



OAKLANDS COLLEGE

OAKLANDS COLLEGE

HERTFORDSHIRE

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2012

Oaklands College, Hertfordshire

Report and financial statements for the year ended 31 July 2012

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Oaklands College, Hertfordshire

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

Mission and vision

The mission of the college is:

“To realise the potential of our communities”

The vision of the college is:

“An amazing experience with outstanding learning so you are ready to take on the world”

The mission and values were re-affirmed by the corporation in September 2011.

Strategic Aims

The college has three strategic aims:

- High quality responsive curriculum offers
- Talented and valued workforce
- Financial sustainability

Each strategic aim is supported by a set of objectives against which the performance of the college is measured.

Values

The values of the college are centred around achieving student success by:

- Pursuing excellence
- Working together
- Being innovative
- Being open and honest
- Valuing diversity

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Financial objectives

The college's financial objectives in 2011/12 were to break even and to generate cash, for re-investment and cover the annual capital expenditure budget.

Performance against these objectives is reported to the Corporation when the year-end financial results are available.

Performance indicators

In September 2011, the Corporation agreed the Key Performance Indicators (KPIs) for 2011/12. On a monthly basis, the college's Senior Management Team reviews performance against the KPIs and takes action, where appropriate, to ensure that targets are met. Performance against the KPIs is monitored by the Corporation at each meeting throughout the year and formally reviewed annually to ensure adequate progress has been made. KPIs for the following year are also confirmed on an annual basis in the light of the previous year's performance.

A robust system of monitoring KPIs is therefore embedded within the college's management framework.

FINANCIAL POSITION

Financial results

The college generated an operating surplus after FRS 17 charges in the year of £855,838 (2010/11: surplus of £145,036).

The college has accumulated general reserves of £20,225,552, of which £8,917,640 is required to be spent on approved capital projects, and total cash balances of £14,560,549. The college wishes to continue to accumulate reserves and to generate cash in order to invest in new facilities.

Tangible fixed asset additions during the year amounted to £10,693,981. This was split between freehold and leasehold improvements of £9,724,649 and equipment purchased of £969,332.

The college has significant reliance on education sector funding bodies for its principal funding source, largely from recurrent funding. In 2011/12 the EFA and SFA provided 80% of the college's total income.

Treasury policies and objectives

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

The college has a separate treasury management policy in place.

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

FINANCIAL POSITION (continued)

Cash flows

The college had a net outflow of cash and liquid resources in the year of £5,639,586. This net outflow reflects the continued investment in the provision of new and improved facilities for students during the year and in particular the new Discovery Centre and Sports Zone at the St. Albans Smallford campus. Net cash outflow from capital expenditure amounted to £10,499,258 after receipt of £250,717 of capital grants.

Liquidity

The college has sufficient funds available to meet its debts as they fall due.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2011/12 the college delivered activity that has produced £28,915,149 in funding body main allocation funding (2010/11 - £29,153,018). The college has approximately 7,700 funded and 3,400 non-funded students.

Student achievements

Students continue to prosper at the college. Success rates for long qualifications increased to 82% in 2011/12 from 79% in 2010/11.

Timely completions on apprenticeship provision improved from 64% in 2010/11 to 73% in 2011/12.

Curriculum developments

The college has a proactive approach to supporting local people in the context of the current difficult economic climate and rising unemployment. It continues to provide a broad range of learning opportunities in all subject sector areas (placing emphasis on ensuring clear pathways of progression for students from pre-entry to higher education). The college has also developed a range of tailored programmes for the unemployed, bringing together community services to collaborate effectively and support individuals in a more accessible way. The college has also continued to provide more delivery of training in the work place and in community venues.

In many subject areas, the college has maintained student numbers in its 16-19 vocational provision, with progression of school students (14-16) onto full FE programmes at college and has sustained collaboration with the majority of local schools to offer an alternative 14-16 provision. The curriculum management team have placed emphasis in furthering progression at all levels and in enabling students to progress to further and higher education or directly into employment.

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

Curriculum developments (continued)

The college maintained its commitment to the provision of:

- A range of nationally recognised vocational diplomas and certificates from entry 3 to level 3
- A broad range of 14-16 tasters and vocational provision in each of its vocational specialities in order to excite and encourage students to remain in education and succeed
- A Levels across a broad range of subjects to compliment but not unnecessarily replicate the provision of local schools
- Programmes to meet the needs of potentially NEET (not in employment, education or training) students
- An extensive programme for Students with Learning Difficulties and/or Disabilities to meet a broad and diverse student need and recognised as 'Outstanding' (graded) provision
- Apprenticeships in a range of trades and vocations
- Higher Education Foundation Degrees and Higher National Certificates / Diplomas
- Professional body examinations to increase vocational competency for those seeking work and those in employment

Standards of teaching continue to improve with the support of a central team of Ofsted Grade 1 (Outstanding) Senior Advanced Practitioners leading the development of best practice across the college.

RESOURCES

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

Tangible resources include the two main college campuses together with the facility at Alban Park.

Financial

The college has £22,115,701 of net assets (including £15,237,000 pension liability) at 31 July 2012.

People

The college employs 642 people (expressed as full time equivalents), of whom 285 are teaching staff and 98 are support assistants.

Reputation

The college has a good reputation locally and nationally. Maintaining a quality brand is essential for the college's success in attracting students and enhancing external relationships.

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

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 aims, the Senior Management Team undertakes a comprehensive review of the risks to which the college is exposed. They identify systems and procedures including specific preventable actions which should mitigate any potential impact on the college. In addition to the annual review, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the college or as a result of emerging issues.

The risk management plan is maintained at college level and is reviewed monthly by the Senior Management Team and monitored by the Corporation at each meeting throughout the year. The plan 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. Each risk is graded according to the level of risk (high, medium or low) and any movements in levels, removal of risks or addition of new risks are highlighted in the report to the Corporation.

Outlined below is a description of the principal risks that may affect the college. Not all the factors are within the college's control.

1. Government funding

The college has considerable reliance on continued government funding through the EFA, the SFA and HEFCE. In 2011/12, over 82% of the college's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The college is aware of four issues which will or may impact on future funding

- A new funding system for 16 -19 students in 2013/14
- A new funding system for Adult students in 2013/14
- New funding arrangements for high needs students aged between 16 and 24 in 2013/14
- Changes to the funding of higher education in 2012/13 that will impact on future years.

This risk is mitigated in a number of ways:

- By deriving funding through a number of direct and indirect contractual arrangements
- Ensuring the college is rigorous in delivering high quality education and training
- Seeking ways of more efficient delivery of teaching and learning and all support services
- Placing considerable focus and investment on maintaining and managing key relationships with the various funding bodies
- Ensuring that the college is focused on those priority sectors which will continue to benefit from public funding
- Maintaining regular dialogue with the EFA and the SFA all levels
- Maintaining regular dialogue with local authorities in respect of high needs students
- Developing effective links with employers and representative groups including the Local Enterprise Partnership to ensure the offer matches employer and skills needs.

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

2. Tuition fee policy

Oaklands College has set its tuition fees in accordance with the SFA's fees assumptions. The college continues to monitor the price elasticity of adult learning. The risk for the college is that demand falls off as fees are increased. The changes in Adult funding entitlements have resulted in potentially more students being liable for fees. The introduction of loans for students aged over 24 undertaking programmes at Level 3 and above in 2013/14 creates more uncertainty.

The changes in the funding of HE provision with the emphasis on student loans rather than government funding has already had a negative impact on the recruitment of students on certain programmes.

The risks will be mitigated to some extent by:

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

3. Maintaining adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the college's balance sheet in line with FRS 17. FRS 17 sets out the basis under which the assets and liabilities of a defined benefit pension scheme must be valued by the scheme's actuary and as a result the overall outcome can be subject to significant fluctuations between balance sheet dates. The factors affecting the valuation are such that the college is unable to influence the results.

The college has no involvement in the management of the Local Government Pension Scheme.

The scheme's actuary issued his valuation of the scheme at 31 March 2010 on 29 March 2011 and this showed a deficit of £8,587,000, a funding level of 72%. The actuary in assessing the value of assets and liabilities uses his professional judgement and takes a long term view of the scheme and sets contribution rates that are intended to eliminate the deficit over a period of 20 years; this will result in increases to employer contributions over that period.

4. Accommodation strategy

A new estates strategy was approved by the Corporation in December 2009. The new strategy was based on operating at two main campuses, St. Albans Smallford and Welwyn Garden City and involved the sale and closure of St. Albans City Campus and the closure and sale of Borehamwood campus, the renting of accommodation in Borehamwood and the building of new facilities at the College's Smallford Campus.

The College vacated the Borehamwood campus in July 2010 and the site was sold in August 2010.

In April 2011, the College sold the remaining parts of its St. Albans City Campus and vacated the campus in October 2012.

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4. Accommodation strategy (continued)

The college has decided not to renew the lease of its Alban Park facility when it expires in Summer 2013.

A new teaching block, sports hall and sports pitches are being constructed on the St. Albans Smallford campus. The teaching block and artificial sports pitches have been in use since the beginning of September 2012 with the remainder of the building due for completion and fully in use in January 2013.

Motor vehicle provision moved from Alban Park into a new purpose built facility at St. Albans Smallford Campus in September 2012.

The construction crafts and hospitality and catering provisions, currently located at Alban Park will re-locate to the St. Albans Smallford campus in September 2013 into new and refurbished buildings. Work is already underway to enable a seamless move of this provision from Alban Park.

The college is currently developing a masterplan for the further re-development of the St. Albans Smallford campus. The funding of the re-development is dependent on the receipt of planning permission for residential development on part of the St. Albans Smallford campus. The St. Albans City and District Council's draft local strategic plan identifies land at the St. Albans Smallford campus as a potential site for residential housing to enable the Council to meet their housing numbers.

STAKEHOLDER RELATIONSHIPS

In line with other colleges, Oaklands College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Local employers
- Local schools
- Local authorities
- Sports academies
- Government Offices/Regional Development Agencies/LEPs
- The local community
- Other FE institutions
- HE institutions
- Private training providers
- Charitable organisations
- Trade Unions.

The college recognises the importance of these relationships and engages in regular communication with them through a variety of meetings, both formal and informal.

Oaklands College, Hertfordshire

Operating and Financial Review (continued)

EQUALITY AND DIVERSITY

The college is committed to achieving equality and diversity in an inclusive and supportive environment. There is zero tolerance to any form of behaviour which contravenes the policy.

The college's Equality and Diversity Policy and Single Equality Action Plan are published on the college's web site.

The college is committed to the promotion and implementation of equality and diversity in all its activities as a provider of services, as an employer and as a member of the community. The student experience is at the heart of all college policies and procedures and the college places great emphasis on access to education and aims to remove barriers in order to create a culture of inclusiveness.

The college welcomes diversity and recognises, values, celebrates and respects the many different contributions and needs of our students, staff and the communities we serve. We both celebrate and value the diversity brought to our workforce by individuals and believe that the college will benefit from engaging staff from a variety of backgrounds, thus allowing it to meet the needs of a diverse student population.

The college will treat all students and employees with respect and dignity and seek to provide a positive learning and working environment free from direct or indirect discrimination, harassment or victimisation.

The college will seek to continuously challenge its values and practices to ensure that equality and diversity issues do not start and end with simply a policy statement.

The college will carry out equality impact assessments on all its policies, procedures and key plans and practices to ensure that they do not have or could not have a differential impact on specific groups.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 10 December 2012 and signed on its behalf by:

Phillip Thompson
Chair

Oaklands College, Hertfordshire

Professional advisers

External auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
10 Bricket Road
St. Albans
AL1 3JX

Internal auditors

RSM Tenon Risk Management Limited
Cedar House
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Bankers

Barclays Bank PLC
22-24 Upper Marlborough Road
St. Albans
Hertfordshire
AL1 3AL

Solicitors

Eversheds
Kett House
Station Road
Cambridge
CB1 2JY

Oaklands College, Hertfordshire

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 UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the members of the Corporation, the college complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and has complied throughout the year ended 31 July 2012. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012.

The Corporation

The members who served on the Corporation during the year and subsequent to the year end were as follows:

Name	Date of appointment	Term of office	Date of resignation/ or expiry of term of office	Status of appointment	Committees served
Mr G Bharadia	1 March 2011	4 years	5 March 2012		Audit
Mr N Bradley	14 May 2012	4 years			Audit
Mr N Brooking	1 April 2010	4 years			Search
Ms S Cooper	1 April 2011	4 years	30 April 2012		Audit
Ms R Dodsworth	1 March 2011	4 years			Audit
Mr R Everitt	1 September 2012	1 year		Student	
Miss K Freegard	31 October 2011	4 years		Support Staff	Audit
Ms ZJC Hancock	1 April 2011			Principal	Search
Mr M Hart	13 July 2009	4 years			Search, Chair: Remuneration
Mrs F Hellowell	1 October 2010	4 years			Search
Mr T Hutchings	31 October 2011	4 years			Audit
Ms J Kernaghan	1 August 2007- re-appointed 1 September 2011	4 years			Vice Chair: Corporation, Chair: Search, Remuneration
Mr G Lane	1 May 2010	4 years			Audit
Mr G Lambert	11 July 2011	4 years			Chair: Audit, Remuneration
Mr W Moynihan	1 September 2011	1 year	31 July 2012	Student	
Mr H Svennevig	1 September 2011	4 years		Academic Staff	Audit
Mr D Sykes	2 May 2012	4 years			Audit

Oaklands College, Hertfordshire

Name	Date of appointment	Term of office	Date of resignation/ or expiry of term of office	Status of appointment	Committees served
Mr P Thompson	1 August 2009	4 years			Chair: Corporation, Search, Remuneration
Mr J Walker	1 September 2012	1 year		Student	
Mr S Workman	1 September 2010	2 years	31 July 2012	Student	

Ms Dawn Brown acted as Clerk 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 up to ten times per year.

The Corporation conducts its business through three committees. Each committee has terms of reference which are reviewed annually and approved by the Corporation. These committees are Remuneration, Search and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation are available from the Clerk to the Corporation at:

Oaklands College
 Smallford Campus
 Hatfield Road
 St Albans
 AL4 0JA

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

All members of the Corporation 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 Corporation for ensuring that applicable procedures and regulations are complied with. The appointment and termination, evaluation and remuneration of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to members in a timely manner, prior to Corporation meetings. Briefings and training sessions are also provided on a regular basis as required.

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

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

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

The Corporation (continued)

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 comprising the Chair of the Corporation, the Principal and four other Corporation members, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Clerk to 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. No member may serve for more than eight years or two consecutive terms of office unless by a resolution of the full Corporation it is determined that the member may continue for a further specified term of office.

Remuneration Committee

During the year ended 31 July 2012, the college's Remuneration Committee comprised four members, the Chair and Vice-Chair of the Corporation, the Chair of the Audit Committee and a further member of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal, the Clerk and other senior post-holders.

Details of remuneration for the year ended 31 July 2012 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises a Chair and seven members of the Corporation (excluding the Principal and Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of college policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the college and the funding bodies. She is also responsible for reporting to the Corporation any material weakness 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 Oaklands College for the year ended 31 July 2012 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 a view that there is a formal ongoing process for identifying, evaluating and managing the college's significant risks that has been in place for the year ended 31 July 2012 and up to the date of approval of the annual report and accounts. This process is annually reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines where appropriate.

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

Internal control (continued)

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

Review of effectiveness

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

- the work of the internal auditors
- the work of senior managers within the college who have responsibility for the development and maintenance of the internal control framework
- comments made by the college's financial statements auditors and regularity auditors in their management letter and other reports.

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

The senior management team receives reports setting out key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms, which are imbedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein from the senior management team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception.

At its December 2012 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2012 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2012.

Oaklands College, Hertfordshire

Statement of Corporate Governance and Internal Control (continued)

Going concern

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

Approved by order of the members of the Corporation on 10 December 2012 and signed on its behalf by:

Phillip Thompson
Chair

Zoe Hancock
Principal

Oaklands College, Hertfordshire

Statement of the Responsibilities of Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency/EFA and the Corporation of the college, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, 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 then 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 and a Statement of Corporate Governance and Internal Control 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 to 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 such steps that are reasonably open to it to safeguard assets of the college and to prevent and detect fraud and other irregularities.

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

Oaklands College, Hertfordshire

Statement of the Responsibilities of Members of the Corporation (continued)

Approved by order of the members of the Corporation on 10 December 2012 and signed on its behalf by:

Phillip Thompson
Chair

Oaklands College, Hertfordshire

Independent Auditors' Report to the Corporation of Oaklands College

We have audited the financial statements (the "financial statements") of Oaklands College for the year ended 31 July 2012 which comprise the income and expenditure account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Members of the Corporation of Oaklands College and the auditors

As explained more fully in the Statement of the Responsibilities of Members of the Corporation set out on page 16 the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the institution's Corporation in accordance with the college's articles of government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the institution's affairs as at 31 July 2012 and of the institution's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Oaklands College, Hertfordshire

Independent Auditors' Report to the Corporation of Oaklands College (continued)

Opinion on other matters prescribed in the Audit Code of Practice issued by the Learning and Skills Council

In our opinion:

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St. Albans

11 December 2012

Oaklands College, Hertfordshire

Independent Auditors' Report on Regularity to the Corporation of Oaklands College ('the Corporation') and the Chief Executive of Skills Funding

In accordance with the terms of our engagement letter dated 24 July 2012 and further to the requirements of the Chief Executive of Skills Funding, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Oaklands College ('the college') for the year ended 31 July 2012 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the Chief Executive of Skills Funding. Our 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 Oaklands College and Auditors

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

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

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework 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 our opinion, in all material respects the expenditure and income for the year ended 31 July 2012 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St. Albans

11 December 2012

Oaklands College, Hertfordshire

Income and Expenditure Account for the year ended 31 July 2012

	Notes	2012 £	2011 £
INCOME			
Funding body grants	2	29,022,736	29,718,389
Tuition fees and education contracts	3	3,725,057	4,429,055
Research grants and contracts	4	530,133	266,466
Other income		2,742,018	2,782,138
Investment income	5	258,538	241,869
Total income		<u>36,278,482</u>	<u>37,437,917</u>
EXPENDITURE			
Staff costs	6	20,845,559	22,437,380
Exceptional restructuring costs	6	256,562	546,834
Other operating expenses	8	11,749,639	11,518,451
Depreciation	12	2,096,227	2,302,260
Interest payable	9	474,657	487,956
Total expenditure		<u>35,422,644</u>	<u>37,292,881</u>
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax		855,838	145,036
Surplus on disposal of fixed assets	11	322,986	8,833,927
Surplus on continuing operations after depreciation of assets at valuation and tax.		<u>1,178,824</u>	<u>8,978,963</u>

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

Oaklands College, Hertfordshire

Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 July 2012

	Notes	2012 £	2011 £
Surplus on continuing operations before taxation		1,178,824	8,978,963
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	18	52,415	59,415
Realisation of property revaluation gains of previous years	18	-	3,574,492
		<hr/>	<hr/>
Historical cost surplus for the year after taxation		<u>1,231,239</u>	<u>12,612,870</u>

Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2012

	Notes	2012 £	2011 £
Surplus on continuing operations after depreciation of assets at valuation and tax		1,178,824	8,978,963
Actuarial (loss)/gain in respect of pension scheme	19	(4,871,000)	1,154,000
		<hr/>	<hr/>
Total recognised (losses)/gains since last report		<u>(3, 692,176)</u>	<u>10,132,963</u>
Reconciliation of Reserves			
Opening reserves and endowments	18,19	23,917,728	13,784,765
Total recognised (losses)/gains for the year		(3,692,176)	10,132,963
		<hr/>	<hr/>
Closing reserves and endowments	18,19	<u>20,225,552</u>	<u>23,917,728</u>

Oaklands College, Hertfordshire

Balance Sheet as at 31 July 2012

	Notes	2012	2011
		£	£
Fixed assets			
Tangible assets	12	<u>27,470,303</u>	<u>18,979,016</u>
Current assets			
Stock		152,830	168,506
Debtors	13	4,772,795	4,596,673
Investments	24	12,848,686	18,612,764
Cash at bank in hand	24	<u>1,711,863</u>	<u>1,587,371</u>
Total current assets		<u>19,486,174</u>	<u>24,965,314</u>
Less: Creditors - amounts falling due within one year	14	(6,408,967)	(4,758,529)
Net current assets		<u>13,077,207</u>	<u>20,206,785</u>
Total assets less current liabilities		40,547,510	39,185,801
Less: Creditors - amounts falling due after more than one year	15	(7,413)	(7,093)
Less : Provisions for liabilities and charges	16	(3,187,396)	(3,109,277)
Net assets excluding pension liability		<u>37,352,701</u>	<u>36,069,431</u>
Net pension liability	25	(15,237,000)	(10,152,000)
NET ASSETS INCLUDING PENSION LIABILITY		<u>22,115,701</u>	<u>25,917,431</u>
Deferred capital grants	17	<u>1,890,149</u>	<u>1,999,703</u>
Reserves			
Income and expenditure account excluding pension reserve	19	26,436,060	24,990,821
Pension reserve	19	<u>(15,237,000)</u>	<u>(10,152,000)</u>
Income and expenditure account including pension reserve		11,199,060	14,838,821
Revaluation reserve	18	9,026,492	9,078,907
Total reserves		<u>20,225,552</u>	<u>23,917,728</u>
TOTAL FUNDS		<u>22,115,701</u>	<u>25,917,431</u>

The financial statements on pages 21 to 43 were approved by the Corporation on 10 December 2012 and were signed on its behalf by:

Phillip Thompson

Chair of the Corporation

Zoe Hancock

Principal

Oaklands College, Hertfordshire

Cash Flow Statement for the year ended 31 July 2012

	Notes	2012 £	2011 £
Cash inflow from operating activities	20	4,188,014	3,459,663
Returns on investments and servicing of finance	21	242,205	204,370
Capital expenditure and financial investment	22	(10,069,805)	6,602,641
Management of liquid resources	23	5,764,078	(10,375,468)
Increase/(decrease) in cash in the year	24	<u>124,492</u>	<u>(108,794)</u>
Increase/(decrease) in cash in the period		124,492	(108,794)
Cash (outflow)/inflow from liquid resources	23	(5,764,078)	10,375,468
Movement in net funds in the period		(5,639,586)	10,266,674
Net funds at 1 August		20,200,135	9,933,461
Net funds at 31 July	24	<u>14,560,549</u>	<u>20,200,135</u>

Oaklands College, Hertfordshire

Notes to the accounts

1. Accounting Policies

Statement of principal accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting in Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to the guidance published jointly by the Skills Funding Agency and the EFA in the 2011/12 Accounts Direction Handbook.

Basis of accounting

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

Going Concern

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

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

Recognition of income

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

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

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

Oaklands College, Hertfordshire

Notes to the accounts (continued)

1. Accounting Policies (continued)

Recognition of income (continued)

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

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

Post retirement benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the college in such a way that the pension cost is a substantially level percentage of the 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 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 present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Enhanced pensions

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

Oaklands College, Hertfordshire

Notes to the accounts (continued)

1. Accounting Policies (continued)

Tangible fixed assets

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 or, where appropriate, open market value for existing use. Buildings constructed or improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the college of 50 years. Freehold improvements are depreciated over a period of between 4 and 30 years. Leasehold improvements are depreciated over the period of the lease.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed assets 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 on incorporation in 1992, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority was included in the balance sheet at a valuation taken at the time of incorporation but has subsequently been fully depreciated (see note 12).

Oaklands College, Hertfordshire

Notes to the accounts (continued)

1. Accounting Policies (continued)

Tangible fixed assets (continued)

Equipment (continued)

All equipment is depreciated on a straight line basis over its useful economic life as follows:

- | | |
|--|-----------|
| • Computer equipment (hardware and software) | 3-4 years |
| • Other equipment | 4 years |
| • Furniture, fixtures and fittings | 7 years |
| • Plant and machinery | 5 years |
| • Vehicles | 7 years |

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

Leased assets

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

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

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

Stocks

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

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the year it is incurred.

Oaklands College, Hertfordshire

Notes to the accounts (continued)

1. Accounting Policies (continued)

Taxation

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

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

Liquid resources

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

Provisions

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

Agency arrangements

The college acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 29 except for the 5 per cent of the grant received which is available to the college to cover administration costs relating to the grant. A number of members of the college's staff are involved in the administration of Learner Support Fund applications and payments.

Oaklands College, Hertfordshire

Notes to the accounts (continued)

2. Funding body grants

	2012	2011
	£	Restated £
EFA/YPLA recurrent grant	20,837,548	21,679,111
SFA recurrent grant	8,077,601	7,473,907
EFA/YPLA non-recurrent grants	13,722	-
SFA non-recurrent grants	18,852	313,298
Releases of deferred capital grants (note 17)	75,013	252,073
Total	29,022,736	29,718,389

The SFA recurrent grant total of £8,077,601 includes £221,659 in relation to 2010/11 following finalisation of the funding return for 2010/11.

The comparative figures have been restated following further guidance on the distinction between recurrent and non-recurrent grants.

3. Tuition fees and education contracts

	2012	2011
	£	£
Tuition fees	1,096,096	1,067,728
Education contracts	1,042,401	1,454,844
HE franchised funding and fees	1,586,560	1,906,483
Total	3,725,057	4,429,055

4. Research grants and contracts

	2012	2011
	£	£
Other grants and contracts	530,133	266,466
Total	530,133	266,466

5. Investment income

	2012	2011
	£	£
Interest receivable	258,538	241,869
Total	258,538	241,869

Oaklands College, Hertfordshire

Notes to the accounts (continued)

6. Staff costs

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

	2012 Number	2011 Number
Teaching departments – teaching staff	286	314
Non teaching staff	356	344
	<u>642</u>	<u>658</u>

Staff costs for the above persons

	2012 £	2011 £
Wages and salaries	17,319,416	18,656,964
Social security costs	1,106,308	1,306,024
Other pension costs (including FRS 17 adjustments of £(94,000) – 2011: £(154,000)	2,293,260	2,394,425
Enhanced pension provision adjustment (see note 16)	126,575	79,967
Payroll sub total	<u>20,845,559</u>	<u>22,437,380</u>
Exceptional restructuring costs	256,562	546,834
	<u>21,102,121</u>	<u>22,984,214</u>

Restructuring costs relate to payments to staff in respect of the termination of their employment.

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

	Senior post-holders		Other staff	
	2012 No.	2011 No.	2012 No.	2011 No.
£60,001 to £70,000	1	1	3	2
£70,001 to £80,000	-	-	3	5
£80,001 to £90,000	-	-	2	2
£90,001 to £100,000	-	-	2	-
£110,001 to £120,000	-	-	-	1
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	1	-	-	-
	<u>2</u>	<u>2</u>	<u>10</u>	<u>10</u>

Oaklands College, Hertfordshire

Notes to the accounts (continued)

7. Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of 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.

	2012	2011
	Number	Number
The number of senior post-holders including the Principal was	<u>2</u>	<u>3</u>
	£	£
Salaries	181,560	217,540
Benefits in kind	576	720
Pension contributions	35,328	36,773
Total emoluments	<u>217,464</u>	<u>255,033</u>
The above emoluments include amounts payable to the Principal (who is also the highest paid post-holder) of:		
	2012	2011
	£	£
Salary	122,400	134,140
Benefits in kind	576	576
	<u>122,976</u>	<u>134,716</u>
Pension contributions	<u>27,150</u>	<u>23,952</u>

There was a change of Principal in the year ended 31 July 2011. The emoluments in respect of the year ended 31 July 2011 include the emoluments paid to the Principal for the period 1 August 2010 to 31 October 2010 and to the Principal for the period 1 November 2010 to 31 July 2011.

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

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

Oaklands College, Hertfordshire

Notes to the accounts (continued)

8. Other operating expenses

	2012 £	2011 £
Teaching costs	4,476,392	4,683,376
Non-teaching costs	3,620,843	3,801,742
Premises costs	3,652,404	3,033,333
Total	<u>11,749,639</u>	<u>11,518,451</u>

Other operating expenses include:

	2012 £	2011 £
Auditors' remuneration		
Financial statements audit	24,000	26,400
Internal audit	35,244	37,435
Other services provided by the financial statements auditors	3,600	3,720
Hire of plant and machinery – operating leases	32,268	29,628
Hire of other assets – operating leases	192,436	317,382
	<u>192,436</u>	<u>317,382</u>

9. Interest payable

	2012 £	2011 £
Enhanced pension provision interest charge (note 16)	166,657	165,956
Pension finance costs (note 25)	308,000	322,000
Total	<u>474,657</u>	<u>487,956</u>

10. Taxation

The members of the Corporation do not believe the college was liable for any corporation tax arising out of its ordinary activities for the year ended 31 July 2012, nor the period ended 31 July 2011.

Oaklands College, Hertfordshire

Notes to the accounts (continued)

11. Surplus on disposal of fixed assets

	2012	2011
	£	£
Gain on disposal of East Lodge, 1 East Drive, St. Albans Smallford campus	284,424	-
Gain on disposal of the Borehamwood and St. Albans City campuses	38,562	8,833,927
	<u>322,986</u>	<u>8,833,927</u>

On 25 November 2011, the college completed the sale of East Lodge, 1 East Drive at its St. Albans Smallford campus.

On 9 August 2010, the college completed the sale of its Borehamwood campus to Taylor Wimpey.

On 12 April 2011, the college completed the sale of the remainder of its St. Albans City campus to Hightown Praetorian Churches Housing Association.

The gain on disposal is stated after the direct costs of disposal. The gain on disposal in the current year in respect of the Borehamwood and St. Albans City campuses relates to adjustments to the computed gain.

The direct costs of disposal included legal fees, professional fees, agents' commission and relocation and clearance costs.

Following the disposal of the Borehamwood campus, under the terms of the sale agreement, the college retained ownership of a small parcel of land which adjoins the land now owned and developed by Taylor Wimpey. The College has negotiated to sell this land to Taylor Wimpey, but the timing and value of the sale is dependent on the receipt of planning permission. Accordingly, no value has been attributed to this land in these accounts. Once the value of the land becomes certain, the value of the asset and/or associated gain will be recognised in the accounts in that accounting period.

Oaklands College, Hertfordshire

Notes to the accounts (continued)

12. Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Freehold and leasehold improvements		
	£	£	£	£
Cost or valuation				
At 1 August 2011	12,165,427	12,751,687	7,430,446	32,347,560
Additions	8,709,030	1,015,619	969,332	10,693,981
Disposals	(120,136)	(88,536)	(50,662)	(259,334)
At 31 July 2012	20,754,321	13,678,770	8,349,116	42,782,207
Depreciation				
At 1 August 2011	1,618,529	6,616,884	5,133,131	13,368,544
Charge for the year	69,009	989,958	1,037,260	2,096,227
Disposals	(11,536)	(98,006)	(43,325)	(152,867)
At 31 July 2012	1,676,002	7,508,836	6,127,066	15,311,904
Net book value at 31 July 2012	19,078,319	6,169,934	2,222,050	27,470,303
Net book value at 31 July 2011	10,546,898	6,134,803	2,297,315	18,979,016
Inherited	8,917,891	-	-	8,917,891
Financed by capital grant	150,717	1,733,863	5,569	1,890,149
Other	10,009,711	4,436,071	2,216,481	16,662,263
Net book value at 31 July 2012	19,078,319	6,169,934	2,222,050	27,470,303

Included in land and buildings are assets with a value of £9,903,586 (2011: £1,308,268) which have not yet been brought into use. In accordance with the college depreciation policy, no depreciation has been charged on these assets.

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

Inherited land and buildings were valued as at 1 April 1993 for the purpose of the financial statements on the basis of depreciated replacement cost or, where appropriate, open market value for existing use by the Property Services Department of Hertfordshire County Council. Other inherited tangible fixed assets have been valued by the Corporation at their open market value at the date of incorporation.

Land and buildings, including assets held for sale, with a net book value of £8,917,891 (2011: £9,078,906) have been financed by exchequer funds. Should these assets be sold, the college may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

13. Debtors

	2012	2011
	£	£
Amounts falling due within one year:		
Trade debtors	3,903,122	4,162,418
Prepayments and accrued income	596,697	321,355
Amounts owed by the Skills Funding Agency	236,163	93,350
Other	36,813	19,550
Total	4,772,795	4,596,673

Oaklands College, Hertfordshire

Notes to the accounts (continued)

14. Creditors: amounts falling due within one year

	2012 £	2011 £
Payments received in advance	822,083	812,310
Trade creditors	941,504	662,508
Other taxation and social security	366,384	467,615
Pension creditor	313,273	296,709
Other creditors	98,322	93,052
Accruals	3,236,507	2,344,367
Amounts owed to the EFA	125,859	17,725
Amounts owed to the Skills Funding Agency	505,035	64,243
Total	<u>6,408,967</u>	<u>4,758,529</u>

15. Creditors: amounts falling due after one year

	2012 £	2011 £
Memorial funds	7,413	7,093
Total	<u>7,413</u>	<u>7,093</u>

16. Provisions for liabilities and charges

	Enhanced pensions £	Total £
At 1 August 2011	3,109,277	3,109,277
Expenditure in the year	(215,113)	(215,113)
Transferred from income and expenditure account – interest charge	166,657	166,657
Actuarial losses in the year	126,575	126,575
At 31 July 2012	<u>3,187,396</u>	<u>3,187,396</u>

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

The principal assumptions for this calculation are:

	2012	2011
Price inflation	1.39%	2.61%
Discount rate	2.50%	2.75%

Oaklands College, Hertfordshire

Notes to the accounts (continued)

17. Deferred capital grants

	Funding bodies grants	Other grants	Total
	£	£	£
At 1 August 2011	940,367	1,059,336	1,999,703
Cash received	100,000	150,717	250,717
Released to income and expenditure account	(75,013)	(285,258)	(360,271)
Total	965,354	924,795	1,890,149

18. Revaluation reserve

	2012	2011
	£	£
At 1 August	9,078,907	12,712,814
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(52,415)	(59,415)
Disposals	-	(3,574,492)
At 31 July	9,026,492	9,078,907

19. Movement on general reserves

	2012	2011
	£	£
Income and expenditure account reserve		
At 1 August	14,838,821	1,071,951
Surplus on continuing operations after depreciation of assets at valuation and tax	1,178,824	8,978,963
Transfer from revaluation reserve	52,415	3,633,907
Actuarial (loss)/gain in respect of pension scheme	(4,871,000)	1,154,000
At 31 July	11,199,060	14,838,821
Balance represented by:		
Pension reserve	(15,237,000)	(10,152,000)
Income and expenditure account reserve excluding pension reserve	26,436,060	24,990,821
At 31 July	11,199,060	14,838,821

Oaklands College, Hertfordshire

Notes to the accounts (continued)

20. Reconciliation of operating surplus to net cash inflow from operating activities

	2012 £	2011 £
Surplus on continuing operations after depreciation of assets at valuation and tax.	1,178,824	8,978,963
Depreciation (note 12)	2,096,227	2,302,260
Deferred capital grants released to income (note 17)	(360,271)	(537,331)
Surplus on disposal of tangible fixed assets (note 11)	(322,986)	(8,833,927)
Interest receivable (note 5)	(258,538)	(241,869)
FRS 17 pension cost less contributions payable (notes 6 and 25)	(94,000)	(154,000)
FRS 17 pension finance interest (note 9)	308,000	322,000
Decrease/(increase) in stocks	15,676	(7,564)
(Increase)/decrease in debtors	(159,789)	485,938
Increase in creditors	1,706,752	1,109,174
Increase in provisions (note 16)	78,119	36,019
Net cash inflow from operating activities	<u>4,188,014</u>	<u>3,459,663</u>

21. Returns on investments and servicing of finance

	2012 £	2011 £
Other interest received	242,205	204,370
Net cash inflow from returns on investments and servicing of finance	<u>242,205</u>	<u>204,370</u>

22. Capital expenditure and financial investment

	2012 £	2011 £
Purchase of tangible fixed assets	(10,749,975)	(3,569,758)
Sales of tangible fixed assets	429,453	9,736,915
Deferred capital grants received (note 17)	250,717	435,484
Net cash (outflow)/inflow from capital expenditure and investing activities.	<u>(10,069,805)</u>	<u>6,602,641</u>

23. Management of liquid resources

	2012 £	2011 £
Withdrawal/(placing) of deposits	5,764,078	(10,375,468)
Net cash inflow/(outflow) from management of liquid resources	<u>5,764,078</u>	<u>(10,375,468)</u>

Oaklands College, Hertfordshire

Notes to the accounts (continued)

24. Analysis of changes in net funds

	At 1 August 2011 £	Cash Flows £	At 31 July 2012 £
Cash in hand and at bank	1,587,371	124,492	1,711,863
Current asset investments	18,612,764	(5,764,078)	12,848,686
Total	<u>20,200,135</u>	<u>(5,639,586)</u>	<u>14,560,549</u>

The amount of £12.8 million of current asset investments includes approximately £5.4 million which is derived from property sales and held for reinvestment in property assets.

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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hertfordshire County Council. Both are defined-benefit schemes.

Total pension cost for the year

	2012 £	2011 £
Teachers' Pension Scheme contributions paid	1,049,777	1,199,350
Local Government Pension Scheme:		
Contributions paid	1,337,483	1,349,075
FRS 17 charge	<u>(94,000)</u>	<u>(154,000)</u>
Charge to the Income and Expenditure Account (staff costs)	1,243,483	1,195,075
Total pension cost for the year	<u>2,293,260</u>	<u>2,394,425</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS was 31 March 2010. There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £313,273 (2011: £296,709) were payable to the schemes at 31 July and are included in creditors.

Teachers' Pension Scheme

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

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

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

Oaklands College, Hertfordshire

Notes to the accounts (continued)

25. Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

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

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 FRS 17 and accounted for its contributions to the scheme as if it were a defined contribution scheme. The college has set out above the information available on the scheme and the implications for the college in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2012 was £1,712,263 of which employer's contributions totalled £1,337,483 and employees' contributions totalled £374,780.

During the year, the college's contribution rates for support staff and manual staff was 22.2% for the period from 1 August 2011 until 31 March 2012 and 23.5% from 1 April 2012 to 31 July 2012. The agreed contribution rate for employees are dependent on the gross full time equivalent salary of the member. Rates range from 5.5% to 7.5%.

FRS 17

Principal Actuarial Assumptions

	At 31 July 2012	At 31 July 2011
Rate of increase in salaries (*1% to March 2015 and 4.3% thereafter, **1% to March 2012, 3 years at RPI and 5% thereafter)	4.3%*	5.0%**
Rate of increase for pensions in payment/inflation	2.2%	2.7%
Discount rate for liabilities	4.1%	5.3%
Commutation of pensions to lump sums – service to 31 March 2008	50%	50%
Commutation of pensions to lump sums – service from 1 April 2008	75%	75%

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

	At 31 July 2012	At 31 July 2011
<i>Retiring today</i>		
Males	21.0	21.0
Females	23.8	23.8
<i>Retiring in 20 years</i>		
Males	22.9	22.9
Females	25.7	25.7

Oaklands College, Hertfordshire

Notes to the accounts (continued)

25. Pension and similar obligations (continued)

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

	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011
		£000		£000
Equities	5.6%	18,266	7.0%	17,082
Bonds	3.4%	5,295	4.6%	5,275
Property	3.7%	1,588	5.1%	1,256
Cash	2.8%	1,324	4.0%	1,507
Total market value of assets		26,473		25,120
Present value of scheme liabilities				
- Funded		(41,710)		(35,272)
- Unfunded		-		-
Deficit in the scheme		(15,237)		(10,152)

Analysis of the amount charged to income and expenditure account

	2012 £000	2011 £000
Employer service cost (net of employee contributions)	1,168	1,171
Past service cost	-	-
Curtailments and settlements	96	23
Total operating charge	1,264	1,194

Analysis of pension finance (costs)

Expected return on pension scheme assets	1,572	1,516
Interest on pension liabilities	(1,880)	(1,838)
Pension finance (costs)	(308)	(322)

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

Actuarial (losses)/gains on pension scheme assets	(717)	282
Actuarial (losses)/gains on scheme liabilities	(4,154)	872
Actuarial (loss)/gain recognised in STRGL	(4,871)	1,154

Movement in deficit during the year

	2012 £000	2011 £000
Deficit in scheme at 1 August	(10,152)	(11,138)
Movement in year:		
Employer service cost (net of employee contributions)	(1,168)	(1,171)
Employer contributions	1,358	1,348
Settlements and curtailments	(96)	(23)
Net interest/return on assets	(308)	(322)
Actuarial (losses)/gains	(4,871)	1,154
Deficit in scheme at 31 July	(15,237)	(10,152)

Oaklands College, Hertfordshire

Notes to the accounts (continued)

25. Pension and similar obligations (continued)

Local Government Pension Scheme - FRS 17 (continued)

Asset and Liability Reconciliation

	2012	2011
	£000	£000
Reconciliation of liabilities		
Liabilities at start of period	35,272	33,806
Current service cost	1,168	1,171
Interest cost	1,880	1,838
Employee contributions	378	413
Actuarial loss/(gain)	4,154	(872)
Estimated benefits paid	(1,238)	(1,107)
Past service gains	-	-
Curtailments and settlements	96	23
Liabilities at end of period	<u>41,710</u>	<u>35,272</u>

	2012	2011
	£000	£000
Reconciliation of assets		
Assets at start of period	25,120	22,668
Expected return on assets	1,572	1,516
Actuarial (loss)/gain (including change in basis of asset valuation)	(717)	282
Employer contributions	1,358	1,348
Employee contributions	378	413
Benefits paid	(1,238)	(1,107)
Assets at end of period	<u>26,473</u>	<u>25,120</u>

The estimated value of employer contributions for the year ended 31 July 2013 is £1,363,000

History of experience gains and losses

	2012	2011	2010	2009	2008
Difference between the expected and actual return on assets:					
Amount £000	(717)	282	1,633	(3,693)	(3,286)
Experience (losses)/gains on scheme liabilities:					
Amount £000	(523)	(3,038)	-	534	(102)
Total amount recognised in STRGL:					
Amount £000	(4,871)	1,154	(637)	(6,228)	(2,441)

26. Capital commitments

Capital commitments of £3,707,667 had been contracted for at 31 July 2012 (2011: £11,324,785)

Oaklands College, Hertfordshire

Notes to the accounts (continued)

27. Financial commitments

At 31 July 2012 the college had annual commitments under non-cancellable operating leases as follows:

	2012 £	2011 £
Land and buildings		
Expiring within one year	318,000	-
Expiring within two and five years inclusive	-	318,000
	<u>318,000</u>	<u>318,000</u>
Other		
Expiring within one year	-	132,297
Expiring within two and five years inclusive	128,925	178,068
	<u>128,925</u>	<u>310,365</u>

28. Related party transactions

Owing to the nature of the college's operations and the composition of the Corporation being drawn from local public and private sector organisations, it is possible that transactions will take place with organisations in which a Member of the Corporation may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the college's financial regulations and normal procurement procedures.

Transactions with the EFA and SFA are detailed in notes 2, 13, 14 and 17.

29. Amounts disbursed as agent

Learner Support Funds

	2012 £	2011 £
Funding body grants - hardship support	450,352	170,262
Funding body grants - childcare	172,548	101,314
Funding body grants - residential bursaries	28,580	101,742
Funding body grants - discretionary ESOL	-	33,638
	<u>651,480</u>	<u>406,956</u>
Disbursed to students	(571,624)	(306,323)
Administration costs	(32,574)	(18,665)
Balance unspent at 31 July, included in creditors	<u>47,282</u>	<u>81,968</u>

Funding body grants are available solely for students. In the majority of instances, the college acts only as paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.

