Reaseheath College

Consolidated Financial Statements for the year to 31 July 2016

Contents

Members' Report

- **NATURE, OBJECTIVES AND STRATEGIES:**

The Members of the Corporation present their report and the audited financial statements for the year ended 31 July 2016.

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 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 Education 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 11 and 12.

In considering its vision, mission, values and strategic objectives, Reaseheath College has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The value added to the community served by the College in delivering its mission can be demonstrated and assessed publically throughout this Members' Report. 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 2015 to 31 July 2016. 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 15/16

- **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

Members' Report (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.

- **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

- 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.

- **PERFORMANCE INDICATORS**

a. The Skills Funding Agency (SFA) is the College's accountable body ensuring that providers are contributing to the National Target.

- The learner allocations target for 16-18 year old learners was 1,857 Learners. The year end funding claim shows that the College has achieved 1,936 Learners for 2015/16.

- Students continue to realise high achievement and grades at the College. Early indications are that success rates for 2015/16 will be in line with the previous year's good performance with an overall success rate around 86% for Long Qualifications (2014/15 – 86%).

- Each Learner curriculum area has a formalised Industry Consultation event, these are attended by the Principal and Vice-Principal.

- The College continually monitors Performance Indicators and the following table is taken from information included in the Self Assessment Review. 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.

Performance Indicator	Score/Grade 2014/15	Score/Grade 2015/16
Overall long qualification success rate	86%	86%
Student satisfaction rate	96%	95%
Progression rate	98%	96%
Percentage of grade 1 and 2 lessons	80%	84%

Members' Report (continued)

- **FINANCIAL POSITION**

a. Financial results

- The Group generated a surplus in the year of £337k (2015 restated £463k).
- The Group has accumulated reserves of £6,865k (2015 £8,209k) reduced in year due to the LGPS liability increasing and cash balances of £333k (2015 £2,915k) with in year conversion of current assets into tangible fixed assets and an additional working capital facility was in place at the year end.
- The above figures include the impact of Financial Reporting Standard 102 (28.11), formerly FRS17 Accounting for Retirement Benefits, without the effect of these adjustments, the operating position would be a surplus of £928k.
- Tangible fixed asset additions during the year amounted to £6,695k. This was split between assets under construction (£2,496k), land and buildings (£3,235k) and equipment (£964k). In the main, this related to the College Property Strategy building programme funded through increase in debt, grant funding and investment of college surplus.
- The College has reliance on the Funding Bodies for its principal funding source, largely from recurrent grants. In 2015/16 the Funding Bodies provided 53.56% (2014/15 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 £1,210k (2015 £3,474k), Group operating cash inflow continues to be strong. Within the year cash has been utilised to invest in the ongoing capital works programme.

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 been fully utilised during the year.
- 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 inside the bank covenants.

- **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE:**

a. Student numbers

- In 2015/16 the College has delivered activity that has produced £12,675k in Funding Bodies main allocation funding (2014/15 £13,476k). The College had approximately 6,000 learners from Entry Level through to Higher Education.

Members' Report (continued)

b. Student Achievements

- Student success has remained broadly in line with 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.

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 HE courses have been created for Canine Behaviour and Training, Adventure Sports Coaching and HNC Mechanical Engineering. Within Workplace Learning, Trailblazers have been established for Butchery and a new Higher Apprenticeship created for Dairy Technology.

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 2015 to 31 July 2016, the College paid 92.7% of its creditors, on average, within 30 days. This performance is similar to the previous year and is largely attributed to enforcement of a no purchase order no payment policy as new suppliers become accustomed to the policy this is expected to increase. The College incurred no interest charges in respect of late payments, under this legislation, for this period.

e. Post Balance Sheet Events

- On September 1st 2016 the College entered federation with North Shropshire College with the potential to merge in the future if the correct conditions exist. The colleges have submitted a joint application for a restructure grant in November.
- On September 1st 2016 the College entered federation with University of Chester with a view to forging closer working relations to enhance the HE offering.
- A pre contract service agreement (PCSA) has been agreed with Seddons to facilitate the preparations for the delivery of Project Toucan (accommodation facilities) to the value of £366k.

f. Future Developments

- The College's combined funding allocations for 16-18 and the Adult Education Budget (AEB) for 2016/17 has been confirmed at £13,314k.

- The College has continued with its masterplanning exercise, the College has secured additional capital grant in year from the LEP to further 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. Accommodation facilities, 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 including apprenticeships delivered through block release.

4. Sports science and performance facilities to support the College students, the local community and promote physical activity and health.

- **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 £51,985k, together with equipment, fixtures and fittings at a value of £4,133k, and assets under construction of £2,678k.
- Financial Resources - The Group has £13,739k of net assets (including £6,560 Pension liability) and long term debt of £38,043k (Bank Loans & finance leases £13,383k and deferred government capital grants £24,660k).
- People - The Group employs 466 (expressed as full time equivalents), of whom 176 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.
- **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 Executive undertakes a comprehensive review of the risks to which the College is exposed. Systems and procedures are identified including specific actions which should mitigate any potential impact of the risks 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 Senior Management Team meetings 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 2015/16 62.79% (2014/15 62.27%) 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 vote to leave the EU
- The impact of the FE Area review
- Changes to the way Apprenticeships will be funded
- Changes to structure of Apprenticeship programme of study
- Delivery of the English and Maths programmes of study
- The introduction of Advanced Learner Loans for 19+ funding (SFA)

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 funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the local SFA, EFA, LEA's and our HE Partners.
- Focus on sustainable Full Cost Recovery work.
- Continue 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 advanced learning loans.
- 24+ level 3 and above, advanced 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.

Other risks

As a result of the local area review process the College has entered into federation agreements with North Shropshire College and The University of Chester. Work is ongoing to ensure the successful implementation of the recommendations of the local area reviews to promote and grow high quality, sustainable further education, higher education and apprenticeships in the region.

This risk is mitigated in a number of ways:-

- Governor scrutiny of all developments
- Senior management control, planning and forecasting

- **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 EFFP / UKTI
- The local community (SLAPS, LAGS)
- Other FE institutions (including North Shropshire College through federation) and schools
- HEFCE
- HE Academic Partners comprising University of Chester (federated) and Harper Adams University
- Trade Unions
- Professional bodies
- Membership Associations (NFU), (CLA)
- Other Colleges through the Cheshire Consortium, Landex Colleges etc

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site, JISC e-mail (college support facility) and by meetings.

- **EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS**

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

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

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

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College policy on training, promotion and career development is as far as possible, identical to those for other employees. The commitment of the College in this area has been recognised by the Department of Work and Pesnions and the College is a Two Ticks Positive about Disabled People Scheme member.

Members' Report (continued)

- **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 f of the financial position 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 policies for all students are available on the College website.
- 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.

- **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 8th December 2016 and signed on its behalf on that date by:

C. R. Ratcliffe

Mr R Ratcliffe
Chairman

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

Key management personnel are defined as the Principal, the Vice Principal and the Director of Finance and Resources. were represented by the following in 2015/16:

Mr TEM David OBE, Principal and CEO; Accounting officer
Mr DP Kynaston, Vice Principal
Mr G Lavery, Director of Finance and Resources

Board of Governors

A full list of Governors is given on pages 11 and 12 of these financial statements.

Jackie Schillinger acted as Clerk to the Corporation throughout the period.

Professional Advisors

Financial Statements and Regularity Auditors:
Mazars LLP
The Lexicon
10/12 Mount Street
Manchester
M2 5NT

Internal Auditors:
RSM
5 Ridge House
Ridge House Drive
Festival Park
Stoke-on-Trent
ST1 5SJ

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

Barclays Bank PLC
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.

This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

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 and up to the date of 7 December 2016 are listed below.

Name	***Date Appointed/ reappointed***	***Term of Office***	Date of resignation	***Status of Appointment***	***Committees Served and Corporation attendance (not incl. special meetings)***
Mr R Ratcliffe	Sept 2004 Reappointed Aug 2008 Aug 2011 Aug 2014	3 Years		Independent	Chair Corporation (100%) Finance and General Purposes Search and Governance Remuneration Quality and Standards
Mr T E M David OBE	May 2004	Ex officio		Principal	Corporation (100%) Finance and General Purposes Quality and Standards Search and Governance
Ms E Thrane	Sept 2002 Reappointed Aug 2006, Aug 2010 Aug 2013 Aug 2016	1 Year		Independent	Vice Chair Corporation (100%) Finance and General Purposes Quality and Standards Remuneration Search and Governance
Mr J Furber	Aug 2008 Reappointed Aug 2011 Aug 2014	3 Years		Independent	Corporation (75%) Finance and General Purposes Search and Governance Remuneration
Cllr R Bailey	Aug 2012 reappointed Aug 2015	3 Years	31 July 2016	Independent	Corporation (0%) Audit
Mr C Baxter	Aug 2012 reappointed Aug 2015	3 Years		Independent	Corporation (100%) Audit

Statement of Corporate Governance and Internal Control (continued)

Mr M Burns	Aug 2012 reappointed Aug 2015	3 Years		Independent	Corporation (50%) Finance and General Purposes
Ms R Rowland	Aug 2010 reappointed 1 Aug 2013	3 Years	31 July 2016	Independent	Corporation (50%) Finance and General Purposes Remuneration
Dr I Graham	Aug 2012 reappointed Aug 2015	3 Years		Independent	Corporation (50%) Quality and Standards Audit
Mr D Pearson	Aug 2012 reappointed Aug 2015	3 Years		Independent	Corporation (75%) Quality and Standards Remuneration Search and Governance
Dr E Harrison	Aug 2013 Reappointed Aug 2016	3 Years		Independent	Corporation (100%) Finance and General Purposes
Mr A Taylor	May 2014	3 Years		Independent	Corporation (50%) Quality and Standards
Mr G Morgan	Dec 2013	4 Years	29 February 2016	Staff	Corporation (100%) Quality and Standards
Mrs K Bailey	Dec 2014	3 Years		Independent	Corporation (100%) Audit
Ms S Belfield	Dec 2014	3 Years		Independent	Corporation (50%) Finance and General Purposes
Mr E Simms	Dec 2014	3 Years		Independent	Corporation (100%) Audit
Mr J Bufton	Dec 2015	1 year	31 July 2016	Student	Corporation (25%) Quality and Standards
Ms J Jones	Dec 2015	1 year	31 July 2016	Student	Corporation (50%) Quality and Standards
Mrs A McKay	Dec 2015	3 years		Staff	Corporation Quality and Standards
Mrs G Richards	Sep 2016	3 years		Independent	Corporation (first meeting Dec 2016)
Ms E McQueen	Sep 2016	3 years		Independent	Corporation (first meeting Dec 2016)
Mr J Nicholls	Sep 2016	3 years		Independent	Corporation (first meeting Dec 2016)

Mrs J Schillinger	1 Jan 2013	-		Clerk	Independent Clerk to the Corporation

Mr M Benson served as a co-opted member of the Audit Committee during the year. Mr M Benson is not a member 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

Statement of Corporate Governance and Internal Control (continued)

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

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

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

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

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

Corporation Performance

The Members of the Corporation review Corporation performance every year against the values and principal responsibilities set out in the Code of Good Governance for English Colleges (the Code). The Corporation, through its Chair and its Search and Governance Committee reviews the performance and effectiveness of Members on an on-going basis. Each Committee of the Corporation reviews its own performance againt itsTerms of Reference on an annual basis and reports to the Corporation. Based on its annual self-assessment, which was available in the December 2016 meeting papers, in the opinion of the Members, the College complies with the values and principal responsibilities of the Code and has complied throughout the year ended 31 July 2016. During the year, Members have been particularly effective in their strategic role as the College has taken part in the Cheshire and Warrington Area review, which concluded in July 2016, with a positive outcome for the College in line with its strategy. In this respect, a particular strength leading to a positive impact this year has been the way in which Members have effectively carried out their responsibilities as set out in the Code to "*Formulate and agree the mission and strategy including defining the ethos of the College,*" to "*Adopt a financial strategy and funding plans which are compatible with the duty to ensure sustainability and solvency of the college*," and to ensure "*effective control and due diligence takes place in relation to all matters, incuding acquisitions, subcontracting and partnership activity*".

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 11 and 12 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 2016, 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 2016 are set out in Note 8 to the financial statements.

No payment was made for the fulfilment of the Governors' roles however £2,222 (2015 - £2,913) of expenses incurred were paid.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee

The Audit Committee comprises five Members of the Corporation (excluding the Accounting Officer), together with one co-opted external person. 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.

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 2016 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 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control (continued)

The risk and control framework

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

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

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

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

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 20165.

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".

Statement of Corporate Governance and Internal Control (continued)

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. The Corporation has considered the detailed financial reporting that it has received during the year, including the college financial objectives, management accounts, the annual budget and an analysis of the college's financial plan against the recommended checklist in the Financial Planning Handbook, including the assumptions underpinning the financial plan. The Corporation is satisfied that a robust financial planning system is in place and that the College budget and the financial plan are aligned and demonstrate the solvency of the college. 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 8th December 2016 and signed on its behalf by:

C R Ratcliffe

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 *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and 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 8th December 2016 and signed on its behalf by:

C.R. Ratcliffe

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 2016 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 17, 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. 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.

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 2016 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.

16 December 2016

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

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 14 September 2016 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 2015 to 31 July 2016 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 2015 to 31 July 2016 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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

16 December 2016

Ian Holder (Senior Statutory Auditor)
for and on behalf of Mazars LLP
45 Church Street
Birmingham
B32RT

Date

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
INCOME					
Funding body grants	2	16,071	14,582	16,571	15,293
Tuition fees and education contracts	3	7,105	6,787	5,936	5,591
Other grants and contracts	4	6	6	-	-
Other income	5	6,771	6,771	6,765	6,765
Endowment and investment income	6	6	6	145	145
Donations and Endowments	7	-	184	-	128
Total income		**29,959**	**28,336**	**29,417**	**27,922**
EXPENDITURE					
Staff costs	8	15,605	14,846	15,578	14,775
Fundamental restructuring costs	8	16	16	76	76
Other operating expenses	9	10,893	10,057	10,489	9,805
Depreciation	12	2,233	2,212	2,045	2,028
Amortisation of goodwill	13	125	-	125	-
Interest and other finance costs	10	760	760	642	642
Total expenditure		**29,632**	**27,891**	**28,955**	**27,325**
Surplus before other gains and losses		**327**	**445**	**462**	**597**
Profit on disposal of assets	12	10	19	1	-
Surplus before tax		**337**	**464**	**463**	**597**
Taxation	11	-	-	-	-
Surplus for the year		**337**	**464**	**463**	**597**
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes	26	(1,864)	(1,864)	(1,071)	(1,071)
Movement in enhanced pension provision	20	(49)	(49)	(5)	(5)
Total Comprehensive Income for the year		**(1,576)**	**(1,449)**	**(613)**	**(474)**

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest
	£'000	£'000	£'000
Group			
Restated balance at 1st August 2014	8,590	7,338	15,928
Surplus/(deficit) from the income and expenditure account	463	-	463
Other comprehensive income	(1,076)	-	(1,076)
Transfers between revaluation and income and expenditure reserves	232	(232)	-
	(381)	(232)	(613)
Balance at 31st July 2015	8,209	7,106	15,315
Surplus/(deficit) from the income and expenditure account	337	-	337
Other comprehensive income	(1,913)	-	(1,913)
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	(1,344)	(232)	(1,576)
Balance at 31st July 2016	**6,865**	**6,874**	**13,739**
College			
Restated balance at 1st August 2014	8,821	7,338	16,159
Surplus/(deficit) from the income and expenditure account	597	-	597
Other comprehensive income	(1,076)	-	(1,076)
Transfers between revaluation and income and expenditure reserves	232	(232)	-
	(247)	(232)	(479)
Balance at 31st July 2015	8,574	7,106	15,680
			-
Surplus/(deficit) from the income and expenditure account	464	-	464
Other comprehensive income	(1,913)	-	(1,913)
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	(1,217)	(232)	(1,449)
Balance at 31st July 2016	**7,357**	**6,874**	**14,231**

Balance sheets as at 31 July

	Notes	Group 2016 £'000	College 2016 £'000	Group Restated 2015 £'000	College 2015 £'000
Fixed assets					
Tangible fixed assets	12	51,922	51,872	47,271	47,211
Heritage assets	12	6,874	6,874	7,106	7,106
Intangible fixed assets	13	301	-	426	-
Investments	14	-	1,497	-	1,497
Pensions asset	26	-	-	-	-
		59,097	**60,243**	**54,803**	**55,814**
Current assets					
Stocks		917	917	1,120	1,120
Trade and other receivables	15	3,314	3,132	3,129	2,942
Investments	16	79	79	-	-
Cash and cash equivalents	21	333	229	2,915	2,820
		4,643	**4,357**	**7,164**	**6,882**
Less: Creditors – amounts falling due within one year	17	(5,052)	(5,441)	(6,760)	(7,138)
Net current assets		**(409)**	**(1,084)**	**404**	**(256)**
Total assets less current liabilities		**58,688**	**59,159**	**55,207**	**55,558**
Less: Creditors – amounts falling due after more than one year	18	(38,043)	(38,022)	(35,344)	(35,330)
Provisions					
Defined benefit obligations	20	(6,560)	(6,560)	(4,173)	(4,173)
Other provisions	20	(346)	(346)	(375)	(375)
Total net assets		**13,739**	**14,231**	**15,315**	**15,680**
Unrestricted reserves					
Income and expenditure account		6,865	7,357	8,209	8,574
Revaluation reserve		6,874	6,874	7,106	7,106
Total unrestricted reserves		**13,739**	**14,231**	**15,315**	**15,680**

The financial statements on pages 20 to 47 were approved and authorised for issue by the Corporation on 8th

Mr R Ratcliffe
Chair

C.R. Ratcliffe

Mr T E M David OBE
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		337	463
Adjustment for non cash items			
Depreciation		2,233	2,045
Amortisation of goodwill		125	125
(Increase)/decrease in stocks		203	169
(Increase)/decrease in debtors		(185)	(913)
Increase/(decrease) in creditors due within one year		(1,605)	1,542
Increase/(decrease in creditors due after one year		1,545	3,488
Increase/(decrease) in provisions		(48)	3
Pensions costs less contributions payable		366	253
Adjustment for investing or financing activities			
Investment income		(6)	(21)
Interest payable		596	518
Profit on sale of fixed assets		(10)	(1)
Net cash flow from operating activities		**3,551**	**7,671**
Cash flows from investing activities			
Proceeds from sale of fixed assets		53	-
Investment income		6	21
Payments made to acquire fixed assets		(6,695)	(7,726)
		(6,636)	**(7,705)**
Cash flows from financing activities			
Interest paid		(594)	(640)
Interest element of finance lease rental payments		(2)	(2)
New unsecured loans		2,054	-
New hire purchase liabilities		49	12
Repayments of amounts borrowed		(819)	(803)
Repayments of loan notes		(173)	(173)
Capital element of finance lease rental payments		(12)	(20)
		503	**(1,626)**
Increase / (decrease) in cash and cash equivalents in the year		**(2,582)**	**(1,660)**
Cash and cash equivalents at beginning of the year	21	2,915	4,575
Cash and cash equivalents at end of the year	21	333	2,915

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2015 to 2016 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value.
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, DART Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student association are included within the College. All financial statements are made up to 31 July 2016.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

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 £14.3m of loans outstanding with bankers on terms negotiated between 2009 and 2015. The terms of the existing agreement are for up to another 15 years. The College's forecasts and financial projections indicate that it will require additional debt support during the delivery of the capital projects. This facility has been agreed in principle with the bank and authorised by the governing body.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body 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.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. 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 26, 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 LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate

1 Accounting Policies (continued)

bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

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.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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.

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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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, except where an asset that forms part of a project is under £2,000 it is capitalised as an asset. 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)

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Investments

Investments are recognised at cost less any provisions for impairment.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

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 sections 478-488 of the 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.

Provisions and contingent liabilities

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

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 of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

1 Accounting Policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Recurrent grants				
Skills Funding Agency	1,452	1,287	1,568	1,521
Education Funding Agency	11,508	11,338	12,120	11,954
Higher Education Funding Council	301	301	352	352
Specific Grants				
Skills Funding Agency	2,253	1,099	2,082	1,017
Releases of government capital grants	557	557	449	449
Total	**16,071**	**14,582**	**16,571**	**15,293**

3 Tuition fees and education contracts

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
Adult education fees	1,528	1,409	1,795	1,631
Apprenticeship fees and contracts	139	34	146	65
Fees for FE loan supported courses	186	182	155	155
Fees for HE loan supported courses	1,481	1,481	1,336	1,336
Total tuition fees	**3,334**	**3,106**	**3,432**	**3,187**
Education contracts	861	771	488	388
Higher Education contract income	2,910	2,910	2,016	2,016
Total	**7,105**	**6,787**	**5,936**	**5,591**

4 Other grants and contracts

	Year ended 31 July 2016 Group £'000	Year ended 31 July 2016 College £'000	Year ended 31 July 2015 Group £'000	Year ended 31 July 2015 College £'000
European Commission	£'000	£'000	£'000	£'000
Other grants and contracts	6	6	0	0
Total	**6**	**6**	**0**	**0**

Notes to the Accounts (continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	3,815	3,815	3,441	3,441
Other income generating activities	219	219	247	247
Farming income	1,101	1,101	1,231	1,231
Other grant income	260	260	260	260
Non government capital grants	10	10	0	0
Miscellaneous income	1,366	1,366	1,586	1,586
Total	**6,771**	**6,771**	**6,765**	**6,765**

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	6	6	21	21
	6	**6**	**21**	**21**
Pension finance income (note 26)	0	0	124	124
	6	**6**	**145**	**145**

7 Donations - College only

	Year ended 31 July	
	2016	2015
	£'000	£'000
Gift Aid covenant - subsidiary	184	128
Total	**184**	**128**

Notes to the Accounts (continued)

8 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2016 No.	2015 No.
Teaching staff	176	142
Non teaching staff	290	269
	466	**411**

Staff costs for the above persons

		2016 £'000	2015 £'000
Wages and salaries		11,752	12,085
Social security costs		879	774
Other pension costs		2,246	1,971
Payroll sub total		**14,877**	**14,830**
Contracted out staffing services		728	748
		15,605	**15,578**
Fundamental restructuring costs -	contractual	16	76
	non contractual	0	0
		15,621	**15,654**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Vice Principal and Director of Finance & resources.

Emoluments of Key management personnel, Accounting Officer and other higher paid

	2016 No.	2015 No.
The number of key management personnel including the Accounting Officer was:	**3**	**3**

Notes to the Accounts (continued)

8 Staff costs - Group and College (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2016 No.	2015 No.	2016 No.	2015 No.
£60,001 to £70,000	-	-	2	3
£70,001 to £80,000	1	1	1	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	-	1	-	-
£150,001 to £160,000	1	-	-	-
	3	**3**	**3**	**3**

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	322	305
Benefits in kind	3	3
	325	**308**
Pension contributions	45	46
Total emoluments	**370**	**354**

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2016 £'000	2015 £'000
Salaries	151	140
Benefits in kind	2	1
	153	141
Pension contributions	16	20

Notes to the Accounts (continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,645	1,560	2,050	1,491
Non teaching costs	6,712	5,966	6,029	5,941
Premises costs	2,536	2,531	2,410	2,373
Total	**10,893**	**10,057**	**10,489**	**9,805**

Other operating expenses include:	**2016**	**2015**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	23	20
Internal audit**	23	14
Other services provided by the financial	8	2
Other services provided by the internal	-	2
Hire of assest under operating leases	444	438

* includes £18,000 in respect of the College (2014/15 £16,000)
** includes £21,000 in respect of the College (2014/15 £14,000)

10 Interest payable - Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	594	640
	594	640
On finance leases	2	2
Pension finance costs (note 26)	164	-
Total	**760**	**642**

11 Taxation - Group only

	2016	2015
	£'000	£'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	**-**	**-**

Notes to the Accounts (continued)

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	52,893	-	10,497	7,745	71,135
Additions	3,235	-	964	2,496	6,695
Transfers	7,561	-	2	(7,563)	-
Disposals	-	-	(109)	-	(109)
At 31 July 2016	**63,689**	**-**	**11,354**	**2,678**	**77,721**
Depreciation					
At 1 August 2015	10,430	-	6,328	-	16,758
Charge for the year	1,274	-	959	-	2,233
Elimination in respect of disposals	-	-	(66)	-	(66)
At 31 July 2016	**11,704**	**-**	**7,221**	**-**	**18,925**
Net book value at 31 July 2016	**51,985**	**-**	**4,133**	**2,678**	**58,796**
Net book value at 31 July 2015	42,463	-	4,169	7,745	54,377

Notes to the Accounts (continued)

12 Tangible fixed assets (College only)

	Land and buildings Freehold	Long leasehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2015	52,893	-	10,363	7,745	71,001
Additions	3,235	-	916	2,496	6,647
Transfers	7,561	-	2	(7,563)	-
Disposals	-	-	(51)	-	(51)
At 31 July 2016	**63,689**	**-**	**11,230**	**2,678**	**77,597**
Depreciation					
At 1 August 2015	10,430	-	6,254	-	16,684
Charge for the year	1,274	-	938	-	2,212
Elimination in respect of disposals	-	-	(45)	-	(45)
At 31 July 2016	**11,704**	**-**	**7,147**	**-**	**18,851**
Net book value at 31 July 2016	**51,985**	**-**	**4,083**	**2,678**	**58,746**
Net book value at 31 July 2015	42,463	-	4,109	7,745	54,317

Land and buildings valuations were established with the assistance of independent professional advice, The net book value of equipment includes an amount of £66,661 (2014/15 – £31,864) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £11,960 (2014/15 – £5,679).

Notes to the Accounts (continued)

13 Intangible fixed assets

	Group £'000
Cost or Valuation	
At 1 August 2015	624
Additions	0
At 31 July 2016	**624**
Amortisation	
At 1 August 2015	198
Charge for year	125
At 31 July 2016	**323**
Net book value at 31st July 2016	**301**
Net book value at 31st July 2015	426

14 Non current investments

	College 2016 £'000	College 2015 £'000
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.

15 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	315	308	904	860
Net VAT liability receivable	-	-	47	47
Prepayments and accrued income	2,746	2,739	1,864	1,841
Amounts owed by the Skills Funding Agency	253	85	314	194
Total	**3,314**	**3,132**	**3,129**	**2,942**

Notes to the Accounts (continued)

16 Current investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Investment in UK Arla Farmers Cooperative	79	79	-	-
Total	79	79	-	-

Investment in The UK Arla Farmers Cooperative Limited – the UK corporate member of Arla created by the merger of AMCo and AML on 1st January 2016.

17 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	984	984	969	969
Loan notes	-	-	173	173
Loan (ARLA investment)	54	54	-	-
Obligations under finance leases	17	8	16	5
Trade payables	498	495	686	614
Other creditors	433	435	176	151
Amounts owed to group undertakings:				
Subsidiary undertakings	-	593	-	622
Net VAT debtor	117	117	-	-
Other taxation and social security	266	256	218	203
Accruals and deferred income	1,777	1,629	2,686	2,630
Employee leave accrual	49	12	678	613
Deferred income - government capital grants	842	842	818	818
Amounts owed to the Skills Funding Agency	15	16	340	340
Total	5,052	5,441	6,760	7,138

18 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	13,354	13,354	12,188	12,188
Obligations under finance leases	29	8	41	27
Deferred income - government capital grants	24,660	24,660	23,115	23,115
Total	38,043	38,022	35,344	35,330

Notes to the Accounts (continued)

19 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	984	984	969	969
Between one and two years	853	853	834	834
Between two and five years	5,846	5,846	3,893	3,893
In five years or more	6,655	6,655	7,461	7,461
Total	**14,338**	**14,338**	**13,157**	**13,157**

Medium Term Loan 1 (4 tranches) at an average 7.14 per cent repayable by instalments falling due between 1 August 2016 and 31 August 2029 totalling £5,820,908.
Medium Term Loan 2 at 2.41 per cent repayable by instalments falling due between 1 August 2016 and 31 July 2022 totalling £2,350,000.
Medium Term Loan 3 at 2.85 per cent repayable by instalments falling due between 1 August 2016 and 31 July 2017 totalling £4,166,667.
Revolving Credit Facility at LIBOR + 1.65 per cent repayable on 24 February 2019 totalling £2,000,000.

(b) Finance leases

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	17	8	16	5
Between two and five years	29	8	41	27
Total	**46**	**16**	**57**	**32**

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

(c) Loan notes

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

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	-	-	173	173
Total	**-**	**-**	**173**	**173**

These were none interest bearing loan notes repaid on 19 December 2015.

Notes to the Accounts (continued)

20 Provisions

	Group and College			
	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	4,173	315	60	4,548
Expenditure in the period	(1,232)	(18)	(30)	(1,280)
Transferred from income and expenditure account	3,619	49	(30)	3,638
At 31 July 2015	**6,560**	**346**	**-**	**6,906**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2016	2015
Price inflation	1.30%	1.70%
Discount rate	2.30%	3.50%

21 Cash and cash equivalents

	At 1 August 2015	Cash flows	Other changes	At 31 July 2016
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,915	(2,582)	-	333
Overdrafts	-	-	-	-
Total	**2,915**	**(2,582)**	**-**	**333**

22 Capital commitments

	Group and College	
	2016	2015
	£'000	£'000
Commitments contracted for at 31 July	1,255	4,323
Authorised, but not contracted for at 31 July	23,941	23,074

The capital commitments relate to the college campus redevelopment

Notes to the Accounts (continued)

23 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	79	444
Later than one year and not later than five years	390	419
	469	863

24 Contingent liabilities

There are no known contingent liabilities provided for at the year end.

25 Events after the reporting period

On September 1st 2016 the College entered federation with North Shropshire College with the view to merge in the future if the correct conditions exist. The colleges have submitted a joint application for a restructure grant in November.

Additionally on September 1st 2016 the College entered federation with University of Chester with a view to forging closer working relations to enhance the HE offering.

26 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Cheshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Cheshire West and Cheshire Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2016** **£'000**		**2015** **£'000**
Teachers Pension Scheme: contributions paid		738		609
Local Government Pension Scheme:				
Contributions paid	1,232		1,095	
FRS 102 (28) charge	366		253	
Charge to the Statement of Comprehensive Income		1,598		1,348
Enhanced pension charge to Statement of Comprehensive Income		49		-
Total Pension Cost for Year		**2,385**		**1,957**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

26 Defined benefit obligations (continued)

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 which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:
https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £738,000 (2015: £609,000)

26 Defined benefit obligations (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Cheshire West and Chester Local Authority . The total contribution made for the year ended 31 July 2016 was £1,607,000, of which employer's contributions totalled £1,232,000 and employees' contributions totalled £375,000. The agreed contribution rates for future years are 18.6% (with a further 1.2% paid to separate Ill Health Insurance) for employers and range from 5.5% to 9.9% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	2.90%	3.50%
Future pensions increases	1.90%	2.60%
Discount rate for scheme liabilities	2.40%	3.60%
Inflation assumption (CPI)	2.10%	2.70%
Commutation of pensions to lump sums	50.00%	50.00%

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 2016	At 31 July 2015
	years	**years**
Retiring today		
Males	22.30	22.30
Females	24.10	24.10
Retiring in 20 years		
Males	24.10	24.10
Females	26.70	26.70

Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pensions benefits] is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	24,997	21,629
Present value of plan liabilities	(31,557)	(25,802)
[Present value of unfunded liabilities]	-	-
Net pensions (liability)/asset (Note 20)	**(6,560)**	**(4,173)**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,598	1,366
Past service cost	-	24
Total	**1,598**	**1,390**
Amounts included in investment income		
Net interest income	(157)	(138)
	(157)	**(138)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,483	966
Experience losses arising on defined benefit obligations	314	172
Changes in assumptions underlying the present value of plan liabilities	-	(344)
Amount recognised in Other Comprehensive Income	**1,797**	**794**

Notes to the Accounts (continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net dfefined benefit (liability/asset during the year

	2016 £'000	2015 £'000
Surplus/(deficit) in scheme at 1 August	(4,173)	(2,973)
Movement in year:		
Current service cost	(1,598)	(1,366)
Employer contributions	1,232	1,113
Past service cost	-	(24)
Net interest on the defined (liability)/asset	(157)	(138)
Effect of business combinations and disposals	-	(344)
Actuarial gain or loss	(1,864)	(441)
Net defined benefit (liability)/asset at 31 July	**(6,560)**	**(4,173)**

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	25,802	21,414
Current Service cost	1,598	1,366
Interest cost	955	901
Contributions by Scheme participants	375	358
Experience gains and losses on defined benefit obligations	(314)	(172)
Changes in financial assumptions	3,661	1,865
Estimated benefits paid	(520)	(429)
Past Service cost	-	24
Effect of business combinations and disposals	-	475
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**31,557**	**25,802**

Reconciliation of Assets

	2016 £'000	2015 £'000
Fair value of plan assets at start of period	21,629	18,441
Interest on plan assets	798	763
Return on plan assets	1,483	1,252
Employer contributions	1,232	1,113
Contributions by Scheme participants	375	358
Effect of business combinations and disposals	-	131
Estimated benefits paid	(520)	(429)
Assets at end of period	**24,997**	**21,629**

Notes to the Accounts (continued)

27 Related party transactions

Owing 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £2,222; 6 governors (2015: £2,913; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

28 Amounts disbursed as agent

Learner support funds

	2016 £'000	2015 £'000
Funding body grants – bursary support	98	73
Funding body grants – discretionary learner support	198	241
Funding body grants – residential bursaries	143	158
Other Funding body grants	280	243
Interest earned	103	55
	822	770
Disbursed to students	(636)	(617)
Administration costs	(27)	(29)
Returned to funding bodies	(54)	(47)
Amount in financial statements	5	22
Balance unspent as at 31 July, included in creditors	110	99

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 Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements (continued)

29 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	1st August 2014		31st July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Financial Position				
Total reserves under previous SORP	16,337	16,519	15,934	16,234
Employee leave accrual	(464)	(415)	(678)	(613)
Release of non-government capital grants	-	-	-	-
Changes to livestock valuation	55	55	59	59
Total effect of transition to FRS 102 and 2015 FE HE SORP	(409)	(360)	(619)	(554)
Total reserves under 2015 FE HE SORP	**15,928**	**16,159**	**15,315**	**15,680**

	Year ended 31st July 2015	
	Group	College
	£'000	£'000
Financial Performance		
Surplus for the year after tax under previous SORP	673	791
Recognition of short term employment benefits	(214)	(198)
Change to Livestock valuation	4	4
Pensions provision – actuarial loss	(1,076)	(1,076)
Changes to measurement of net finance cost on defined benefit plans	-	-
Total effect of transition to FRS 102 and 2015 FE HE SORP	(1,286)	(1,270)
Total comprehensive income for the year under 2015 FE HE SORP	**(613)**	**(479)**

29 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year previously ran to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, the college has moved the annual leave year in line with the financial year from 31st July 2016. An accrual of £464k was recognised at 1 August 2014, and £678k at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £629k has been released to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP in 2015-16. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. No adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of capital grants as all grants before 2015-16 are classified as "government"

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

e) Change in livestock valuation

The college previously valued the sheep & pig elements of livestock at 75% of market value in line with the HMRC policy for farm accounts. Under FRS 102 these are now valued at market value resulting in an increased opening stock valuation of £55k at 1 August 2014 and £59k at 1 August 2015, the movement on the valuation has been released to Comprehensive Income in the year ended 31 July 2016.