Barton Peveril College

Annual Report and Financial Statements

For the Year Ended 31 July 2010

CONTENTS

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The Corporation of Barton Peveril College has pleasure in presenting their 16th report and the audited financial statements for the year ended 31 July 2010.

LEGAL STATUS

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

MISSION & VALUES

Governors reviewed the College's mission and values during 2009-2010 and confirmed them as follows:

> **Barton Peveril College's Mission is to be a Centre of Excellence in post-16 education, adding value to our students' academic achievements and wider experiences.**

Our Values

- We set high expectations of our students and aim for them all to fulfil their academic potential

- We prepare students for their futures whether at university, in employment or in their wider lives by developing skills such as self-reliance and resilience, creativity and imagination, problem solving and persistence, working with others, and communicating effectively

- We nurture the confidence and ambitions of all our students and praise and celebrate their efforts and commitment

- We provide challenging learning opportunities and inspiring teaching through investing in the teaching skills, subject interests and professional development of our staff

- We meet the individual needs of every one of our students and promote an environment of mutual respect and equal opportunities in a lively, purposeful, friendly, safe, inclusive and modern community

- We listen to our students and learn from them

- We cultivate a constructive, three way relationship with parents to help students achieve their full potential

- We work with partners in our community to provide the best opportunities for young people locally

Operating and Financial Review (continued)

IMPLEMENTATION OF STRATEGIC PLAN

In July 2009 the College updated the strategic plan for the period 1 August 2008 to 31 July 2011. The Corporation monitors the performance of the College against this plan, which is reviewed and updated each year. The College's progress against its Key Performance Indicators is:

Key Performance Indicator	Progress Report
To bring AS and A2 into the top 20% of all schools and colleges in ALPS by September 2012	This KPI was revised in March 2010 after the original target had been exceeded by the results from the 2009 examination series. (AS moved from 47 to 78 Percentile; High grades - AS up 7%, A2 up 4%).
Lesson observations in IQR and EQR demonstrate an increased focus on active and innovative teaching and learning as identified within the staff development plan	Lesson observation forms have specifically recorded active teaching and learning activities that have taken place in observed lessons during the year. Analysis of this will form part of the College's self assessment process in the autumn.
Student recruitment targets to be met as stated in the strategic plan, subject to the funding body approval	Student recruitment of 2,428 for 2009-10 exceeded the LSC target of 2,343 enabling positive negotiations for 2010-11 of 2417 funded places.
Student satisfaction with their learning experience improves in College and FFE Surveys from satisfactory to good	FFE outcome is postponed to September 2010 at the earliest. Latest announcement from the Government specifies that sixth form colleges will no longer have to carry out a learner survey.
Small improvements to the college campus implemented, a new accommodation strategy for the long term developed and a progress made towards securing funding for this	Development of a new 10 year Property Strategy during 2009-10 has provided the College with a number of options to resolve the accommodation issues of the College, as funds allow.

Operating and Financial Review (continued)

FINANCIAL OBJECTIVES

The College has a key objective to remain financially sound so as to:

- Maintain the confidence of the LSC, suppliers, bankers and auditors
- Generate sufficient income to enable maintenance and improvement of its accommodation and equipment
- Ensure that the planned maintenance programme is delivered on time and within budget
- Protect it from any unforeseen adverse changes in enrolments

Specifically these objectives would be achieved by maintaining a sound financial base both solvency and liquidity:

- Cash flow from operations will remain positive
- An adjusted current ratio will be maintained in excess of 1.5
- Salary costs will be maintained at 68% - 71% of income
- General reserves will be in excess of 35% of income
- Cash days will exceed 30 at all times
- An operating surplus will be achieved each year, normally 1% - 2%
- Borrowing levels do not exceed acceptable and manageable levels
- Financial and non-financial returns are made on time and in agreed format
- All returns requiring certification by auditors are unqualified

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

PERFORMANCE INDICATORS

In 2009/10 the College exceeded its 16 –18 student learner number targets by 85. The Adult learner activity involved approximately 448 students supported by LSC funding.

The LSC implemented a new system of performance measures for colleges, the “Framework for Excellence” replacing the old “ABC” framework for all providers in 2008/09. The “Framework for Excellence” has three dimensions:

- Responsiveness
- Effectiveness
- Finance

Each of which has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

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 Hampshire County Council.

The current rating of Good is considered an acceptable outcome.

Operating and Financial Review (continued)

FINANCIAL POSITION

FINANCIAL RESULTS

The College generated an operating surplus in the year of £604,839 due to an exceptional FRS 17 item of £380,000 linked to the Government announcement to link public sector pension increases to the Consumer Prices Index rather than the Retail Price Index. £224,839 surplus was achieved on continuing operations prior to the FRS 17 adjustment. For 2008/09, there was a surplus on continuing operations of £34,098.

The College has accumulated reserves of £5,635,103 and cash balances of £1,965,283.

Operating and Financial Review (continued)

Tangible fixed asset additions during the year amounted to £255,989. This was mainly for upgrading the electrical supply system, IT equipment and the purchase of an electronic campus entry sysytem.

The College has significant reliance on the LSC and its successor organisations for its principal funding source, largely from recurrent grants. In 2009/10 the LSC and its successor organisations provided 92% of the College's total income.

TREASURY POLICIES AND OBJECTIVES

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

Such arrangements are restricted by limits in the Financial Memorandum with the LSC. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency/ Hampshire County Council.

CASHFLOWS

At £255,432 the operating cash 'in flow' was reasonably strong. For 2008/09 there was an operating cash 'out flow' of £152,293.

LIQUIDITY

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

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Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2009/10 the College has delivered activity that has produced £11,295,866 in funding body main allocation funding (2008/09 – £11,075,834). There were 2,439 16-18 year old students and 448 19+ students were LSC-funded during 2009-10. There were also 702 non-LSC funded students participating in a wide range of recreational and craft based courses

Student achievements

Students continue to prosper at the College. Achievement rates remained high in 2009/10 with 98.6% A level pass rate (98.5% in 08/09) and AS level pass rate 92.3% (93.0% in 08/09). Contextualised Value Added (CVA) shows an improvement from 1,004.5 in 2008/9 to1008.2 in 2009/10. Whilst it is too early to make predictions about success rates for 2010/11, there is no reason to expect the upwards trend of the last few years to be reversed.

CURRICULUM DEVELOPMENTS

During the day the College continues to provide high quality sixth-form education to its traditional catchment area of Eastleigh and the neighbouring communities of Romsey and the New Forest to the west and Swanmore and Bishops Waltham to the east. However, increasing numbers of students are continuing to come from schools in Fareham, Southampton and Winchester. We also offer a growing number of accredited as well as non-accredited courses to adults from the local community in the evening. 2009/10 was a very successful year with good results across all areas.

In the College's adult provision our work improving and accrediting the basic skills of offenders in the Southampton, Winchester and Andover areas met all agreed targets. The adults were also successful in employment-related courses such as NVQ Care as well as Skills for life. The College has recently been approved to offer Access Courses for adults to broaden the College's adult portfolio in meeting the needs of Government priorities.

PAYMENT PERFORMANCE

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2009 to 31 July 2010, the College paid 98 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

POST-BALANCE SHEET EVENTS

None.

FUTURE DEVELOPMENTS

The College's recruitment projections show a continued increase in future student numbers. This will have a positive impact on its ability to cope with potential reductions in income due to Government cutbacks in funding for the sector and remain a going concern. However, this will place the current accommodation under severe pressure, requiring the College to implement aspects of its property strategy.

RESOURCES:

The College has various resources that it can deploy in pursuit of its strategic objectives, however, the main tangible resource is the college campus.

Financial

The College has £7,955,360 of net assets (including £1.62 million pension liability) and long term debt of £3.87 million.

People

The College employs 408 people (238 expressed as full time equivalents), of whom 155 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

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

Operating and Financial Review (continued)

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

1. ***'Changes in Funding Body or Government policy which markedly affect the business of the College'***

The College has considerable reliance on continued government funding through the LSC and its successor organisations. In 2009/10, 92% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There are 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 several issues which may impact on future funding:

- The demand led funding system which applies a series of factors such as guided learning hours and success rates to calculate an amount of funding to be received for each learner. Such funding cannot be guaranteed though.
- The "Machinery of Government" changes which came into force from April 2010 and which saw the LSC dissolved and replaced with successor agencies such as the Young Peoples Learning Agency and the Skills Funding Agency.

This risk is mitigated in a number of ways:

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

Ministers have confirmed that the Adult fee assumption will increase from 42.5% in 2008/09, to 47.5% in 2009/10 and 50% in 2010/11. In line with the majority of other colleges, Barton Peveril College will seek to increase tuition fees in accordance with the rising fee assumptions. The price elasticity of adult learning is not yet fully understood. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College

This risk is mitigated in a number of ways:

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

2. '***Failure to meet future pension liabilities'***
The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

3. 'Failure of student transport to and from College'

This risk is mitigated in a number of ways:

- By ensuring the College has appropriate contracts with local transport operators, to ensure all students are able to access transport to college and by offering value for money ticketing for those journeys.
- Close monitoring of the demand for transport from each cohort of students.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE 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.

Equal opportunities and employment of disabled persons

Barton Peveril College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on the College's Internet site.

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

Operating and Financial Review (continued)

Equal opportunities and employment of disabled persons (continued)

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001.

a) As part of its ongoing Equality and Diversity strategy the College updated its access audit during 2006/07, and the results of this formed the basis of an action plan aimed at improving access.

b) The College has an Equality and Diversity Coordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) There is a range of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning support department.

d) The admissions policy for all students is described in the College Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has a professional team of specialist teaching and non-teaching staff to support students with learning difficulties and/or disabilities.

f) All areas of the college buildings are accessible to staff or students with disabilities. This is supported by tactile signage, lifts and disabled toilets in each building.

g) Counselling and welfare services are described in the College Student Guide, which includes the Complaints and Disciplinary Procedure at induction.

Disclosure of information to auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 7th December 2010 and signed on its behalf by:

Professor Roger Brown ______________________________

Chair of Corporation

Operating and Financial Review (continued)

Professional Advisers for the period of this report are:

Financial statement and regularity auditor:
Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
International House
Queens Road
Brighton BN1 3XE

Internal auditor:
Hampshire Audit Services
County Treasurer's Department
The Castle
Winchester
Hampshire
SO23 8UB

Bankers:
Lloyd's TSB Bank
39 Threadneedle Street
London
EC2R 8AU

Solicitors:
Paris Smith
Number 1 London Rd
Southampton
Hampshire
S015 2AE

Statement of Corporate Governance and Internal Control

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

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

The Corporation

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

Governors serving with the College Corporation during 2009/10 and since the year end.

Name	Date of appointment	Term of Office	Date of departure	Status of appointment	Committees served during the period
Mr Andy Renwick ***Chair of Corporation to December 2009***	2002 Re-appointed July 2006	4 years	July 2010	Community Member	Search and Governance Remuneration and Employment Finance (to Dec 09) Audit (Jan – June 09)
Mr David Quinney ***Vice Chair of Corporation to November 2010***	1992 Re-appointed 1997, 2001, 2005 and July 2009	4 years		Corporation Member	Remuneration and Employment Finance Building Support ***(Chair)***
Mr Jonathan Prest	August 2008	N/A		Principal	Finance Search and Governance Building Support
Mrs Shirley Anderson	October 2008 December 2009	N/a 4 years		Addit. Cttee Member Corporation Member	Remuneration and Employment Search and Governance (Nov 10)
Ms Christine Bedford	2002 Re-appointed July 2006 November 2009	4 years	November 2009 July 2010	Co-opted Member Addit.Cttee Member	Finance ***(Chair to 28/9/09)***
Mr Peter Boote	July 2010	4 years		Corporation Member	Audit Building Support
Mr Paul Broderick	April 2009	1 year	March 2010	Student Member	Standards Building Support
Professor Roger Brown ***Chair of Corporation from Dec 09***	March 2009	4 years		Corporation Member	Standards Finance (from Dec 09) Search (***Chair from May 2010)***
Miss Sheila Campbell	November 2007	4 years		Co-opted Member	Standards Remuneration and

					Employment
Mrs Nichola Carcone	2005 March 2008	3 years	April 2010	Staff Member	Standards
Ms Nicole Dowland	April 2009	1 year	March 2010	Student Member	Standards Building Support
Mrs Karen Everett	March 2010	4 years		Corporation Member	Finance
Mr Simon Gardiner ***Vice Chair of Corporation from November 2010***	November 2007 November 2009	 4 years		Addit.Committ ee Member Corporation Member	Building Support Finance Building Support Finance ***(Chair from Nov 09)***
Mr Christopher Gunby	March 2010	1 year	October 2010	Student Member	Standards Building Support
Mrs Shirley Guy	December 2008	3 years		Parent Member	Audit
Mr Joel Horner	May 2010	3 years		Staff Member	Standards
Cllr Keith House	2002 Re-appointed July 2006, July 2010	4 years		Corporation Member	Remuneration and Employment ***(Chair from March 10)*** Search
Ms Jasmine Knox Langford	March 2010	1 year		Student Member	Standards Building Support
Mrs Thora Lomax	2004 Re-appointed March 2008	4 years	 9 December 2009	Business Member Corporation Member	Remuneration and Employment Committee Search & Governance
Mrs Christine McNulty	2003 Re-appointed July 2007	4 years		Business Member	Audit Standards ***(Chair)***
Ms Shokraneh Moghaddam	October 2009	1 year	May 2010	Senate Student Observer	Standards Building Support
Mr Mohammad Mossadaq	July 2007 December 2008	 4 years		Addit.Committ ee Member Corporation Member	Remuneration and Employment (to June 09) Standards (from Oct 09)
Mr Lewis Mullins	November 2010	1 year		Student Member	Standards Building Support
Dr Daniel Ridley	July 2006	4 years	July 2010	Business Member	Standards Building Support Finance
Mr Chris Tapp	May 2006	4 years	May 2010	Business Member	Audit Remuneration and Employment ***(Chair to March 2010)*** Building Support
Mr Nick Tustian	2005 and November 2009	4 years		Corporation Member	Audit ***(Chair)***
Mr Stephen Vincent-Marshall	2006 and May 2009	3 years		Staff Member	Audit Building Support
Mrs Sally Weavind	2005 and March 2009	4 years		Corporation Member	Audit Search and Governance ***(Chair to May 2010)***
Mr Geoff Woollan	2005 and July 2009	4 years		Corporation Member	Search and Governance
Mrs Rosalind Medd	December 2001	Clerk to the Corporation			

Statement of Corporate Governance and Internal Control (continued)

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 at least 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 Standards, Finance Monitoring Group, Remuneration & Employment, Search & Governance, Audit and Building Support. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

Barton Peveril College
Chestnut Avenue
Eastleigh
Hampshire
SO50 5ZA

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

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

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

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

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

Appointments to the Corporation

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

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

Remuneration and Employment Committee

Throughout the year ending 31 July 2010, the College's Remuneration and Employment Committee comprised six members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders. It also considers the College's employment policies and procedures.

Details of remuneration for the year ended 31 July 2010 are set out in note 7 to the financial statements.

Audit committee

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

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

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Barton Peveril

College and the LSC and its successor organisations. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Barton Peveril College for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2010 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Barton Peveril College has an internal audit service, which operates in accordance with the requirements of the LSC'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 Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. [His / Her] 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 auditors, the regularity auditors (for colleges in plan-led funding), the appointed funding auditors (for colleges outside plan-led funding) in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor (and risk committee, if appropriate), 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 2010 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2010 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2010.

Going concern

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

Approved by order of the members of the Corporation on 7th December 2010 and signed on its behalf by:

Signed______________________	**Signed**_________________________
Professor Roger Brown **Chair**	**Jonathan Prest** **Principal**

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Hampshire County Council and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the LSC and the Hampshire County Council are used only in accordance with the Financial Memorandum with the LSC and the Hampshire County Council and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the LSC and Hampshire County Council are not put at risk.

Approved by order of the members of the Corporation on 7th December 2010 and signed on its behalf by:

Signed______________________

Professor Roger Brown
Chair

Independent Auditor's Report to the Corporation of Barton Peveril College

We have audited the financial statements of Barton Peveril College for the year ended 31 July 2010, 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 Barton Peveril College and Auditors

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Operating and Financial Review and Statement of Corporate Governance and Internal Control and financial statements in accordance with the 2009/10 Accounts Direction, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Operating and Financial Review and Statement of Corporate Governance and Internal Control are not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2010 and of the College's surplus of income over expenditure/deficit of expenditure over income for the year then ended; and

- the financial statements have been properly prepared in accordance with the 2009/10 Accounts Direction issued jointly by the Skills Funding Agency and the Young Peoples Learning Agency and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Baker Tilly UK Audit LLP	Date
Statutory Auditor	
Chartered Accountants	
International House	
Queens Road	
Brighton BN1 3XE	

BARTON PEVERIL COLLEGE

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR FROM 1 AUGUST 2009 TO 31 JULY 2010

	Notes	*Year ended 31 July 2010* **£**	*Year ended 31 July 2009* **£**
Income			
Funding body grants	2	11,684,319	11,510,987
Tuition fees and education contracts	3	143,198	155,446
Other income	4	946,231	948,759
Investment income	5	11,402	59,343
Total income		**12,785,150**	**12,674,535**
Expenditure			
Staff costs	6	8,757,866	8,705,561
Exceptional FRS 17 past service cost credit	6	(470,000)	0
Other operating expenses	8	2,846,763	2,874,953
Depreciation	12	709,516	727,352
Interest payable	11	336,166	332,571
Total expenditure		**12,180,311**	**12,640,437**
Surplus on continuing operations prior to costs relating to property strategy		**604,839**	**34,098**
Property strategy costs	9	0	**(503,093)**
Grant support for property strategy	9	0	**250,000**
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation, exceptional items but before tax		**604,839**	**(218,995)**
Taxation	10	0	0
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and tax		**604,839**	**(218,995)**

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

BARTON PEVERIL COLLEGE

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	*Year ended 31 July 2010* *£*	*Year ended 31 July 2009* *£*
Surplus/(deficit) on continuing operations after depreciation and disposal of tangible fixed assets at valuation and tax		604,839	**(218,995)**
Actuarial loss in respect of pension scheme	17	(110,000)	(760,000)
Total recognised gains/(losses) relating to the year		**494,839**	**(978,995)**
Reconciliation			
Opening reserves		5,140,264	6,119,259
Total recognised gains/(losses) for the year		494,839	(978,995)
Closing Reserves		**5,635,103**	**5,140,264**

BARTON PEVERIL COLLEGE

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

FOR THE YEAR FROM 1 AUGUST 2009 TO 31 JULY 2010

	Notes	***Year ended 31 July 2010 £***	***Year ended 31 July 2009 £***
Surplus/(deficit) on continuing operations before tax		604,839	(218,995)
Difference between historical cost depreciation and actual charge for the period calculated on the revalued amount	19	98,479	98,204
Historical cost surplus/(deficit) for the period		**703,318**	**(120,791)**

BARTON PEVERIL COLLEGE

BALANCE SHEET

AS AT 31 JULY 2010

	Notes	*Year ended 31 July 2010* £	*Year ended 31 July 2009* £
FIXED ASSETS			
Tangible assets	12	**12,599,272**	**13,052,799**
CURRENT ASSETS			
Stock		10,841	9,340
Debtors	13	144,969	154,611
Cash in hand and at bank		1,965,283	1,709,851
Total current assets		**2,121,093**	**1,873,802**
CREDITORS: Amounts falling due within one year	14	1,275,103	1,112,890
NET CURRENT ASSETS		**845,990**	**760,912**
TOTAL ASSETS less CURRENT LIABILITIES		**13,445,262**	**13,813,711**
CREDITORS: Amounts falling due after more than one year	15	3,869,902	4,222,899
Net Assets excluding pension liability		**9,575,360**	**9,590,812**
Net pension liability	17	(1,620,000)	(1,890,000)
NET ASSETS INCLUDING PENSION LIABILITY		**7,955,360**	**7,700,812**
Deferred capital grants	18	2,320,257	2,560,548
Reserves			
Income and Expenditure account excluding pension reserve		4,903,729	4,580,411
Pension Reserve	17	(1,620,000)	(1,890,000)
Income and Expenditure account including pension reserve	20	3,283,729	2,690,411
Revaluation reserve	19	2,351,374	2,449,853
Total Funds		**7,955,360**	**7,700,812**

The financial statements on pages 23 to 40 were approved and authorised for issue by the Corporation on 7th December 2010 and signed on its behalf on that date by:

Prof R Brown
Chair of Corporation

J Prest
Principal

BARTON PEVERIL COLLEGE

CASH FLOW STATEMENT

FOR THE YEAR FROM 1 AUGUST 2009 TO 31 JULY 2010

	Notes	*Year ended 31 July 2010* *£*	*Year ended 31 July 2009* *£*
Net cash inflow from operating activities	21	**1,068,996**	**441,330**
Returns on investments and servicing of finance			
Interest received		11,402	71,064
Interest paid		(236,166)	(262,571)
Net cash outflow from investments and servicing of finance		**(224,764)**	**(191,507)**
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(255,989)	(105,766)
Deferred capital grants LSC		0	11,207
Net cash outflow from investing activities		**(255,989)**	**(94,559)**
Net cash inflow before financing		**588,243**	**155,264**
Financing			
Repayment of amounts borrowed	22	(332,811)	(307,557)
Net cash outflow from financing		**(332,811)**	**(307,557)**
Increase/(Decrease) in cash	22	**255,432**	**(152,293)**
Reconciliation of net cash flow to movement in net funds/debt			
Increase/(Decrease) in cash in the period		255,432	(152,293)
Cash outflow from financing		332,811	307,557
Movement in net funds in year		588,243	155,264
Net debt at 1 August		(2,845,009)	(3,000,273)
Net debt at 31 July		(2,256,766)	(2,845,009)

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

1. STATEMENT OF ACCOUNTING POLICIES

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting in 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 Young Peoples Learning Agency in the 2009/10 Accounts Direction Handbook, which incorporates the required disclosure of the property strategy costs giving rise to the true and fair override.

True and Fair Override

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

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

In the Income and Expenditure Account, property strategy transactions which include LSC grant support for property strategy costs have been shown separately below (deficit)/surplus on continuing operations prior to costs relating to the property strategy and before (deficit)/surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax, as set out in the Accounts Direction Handbook. The comparatives have been presented on the same basis.

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.

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 learner responsive funding allocation outside of permitted tolerance levels and within adjustment caps 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 a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the LSC and its successor organisations 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 chargeable to 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 contractor service concerned.

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

Post Retirement Benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employee's 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 16, 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 are 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 the pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible Fixed Assets

Land and buildings

Land and buildings inherited from the Local Education Authority on incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

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

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, 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 £500 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 assets are depreciated over its useful life to the College:

building improvements - 10 years on a straight-line basis
motor vehicles - 5 years on a straight-line basis
computer equipment - 3 years on a straight-line basis
other equipment - 5 years on a straight-line basis

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

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 and planned maintenance is charged to the income and expenditure account in the period in which it is incurred.

Taxation

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure are therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid Resources

Liquid resources include sums on short term deposit 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 LSC and its successor organisations and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of the Learner Support Fund applications and payments.

2. FUNDING BODY GRANTS

	Year ended 31 July 2010	*Year ended 31 July 2009*
	£	**£**
Recurrent grant - Main Funding Body	11,295,866	11,075,834
Releases of deferred capital grant	240,291	253,557
Income to support financing of major works - Main Funding Body	16,279	25,200
Non-Recurrent grants - Main Funding Body	131,883	156,396
	11,684,319	**11,510,987**

3. TUITION FEES AND CHARGES

	Year ended 31 July 2010	*Year ended 31 July 2009*
	£	**£**
Tuition Fees	143,198	155,446
Education Contracts	0	0
	143,198	**155,446**

4. OTHER OPERATING INCOME

	Year ended 31 July 2010	*Year ended 31 July 2009*
	£	**£**
Lettings	12,836	11,999
Shop sales / sale of equipment and books	100,164	82,357
Fees and charges	582,100	536,865
Other income	251,131	317,538
	946,231	**948,759**

5. INVESTMENT INCOME

	Year ended 31 July 2010	*Year ended 31 July 2009*
	£	**£**
Interest receivable	11,402	59,343
	11,402	**59,343**

6. STAFF COSTS

The average number of persons (including senior postholders) employed by the college during the year, expressed as full time equivalents, was:

	Year ended 31 July 2010	*Year ended 31 July 2009*
	No.	**No.**
Teaching Staff	155	158
Non Teaching Staff	83	83
	238	241

Staff costs for the above persons:	*Year ended 31 July 2010*	*Year ended 31 July 2009*
	£	**£**
Wages and salaries	7,264,671	7,244,783
Social security costs	468,216	487,053
Redundancy Costs	2,466	13,317
Pension costs (including FRS17 adjustments 2010 -£10,000, 2009 -£30,000)	956,042	928,982
Staff costs sub total	**8,691,395**	**8,674,135**
Contracted out staffing services	66,471	31,426
	8,757,866	**8,705,561**
Exceptional item in respect of past service costs	(470,000)	0
Total staff costs	8,287,866	8,705,561

In June 2010, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The College has considered the LGPS scheme rules and associated members' literature and has concluded that this change is a change in benefits and so has recognised the resulting credit in the Income & Expenditure Account. At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue a final Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any changeas a prior period adjustment in the financial statements for the following year.

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

	Senior Post-holders		**Other Staff**	
	2010	**2009**	**2010**	**2009**
	No.	**No.**	**No.**	**No.**
£60,001 to £70,000	0	0	4	1
£70,001 to £80,000	0	0	0	0
£80,001 to £90,000	1	0	0	0
£90,000 to £100,000	1	1	0	0
£100,001 to £110,000	0	1	0	0
£110,001 to £120,000	1	1	0	0
	3	3	4	1

A pay award of 2.3% with effect 1 September 2009 was made to both teaching and non-teaching staff, these awards were approved by the Corporation.

7. EMOLUMENTS OF SENIOR POST HOLDERS

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

	Year ended 31 July 2010	***Year ended 31 July 2009***
The number of senior post-holders, including the Principal was	3	3
Senior post-holders' emoluments are made up as follows:		
	£	**£**
Salaries	258,917	246,260
Pension Contributions	36,184	34,722
Total emoluments	295,101	280,982

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

	Year ended 31 July 2010	***Year ended 31 July 2009***
	£	**£**
Salaries	100,956	92,746
Benefits in kind	0	0
Pension Contributions	14,094	13,077
Total emoluments	115,050	105,823

The members of the Corporation other than the Principal and staff members did not receive any payment from the college other than reimbursement of travel and subsistence expenses incurred in the course of their duties. The pension contributions in respect of the Principal and other senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

8. OTHER OPERATING EXPENSES

	Year ended 31 July 2010	***Year ended 31 July 2009***
	£	**£**
Teaching costs	1,148,609	1,140,128
Non teaching costs	1,141,881	1,231,802
Premises costs	556,273	503,023
	2,846,763	**2,874,953**

Other operating costs include:	*Year ended 31 July 2010* £	*Year ended 31 July 2009* £
Auditors' remuneration		
- external audit	12,750	12,350
- internal audit	9,852	11,041
- other services (taxation), external auditors	0	1,725
Loss on disposal of tangible fixed assets	0	0
Hire of plant/machinery	41,500	36,700

9. CAPITAL PROJECT

In December 2007 the Corporation agreed to the development of a Capital Project as part of the College Property Strategy. The College had submitted its project for AiP when sector capital projects were aborted. The costs incurred by the Collge and grants received are shown below:

	Year ended 31 July 2010 £	*Year ended 31 July 2009* £
Property strategy costs	0	(503,093)
Grant support for property strategy	0	250,000
	0	**(253,093)**

10. TAXATION

The members do not believe the College was liable for any corporation tax arising out of its activities during this period as it benefits from the general exemptions from Corporation Tax afforded by Section 505 Taxes Act 1988.

11. INTEREST PAYABLE

	Year ended 31 July 2010 £	*Year ended 31 July 2009* £
On bank loans, overdrafts and other loans:	236,166	262,571
Pension Finance Costs (note 17)	100,000	70,000
	336,166	**332,571**

12. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	**Equipment** £	**Total** £
Cost or valuation			
at 1 August 2009	16,709,852	2,058,709	18,768,561
Additions	140,643	115,346	255,989
Disposals	0	(245,331)	(245,331)
At 31 July 2010	**16,850,495**	**1,928,724**	**18,779,219**
Depreciation			
at 1 August 2009	4,091,624	1,624,138	5,715,762
Charge for period	454,886	254,630	709,516
Disposals	0	(245,331)	(245,331)
At 31 July 2010	**4,546,510**	**1,633,437**	**6,179,947**
Net book value at 31 July 2010	**12,303,985**	**295,287**	**12,599,272**
Net book value at 31 July 2009	12,618,228	434,571	13,052,799

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.

Land and buildings inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis in February 1993 by Edward Rushton Son & Kenyon a firm of independent surveyors.

Land and buildings with a net book value of £2,225,336 have been funded from exchequer funds, through the receipt of capital grants from the Learning and Skills Council. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the LSC, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	-

13. DEBTORS

	31 July 2010	31 July 2009
	£	£
Trade debtors	41,410	58,916
Prepayments and other accrued income	103,559	94,208
Accrued interest	0	1,487
	144,969	**154,611**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2010	31 July 2009
	£	£
Bank loans	352,147	331,961
Payments received in advance	99,828	115,718
Trade creditors	185,196	25,538
Other taxation and social security	170,509	174,171
Other creditors	344,294	312,942
Accruals	123,129	152,560
	1,275,103	**1,112,890**

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2010	31 July 2009
	£	£
Bank loans	3,869,902	4,222,899
	3,869,902	**4,222,899**

16. BORROWINGS

Bank loans and overdrafts	*31 July 2010* £	*31 July 2009* £
Bank loans and overdrafts are repayable as follows:		
In one year or less	352,147	331,961
Between one and two years	370,279	351,297
Between two and five years	1,235,836	1,169,733
In five years or more	2,263,787	2,701,869
Total	**4,222,049**	**4,554,860**

Bank loans totalling £4,222,049 repayable by instalments falling due between 1 August 2010 and 31 January 2021 are secured on a portion of the freehold land and buildings of the College. There are three loans, two fixed rate, 5.772% for £3,136,565, 6.115% for £733,858 and 0.4% above Bank of England base rate for the remainder.

17. 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 Hampshire County Council. Both are defined-benefit schemes.

Total pension cost for the year	*Year ended 31 July 2010* £	*Year ended 31 July 2009* £
Teachers Pension Scheme:contributions paid	738,773	747,066
Local Government Pension Scheme:		
Contributions paid	227,269	211,862
Non exceptional FRS 17 credit	(10,000)	(30,000)
	956,042	**928,928**
Exceptional FRS 17 past service cost credit	(470,000)	0
Total pension cost for the year	486,042	928,928

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 2007.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £115,182 (2009 - £113,731) were payable to the scheme and are included in other 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 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	31 March 2004
Actuarial method	Prospective Benefit
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by actuarial value of assets	98.88%

Following the implementation of the Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period 1 August 2009 to 31 July 2010 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

FRS 17

Under the definitions set out in Financial Reporting Standard (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 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 2010 was £304,001 of which employers contributions totalled £227,269 and employees contributions totalled £76,732.

The agreed contribution rates for future years are:

	Employers
April 2009 to March 2010	18.6%
April 2010 to March 2011	19.1%

The agreed contribution rates for employees are tiered and dependent upon employee's salary.

FRS 17

Principal Actuarial Assumptions

	as at 31 July 2010	as at 31 July 2009	as at 31 July 2008
Inflation	3.5%	3.7%	3.8%
Rate of increase in salaries	5.0%	5.2%	5.3%
Rate in increase of pensions	2.8%	3.7%	3.8%
Discount Rate for Liabilities	5.4%	6.0%	6.5%

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

	as at 31 July 2010 %	as at 31 July 2009 %
Retiring today/current pensioners		
Males	22.3	22.2
Females	24.3	24.5
Retiring in 20 years/future pensioners		
Males	24.7	24.5
Females	26.5	26.4

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

	Long-term rate of return expected at 31 July 2010	**Value at 31 July 2010**	**Long-term rate of return expected at 31 July 2009**	**Value at 31 July 2009**
Equities	8.2%	1,663,750	8.0%	1,320,000
Bonds	4.2%	739,750	4.5%	621,000
Property	7.7%	181,500	7.0%	121,000
Other Assets	8.2%	165,000	0.9%	148,000
Total Market Value of assets		**2,750,000**		**2,210,000**
Present value of scheme liabilities				
Funded		(4,370,000)		(4,100,000)
Related deferred tax liability		0		0
(Deficit) in the scheme		**(1,620,000)**		**(1,890,000)**

Analysis of the amount charged to income and expenditure account

	Year ended 31 July 2010 £	*Year ended 31 July 2009 £*
Employer service cost (net of employee contributions)	220,000	180,000
Past service cost	(470,000)	0
Total operating charge	(250,000)	180,000

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	150,000	150,000
Interest on pension liabilities	(250,000)	(220,000)
Net return	(100,000)	(70,000)

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

Actual return less expected return on pension scheme assets	200,000	(350,000)
Experience gains and losses arising on the scheme liabilities	(310,000)	(410,000)
Actuarial loss recognised in STRGL	(110,000)	(760,000)

Movement in deficit during year

Deficit in scheme at 1 August	(1,890,000)	(1,090,000)
Movement in year:		
Current service charge	(220,000)	(180,000)
Contributions	230,000	210,000
Past service cost	470,000	0
Net interest/return on assets	(100,000)	(70,000)
Actuarial loss	(110,000)	(760,000)
Deficit in scheme at 31 July	(1,620,000)	(1,890,000)

Asset and Liability Reconciliation

Reconciliation of Liabilities

	31 July 2010 £	*31 July 2009 £*
Liabilities at start of period	4,100,000	3,310,000
Current Service Cost	220,000	180,000
Interest Cost	250,000	220,000
Employee contributions	80,000	70,000
Actuarial loss	310,000	410,000
Benefits paid	(120,000)	(90,000)
Past Service Cost	(470,000)	0
Liabilities at end of period	**4,370,000**	**4,100,000**

Reconciliation of Assets

	31 July 2010 £	*31 July 2009 £*
Assets at start of period	2,210,000	2,220,000
Expected return on assets	150,000	150,000
Actuarial gain/(loss)	200,000	(350,000)
Change in asset valuation	0	0
Employer contributions	230,000	210,000
Employee contributions	80,000	70,000
Benefits paid	(120,000)	(90,000)
Assets at end of period	**2,750,000**	**2,210,000**

History of experience gains and losses

	2010 £	2009 £	2008 £	2007 £	2006 £
Actuarial gains/(losses) on assets	200,000	(350,000)	(550,000)	40,000	110,000
Experience gains and losses on scheme liabilities:	(310,000)	(410,000)	460,000	0	0
Total amount recognised in STRGL	(110,000)	(760,000)	(90,000)	200,000	0

18. DEFERRED CAPITAL GRANTS - LSC

	£	TOTAL £
At 1 August 2009		
Land and Buildings	2,344,765	2,344,765
Equipment	215,783	215,783
Cash received		
Land and Buildings	0	0
Equipment	0	0
Released to income and expenditure account		
Land and Buildings	(119,429)	(119,429)
Equipment	(120,862)	(120,862)
At 31 July 2010		
Land and Buildings	**2,225,336**	**2,225,336**
Equipment	**94,921**	**94,921**
Total	**2,320,257**	**2,320,257**

19. REVALUATION RESERVE

	31 July 2010 £	*31 July 2009* £
At 1 August	2,449,853	2,548,057
Transfer from revaluation reserve to income and expenditure account in respect of depreciation on revalued assets.	(98,479)	(98,204)
Loss on Disposals	0	0
At 31 July	**2,351,374**	**2,449,853**

20. MOVEMENT ON GENERAL RESERVES

	31 July 2010 £	*31 July 2009* £
Income and expenditure account reserve		
At 1 August	2,690,411	3,571,202
Transfer from revaluation reserve to income and expenditure account	98,479	98,204
Actuarial loss on pension liability	(110,000)	(760,000)
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax	604,839	(218,995)
At 31 July	**3,283,729**	**2,690,411**
Balance represented by:		
Pension reserve	(1,620,000)	(1,890,000)
Income and expenditure account reserve excluding pension reserve	4,903,729	4,580,411
At 31 July	**3,283,729**	**2,690,411**

21. RECONCILIATION OF OPERATING SURPLUS TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 2010 £	*Year ended 31 July 2009 £*
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and tax	604,839	(218,995)
Depreciation	709,516	727,352
Deferred Capital Grant (note 18)	(240,291)	(253,557)
FRS 17 Pension cost less contributions payable (note 17)	(480,000)	(30,000)
FRS 17 Pension finance cost (note 11)	100,000	70,000
(Increase)/decrease in stock	(1,501)	2,392
Interest payable	236,166	262,571
(Decrease)/increase in debtors	9,642	(8,043)
Increase/(decrease) in trade creditors	159,658	(9,555)
(Decrease)/increase in tax and pension contributions	(3,662)	7,823
Increase/(decrease) in payments on account	(15,890)	(60,955)
Increase/(decrease) in other liabilities	1,921	11,640
Interest receivable (note 5)	(11,402)	(59,343)
Net cash inflow from operating activities	**1,068,996**	**441,330**

22. ANALYSIS OF CHANGES IN CASH FLOWS

Analysis of changes in net funds/(debt)	*31 July 2009 £*	*Cash flows £*	*31 July 2010 £*
Cash at bank and in hand	1,709,851	255,432	1,965,283
	1,709,851	255,432	1,965,283
Debt due within 1 year	(331,961)	(20,186)	(352,147)
Debt due after 1 year	(4,222,899)	352,997	(3,869,902)
Total	(2,845,009)	588,243	(2,256,766)

23. CAPITAL COMMITMENTS

The College has no capital commitments as at 31 July 2010 or 31 July 2009.

24. POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

25. FINANCIAL COMMITMENTS

At 31 July 2010 the college had annual commitments under non-cancelable operating leases as follows:

	31 July 2010 £	*31 July 2009 £*
Other		
Expiring within one year	2,375	0
Expiring between two and five years inclusive	35,428	36,700
Expiring in over five years	0	0
	37,803	**36,700**

26. RELATED PARTY TRANSACTIONS

Due 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 inevitable that transactions may take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which the member of the Corporation may have an interest are conducted in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

Transactions with the LSC and its successor organisations are detailed in notes 2 and 18.

27. LEARNER SUPPORT FUNDS

	Year ended 31 July 2010 **£**	***Year ended 31 July 2009*** **£**
LSC grants - hardship funds	23,000	23,244
Disbursed to Students	23,000	20,458
Administration Costs	0	1,147
Balance unspent as at 31 July	**0**	**1,639**

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

Independent Auditors' Report on Regularity to the Corporation of Barton Peveril College ('the Corporation') and Hampshire County Council

In accordance with the terms of our engagement letter and further to the requirments of Hampshire County Council, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Barton Peveril College ('the College') for the year ended 31 July 2010 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and Hampshire County Council. Our review work has been undertaken so that we might state to the Corporation and Hampshire County Council 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 Hampshire County Council, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Barton Peveril 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 Hampshire County Council. We report ot you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2010 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by Hampshire County Council. 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 2010 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Baker Tilly UK Audit LLP
Statutory Auditor
Chartered Accountants
International House
Queens Road
Brighton
BN1 3XE

Date