

***Annual Report and
Financial Statements
for the Year Ended
31 July 2012***

Plymouth College of Art

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

CONTENTS

	Page Number
Operating and Financial Review	2
Statement of Corporate Governance and Internal Control	10
Statement of Responsibilities of the Members of the Corporation	16
Independent Auditors' Report to the Corporation of Plymouth College of Art	17
Independent Auditors' Report on Regularity to the Corporation of Plymouth College of Art	19
Income and Expenditure Account	20
Statement of Historical Cost Surpluses and Deficits	21
Statement of Total Recognised Gains and Losses	21
Balance Sheet as at 31 July	22
Cash Flow Statement	23
Notes to the Accounts	24

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal Status

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

Description

The College has a 154-year history of continuous provision in art & design education, and is one of four remaining further and higher education Art Colleges in England. It offers high quality, vocationally orientated, practice-based education for life in contemporary arts practice, as the creative catalyst for personal, professional and cultural transformation, and it places the creative aspirations and support needs of every student at the very heart of its enterprise.

As an independent specialist provider the College delivers high quality provision across an unusually, wide ranging continuum of qualifications, levels and subjects. Though not large in comparison to universities and generalist further education institutions, the College has earned a significant national and regional reputation, not least for the successful career progression of its students into employment in the creative industries.

The College is a lively, diverse and dynamic creative community of art and design students, together with the academic, technical and welfare support staff and visiting specialists who contribute to the delivery of its postgraduate, undergraduate, further and community education programmes in the Creative Industries sector.

We celebrate diversity and foster equality of opportunity across an inclusive range of creative learning opportunities for a wide range of students.

The student experience is underpinned by a diverse range of high quality specialist learning resources. Tutors are typically practitioners, specialists, technical experts and innovators, bringing significant breadth, depth and currency of experience in creative practice, both to curriculum delivery and to the important work of the College beyond the curriculum in raising the aspirations of young artists and in its support for professional practitioners in the creative economy.

OPERATING AND FINANCIAL REVIEW (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Vision, Purpose and Values

Our vision: high quality education for life in contemporary arts practice, as the creative catalyst for personal, professional and cultural transformation.

Our ethos: places the aspirations and support needs of every student at the very heart of our creative enterprise;

Our purpose: as an independent specialist Art College since 1856, is to provide a distinctive, innovative and supportive learning community in contemporary arts practice; to add value to the cultural, social and economic life of Plymouth and the South West region; and to develop our distinctive profile of our work nationally and internationally.

Our values: we believe in the centrality of the arts to social value, culture, community, welfare, and prosperity;

we uphold the primary significance of learning through practice and participation for individual development, transformation and fulfillment;

we see our College as a crucible, or laboratory, for artistic experiment, exchange, entrepreneurship and innovation, and for new thinking, in the service of our wider communities;

we value and invite purposeful, mutual partnership;

we celebrate social and cultural diversity, and encourage engagement with the community and cross-cultural dimensions of learning in local, regional, national and international contexts;

we respect our environment, and have a strong commitment to sustainable practice;

we aspire to the highest standards of contemporary art practice and achievement.

Implementation of property strategy

The Corporation approved a Property Strategy at its July 2010 meeting which sets out a new 10 year plan for the improvement of the current estate. The first part of this Strategy was a major refurbishment of the exterior of the College's Tower Block the work for which was undertaken between April 2010 and October 2010. This refurbishment of the College façade, reception, student hub and gallery areas has prepared the basis for the next phase of the College's estates strategy. The total value of the project was £2.0 million.

In 2012 the Corporation approved the Workshop Build Project with a value of £4.1m. This will provide a great contemporary crafts facility. The project is being funded by an additional bank loan of £3.6m and the remainder from College Reserves which remain strong. The project commenced in May 2012 with an expected completion date of September 2013.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

OPERATING AND FINANCIAL REVIEW (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Plymouth School of Creative Arts

During the year the College submitted and was successful in an application with the Department for Education to develop a Free School, Plymouth School of Creative Arts. The Principal (Professor Andrew Brewerton), Chair to the Corporation (Ivan Sidgreaves) and another Governor (Graham Steen) are members of the company limited by guarantee running Plymouth School of Creative Arts. The Company, PSCA Limited, which is not a subsidiary of the College, received its first start-up funding grant in October 2012.

Performance indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

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

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Skills Funding Agency. The current rating of Good is considered an acceptable outcome.

FINANCIAL POSITION

Financial Results

In the year ended 2012, the College achieved an operating surplus of £164,000 (£196,000 surplus in 2011). The surplus was £57,000 better than the budget plan and five year financial projection.

In the year ended 2012 the College had a cash inflow of £205,000 giving a cash balance at 31st July 2012 of £1,389,000 (£1,184,000 at 31st July 2011). The College has returned to financial health category "outstanding" ("good" in 2011).

Tangible fixed asset additions during the year amounted to £564,000 (£1,149,000 in 2011), of which £247,000 was for the new Workshop Build (£755,000 in 2011 for the Tower Block project), £167,000 (£53,000 in 2011) for other works and £150,000 (£341,000 in 2011) for equipment purchased.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL POSITION (continued)

The College has significant reliance on the Skills Funding Agency, YPLA and HEFCE for its principal funding sources, largely from recurrent grants. The table below shows the key income streams:

	2012	2011
Skills Funding Agency and YPLA Recurrent Grants	33%	38%
HEFCE Recurrent Grant	<u>31%</u>	<u>33%</u>
Subtotal Recurrent Grants	64%	71%
HE Fees	27%	24%
Other	<u>9%</u>	<u>5%</u>
Total	<u>100%</u>	<u>100%</u>

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

The Corporation monitors the performance of the College against its Strategic Plans, using key corporate targets which are presented below:

	Key Corporate Targets for the year ended 31 July 2012	Actual
1	Maintain 37 cash days in hand	Achieved 52 days
2	General reserve excluding pension reserve of 51% of income	Achieved 50%
3	Maintain payroll below 58% of income	Achieved 53%
4	General reserve excluding pension reserve to be £4.5m	Achieved £4.8m
5	Surplus on full year income of 1.0%	Achieved 1.7% Surplus
6	Achieve a current ratio of 1.5:1 at year end	Not achieved 1.3:1 actual out turn
7	Achieve 66% of income from non Skills Funding Agency and non YPLA/EFA sources	Achieved 67%

Student Numbers

	Recruitment Targets for the year ended 31 July 2012	Actual
1	Retain 642 SLN (Student Learner Number) 16-18 FE Students	680 SLNs
2	Retain 225 SLN (Student Learner Number) 19+ FE Students	150 SLNs
3	Retain 649 FTE HE Students at the end of year	743 FTEs
4	Recruit 2% of students from black and minority ethnic backgrounds	5%

In 2010/11, the College failed to achieve the 16-18 FE targets and this had a significant effect on 2011/12, being a reduction of the YPLA grant of £0.4m. However the College successfully managed to achieve the same contribution margins as 2010/11 within the curriculum delivery. The College has met its 16-19 FE Targets in 2011/12.

Curriculum Provision

The College provides an extensive continuum of clearly articulated, vocational curricula and extra-curricular initiatives supporting a ladder of opportunity: from aspiration-raising Saturday Arts Club activities for 4-16 year olds, and Apprenticeships; through further education to Foundation, BA (Hons) and a Masters Degree in Entrepreneurship for Creative Practice; to employer engagement and ArtsMatrix, its creative practitioner subscribers' network.

OPERATING AND FINANCIAL REVIEW (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum Provision (continued)

The College continues to be fully committed to a strong 14-19 programme in partnership with local schools and community colleges and promotes active engagement in raising aspiration and widening access to creative arts practice in both further and higher education. The College has developed extensive links with a wide range of Creative Industries practitioners, organisations and networks which ensures that the educational experience offered is informed and appropriate to the needs of the individual designer, artist and maker. The College is a full member of the National Arts Learning Network and works very closely with the Creative Industries – a necessary strategic alliance given the College’s vocationally orientated and practice-based mission. Its newly-refurbished Gallery is a key feature of the arts landscape of Plymouth and the surrounding region.

The organisation of the College has been further strengthened in order to ensure employer engagement supports the specialist Creative Industries mission and strategic plan of the College.

Staff and Student Involvement

The College recognises the value and expertise of its staff as its key asset. Subject, programme/course, senior and middle management communications are effective and meetings take place regularly. In addition, a comprehensive programme of professional development was in place.

Both students and staff are represented on College committees including Academic Board and its Standing Committees, Information Services and Student Support, Pedagogic Development and Research Committee, HE Board of Studies and FE Board of Studies. There are regular meetings between representatives of the Students’ Union and the Senior Management Team as well as meetings between the Principal, SMT, Corporation Members and student representatives from all groups.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site.

Financial

The College has £7.2 million (£8.2m in 2011) of net assets. This includes £3.0 million (£1.7m in 2011) pension liability and long term debt of £1.7 million (£1.9m in 2011).

People

The College employs 159 people (163 in 2011) (expressed as full time equivalents) of whom 110 (112 in 2011) are academic staff who are appropriately experienced and qualified.

Reputation

The College has a high quality reputation locally and nationally. Maintaining a high quality brand is essential for the College’s success at attracting students and external relationships.

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.

The Risk Management Committee regularly reviews the strategic risks to which the College is exposed. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. The Risk Management Committee also considers risks which may arise as a result of new areas of work being undertaken by the College.

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

The key strategic risk that may affect the College is set out below is the strategic management of the curriculum offer in line with funders' priorities and achievement of the funding contracts.

The College has considerable reliance on continued government funding through the EFA (formerly the YPLA), Skills Funding Agency and HEFCE. In 2012, almost all 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 key risks which may affect future funding levels are;

- The general economic situation in which cuts in public sector spending will reduce the College's income along with all other institutions in the sector.
- The continuing dependence on direct funding by HEFCE for continuing students up until 2013/14. The achievement of the target income is therefore dependent upon its annual student enrolment numbers.
- The new Higher Education fee regime will change the basis of funding and significantly increase the level of uncertainty in income levels from 2012/13 onwards.

This risk is mitigated in a number of ways:

- Through conservative planning and budgeting 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 EFA, Skills Funding Agency, Sub-Regional Local Authority and HEFCE.

OPERATING AND FINANCIAL REVIEW (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices;
- The local community;
- other institutions;
- Trade unions;
- professional bodies.

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

Taxation

The College's activities do not attract corporation tax. The College is an exempt charity for the purposes of the Charities Act 2011. 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.

Equality and Diversity Statement

The College aims to create a community where all its members (both existing and potential students and staff) are treated on the basis of their merits, abilities and potential, without regard (except where the law makes special provision) to:

- Ethnicity
- Age
- Gender
- Marital status or family circumstances
- Disability or learning difficulty
- Trade Union membership or activity
- Criminal record
- Socio-economic background
- Religious or political beliefs
- Sexual orientation

Disability Statement

The College seeks to achieve the objectives set out in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005 and other relevant legislation by implementing appropriate policies and procedures to encourage participation by all members of the community which we serve and to ensure that the College is accessible to all. Equal Opportunities at the College are monitored by the Equality and Diversity Working Group. The last Ofsted inspection attributed a grade 1 – Outstanding judgement on this aspect of the College's provision and services.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

OPERATING AND FINANCIAL REVIEW (continued)

Disability Statement (continued)

- a) The College carries out regular access audits.
- b) The College has a Disability Access Co-ordinator who provides information, advice and arranges support where necessary for students with disabilities.
- c) Specialist equipment is available for students as necessary and there is a range of assistive technology to enable students to participate fully.
- d) A significant investment in resources and staff has been made to support students with disabilities.
- e) Counselling and Welfare Services are available.

Employment of Disabled Persons

The College considers all applications of employment 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 their employment with the College continues and that reasonable adjustments are made. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical for other employees.

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.

Professional Advisors

Financial statement and regularity auditors:

Francis Clark LLP
North Quay House
Sutton Harbour
Plymouth

Internal auditors:

PricewaterhouseCoopers
Princess Court
23 Princess Street
Plymouth

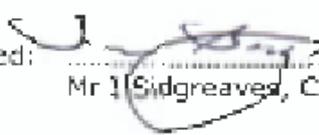
Solicitors:

Michelmores Solicitors
Woodwater House
Pynes Hill
Exeter

Bankers:

Barclays Bank plc
19 Princess Street
Plymouth

Signed:


Mr J Sidgreaves, Chairman

Date

11th December 2012

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

Members serving on the Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Appointment	Term of Office	Date of resignation/retirement	Status of Appointment	Committees Served
Board Members					
Mr I Sidgreaves	01 Aug 08 06 Jul 10	2 years 4 years		Business	C&Q Chair until Sep 2011, Remuneration Chair of the Corporation, F&GP & Search
Professor A J Brewerton	01 Aug 10	While serving		Principal	Search, F&GP, C&Q & Remuneration
Mr G Steen	15 Jul 03 06 Apr 04 01 Aug 07 15 Mar 11	1 year 38 months 4 years 2 years		Business	Audit, Search
Mr R Clarke	13 Jul 04 01 Aug 05 08 Jul 08 03 Jul 12	1 year 3 years 4 years 2 years		Business	Audit (Chair until July 2012)
Mrs A Wittamore	08 Apr 03 31 Oct 06 02 Mar 10	3 years 6 months 3 years 9 months 4 years 5 months	31 July 2012	Independent Committee Member until 31 Oct 06	Vice-Chair of the Corporation until July 2012 Remuneration Chair Search until July 2012
Mrs L Price	14 Mar 08 06 Jul 10 03 Jul 12	29 months 2 years 4 years		Staff Member	F&GP
Mr A Lemin	08 Jul 08 06 Jul 10 03 Jul 12	2 years 2 years 4 years		Staff Member	C&Q
Mrs J Sutherland	08 Jul 08 02 Mar 10 13 Mar 12	2 years 2 years 4 years		Business	C&Q Chair of C&Q from Sep 2011
Mr M White	18 Oct 11	2 years		Business	F&GP

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Members serving on the Corporation (continued)

Name	Date of Appointment	Term of Office	Date of resignation/retirement	Status of Appointment	Committees Served
Mr K Sanjideh	07 Jul 09	4 years	12 Jan 12	Business	C&Q
Mr J Stacey	19 Oct 10 13 Mar 12	2 years 4 years		Business	F&GP
Mrs V Sewell	19 Oct 10 13 Mar 12	2 years 4 years		Business	Chair of Audit from August 2012
Ms M Schwarz	19 Oct 10 13 Mar 12	2 years 4 years		Business	C&Q, Search, Chair of Remuneration from August 2012
Mr P Woods	30 Oct 07 15 Mar 11	4 years 4 years	24 Oct 11	Business	Remuneration
Ms S Lahav	13 Dec 11	2 years		Business	C&Q
Mr J Steers	13 Dec 11	2 years		Business	C&Q
Ms L Tilbury	13 Mar 12	2 years	13 Sept 12	Business	Audit
Ms S-J Horgan	18 Oct 11	1 year		Student	C&Q
Ms N Girdler	13 Dec 10	7 months	23 May 12	Student	C&Q
Independent Committee Members					
Ms S Watts	15 Jul 03 26 Oct 04 11 Jul 06 08 Jul 08 31 Jul 10 31 Jul 11 31 Jul 12	1 year 21 months 2 years 2 years 2 years 1 year 1 year		Independent Member	Audit
Mr K Farnham	01 Apr 93 01 Apr 97 01 Apr 01 29 Oct 02 13 Jul 04 11 Jul 06 08 Jul 08 31 Jul 10 31 Jul 11 31 Jul 12	4 years 4 years 18 months 22 months 25 months 2 years 2 years 1 year 1 year 1 year		Independent Member	F&GP
Mr D Young	11 Jul 06 03 Jul 07 31 Jul 10 31 Jul 11 31 Jul 12	1 year 31 months 1 year 1 year 1 year		Independent Member	F&GP
Mr A Thompson	15 Dec 09 31 Jul 11	19 months 1 year	30 May 12	Independent Member	C&Q
Ms H Hocking	02 Mar 10 31 Jul 11 31 Jul 12	17 months 1 year 1 year		Independent Member	F&GP
Mrs K Stockdale	19 Oct 10 31 Jul 11	9 months 1 year	28 May 12	Independent Member	C&Q

Clerk to the Corporation: Liz Wiltshire-Meads (Rachel Abel served until December 2011).

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Corporate Governance

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are: Audit, Search, Finance and General Purpose, Curriculum and Quality, Remuneration and Employment. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Plymouth College of Art
Tavistock Place
Plymouth
PL4 8AT

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

All Members 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 Members 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 the 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 although in certain circumstances a Member could be re-appointed for further terms of office.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Remuneration and Employment Committee

Throughout the year ending 31 July 2012 the College's Remuneration and Employment Committee comprised the Members of Corporation shown on pages 10 to 11. This 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 2012 are set out in note 6 to the financial statements.

Audit Committee

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

The Audit Committee meets at least once each term and provides a forum for 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 and HEFCE, as they affect the College's business.

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

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

The Audit Committee also advises the Corporation on the appointment of Internal and Financial Statement 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 Memoranda between Plymouth College of Art and the Skills Funding Agency and the Higher Educational Funding Council for England (HEFCE). He is also responsible for reporting to the Corporation any material weaknesses or breakdown in internal control.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

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 and 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 at Plymouth College of Art for the year ended 31 July 2012 and up to the date of the 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 2012 and up to the date of the 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.

Plymouth College of Art has an internal audit service, which operates in accordance with the requirements of the SFA's *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 Auditors (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion of the adequacy and effectiveness of the College's system of risk management, controls and governance process.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

Review of Effectiveness

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

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

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

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

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 11th December 2012 and signed on its behalf by:



Mr T Sidgreaves, Chairman



Professor A J Brewerton, Principal

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

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

In preparing the Financial Statements, the Corporation is required to:

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and Education Funding Agency (formerly YPLA) are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 Skills Funding Agency and Education Funding Agency (formerly YPLA) are not put at risk.

Approved by order of the members of the Corporation on 11th December 2012 and signed on its behalf by:


.....
Mr I Sidgreaves, Chairman

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF PLYMOUTH COLLEGE OF ART

We have audited the financial statements of Plymouth College of Art for the year ended 31 July 2012 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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 Plymouth College of Art and Auditors

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

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

Scope of the audit of the financial statements

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

Opinion

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 2012 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 2011/12 Accounts Direction jointly issued by the Skills Funding Agency and the Education Funding Agency and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF PLYMOUTH COLLEGE OF ART (continued)

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

In our opinion:

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


.....
Francis Clark LLP
Registered Auditors
North Quay House
Sutton Harbour
Plymouth
PL4 0RA

Date: 12 Dec 2012

Plymouth College of Art - Financial Statements for the Year Ended 31 July 12

INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE CORPORATION OF PLYMOUTH COLLEGE OF ART ('THE CORPORATION') AND THE SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter 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 and income of Plymouth College of Art ('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 Skills Funding Agency. Our review work has been undertaken so that we might state to the Corporation and the Skills Funding Agency those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Plymouth College of Art 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 Skills Funding Agency. 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 Skills Funding Agency. 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.

.....
Francis Clark LLP
Registered Auditors
North Quay House, Sutton Harbour
Plymouth, PL4 0RA

Date:

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

Income and Expenditure Account for the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Income			
Funding body grants	2	6,589	7,144
Tuition fees and education contracts	3	3,118	2,680
Other income	4	181	114
Endowment and Investment income	5	1	2
Total Income		<u>9,889</u>	<u>9,940</u>
Expenditure			
Staff costs	6	5,312	5,550
Exceptional restructuring costs	6	149	84
Other operating expenses	8	3,461	3,354
Depreciation	11	721	663
Interest and other finance costs	9	82	93
Total Expenditure		<u>9,725</u>	<u>9,744</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		164	196
Taxation	10	0	0
Surplus for the year retained within general reserves		<u>164</u>	<u>196</u>

The income and expenditure account is in respect of continuing activities

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

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

	Notes	2012 £000	2011 £000
Surplus on continuing operations before taxation		164	196
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	19	86	85
Historical cost surplus for the year after taxation		<u><u>250</u></u>	<u><u>281</u></u>

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

		2012 £000	2011 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		164	196
Actuarial (loss) / gain in respect of pension scheme	27	(1,117)	922
Actuarial (loss) / gain in respect of pension scheme	16	(7)	10
Total recognised (losses) /gains relating to the year		<u><u>(960)</u></u>	<u><u>1,128</u></u>

Reconciliation

Opening reserves and endowments		6,345	5,217
Total recognised (losses) / gains for the year		(960)	1,128
Closing reserves and endowments		<u><u>5,385</u></u>	<u><u>6,345</u></u>

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

Balance Sheet as at 31 July 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	11	11,618	11,848
Investments	11	59	0
		<u>11,677</u>	<u>11,848</u>
Current assets			
Stock		31	39
Debtors	12	194	227
Cash at bank and in hand	-	1,389	1,184
Total current assets		<u>1,614</u>	<u>1,450</u>
Creditors: amounts falling due within one year	13	1,207	1,336
Net current assets		<u>407</u>	<u>114</u>
Total assets less current liabilities		12,084	11,962
Creditors: amounts falling due after more than one year	14	1,749	1,892
Provisions for liabilities and charges	16	152	149
Net assets excluding pension liability		<u>10,183</u>	<u>9,921</u>
Net pension liability	27	(2,970)	(1,717)
NET ASSETS INCLUDING PENSION LIABILITY		<u>7,213</u>	<u>8,204</u>
Deferred capital grants	17	1,768	1,796
Endowments			
General	18	61	64
Total endowments		<u>61</u>	<u>64</u>
Income and expenditure account excluding pension reserve	20	4,838	4,459
Pension reserve	20	(2,970)	(1,717)
Income and expenditure account including pension reserve	20	1,868	2,742
Revaluation reserve	19	3,516	3,602
Total reserves		<u>5,384</u>	<u>6,344</u>
TOTAL FUNDS		<u>7,213</u>	<u>8,204</u>

The financial statements on pages 20 to 44 were approved by the Corporation on 11th December 2012 and were signed on its behalf by:

.....
Mr I Sidgreaves, Chairman

22

.....
Professor A J Brewerton, Principal

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

Cash Flow Statement for the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Cash flow from operating activities	21	1,029	1,169
Returns on investments and servicing of finance	22	(46)	(65)
Capital expenditure and financial investment	23	(530)	(1,141)
Cash inflow / (outflow) before financing		<u>453</u>	<u>(37)</u>
Financing	24	(248)	(305)
Increase / (Decrease) in cash in the period	25	<u><u>205</u></u>	<u><u>(342)</u></u>
Reconciliation of net cash flow to movement in net debt			
Increase / (Decrease) in cash in the period		205	(342)
Change in net debt resulting from cash flows	25	<u>219</u>	<u>215</u>
Movement in net debt in period		424	(127)
Net debt at 1 August 2011		(947)	(820)
Net debt at 31 July 2012		<u><u>(523)</u></u>	<u><u>(947)</u></u>

Notes to the Accounts

1 Accounting Policies

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 were prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency 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, and taking account of the Principal Risks and Uncertainties, are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College currently has £1.9m of loans outstanding with bankers on terms negotiated in 2010. During the year the College made arrangements to extend the loans by £3.6m and consolidate with the existing loans (see note 28). The terms of the agreement are for up to 2027. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements

Recognition of Income

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

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

Notes to the Accounts (continued)

1 Accounting Policies (continued)

Recognition of Income (continued)

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 the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

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

Post retirement benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Notes to the Accounts (continued)

1 Accounting Policies (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the 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

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 20 to 50 years. Major adaptations to buildings are depreciated over the period of their useful economic life.

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

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.

(b) Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All equipment is depreciated over its useful economic life as follows:-

- Computer equipment from 3 to 10 years on a straight-line basis
- Plant and machinery from 3 to 10 years on a straight-line basis.

The capitalisation limit of £2,000 per individual item was raised from £1,000 per individual item with effect from the 1st August 2011. The effect of this change is that teaching costs in administrative expenses are £143,397 higher, equipment depreciation charged is £29,707 lower with the net effect reducing the surplus in the year by £113,690.

When 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.

Notes to the Accounts (continued)

1 Accounting Policies (continued)

Leased assets

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

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

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

Investments and endowment assets

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Maintenance of premises

The costs of routine corrective maintenance are charged to the income and expenditure account in the period that it is incurred.

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 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.

Notes to the Accounts (continued)

1 Accounting Policies (continued)

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 YPLA, SFA and HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 32, except for the 5 per cent of the EFA (formerly YPLA) and SFA grants and 3% of the HEFCE grants received which is available to the College to cover administrative costs relating to the grant. The College employs one full time equivalent member of staff dedicated to the administration of the Learner Support Fund applications and payments.

Notes to the Accounts (continued)

2 Funding Body Grants

	2012 £000	2011 £000
Recurrent grant - EFA (formerly YPLA)	2,567	2,892
Recurrent grant - SFA	682	601
Recurrent grant - HEFCE	3,085	3,117
Releases of deferred capital grants - SFA & LSC	60	243
Releases of deferred capital grants - HEFCE	85	89
Non recurrent grant - SFA & EFA	54	113
Non recurrent grant - HEFCE	56	89
	<u><u>6,589</u></u>	<u><u>7,144</u></u>

3 Tuition Fees and Education Contracts

	2012 £000	2011 £000
Tuition Fees - Higher Education students	2,651	2,327
Tuition Fees - Further Education students	123	112
Total fees paid by or on behalf of individual students	<u>2,774</u>	<u>2,439</u>
Education contracts	344	241
	<u><u>3,118</u></u>	<u><u>2,680</u></u>

4 Other Income

	2012 £000	2011 £000
Residencies, catering and conferences	36	50
Releases from deferred capital grants (non Funding Council)	3	0
Other income	142	64
	<u><u>181</u></u>	<u><u>114</u></u>

5 Endowment and Investment Income

	2012 £000	2011 £000
Other interest receivable	1	2
	<u><u>1</u></u>	<u><u>2</u></u>

Notes to the Accounts (continued)

6 Staff Costs

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

	2012 Number	2011 Number
Teaching staff	110	112
Non teaching staff	49	51
	<u>159</u>	<u>163</u>

Staff costs for the above persons:

	2012 £000	2011 £000
Wages and salaries	4,422	4,648
Social security costs	312	330
Other pension costs (including FRS 17 adjustments)	572	561
Sub total	<u>5,306</u>	<u>5,539</u>
Contracted out staffing services	6	11
	<u>5,312</u>	<u>5,550</u>
Exceptional restructuring costs	149	84
Total	<u>5,461</u>	<u>5,634</u>
FRS 17 Adjustments were:		
Included in Other pension costs	109	65

The two senior post-holders and other members of the senior management team 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	0	0
£ 70,001 to £ 80,000	1	1	0	0
£ 90,001 to £ 100,000	1	0	0	0
£ 140,001 to £ 150,000	1	1 *	0	0
	<u>4</u>	<u>3</u>	<u>0</u>	<u>0</u>

* The Principal's emoluments for 2011 have been restated as per the following note 7.

There were no pay awards made during the year 2010/11 or 2011/12.

Notes to the Accounts (continued)

7 Senior Post-holders' Emoluments

Senior postholders are defined as the Principal and Deputy Principal whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body. All remaining members of the Senior Management Team have also been included in this note.

	2012	As restated *	Adjust- ment	As previously stated
	2012	2011	2011	2011
	Number	Number	Number	Number
The number of senior post-holders including the Principal was:	5	5		5
Senior post-holders' emoluments are made up as follows:	2012	2011	2011	2011
	£000	£000	£000	£000
Salaries	350	343	9	334
Benefits in kind (Relocation)	5	5		5
Pension contributions	50	45	1	44
Total emoluments	<u>405</u>	<u>393</u>	<u>10</u>	<u>383</u>

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

	2012	As restated *	Adjust- ment	As previously stated
	2012	2011	2011	2011
	£000	£000	£000	£000
Salary	<u>128</u>	<u>119</u>	<u>9</u>	<u>110</u>
Benefits in kind (Relocation)	<u>0</u>	<u>5</u>		<u>5</u>
Salary	<u><u>128</u></u>	<u><u>124</u></u>	<u><u>9</u></u>	<u><u>115</u></u>
Pension contributions	<u>18</u>	<u>17</u>	<u>1</u>	<u>16</u>

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

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

In the year ended 31 July 2012, the Remuneration Committee carried out a review of senior post-holders' salaries and the salaries were set accordingly.

*** Restatement**

The restatement is in relation to a payment made to the Principal during 2011/12 which related to 2010/11 but after the 2010/11 accounts had been filed.

Notes to the Accounts (continued)

8 Other Operating Expenses

	2012 £000	2011 £000
Teaching costs	1,158	1,068
Non teaching costs	1,086	1,100
Premises costs	808	849
Bursary Payments to HE Students	409	337
Total	<u>3,461</u>	<u>3,354</u>

Other operating expenses include:

	2012 £000	2011 £000
Auditors' remuneration:		
financial statements audit	10	10
internal audit	16	18
Losses on disposal of tangible fixed assets	71	69

9 Interest Payable

	2012 £000	2011 £000
On bank loans, overdrafts and other loans: Repayable wholly or partly in more than 5 years	35	32
	<u>35</u>	<u>32</u>
On finance leases	12	35
	<u>47</u>	<u>67</u>
Pension finance costs (note 27)	35	26
Total	<u>82</u>	<u>93</u>

10 Taxation

The members of the Corporation do not believe the College was liable for any Corporation Tax arising out of its activities during the year.

Notes to the Accounts (continued)

11 Tangible Fixed Assets

	Land & Buildings Freehold £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2011	13,860	2,408	16,268
Additions	414	150	564
Disposals	(53)	(94)	(147)
At 31 July 2012	<u>14,221</u>	<u>2,464</u>	<u>16,685</u>
Depreciation			
At 1 August 2011	3,003	1,417	4,420
Charge for year	350	371	721
Eliminated in respect of disposals	(11)	(63)	(74)
At 31 July 2012	<u>3,342</u>	<u>1,725</u>	<u>5,067</u>
Net book value at 31 July 2012	<u>10,879</u>	<u>739</u>	<u>11,618</u>
Net book value at 31 July 2011	<u>10,857</u>	<u>991</u>	<u>11,848</u>
Inherited	3,516	0	3,516
Financed by capital grant	1,582	186	1,768
Other	5,781	553	6,334
Net book value at 31 July 2012	<u>10,879</u>	<u>739</u>	<u>11,618</u>

The College's policy is to carry all assets at historical cost, except for inherited assets, which are included on the balance sheet at a valuation existing at 31 July 1999 when the College implemented FRS 15 for the first time.

As stated in the policy note the College carries inherited assets at an inherited valuation of £3,516,000. The assets were valued on Incorporation and have not been updated since. The historic cost of the assets is nil.

The net book value of tangible fixed assets includes an amount of £46,733 (2010/11 - £82,834) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £64,789 (2010/11 - £75,462).

The 2011/12 land & buildings included £246,506 that was work in progress at the year end. This relates to the Workshop Build which is due for completion in September 2013.

Fixed Asset Investments

	2012 £000	2011 £000
Portfolio Held by the Charitable Trust	59	0
	<u>59</u>	<u>0</u>

In the year 2011 the portfolio valued at £59,000 was included in Cash at Bank

Notes to the Accounts (continued)

12 Debtors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade debtors	92	157
Other debtors	4	3
Prepayments and accrued income	98	67
Total	<u>194</u>	<u>227</u>

13 Creditors: Amounts Falling Due Within One Year

	2012 £000	2011 £000
Bank loans	137	137
Obligations under finance leases	26	108
Trade creditors	277	285
Other creditors	122	103
Other taxation and social security	106	106
Accruals and deferred income	365	364
Unspent Learner Support Funds	141	58
Amounts owed to the Skills Funding Agency	33	23
Amounts owed to HEFCE	0	152
	<u>1,207</u>	<u>1,336</u>

14 Creditors: Amounts Falling Due After More Than One Year

	2012 £000	2011 £000
Bank loans	1,727	1,864
Obligations under finance leases	22	28
	<u>1,749</u>	<u>1,892</u>

15 Borrowings

	2012 £000	2011 £000
Bank loans		
Bank loans are repayable as follows:		
In one year or less or on demand	137	137
Between one and two years	137	137
Between two and five years	411	411
In five years or more	1,179	1,316
Total	<u>1,864</u>	<u>2,001</u>

The original bank loan is repayable by instalments falling due between 1 August 2011 and February 2026 at an interest rate of 0.49% over LIBOR. The College took out a new loan of £500,000 in July 2010 to help finance the Tower Block project and this is repayable by instalments falling due between August 2011 and May 2025 at an interest rate of 1.49% over LIBOR.

Notes to the Accounts (continued)

16 Provisions for Liabilities and Charges

	Enhanced Pensions £000	Total £000
At 1 August 2011	149	149
Expenditure in the period	(12)	(12)
Transferred from income and expenditure account	8	8
Actuarial loss recognised in STRGL	7	7
At 31 July 2012	<u>152</u>	<u>152</u>

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 issued by the funding bodies.

The principal assumptions for this calculation are:

	2012	2011
Interest	3.89%	5.36%
Net Interest	2.50%	2.75%

17 Deferred Capital Grants

	LSC grants £000	HEFCE grants £000	SFA grants £000	Other grants £000	Total £000
At 1 August 2011					
Land and buildings	1,445	0	79	0	1,524
Equipment	101	130	0	41	272
Cash received					
Land and buildings	0	0	100	0	100
Equipment	0	19	0	0	19
Released to income and expenditure account					
Land and buildings	35	0	5	2	42
Equipment	20	85	0	0	105
Total	<u>1,491</u>	<u>64</u>	<u>174</u>	<u>39</u>	<u>1,768</u>
At 31 July 2012					
Land and buildings	1,410	0	174	(2)	1,582
Equipment	81	64	0	41	186
Total	<u>1,491</u>	<u>64</u>	<u>174</u>	<u>39</u>	<u>1,768</u>

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

Notes to the Accounts (continued)

18 Endowments

	General £000	Total £000
At 1 August 2011	64	64
Income for year	1	1
Expenditure for year	(4)	(4)
At 31 July 2012	<u><u>61</u></u>	<u><u>61</u></u>
Representing		
General Fund	0	0
Dorris Gerrard Trust	6	6
Jenefer Peters and Mary Peters Trust	55	55
Total	<u><u>61</u></u>	<u><u>61</u></u>

These funds are held within the Plymouth College of Art Charitable Trust. The balances have been consolidated into the College's accounts.

19 Revaluation Reserve

	2012 £000	2011 £000
At 1 August 2011	3,602	3,687
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(86)	(85)
At 31 July 2012	<u><u>3,516</u></u>	<u><u>3,602</u></u>

20 Movement on General Reserves

	2012 £000	2011 £000
Income and Expenditure Account Reserve		
At 1 August 2011	4,459	4,087
Surplus retained for the year	300	277
Transfer from revaluation reserve	86	85
Actuarial (loss)/gain in respect of enhanced pension provision	(7)	10
At 31 July 2012	<u><u>4,838</u></u>	<u><u>4,459</u></u>
Pension Reserve		
At 1 August 2011	(1,717)	(2,557)
Income and Expenditure Account	(136)	(82)
Actuarial (loss) / gain in respect of pension scheme	(1,117)	922
At 31 July 2012	<u><u>(2,970)</u></u>	<u><u>(1,717)</u></u>

Notes to the Accounts (continued)

21 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2012 £000	2011 £000
Surplus on continuing operations after depreciation of assets at valuation	164	196
Depreciation (note 1 & 11)	721	663
Deferred capital grants released to income (note 17)	(147)	(336)
Loss on disposal of tangible fixed assets	71	69
Interest payable (note 9)	47	67
Pension cost less contributions payable (notes 5, 9, 16 and 27)	129	82
Decrease / (Increase) in stocks	8	(14)
Decrease in debtors	33	94
Increase in creditors	1	362
Increase / (Decrease) in provisions	3	(12)
Interest receivable (note 5)	(1)	(2)
Net cash inflow from operating activities	<u>1,029</u>	<u>1,169</u>

22 Returns on Investments and Servicing of Finance

	2012 £000	2011 £000
Other interest received	1	2
Interest paid	(35)	(32)
Interest element of finance lease rental payment	(12)	(35)
Net cash outflow from returns on investment and servicing of finance	<u>(46)</u>	<u>(65)</u>

23 Capital Expenditure and Financial Investment

	2012 £000	2011 £000
Purchase of tangible fixed assets	(592)	(1,513)
Transfer to acquire endowment assets	(59)	0
Sales of tangible fixed assets	2	0
Deferred capital grants received	119	372
Net cash outflow from capital expenditure and financial investment	<u>(530)</u>	<u>(1,141)</u>

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

Notes to the Accounts (continued)

24 Financing

	2012 £000	2011 £000
Debt due beyond a year:		
Repayment of amounts borrowed	(137)	(120)
Repayment of Lennartz VAT "Loan"	0	(45)
Capital element of finance lease rental payments	(111)	(140)
Net cash (outflow) from financing	<u>(248)</u>	<u>(305)</u>

25 Analysis of Changes in Net Funds

	At 1 August 2011 £000	Cashflows £000	At 31 July 2012 £000
Cash in hand, and at bank	1,184	205	1,389
	<u>1,184</u>	<u>205</u>	<u>1,389</u>
Debt due within 1 year	(137)	0	(137)
Debt due after 1 year	(1,864)	137	(1,727)
Finance leases	(130)	82	(48)
Total	<u>(947)</u>	<u>424</u>	<u>(523)</u>

26 Major non-cash transactions

During the year 2011/12 the College entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £22,673. In 2010/11 the College did not enter into any finance leases.

27 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 Devon County Council. Both are defined benefit schemes.

Notes to the Accounts (continued)

27 Pension and similar obligations (continued)

Total pension cost for the year

	2012 £000	2011 £000
Teachers Pension Scheme: contributions paid	219	243
Local Government Pension Scheme:		
Contributions paid	280	267
FRS17 charge	<u>101</u>	<u>51</u>
Charge to the Income and Expenditure Account (staff costs)	381	318
Enhanced pension charge to Income and Expenditure Account (staff costs)	8	11
Total Pension Cost for Year	<u>608</u>	<u>572</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 and the LGPS 31 March 2010.

Contributions amounting to £27,254 (2011 £29,724) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes 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	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%

Following the implementation of Teachers' Pensions (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 2011 to 31 July 2012 the employer contribution was 14.1%. The employee rate was 6.4% to the 31 March 2012 with rates between 6.4% and 8.8% depending on the member's salary from 1st April 2012. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

Notes to the Accounts (continued)

27 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS17) 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 deficit in 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 £342,767 (2011: £357,012) of which employer's contributions totalled £245,967 (2011: £254,530) and employees' contributions totalled £96,800 (2011: £102,482). The employee contribution rate ranges from 5.5% to 7.5%, dependent on full time equivalent salary rate. The agreed employer contribution rates for future years is 257% of employee contributions.

FRS 17

Principal Actuarial Assumptions

	At 2012	At 2011	At 2010	At 2009	At 2008
Rate of increase in salaries	4.0%	5.0%	4.7%	5.3%	5.3%
Rate of increase for pensions in payment / inflation	1.8%	2.7%	2.7%	3.8%	3.8%
Discount rate for scheme liabilities	3.9%	5.3%	5.4%	6.0%	6.5%
RPI Increases	2.6%	3.5%	3.2%	3.8%	3.8%
CPI Increases	1.8%	2.7%	2.7%	n/a	n/a

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

	At 2012	At 2011	At 2010	At 2009	At 2008
<i>Retiring today</i>					
Males	20.5	20.3	23.1	23.1	22.1
Females	24.5	24.4	25.0	25.0	24.1
<i>Retiring in 20 years</i>					
Males	22.5	22.4	25.4	25.4	24.0
Females	26.4	26.3	27.3	27.3	25.3

Plymouth College of Art - Financial Statements for the Year Ended 31 July 2012

Notes to the Accounts (continued)

27 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	Long-term rate of return expected at 31 Jul 12	Value at 31 July 2012 £000	Long-term rate of return expected at 31 Jul 11	Value at 31 July 2011 £000
Equities	6.3%	2,936	7.5%	3,315
Government Bonds	2.8%	709	4.0%	865
Corporate Bonds	3.9%	0	5.3%	0
Property	5.3%	304	6.5%	288
Cash	0.5%	304	3.0%	288
Absolute Return Funds	4.7%	810	5.0%	48
Total market value of assets		<u>5,063</u>		<u>4,804</u>
Present value of scheme liabilities		<u>(8,033)</u>		<u>(6,521)</u>
(Deficit) in the scheme		<u><u>(2,970)</u></u>		<u><u>(1,717)</u></u>

Analysis of the amount charged to income and expenditure account

	2012 £000	2011 £000
Employer service cost (net of employee contributions)	330	313
Past Service (gain)/cost ("Exceptional Pension Credit" - see note 33)	0	0
Total operating charge	<u>330</u>	<u>313</u>

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	317	287
Interest on pension liabilities	<u>(352)</u>	<u>(313)</u>
Pension finance income/(costs)	<u><u>(35)</u></u>	<u><u>(26)</u></u>

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

	2012 £000	2011 £000
Actual return less expected return on pension scheme assets	(189)	176
Experience gains and losses arising on the scheme liabilities	0	95
Change in financial and demographic assumptions	<u>(928)</u>	<u>651</u>
Actuarial (loss) / gain recognised in STRGL	<u><u>(1,117)</u></u>	<u><u>922</u></u>

Movement in deficit during year

Deficit in scheme at 1 August 2011	(1,717)	(2,557)
Movement in year:		
Employer service cost (net of employee contributions)	(330)	(313)
Employer Contributions	280	267
Net interest / return on assets	(35)	(26)
Curtailments or Settlements	(51)	(10)
Actuarial gain	<u>(1,117)</u>	<u>922</u>
Deficit in scheme at 31 July 2012	<u><u>(2,970)</u></u>	<u><u>(1,717)</u></u>

Notes to the Accounts (continued)

27 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Asset and Liability Reconciliation

	2012	2011
	£000	£000
Liabilities at start of period	6,521	6,980
Service cost	330	313
Interest cost	352	313
Employee contributions	97	102
Experience gains and losses on scheme liabilities	0	0
Actuarial (gain)	928	(999)
Benefits paid	(246)	(198)
Past Service (gain)/cost ("Exceptional Pension Credit" - see note 34)	0	0
Curtailments and settlements	51	10
Liabilities at end of period	<u>8,033</u>	<u>6,521</u>
Reconciliation of Assets		
Assets at start of period	4,804	4,423
Expected return on assets	317	287
Actuarial gain/(loss)	(189)	(77)
Employer contributions	280	267
Employee contributions	97	102
Benefits paid	(246)	(198)
Assets at end of period	<u>5,063</u>	<u>4,804</u>

The estimated value of employer contributions for the year ended 31st July 2013 is £244,000 (2012 estimate was £257,000).

History of experience gains and losses

	2012	2011	2010	2009	2008
Difference between the expected and actual return on assets:					
amount £'000	(189)	176	343	(530)	(760)
% of scheme assets	-3.7%	3.7%	7.8%	-14.5%	-20.9%
Experience gains and losses on scheme liabilities:					
amount £'000	0	0	0	(10)	0
% of scheme liabilities	0.0%	0.0%	0.0%	-0.1%	0.0%
Change in assumptions:					
amount £'000	(928)	651	11	(820)	(10)
% of scheme liabilities	-11.6%	10.0%	0.2%	-12.3%	-0.2%
Total amount recognised in STRGL					
amount £'000	(1,117)	827	354	(1,360)	(770)
% of scheme liabilities	-13.9%	12.7%	5.1%	-20.3%	-14.8%

Notes to the Accounts (continued)

28 Post Balance Sheet Events

a) Investment Returns

Since the balance sheet date, the global economic downturn has resulted in volatility in investment markets. As a result there is an increased risk that the value of investments held by the College, whether directly or indirectly (such as through the pension fund) may have deteriorated. However, any such deterioration is considered to be a non adjusting event and as such has not been reflected in these financial statements.

b) Workshop Build Project and New Loan

During the year the Corporation approved the Workshop Build Project with a value of £4.1m. This will provide a great contemporary crafts facility. The contract with the builders was signed in October 2012. The project is being 90% funded by an additional bank loan of £3.6m which will be drawn down as the project progresses and the remainder from College Reserves which remain strong. The project commenced in May 2012 with an expected completion date of September 2013.

29 Capital Commitments

	2012 £000	2011 £000
Commitments contracted for at 31 July 2012	0	0
	<u>0</u>	<u>0</u>

There were no commitments outstanding at the year end in 2011 or 2012.

30 Financial Commitments

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

	2012 £000	2011 £000
Land and Buildings		
Expiring within two and five years inclusive	37	0
Expiring in over five years	0	37
	<u>37</u>	<u>37</u>
Other		
Expiring between two and five year inclusive	6	5
Expiring in over five years	0	2
	<u>6</u>	<u>7</u>

Notes to the Accounts (continued)

31 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 organisation 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.

32 Amounts disbursed as agent - Learner support funds

	2012 £000	2011 £000
Skills Funding Agency and Young Peoples Learning Agency		
Hardship Support	103	52
Childcare	48	16
Residential Bursaries	185	184
Interest earned	-	-
	<u>336</u>	<u>252</u>
Disbursed to students	(190)	(184)
Administration costs	(7)	(12)
	<u>139</u>	<u>56</u>
HEFCE		
HEFCE Grants	<u>38</u>	<u>29</u>
Disbursed to students	(35)	(26)
Administration costs	(1)	(1)
	<u>2</u>	<u>2</u>
Balance unspent as at 31 July, included in creditors	<u><u>139</u></u>	<u><u>56</u></u>
Balance unspent as at 31 July, included in creditors	<u><u>2</u></u>	<u><u>2</u></u>

These grants are available solely for students. The College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income & Expenditure Account.