



**Consolidated Financial  
Statements for the year  
to 31 July 2014**





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## **Operating and Financial Review**

### **1. NATURE, OBJECTIVES AND STRATEGIES:**

The Members of the Corporation present their report and the audited financial statements for the year ended 31 July 2014.

#### **a. Legal Status**

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

The Corporation was incorporated as Reaseheath College. On 19 December 2013 the College acquired 100% of the share capital of DART Limited a training provider in the land based sector.

#### **b. Public Value Statement**

Reaseheath College is an exempt charity, for the purposes of the Charities Act 2011.

In considering its vision, mission and values, Reaseheath College has had due regard to the Charity Commission's guidance on public benefit.

Reaseheath College's mission is to inspire achievement by delivering outstanding education and skills. The value added to the community served by the College in delivering its mission can be demonstrated and assessed publically through:

- Independent Economic Impact Assessment, demonstrating that for every £1 spent, learners gain £7.30 in lifetime higher earnings and that the College contributes £85.7 million income to the local economy each year;
- Published accounts;
- Annual Report and Strategic Plan;
- Public records of meetings of the College Corporation;
- Publications, such as 'Grassroots' and regular social media communication;
- Annual Equality and Diversity Report.

The College will review its public value statement as part of its regular review of its Strategic Plan.

#### **c. Mission**

The College's mission as approved by its Members is to:

To inspire achievement by delivering outstanding education and skills.

#### **d. Implementation of Strategic Plan**

- In July 2013 the College approved its strategic plan for the period 1 August 2013 to 31 July 2014. This plan included improvement targets and a summary of the College property strategy and financial forecasts. The Corporation regularly monitors the performance of the College against this plan. The three year strategic plan runs from 1 August 2012 to 31 July 2015. A summary of the College's annual corporate objectives are shown below under the five business-critical functions.

#### **Strategic Objectives 14/15**

- Increase engagement with key industry partners to align our curriculum and commercial offer with their needs, and to enhance students employability.
- Positively engage with our broader communities to support their strategies and ambitions and provide our students with the opportunities to understand, engage and contribute fully to society.
- To consolidate the use of technologies across College to enrich the learner experience, support efficient and effective decision making, remove barriers and provide a conduit for continual improvement towards excellence.
- Deliver consistently high quality Further and Higher Education programmes of learning that inspire students to become independent learners.

## **Operating and Financial Review (continued)**

- Embed our supportive performance management culture and prioritise the self motivation, wellbeing and flexibility of our people to deliver a high quality learning experience.

The Strategic Objectives are supported by the following Strategic Area Plans

### **Learning and Skills**

- Each Curriculum Area to develop their strategy to increase engagement with employers and stakeholders to positively impact on employability skills.
- Coordinate and deliver a programme of community led engagements by all departments that help develop a "rounded" student.
- Develop, publish, implement and monitor minimum standards for utilisation of the CRM and learning technologies.
- Enhance the differential between FE and HE learning and the HE ethos to encourage and inspire learners to progress to a higher level of education.
- Ensure staff are supported through regular contact with their line manager and embedding the culture of performance management.

### **Quality Assurance and Improvement**

- Work towards achieving Outstanding status by supporting the college and DART training to further enhance its reputation with industry.
- Support the embedding of the "Student and Employer Voice" with further engagement of students and employers in College decision making.
- Evaluate the effectiveness of embedding new technologies to encourage independent learning and the use of information in reviewing student and staff performance.
- Improve College long qualification success rate to a minimum of 86% by reviewing the impact of the "success rate improvement strategy" and to follow up on any outstanding actions.
- Work with managers and teaching staff to ensure that all learners receive a good or outstanding experience.

### **Human Resources**

- Support effective engagement with DART as part of Reaseheath Group.
- Build curriculum capacity to enable increased engagement with our broader communities.
- Optimise the capacity of the HR system to support effective decision making.
- Develop a coaching culture which builds capacity at all levels of the College.
- Develop and identify our talent.

### **Finance and Resources**

- Develop a flexible professional support team who deliver a high quality environment and service for students and staff to enable them to achieve their potential.
- Commence delivery of the agreed campus master plan to provide a safe and stimulating environment for students, staff and to the community.
- Provide a customer focused ICT service: Focusing on ease of use and accessibility supported by an effective core IT infrastructure.
- Deliver information systems to provide accurate, timely and user focused business and academic management information.
- Deliver a one stop procurement point to provide support and advice to facilitate a real term reduction in the non-pay cost budget whilst reducing the process burden on staff.

## **2. FINANCIAL OBJECTIVES**

During the year the Governing body along with management have reviewed the financial objectives to ensure they are robust and appropriate for the changing financial environment in which the College operates.

The revised College's financial objectives are:

- Maintain a minimum of good in respect of the funding bodies Financial Health.

### Operating and Financial Review (continued)

- Meet the bank covenants (this ensures the following financial objectives are monitored)
  - a. Debt service covenant
  - b. Operational gearing
  - c. Interest cover
- College surplus to be between 1-3% of Turnover.
- Current ratio to be a min of 1.25:1.
- Maintain min 25 cash days (to include any debt available for immediate drawdown).
- Deliver a min cash inflow of £2m.

These financial objectives are integrated into the Colleges financial planning and monitoring process, in addition indicators have been agreed to monitor the successful implementation of the policies and to maintain the College's Good or Outstanding Financial Health status as assessed by the Funding Body.

### 3. PERFORMANCE INDICATORS

- a. The Skills Funding Agency (SFA) is the College's accountable body ensuring that providers are contributing to the National Target.
- The learner allocations target for 16 -18 year old learners was 1,891 Learners. Indications are that the College has achieved at least 1897 Learners for 2013/14.
- Students continue to realise high achievement and grades at the College. Early indications are that success rates for 2013/14 will be maintained in line with the previous years good performance with an overall success rate around 87% for Long Qualifications.
- Each Learner curriculum area has a formalised Industry Consultation event, these are attended by the Principal and Vice-Principal.

FE Choices is the Funding Bodies' system of performance measures for Colleges, this scores each College on a number of key performance indicators.

All aspects of the College's funded provision are included within the key performance indicators for full and part time learners as well as Work Based Learning. The grades awarded for 2013/14 are not due to be released until February 2015; the grades awarded in February 2014 for 2012/13 are shown in the following table:

Performance Indicator	Score/Grade 2011/12	Score/Grade 2012/13
Learner Views	83%	84%
Learner Destinations	75%	76%
Employer Views	76%	75%
<b>Success Rates</b>	<b>2011/12</b>	<b>2012/13</b>
• FE long courses (excl. A, AS, A2)	86%	87%
• FE short courses (5-24 weeks)	85%	91%
• FE very short courses (<5 weeks)	96%	92%
• Apprenticeships	73%	75%
• Advanced Apprenticeships	71%	75%
• Workplace Learning	84%	82%

### 4. FINANCIAL POSITION

#### a. Financial results

- The Group generated an operating surplus in the year of £201k (2013 £74k).
- The Group has accumulated reserves of £8,999k (2013 £8,415k) and cash balances of £4,575k (2013 £1,367k).

## **Operating and Financial Review (continued)**

- The above figures include the impact of Financial Reporting Standard 17 (FRS17 – Accounting for Retirement Benefits), without the effect of FRS17 adjustments, the operating position would be a surplus of £394k and the historical cost surplus of £542k.
- Tangible fixed asset additions during the year amounted to £5,056k. This was split between assets under construction (£1,205k), land and buildings (£3,264k) and equipment (£587k). In the main, this related to the College Property Strategy building programme.
- The College has reliance on the Funding Bodies for its principal funding source, largely from recurrent grants. In 2013/14 the Funding Bodies provided 54.08% of the College's total income, including release of deferred capital grant.

### **b. Treasury policies and objectives**

- Treasury management is the management of the College's cashflows, its banking, money market and capital market transactions, the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.
- The College has a separate Investment Policy, and the Policy on Treasury Management is incorporated within the Financial Regulations. All executive decisions concerning borrowing, investment or financing, are delegated to the Director of Finance and Resources, following appropriate approval by the College Executive, the Governing Body or the Funding Bodies.

### **c. Cash flows**

At £2,570k (2013 £2,284k), Group operating cash inflow continues to be strong.

### **d. Liquidity**

- During the year the College continued to repay the capital element of the Medium Term Loans, which had supported the College Property Strategy building programme 2008/12.
- £3.5m was drawdown in respect of the facility to support delivery of the capital strategy including a 152 bed accommodation block and Sports Science resource.
- An additional £2m Revolving Facility was agreed in the year to support cashflow through the continuing capital programme, this has not been utilised to date.
- The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was exceeded and the college remained well inside the bank covenants.

## **5. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE:**

### **a. Student numbers**

- In 2013/14 the College has delivered activity that has produced £12,875k in Funding Bodies main allocation funding (2012/13 £12,563k). The College had approximately 7,500 learners from Entry Level through to Higher Education.

### **b. Student Achievements**

- Student success has been maintained in line with last years good performance with an anticipated overall Long Qualification success rate of 87%. The College recognises this as a key area and continues work with staff and students to ensure that every student achieves their full potential from their studies at the College.



## **Operating and Financial Review (continued)**

### **c. Curriculum Developments**

- Funding Bodies funded courses recruited particularly well with an increase in student numbers.
- The College has national recognition as a leading Land Based College. It continues to expand its provision at all levels to cater for demand and provide student progression from Entry Level through to Higher Education.
- The Adult and Workforce Development provision provides recognised qualifications to those in work or gaining the skills to enter the job market who have previously not engaged in formal training. The College will be working to increase the apprenticeship route to support government policy and its work with the unemployed.
- The access to Higher Education Provision provides access to level 4 education for those who do not ordinarily meet the entry requirements.
- New courses have been created in Fish Husbandry and Game Management. Additionally a bespoke parts retail programme has been developed to support the Agri Tech businesses.

### **d. 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%. During the accounting period 1 August 2013 to 31 July 2014, the College paid 95% of its creditors, on average, within 30 days. The College incurred no interest charges in respect of late payments, under this legislation, for this period.

### **e. Post Balance Sheet Events**

- There are no post balance sheet events to report.

### **f. Future Developments**

- The College's combined funding allocations for 16-18 and the Adult single budget for 2014/15 has been confirmed at £13,417k.
- The College is currently constructing two new facilities, the "Employment Escalator" facility which will support entry level learners gain employability skills for which the College has received support from the EFA's demographic growth funding which was secured in conjunction with Cheshire East. The second facility is a "National Centre for Food Futures and the Environment" which will provide state of the art facilities to support horticulture, Countryside and associated curriculum areas. This facility has been supported by the SFA CCIF fund and the colleges resources.
- The College is also developing the open learning areas along with the sports and social facilities to enhance the learner experience and support the full development of our learners, the intention is that this will be completed by January 2017.
- The College has continued with its masterplanning exercise during the year, the results of which are being finalised but will provide a clarity to support the colleges future decisions regarding strategic development of the curriculum offer and the resources required to deliver it.

## **6. RESOURCES:**

- The Group has various resources that it can deploy in pursuit of its strategic objectives.
- Tangible resources include the main College site, shown in the balance sheet at £43,075k, together with equipment, fixtures and fittings at a value of £4,404k, and assets under construction of £1,219k.
- Financial Resources - The Group has £36,772k of net assets (including £2,973k Pension liability) and long term debt of £13,221k.

## Operating and Financial Review (continued)

- People - The Group employs 449 (expressed as full time equivalents), of whom 151 are teaching staff, in teaching departments.
- Reputation - The College has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's continuing success.

### 7. PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

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

#### Government funding

The College has reliance on continued government funding through Funding Bodies and HEFCE through our HE partners. In 2013/14 61.93% (2012/13 62.67%) of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. The College is aware of five issues which may impact on future funding:-

- The continued impact of the comprehensive spending review.
- Changes in the framework and funding for 16-18 funding (EFA).
- Changes in the framework and funding for 19+ funding (SFA).
- The introduction of student loans for 24+ (SFA).
- Changes in the funding model for Higher Education.

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 various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the local SFA, EFA, LEA's and our HE Partners.
- Focus on sustainable Full Cost Recovery work.
- Further develop working relationships with the Local Enterprise Partnerships (LEP's), through their funding streams, the European Social Fund (ESF) and the Rural Development Programme for England (RDPE).

#### Tuition fee policy

The funding bodies intend to maintain individual contributions for tuition fees as follows;

- 16-18 (at the commencement of learning).
- 19 – 24 dependent on prior learning, either fully funded or co-funded.
- 24+ level 3 and above, advance learning loans.

## **Operating and Financial Review (continued)**

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.
- Development of strategic partnerships with local and national businesses.
- Close monitoring of the demand for courses as prices change.
- Continually monitoring the market place in order to ensure fees charged are competitive.
- Additionally marketing support to inform learners of support through 24+ loans.

## **8. STAKEHOLDER RELATIONSHIPS**

In line with other Colleges and with Universities, Reaseheath College has many stakeholders. These include:

- Students
- Parents
- Staff
- Education sector funding bodies
- Sector Skills Councils (Local and Regional)
- National Employers e.g. JCB, Case New Holland, National Trust, Eden
- Local Authorities
- Sub Regional Partnerships e.g. Job Centre Plus, Local Economic Partnerships (LEPs)
- Non Statutory Bodies e.g. Food North West / EFPF / IATC / UKTI
- The local community (SLAPS, LAGS)
- Other FE institutions and schools
- HEFCE
- HE Academic Partners
- Trade Unions
- Professional bodies
- Membership Associations (NFU), (CLA)
- Other Colleges through Fusion, the Cheshire Consortium, Landex Colleges

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

## **9. EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS**

Reaseheath College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. We strive to uphold the public sector duties:-

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people who are a protected characteristic and people who do not share it.
- Foster good relations between people who share a protected characteristic and people who do not share it.

The College's Equal Opportunities and Equality and Diversity Policy are available on request.

The College considers all applications for 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 employment with the College continues. The College policy on training, promotion and career development is as far as possible, identical to those for other employees. The commitment of the College in this area has been recognised by the Department of Employment and the College is a Disability Symbol User.

## Operating and Financial Review (continued)

### 10. DISABILITY STATEMENT

The College seeks to comply with the Equality Act 2010 and this is evident through all the College's Policies and Procedures. As College policies and procedures are being reviewed they are now equality analysis assessed in line with the Equality Act 2010. Particular confirmation of the College's commitment can be seen from the following actions:

- The College has utilised the access audit that was conducted during 2003/04, by experts in this field, and incorporated the results into the College Capital Property Strategy. The building work began during 2006/07. DDA requirements are fundamental in the College's strategic capital development plans, as referred to in section 5 f above.
- The College has an Equality and Diversity Committee that advises on all matters relating to Equal Opportunities, including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. This is chaired by the Principal.
- The College has a Learning Skills Workshop which provides inputs for learners who have learning difficulties and/or other disabilities.
- Specialist equipment is available to support students and staff with learning difficulties and disabilities.
- 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.
- The College offers bursaries to enable learners with financial difficulties to access learning. Appeals against a decision not to offer a bursary are dealt with under the complaints policy.
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are set out in the Student Handbook which is sent to students with their enrolment information. Students are also issued with information on the College Complaints Policy at induction.

### 11. Disclosure of information to auditors

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

Approved by order of the Members of the Corporation on 10<sup>th</sup> December 2014 and signed on its behalf on that date by:



Ms E Thrane  
Chairman

## **Professional Advisors**

### **Financial Statements and Regularity Auditors:**

Mazars LLP  
The Lexicon  
10/12 Mount Street  
Manchester  
M2 5NT

### **Internal Auditors:**

Baker Tilly  
5 Ridge House  
Ridge House Drive  
Festival Park  
Stoke-on-Trent  
ST1 5SJ

### **Bankers:**

National Westminster Bank PLC  
36 High Street  
Nantwich  
Cheshire  
CW5 5AZ

Barclays Bank PLC  
1<sup>st</sup> Floor  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3HF

### **Solicitors:**

Walker Smith Way  
26 Nicholas Street  
Chester  
Cheshire  
CH1 2PQ

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Members of the Corporation, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year to 31 July 2014. 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 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in December 2013.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

## The Corporation

The Members who served on the Corporation during the year are listed below (as at 6 November 2014).

<b>Name</b>	<b>Date Appointed</b>	<b>Term of Office</b>	<b>Appointment Ended</b>	<b>Status of Appointment</b>	<b>Committees Served and Number of Meetings attended</b>
Ms E Thrane	1 Aug 2013	3 Years		Independent member	Chair: Corporation (7), Finance and General Purposes (3), Chair: Quality and Standards (3), Remuneration (1), Chair: Search and Governance (3)
Mr T E M David OBE	1 May 2004	Ex officio		Principal	Corporation (7), Finance and General Purposes (3), Quality and Standards (2), Search and Governance (3)
Mr R Ratcliffe	1 Aug 2011; reappointed 1 Aug 2014	3 Years		Independent member	Vice Chair: Corporation (7), Chair: Finance and General Purposes (3), Search and Governance (3), Quality and Standards (2)
Mr J Furber	1 Aug 2011; reappointed 1 Aug 2014	3 Years		Independent member	Corporation (6), Finance and General Purposes (3)
Cllr R Bailey	1 Aug 2012	3 Years		Independent member	Corporation (3), Audit (3)
Mr C M Johnson	1 Aug 2011	4 Years		Staff member	Corporation (6), Quality and Standards (2)
Mr C Baxter	1 Aug 2012	3 Years		Independent member	Corporation (6), Audit (2)
Mr G Patience	1 Aug 2012	3 Years	11 Sep 2014	Independent member	Corporation (3), Chair: Audit (2)

Mr M Kelly	1 Aug 2012	3 Years		Independent member	Member of Finance and General Purposes and Remuneration, currently on sabbatical leave
Mr M Burns	1 Aug 2012	3 Years		Independent member	Corporation (6), Finance and General Purposes (3)
Ms R Rowland	1 Aug 2013	3 Years		Independent member	Corporation (5), Finance and General Purposes (3)
Ms C De Silva	1 Aug 2013	3 Years	12 Dec 2013	Independent member	Corporation (1), Chair: Quality and Standards (0)
Dr I Graham	1 Aug 2012	3 Years		Independent member	Corporation (5), Quality and Standards (3) , Audit (3)
Mr D Pearson	1 Aug 2012	3 Years		Independent member	Corporation (6), Quality and Standards (2), Chair: Remuneration (1), Search and Governance (2)
Mrs H Williams	15 Mar 2012	4 Years	09 Aug 2013	Staff member	Corporation (0), Finance and General Purposes (0)
Mr J Vickerman	1 Aug 2012	3 Years	22 Aug 2013	Independent member	Corporation (0), Audit (0)
Dr P Challinor	1 Aug 2013	3 Years	27 Apr 2014	Independent member	Corporation (1), Audit (0)
Dr E Harrison	1 Aug 2013	3 Years		Independent member	Corporation (5), Finance and General Purposes (2)
Mr A Taylor	15 May 2014	3 Years		Independent member	Corporation (1), Quality and Standards (1)
Mr G Morgan	12 Dec 2013	4 Years		Staff member	Corporation (5), Quality and Standards (3)
Ms A Wellings	12 Dec 2013	1 Year	31 Jul 2014	Student Member	Corporation (2), Quality and Standards (3)
Mr J Price	12 Dec 2013	1 Year	31 Jul 2014	Student Member	Corporation (1), Quality and Standards (1)
Mrs J Schillinger	1 Jan 2013	-		Clerk	Independent Clerk to the Corporation

Mr M Benson and Dr N Carey served as co-opted members of the Audit Committee during the year. Mr A Taylor served as a co-opted member of the Quality and Standards Committee during the year. Mr M Benson and Dr N Carey are not members of the Corporation, Mr A Taylor was appointed to the Corporation on 15 May 2014.

There were 4 scheduled Corporation meetings held during the year. In addition there were 3 special meetings of the Corporation. Each Committee held three meetings during the year, with the exception of the Remuneration Committee which held one meeting during the year.

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 as a minimum on a termly basis and holds additional meetings as necessary.

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 Finance and General Purposes, Audit, Remuneration, Search and Governance, and Quality and Standards. Full minutes of all meetings, except those deemed to be confidential, are available from the Clerk to the Corporation at:

Reaseheath College  
Reaseheath  
Nantwich  
Cheshire  
CW5 6DF

## **Statement of Corporate Governance and Internal Control (continued)**

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 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 Accounting Officer are separate.

The Members of the Corporation undertake a formal self-evaluation of governance performance every year and review the performance and effectiveness of Members on an on-going basis.

### **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 and Governance Committee consisting of the Members as shown on pages 10 and 11 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.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

### **Remuneration Committee**

During the year ending 31 July 2014, the College's Remuneration Committee comprised five members of the Corporation. The committee's responsibilities are to make recommendations to the Corporation, on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2014 are set out in Note 7 to the financial statements.

No payment was made for the fulfilment of the Governor's roles however £2,317 (2013 - £2,728) of expenses incurred were paid.



## **Statement of Corporate Governance and Internal Control (continued)**

### **Audit Committee**

The Audit Committee comprises five Members of the Corporation (excluding the Accounting Officer), together with two co-opted external persons. The Committee operates in accordance with written terms of reference approved by the Corporation and assesses its own effectiveness and performance on an annual basis against a set of key performance indicators.

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

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

Management is responsible for the implementation of agreed 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, regulatory 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 the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal controls.

#### **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 Reaseheath College for the year ended 31 July 2014 and up to the date of approval of the annual report and accounts.

#### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## **Statement of Corporate Governance and Internal Control (Continued)**

### **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.

Reaseheath College has an internal audit service, which operates in accordance with the requirements EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum annually, the internal audit service provides the governing body with a report on internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the 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, and the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address any 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 November 2014 meeting, the Corporation carried out the annual assessment for the year ending on 31 July 2014 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2014.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

### **Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Corporation has considered its responsibility to notify the Skills Funding Agency and Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency and Education Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and both

### Statement of Corporate Governance and Internal Control (Continued)

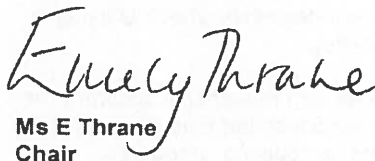
the Skills Funding Agency and Education Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency/Education Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency/Education Funding Agency.

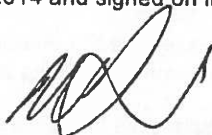
### Going Concern

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 10<sup>th</sup> December 2014 and signed on its behalf by:



Ms E Thrane  
Chair



Mr T E M David OBE  
Accounting Officer

## Statement of the 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 (SFA) and Education Funding Agency (EFA) and the Corporation of the College (the Corporation), through its Accounting Officer, 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 for 2013/14 financial statements issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

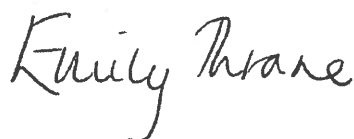
The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by 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 are used only in accordance with the Financial Memorandum with the Skills Funding Agency and Education Funding Agency and any other conditions that the Skills Funding Agency and Education Funding Agency may from time to time prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and 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 are not put at risk.

Approved by order of the Members of the Corporation on 10<sup>th</sup> December 2014 and signed on its behalf by:



Ms E Thrane  
Chair

## **Independent auditors report to the Corporation of Reaseheath College**

We have audited the consolidated financial statements ("the financial statements") of Reaseheath College for the year ended 31 July 2014 set out on pages 19 to 45. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 23 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Corporation of Reaseheath College and Auditor**

As explained more fully in the Statement of the Responsibilities of the Members of the Corporations set out on page 16, the 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 consolidated financial statements**

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

### **Opinion on consolidated financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and College's affairs as at 31 July 2014 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

**Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice (Part 2) issued jointly by the Skills Funding Agency and the EFA.**

In our opinion:

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



Ian Holder (Senior statutory auditor)  
for and on behalf of Mazars LLP,  
Chartered Accountants (Statutory auditor)  
The Lexicon  
10/12 Mount Street  
Manchester  
M2 5NT

Date

18 12 14

## **Independent Auditors' Report on Regularity to the Corporation of Reaseheath College ('the Corporation') and the Skills Funding Agency (SFA)**

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them. The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of ABC College and the Secretary of State for Education acting through the Education Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of ABC College and the Secretary of State for Education acting through the Education Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of ABC College and the Secretary of State for Education acting through the Education 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 Reaseheath College and Auditors**

The Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Reaseheath College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Education Funding Agency.

Our responsibility is to express an opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter.

### **Basis of opinion**

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

### **Opinion**

In our opinion the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.



Ian Holder (Senior statutory auditor)  
for and on behalf of Mazars LLP,  
Chartered Accountants (Statutory auditor)

Date



The Lexicon  
10/12 Mount Street  
Manchester  
M2 5NT

# **Consolidated Income and Expenditure Account for the year ended 31 July**

	Notes	2014 £000	2013 £000
<b>Income</b>			
Funding body grants	2	15,578	14,475
Tuition fees and education contracts	3	5,718	5,263
Other income	4	6,908	7,129
Endowment and investment income	5	54	6
<b>Total Income</b>		<b>28,258</b>	<b>26,873</b>
<b>Expenditure</b>			
Staff costs	6	(15,171)	(14,075)
Other operating expenses	8	(10,293)	(10,343)
Depreciation	12	(1,983)	(1,788)
Amortisation of goodwill	13	(73)	-
Interest and other finance costs	9	(594)	(606)
<b>Total Expenditure</b>		<b>(28,114)</b>	<b>(26,812)</b>
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax		144	61
Surplus on disposal of assets		18	13
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		162	74
Taxation	10	40	-
<b>Surplus on continuing operations after depreciation of assets at valuation and tax</b>	11	<b>202</b>	<b>74</b>

**Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July**

	Notes	2014 £000	2013 £000
Surplus on continuing operations before taxation		162	74
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	21	234	232
<b>Historical cost surplus for the year before taxation</b>		<b>396</b>	<b>306</b>
<b>Historical cost surplus for the year after taxation</b>		<b>436</b>	<b>306</b>

**Consolidated Statement of the Total Recognised Gains and Losses for the year ended 31 July**


	Notes	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		202	74
Changes in enhanced pension assumptions	28	(59)	14
Actuarial gain in respect of pension scheme	28	207	1,290
<b>Total recognised gains relating to the period</b>		<b>350</b>	<b>1,378</b>
<b>Total recognised gain since last report</b>		<b>350</b>	<b>1,378</b>
<b>Reconciliation</b>			
Opening reserves and endowments		15,987	14,609
Total recognised gains/(losses) for the year		350	1,378
<b>Closing reserves and endowments</b>		<b>16,337</b>	<b>15,987</b>



# Balance Sheets as at 31 July

	Notes	Group	College	Group	College
		2014 £000	2014 £000	2013 £000	2013 £000
<b>Fixed assets</b>					
Tangible assets	12	48,696	48,638	45,585	45,585
Intangible assets	13	551	-	-	-
Investments	14	-	1,497	-	-
<b>Total fixed assets</b>		<b>49,247</b>	<b>50,135</b>	<b>45,585</b>	<b>45,585</b>
<b>Current assets</b>					
Stock		1,234	1,234	1,488	1,488
Debtors	15	2,214	2,018	2,726	2,726
Cash at bank and in hand		4,575	4,429	1,367	1,367
		<b>8,023</b>	<b>7,681</b>	<b>5,581</b>	<b>5,581</b>
<b>Less: Creditors - amounts falling due within one year</b>	16	<b>(3,927)</b>	<b>(4,305)</b>	<b>(3,768)</b>	<b>(3,768)</b>
<b>Net current assets</b>		<b>4,096</b>	<b>3,376</b>	<b>1,813</b>	<b>1,813</b>
<b>Total assets less current liabilities</b>		<b>53,343</b>	<b>53,511</b>	<b>47,398</b>	<b>47,398</b>
<b>Less: Creditors - amounts falling due after more than one year</b>	17	<b>(13,221)</b>	<b>(13,207)</b>	<b>(10,630)</b>	<b>(10,630)</b>
<b>Less: Provisions for liabilities</b>	19	<b>(367)</b>	<b>(367)</b>	<b>(296)</b>	<b>(296)</b>
<b>Net assets excluding pension liability</b>		<b>39,755</b>	<b>39,937</b>	<b>36,472</b>	<b>36,472</b>
<b>Net pension liability</b>	28	<b>(2,973)</b>	<b>(2,973)</b>	<b>(2,987)</b>	<b>(2,987)</b>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>36,782</b>	<b>36,964</b>	<b>33,485</b>	<b>33,485</b>
<b>Deferred capital grants</b>	20	<b>20,445</b>	<b>20,445</b>	<b>17,498</b>	<b>17,498</b>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	22	11,972	12,154	11,402	11,402
Pension reserve	28	(2,973)	(2,973)	(2,987)	(2,987)
Income and expenditure account including pension reserve	22	8,999	9,181	8,415	8,415
Revaluation reserve	21	7,338	7,338	7,572	7,572
<b>Total reserves</b>		<b>16,337</b>	<b>16,519</b>	<b>15,987</b>	<b>15,987</b>
<b>TOTAL FUNDS</b>		<b>36,782</b>	<b>36,964</b>	<b>33,485</b>	<b>33,485</b>

The financial statements on pages 19 to 45 were approved by the governing body on 10th December 2014 and were signed on its behalf on that date by:-

  
Ms E Thrane

  
Mr T E M David OBE

**Consolidated Cash Flow Statement for the year ended 31 July**

	Notes	2014 £000	2013 £000
<b>Cash Inflow from operating activities</b>	23	2,570	2,284
Returns on investments and servicing of finance	24	(583)	(516)
Capital expenditure and financial investment	25	(2,063)	(4,122)
Financing	26	3,284	3,197
<b>Increase in cash in the period</b>	27	<b>3,208</b>	<b>843</b>
<b>Reconciliation of consolidated net cash flow to movement in net debt</b>			
Increase in cash in the period	27	3,208	843
Change in net funds resulting from cash flows	27	(2,937)	(3,197)
Movement in net funds in period	27	271	(2,354)
Net funds at 1 August		(9,720)	(7,366)
<b>Net funds at 31 July</b>		<b>(9,449)</b>	<b>(9,720)</b>

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

## **Notes to the Consolidated Financial Statements**

### **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 have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the *Accounts Direction for 2013-14 financial statements* and in accordance with applicable Accounting Standards.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

#### **Going concern**

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

The College currently has £14m of loans outstanding with bankers on terms negotiated between 2009 and 2012. Additionally there is £2m of uncommitted facility available for unconditional drawdown with all being secured by a fixed and floating charge on College assets. The terms of the existing agreement are for up to another 15 years. 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.

#### **Basis of consolidation**

The financial statements consolidate the accounts of Reaseheath College and all of its subsidiary undertakings ('subsidiaries'). The results of subsidiaries acquired during the year are included from the effective date of acquisition.

#### **Recognition of income**

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

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

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example Construction Skills (CSkills).

## **Notes to the Consolidated Financial Statements (continued)**

### **1 Accounting Policies (continued)**

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

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

#### **Post retirement benefits**

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, 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 in the year.

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

#### **Enhanced Pensions**

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

#### **Tangible fixed assets**

##### *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 insurance valuation, and inherited land at market value without milk quota. 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. 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 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 20 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.

## Notes to the Consolidated Financial Statements (continued)

### 1 Accounting Policies (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount 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, which were re-valued in 1996, 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 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 £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.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between three and ten years from incorporation and is now fully depreciated. All other assets are depreciated over their useful economic life as follows:

- Motor vehicles                      5 years on a straight-line basis
- Computer equipment              3 years on a straight-line basis
- Plant and Equipment              10 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 released to the income and expenditure account over the expected useful economic life of the related equipment.

#### *Leased assets*

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic 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.

#### *Intangible fixed assets and amortisation*

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life. Amortisation is provided at the following rates:

Goodwill                      - 5 years straight line

## **Notes to the Consolidated Financial Statements (continued)**

### **1 Accounting Policies (continued)**

#### **Stocks**

Stocks are stated at cost or the accepted industry value for farm livestock.

#### **Maintenance of premises**

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

#### **Foreign currency transactions**

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

#### **Taxation**

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

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

#### **Liquid resources**

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

#### **Provisions**

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

#### **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33, except for the 5% of the grant received which is available to cover administration costs relating to the grant. The College employs part of a Member of staff dedicated to the administration of Learner Support Fund applications and payments.

## Notes to the Consolidated Financial Statements (Continued)

### 2 Funding body grants

	2014 £000	2013 £000
SFA EFA recurrent grant	12,968	12,563
SFA EFA non recurrent grant	1,700	1,272
HEFCE recurrent grant	472	196
Releases of deferred capital grants (note 20)	438	444
<b>Total</b>	<b>15,578</b>	<b>14,475</b>

### 3 Tuition fees and education contracts

	2014 £000	2013 £000
Tuition fees	3,448	2,355
Education contracts	497	540
Higher Education contract income	1,773	2,368
<b>Total</b>	<b>5,718</b>	<b>5,263</b>

#### Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £36k (2012/13 £66k)

### 4 Other income

	2014 £000	2013 £000
Residences, catering and conferences	3,255	2,591
Other income generating activities	254	232
Farming Income	1,420	1,434
Releases from deferred capital grants (non Funding Council) (note 20)	255	241
Other income	1,724	2,631
<b>Total</b>	<b>6,908</b>	<b>7,129</b>

### 5 Endowment and investment income

	2014 £000	2013 £000
Pension finance income (note 28)	43	-
Other interest receivable	11	6
<b>Total</b>	<b>54</b>	<b>6</b>

## Notes to the Consolidated Financial Statements (Continued)

### 6 Staff Costs

	2014	2013
The average number of persons (including senior post-holders) employed by the Group during the year, expressed as full-time equivalents, was:		
	Number	Number
Teaching staff	160	146
Non Teaching staff	289	248
	<u>449</u>	<u>394</u>
Staff costs for the above persons:		
	2014 £000	2013 £000
Wages and salaries	11,442	10,709
Social security costs	731	735
Other pension costs (including FRS 17 adjustments of £239k - 2012 £94k)	1,801	1,573
Payroll sub-total	<u>13,974</u>	<u>13,017</u>
Contracted out staffing services	1,197	1,058
Total staff costs	<u>15,171</u>	<u>14,075</u>

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	
	2014 No.	2013 No.	2014 No.	2013 No.
£ 60,001 to £ 70,000 p.a.	-	-	1	-
£ 70,001 to £ 80,000 p.a.	-	-	3	4
£ 80,001 to £ 90,000 p.a.	-	-	1	-
£ 90,001 to £ 100,000 p.a.	-	1	-	-
£ 100,001 to £ 110,000 p.a.	1	-	-	-
£ 110,001 to £ 120,000 p.a.	-	-	-	-
£ 120,001 to £ 130,000 p.a.	-	-	-	-
£ 130,000 to £ 140,000 p.a.	-	-	-	-
£ 140,000 to £ 150,000 p.a.	1	1	-	-
	<u>2</u>	<u>2</u>	<u>5</u>	<u>4</u>



## Notes to the Consolidated Financial Statements (Continued)

### 7 Senior Post-holders' Emoluments

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

	2014 Number	2013 Number
The number of senior post-holders including the principal was:	2	2

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

	2014 £'000	2013 £'000
Salaries	226	209
Benefits in kind	3	2
Pension contributions	32	29
<b>Total emoluments</b>	<b>261</b>	<b>240</b>

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

	2014 £'000	2013 £'000
Salaries	137	125
Benefits in kind	1	1
	<b>138</b>	<b>126</b>
Pension contributions	19	18

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

## Notes to the Consolidated Financial Statements (Continued)

### 8 Other operating expenses

	2014 £000	2013 £000
Teaching costs	1,881	1,855
Non teaching costs	5,987	6,209
Premises costs	2,425	2,279
<b>Total</b>	<b>10,293</b>	<b>10,343</b>

#### Other operating expenses include:

	2014 £000	2013 £000
Auditors' remuneration:		
College financial statements audit	13	13
Subsidiary financial statements audit	6	-
internal audit	14	14
Other services provided by the internal auditors	-	-

### 9 Interest and other finance costs

	2014 £000	2013 £000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	591	520
	591	520
On finance leases and HP agreements	3	2
Pension finance costs (note 28)	-	84
<b>Total</b>	<b>594</b>	<b>606</b>

### 10 Taxation

	2014 £000	2013 £000
United Kingdom corporation tax at 20 per cent	(34)	-
Release of deferred tax liability in the accounts of the subsidiary company	(6)	-
<b>Total</b>	<b>(40)</b>	<b>-</b>

### 11 Surplus on continuing operations for the period

The surplus on continuing operations for the year is made up as follows:

	2014 £000	2013 £000
College's surplus for the period	134	74
Surplus generated by subsidiary undertakings and transferred to the College under gift aid/deed of covenant	141	-
Consolidated Group goodwill adjustment	(73)	-
<b>Total</b>	<b>202</b>	<b>74</b>

Notes to the Consolidated Financial Statements (Continued)

12 Tangible Fixed Assets (Group)

	Note	Land and Buildings Freehold	Assets under Construction	Equipment	Total
		£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 August 2013		43,438	5,861	8,973	58,272
Additions		537	4,172	347	5,056
Transfers		8,401	(8,814)	413	-
Acquired on purchase		-	-	56	56
Disposals		-	-	(39)	(39)
<b>At 31 July 2014</b>		<b>52,376</b>	<b>1,219</b>	<b>9,750</b>	<b>63,345</b>
<b>Depreciation</b>					
At 1 August 2013		8,255	-	4,432	12,687
Charge for year		1,047	-	936	1,983
Elimination in respect of disposals		-	-	(21)	(21)
<b>At 31 July 2014</b>		<b>9,302</b>	<b>-</b>	<b>5,347</b>	<b>14,649</b>
<b>Net book value at 31st July 2014</b>		<b>43,074</b>	<b>1,219</b>	<b>4,403</b>	<b>48,696</b>
<b>Net book value at 31 July 2013</b>		<b>35,183</b>	<b>5,861</b>	<b>4,541</b>	<b>45,585</b>
Inherited		7,338	-	-	7,338
Financed by capital grant		15,082	905	1,946	17,933
Other		20,654	314	2,457	23,425
<b>Net book value at 31 July 2014</b>		<b>43,074</b>	<b>1,219</b>	<b>4,402</b>	<b>48,696</b>

Notes to the Consolidated Financial Statements (Continued)

12 Tangible Fixed Assets (College only)

		Land and Buildings		Equipment	Total
	Note	Freehold	Assets under Construction		
		£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 August 2013		43,438	5,861	8,973	58,272
Additions		537	4,172	325	5,034
Transfers		8,401	(8,814)	413	-
Revaluation		-	-	-	-
Disposals		-	-	(12)	(12)
<b>At 31 July 2014</b>		<b>52,376</b>	<b>1,219</b>	<b>9,699</b>	<b>63,294</b>
<b>Depreciation</b>					
At 1 August 2013		8,255	-	4,432	12,687
Charge for year		1,047	-	925	1,972
Elimination in respect of disposals		-	-	(3)	(3)
Adjustment for revaluation		-	-	-	-
<b>At 31 July 2014</b>		<b>9,302</b>	<b>-</b>	<b>5,354</b>	<b>14,656</b>
<b>Net book value at 31st July 2014</b>		<b>43,074</b>	<b>1,219</b>	<b>4,345</b>	<b>48,638</b>
Net book value at 31 July 2013		35,183	5,861	4,541	45,585
Inherited		7,338	-	-	7,338
Financed by capital grant		15,082	905	1,946	17,933
Other		20,654	314	2,398	23,367
<b>Net book value at 31 July 2014</b>		<b>43,074</b>	<b>1,219</b>	<b>4,344</b>	<b>48,638</b>

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

Buildings inherited from the local authority are valued for the purposes of the financial statements at depreciated insurance valuation and land at market valuation. Other tangible fixed assets inherited from the local authority at incorporation have been valued by the College on a depreciated replacement cost basis.

These valuations were established with the assistance of independent professional advice, on incorporation.

	<b>£'000</b>
Cost	12,324
Aggregate depreciation based on cost	(4,986)
<b>Net book value</b>	<b>7,338</b>

Land and buildings with a net book value of £15,082k have been partly financed by exchequer funds, for example, through the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Council, to surrender the proceeds.

The net book value of tangible fixed assets includes an amount of £37,543 (2012/13 £6,536) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £6,879 (2012/13 £8,608).

# Notes to the Consolidated Financial Statements (Continued)

## 13 Intangible Assets

	Group £000
<b>Cost or Valuation</b>	
At 1 August 2013	-
Additions	624
<b>At 31 July 2014</b>	<b>624</b>
<b>Depreciation</b>	
At 1 August 2013	-
Charge for year	73
<b>At 31 July 2014</b>	<b>73</b>
<b>Net book value at 31st July 2014</b>	<b>551</b>
Net book value at 31 July 2013	-

## 14 Investments

	College Year ended 31 July 2014	College Year ended 31 July 2013
Investments in subsidiary companies	1,497	-
<b>Total</b>	<b>1,497</b>	<b>-</b>

On 19 December 2013 the College acquired 100 per cent of the issued ordinary £1 shares of DART Limited, a company incorporated in England and Wales. The principal business activity of DART Limited is carrying out training of employees on behalf of employers.

### Purchase of subsidiary undertaking

The following tables detail the net assets of the subsidiary undertaking acquired, the goodwill arising, and how the acquisition price was satisfied.

	DART Balance Sheet as at 19 December £000	Adjustment for Goodwill on acquisition £000	Fair value of assets at acquisition £000
Goodwill	67	(67)	-
Tangible fixed assets	56	-	56
Debtors	236	-	236
Cash at bank	819	-	819
Creditors	(232)	-	(232)
Deferred tax	(6)	-	(6)
	<b>940</b>	<b>(67)</b>	<b>873</b>
			<b>£000</b>
Fair value of assets acquired			873
Goodwill (note 13)			624
			<b>1,497</b>
<b>Satisfied by:</b>			<b>£000</b>
Cash			1,152
Loan notes			345
			<b>1,497</b>

## Notes to the Consolidated Financial Statements (Continued)

### 15 Debtors

	Group	College	Group	College
	2014	2014	2013	2013
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	895	816	1,233	1,233
Vat recoverable	19	19	52	52
Prepayments and accrued income	1,139	1,113	1,441	1,441
Amounts owed by the SFA	161	70	-	-
<b>Total</b>	<b>2,214</b>	<b>2,018</b>	<b>2,726</b>	<b>2,726</b>

### 16 Creditors: Amounts Falling Due Within One Year

	Group	College	Group	College
	2014	2014	2013	2013
	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	953	953	454	454
Obligations under finance leases	23	12	2	2
Loan notes (note 18)	173	173	-	-
Trade creditors	759	708	1,401	1,401
Other creditors	125	112	364	364
Amounts due to subsidiary	-	498	-	-
Other taxation and social security	234	222	-	-
Accruals	1,660	1,627	1,547	1,547
<b>Total</b>	<b>3,927</b>	<b>4,305</b>	<b>3,768</b>	<b>3,768</b>

### 17 Creditors: Amounts Falling Due After More Than One Year

	Group	College	Group	College
	2014	2014	2013	2013
	£000	£000	£000	£000
Bank loans	13,007	13,007	10,626	10,626
Obligations under finance leases	41	27	4	4
Loan notes	173	173	-	-
<b>Total</b>	<b>13,221</b>	<b>13,207</b>	<b>10,630</b>	<b>10,630</b>

## Notes to the Consolidated Financial Statements (Continued)

### 18 Borrowings

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
<b>a) Bank loans and overdrafts</b>				
Bank loans and overdrafts are repayable as follows:				
In one year or less or on demand	953	953	454	454
Between two and five years	4,072	4,072	1,975	1,975
In five years or more	8,934	8,934	8,651	8,651
<b>Total</b>	<b>13,959</b>	<b>13,959</b>	<b>11,080</b>	<b>11,080</b>

Medium term loans totalling £13,959k were in place at 31st July 2014 to be repaid by instalments falling due July 2030 at 6.45%. This capital funding was required to support the College's Property Strategy. An additional £3.5m facility was drawn as medium term loan during the financial year.

### b) Finance Leases

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

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
In one year or less	23	12	2	2
Between two and five years	41	27	4	4
<b>Total</b>	<b>64</b>	<b>39</b>	<b>6</b>	<b>6</b>

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

### c) Loan Notes

The loan note obligations to which the institution is committed are:

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
In one year or less	173	173	-	-
Between two and five years	173	173	-	-
<b>Total</b>	<b>346</b>	<b>346</b>	<b>-</b>	<b>-</b>

These are none interest bearing loan notes payable on 19 December 2014 & 19 December 2015.

### 19 Provisions for Liabilities and Charges

	Group and College		
	General £000	Enhanced Pensions £000	Total £000
At 1 August 2013	30	266	296
Expenditure in the period	(30)	30	-
Transferred from income and expenditure account	50	21	71
<b>At 31 July 2014</b>	<b>50</b>	<b>317</b>	<b>367</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies. The principal assumptions for this calculation are:-

	2014	2013
Interest Rate	4.06%	4.28%
Net Interest Rate	2.25%	2.50%

The general provision relates to funds received in year for which there is a significant liability that recovery of those funds may crystallise.

# Notes to the Consolidated Financial Statements (Continued)

## 20 Deferred Capital Grants

		Group and College		
		LSC/FEFC Grants £000	Other Grants £000	Total £000
At 1 August 2013				
	Land and buildings	11,466	3,875	15,341
	Equipment	667	1,490	2,157
Cash received				
	Land and buildings	3,639	-	3,639
	Equipment	-	-	-
Released to income and expenditure account				
	Land and buildings	(321)	(75)	(396)
	Equipment	(130)	(166)	(296)
<b>At 31 July 2014</b>		<b>15,321</b>	<b>5,124</b>	<b>20,445</b>
<b>At 31 July 2014</b>				
	Land and buildings	14,784	3,800	18,584
	Equipment	537	1,324	1,861
<b>Total</b>		<b>15,321</b>	<b>5,124</b>	<b>20,445</b>

## 21 Revaluation Reserve

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
At 1 August	7,572	7,572	7,804	7,804
Transfer from revaluation reserve to general reserve in				
Accelerated depreciation	-	-	-	-
Depreciation on inherited assets	(234)	(234)	(232)	(232)
<b>At 31 July</b>	<b>7,338</b>	<b>7,338</b>	<b>7,572</b>	<b>7,572</b>

## 22 Movement on General Reserves

	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
<b>Income and Expenditure Account Reserve</b>				
At 1 August	8,415	8,415	6,805	6,805
Surplus retained for the year	202	384	74	74
Transfer from revaluation reserve	234	234	232	232
Actuarial gain/(loss) in respect of pension scheme	207	207	1,290	1,290
Enhanced pension adjustment	(59)	(59)	14	14
<b>At 31 July</b>	<b>8,999</b>	<b>9,181</b>	<b>8,415</b>	<b>8,415</b>
Balance represented by:				
Pension reserve	(2,973)	(2,973)	(2,987)	(2,987)
Income and expenditure reserve excluding pension reserve	11,972	12,154	11,402	11,402
<b>At 31 July</b>	<b>8,999</b>	<b>9,181</b>	<b>8,415</b>	<b>8,415</b>



## Notes to the Consolidated Financial Statements (Continued)

### 23 Consolidated Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at valuation	202	74
Depreciation (note 12)	1,983	1,788
Amortisation (note 13)	73	-
Deferred capital grants released to income (note 2 & 4)	(693)	(685)
Surplus on disposal of tangible fixed assets	(18)	(13)
Interest payable (note 9)	594	522
FRS 17 Pension finance (income)/cost (notes 5 & 9)	(43)	84
Pension cost less contributions payable (notes 6 & 28)	236	251
Decrease/(increase) in stocks	254	(392)
Decrease/(increase) in prepayment and accrued income	302	(15)
Decrease/(increase) in debtors	210	(413)
(Decrease)/increase in trade creditors	(642)	902
Increase/(decrease) in other taxation and social security	234	(226)
(Decrease)/increase in other creditors	(236)	320
Increase/(decrease) in provisions	12	(269)
Increase in accruals and deferred income	113	362
Interest receivable (note 5)	(11)	(6)
<b>Net cash inflow from operating activities</b>	<b>2,570</b>	<b>2,284</b>

### 24 Returns on Investments and Servicing of Finance

	2014 £000	2013 £000
Other interest received	11	6
Interest paid	(590)	(520)
Interest element of finance lease rental payment	(4)	(2)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(583)</b>	<b>(516)</b>

### 25 Capital Expenditure and Financial Investment

	2014 £000	2013 £000
Purchase of tangible fixed assets	(5,056)	(6,063)
Purchase of DART	(1,497)	-
DART cash on acquisition (note 14)	819	-
Sales of tangible fixed assets	32	-
Deferred capital grants received	3,639	1,941
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(2,063)</b>	<b>(4,122)</b>

### 26 Financing

	2014 £000	2013 £000
Debt due:		
New unsecured loans	3,500	3,500
Loan notes issued	346	-
Repayment of amounts borrowed	(620)	(291)
New hire purchase liabilities	69	-
Capital element of finance lease rental payments	(11)	(12)
<b>Net cash inflow from financing</b>	<b>3,284</b>	<b>3,197</b>

**Notes to the Consolidated Financial Statements (Continued)**

**27 Analysis of Changes in Net Debt**

	<b>At 1 August 2013 £000</b>	<b>Cashflows £000</b>	<b>Other changes £000</b>	<b>At 31 July 2014 £000</b>
Cash in hand, and at bank	1,367	3,208	-	4,575
	<u>1,367</u>	<u>3,208</u>	<u>-</u>	<u>4,575</u>
Debt due within 1 year	(454)	(499)	-	(953)
Debt due after 1 year	(10,626)	(2,381)	-	(13,007)
Finance Leases	(7)	(57)	-	(64)
	<u>(11,087)</u>	<u>(2,937)</u>	<u>-</u>	<u>(14,024)</u>
<b>Total</b>	<u><b>(9,720)</b></u>	<u><b>271</b></u>	<u><b>-</b></u>	<u><b>(9,449)</b></u>

## Notes to the Consolidated Financial Statements (Continued)

### 28 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 Cheshire Superannuation Scheme. Both are defined benefit schemes.

#### Total pension cost for the year

	2014	2013
	£000	£000
Teachers Pension Scheme: contributions paid	595	530
Local Government Pension Scheme:		
Contributions paid	1,054	807
FRS17 charge	236	239
Change in LGPS assumptions to CPI - transfer to STRGL	-	12
Charge to the Income and Expenditure Account (staff costs)	1,290	1,058
Enhanced pension charge to Income and Expenditure Account (staff costs)	-	14
Change in enhanced pension assumptions to CPI - transfer to STRGL	-	-
<b>Total Pension Cost for Year</b>	<b>1,885</b>	<b>1,602</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2012 and the LGPS 31 March 2013. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

#### The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## **Notes to the Consolidated Financial Statements (Continued)**

### **28 Pension and similar obligations (continued)**

#### **Teachers' Pension Scheme (continued)**

##### **Valuation Of The Teachers' Pension Scheme**

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion,
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

##### **Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £595k (2013: £530k).

## Notes to the Consolidated Financial Statements (Continued)

### 28 Pension and similar obligations (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 2014 was £1,384k of which employer's contributions totalled £1,054k and employees contributions totalled £330k. The agreed contribution rates for future years are 17.5% for employers and employees will pay on a sliding scale from 5.5% to 7.2% depending on their annual salary.

#### FRS 17

The following information is based on a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 July 2014	At 31 July 2013
Inflation / Pension Increase Rate	2.7%	2.8%
Rate of increase of salaries	3.5%	5.1%
Expected Return on Assets	5.5%	5.7%
Discount Rate for scheme liabilities	4.0%	4.6%

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

	At 31 July 2014	At 31 July 2013
Current pensioners		
Males	22.3	22.9
Females	24.4	25.7
Future pensioners		
Males	24.1	24.9
Females	26.7	27.7

## Notes to the Consolidated Financial Statements (Continued)

### 28 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

The assets and liabilities in the scheme (of which the College's share is estimated to be 2.5%) and the expected rates of return were:

	Long-term rate of return	Value at 2014	Long-term rate of return	Value at 2013
	2014	£000	2013	£000
Equities	6.6%	11,065	6.4%	12,304
Bonds	3.8%	3,688	3.4%	2,133
Property	4.7%	1,291	4.6%	984
Cash	3.6%	2,397	3.4%	984
<b>Total market value of assets</b>		<b>18,441</b>		<b>16,405</b>
Present value of scheme liabilities		(21,414)		(19,392)
<b>Deficit in the scheme</b>		<b>(2,973)</b>		<b>(2,987)</b>

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

	2014 £000	2013 £000
Employer service cost (net of employee contributions)	1,290	1,046
Past service cost	-	-
<b>Total operating charge</b>	<b>1,290</b>	<b>1,046</b>

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

Expected return on pension scheme assets	962	653
Interest on pension liabilities	(919)	(725)
<b>Pension finance income/(costs)</b>	<b>43</b>	<b>(72)</b>

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

	2014 £000	2013 £000
Actuarial gain on pension scheme assets	76	1,751
Actuarial gain/(loss) on scheme liabilities	131	(461)
<b>Actuarial gain recognised in STRGL</b>	<b>207</b>	<b>1,290</b>

## Notes to the Consolidated Financial Statements (Continued)

### 28 Pension and similar obligations (continued)

#### Local Government Pension Scheme (continued)

	2014 £000	2013 £000
<b>Movement in deficit during year</b>		
Deficit in scheme at 1 August	(2,987)	(3,954)
Movement in year:		
Employer service cost (net of employee contributions)	(1,290)	(1,046)
Employer Contributions	1,054	807
Past service costs	-	(12)
Net interest/return on assets	43	(72)
Actuarial gain	207	1,290
<b>Deficit in scheme at 31 July</b>	<b>(2,973)</b>	<b>(2,987)</b>

#### Asset and Liability Reconciliation

	2014 £000	2013 £000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	19,392	17,173
Service cost	1,290	1,046
Interest cost	919	725
Employee contributions	330	292
Actuarial (loss)/gain	(131)	461
Loss on curtailments	-	12
Benefits paid	(386)	(317)
Past service cost	-	-
<b>Liabilities at end of period</b>	<b>21,414</b>	<b>19,392</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	16,405	13,219
Expected return on assets	962	653
Actuarial gain	76	1,751
Employer contributions	1,054	807
Employee contributions	330	292
Benefits paid	(386)	(317)
<b>Assets at the end of period</b>	<b>18,441</b>	<b>16,405</b>

The estimated value of employer contributions for LGPS the year ended 31 July 2015 is £1,006k.

## Notes to the Consolidated Financial Statements (Continued)

### 28 Pension and similar obligations (continued)

#### History of experience gains and losses

	31 July 2014	31 July 2013	31 July 2012	31 July 2011	31 July 2010
Difference between the expected and actual return on assets: amount: £000	73	1,751	(386)	1,556	1,000
Experience gains and losses on scheme liabilities: amount £000	(95)	-	(153)	704	-
Total amount recognised in STRGL amount £000	207	1,290	(2,504)	2,432	(5)

### 29 Post Balance Sheet Events

There are no significant post balance sheet events.

### 30 Capital Commitments

	2014 £000	2013 £000
Commitments contracted for at 31 July	5,603	4,547
Authorised, but not contracted for	3,830	1,585
	<u>9,433</u>	<u>6,132</u>

The capital commitments relate to the College campus redevelopment, referred to in paragraph 5 f ii of the Members Report.

### 31 Financial Commitments

At 31 July 2014 the College had annual commitments under non-cancellable operating leases as follows:

	2014 £000	2013 £000
Other		
Expiring within one year	64	7
Expiring within two and five years inclusive	374	291
Expiring in over five years	-	-
	<u>438</u>	<u>298</u>

The aggregate commitments under non cancellable operating leases are £973k relating to plant and equipment (2013 £524k)



## Notes to the Consolidated Financial Statements (Continued)

### 32 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 an organisation in which a member of the Board of Governors may have an interest are conducted at arms length and in accordance with the College's Financial Regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures. However, some members have a shareholding in Genus PLC, as does the College. These are insignificant in value and holding.

### 33 Amounts disbursed as agent

#### Learner Support Funds

	2014 £000	2013 £000
<b>Access Funds</b>		
Balance Brought forward as at 1 August	51	31
Funding body grant - Hardship funds	306	280
Funding body grant - Childcare	30	89
Funding body grant - Residential Bursaries	266	254
	<u>653</u>	<u>654</u>
Disbursed to students	(556)	(635)
Administration costs	(28)	(31)
Amount in financial statements	-	63
Balance unspent as at 31 July, included in creditors	<u>69</u>	<u>51</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure Account.

