



**Consolidated Financial
Statements for the year
to 31 July 2015**



Contents

Operating and Financial Review	1
Professional Advisors	9
Statement of Corporate Governance and Internal Control	10
Statement of the Responsibilities of the Members of the Corporation	15
Independent Auditors' Report to the Members of the Corporation	16
Independent Auditors' Report on Regularity to the Members of the Corporation	17
Consolidated Income and Expenditure Account	18
Consolidated Statement of Historical Cost Surpluses and Deficits	19
Consolidated Statement of Total Recognised Gains and Losses	19
Consolidated Balance Sheet as at 31 July	20
Consolidated Cash Flow Statement	21
Reconciliation of Consolidated Net Cash Flow to Movement in Net Debt	21
Notes to the Consolidated Financial Statements	22

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 2015.

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 Part 3 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. Mission

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

To inspire achievement by delivering outstanding education and skills.

c. Public Benefit

Reaseheath College is an exempt charity, for the purposes of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all Further Education Corporations in England. The members of the Governing Body, who are trustees of the charity are disclosed on pages 10 and 11.

In considering its vision, mission, values and strategic objectives, Reaseheath College has had due regard to the Charity Commission's guidance on public benefit. The value added to the community served by the College in delivering its mission can be demonstrated and assessed publically throughout this Operating and Financial Review. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High quality teaching and learning
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support system
- Links with employers, industry and commerce.

d. Implementation of Strategic Plan

In July 2015 the College approved its strategic plan for the period 1 August 2014 to 31 July 2015. 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. A summary of the College's annual corporate objectives are shown below.

Strategic Objectives 14/15

- **D**evelop our relationships and level of engagement with key industry partners to generate increased income and maximise our students' skills and employability
- **R**e-grow our student numbers through the development and marketing of the curriculum, expansion of our international work and enhanced student satisfaction levels
- **I**nnovatively use technology to enhance learning opportunities and increase independent learning and the efficiency of our teaching delivery
- **V**alue and deliver consistently high quality Apprenticeship, Further and Higher Education Programmes that inspire our students and enable their effective progression and contribution to society
- **E**nhance the performance of all our staff through clear objective setting, regular performance review, targeted professional development and recognition of progress and achievement

Operating and Financial Review (continued)

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.
- Increase our student numbers in FE, HE and Apprenticeships. Introduce Higher Level Apprenticeships in Agriculture, Engineering and Food.
- All departments to improve the use of technologies to enhance the learner experience and increase independent learning.
- Improve student satisfaction rates and enhance the quality of teaching and learning to raise the number of outstanding departments.
- Ensure staff are supported through regular contact with their line manager and embedding the culture of performance management.

Quality Assurance and Improvement

- Complete the work-placement project which maximises positive engagement and interaction with the industries the college works with.
- Support curriculum areas in increasing student numbers by taking the lead in collecting and sharing information from awarding bodies and others that can contribute to the introduction of new programmes.
- Take a lead in directing the College in the use of technologies to enhance learning and increase independent learning.
- Continue to work in supporting the College moving from good to outstanding by refining and revising quality assurance and quality improvement measures in the light of external factors to improve student satisfaction rates.
- Review arrangements for responsibilities within the quality team for contributing to reducing staffing costs but retaining a high quality service to all sections of the college. In addition, to support the College PDR arrangements for teaching staff by providing high quality accurate information from lesson observations.

Human Resources

- Ensure thorough engagement with all areas to support managers in the development and use of their staff.
- Deliver an effective manager development programme that provides the necessary tools and techniques to manage their people.
- Optimise the use of technology in the management and training of staff.
- Maximise staff skills and abilities to inspire our students to achieve and progress.
- Enhance managers' skills and confidence in applying the revised PDR process fairly and consistently to develop and motivate staff in order to ensure successful outcomes for students.

Finance and Resources

- Continue to 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 and deliver against the strategic objectives.
- Continue with the delivery of the agreed campus master plan; develop a 5 year maintenance plan, to provide a safe and stimulating environment for students, staff and for the local community.
- Provide a cost effective customer friendly ICT service which focuses on ease of use and accessibility and continued roll out of TOPdesk services.
- Deliver Dashboard information systems to provide accurate, timely and user focused business and academic management information to support management monitoring, review and timely decision making.
- Remove barriers and deliver improvements to both the student finance and transaction accounting service by reviewing the customer requirements and the system capabilities to facilitate a real term reduction in the non-pay cost budget whilst reducing the process burden on staff.

2. FINANCIAL OBJECTIVES

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. These financial objectives are:

- Maintain a minimum of good in respect of the funding bodies Financial Health.
- Meet the bank covenants (this ensures the following financial objectives are monitored)
 - a. Debt service covenant
 - b. Operational gearing
 - c. Interest cover

Operating and Financial Review (continued)

- 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

- 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 1,978 Learners. Indications are that the College has achieved 1,864 Learners for 2014/15.
 - Students continue to realise high achievement and grades at the College. Early indications are that success rates for 2014/15 will be marginally lower than the previous year's good performance with an overall success rate around 86% for Long Qualifications (2013/14 – 87%).
 - 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 2014/15 are not due to be released until February 2015; the grades awarded in February 2014 for 2013/14 are shown in the following table:

Performance Indicator	Score/Grade 2012/13	Score/Grade 2013/14
Learner Views	84%	82%
Learner Destinations	76%	76%
Employer Views	75%	74%
Success Rates	2012/13	2013/14
• FE long courses (excl. A, AS, A2)	87%	87%
• FE short courses (5-24 weeks)	91%	91%
• FE very short courses (<5 weeks)	92%	92%
• Apprenticeships	75%	69%
• Advanced Apprenticeships	75%	75%
• Workplace Learning	82%	82%

4. FINANCIAL POSITION

a. Financial results

- The Group generated an operating surplus in the year of £676k (2014 £202k).
- The Group has accumulated reserves of £8,828k (2014 £8,999k) and cash balances of £2,915k (2014 £4,575k).

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 £818k and the historical cost surplus of £1,050k.
- Tangible fixed asset additions during the year amounted to £7,726k. This was split between assets under construction (£6,757k), land and buildings (£183) and equipment (£786k). 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 2014/15 the Funding Bodies provided 56.33% 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 £3,474k (2014 £2,570k), 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 2008-14.
- The additional £2m Revolving Facility agreed in the previous year to support cashflow through the continuing capital programme 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 2014/15 the College has delivered activity that has produced £13,476k in Funding Bodies main allocation funding (2013/14 £12,875k). The College had approximately 7,500 learners from Entry Level through to Higher Education.

b. Student Achievements

- Student success has marginally reduced on last years good performance with an anticipated overall Long Qualification success rate of 86%. 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 for the Technical Baccalaureate in Animal Management and Equine. In addition a number of HE courses have been validated in Equine Sports Science, Bakery & Patisserie and Horticulture.

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 2014 to 31 July 2015, the College paid 93.3% of its creditors, on average, within 30 days. This drop in performance is largely attributed to enforcement of a no purchase order no payment policy and as suppliers become accustomed to the policy this is expected to increase, and for invoices from 1 January 2015 onward, the College paid 95.1% 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 College's 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 College has secured capital grant from the LEP to support the delivery of the College masterplan, The areas that are being developed are:
 1. Agri-Tech facility which will support the agri engineering, precision cropping and the advances in field management using recent technological developments.
 2. Employer Hub and professional development centre to support the requirement at level 3 and above skills in the workforce
 3. Refurbishment of the College laboratory facilities to ensure that the College has the appropriate resources to deliver the STEM subjects

Operating and Financial Review (continued)

4. Accommodation block, this will support the need for purpose built student accommodation to support the national contracts and students who are required to travel to receive the specialist training provided at the College.
5. Sports facilities to support the College students and the local community

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 £42,349k, together with equipment, fixtures and fittings at a value of £4,283k, and assets under construction of £7,745k.
- Financial Resources - The Group has £39,867k of net assets (including £4,173k Pension liability) and long term debt of £12,229k.
- People - The Group employs 411 (expressed as full time equivalents), of whom 142 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, including through our HE partners. In 2014/15 62.27% (2013/14 61.93%) 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 several issues which may impact on future funding:-

- The impact of the comprehensive spending review.
- The impact of the FE Area review
- Changes to the way Apprenticeships will be funded
- Changes to structure of Apprenticeship programme of study
- Changes in the framework and funding for 16-18 funding (EFA).
- Changes in the framework and funding for 19+ funding (SFA).
- The potential introduction of student loans for 19+ (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.

Operating and Financial Review (continued)

- 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).
- Continue working closely with LANDEX and the AOC to ensure the College contributes to national discussions and receives the latest information on the changing environment.

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.

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:-

Operating and Financial Review (continued)

- 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.

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 10th December 2015 and signed on its behalf on that date by:

Mr R Ratcliffe
Chairman



Professional Advisors

Financial Statements and Regularity Auditors:

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

Internal Auditors:

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

Bankers:

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36 High Street
Nantwich
Cheshire
CW5 5AZ

Barclays Bank PLC
1st 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:

in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code");

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 and the Audit and Accountability Annex to the Foundation Code.

In the opinion of the Members of the Corporation, the College complies with all the provisions of the Foundation Code and it has complied throughout the year to 31 July 2015. 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 23 October 2015).

Name	Date Appointed/ reappointed	Term of Office	Appointment Ended	Status of Appointment	Committees Served and Corporation attendance (not incl. special meetings)
Ms E Thrane	1 Aug 2013	3 Years		Independent	Chair, Vice Chair from 1 August 2015: Corporation (100%), Finance and General Purposes, Chair: Quality and Standards, Remuneration, Chair: Search and Governance
Mr T E M David OBE	1 May 2004	Ex officio		Principal	Corporation (100%) Finance and General Purposes, Quality and Standards, Search and Governance
Mr R Ratcliffe	1 Aug 2014	3 Years		Independent	Vice Chair, Chair from 1 August 2015: Corporation (100%), Chair: Finance and General Purposes, Search and Governance, Quality and Standards
Mr J Furber	1 Aug 2014	3 Years		Independent	Corporation (50%) Note: Finance and General Purposes (100%), Remuneration
Cllr R Bailey	1 Aug 2012 reappointed 1 Aug 2015	3 Years		Independent	Corporation (0%), Note: Audit (66%)
Mr C M Johnson	1 Aug 2011	4 Years	31 Jul 2015	Staff member	Corporation (100%), Quality and Standards
Mr C Baxter	1 Aug 2012 reappointed 1 Aug 2015	3 Years		Independent	Corporation (50%), Note: Audit (100%)

Mr G Patience	1 Aug 2012	3 Years	11 Sep 2014	Independent	Corporation (N/A), Audit
Mr M Kelly	1 Aug 2012	3 Years	31 Jul 2015	Independent	Corporation (N/A), Finance and General Purposes, Remuneration. On sabbatical leave
Mr M Burns	1 Aug 2012 reappointed 1 Aug 2015	3 Years		Independent	Corporation (100%), Finance and General Purposes
Ms R Rowland	1 Aug 2013	3 Years		Independent	Corporation (50%), Note: Finance and General Purposes (66%), Remuneration
Dr I Graham	1 Aug 2012 reappointed 1 Aug 2015	3 Years		Independent	Corporation (100%), Quality and Standards, Chair, Audit
Mr D Pearson	1 Aug 2012 reappointed 1 Aug 2015	3 Years		Independent	Corporation (100%), Quality and Standards, Chair, Remuneration, Search and Governance
Dr E Harrison	1 Aug 2013	3 Years		Independent	Corporation (75%), Finance and General Purposes
Mr A Taylor	15 May 2014	3 Years		Independent member	Corporation (75%), Quality and Standards
Mr G Morgan	12 Dec 2013	4 Years		Staff member	Corporation (75%), Quality and Standards
Ms N Duggan	10 Dec 2014	1 Year	31 Jul 2015	Student Member	Corporation (25%), Note: Student rep on Quality and Standards (100%)
Ms C Gunn	10 Dec 2014	1 Year	31 Jul 2015	Student Member	Corporation (0%), Note: Student rep on Quality and Standards (100%)
Mrs K Bailey	10 Dec 2014	3 Years		Independent	Corporation (100%), Audit
Ms S Belfield	10 Dec 2014	3 Years		Independent	Corporation (75%), Finance and General Purposes
Mr E Simms	10 Dec 2014	3 Years		Independent	Corporation (75%), Audit
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 M Benson and Dr N Carey are not members of the Corporation.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term 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 on the college website at www.reaseheath.ac.uk or from the Clerk to the Corporation at:

Reaseheath College
Reaseheath
Nantwich
Cheshire
CW5 6DF

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.

Statement of Corporate Governance and Internal Control (continued)

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 2015, 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 2015 are set out in Note 7 to the financial statements.

No payment was made for the fulfilment of the Governors' roles however £2,913 (2014 - £2,317) of expenses incurred were paid.

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.

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 review 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, as well as reporting annually to the Corporation.

Statement of Corporate Governance and Internal Control (continued)

Internal Control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer for maintaining a sound system of internal control that supports the achievement of 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 2015 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 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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.

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. 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 other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2015.

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 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 confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be 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 10th December 2015 and signed on its behalf by:

Mr R Ratcliffe
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 2014/15 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/Financial Agreement 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 10th December 2015 and signed on its behalf by:

Mr R Ratcliffe
Chair



Independent auditor's report to the Members of the Corporation of Reaseheath College

We have audited the Group and College financial statements of Reaseheath College for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses, the Group and College Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation 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 College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Corporation and auditors

As explained more fully in the Statement of Responsibilities of the Member of the Corporation set out on page 15, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

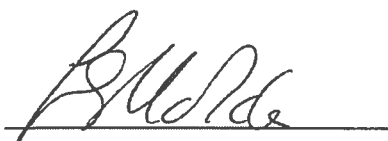
In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



**Ian Holder (Senior Statutory Auditor)
for and on behalf of Mazars LLP**

Date

21 December 2015

Chartered Accountants and Statutory Auditor

45 Church Street
Birmingham
B3 2RT

To: The corporation of Reaseheath College and Secretary of State for Education acting through Education Funding Agency

In accordance with the terms of our engagement letter dated 15 September 2015 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Reaseheath College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Reaseheath College and the Education Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Reaseheath College and Education Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Reaseheath College and Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Reaseheath College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 01 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mazars LLP,
Chartered Accountants and Statutory auditor
45 Church Street
Birmingham
B3 2RT



Date

Consolidated Income and Expenditure Account for the year ended 31 July

	Notes	2015 £000	2014 £000
Income			
Funding body grants	2	16,571	15,578
Tuition fees and education contracts	3	5,936	5,718
Other income	4	6,765	6,908
Endowment and investment income	5	145	54
Total Income		29,417	28,258
Expenditure			
Staff costs	6	(15,440)	(15,171)
Other operating expenses	8	(10,493)	(10,293)
Depreciation	12	(2,045)	(1,983)
Amortisation of goodwill	13	(125)	(73)
Interest and other finance costs	9	(642)	(594)
Total Expenditure		(28,745)	(28,114)
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax		672	144
Surplus on disposal of assets		1	18
Surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		673	162
Taxation	10	-	40
Surplus on continuing operations after depreciation of assets at valuation and tax	11	673	202

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

	Notes	2015 £000	2014 £000
Surplus on continuing operations before taxation		673	162
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	21	232	234
Historical cost surplus for the year before taxation		905	396
Historical cost surplus for the year after taxation		905	436

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

	Notes	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		673	202
Changes in enhanced pension assumptions	28	(5)	(59)
Actuarial (loss)/gain in respect of pension scheme	28	(727)	207
Net Liabilities Assumed in a Business Combination	28	(344)	-
Total recognised (losses)/gains relating to the period		(403)	350
Total recognised (loss)/gain since last report		(403)	350
Reconciliation			
Opening reserves and endowments		16,337	15,987
Total recognised (losses)/gains for the year		(403)	350
Closing reserves and endowments		15,934	16,337

Balance Sheets as at 31 July

	Notes	Group	College	Group	College
		2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Tangible assets	12	54,377	54,317	48,696	48,638
Intangible assets	13	426	-	551	-
Investments	14	-	1,497	-	1,497
Total fixed assets		54,803	55,814	49,247	50,135
Current assets					
Stock		1,061	1,061	1,234	1,234
Debtors	15	3,129	2,942	2,214	2,018
Cash at bank and in hand		2,915	2,820	4,575	4,429
		7,105	6,823	8,023	7,681
Less: Creditors - amounts falling due within one year	16	(5,264)	(5,707)	(3,927)	(4,305)
Net current assets		1,841	1,116	4,096	3,376
Total assets less current liabilities		56,644	56,930	53,343	53,511
Less: Creditors - amounts falling due after more than one year	17	(12,229)	(12,215)	(13,221)	(13,207)
Less: Provisions for liabilities	19	(375)	(375)	(367)	(367)
Net assets excluding pension liability		44,040	44,340	39,755	39,937
Net pension liability	28	(4,173)	(4,173)	(2,973)	(2,973)
NET ASSETS INCLUDING PENSION LIABILITY		39,867	40,167	36,782	36,964
Deferred capital grants	20	23,933	23,933	20,445	20,445
Reserves					
Income and expenditure account excluding pension reserve	22	13,001	13,301	11,972	12,154
Pension reserve	28	(4,173)	(4,173)	(2,973)	(2,973)
Income and expenditure account including pension reserve	22	8,828	9,128	8,999	9,181
Revaluation reserve	21	7,106	7,106	7,338	7,338
Total reserves		15,934	16,234	16,337	16,519
TOTAL FUNDS		39,867	40,167	36,782	36,964

The financial statements on pages 18 to 44 were approved by the governing body on 10th December 2015 and were signed on its behalf on that date by:-

Mr R Ratcliffe
Chair



Mr T E M David OBE
Accounting Officer



Consolidated Cash Flow Statement for the year ended 31 July

	Notes	2015 £000	2014 £000
Cash inflow from operating activities	23	3,474	2,570
Returns on investments and servicing of finance	24	(621)	(583)
Capital expenditure and financial investment	25	(3,529)	(2,063)
Financing	26	(984)	3,284
(Decrease)/Increase in cash in the period	27	<u>(1,660)</u>	<u>3,208</u>
Reconciliation of consolidated net cash flow to movement in net debt			
(Decrease)/Increase in cash in the period	27	(1,660)	3,208
Change in net funds resulting from cash flows	27	<u>810</u>	<u>(2,937)</u>
Movement in net funds in period	27	(850)	271
Net funds at 1 August		(9,449)	(9,720)
Net funds at 31 July		<u>(10,299)</u>	<u>(9,449)</u>

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 2014-15 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 £13.2m 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').

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 project manager completion 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 income and expenditure 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.

Investments

Investments are recognised at cost less any provisions for impairment.

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

	2015 £000	2014 £000
SFA EFA recurrent grant	13,671	12,968
SFA EFA non recurrent grant	2,099	1,700
HEFCE recurrent grant	352	472
Releases of deferred capital grants (note 20)	449	438
Total	16,571	15,578

3 Tuition fees and education contracts

	2015 £000	2014 £000
Tuition fees	3,531	3,448
Education contracts	389	497
Higher Education contract income	2,016	1,773
Total	5,936	5,718

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £37k (2013/14 £36k)

4 Other income

	2015 £000	2014 £000
Residences, catering and conferences	3,441	3,255
Other income generating activities	247	254
Farming Income	1,231	1,420
Releases from deferred capital grants (non Funding Council) (note 20)	260	255
Other income	1,586	1,724
Total	6,765	6,908

5 Endowment and investment income

	2015 £000	2014 £000
Pension finance income (note 28)	124	43
Other interest receivable	21	11
Total	145	54

Notes to the Consolidated Financial Statements (Continued)

6 Staff Costs

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

	2015	2014
	Number	Number
Teaching staff	142	160
Non Teaching staff	269	289
	411	449

Staff costs for the above persons:

	2015 £000	2014 £000
Wages and salaries	11,947	11,442
Social security costs	774	731
Other pension costs (including FRS 17 adjustments of £253k - 2014 £239k)	1,971	1,801
Payroll sub-total	14,692	13,974
Contracted out staffing services	748	1,197
Total staff costs	15,440	15,171

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	
	2015 No.	2014 No.	2015 No.	2014 No.
£ 60,001 to £ 70,000 p.a.	-	-	-	1
£ 70,001 to £ 80,000 p.a.	-	-	3	3
£ 80,001 to £ 90,000 p.a.	-	-	2	1
£ 90,001 to £ 100,000 p.a.	-	-	-	-
£ 100,001 to £ 110,000 p.a.	1	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	-	-
	2	2	5	5

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

	2015 Number	2014 Number
The number of senior post-holders including the principal was:	2	2
Senior post-holders' emoluments are made up as follows:		
	2015 £'000	2014 £'000
Salaries	229	226
Benefits in kind	3	3
Pension contributions	32	32
Total emoluments	264	261

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

	2015 £'000	2014 £'000
Salaries	140	137
Benefits in kind	1	1
	141	138
Pension contributions	20	19

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

	2015 £000	2014 £000
Teaching costs	2,050	1,881
Non teaching costs	6,033	5,987
Premises costs	2,410	2,425
Total	10,493	10,293

Other operating expenses include:

	2015 £000	2014 £000
Auditors' remuneration:		
College financial statements audit	15	13
Subsidiary financial statements audit	5	6
Internal audit	14	14
Other services provided by the external auditors	2	-
Other services provided by the internal auditors	2	-

9 Interest and other finance costs

	2015 £000	2014 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	3	3
Repayable within 5 years, by instalments	132	-
Repayable wholly or partly in more than 5 years	505	588
	640	591
On finance leases and HP agreements	2	3
Pension finance costs (note 28)	-	-
Total	642	594

10 Taxation

	2015 £000	2014 £000
United Kingdom corporation tax at 20 per cent	-	(34)
Release of deferred tax liability in the accounts of the subsidiary company	-	(6)
Total	-	(40)

11 Surplus on continuing operations for the period

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

	2015 £000	2014 £000
College's surplus for the period	663	134
Surplus generated by subsidiary undertakings and transferred to the College under gift aid/deed of covenant	128	141
Consolidated Group goodwill adjustment	(118)	(73)
Total	673	202

Notes to the Consolidated Financial Statements (Continued)

12 Tangible Fixed Assets (Group)

		Land and Buildings		Equipment	Total
	Note	Freehold	Assets under Construction		
		£000	£000	£000	£000
Cost or Valuation					
At 1 August 2014		52,376	1,219	9,750	63,345
Additions		183	6,757	786	7,726
Transfers		334	(231)	(103)	-
Acquired on purchase		-	-	-	-
Disposals		-	-	(16)	(16)
At 31 July 2015		52,893	7,745	10,417	71,055
Depreciation					
At 1 August 2014		9,302	-	5,347	14,649
Charge for year		1,128	-	917	2,045
Elimination in respect of disposals		-	-	(16)	(16)
At 31 July 2015		10,430	-	6,248	16,678
Net book value at 31st July 2015		42,463	7,745	4,169	54,377
Net book value at 31 July 2014		43,074	1,219	4,403	48,696
Inherited		7,106	-	-	7,106
Financed by capital grant		14,691	6,993	1,860	23,544
Other		20,666	752	2,309	23,727
Net book value at 31 July 2015		42,463	7,745	4,169	54,377

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
Cost or Valuation					
At 1 August 2014		52,376	1,219	9,699	63,294
Additions		183	6,757	767	7,707
Transfers		334	(231)	(103)	-
Revaluation		-	-	-	-
Disposals		-	-	-	-
At 31 July 2015		52,893	7,745	10,363	71,001
Depreciation					
At 1 August 2014		9,302	-	5,354	14,656
Charge for year		1,128	-	900	2,028
Elimination in respect of disposals		-	-	-	-
Adjustment for revaluation		-	-	-	-
At 31 July 2015		10,430	-	6,254	16,684
Net book value at 31st July 2015		42,463	7,745	4,109	54,317
Net book value at 31 July 2014		43,074	1,219	4,345	48,638
Inherited		7,106	-	-	7,106
Financed by capital grant		14,691	6,993	1,860	23,544
Other		20,666	752	2,249	23,667
Net book value at 31 July 2015		42,463	7,745	4,109	54,317

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.

	£'000
Cost	12,324
Aggregate depreciation based on cost	(5,218)
Net book value	7,106

Land and buildings with a net book value of £14,691k 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 £31,864 (2013/14 £37,543) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £5,679 (2013/14 £6,879).

Notes to the Consolidated Financial Statements (Continued)

13 Intangible Assets

	Group £000
Cost or Valuation	
At 1 August 2014	624
Additions	-
At 31 July 2015	624
Depreciation	
At 1 August 2014	73
Charge for year	125
At 31 July 2015	198
Net book value at 31st July 2015	426
Net book value at 31 July 2014	551

14 Investments

	College Year ended 31 July 2015	College Year ended 31 July 2014
Investments in subsidiary companies	1,497	1,497
Total	1,497	1,497

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.

Notes to the Consolidated Financial Statements (Continued)

15 Debtors

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Amounts falling due within one year:				
Trade debtors	904	860	895	816
Vat recoverable	47	47	19	19
Prepayments and accrued income	1,864	1,841	1,139	1,113
Amounts owed by the SFA	314	194	161	70
Total	3,129	2,942	2,214	2,018

16 Creditors: Amounts Falling Due Within One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans and overdrafts (note 18)	969	969	953	953
Obligations under finance leases	16	5	23	12
Loan notes (note 18)	173	173	173	173
Trade creditors	686	612	759	708
Other creditors	176	151	125	112
Amounts due to subsidiary	-	622	-	498
Other taxation and social security	218	205	234	222
Accruals	2,686	2,630	1,660	1,627
Amounts owed to the SFA	340	340	-	-
Total	5,264	5,707	3,927	4,305

17 Creditors: Amounts Falling Due After More Than One Year

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Bank loans	12,188	12,188	13,007	13,007
Obligations under finance leases	41	27	41	27
Loan notes	-	-	173	173
Total	12,229	12,215	13,221	13,207

Notes to the Consolidated Financial Statements (Continued)

18 Borrowings

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
a) Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less or on demand	969	969	953	953
Between one and two years	834	834	819	819
Between two and five years	4,699	4,699	3,253	3,253
In five years or more	6,655	6,655	8,934	8,934
Total	13,157	13,157	13,959	13,959

Medium term loans totalling £13,157k were in place at 31st July 2015 to be repaid by instalments falling due between July 2017 and August 2029 at interest rates ranging between 2.0% and 7.5%. This capital funding was required to support the College's Property Strategy.

b) Finance Leases

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

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
In one year or less	16	5	23	12
Between two and five years	41	27	41	27
Total	57	32	64	39

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 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
In one year or less	173	173	173	173
Between two and five years	-	-	173	173
Total	173	173	346	346

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

19 Provisions for Liabilities and Charges

	Group and College		
	General £000	Enhanced Pensions £000	Total £000
At 1 August 2014	50	317	367
Expenditure in the period	(50)	(15)	(65)
Transferred from income and expenditure account	60	13	73
At 31 July 2015	60	315	375

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:-

	2015	2014
Interest Rate	3.46%	4.06%
Net Interest Rate	1.75%	2.25%

Notes to the Consolidated Financial Statements (Continued)

20 Deferred Capital Grants

		Group and College		
		Funding Body Grants £000	Other Grants £000	Total £000
At 1 August 2014				
	Land and buildings	14,784	3,800	18,584
	Equipment	537	1,324	1,861
Cash received				
	Land and buildings	4,116	-	4,116
	Equipment	81	-	81
Released to income and expenditure account				
	Land and buildings	(345)	(68)	(413)
	Equipment	(124)	(172)	(296)
At 31 July 2015		19,049	4,884	23,933
At 31 July 2015				
	Land and buildings	18,555	3,732	22,287
	Equipment	494	1,152	1,646
Total		19,049	4,884	23,933

21 Revaluation Reserve

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
At 1 August	7,338	7,338	7,572	7,572
Transfer from revaluation reserve to general reserve in				
Depreciation on inherited assets	(232)	(232)	(234)	(234)
At 31 July	7,106	7,106	7,338	7,338

22 Movement on General Reserves

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Income and Expenditure Account Reserve				
At 1 August	8,999	9,181	8,415	8,415
Surplus retained for the year	673	791	202	384
Transfer from revaluation reserve	232	232	234	234
Actuarial (loss)/gain in respect of pension scheme	(727)	(727)	207	207
Net Liabilities assumed in a business combination	(344)	(344)	-	-
Enhanced pension adjustment	(5)	(5)	(59)	(59)
At 31 July	8,828	9,128	8,999	9,181
Balance represented by:				
Pension reserve	(4,173)	(4,173)	(2,973)	(2,973)
Income and expenditure reserve excluding pension reserve	13,001	13,301	11,972	12,154
At 31 July	8,828	9,128	8,999	9,181

Notes to the Consolidated Financial Statements (Continued)

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

	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation	673	202
Depreciation (note 12)	2,045	1,983
Amortisation (note 13)	125	73
Deferred capital grants released to income (note 2 & 4)	(709)	(693)
Surplus on disposal of tangible fixed assets	(1)	(18)
Interest payable (note 9)	642	594
FRS 17 Pension finance (income)/cost (notes 5 & 9)	(124)	(43)
Pension cost less contributions payable (notes 6 & 28)	253	236
Decrease in stocks	173	254
(Increase)/decrease in prepayment and accrued income	(725)	302
(Increase)/decrease in debtors	(188)	210
(Decrease) in trade creditors	(73)	(642)
(Decrease)/increase in other taxation and social security	(16)	234
Increase/(decrease) in other creditors	391	(236)
Increase in provisions	3	12
Increase in accruals and deferred income	1,026	113
Interest receivable (note 5)	(21)	(11)
Net cash inflow from operating activities	3,474	2,570

24 Returns on Investments and Servicing of Finance

	2015 £000	2014 £000
Other interest received	21	11
Interest paid	(640)	(590)
Interest element of finance lease rental payment	(2)	(4)
Net cash outflow from returns on investment and servicing of finance	(621)	(583)

25 Capital Expenditure and Financial Investment

	2015 £000	2014 £000
Purchase of tangible fixed assets	(7,726)	(5,056)
Purchase of DART	-	(1,497)
DART cash on acquisition (note 14)	-	819
Sales of tangible fixed assets	-	32
Deferred capital grants received	4,197	3,639
Net cash outflow from capital expenditure and financial investment	(3,529)	(2,063)

26 Financing

	2015 £000	2014 £000
Debt due:		
New unsecured loans	-	3,500
Loan notes issued	-	346
Loan notes repaid	(173)	-
Repayment of amounts borrowed	(803)	(620)
New hire purchase liabilities	12	69
Capital element of finance lease rental payments	(20)	(11)
Net cash (outflow)/inflow from financing	(984)	3,284

Notes to the Consolidated Financial Statements (Continued)

27 Analysis of Changes in Net Debt

	At 1 August 2014 £000	Cashflows £000	Other changes £000	At 31 July 2015 £000
Cash in hand, and at bank	4,575	(1,660)	-	2,915
	<u>4,575</u>	<u>(1,660)</u>	<u>-</u>	<u>2,915</u>
Debt due within 1 year	(953)	803	(819)	(969)
Debt due after 1 year	(13,007)	-	819	(12,188)
Finance Leases	(64)	7	-	(57)
	<u>(14,024)</u>	<u>810</u>	<u>-</u>	<u>(13,214)</u>
Total	<u>(9,449)</u>	<u>(850)</u>	<u>-</u>	<u>(10,299)</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

	2015	2014
	£000	£000
Teachers Pension Scheme: contributions paid	609	595
Local Government Pension Scheme:		
Contributions paid	1,095	1,054
FRS17 charge	253	236
Change in LGPS assumptions to CPI - transfer to STRGL	-	-
Charge to the Income and Expenditure Account (staff costs)	1,348	1,290
Enhanced pension charge to Income and Expenditure Account (staff costs)	-	-
Change in enhanced pension assumptions to CPI - transfer to STRGL	-	-
Total Pension Cost for Year	1,957	1,885

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 teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), 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 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>

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

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 £609k (2014: £595k).

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 2015 was £1,471k of which employer's contributions totalled £1,113k and employees contributions totalled £358k. 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 2015 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 July 2015	At 31 July 2014
Inflation / Pension Increase Rate	2.6%	2.7%
Rate of increase of salaries	3.5%	3.5%
Expected Return on Assets	3.6%	5.5%
Discount Rate for scheme liabilities	3.6%	4.0%

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 2015	At 31 July 2014
Current pensioners		
Males	22.3	22.3
Females	24.4	24.4
Future pensioners		
Males	24.1	24.1
Females	26.7	26.7

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 2015	Long-term rate of return	Value at 2014
	2015	£000	2014	£000
Equities	3.6%	10,597	6.6%	11,065
Bonds	3.6%	8,652	3.8%	3,688
Property	3.6%	1,947	4.7%	1,291
Cash	3.6%	433	3.6%	2,397
Total market value of assets		21,629		18,441
Present value of scheme liabilities		(25,802)		(21,414)
Deficit in the scheme		(4,173)		(2,973)

Analysis of the amount charged to income and expenditure account

	2015 £000	2014 £000
Employer service cost (net of employee contributions)	1,366	1,290
Past service cost	-	-
Total operating charge	1,366	1,290

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	1,049	962
Interest on pension liabilities	(901)	(919)
Losses on Curtailments and Settlements	(24)	-
Pension finance income	124	43

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

	2015 £000	2014 £000
Actuarial gain on pension scheme assets	966	76
Actuarial (loss)/gain on scheme liabilities	(1,693)	131
Actuarial (loss)/gain recognised in STRGL	(727)	207

Notes to the Consolidated Financial Statements (Continued)

28 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

	2015 £000	2014 £000
Movement in deficit during year		
Deficit in scheme at 1 August	(2,973)	(2,987)
Movement in year:		
Employer service cost (net of employee contributions)	(1,366)	(1,290)
Employer Contributions	1,113	1,054
Past service costs	-	-
Net interest/return on assets	124	43
Liabilities Assumed in a Business Combination	(344)	-
Actuarial (loss)/gain	(727)	207
Deficit in scheme at 31 July	(4,173)	(2,973)

Asset and Liability Reconciliation

	2015 £000	2014 £000
Reconciliation of Liabilities		
Liabilities at start of period	21,414	19,392
Service cost	1,366	1,290
Interest cost	901	919
Employee contributions	358	330
Actuarial gain/(loss)	1,693	(131)
Loss on curtailments	24	-
Liabilities Assumed in a Business Combination	475	-
Benefits paid	(429)	(386)
Past service cost	-	-
Liabilities at end of period	25,802	21,414
Reconciliation of Assets		
Assets at start of period	18,441	16,405
Expected return on assets	1,049	962
Actuarial gain	966	76
Employer contributions	1,113	1,054
Employee contributions	358	330
Assets Acquired in a Business Combination	131	-
Benefits paid	(429)	(386)
Assets at the end of period	21,629	18,441

The estimated value of employer contributions for LGPS the year ended 31 July 2016 is £1,094k.

Notes to the Consolidated Financial Statements (Continued)

28 Pension and similar obligations (continued)

History of experience gains and losses

	31 July 2015	31 July 2014	31 July 2013	31 July 2012	31 July 2011
Difference between the expected and actual return on assets: amount: £000	966	73	1,751	(386)	1,556
Experience gains and losses on scheme liabilities: amount £000	172	(95)	-	(153)	704
Total amount recognised in STRGL amount £000	(1,071)	207	1,290	(2,504)	2,432

29 Post Balance Sheet Events

There are no significant post balance sheet events.

30 Capital Commitments

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Commitments contracted for at 31 July	4,323	4,323	5,603	5,603
Authorised, but not contracted for	23,074	23,074	3,830	3,830
	<u>27,397</u>	<u>27,397</u>	<u>9,433</u>	<u>9,433</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 2015 the College had annual commitments under non-cancellable operating leases as follows:

	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
Other				
Expiring within one year	24	8	64	27
Expiring within two and five years inclusive	420	418	374	374
	<u>444</u>	<u>426</u>	<u>438</u>	<u>401</u>

The aggregate commitments under non cancellable operating leases are £863k relating to plant and equipment (2014 £973k)

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 other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8. 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

	2015 £000	2014 £000
Access Funds		
Balance Brought forward as at 1 August	69	51
Funding body grant - Hardship funds	367	306
Funding body grant - Childcare	6	30
Funding body grant - Free College Meals	55	0
Funding body grant - Residential Bursaries	243	266
	<u>740</u>	<u>653</u>
Disbursed to students	(600)	(556)
Administration costs	(29)	(28)
Returned to funding bodies	(47)	-
Amount in financial statements	22	-
Balance unspent as at 31 July, included in creditors	<u>86</u>	<u>69</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.