

city college

brighton and hove

# Annual Report and Financial Statements

for the Year ended 31 July 2010



## Annual Report and Financial Statements for the Year ended 31 July 2010

<b>Contents</b>	<b>Page</b>
Executive Summary	<b>1 to 5</b>
Operating and Financial Review (Annual Report)	<b>6 to 16</b>
Professional Advisors	<b>17</b>
Corporate Governance and Internal Control Statement	<b>17 to 22</b>
Responsibilities of the Members of the Corporation	<b>23</b>
Independent Auditor's Report to the Members of the Corporation of City College Brighton and Hove	<b>24 to 25</b>
Income and Expenditure Account	<b>26</b>
Statement of Historical Cost Surpluses and Deficits	<b>27</b>
Statement of the Total Recognised Gains and Losses	<b>27</b>
Balance Sheet as at 31 July 2010	<b>28</b>
Cash Flow Statement	<b>29</b>
Statement of Accounting Policies (Note 1)	<b>30 to 33</b>
Notes to the Financial Statements (Notes 2 to 30)	<b>34 to 51</b>

# Report of the Members (Governors) of the Corporation of City College Brighton and Hove for the Year 1 August 2009 - 31 July 2010

## Executive Summary

We are pleased to present our Annual Report and Audited Financial Statements for the year ended 31 July 2010. This summary report presents key highlights from the main report.

City College is the largest post-16 learning provider in Brighton and Hove providing over 1,000 courses and qualifications to more than 11,000 full and part-time students. We have a pivotal role to play in raising the skills and aspirations of the city's residents and contributing to sustainable local economic development. The College delivers learning opportunities from entry level to foundation degrees across a broad range of curriculum areas. Our provision includes:

- Occupational skills training for 569 14-16 year olds in conjunction with local schools;
- A broad vocational and professional learning offer that attracts increasing numbers of full-time 16-18 year olds;
- High quality and flexible workforce development programmes aimed at local employers and employees, including an expanding Apprenticeship, Train to Gain, and Programmes for the Unemployed offer;
- Higher Education courses to more than 460 students, in partnership with the University of Brighton;
- A broad range of Adult and Community Learning opportunities; and
- A well established learning programme for international students.

City College recognises the importance of developing strong partnerships with local employers, schools, voluntary and community groups and statutory sector organisations so that we can provide relevant and responsive learning programmes to all parts of the city's resident and business communities.

Our focus on vocational and professional learning means that we are uniquely placed to contribute to the social, economic and environmental priorities for the city that have been identified, for example, in the Local Area Agreement and the Brighton & Hove Employment and Skills Plan. Our learning programmes can improve the work prospects of the most disadvantaged local residents as well as enabling the city's most successful businesses to become more productive. We are a significant local employer in our own right, providing jobs for 894 people and supporting the regeneration of the London Road/North Laine area by continuing to explore the opportunities to redevelop our City Centre campus. The College has a strong role to play in contributing to sustainable development and environmental efficiency by adapting its buildings, improving the curriculum offer and taking an environmentally-conscious approach to transport and waste management.

City College has continued to be successful in improving quality across all curriculum areas during the last year through the continued implementation and monitoring of a rigorous programme of quality assurance and improvement. The Ofsted annual visit in June 2010 reported significant progress in the following areas:

Self-assessment and improvement planning - Developing self-assessment and quality improvement in order to raise standards.

Leadership and management - developing curriculum, engaging with partners and developing the accommodation and specialist resources in order to meet the education and training needs of local communities.

This assessment of the College reflects the time and resource that has been put into all areas of our work. We continue to make significant investments in order to improve learner outcomes, increase the volume of employer engagement activity and further develop our work with 14-16 year olds. Above all, the past year has been about continued culture change and our core values are now the driving force of our organisation.

### Defining our Priorities for the Future

As these accounts show the College has continued the process of organisational change and quality improvement. Over the last twelve months we have continued to invest resources in these key areas and as a result the College has witnessed a 4% improvement in student success rates, from 80% in 2009 to 84% in 2010. Alongside the successes of the last three years, we now find ourselves in a new landscape that is characterised by constraints on public spending as witnessed in the October comprehensive spending review, slow growth in the economy, and a lack of future capital funding. This means that the following challenges will need to be met by the College in the future:

- Responding to Government policy and the current needs of the economy, whilst also remaining focused on our longer term strategy;
- Becoming even more creative and adept in making best use of our resources to fulfil our ambitions, as public spending becomes more tightly controlled by Central Government;
- Developing and implementing new plans for improving our accommodation now that it is likely that significant funding will no longer be available from either the Young People's Learning Agency (YPLA) or the Skills Funding Agency (SFA);
- Managing the impact of changes to the ways in which we receive our funding especially the single line budget for most adult funding and the increased autonomy associated with this.

The strategic plan for 2009-14 picks up these new challenges, builds on the successes of the previous planning period (2006-09), and identifies the following opportunities for the College to pursue:

- Strengthening our strategic partnership with the Local Authority, as it now has responsibility for 16-18 planning and commissioning and extends its economic development remit;
- Supporting local economic development and regeneration programmes by providing education and training opportunities that support employability, workforce development and social inclusion;
- Playing a leading role in the national programme of 14-19 reform through the delivery of Apprenticeships, Foundation Learning, Prince's Trust and a range of learning opportunities to engage young people in education and training until the age of 18;
- Developing structures that facilitate the College's ability to respond quickly and effectively to new initiatives, whilst retaining a core offer of high quality provision for young people and adults.

The accounts for 2009/10 show that, in many ways, it has been another year of transformation for the College. The College leadership team was reduced during 2009/10 from 10 to 5, and at the same time the College has provided additional resources to support front line delivery. As part of the strategic plan, the College agreed to invest in two key areas of business which had previously been under-resourced. As approximately 71% of the College's funding comes from Government sources, it was a strategic necessity to increase staffing to develop more commercial opportunities with employers through the development of the City Business Skills Team and in the international market. In addition, the College proportion of Adult Learners funded via government sources is reducing so a larger emphasis has been placed on delivery full cost training to employers and learners as well as further investments in our 14-19 provision and staffing.

During 2009/10 the College has continued to contribute significantly to reducing the number of 14-19 year olds Not in Education, Employment or Training (NEETS). Based at City College East at Wilson Avenue, the College's Inclusion Unit has enabled the College to reduce NEETS into the city along with other providers by over 3%, amounting to around 300 students.

There was also a significant shift in staffing resource to deliver the College's apprenticeship programme after it was decided to bring the delivery 'back in house' and not as a franchise. There was also significant expansion of the team supporting our pre-employment training projects that grew in size during 2009/10. This innovative partnership approach to retrain working closely with Job Centre Plus has worked well during 2009/10. Funding for this type of work is moving solely to the Department for Work and Pensions from April 2011 which will have a significant impact on the levels of pre-employment training offered by the College from April 2011.

We expect the investment in City Business Skills to pay off over the next three years as Government funding decreases and we move towards increasing the percentage of our income from alternative sources.

As the Financial Statements show the College had a Surplus on continuing operations (after depreciation of assets at valuation, tax, disposal of assets and exceptional items) of £4,331,000 for the year ending 31 July 2010. The Surplus on continuing operations included an item relating to exceptional capital grant support from the Learning and Skills Council (LSC) of £3,366,000 (2009: Expenditure of £2,146,000), FRS 17 Pensions - past service cost positive adjustment of £982,000 (2009: Negative adjustment of £100,000) and "one-off" restructuring costs of £637,000 (2009: £198,000). The exceptional capital grant support of £3,366,000 was provided to partially offset the £4,441,000 fees paid by the College in the previous three years on the aborted capital project.

Despite the exceptional grant support provided by the LSC, the decision to curtail the project has had a detrimental impact on the College's Balance Sheet, which has been partially strengthened by the improved overall financial performance in 2009/10. This continues to constrain our ability to implement an alternative property strategy, even in respect of options that are much more modest in cost and design. It also has resulted in levels of borrowings which might limit further the scope to fund an alternative scheme.

The FRS17 pensions - past service cost adjustment is as a result of the emergency budget on the 22 June 2010 in which the government announced its intention to link future pension increases in public sector pension schemes to the Consumer Price Index (CPI) rather than the current method of using the Retail Price Index (RPI). This is positive news for the College as an employer because it reduces the value of our FRS17 liabilities, and therefore reduces our FRS17 deficit. This is reflected in the accounts as an adjustment to past service costs on the Income and Expenditure Account.

## Finances

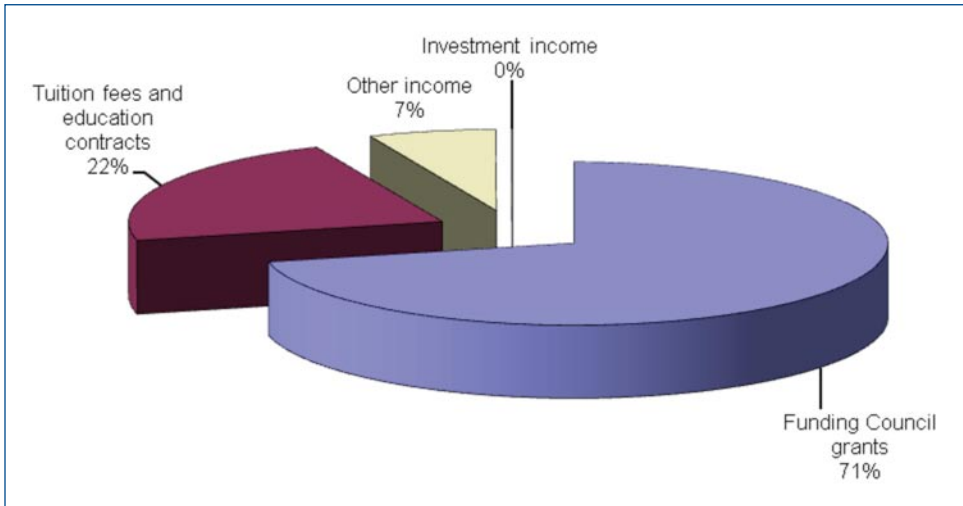
Our income for the year excluding exceptional items was £23,678,000. Our expenditure for the year excluding exceptional items was £23,039,000. Our Surplus for the year excluding exceptional items was £639,000. Due to three exceptional items, FRS17 pension adjustment - £982,000, exceptional capital grant support - £3,366,000 and exceptional restructuring costs - (£637,000) and a loss on disposal of assets - (£19,000), we report a surplus on continuing operations of £4,331,000 (see page 5 for reconciliation).

## Income

The majority of our income comes from government funding, during the year the College received funding from the Learning and Skills Council up to the 31 March 2010 for all its government funding streams. From the 1 April 2010 the College received its adult, employer and pre-employment funding from the Skills Funding Agency. The College from April 2010 received its 16 - 18 funding from the Young People's Learning Agency (YPLA) via Brighton and Hove City Council. This diversion of funds via the local authority ceased on the 31 July 2010 and will come direct from the YPLA from the 1 August 2010.

A graphical representation of our income is shown below.

**City College Brighton and Hove Income Analysis 2010**

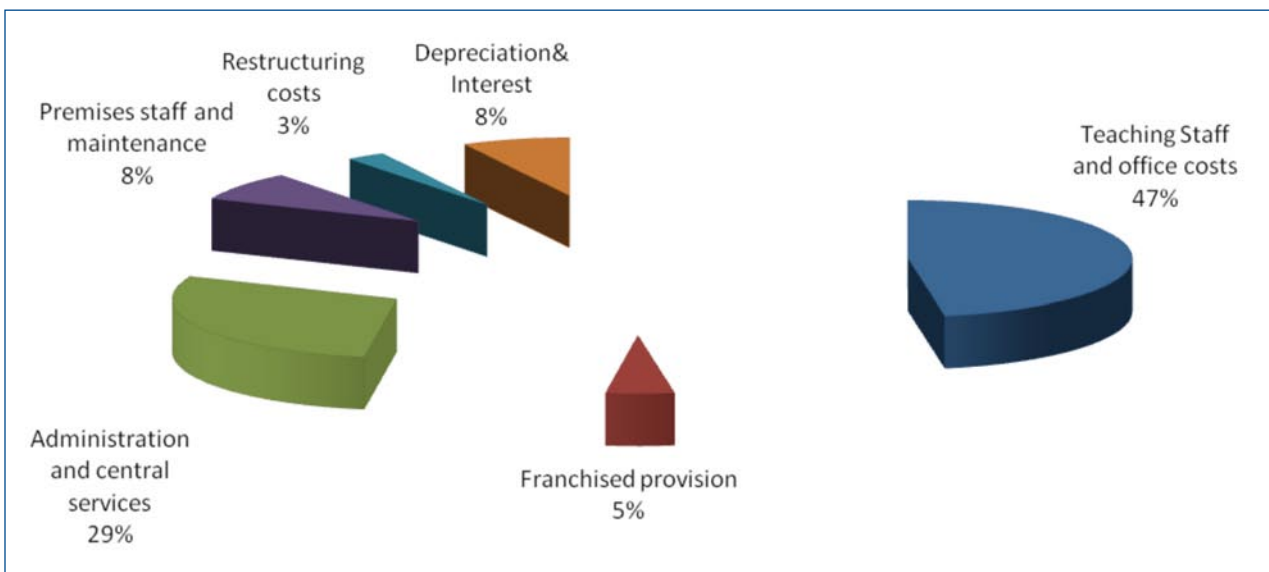


The majority of Funding Council grants of £16,874,000 came in the form of recurring funding of £14,202,000 from the LSC, Skills Funding Agency and the YPLA to fund learners in further education. The College received further Funding Council grants to support the delivery of employer training in the form of Apprenticeships and Train to Gain of £1,602,000 from the LSC and the Skills Funding Agency.

**Expenditure**

Our expenditure is summarised in the chart below:

**City College Brighton and Hove Expense Analysis 2010**



The majority of our expenditure (about 67% during 2009/10) is on staffing costs. This proportion has reduced from about 62% in 2008/09 even after allowing for additional investments in new front line delivery staff but excludes exceptional restructuring costs.

## Financial Results

Our accounts are set out from Page 26. In 2009/10 our operating surplus was £4,331,000. Excluding the following significant one off costs the underlying operating surplus was £639,000 as shown below. This represents a significant turnaround in the College's underlying trading performance.

	£'s
Surplus reported in income and expenditure account	4,331,000
<u>Adjustment</u>	
Net pension costs credited to the income and expenditure account	(982,000)
One off restructuring costs charged to income and expenditure account	637,000
Exceptional Capital Grant Support relating to the aborted capital project	(3,366,000)
Exceptional loss on disposal of assets	19,000
<b>Underlying operating surplus</b>	<b>639,000</b>

The underlying surplus was largely due to increased funding received on our pre-employment, apprenticeships, Train to Gain programmes, and tuition fees compared with 2008/09.

The summarised figures are:

Income and Expenditure for the Year (including exceptional items)	2009/10 £000s	2008/09 £000s
Income	23,678	21,550
Expenditure	(22,694)	(23,094)
Exceptional Property Strategy Income/(Expenditure)	3,366	(2,146)
Loss on Disposal of Asset	(19)	-
<b>Surplus/(Deficit)</b>	<b>4,331</b>	<b>(3,690)</b>
<b>Balance Sheet as at 31 July 2010</b>		
	2010 £000s	2009 £000s
Fixed Assets	16,012	16,652
Net Current Liabilities	(331)	(5,442)
Long Term Liabilities and Provisions	(3,169)	(1,636)
Net Assets (before pension liabilities)	12,512	9,574
Net Pension Liability	(7,859)	(8,343)
Net Assets (including pension liabilities)	<b>4,653</b>	<b>1,231</b>
Reserves and Deferred Capital Grants	<b>4,653</b>	<b>1,231</b>

## Operating and Financial Review (Annual Report)

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2010.

#### Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Brighton College of Technology. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

#### Corporation Name

The Corporation was incorporated as Brighton College of Technology. On the 1 September 2001, the Secretary of State granted consent to the Corporation to change its name to City College Brighton and Hove. The Corporation believes that the present name better represents the broader activities of the College in the wider community.

#### Mission

Governors reviewed the College's mission when approving the 2009/14 strategic plan and adopted a revised mission statement as follows:

“To be an outstanding and responsive College at the heart of learning in Brighton & Hove”

#### Core Values

Our core values express what the College stands for and how we will conduct ourselves as an organisation. The College's seven core values which have been developed with our students, staff and Governors are:

- We place LEARNING and supporting students at the heart of everything we do;
- We create OPPORTUNITIES TO ACHIEVE;
- We applaud CREATIVITY, INNOVATION AND RESPONSIVENESS;
- We celebrate differences and RESPECT individuals;
- We believe we will achieve HIGH STANDARDS;
- We take COLLECTIVE RESPONSIBILITY for achieving our success;
- We are a place where people ENJOY ACHIEVING together.

#### Our Governors

We have 19 unpaid governors, who are leaders in the local business world, council members and community, staff and student representatives. Together, they are responsible for the College's educational character and mission, policy and resources, strategic direction and senior appointments.

They meet six times a year as a Corporation, which is served by a structure of committees. Details of who the governors are, which committees they are on and their terms of office can be found on page 18.

The College's specific objectives for 2009/10 and achievement of those objectives are addressed overleaf;

### Quality of Teaching and Learning:

The Ofsted annual monitoring visit in June 2010 considered that there had been significant progress in further developing self-assessment and quality improvement in order to raise standards. They noted that the College has established a very effective system for monitoring the progress against team targets. They also judged that overall, progress in quality assurance and quality improvement had been significant.

The College continued to improve success rates during 2009/10 with overall success rates rising to 83% from 79% in 2008/09 putting the College results above national benchmarks for the second time. Success is defined as the number of students that achieved a qualification as a percentage of the number of students that started the course.

### Strategic Plan:

The College's new 2009-14 Strategic Plan was officially launched in the spring of 2010.

### Financial Improvement Plan:

During the year the College up-dated its financial improvement plan twice to demonstrate the progress it was making in improving the financial performance of the College. The improvement plan included a three year Financial Plan identifying the steps being taken by the College over this period to generate reasonable surpluses and to strengthen the College's financial health and marking the progress being made to-date against the identified key issues.

### New Provision development:

The College has continued to make further investment in the development of new provision in response to changing funding streams during 2009-10. This included more annual growth in its 14-16 provision and additional growth in its Train2Gain programme as well as growth in its apprenticeship programmes. The College also started running pre-employment training programmes during 2009-10. Train2Gain funding grew by £220,000 during the year, apprenticeships by £183,000 and the College's recurrent grant grew by £935,000 which included its new pre-employment training programmes.

### Campus redevelopment:

Whilst considerable time and effort was devoted to the College's Capital project this key objective was not achieved due to the sudden decision by the LSC to withdraw the funding.

### Performance:

The College is funded according to the level of activity that it generates each year. In 2009/10 the College had 4,421 (4,175) Standard Learner Numbers (SLN) which was 2.44% above the funded target for 2009/10 4,316 (4,211). This equates to 5,740 (5,931) learners, a reduction of 191 or 3.22% since 2008/09. The College has placed high priority on improving retention, achievement and success rates and we are delighted that continued improvement in these rates have been achieved again in 2009/10 (see below).

#### YPLA (LSC)/SFA funded student numbers - actual and target:

- **16-18** 1,802 (target 1,660) - 2008/09 1,591 (target 1,481);
- **19+** 3,938 (target 4,116) - 2008/09 4,340 (target 3,649);
- **Retention**, a rate of 92% has been achieved - 2008/09 - 90%;
- **Achievement**, a rate of 90% was achieved - 2008/09 - 87% (defined as the number of students that achieved a course as a percentage of the students that completed the course);
- The College achieved a student success rate of 83% (2008/09 79%) with Level 1, 2 and 3 Long qualifications being above national averages.

**Increased funding in Employer Engagement:**

- Apprenticeships £1.00m (2008/09 £0.86m);
- Train to Gain £0.56m (2008/09 £0.34m).

**Recruit and retain Higher Education students - actual and (target):**

- Full-time 341 (target 381) - 2008/09 331 (target 370);
- Part-time 92 (target 72) - 2008/09 120 (target 118).

**Adult Education:**

- The College supported 1,413 learners (2008/09 1,927) and achieved its Personal and Community Development Learning (PCDL) funding target.

**Staffing:**

We appreciate that our staff are our most important resource. Each year we invest a significant share of our budget on development and training for our staff, ranging from on the job training to formal Teacher Education. During 2009/10 we continued to increase our investment in staffing in a number of growth areas, in particular our employer responsive provision and pre-employment training. In addition, the Corporation decided to protect funding as much as possible being invested in front line teaching and learning by continuing its programme of increasing the number of staff on permanent as opposed to sessional contracts. In previous years the College's balance in terms of staffing was more heavily weighted towards sessional contracts. The College's view is that additional rationalisation will further improve the quality of teaching and also reduce bureaucracy in the long term but is subject to affordability.

**Financial Strategy: - Financial Improvement Plan update**

The original financial improvement plan detailed how City College Brighton and Hove intended to continue to improve from a position of financial weakness in 2008/09 to a position of strength. The plan was designed to enable the College to continue to support teaching and learning and support the delivery of a revised accommodation strategy. The plan analysed where the College anticipated it would be financially at the end of July 2010 and it identified a number of objectives and strategies to continue to improve the financial management and accounting and to ensure the optimum level of resources and staffing is in place to deliver the College's strategic objectives through to 2013.

Version one was produced in July 2009 to support the submission of the 3 year plan to the LSC. Version two was produced in March 2010 and recognises the 2008/09 outturn and the mid year review of 2009/10 financial position. This third version produced in the summer of 2010 reflected fully the exceptional capital grant financial support received from the LSC during 2009-10 and also reflected the conversion of the remaining £2m revolving credit facility into long-term financing. The latest version of the plan also reflects assumptions about the future use of the agreed £1.5m revolving credit facility (RCF). Version three included detailed budget assumptions regarding the 2010-11 budget recognising all agreed allocations advised by the both the Young People's Learning Agency (YPLA) and the Skills Funding Agency (SFA). It also tried to take into account early indications regarding the fiscal tightening advised by the coalition government to reduce the debt burden by reducing its public spending commitments it inherited from the previous government. The assumptions around this topic cover all three years of the plan as the fiscal squeeze is likely to be in place for the whole term of the new coalition government.

As mentioned above the College is developing a revised property strategy which will look at how the College will configure, maintain and improve its accommodation in the light of the current fiscal squeeze and the availability of grant funding to support building programmes in FE Colleges. The plan makes assumptions regarding investment in feasibility and design costs of up to £1m by 2013 but no construction costs. Financing of this early stage is assumed to come from available cash reserves and the use of the RCF up to the end of 2013.

Alongside this financial improvement plan the College will need to ensure that the costs involved in delivering the strategies outlined in the strategic plan are aligned to this plan.

Version 4 of the plan will be produced in the winter of 2010 and will reflect more accurately the detailed spending cuts announced in the emergency budget on the 22 June 2010 and the results of the comprehensive spending review recently published.

The plan also outlines the risks involved in achieving the financial improvement shown and also sets out a set of actions to implement the plan.

### Key Issues

The first two versions of the financial improvement plan took steps to address the financial weaknesses of the College and its overall financial health. The financial weakness was caused by:

- Incurring large abortive costs on the previous capital building programme.
- Running operating deficits in previous years as a result of investing in growth areas of the curriculum but also from poor financial management and controls.

### Update on Key Issues

1) Extensive discussions took place with the LSC in the autumn of 2009 and the spring of 2010 which resulted in the College receiving exceptional capital grant financial support to help address the serious depletion of the College's reserves caused by paying £4.6m for the aborted capital project. In February 2010 the LSC made a payment of £2.15m with a further £1.22m being received in March 2010 making a total of £3.37m. As a result of the exceptional capital grant financial support the 2008/09 accounts were submitted showing the receipt of this money as a key post Balance Sheet event and as a result the grant has been recorded as exceptional income in the 2009/10 accounts.

2) The 2009/10 original budget anticipated an overall deficit of £949k and an underlying deficit of £449k after allowing for reorganisation costs of £500k. The mid year forecast review identified an improved financial position for the College and as a result the anticipated operating deficit was reduced to £214k before exceptional items. However, the provision for reorganisation was increased because of the higher level of staff salary costs savings needed for 2010/11. The end of year position shows the College having a surplus before exceptional items.

3) In terms of key financial controls and budgetary control the College continues to show progress in relation to financial controls and budgetary controls. The 2010/11 budget setting process went well during the year and involved all managers and budget holders.

## Key Actions

The sections in this report detail a number of objectives and actions. At College level, these can be summarised into key activities in 2009/10 and 2010/11.

Progress towards these key actions:

### 2009/10

- Having finalised the College's five year strategic plan the College needed to ensure that the financial improvement plan would be reviewed and updated to remain consistent with the updated strategic objectives;

**Outcome** - The 2010/11 budget has been developed taking the strategic objectives outlined in the 5 year plan into consideration.

- A full review of the curriculum offered to support quality improvement informed by the completion of the strategic plan;

**Outcome** - The review was conducted and influenced the development of both curriculum plans signed-off recently by the College management team. Further iterations of the curriculum plan and the resources required to deliver will be carried out within the 2011/12 budget setting process.

- Develop a new property strategy to review the existing estate and ensure that the accommodation is suitably maintained and remains fit for purpose to enable the College to deliver the strategic plan;

**Outcome** - The College in association with the governors have started the process of producing a revised Property Strategy which will be further developed during 2010/11 and has influenced the three years of this improvement plan.

## Accommodation, Property and Resources

As previously discussed the College has started the process to develop a new long-term property strategy to replace the previous scheme that was cancelled due to the lack of grant funding available to support the redevelopment.

The College continues to maintain and refurbish its current estate. The two major outstanding issues are;

- The lack of tenure at Wilson Avenue which is currently subject to final negotiations over terms with the City Council in exchange for a long term lease of the Connaught Centre.
- The affordability of implementing any revised accommodation strategy subject to funding availability and/or grant support in a climate of fiscal tightening and budget contraction.

## Financial Planning

A financial forecast for 2010/11 to 2012/13 was created to support version three of the Financial Improvement Plan. Year one of the plan 2010/11 was heavily influenced by the final allocations received from the YPLA/SFA 16-19, Adult and Employer funding as well as some assumptions regarding fiscal tightening. The plan expects that the College will achieve an operating surplus in 2010/11 of £0.4m before exceptional items, followed by a surplus in 2011/12 of £1.0m and £1.1m in 2012/13.

## Risk and Sensitivity

A number of risks are identified in this report. The six most sensitive are regarded as:

Failure to deliver the planned income and expenditure in each year;

Failure to restore a strong Balance Sheet and maintain adequate liquidity;

Unprecedented reductions planned in public sector spending by the new coalition government in order to reduce government borrowing;

Inability to afford the required investment in order to deliver the strategic objectives;

Failure to successfully reintroduce robust financial controls;

Inability to afford the required investment in order to deliver the strategic objectives.

Target (09/10)	Final 08/09	Final 09/10	Target 10/11
1. Maintain a general reserve of a minimum of 10% of income (before taking into account the deficit on the Local Government Pension Fund - Note 25)	1%	15%	16%
2. Maintain a minimum cash balance of 20 cash days	15 days	18 days	12 days
3. Maintain borrowing at less than 20% of income	21%	10%	14%
4. Maintain a current ratio greater than 1.0	0.24	0.88	0.7
5. Achieve underlying break even for year ended July 2010	£1.25m Deficit	£0.64m Surplus	£0.21m Surplus
6. Non Grant income 28% of total	27%	29%	35%

The targets for 2010/11 have been set to be consistent with the second year of the three year Financial Improvement Plan.

## Finances

The College generated an operating surplus in the year of £4,331,000. As stated on page 5 of the Executive Summary it should be noted that the underlying operating surplus was £639,000.

The challenge for the current year (2010/11) is to achieve an operating surplus at or above the budget set of £214,000 and to continue to put management action in place to achieve continued surpluses in future years. The Financial Improvement is well into its implementation stage now and it clearly sets out the actions being taken to improve the overall financial strength of the College.

The College has an unsecured loan facility with Allied Irish Bank to finance previous major building projects. The balance outstanding as at 31 July 2010 was £343,000. The College also has an unsecured loan facility with Barclays Bank to finance the previous revolving credit facility the College had as a result of the failed capital programme. The balance outstanding as at 31 July 2010 was £1,950,000. The College also has an agreed revolving credit facility with Barclays of £1,500,000 (undrawn) which will be available until July 2012 to support any initial agreed re-development costs.

The College had accumulated general reserves of £3,625,000 before pension liabilities and had cash balances of £1,049,000 on 31 July 2010.

Debtors reduced by £109,000, from £1,378,000 to £1,269,000, as at 31 July 2010.

Creditors have reduced by £4,441,000, from £7,125,000 to £2,684,000, as at 31 July 2010. This is mainly due to repayment of part of the previous years £4,000,000 Revolving Credit Facility provided by Barclays Bank to finance the fees payable in respect of the aborted capital project, with the balance being converted into an unsecured loan of £2,000,000 with £1,950,000 outstanding as at 31 July 2010.

The net pension liability reflected as at 31 July 2010 stands at £7,859,000, a reduction of £484,000 compared to 31 July 2009 (see note 25).

### **Planned Maintenance Programme**

The cost of our planned maintenance programme between 2010/11 to 2015/16 is estimated to be £4,370,000, resulting in an average annual charge of £630,000. The programme was developed following a survey of the College's estate, which was carried out during 2004/05. This will be reviewed in light of available funds.

### **Treasury Management**

The College has a Treasury Policy which is reviewed on an annual basis. No transactions took place outside the scope of the policy. The College invests surplus funds on a daily basis in accordance with the requirements of the Trustee Act 2002. A revolving Credit Facility of up to £1,500,000 is in place, to support fee expenditure on any future capital redevelopment project. At the balance sheet date, the full £1,500,000 facility was unutilised. A long term loan facility of £1,950,000 has also been agreed with Barclays Bank during the year replacing the previous Revolving Credit Facility of £4,000,000.

The College had an average of 18 cash days during 2009/10 and interest on investments of £9,000.

### **Health and Safety**

The College has a Health Safety and Welfare Policy document which, together with associated policies, procedures and guidance, establishes the responsibilities which the Corporation has towards its employees and others who use College premises or services. The objective is to achieve the elimination or adequate control of any hazards associated with its activities and to confirm the arrangements for the maintenance of adequate welfare facilities.

The policy and associated procedures are reviewed on a continuing basis, by departmental and College wide Health and Safety Committees and monitored by Corporation. It is embedded in the risk management, business continuity and insurance processes.

### **Sustainability**

The College is committed to a sustainable environment, embedding environmental issues into the learning process and partnerships with key stakeholders. We also strive to ensure the efficient current use of resources, incorporating sustainability into future estate planning and engaging with important initiatives, such as fair trade.

### **Future Developments**

The College is currently reviewing its Estates Master Plan and is also having exploratory discussions with potential developers over a possible joint venture project to re-develop its Pelham Street Campus.

As previously mentioned discussions over a 30 year lease for the Wilson Avenue site in exchange for a 30 year lease on the Connaught Centre with the City Council are at an advanced stage.

The College will need to update its property strategy in light of these decisions.

## Resources

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

Tangible resources include the current College campus, which consists of the Pelham Street campus, our City College East campus at Wilson Avenue which will soon be on a long term lease from the City Council, the Connaught campus, and the Preston Road Annexe. In total, we have 33,630 m<sup>2</sup> of buildings at the 31 July 2010. However, these are in variable condition. The College continues to review and update its planned maintenance programme to address urgent maintenance issues and will look at affordable solutions to improve the quality of the Estate wherever possible.

**Financial:** The College has £4,653,000 of net assets (including £7,859,000 pension liability) and long term debt of £2,433,000.

**People:** The College employs 894 people.

**Reputation:** The College has continued to grow its reputation both locally and nationally. Maintaining a quality reputation is essential for the College's success in attracting students and in its external relationships and this has become the key focus and is now embedded in the College's mission and core values.

## Principal Risks and Uncertainties

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

Based on the strategic plan, the College undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which help mitigate 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 College also considers any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register and risk management plan are maintained at each Committee level and at the College level. This is reviewed by governors at each Committee meeting, and the whole risk documentation by Audit Committee once a term. Corporation reviews risk annually. 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. A new addition for 2009/10 was the adding of a mitigating weighting to assess whether the mitigating actions identified to minimise the risk have had any impact on the risk likelihood.

Outlined below is a description of the principle 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. These are reported separately as part of the Audit Committee's annual report to the Corporation.

## Condition of Estate

Following the LSC decision to abort the campus redevelopment project the College urgently needs to update its property strategy and review the current condition of the Estate. The level of planned maintenance continues to be reviewed to ensure that the Estate is safe to use whilst seeking affordable solutions to secure a fit for purpose and high quality learning environment for its students and staff.

## Government funding

The College has considerable reliance on continued government funding through the various government agencies. In 2009/10, 71% of the College's revenue was publicly funded and this level of requirement is broadly expected to continue. The formation of the coalition government and its fiscal policies regarding future government debt will be a real challenge for the College. It is clear that public funding for Further and Higher Education will not continue at the same levels or on the same terms. The current and forecast medium term economic climate will almost certainly lead to more pressure on public funds. Once the detail behind the Comprehensive Spending Review is known the future landscape for the next four years will be clearer.

One issue which will impact on the College in the immediate future will be the removal of Education Maintenance Allowances for under 19 year olds. Currently the College has over 900 learners who receive this award. The College may have to consider creating a hardship fund to support young learners with travel to College if these plans are enacted through law during 2010/11.

The "Machinery of Government" changes that came into force in April 2010 which saw the LSC dissolved and replaced with successor agencies such as the Young Persons Learning Agency and the Skills Funding Agency created potential funding risks to the College.

These risks are mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- By ensuring the College is rigorous in delivering high quality education and training;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding;
- Regular dialogue with the local representatives of the YPLA and Skills Funding Agency and the Local Education Authority.

## Stakeholder Relationships

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

- Students and Staff
- Funding Councils;
- Government Offices/ Regional Development Agencies;
- Local employers (with specific links);
- Local Authorities;
- Schools and the local community;
- Other Further Education institutions;
- Trade unions;
- Professional bodies;
- International partners.

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

### Post-Balance Sheet Events

There were no post balance sheet events requiring disclosure in the Financial Statements.

### Staff and Student Involvement

The College believes good communication with staff and students to be very important. There is an effective communication strategy, which includes staff meetings, a regular monthly staff newsletter as well as team briefings. Formal representation of staff is through the recognised trade unions and through the employee forum. In addition, staff are able to elect two staff Governors. There is also a regular student newsletter, two student representatives on the Governing Body and course representatives for each curriculum area. Each year students are invited to give feedback to the College through enrolment, induction and learner satisfaction surveys and 'You said, We did' student survey and poster campaign.

### Equality, Diversity and Race Relations

The College recruits students and staff from a wide range of backgrounds, experiences and personal attributes. The College is committed to ensuring participation in education and employment from the widest community. Our Equality, Diversity and Race Relations Policy means we will:

- work to create an environment where students feel safe, respected and listened to, regardless of their backgrounds or personal attributes;
- recognise and celebrate individual differences;
- prevent and directly challenge any discrimination or unfair treatment;
- identify areas of inequality of opportunity and put in place actions to address them.

This commitment is demonstrated through the provision of appropriate support services, clear policies on behaviour, anti-bullying and the rights and responsibilities of students. All students and staff receive input through induction or the tutorial programme on the importance of respecting difference and understanding of equality of opportunity. In addition, the College holds various cross College events which are open to all and which provide the opportunity to celebrate the success of our wide range of students.

Our Equality, Diversity and Race Relations Policy is published on the College's Internet site. During the year the College started a consultation on a new single equality scheme which is due to be approved at Corporation in December 2010. The College collects at regular intervals, data on the performance of students and staff according to key criteria. This data feeds into the College Equality and Diversity Action plan and also the College quality procedures such as the Self Assessment Review. The implementation of the policy and monitoring of progress of the action plan is the responsibility of the Equality and Diversity Committee which meets at least termly and is chaired by the Principal.

### Employment of Disabled Persons

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.

## Disability Statement

The College is committed to meeting the spirit, not just the letter, of the Disability Equality Duty (2006) and the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005. The College's commitment is reflected in the Learner Charter and Equality and Diversity Policy. The following facilities and support are available:

- Reasonable adjustments and appropriate support services to students with an identified support need;
- Specialist Learning Support services include literacy and numeracy support, support for learners with dyslexia and support for learners with disabilities. These are delivered by the College's own well-qualified and experienced specialist staff. Additional specialist expertise is brought in from external agencies where necessary;
- Specialist courses for students with learning difficulties;
- Specialist software and equipment is available on loan and for use in the Learning Resource Centre.

Other support and expertise is available through our links with external services. Arrangements for taking examinations and assessments will be made within the awarding bodies' guidelines about the level and type of support that can be given in particular circumstances and appropriate arrangements made for students who have been assessed as needing consideration.

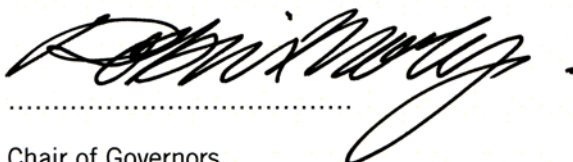
As part of our admissions and induction procedures, we will assess requirements for additional support, specialist equipment or other adjustments and will make every effort to supply it directly or to refer learners to alternatives. Arrangements for additional support are regularly reviewed as part of the College's self-assessment process and support activities are monitored and described in an annual report.

Equality of access and treatment is a guiding principle behind the Complaints and Appeals Procedure. Learners' rights and the standards we apply to all our activities are detailed in the Student Charter and summarised in the Student Handbook. The formal complaints process contains clear instructions on how to appeal against any decision.

## Disclosure of information to auditor

The members who held office at the date of approval of this report confirm that, so far as they are aware, they have taken reasonable steps to ensure that relevant information has been disclosed to the auditor. Detailed internal control statements are set out on Pages 20 to 22 and further disclosure can be found in the statement of members responsibilities on Page 23.

Approved by order of the members of the Corporation on 15 December 2010 and signed on its behalf by:



Chair of Governors  
15 December 2010

## Professional Advisors

### External Auditor

Baker Tilly UK Audit LLP  
Preece House  
Davigdor Road  
HOVE  
BN3 1RE

### Internal Auditor

RSM Tenon  
Unit 1  
Manor Court  
Barnes Wallis Road  
FAREHAM  
Hampshire  
PO15 5TH

### Bankers

Barclays Bank plc  
PO Box 358  
BRIGHTON  
BN1 1SF

AIB Group (UK) plc  
20 Marlborough Place  
BRIGHTON  
BN1 1UB

Nat West Bank plc  
London Road  
BRIGHTON  
BN1 4LW

Bank of Scotland  
Pentland House  
8 Lochside Avenue  
Edinburgh Park South Gyle  
EDINBURGH

Santander UK plc  
3 City Place  
Beehive Ring Road  
GATWICK  
West Sussex  
RH6 0PA

### Solicitors

Thomas Eggar  
Belmont House  
Station Way  
CRAWLEY  
West Sussex  
RH10 1JA

### Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2010.

## The Corporation

The Members who served on the Corporation during the College year 2009 - 2010 and up to the date of signature of this report ('wef' stands for 'with effect from'):

Name	Date of Appointment	Date of Re-appointment	Term of Office	Date of Resignation	Status of Membership	Committee Structure wef 1-April-2009
Mr. H Brown <b>Vice Chair of Corporation</b>	25-Sep-2007	---	3-4 years	---	Member	Chair, Capital Dev to 25.11.09, Vice-Chair Audit
Mr. J Carroll	03-Nov-2009	---	Student year(s)	31-July-2010	Student	Quality wef 25.11.09
Ms G Cunliffe	11-Dec-2006	25-Nov-2009	3 years	---	Member	Quality, Capital Dev to 25.11.09, Search-sub wef 25.11.09
Ms W Dearing	01-Oct-2009	---	3-4 years	---	Member	Quality & Resources wef 25.11.09
Ms F Duncan	01-Apr-2010				Member	
Ms J Felkin	19-Mar-2008	---	3-4 years	---	Member	Quality, Search-sub
Mr. P Frier	15-Aug-2007	n/a	Tenure of Office	---	Principal	Resources, Quality ex officio, Search-sub, Capital Dev to 25.11.09
Mr. M. Garcia-Gomez	25-May-2010		Student year(s)		Student	Quality wef 25.05.10
Mr. K Green	11-Dec-2006	---	3 years	25-Nov-2009	Staff (Teaching)	Resources, Quality
Ms P Hawkes MBE	27-Jan-2004	28-Nov-2007	3-4 years	---	Member	Vice-Chair Quality, Audit
Mr. J Healy	18-Mar-2008	---	3-4 years	---	Member	Capital Dev to 25.11.09, Resources, Remuneration-sub
Mr. P Hofman	28-Nov-2000	26-Nov-2003 11-Dec-2006 25-Nov-2009	3 years	---	Member	Chair Audit
Mr. P Hopwood	08-Jan-2007	---	3-4 years	---	Member	Chair Resources, Remuneration-sub
Ms P Hudd	01-Apr-2010				Member	
Dr. A Kelly	25-Nov-2009	---	3 years	---	Staff (Teaching)	Quality wef 25.11.09
Mr. S McLaughlin	1-Aug-2008	---	3-4 years	21-Sept-2009	Member	Quality
Mr. A Mernagh	01-Oct-2009	---	3-4 years	---	Member	Audit wef 23.3.10
Mr. R Morley <b>Chair of Corporation</b> (from 26-Nov-2008)	13-Dec-2005	26-Nov-2008	3 years	---	Member	Chair Quality, Chair Remuneration-sub, Chair Search-sub, Resources
Ms S Ogden	01-Oct-2009	---	3-4 years	---	Member	Resources wef 25.11.09
Ms C Philcox	24-Jan-2007	---	3-4 years	---	Member	Quality
Mr. C Renfrew	13-May-2009	---	Student year(s)	25-May-2010	Student	Quality wef 25.11.09
Mr. A Richardson	22-Jun-2004	28-Nov-2007	3-4 years	---	Staff (Support)	Resources, Capital Dev to 25.11.09
Mr. M Sohna	29-Aug-2002	1-Dec-2005 26-Nov-2008	3 years	---	Member	Resources, Quality
Mr. P Stocker	21-Jul-2004	28-Nov-2007	3-4 years	30-Sep-2009	Member	Vice-Chair Capital Dev, Audit, Quality, Search-sub

Mr. P White (to 31.8.10) and Ms M Drayson (from 6.9.10) were Clerks to the Corporation

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 twice each term.

The Corporation conducts its business through a number of committees: Audit, Capital Development, Resources with Remuneration Sub-Committee and Quality with Search Sub-Committee. Each committee has a Terms of Reference, which has been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

City College Brighton and Hove  
Pelham Street  
Brighton  
East Sussex  
BN1 4FA

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, consisting of four 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.

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

### **Remuneration Committee**

Throughout the year ending 31 July 2010, the Corporations' Remuneration Sub-Committee comprised three 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 2010 are set out in notes 6 and 7 to the financial statements.

## **Audit Committee**

The Audit Committee comprised four members of the Corporation and one co-optee. The Committee operates in accordance with written terms of reference approved by the Corporation. Its quorum is two. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

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

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan based on audit risk and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow up reviews to ensure that 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 City College Brighton and Hove and the LSC and successor 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 City College Brighton and Hove for the year ended 31 July 2010 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 period ending 31 July 2010 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;
- The adoption of formal project management disciplines, where appropriate.

City College Brighton and Hove has an internal audit service, which operates in accordance with the requirements of the Funding Bodies 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. The Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College at least annually. 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 auditor and the regularity auditors in their management letters and other reports.

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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within departments and reinforced by risk awareness training. The senior leadership 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.

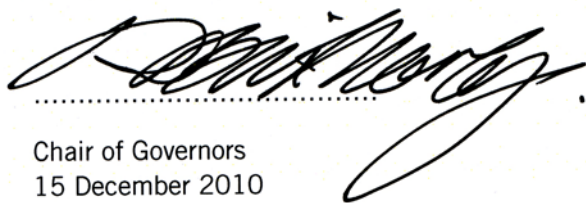
The Corporation's agenda includes a regular item for consideration of risk and control and receives reports, thereon, from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 20 July 2010 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2010 by considering documentation from the senior management team and taking account of events during the year.

The full annual Audit Report for 2009/10 together with the up-dated Audit Plan for the coming three years will be presented to the Corporation at its meeting on 15 December 2010.

**Going Concern**

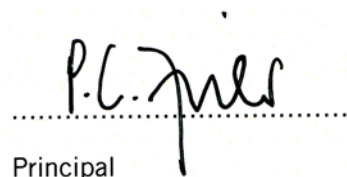
After making appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 15 December 2010 and signed on its behalf by:



.....

Chair of Governors  
15 December 2010



.....

Principal  
15 December 2010

## 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 agreed between the LSC 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 by the Learning and Skills Council, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

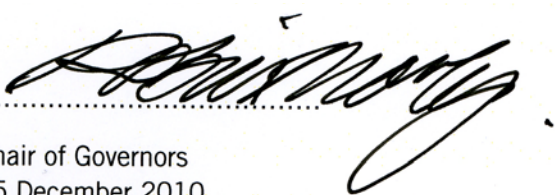
The Corporation is also required to prepare an Operating and Financial Review, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC and successor bodies may 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 by the LSC and successor bodies are not put at risk.

Approved by order of the members of the Corporation on 15 December 2010 and signed on its behalf by:



Chair of Governors  
15 December 2010

## **Independent Auditor's Report to the Members of the Corporation of City College Brighton and Hove**

We have audited the financial statements on pages 26 to 51.

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

### **Respective Responsibilities of the Members of the Corporation of City College Brighton and Hove and Auditors**

The Colleges Corporation's responsibilities for preparing the Operating and Financial Review and the Statement of Corporate Governance and Internal Control and financial statements in accordance with the 2009/10 Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency, the Statement of Recommended Practice – Accounting for Further and Higher Education 2007, applicable law, and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Statement of Recommended Practice - Accounting for Further and Higher Education 2007. We also report to you if, in our opinion, the Operating and Financial Review and the Statement of Corporate Governance and Internal Control are not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Statement of Corporate Governance and Internal Control and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of Audit Opinion

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

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

### Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2010 and of the College's surplus of income over expenditure for the year then ended; and
- The financial statements have been properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Skills Funding Agency and the Young People's Learning Agency and the Statement of Recommended Practice - Accounting for Further and Higher Education 2007.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP

Statutory Auditor  
Chartered Accountants  
Preece House  
Davigdor Road  
HOVE  
East Sussex  
BN3 1RE

*20 December 2010*

Date

## City College Brighton and Hove

### Income and Expenditure Account for the Year ended 31 July 2010

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
<b>Income</b>			
Funding body grants	2	16,874	15,337
Tuition fees and education contracts	3	5,247	4,809
Other income	4	1,548	1,371
Investment income	5	9	33
<b>Total income</b>		<b>23,678</b>	<b>21,550</b>
<b>Expenditure</b>			
Staff costs	6	15,277	14,253
Exceptional restructuring costs	6	637	198
FRS17 Pensions - past service credit	6	(1,511)	-
Other operating expenses	8	6,500	7,008
Depreciation	11	1,282	1,298
Interest payable and other finance costs	9	509	337
<b>Total expenditure</b>		<b>22,694</b>	<b>23,094</b>
Surplus / (Deficit) on continuing operations prior to income / costs relating to the property strategy		<b>984</b>	<b>(1,544)</b>
Property strategy income / (costs)		<b>3,366</b>	<b>(2,146)</b>
Surplus / (Deficit) on continuing operations after depreciation of assets at valuation and before exceptional items and tax		4,350	(3,690)
Loss on disposal of assets		(19)	-
Surplus / (Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		4,331	(3,690)
Taxation	10	-	-
<b>Surplus / (Deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax</b>		<b>4,331</b>	<b>(3,690)</b>
<b>Surplus / (Deficit) for the year retained within general reserves</b>		<b>4,331</b>	<b>(3,690)</b>

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

## City College Brighton and Hove Statement of Historical Cost Surpluses and Deficits for the Year ended 31 July 2010

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
Surplus / (Deficit) on continuing operations before taxation		4,331	(3,690)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19	169	169
<b>Historical cost surplus / (deficit) for the period before taxation</b>		<b>4,500</b>	<b>(3,521)</b>
<b>Historical cost surplus / (deficit) for the period after taxation</b>		<b>4,500</b>	<b>(3,521)</b>

## Statement of the Total Recognised Gains and Losses for the Year ended 31 July 2010

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
Surplus / (Deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax		4,331	(3,690)
Actuarial loss in respect of pension scheme	25	(498)	(3,613)
<b>Total recognised gains / (losses) relating to the year</b>		<b>3,833</b>	<b>(7,303)</b>
<b>Reconciliation</b>			
Opening reserves		(3,117)	4,186
Total recognised gain / (loss) for the year		3,833	(7,303)
<b>Closing reserves</b>		<b>716</b>	<b>(3,117)</b>

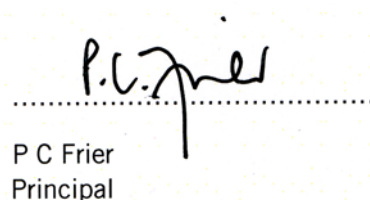
## City College Brighton and Hove

### Balance Sheet as at 31 July 2010

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	11	16,012 <b>16,012</b>	16,652 <b>16,652</b>
<b>Current assets</b>			
Stock		35	29
Debtors	12	1,269	1,378
Cash at bank and in hand		1,049	276
		<b>2,353</b>	<b>1,683</b>
<b>Creditors: amounts falling due within one year</b>	13	(2,684)	(7,125)
		<b>(331)</b>	<b>(5,442)</b>
<b>Net current liabilities</b>		<b>(331)</b>	<b>(5,442)</b>
<b>Total assets less current liabilities</b>		<b>15,681</b>	<b>11,210</b>
<b>Creditors: amounts falling due after more than one year</b>	14	(2,433)	(850)
<b>Provisions for liabilities and charges</b>	16	(736)	(786)
<b>Net assets excluding pension liability</b>		<b>12,512</b>	<b>9,574</b>
Net pension liability	25	(7,859)	(8,343)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>4,653</b>	<b>1,231</b>
<b>Deferred capital grants</b>	17	3,937	4,348
Income and expenditure account excluding pension deficit		3,625	107
Pension deficit	25	(7,859)	(8,343)
Income and expenditure account including pension deficit	19	(4,234)	(8,236)
Revaluation reserve	18	4,950	5,119
<b>Total reserves</b>		716	(3,117)
<b>TOTAL</b>		<b>4,653</b>	<b>1,231</b>

The financial statements on pages 26 to 51 were approved by the Corporation and authorised for issue on 15 December 2010 and were signed on its behalf by:

  
 R Morley  
 Chair of Governors

  
 P C Frier  
 Principal

## City College Brighton and Hove

### Cash Flow Statement for the Year ended 31 July 2010

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
<b>Cash inflow / (outflow) from operating activities</b>	20	3,557	(2,812)
Returns on investments and servicing of finance	21	(94)	(37)
Capital expenditure and financial investment	22	(611)	(562)
<b>Cash inflow / (outflow) before use of liquid resources and financing</b>		<b>2,852</b>	<b>(3,411)</b>
Financing	24	(2,079)	3,558
<b>Increase in cash in the period</b>	24	<b>773</b>	<b>147</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the period		773	147
Cash inflow from new unsecured loan	23	(1,950)	(4,000)
Cash outflow from unsecured loan	23	4,029	442
<b>Movement in net debt in period</b>		<b>2,852</b>	<b>(3,411)</b>
Net debt at 1 August		(4,096)	(685)
<b>Net debt at 31 July</b>		<b>(1,244)</b>	<b>(4,096)</b>

## Notes to the Financial Statements for the Period from 1 August 2009 to 31 July 2010

### 1. Statement of Accounting Policies

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

#### Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and applicable Accounting Standards with the exception of the true and fair override exercised in connection with the disclosure of property strategy costs as explained further in the following paragraph. They also conform to guidance published by the LSC in the Accounts Direction Handbook 2009/10, which incorporates the required disclosure of the property strategy costs giving rise to the true and fair override.

The College continues to adopt the going concern basis in preparing the financial statements. The Members of the Corporation are satisfied that the College has adequate resources to continue in operational existence for the foreseeable future.

All financial statements are made up to 31 July 2010. Comparatives shown are from the College's accounts for the year ended 31 July 2009.

#### True and Fair Override

These financial statements have been prepared including a departure from the requirements of the Financial Reporting Standard 3 (FRS 3) - *Reporting Financial Performance* and the reporting of exceptional items in connection with the separate disclosure of items in relation to the College's Property Strategy on the face of the Income and Expenditure Account in accordance with the requirements of the Accounts Direction Handbook published by the LSC. This departure has been necessary in order for the financial statements to give a true and fair view, as it more fairly presents the accumulated impact of the material items associated with the property strategy.

FRS 3 requires that as exceptional items the property strategy items are part of the normal activities of the College and therefore should be included under the normal Income and Expenditure Account headings, as set out by the SORP, to which they relate in arriving at the deficit on continuing operations after depreciation of assets at valuation and before exceptional items and tax.

In the Income and Expenditure Account on page 26, property strategy transactions have been shown separately below "Surplus / (Deficit) on continuing operations prior to costs relating to the property strategy" and before "Surplus / (Deficit) on continuing operations after depreciation of assets at valuation and before exceptional items and tax", as set out in the Accounts Direction Handbook. The comparatives have been presented on the same basis, where applicable.

#### Basis of Accounting

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

## Recognition of Income

LSC and successor bodies 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 Skills Funding Agency / LSC 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 Skills Funding Agency / LSC at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery with the Skills Funding Agency / LSC. 16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

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

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

Income from grants, contracts and other services rendered is included to the extent 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 East Sussex County Council Superannuation Fund (ESCCSF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, 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 Local Government Pension Scheme (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 a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the 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 Skills Funding Agency.

## Tangible Fixed Assets

### a 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 available. Building improvements and land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College in accordance with advice received from professional valuers.

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 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 the fixed asset may not be recoverable.

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

### Subsequent expenditure on existing fixed assets

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

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

New additions to buildings which meet the tests above are depreciated over their estimated useful economic life at 2% straight line per annum. In cases where the useful economic life of the original asset is not extended additions will be depreciated over the remaining economic life of the original asset, thus it may be depreciated at a rate greater than 2%.

### b Equipment

Equipment costing less than £1000 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 is depreciated over its useful economic life as follows:

Fixtures and fittings	10% straight line per annum (5% for major capital works)
Motor vehicles and general equipment	20% straight line per annum
Computer equipment	33% straight line 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 the income and expenditure account over the expected useful economic life of the related equipment.

All assets under the course of construction are recorded on the Balance Sheet as 'Assets in the Course of Construction'. Depreciation commences on practical completion of the asset.

### **Leased Assets**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **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.

### **Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

### **Taxation**

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

### **Liquid Resources**

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

### **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.

### **Discretionary Learner Support Fund**

The College acts as an agent in the collection and payment of Learner Support Funds, including the Level 3 (E) Fund pilot scheme. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 30, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employed three members of staff administering Learner Support Fund applications and payments. The College is also entitled to retain a proportion of the Level 3 (E) Fund grant received to cover the payroll costs of one member of staff who deals with this scheme.

## 2. Funding Body Grants

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Recurrent grant - LSC / SFA / YPLA	14,202	13,267
Work Based Learning	1,047	864
Releases of deferred capital grants	361	378
Local Initiative Funds	-	56
Centres for Vocational Excellence	6	62
Train to Gain	555	335
Other funds	703	375
<b>Total</b>	<b>16,874</b>	<b>15,337</b>

## 3. Tuition Fees and Education Contracts

UK Higher Education students	1,249	1,160
UK Further Education students	989	841
European Union (EU) (excluding UK) students	96	140
Non-EU students	323	350
<b>Total fees paid by or on behalf of individual students</b>	<b>2,657</b>	<b>2,491</b>
<b>Education contracts:</b>		
Higher education income	914	941
Other contracts	1,676	1,377
<b>Total</b>	<b>5,247</b>	<b>4,809</b>

Included within the above amounts are tuition fees funded by bursaries of £186,000 (2009; £171,000)

## 4. Other Income

Other grant income	250	130
Releases from deferred capital grants (non Funding Body)	100	90
Other income	1,198	1,151
<b>Total</b>	<b>1,548</b>	<b>1,371</b>

## 5. Investment Income

Other interest receivable	9	33
<b>Total</b>	<b>9</b>	<b>33</b>

## 6. Staff Costs

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

	Year ended 31 July 2010	Year ended 31 July 2009
	Number	Number
Teaching	211	203
Non-Teaching	251	252
<b>Total</b>	<b>462</b>	<b>455</b>

### Staff costs for the above persons:

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Wages and salaries	12,703	12,052
Social security costs	887	842
Other pension costs (including FRS17 adjustments of £123,000, 2009: (£167,000))	1,687	1,359
<b>Sub Total</b>	<b>15,277</b>	<b>14,253</b>
Exceptional restructuring costs	637	198
FRS17 Pensions - past service cost (credit)*	(1,511)	-
<b>Total</b>	<b>14,403</b>	<b>14,451</b>

\* £1,511 arose due to transfer from RPI to CPI in calculating adjustment

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	
	2010 No.	2009 No.	2010 No.	2009 No.
£60,001 to £70,000	1	-	3	4
£70,001 to £80,000	-	-	2	-
£80,001 to £90,000	-	-	4	4
£90,001 to £100,000	-	1	-	-
£100,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	1	-	-	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>9</b>	<b>8</b>

All staff received a pay award of 1.50% with effect from the 1 August 2009. This increase was approved by the Corporation prior to payment.

## 7. Senior Post-holders' Emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Corporation 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 Corporation.

	Number 2010	Number 2009
The number of senior post-holders including the Principal was:	2	2
Senior post-holders' emoluments are made up as follows:	<b>£</b>	<b>£</b>
Salaries	181,828	204,190
Benefits in kind	603	656
Pension contributions	27,695	31,474
<b>Total emoluments</b>	<b>210,126</b>	<b>236,320</b>

The above emoluments include amounts payable to a senior post holder who left the College on 31 March 2010 and the following amounts relating to the Principal (who is also the highest paid senior post-holder):

	Year ended 31 July 2010 £	Year ended 31 July 2009 £
Salary	125,000	120,330
Benefits in kind	603	656
	<b>125,603</b>	<b>120,986</b>
Pension contributions	17,625	16,967

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

### Compensation for loss of office paid to former senior post-holders or higher paid employees

	2010 £	2009 £
Compensation paid to employees earning total emoluments in excess of £60,000	265,500	114,271

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17. The severance payment was approved by the College's Remuneration Committee.

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.

**8. Other Operating Expenses**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Teaching	3,039	3,259
Non teaching costs	2,157	1,990
Premises costs	1,304	1,759
<b>Total</b>	<b>6,500</b>	<b>7,008</b>

**Other operating expenses include:**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Auditor's remuneration:		
financial statements and regularity audit	25	22
internal audit	29	31
Hire of other assets - operating leases	212	201

**9. Interest Payable**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	-	23
Repayable wholly or partly in more than 5 years	103	47
Pension finance costs (note 28)	406	267
<b>Total</b>	<b>509</b>	<b>337</b>

**10. Taxation**

The Governors are advised that the College was not liable for any corporation tax arising out of its activities during this period.

**11. Tangible Fixed Assets**

	<b>Freehold Land &amp; Buildings</b>	<b>Equipment</b>	<b>In course of construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>				
At 1 August 2009	20,068	9,695	-	29,763
Additions	58	530	73	661
Disposals	(21)	-	-	(21)
<b>At 31 July 2010</b>	<b>20,105</b>	<b>10,225</b>	<b>73</b>	<b>30,403</b>
<b>Depreciation</b>				
At 1 August 2009	5,067	8,044	-	13,111
Charge for year	631	651	-	1,282
Elimination in respect of disposals	(2)	-	-	(2)
<b>At 31 July 2010</b>	<b>5,696</b>	<b>8,695</b>	<b>-</b>	<b>14,391</b>
<b>Net book value</b>				
<b>At 31 July 2010</b>	<b>14,409</b>	<b>1,530</b>	<b>73</b>	<b>16,012</b>
<b>Net book value</b>				
<b>At 31 July 2009</b>	<b>15,001</b>	<b>1,651</b>	<b>-</b>	<b>16,652</b>

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at implementation have been retained.

Land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis.

Land and buildings with a net book value of £3,688,000 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 with the LSC, to surrender the proceeds.

The assets 'In Course of Construction' relates to the 14-16 Motor Vehicle Workshop at the City College East Campus.

**12. Debtors**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Amounts falling due within one year:		
Trade debtors	950	900
Prepayments and accrued income	168	218
Amounts owed by the Skills Funding Agency / YPLA (2009: LSC)	151	260
<b>Total</b>	<b>1,269</b>	<b>1,378</b>

**13. Creditors: Amounts Falling Due Within One Year**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Bank loans and overdrafts	231	4,029
Payments received in advance	700	487
Trade creditors	104	121
Other taxation and social security	449	400
Accruals	1,190	1,378
Amounts owed to the Skills Funding Agency / YPLA (2009: LSC)	10	710
<b>Total</b>	<b>2,684</b>	<b>7,125</b>

**14. Creditors: Amounts Falling Due After More Than One Year**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Bank loans	2,062	343
Other taxation*	371	507
<b>Total</b>	<b>2,433</b>	<b>850</b>

\* This is in respect of the remaining VAT liability ("LENNARTZ") relating to previous campus redevelopment - 09/10 includes £30K adjustment, in respect of the prior year.

## 15. Borrowings

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
<b>Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less or on demand	231	4,029
Between one and two years	233	31
Between two and five years	711	104
In five years or more	1,118	208
<b>Total</b>	<b>2,293</b>	<b>4,372</b>

The College currently has a £2m Fixed Term Loan Facility in place with Barclays Bank plc, at 1.5% above LIBOR, repayable at £50,000 per quarter.

The College also has an unutilised £1.5m Revolving Loan Facility in place with Barclays Bank plc. Non-utilisation fees apply and are payable at 0.50% on the un-drawn element of the facility. Utilised fees are payable at 1.35% above LIBOR.

## 16. Provisions for Liabilities and Charges

	Enhanced Pensions	Total
	£000	£000
At 1 August 2009	786	786
Expenditure in the period	(50)	(50)
<b>At 31 July 2010</b>	<b>736</b>	<b>736</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance from the LSC and its successor organisations.

The principal assumptions for this calculation are:

	2010	2009
Price Inflation	3.36%	3.02%
Discount Rate	0.80%	0.78%

**17. Deferred Capital Grants**

	<b>Funding Body £000</b>	<b>Other Grants £000</b>	<b>Total £000</b>
At 1 August 2009	4,079	269	4,348
Cash received	-	50	50
Released to income and expenditure account	(361)	(100)	(461)
<b>Total</b>	<b>3,718</b>	<b>219</b>	<b>3,937</b>

**18. Revaluation Reserve**

	<b>Year ended 31 July 2010 £000</b>	<b>Year ended 31 July 2009 £000</b>
At 1 August	5,119	5,288
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on re-valued assets	(169)	(169)
<b>At 31 July</b>	<b>4,950</b>	<b>5,119</b>

**19. Movement on General Reserves**

	<b>Year ended 31 July 2010 £000</b>	<b>Year ended 31 July 2009 £000</b>
<b>Income and Expenditure Account Reserve</b>		
At 1 August	(8,236)	(1,102)
Surplus / (Deficit) retained for the year	4,331	(3,690)
Transfer from revaluation reserve	169	169
Actuarial loss in respect of pension scheme	(498)	(3,613)
<b>At 31 July</b>	<b>(4,234)</b>	<b>(8,236)</b>
Balance represented by:		
Pension reserve	(7,859)	(8,343)
Income and expenditure reserve excluding pension reserve	3,625	107
<b>At 31 July</b>	<b>(4,234)</b>	<b>(8,236)</b>

## 20. Reconciliation of Operating Surplus / (Deficit) to Net Cash Inflow from Operating Activities

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Surplus / (Deficit) on continuing operations after depreciation of assets at valuation	4,331	(3,690)
Depreciation (notes 1 & 12)	1,282	1,298
Deferred capital grants released to income (notes 2 & 4)	(461)	(468)
Loss on disposal of tangible fixed assets	19	-
Interest payable (note 9)	103	70
Interest receivable (note 5)	(9)	(33)
Pension cost less contributions payable (notes 6, 9 & 28)	(1,388)	(167)
FRS 17 pension finance cost (note 9)	406	267
Increase in stocks	(6)	(3)
Decrease / (increase) in debtors	109	(218)
(Decrease) / increase in creditors	(779)	102
(Decrease) / increase in provisions	(50)	30
<b>Net cash (outflow) / inflow from operating activities</b>	<b>3,557</b>	<b>(2,812)</b>

## 21. Returns on Investments and Servicing of Finance

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Interest received	9	33
Interest paid	(103)	(70)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(94)</b>	<b>(37)</b>

## 22. Capital Expenditure and Financial Investment

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Purchase of tangible fixed assets	(661)	(842)
Deferred capital grants received	50	280
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(611)</b>	<b>(562)</b>

**23. Financing**

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Debt due within 1 year:		
Cash inflow from new unsecured loan	200	4,000
Debt due beyond a year:		
Cash inflow from new unsecured loan	1,750	-
Repayment of amounts borrowed	(4,029)	(442)
<b>Net cash inflow / (outflow) from financing</b>	<b>(2,079)</b>	<b>3,558</b>

**24. Analysis of Changes in Net Funds**

	At 31 July 2009	Cash flows	Other changes	At 31 July 2010
	£000	£000	£000	£000
Cash in hand, and at bank	276	773	-	1,049
	<b>276</b>	<b>773</b>	-	<b>1,049</b>
Debt due within 1 year	(4,029)	2,079	1,719	(231)
Debt due after 1 year	(343)	-	(1,719)	(2,062)
<b>Total</b>	<b>(4,096)</b>	<b>2,852</b>	-	<b>(1,244)</b>

## 25. Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers Pension Scheme England and Wales (TPS) for academic and related staff; and the East Sussex County Council Superannuation Fund (ESCCSF) for non-teaching staff, which is managed by Serco Solutions Limited. Both are defined benefit schemes.

### Total pension cost for the year

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Teachers Pension Scheme: Contributions paid	819	799
Local Government Pension Scheme:		
Contributions paid	747	650
FRS 17 charge	<u>123</u>	<u>(167)</u>
Charge to the Income and Expenditure account (staff costs)	870	483
Enhanced pension charge to the Income and Expenditure Account (staff costs)	(2)	77
<b>Total Pension Cost before Exceptional Past Service Cost</b>	<b>1,687</b>	<b>1,359</b>
Exceptional Past Service Cost	(1,511)	-
<b>Total Pension Cost for Year</b>	<b>176</b>	<b>1,359</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2007.

A review of the actuarial valuations and resultant pension costs was carried out by senior staff following analysis of the 2009/10 actuary report.

In June 2010, 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 has considered the LGPS scheme rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit in the Income & Expenditure account. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue a final Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change as a prior period adjustment in the financial statements for the following year.

## 25. Pension and similar obligations (continued)

### 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 four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31-Mar-04
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%

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 2008 to 31 July 2009 the employer contribution was 14.1%. 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 (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

### Local Government Pension Scheme - ESCCSF

The ESCCSF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2009 was £1,039,000, of which employer's contributions totalled £747,000 and employees' contributions totalled £292,000.

**25. Pension and similar obligations (continued)****Local Government Pension Scheme Rates**

Employer % 17.50%

Employee %

Band	Whole-time equivalent pay	Contribution rate
1	Up to £12,600	5.50%
2	More than £12,600 and up to £14,700	5.80%
3	More than £14,700 and up to £18,900	5.90%
4	More than £18,900 and up to £31,500	6.50%
5	More than £31,500 and up to £42,000	6.80%
6	More than £42,000 and up to £78,700	7.20%
7	More than £78,700	7.50%

**FRS 17****Principal Actuarial Assumptions**

	At 31 July 2010	At 31 July 2009
Rate of increase in salaries	4.90%	5.20%
Rate of increase for pensions in payment / inflation	2.90%	3.70%
Discount rate for liabilities	5.40%	6.00%
Commutation of pensions to lump sums (pre April 2008 service)	50%	50%
Commutation of pensions to lump sums (post April 2008 service)	75%	50%

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 2010	At 31 July 2009
Retiring today		
Males	20.80	19.60
Females	24.10	22.50
Retiring in 20 years		
Males	22.30	20.70
Females	25.70	23.60

**25. Pension and similar obligations (continued)****Local Government Pension Scheme (continued)**

The assets and liabilities in the scheme (of which the College's share is estimated to be 0.76%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010 £'000	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £'000
Equities	7.30%	10,362	7.30%	9,375
Bonds	4.80%	1,314	5.30%	1,218
Property	5.30%	1,314	5.30%	852
Cash	4.40%	1,605	4.30%	731
<b>Total market value of assets</b>		<b>14,595</b>		<b>12,176</b>
Present value of scheme liabilities				
- Funded		(22,295)		(20,370)
- Unfunded		(159)		(149)
<b>Deficit in the scheme</b>		<b>(7,859)</b>		<b>(8,343)</b>

**Analysis of the amount charged to income and expenditure account**

	2010 £'000	2009 £'000
Employer service cost (net of employee contributions)	740	568
Past service cost	(1,511)	-
<b>Total operating charge</b>	<b>(771)</b>	<b>568</b>

**Analysis of pension finance income / (costs)**

Expected return on pension scheme assets	846	878
Interest on pension liabilities	(1,252)	(1,145)
<b>Pension finance costs</b>	<b>(406)</b>	<b>(267)</b>

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

Actual gain / (loss) on pension scheme assets	1,023	(1,522)
Actual gain / (loss) on pension scheme liabilities	(1,521)	(2,091)
<b>Actuarial loss recognised in STRGL</b>	<b>(498)</b>	<b>(3,613)</b>

**25. Pension and similar obligations (continued)****Local Government Pension Scheme (continued)****Movement in deficit during year**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(8,343)	(4,630)
Movement in year:		
Employer service cost (net of employee contributions)	(740)	(568)
Employer contributions	784	726
Contributions in respect of unfunded benefits	9	9
Curtailments and settlements	(176)	-
Past service cost	1,511	-
Net interest/return on assets	(406)	(267)
Actuarial gain or loss	(498)	(3,613)
<b>Deficit in scheme at 31 July</b>	<b>(7,859)</b>	<b>(8,343)</b>

**Asset and Liability Reconciliation**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	20,519	16,912
Service cost	740	568
Interest cost	1,252	1,145
Employee contributions	282	265
Actuarial loss	1,517	2,088
Benefits paid	(512)	(450)
Unfunded benefits paid	(9)	(9)
Past Service cost	(1,511)	-
Curtailments and settlements	176	-
<b>Liabilities at end of period</b>	<b>22,454</b>	<b>20,519</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	12,176	12,282
Expected return on assets	846	878
Actuarial gain / (loss)	1,019	(1,525)
Employer contributions	784	726
Contributions in respect of unfunded benefits	9	9
Employee contributions	282	265
Benefits paid	(512)	(450)
Unfunded benefits paid	(9)	(9)
<b>Assets at end of period</b>	<b>14,595</b>	<b>12,176</b>

The estimated value of employer contributions for the year ended 31 July 2011 is £707,000.

## 25. Pension and similar obligations (continued)

### Local Government Pension Scheme (continued)

#### History of experience gains and losses

	2010	2009	2008	2007	2006
Difference between the expected and actual return on assets:					
Amount £'000	1,023	(1,522)	(1,856)	473	588
percentage of scheme assets	-7.0%	12.5%	15.1%	3.6%	5.2%
Experience gains and losses on scheme liabilities:					
Amount £'000	(6)	7	(849)	4	17
percentage of scheme liabilities	0.0%	0.0%	5.0%	0.0%	0.1%
Total amount recognised in STRGL:					
Amount £'000	(498)	(3,613)	(2,348)	1,632	91
percentage of scheme liabilities	2.2%	17.6%	13.9%	10.9%	0.6%

## 26. Post Balance Sheet Events

There were no Post Balance Sheet events requiring disclosure in the Financial Statements.

## 27. Financial Commitments

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

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Other:		
Expiring within one year	-	2
Expiring between two and five year inclusive*	272	214
<b>Total</b>	<b>272</b>	<b>216</b>

## 28. Contingent Liability

The College has a contingent liability not recognised in the accounts in respect of potential pension provisions for part-time staff. This resulted from changes in European legislation and cannot be quantified.

## 29. Related Party Transactions

Due to the nature of the College's operations and the composition of the board of governors being drawn from local 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

**30. Discretionary Support Funds**

	<b>31 July 2010</b>	<b>31 July 2009</b>
	<b>£000</b>	<b>£000</b>
<b>Discretionary Support Funds</b>		
Funding Body Grants - hardship funds	135	147
Funding Body Grants - childcare	108	125
Funding Body Grants - ESOL	1	1
	<b>244</b>	<b>273</b>
Disbursed to students	(222)	(247)
Administration costs	(12)	(14)
<b>Balance unspent as at 31 July</b>	<b>10</b>	<b>12</b>
<b>Discretionary Support Funds - Level 3(E) Fund</b>		
Learning and Skills Council Grants - Level 3(E) Fund	182	195
	182	195
Disbursed to students	(166)	(9)
Administration costs	(16)	(4)
<b>Balance unspent as at 31 July</b>	<b>-</b>	<b>182</b>

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

The Level 3 (E) Fund is a pilot scheme for which the College had received funds in full in 2008/09 but ran until 31 March 2010.



# Independent report to the Corporation of City College Brighton and Hove ('the Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 17 June 2009 and further to the requirements of the Skills Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure (disbursed) and income (received) of City College Brighton and Hove ('the College') during the year ended 31 July 2010 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### Respective responsibilities of the Members of the Corporation of City College Brighton and Hove and Auditors

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

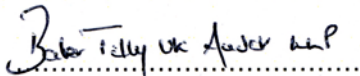
Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure disbursed and income received during the year ended 31 July 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework 2006/07 issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

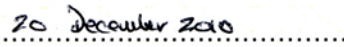
### Opinion

In all material respects the expenditure disbursed and income received during the year ended 31 July 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



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