is immaterial to the Group.

Business combinations

Pendleton College entered into a business combination with Salford College and Eccles College in 2009. In accordance with the Accounts Direction Handbook in issue at the time, the transaction was accounted for as a gift of the assets and liabilities of Salford College and Eccles College to Pendleton College, with the resulting gain recognised in the Statement of Total Recognised Gains and Losses.

Going concern

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

The College currently has £6.3m of unsecured loans outstanding with bankers. In additional the College has £7.6m cash available. The College's forecasts and financial projections indicate that it will be able to operate within the terms of its existing facilities and respective covenant requirements for the foreseeable future.

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

Recognition of income

The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

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

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

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 their employer.

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

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

Post retirement benefits

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

Contributions to the TPS are 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 payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Enhanced pensions

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

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) 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. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. In compliance with relevant accounting standards the buildings inherited from the local authority are depreciated over the remainder of their useful economic life. Capitalised expenditure on buildings since incorporation is depreciated on a straight line basis at 10% per annum. 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 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.

Subsequent expenditure on fixed assets

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

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition, unless it is of significant operating value to the College in which case the asset is

recorded in the college's asset register and depreciated over its useful economic life. All other equipment with a cost in excess of £1,000 is capitalised at cost. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment 10-20% per annum.
Computer equipment 33% per annum.

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 income and expenditure account over the expected useful economic life of the related equipment.

Leased assets
Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

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

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

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.

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

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

Agency arrangements
The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs staff dedicated to the administration of Learner Support fund applications and payments.

2 Funding body grants

	2011	2010
	£'000	£'000
YPLA - Recurrent grant	29,703	28,057
Skills Funding Agency - Recurrent grant	6,259	6,357
HEFCE - Recurrent grant	378	371
Skills Funding Agency - Non recurrent grants	2,410	2,792
Releases of deferred capital grants (note 18)	399	479
Total	**39,149**	**38,056**

3 Tuition fees and education contracts

	2011	2010
	£'000	£'000
Tuition fees	341	379
Education contracts	1,076	1,016
Total	**1,417**	**1,395**

4 Other Income

	2011	2010
	£'000	£'000
Residences, catering and conferences	724	744
Other income generating activities	586	590
Other grants and contracts	297	305
ESF Co-financing	228	317
Other income	354	423
Total	**2,189**	**2,379**

5 Investment income

	2011	2010
	£'000	£'000
Other interest receivable	14	8

6 Staff costs

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

	2011 No.	2010 No.
Teaching staff	421	407
Non teaching staff	380	424
	801	**831**

Staff costs for the above persons	2011 £'000	2010 £'000
Wages and salaries	22,119	23,191
Social security costs	1,676	1,726
Other pension costs (incl. FRS17 adjustments £127k (2010: £160k))	2,650	2,816
Payroll sub total	**26,445**	**27,733**
Contracted out staffing services	326	955
Pay sub total	**26,771**	**28,688**
Exceptional restructuring costs	609	246
Total	**27,380**	**28,934**

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2011 No.	2010 No.	2011 No.	2010 No.
£60,001 to £70,000	-	-	6	6
£70,001 to £80,000	-	-	-	4
£80,001 to £90,000	-	-	1	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	2	-	-
£120,001 to £130,000	1	-	-	-
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	1	-	-	-
	4	**3**	**7**	**10**

7 Senior post-holders' emoluments

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

	2011 No.	2010 No.
The number of senior post-holders including the Principal was:	4	3

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

	2011 £'000	2010 £'000
Salaries	432	367
Pension contributions	62	50
Total emoluments	494	417

The above emoluments include amounts payable to both the current and the former Principal (who was also the highest paid senior post-holder) of:

	2011 £'000	2010 £'000
Principal		
Salaries	139	119
Pension contributions	20	17
	159	136
Former principal		
Salaries	-	101
Pension contributions	-	11
	-	112
Total	**159**	**248**

The emoluments for the current principal above include payments relating to his former post prior to being appointed Principal.

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

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

Compensation for loss of office paid to a former senior post-holder:

	2011 £'000	2010 £'000
Pension contributions	-	79

The value of pension contribution was calculated by the Teachers Pension Scheme. The severance payment was approved by the College's remuneration committee.

8 Other operating expenses

	2011 £'000	2010 £'000
Teaching costs	2,303	2,553
Non teaching costs	4,916	5,271
Premises costs	3,225	2,769
Total	**10,444**	**10,593**

Other operating expenses include:	2011 £'000	2010 £'000
Auditors' remuneration:		
Financial statements audit	24	24
Internal audit	32	38
Other services provided by the financial statements auditors	1	14
Hire of other assets – operating leases	651	694

9 Interest payable and other finance costs

	2011 £'000	2010 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	42	43
Repayable wholly or partly in more than five years	287	304
On finance leases	-	7
FRS 17 interest costs (note 26)	180	386
Total	**509**	**740**

10 Taxation

The College is not liable for any tax arising out of its activities for the year.

11 Tangible fixed assets

	Land and Buildings £'000	Fixtures & Fittings £'000	Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2010	33,694	1,971	6,615	15	42,295
Additions	-	389	300	-	689
At 31 July 2011	**33,694**	**2,360**	**6,915**	**15**	**42,984**
Depreciation					
At 1 August 2010	6,428	1,292	5,404	15	13,139
Charge for the year	880	208	777	-	1,865
At 31 July 2011	**7,308**	**1,500**	**6,181**	**15**	**15,004**
Net book value at 31 July 2011	**26,386**	**860**	**734**	**-**	**27,980**
Net book value at 31 July 2010	27,266	679	1,211	-	29,156

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

Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £3,378,327 (2010: £3,478,102) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

Included within fixed assets, there are assets with a total cost of £21,754,000 which were acquired with Salford College and Eccles College on 1 January 2009. This includes a fair value uplift of £575,000 which was released to reserves reflecting the treatment of negative goodwill at the time.

12 Investments

	2011 £'000	2010 £'000
Investment in subsidiary company	-	-
Total	-	-

The College owns 100% of the issued ordinary £1 shares SCC Skills and Enterprise Training Limited, a company incorporated in England and Wales. SCC Skills and Enterprise Training Limited was incorporated on 6 May 2011 and has not traded since incorporation.

13 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Trade debtors	424	481
Prepayments and accrued income	351	477
Total	**775**	**958**

14 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans (note 16)	429	395
Obligations under finance leases	-	3
Payments received in advance	393	375
Trade creditors	844	951
Other taxation and social security	576	558
Accruals and deferred income	1,501	1,115
Other creditors	333	341
Total	**4,076**	**3,738**

15 Creditors: amounts falling due after one year

	2011 £'000	2010 £'000
Bank loans (note 16)	5,887	6,313
Other taxation and social security	121	210
Total	**6,008**	**6,523**

16 Borrowings

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2011 £'000	2010 £'000
In one year or less	429	395
Between one and two years	468	428
Between two and five years	765	1,085
In five years or more	4,654	4,800
Total	**6,316**	**6,708**

At 31 July 2011, the College had two bank loan facilities: £1,700,000 unsecured loan at 2.0% over 3 month LIBOR repayable over 5 years by quarterly instalments and a £5,375,000 unsecured loan at a fixed rate of 5.367% falling due between August 2009 and May 2034.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	2011 £'000	2010 £'000
In one year or less	-	3
Total	-	**3**

Finance lease obligations are secured on the assets to which they relate.

17 Provisions for liabilities and charges

	Enhanced pensions £'000
At 1 August 2010	216
Expenditure in the year	(13)
Transferred from income and expenditure account	12
At 31 July 2011	**215**

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance provided by the Association of Colleges.

The principal assumptions for this calculation are:

	2011	2010
Price inflation	5.36%	5.40%
Discount rate	2.75%	3.00%

18 Deferred capital grants

	Funding body grants £'000
At 1 August	6,637
Cash received in the year	453
Released to income and expenditure account	(399)
At 31 July	**6,691**

19 Revaluation reserve

	2011 £'000	2010 £'000
At 1 August	954	995
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(41)	(41)
At 31 July	**913**	**954**

20 Movement on general reserves

	2011 £'000	2010 £'000
Income and expenditure account reserve		
At 1 August	8,516	7,106
Surplus retained for the year	2,571	1,724
Transfer from revaluation reserve	41	41
Actuarial gains/(losses) in respect of pension scheme (note 26)	2,741	(355)
At 31 July	**13,869**	**8,516**
Balance represented by:		
Pension reserve	(4,551)	(6,985)
Income and expenditure account excluding pension reserve	18,420	15,501
Income and expenditure account including pension reserve	**13,869**	**8,516**

21 Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2011 £'000	2010 £'000
Surplus on continuing operations after depreciation of assets at valuation	2,571	1,724
Depreciation and impairment (notes 1 and 11)	1,865	1,915
Deferred capital grants released to income (note 18)	(399)	(479)
Profit on disposal of tangible fixed assets	-	(306)
Interest payable (note 9)	329	354
Interest receivable (note 5)	(14)	(8)
Decrease in stocks	4	12
Decrease in debtors	183	329
Increase/(decrease) in creditors	171	(673)
Decrease in provisions	(1)	(7)
Pension cost less contributions payable (notes 6 and 26)	127	160
FRS 17 past service gain	-	(1,762)
FRS 17 pension interest charge (note 9)	180	386
Net cash inflow from operating activities	**5,016**	**1,645**

22 Returns on investments and servicing of finance

	2011 £'000	2010 £'000
Other interest received	14	8
Interest paid	(282)	(347)
Interest element of finance lease rental payment	-	(7)
Net cash outflow from returns on investment and servicing of finance	**(268)**	**(346)**

23 Capital expenditure and financial investment

	2011 £'000	2010 £'000
Purchase of tangible fixed assets	(689)	(1,003)
Deferred capital grants received	453	7
Proceeds from sale of tangible fixed assets	-	392
Net cash outflow from capital expenditure and financial investment	**(236)**	**(604)**

24 Financing

	2011 £'000	2010 £'000
Debt due beyond a year:		
Capital element of finance lease rental payments	(3)	(37)
Repayment of amounts borrowed	(392)	(530)
Net cash outflow from financing	**(395)**	**(567)**

25 Analysis of changes in net (debt)/funds

	At 1 August 2010	Cash flows	At 31 July 2011
	£'000	£'000	£'000
Cash in hand, and at bank	3,445	4,117	7,562
Bank overdraft	-	-	-
	3,445	4,117	7,562
Debt due within 1 year	(395)	(34)	(429)
Debt due after 1 year	(6,313)	426	(5,887)
Finance leases	(3)	3	-
Net (debt)/funds	**(3,266)**	**4,512**	**1,246**

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

26 Pension and similar obligations

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

Total pension cost for the year	2011	2010
	£'000	£'000
Teachers Pension Scheme: contributions paid	1,557	1,695
Local Government Pension Scheme:		
Contributions paid	954	871
FRS 17 charge	127	160
Charge to the Income and Expenditure Account (staff costs)	1,081	1,031
Enhanced pension charge to Income and Expenditure Account (staff costs)	12	7
Total pension cost for the year	**2,650**	**2,733**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010. At 31 July, contributions amounting to £294,000 (2010: £312,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

The pensions cost is normally assessed no less than every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

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

26 Pension and similar obligations (continued)

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2010 to 31 July 2011 the employer contribution was 14.1 per cent. The employee rate was 6.4% for the same period. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2011 was £1,323,000 of which employer's contributions totalled £954,000 and employees' contributions totalled £369,000. The agreed contribution rates for future years are 15.1% for employers, and for employees rates are banded according to their FTE salary ranging from 5.5% to 7.5%, the most common banding being 6.5%.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2011 by a qualified independent actuary.

Latest actuarial valuation	31 March 2010
Actuarial method	Projected Unit

Principal Actuarial Assumptions:

	At 31 July 2011	At 31 July 2010
Rate of increase in salaries	4.5%	4.9%
Inflation assumption (CPI)	2.7%	2.9%
Discount rate for scheme liabilities	5.3%	5.4%
Rate of increase for pensions	2.7%	2.9%
Expected return on assets	6.2%	6.5%
Commutation of pensions to lump sums	50.0%	50.0%

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

	At 31 July 2011	At 31 July 2010
Current Pensioners		
Males	20.1	20.8
Females	22.9	24.1
Future Pensioners		
Males	22.5	22.8
Females	25.0	26.2

	At 31 July 2011		At 31 July 2010	
	Long-term rate of return expected	Fair value £'000	Long-term rate of return expected	Fair value £'000
Equities	7.0%	13,317	7.3%	12,270
Bonds	4.6%	3,721	4.8%	2,667
Property	5.1%	979	5.3%	1,067
Cash	4.0%	1,567	4.4%	1,778
Total market value of assets		**19,584**		**17,782**
Present value of scheme liabilities				
Present value of funded scheme liabilities		(24,135)		(24,767)
Deficit in the scheme		**(4,551)**		**(6,985)**

26 Pension and similar obligations (continued)

Analysis of the amount charged/(credited) to income and expenditure account	2011 £'000	2010 £'000
Service cost	959	1,003
Past service cost	8	(1,734)
Total operating charge/(credit)	**967**	**(731)**

The past service cost for 2010-2011 includes £8,000 (2009-2010: £28,000) in respect of efficiency and other early retirements and £Nil (2009-2010: £1,762,000) in respect of the changes to pension increases introduced in the Chancellor's budget statement which has been shown separately within the Income and Expenditure Account.

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The College considered the LGPS scheme rules and associated members' literature and concluded that this change is a change in benefits and so recognised the resulting credit in the Income & Expenditure account for the year ended 31 July 2010.

Analysis of pension finance costs	2011 £'000	2010 £'000
Expected return on pension scheme assets	1,182	988
Interest on pension liabilities	(1,362)	(1,374)
Pension finance costs	**(180)**	**(386)**

Actual return on plan assets	2011 £'000	2010 £'000
Actual return on plan assets	2,130	2,349

Amount recognised in the statement of total recognised gains and losses (STRGL)	2011 £'000	2010 £'000
Actuarial (losses)/gains on pension scheme assets	(227)	1,355
Actuarial gains/(losses) on scheme liabilities	2,968	(1,710)
Actuarial gains/(losses) recognised in STRGL	**2,741**	**(355)**

Movement in deficit during the year	2011 £'000	2010 £'000
Deficit in scheme at 1 August	(6,985)	(7,846)
Movement in the year:		
Current service cost	(959)	(1,003)
Employer contributions	954	871
Past service costs	(8)	1,734
Losses on settlements and curtailments	(114)	-
Net interest on assets	(180)	(386)
Actuarial gains/(losses) in respect of pension scheme	2,741	(355)
Deficit in scheme at 31 July	**(4,551)**	**(6,985)**

26 Asset and Liability Reconciliation (continued)

Reconciliation of defined benefit obligation

	2011 £'000	2010 £'000
Opening defined benefit obligation	24,767	22,380
Current service cost	959	1,003
Interest cost	1,362	1,374
Contributions by Members	369	389
Actuarial gains/(losses) in respect of pension	(2,968)	1,710
Past service costs	8	(1 734)
Losses on curtailments	114	-
Estimated benefits paid	(476)	(355)
Closing defined benefit obligation at 31 July	**24,135**	**24,767**

Pension and similar obligations

Reconciliation of fair value of employer assets

	2011 £'000	2010 £'000
Opening fair value of employer assets	17,782	14,534
Expected return on assets	1,182	988
Contributions by Members	369	389
Contributions by Employer	954	871
Actuarial (losses)/gains	(227)	1,355
Estimated benefits paid	(476)	(355)
Closing fair value of employer assets	**19,584**	**17,782**

The estimated value of employer contributions for the year ending 31 July 2012 is £893,000.

History of experience gains and losses	At 31 July 2011	At 31 July 2010	At 31 July 2009	At 31 July 2008*
Difference between the expected and actual return on assets:				
Amounts £'000s	(227)	1,355	(169)	(417)
Experience gains and losses on scheme liabilities:				
Amounts £'000s	1,872	-	-	(4)
Total amount recognised in STRGL				
Amounts £'000s	2,741	(355)	(4,753)	(87)

* Comparative figures relate to Pendleton College only.

27 Capital commitments

	2011 £'000	2010 £'000
Commitments contracted for at 31 July	NIL	NIL
Authorised but not contracted at 31 July	NIL	NIL

28 Financial commitments

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

	2011 £'000	2010 £'000
Land and buildings		
Expiring within one year	59	-
Expiring within two and five years inclusive	40	389
Expiring in over five years	103	-
	202	389
Other		
Expiring within one year	-	3
Expiring within two and five years inclusive	266	270
	266	273

29 Contingent liability

There are no contingent liabilities (2010: none).

30 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions 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.

Transactions with the SFA and the YPLA are detailed in notes 2, 14, 15 and 18.

31 Amounts disbursed as agent

Learner support funds

	2011 £'000	2010 £'000
Funding body grants – hardship support	590	821
Disbursed to students	(536)	(439)
Administration costs	(27)	(22)
Balance unspent as at 31 July, included in creditors	27	360

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 income and expenditure account.