Strode College

Members' report and financial statements

For the year ended 31 July 2015

Members' report and financial statements

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Members' Report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

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

Mission

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

- be the College of choice for post 16 education in Somerset
- be a college recognised as outstanding in all our work
- provide an appropriate range of learning opportunities suitable for a wide range of abilities and interests
- enhance the employability of our students
- contribute to the development of a dynamic local, regional and national economy
- work with employers to develop a skilled workforce which meets their needs.

Public Benefit

Strode College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 11-12.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

Public Value

Strode College, as a rural tertiary college with a focus on provision for 16-18 year olds, provides high quality learning opportunities suitable for a wide range of abilities and interests, in an environment where students can develop as individuals. It contributes to the development of a dynamic local, regional and national economy by enhancing the employability of its students and preparing them for higher education. The College aims to promote the economic, social and cultural life of the local community through work with business, the professions, community groups and local government and by encouraging the local community to make use of the College's facilities

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

Implementation of strategic plan

In 2013, the College prepared a strategic plan for the period 2013 to 2016. This strategic plan includes an accommodation strategy and financial forecasts. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic objectives are:

1. To be outstanding in everything we do
   … for the educational value of providing the very best teaching, learning and outcomes for all students
   … and for the strategic value of being outstanding
2. To maintain our distinctive tertiary offer of 16 – 18, adult and services to business provision
3. To provide a curriculum that allows students to progress to university or employment with training
4. To provide outstanding support for students through specialist services and tutorial provision
5. To provide outstanding enrichment opportunities for all students
6. To work in partnership with schools to provide vocational opportunities for 14-16 year olds within the existing secondary/tertiary education model
7. To grow full-time 16-18 numbers as a proportion of the Year 11 cohort
8. To grow adult skills provision to meet the local and regional needs of employers, those Not in Education, Employment or Training and the unemployed
9. To grow apprenticeship provision to meet the needs of students who wish to develop skills through work-based learning
10. To expand the range and level of higher education courses to offer high quality, affordable, local, niche provision
11. To provide the physical and human resources to ensure outstanding teaching and learning
12. To promote equality and diversity through the ethos and curriculum of the college, and to ensure that students with protected characteristics perform at least as well other students
13. To maintain the existing high standards of health, safety and safeguarding
14. To promote the economic, social and cultural life of the local community through work with business, the professions, community groups and local government and by making the College's facilities available to the community.

Approved by the Board of Governors 27 March 2013
(as part of the Strategic Development Plan 2013 – 2016)

Financial objectives

The College's financial objectives are:

- Maintain a Financial Health Score of at least "Satisfactory" until July 2017
- Generate an operating position in excess of £100k deficit in each of the three years
- Return to a current ratio of 1.0 or above by July 2016
- Maintain Borrowing:Income ratio below 45%
- Generate sufficient additional income to maintain investment in IT infrastructure of £50k per annum.

Performance indicators

There are currently a broad range of performance indicators for FE Colleges, conservatively estimated to be more than 200. The Department for Education, the Department of Business, Innovation and Science and Ofsted have recently adopted, or are in the process of consulting on, new measures of performance. The college uses indicators in response to this changing picture as appropriate.

Given the complexity, the college focuses on the following key performance indicators:

- Ofsted rating
- Value-added or progress
- Retention
- High grades
- Destinations
- English and maths performance
- Success rates
- Quality of teaching and learning
- Student satisfaction

Financial results

	2015 £000	2014 £000
Operating (deficit)/surplus per financial statements	(248)	(119)
Significant items:		
FRS 17 - staff costs	108	53
FRS 17 – interest costs	194	75
Restructuring costs	14	30
Underlying trading surplus	68	39

The College generated an operating deficit in the year of £248,000 *(2013/14: £119,000)*

The College has accumulated reserves of £3,838,000 and cash balances of £825,000

Tangible fixed asset additions during the year amounted to £910,000

The College has significant reliance on the Skills Funding Agency for its principal funding source.

Operating and Financial Review *(continued)*

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the **Accounting Officer.** All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum

Cash flows

At £1.001 million (2013/14 £0.253 million), operating cash flow was strong. The net cash outflow for the year resulted from capital investment, including in the Education and Skills Building, of £0.932 million.

Liquidity

Investment in the capital building programme resulted in a planned decrease in liquidity, but, through careful management, cash balances remained higher than forecast throughout the year, and the college had no recourse to overdraft facilities or short-term borrowing.

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the College has delivered activity that has produced £8.573 million in funding body main allocation funding (2013/14: £8.462 million). The College had approximately 2,856 funded and 1,055 non-funded* students.

*"Non-funded students" refers to students not funded by Government Agencies but does not infer free tuition. This group comprises full cost and fee-paying students.

Student achievements

The 2015 'A' Level cohort achieved a 99.6% pass rate with 57% of subject grades at A*-B and 82% of subject grades at A-C. 79% of students achieved their Minimum Target Grade. There was a 98% pass rate on Level 3 vocational courses, with 79% High Grades included 53% of Extended Diploma students achieving triple Distinctions plus, with 34% achieving D*D*D* . 87% achieved their Minimum Target Grade. The Level 2 vocational pass rate was 97%, with 70% achieving High Grades, 38% achieving Distinctions and *Distinction. There were 100% pass rates for both Level 1 and Entry Level vocational. The single year Alps score for both A Level and BTEC was grade 3 (within the top 25% nationally) and for AS Level was grade 2 (within the top 10% nationally).

Teacher qualifications

Teaching staff are required to hold, or to be working towards a teaching qualification relevant to their role. During 2014/15, 99% of full time staff held a full teaching qualification i.e. PGCE, Cert Ed or equivalent. 90% of part time staff held a relevant teaching qualification appropriate for their role.

Ofsted Inspection

In September 2014, the College was subject to a full Ofsted inspection. The grades awarded by Ofsted were as follows:

Outcomes for students	Outstanding, Grade 1
Quality of teaching, learning and assessment	Outstanding, Grade 1
Effectiveness of leadership and management	Outstanding, Grade 1
Overall effectiveness	Outstanding, Grade 1

This inspection result is recognition of the College's outstanding teaching and learning, quality and performance management built over a number of years. The College was one of only two nationally to have achieved an Outstanding grade in 2014-2015. The result offers significant strategic benefits to the College.

Future Developments

The College opened a new Higher Education and Skills Centre in October 2014 to support growth in strategic priority areas. The College changed its HE offer for September 2015 to reflect student demand resulting in growth in HE numbers in September 2015. It is working with the University of Plymouth as HE partner to introduce further awards from September 2016 to stimulate further growth. A new Apprenticeship strategy has been implemented and a new Head if Apprenticeships recruited with a focus on increasing 19+ apprenticeships.

There are also curriculum developments in relation to 16-18 study programmes. The College has withdrawn four less popular A Levels from its offer, but has added two new A Levels in response to student and partner school requests. It has also added a new BTEC Extended Diploma in Science. A full review of 16-18 study programmes will take place in 2015-2016 with the intention of further curriculum rationalisation.

Operating and Financial Review *(continued)*

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include:

Financial

The College has £3.828 million of net assets (including £8.444 million pension liability) and long term debt of £4.477 million.

Estates

The College has a well-managed campus and has renewed a significant portion of its building stock since 2001. In September 2014, it opened a new Higher Education and Skills Building, which provides a very high standard of accommodation for delivering employer-facing provision, including apprenticeships, traineeships, functional skills and full cost work. Since opening the building, both apprenticeship numbers and the number of students studying Higher Level skills are growing. Students and employers report that it is a valuable resource for the area.

People

The College employs 223 people (expressed as full time equivalents), of whom 107 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

A risk register is maintained at the College level which is updated weekly and reviewed at least termly by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. In addition, in the event that the risk materialises despite preventative actions, the register identifies further actions to mitigate the impact of the materialising risk. Risks are then mapped against a "heat map" which shows movement in risks on a size/impact matrix following risk treatment.

Operating and Financial Review *(continued)*

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

1 The government has announced a programme of Area-based Reviews which will examine all post-16 college provision by region, to be completed by March 2017. The stated aim of the reviews is to look at efficiency and financial viability of the provision in each region, with the potential for resulting recommendation of mergers and restructuring of provision. The timing and potential impact of the review for Strode College is not yet known.

2 The demography of the local area over the next four years is forecast to yield a steady decrease in the number of 16 and 17 year olds who may be seeking to access further education year on year. This is likely to be the case until 2019/20. The College enjoys an excellent local reputation and so will target an increased market share over this period in order to compensate for this decline. This can be achieved through developing the curriculum further to strengthen the competitive advantage of the quality and variety of curriculum that the College offers, particularly in 11-18 schools where choice of curriculum and the College's quality kite marks will prove to be valuable.

3 The mechanism for Apprenticeship funding is due to change significantly from 2017, when it is expected that funding will be routed directly through employers, enabling them to choose the provider from whom they purchase apprenticeship training provision via a voucher system, rather than funding being paid directly to learning providers. There is a risk that College apprenticeship income falls as a result of this, although the College is well positioned with local employers to secure orders for training from them.

4 The College delivers funded Personal, Community and Development Learning which may be at risk from future funding reviews. This is a further risk to College income streams but also a reputational risk for the College, due to the possibility of associated loss of provision which is greatly valued by the local community.

5 There are two major, unavoidable pay cost increases applying in 2015/16. These are: the loss of the employers' National Insurance Rebate for public sector employers during the introduction of single tier pensions from April 2016, and a confirmed increase in employers' contributions to the Teachers' Pension scheme of 2.38% from September 2015. In addition, the Local Government Pension Scheme will undergo its next triennial valuation in April 2016, resulting in likely changes to employer contribution rates. Despite the introduction of the new Average Salary Pension Scheme from 2014, it is likely that contributions will increase, given the deficit currently existing in the scheme.

Operating and Financial Review *(continued)*

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education Sector Funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ LEPs;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them.

Equalities statement

The College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values differences in the nine protected characteristics. The College strives to remove barriers which place people at a disadvantage. The College will challenge discrimination, bullying, harassment and victimisation. The Equality Scheme is reviewed on a planned cycle and actions are implemented as appropriate. This scheme is published on the College's intranet and website. The College publishes an Annual Equality Report and action plan to comply with the Equality Act 2010. The College undertakes equality impact assessments on all new and existing policies and procedures and record the results.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The College has a cycle of training to update staff on Equality and related issues. All staff as part of their probation period must attend Equality and Diversity training to complete their probation. To support this, equality and diversity is also part of the staff Review and Development Process.

Accessibility statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2006, the Equality Act 2010 and the Children's and Families Act 2014

a As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2007/08, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access. All buildings are accessible.

b The College has appointed an a Head of Equality and Diversity who performs the role of Access Co-ordinator, who provides information, advice and arranges support where necessary for students with learning difficulties and/or physical disabilities, prior to coming to College, at entry, on programme and then when making the transition to the next stage of education and/or training.

c There is a list of specialist equipment, such as radio aids, personal care equipment and minicoms, which the College can make available for use by students. Other adaptive equipment can be acquired depending on each individual student's needs. A range of assistive technology is available in the learning centre, computer centre and in the additional support team.

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

e The College has made a significant investment in the appointment of specialist lecturers and training of existing lecturers to support students with learning difficulties and/or disabilities. There are a number of student learning 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.

f Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

g Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Operating and Financial Review *(continued)*

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 auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:

Kate Lovell
Chair

Professional advisers

Financial statements and regularity auditors:	KPMG LLP, 100 Temple Street, Bristol, BS1 6AG
Internal auditors:	TIAA Ltd 53-55 Gosport Business Centre, Aerodrome Road, Gosport, PO13 0FQ
Bankers:	Lloyds Bank plc, High Street, Street, Somerset, BA16 0EJ
Solicitors:	Clarke Willmott LLP, 1 Georges Square, Bath Street, Bristol, BS1 6BA

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with/exceeds all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in March 2012 and the Audit and Accountability Annex to the Foundation Code that was issued in March 2013 and adopted by the College in July 2013.

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

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served
Rob Bennett (Vice Chair)	11 December 2002	31 August 2016			Audit (Chair) Community Education Advisory, Remuneration, Search & Governance
Richard Clark	8 December 1999	31 March 2018			Finance & Personnel, Remuneration, Theatre Board
Lesley Gagg	1 September 2004	31 August 2018			Academic Standards & Quality, Community Education Advisory (Chair), Finance & Personnel,

					Remuneration, Search & Governance
Geoff Hepworth	8 December 1999	31 March 2016			Finance & Personnel, Remuneration, Search & Governance
Lloyd Hughes	22 December 2010	31 December 2016			Community Education Advisory
Anthony King	1 October 2014	30 September 2016			Audit
Kate Lovell (Chair)	8 December 1999	31 March 2018			Academic Standards & Quality, Finance & Personnel (Chair), Search & Governance, Remuneration (Chair)
Mark Moran	1 September 2001	31 August 2019			Finance & Personnel, Theatre Board of Management (Chair)
David Mozley	1 October 2010	30 September 2016			Audit, Academic Standards & Quality (Chair), Audit, Theatre Board of Management
Kevin Sherrard	30 November 2005	31 December 2015			Finance & Personnel
James Staniforth	1 September 2010	Ongoing		Principal	Finance & Personnel, Search & Governance
Tim Blake	1 September 2011	31 August 2015		Staff	Theatre Board of Management
Emily Bowhill	1 February 2014	31 January 2016		Staff	Audit, Academic Standards & Quality
Gary Smith	1 September 2015	31 August 2017		Staff	Theatre Board of Management
Stephen Bower	1 September 2014	3 July 2015		Student	Academic Standards & Quality
Daniel Rolls	14 October 2014	3 July 2015		Student	Academic Standards & Quality
India Jenkins	1 September 2015	2 July 2016		Student	Academic Standards & Quality
Patrick Olliffe	9 October 2015	2 July 2016		Student	Academic Standards & Quality

Sue Snell acts as the Clerk to the Corporation.

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

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

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

Overall attendance at Board meetings for the year 2014/2015 was 85% against a target of 80%. Overall attendance at Board and committee meetings taken together was 82%. A report detailing the attendance of individual governors is presented to the Board of Governors annually in July. In addition to this high level of attendance several governors also regularly attend key committee meetings and presentations as non-member observers. All governors participate in training and other events throughout the year.

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 Personnel (six meetings), Academic Standards and Quality (three meetings), Search and Governance (three meetings), Audit (three meetings), Community Education Advisory (three meetings), Theatre Board of Management (three meetings) and Remuneration (one meeting). Full approved minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the Governance area of the College website at www.strode-college.ac.uk and from the Clerk to the Corporation at:

Strode College
Church Road
Street
Somerset
BA16 0AB

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer of the College are separate. The roles and responsibilities of the Accounting Officer and the Board of Governors, and the committee structure, are clearly laid out in the Scheme of Delegation, which is reviewed annually by the Governing Body.

At its annual self-assessment in July 2015, the Board of Governors considered that it was working effectively through the current Board and Committee structure to set the College's strategic targets and to monitor and scrutinise progress against financial and quality targets in accordance with its responsibilities. This was borne out by the October 2014 'Outstanding' Ofsted report. The College's financial health and management is very effectively monitored through the key committees of Finance & Personnel and Audit; suitably qualified governors and external members are appointed to ensure that appropriate scrutiny takes place.

Appointment 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 comprising five governors (including the chair, Vice Chair and the Principal) which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Remuneration Committee

Throughout the year ending 31 July 2015, the College's Remuneration Committee comprised five governors (excluding the Principal), including the Chair and vice Chair. The Committee's responsibilities are to determine the remuneration and benefits of the Accounting Officer (the Principal), the Deputy Principal and the Clerk and to report their decisions to the Board.

Details of remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

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

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Accounting Officer and Chair) and one external member. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement 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 undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for 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 break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Strode College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 Corporation
- Regular reviews by the Corporation 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

  The College has an internal audit service, which operates in accordance with the requirements of the 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.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer'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.

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

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 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.

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*".

Going Concern

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

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:

Kate Lovell	**James Staniforth**
Chair	***Accounting Officer***

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 of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and ***to the best of our knowledge***, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills 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.

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *Accounts Direction for 2014/15 financial statements* issued jointly by the Skills Funding Agency and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 9 December 2015 and signed on its behalf by:

Kate Lovell
Chair

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Independent auditor's report to the Corporation of Strode College

We have audited the College financial statements ("the financial statements") of Strode College for the year ended 31 July 2015 set out on pages 21 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK Generally Accepted Accounting Practice.

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Strode College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 19, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2015 and of the College's deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

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

Jonathan Brown
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol BS16 AG

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Independent regularity report to the Corporation of Strode College and the Chief Executive of Skills Funding

Reporting Accountant's Report on Regularity to the Corporation of Strode College and the Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter dated 2 October 2015 and further to the requirements of the financial memorandum with the Skills 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 Strode College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Strode College and the Skills 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 Strode College and the Skills 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 Strode College and the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Strode College and the reporting accountant

The corporation of Strode 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 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 1 August to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a negative conclusion on regularity consistent with the requirements of the Joint Audit Code of Practice.

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 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Jonathan Brown
For and on behalf of KPMG LLP, Reporting Accountant
100 Temple Street
Bristol
BS1 6AG

Income and expenditure account
for the year ended 31 July 2015

	Note	2015	2014
		£'000	£'000
Income			
Funding body grants	*2*	**8,926**	8,843
Tuition fees and education contracts	*3*	**1,396**	1,276
Research grants and contracts	*4*	**119**	105
Other income	5	**1,251**	1,309
Investment income	*6*	**7**	9
Total income		**11,699**	11,542
Expenditure			
Staff costs	*7*	**7,572**	7,471
Other operating expenses	*9*	**3,249**	3,222
Depreciation	*12*	**798**	760
Interest and other finance costs	*10*	**328**	208
Total expenditure		**11,947**	11,661
(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		**(248)**	(119)
Taxation	*11*	-	-
(Deficit) on continuing operations after depreciation of assets at valuation and tax		**(248)**	(119)

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

The notes form an integral part of these financial statements

Balance sheet
as at 31 July 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	*12*	**16,931**	16,819
		16,931	16,819
Current assets			
Stock		**24**	22
Debtors	*13*	**407**	688
Cash at bank and in hand		**825**	1,036
		1,256	1,746
Creditors: Amounts falling due within one year	*14*	**(1,347)**	(1,653)
Net current (liabilities)/assets		**(91)**	93
Total assets less current liabilities		**16,840**	16,912
Creditors: Amounts falling due after more than one year	*15*	**(4,477)**	(4,752)
Provisions for liabilities and charges	*17*	**(81)**	-
Net assets excluding pension (liability)		**12,282**	12,160
Net pension (liability)	*20*	**(8,444)**	(7,459)
Net assets including pension (liability)		**3,838**	4,701
Deferred capital grants	*18*	**7,704**	7,636
Reserves			
Revaluation reserve	*19*	**891**	908
Income and expenditure account excluding pension reserve	*19*	**3,687**	3,616
Pension reserve	*20*	**(8,444)**	(7,459)
Income and expenditure account including pension reserve	*19*	**(4,757)**	(3,843)
Total reserves		**(3,866)**	(2,935)
TOTAL FUNDS		**3,838**	4,701

The financial statements on pages 20 to 52 were approved by the Corporation on 9 December 2015 and were signed on its behalf by:

Kate Lovell
Chair

James Staniforth
Accounting officer

The notes form an integral part of these financial statements

Statement of total recognised gains and losses
for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
(Deficit) on continuing operations after depreciation of assets at valuation and tax		**(248)**	(119)
Actuarial (loss) in respect of pension scheme	*20*	**(683)**	(3,962)
Total recognised (losses) since the last period		**(931)**	(4,081)

	2015 £'000	2014 £'000
Reconciliation		
Opening reserves and endowments	**(2,935)**	1,175
Adjustment to opening balance on pension reserve*	**-**	(29)
Total recognised (losses) for the year	**(931)**	(4,081)
Closing reserves	**(3,866)**	(2,935)

*The adjusted opening balance on the pension reserve reflects a revised actuarial report issued late after the 2013/14 accounts were prepared

Note of historical cost surpluses and deficits
for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
(Deficit) on continuing operations before taxation		**(248)**	(119)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*19*	**17**	17
Historical cost (deficit) for the year before taxation		**(231)**	(102)

The notes form an integral part of these financial statements

Cash flow statement
for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Cash flow from operating activities	*21*	**1,001**	253
Returns on investments and servicing of finance	*23*	**(127)**	(124)
Capital expenditure and financial investment	*23*	**(932)**	(207)
Cash (outflow) before use of liquid resources and financing		**(58)**	(78)
Financing	*23*	**(153)**	(16)
(Decrease) in cash	*22*	**(211)**	(94)

Reconciliation of net cash flow to movement in net debt

	2015 £'000	2014 £'000
(Decrease) in cash in the period	**(211)**	(94)
Cash outflow from lease financing	**153**	16
Movement in net debt in period	**(58)**	(78)
Net debt at 1 August	**(3,831)**	(3,753)
Net debt at 31 July	**(3,889)**	(3,831)

The notes form an integral part of these financial statements

Notes
(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2014/15 Accounts Direction.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The financial statements have been prepared on a Going Concern basis not withstanding non-current liabilities of £4.558m and net current liabilities of £0.91m

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 £4.4m of loans outstanding with bankers on terms negotiated in 2013. The terms of the existing agreement are for up to another 15 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015.

Notes *(continued)*

1 Statement of accounting policies (continued)

Recognition of income

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

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

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

Other discrete Skills Funding Agency/EFA grants received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Skills Funding Agency / EFA (see note 33).

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

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

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

Post retirement benefits

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

Contributions to the TPS scheme are charged to the income and expenditure account 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.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Post retirement benefits (continued)

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

Further details of the pension schemes are given in note 22.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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(s) may not be recoverable.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

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
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party [for example a charitable trust], they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £1000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	5 years
Computer equipment	-	3 years
Furniture and fittings	-	5 years
Longer life fixtures and fittings	-	10 years

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. The relevant assets 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.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments and endowment assets

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

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

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

Liquid resources

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

Provisions

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

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, bursary funds, grants for free school meals. Related payments received from the main funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 28 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs 1 member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes *(continued)*

2 Funding body grants

	2015	2014
	£'000	£'000
Skills Funding Agency recurrent grant	**2,245**	2,178
Education Funding Agency recurrent grant	**6,328**	6,284
Somerset County Council recurrent grant	**37**	72
Releases of deferred capital grants	**186**	178
PCDL	**130**	131
	8,926	8,843

3 Tuition fees and education contracts

	2015	2014
	£'000	£'000
Tuition Fees	**1,355**	1,244
Education contracts	**41**	32
	1,396	1,276

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £44,860 (2013/14 £36,417).

4 Research grants and contracts

	2015	2014
	£'000	£'000
Releases from deferred capital grants (non-Skills Funding Agency) (note 17)	**119**	105

5 Other income

	2015	2014
	£'000	£'000
Residences, catering and conferences	**421**	420
Other income generating activities	**472**	469
Other grant income	**13**	13
Other income	**345**	407
	1,251	1,309

Notes *(continued)*

6 Investment income

	2015	2014
	£'000	£'000
Other interest receivable	**7**	9

7 Staff numbers and costs

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

	2015	2014
	Number	Number
Teaching staff	**107**	114
Teaching support services	**34**	35
Other support services	**9**	9
Administration and central services	**57**	60
Premises	**16**	16
	223	234

Staff costs for the above persons were as follows:

	2015	2014
	£'000	£'000
Teaching Departments	**4,576**	4,531
Teaching support services	**828**	815
Other support services	**223**	220
Administration and central services	**1,542**	1,545
Premises	**281**	277
Staff restructuring	**14**	30
FRS17 retirement benefits adjustment	**108**	53
	7,572	7,471

	2015	2014
	£000	£000
Wages and salaries	**6,234**	6,197
Social security costs	**399**	398
Other pension costs (including FRS 17 adjustments of £108,000; 2014 £53,000)	**925**	846
Restructuring costs	**14**	30
	7,572	7,471

Notes *(continued)*

7 Staff numbers and costs *(continued)*

The number of staff, including senior post-holders and the Principal, who received annual emoluments in the following ranges was:

	2015 Number of senior post-holders	**2015 Number of other staff**	2014 Number of senior post-holders	2014 Number of other staff
£60,001 to £70,000	-	3	-	4
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	1	-	1	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	1	-
£120,001 to £130,000	1	-	-	-

8 Emoluments of senior post holders and members

Senior postholders are defined as members of the senior management team appointed by the Board of Governors.

	2015 Number	2014 Number
The number of senior post-holders including the Principal was	**2**	2

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

	2015 £'000	2014 £'000
Salaries	**186**	174
Benefits in kind	**-**	-
Pension contributions	**26**	24
	212	198

Notes *(continued)*

8 Emoluments of senior post holders and members *(continued)*

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

James Staniforth	**2015 £'000**	2014 £'000
Salaries	**110**	103
Benefits in kind	**-**	-
Pension contributions	**16**	14
	126	117

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

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

9 Other operating expenses

	2015 £'000	2014 £'000
Teaching departments	**343**	308
Teaching support services	**66**	64
Other support services	**173**	175
Administration and central services	**491**	496
General education	**422**	428
Premises costs:		
Maintenance	**42**	50
Running costs	**213**	219
Rents and leases	**62**	60
Planned maintenance	**107**	102
Other income generating activities	**422**	441
Catering and residence operations	**31**	31
Subcontracted provision	**877**	848
	3,249	3,222

Other operating expenses include:		
Auditors remuneration:		
Financial statements audit	**21**	20
Internal audit	**8**	8

Notes *(continued)*

10 Interest payable

	2015	2014
	£'000	£'000
On bank loans and overdrafts	**130**	133
On finance leases	**4**	-
Pension finance costs	**194**	75
	328	208

11 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either period.

12 Tangible fixed assets

	Land and Buildings			
	Freehold	**WIP**	**Equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2014	23,215	1,509	1,534	26,258
Additions	41	662	207	910
Disposals	-	-	(294)	(294)
Transfers	1,955	(2,038)	83	-
At 31 July 2015	25,211	133	1,530	26,874
Accumulated depreciation				
At 1 August 2014	8,613	-	826	9,439
Charge for year	436	-	362	798
Eliminated in respect of disposals	-	-	(294)	(294)
At 31 July 2015	9,049	-	894	9,943
Net book value				
At 31 July 2015	**16,162**	**133**	**636**	**16,931**
At 31 July 2014	14,602	1,509	708	16,819

Notes *(continued)*

12 Tangible fixed assets *(continued)*

The transitional rules set out in FRS 15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £5,354,000 (2013/14: £4,746,000) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Skills Funding Agency, to surrender the proceeds.

Equipment cost includes an amount of £95,120. (2013/14: £15,210) in respect of assets held under finance leases.

13 Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**167**	200
Prepayments and accrued income	**212**	198
Amounts owed by the Skills Funding Agency/EFA]	**-**	290
Amounts owed by non Agency funders	**28**	-
	407	688

Notes *(continued)*

14 Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans and overdrafts	**234**	229
Obligations under finance leases	**30**	-
Payments received on account	**257**	528
Trade creditors	**81**	52
Other taxation and social security	**118**	118
Accruals	**358**	481
Provision for clawback of recurrent funding	**73**	54
Lennartz Claim	**70**	70
Other Creditors	**126**	121
	1,347	1,653

15 Creditors: Amounts falling due after more than one year

	2015 £'000	2014 £'000
Bank loans	**4,404**	4,638
Obligations under finance leases	**45**	-
Lennartz claim	**28**	114
	4,477	4,752

Notes *(continued)*

16 Analysis of borrowings

Bank loans and overdrafts

	2015 £'000	2014 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	**234**	229
Between one and two years	**241**	234
Between two and five years	**757**	742
In five years or more	**3,406**	3,662
	4,638	4,867

The borrowing of the College has been used to fund its capital investment programme and is analysed below:

- Fixed rate loan of £2,323,766 repayable in quarterly instalments until 2031. Interest is charged at 3.077%
- Variable rate loan of £2,315,719, repayable in quarterly instalments until 2031. Interest charged at 1.85% over LIBOR

The loans are secured only via a negative pledge.

Finance leases

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

	2015 £'000	2014 £'000
In the next year	**30**	5
Between one and five years	**45**	-
After five years	**-**	-
	75	5

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

Notes *(continued)*

17 Provisions for liabilities and charges

	2015	2014
	£'000	£'000
Accumulated Access funds 16-18 funding	**81**	-

The provision represents unused 16-18 Bursary funding (including free school meals funding) as at the end of 2014/15. EFA allows bursary funding to be carried forward year on year for future use, as long as it is restricted to its intended purpose. It is expected that the 2015/16 bursary allocation is sufficient to meet the needs of the 2015/16 16-18 cohort of students and is therefore not intended that the 2014/15 carry forward funds will be used in 2015/16. It is planned that the £81k unused funds will be carried forward again for use at the appropriate point from 2016/17 and onwards, when student numbers and also the costs of transport are expected to increase, the exact timing of their use to be determined according to student need.

Notes *(continued)*

18 Deferred capital grants

	Funding	Other grants	Total
	£'000	£'000	£'000
At 1 August 2014	5,500	2,136	7,636
Cash received	144	228	372
Released to income and expenditure account	(186)	(118)	(304)
At 31 July 2015	**5,458**	**2,246**	**7,704**

19 Movements on reserves

Revaluation reserve	**2015**	2014
	£'000	£'000
At 1 August 2014	**908**	925
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued assets	**(17)**	(17)
At 31 July 2015	**891**	908

Notes *(continued)*

19 Movements on reserves *(continued)*

Income and expenditure account	**2015**	2014
	£'000	£'000
At 1 August 2014	**(3,843)**	250
(Deficit) on continuing operations after depreciation of assets at valuation and tax	**(248)**	(119)
Transfer from revaluation reserve to income and expenditure account	**17**	17
Actuarial (loss) in respect of pension scheme	**(683)**	(3,962)
Adjustment to opening balance on pension reserve	**-**	(29)
At 31 July 2015	**(4,757)**	(3,843)

*The adjusted opening balance on the pension reserve reflects a revised actuarial report issued late after the 2013/14 accounts were prepared

Balance represented by

	2015	2014
	£'000	£'000
Pension reserve	**(8,444)**	(7,459)
Income and expenditure account excluding pension reserve	**3,687**	3,616
At 31 July 2015	**(4,757)**	(3,843)

20 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS):

Total pension cost for the year		**2015**		2014
		£000		£000
Teachers Pension Scheme: contributions paid		**489**		485
Local Government Pension Scheme:				
Contributions paid	**335**		314	
FRS 17 charge	**108**		53	
Charge to the Income and Expenditure Account (staff costs)		**443**		367
Enhanced pension charge to Income and Expenditure Account (staff costs)				-
Total Pension Cost		**932**		852

Notes *(continued)*

20 Pensions and similar 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 members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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 16.4% 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

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £989,000 (2014: £1,490,000).

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Peninsular Pensions (part of Devon and Somerset County Councils). The total contribution made for the year ended 31 July 2015 was £396,474 of which employers contributions totalled £128,963 and employees contributions totalled £267,512. The agreed contribution rates for future years are 13%.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2015 by a qualified independent actuary.

	2015	2014
Inflation assumption (CPI)	**2.7**	2.7
Rate of increase in salaries	**3.6**	3.5
Rate of increase in pensions	**2.7**	2.7
Discount rate for liabilities	**3.8**	4.3

On advice from our actuaries we have assumed that employees retiring after 6 April 2007 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

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

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	**23.7**	23.6
Females	**26.1**	26.0
Retiring in 20 years		
Males	**26.0**	25.8
Females	**28.4**	28.3

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

	Long term rate of return Expected at 31 July 2015	Value at 31 July 2015	Long term rate of return expected at 31 July 2014	Value at 31 July 2014
Equities		**7,057**		6,121
Bonds		**1,038**		980
Property		**1,014**		846
Cash		**198**		176
Gilts		**657**		538
Total market value of assets	5.7%	**9,964**	5.7%	8,661
Present value of scheme liabilities				
Unfunded		**-**		-
Funded		**(18,408)**		(16,120)
Surplus/(deficit) in the scheme		**(8,444)**		(7,459)

Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	**187**	53
Settlements and curtailments	**(79)**	-
Total operating charge	**108**	53

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

Analysis of pension finance income/(costs)

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	**508**	516
Interest on pension scheme liabilities	**(702)**	(591)
Pension finance (costs)	**(194)**	(75)

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

	2015	2014
	£'000	£'000
Actuarial gains/losses on pension scheme assets	**471**	33
Experience gains and losses	**-**	(1,204)
Changes in assumptions underlying the present value of the fund liabilities	**(1,154)**	(2,645)
Actuarial gain/(loss) recognised in STRGL	**(683)**	(3,816)

Movement in surplus/(deficit) during year

	2015	2014
	£'000	£'000
Surplus/(deficit) in scheme at beginning of year	**(7,459)**	(3,340)
Adjustment to opening balance*	**-**	(29)
	(7,459)	(3,369)
Movement in year:		
Current service charge	**(522)**	(373)
Contributions	**335**	320
Past service costs	**-**	-
Other finance income	**(194)**	(75)
Settlements and cutailments	**79**	(146)
Actuarial gain or loss	**(683)**	(3,816)
Surplus/(deficit) in scheme at end of year	**(8,444)**	(7,459)

*The adjusted opening balance 2013/14 reflect a revised actuarial report issued late after the accounts were prepared

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	**16,120**	12,185
Service cost	**522**	373
Interest cost	**702**	591
Employee contributions	**129**	125
Experience gains and losses on scheme liabilities	**-**	-
Actuarial (gain)/loss	**1,154**	3,104
Benefits paid	**(219)**	(258)
Past Service cost	**-**	-
Curtailments and settlements	**-**	-
Liabilities at end of period*	**18,408**	**16,120**
Reconciliation of Assets		
Assets at start of period	**8,661**	8,816
Expected return on assets	**508**	516
Actuarial gain/(loss)	**471**	(712)
Employer contributions	**335**	320
Employee contributions	**129**	125
Benefits paid	**(219)**	(258)
Settlement prices received / (paid)	**79**	(146)
Assets at end of period	**9,964**	**8,661**

The estimated value of employer contributions for the year ended 31st July 2016 is £268,000

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions starting from £66,000 per annum, and rising annually, in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

Notes *(continued)*

20 Pensions and similar obligations *(continued)*

History of experience gains or losses

	2015	2014	2013	2012	2011
Difference between the expected and actual return on assets:					
Amount £'000	**0.471**	(0.712)	1.099	(0.505)	(0.01)
Experience gains and losses on scheme liabilities					
Amount £'000	**(1.154)**	(2.645)	(0.911)	(0.232)	0.61
Total amounts recognised in statement of total recognised gains and losses					
Amount £'000	**(683)**	(3.816)	0.188	(0.737)	(0.547)

21 Reconciliation of operating (deficit) to net cash inflow from operating activities

	2015	2014
	£'000	£'000
(Deficit) on continuing operations after depreciation of assets at valuation and tax	**(248)**	(119)
Depreciation (note 12)	**798**	760
Deferred capital grants released to income (notes 2 and 4)	**(304)**	(283)
(Profit)/loss on disposal of tangible fixed assets	**-**	-
Interest receivable (note 6)	**(7)**	(9)
Interest payable (note 10)	**134**	133
Pension cost less contributions payable (note 22)	**302**	128
(Increase)/decrease in stocks	**(2)**	-
Decrease/(increase) in debtors	**308**	(353)
(Decrease) in creditors	**(61)**	(4)
Increase/(decrease) in provisions	**81**	-
Net cash inflow from operating activities	**1,001**	253

Notes *(continued)*

22 Analysis of changes in net debt

	At 1 August 2014 £'000	Cash flows £'000	**At 31 July 2015 £'000**
Cash at bank and in hand	1,036	(211)	**825**
Debts due within 1 year	(229)	(5)	**(234)**
Debts due after 1 year	(4,638)	234	**(4,404)**
Finance leases	-	(76)	**(76)**
Total	(3,831)	(58)	**(3,889)**

23 Analysis of cash flows for headings netted in the cash flow statement

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	**7**	9
Interest paid	**(131)**	(133)
Interest element of finance lease rental payment	**(3)**	-
Net cash inflow/(outflow) from returns on investments and servicing of finance	**(127)**	(124)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,037)**	(1,628)
Deferred capital grants received	**105**	1,421
Net cash inflow/(outflow) for capital expenditure and financial investment	**(932)**	(207)
Financing		
Capital element of loan repayments	**(229)**	-
Capital element of finance lease rental payments	**(19)**	(16)
New finance leases	**95**	-
Net cash inflow/(outflow) from financing	**(153)**	(16)

Notes *(continued)*

24 Capital commitments

	2015	2014
	£'000	£'000
Commitments contracted for at 31 July	**72**	25

25 Financial commitments

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

	2015	2014
	£'000	£'000
Expiring within one year	**3**	-
Expiring between two and five years inclusive	**31**	-
Expiring in over five years	**-**	-
	34	-

27 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £186; 3 governors (2014: £482; 1 governor). 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 (2014: None).

No other transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

Transactions with the Skills Funding Agency/EFA and HEFCE are detailed in notes 2, 14, 15 and 16.

Notes *(continued)*

28 Amounts Disbursed as Agent

Learner support funds including 16-19 Bursary funds

Access Funds	**2015**	2014
	£'000	£'000
Funding body grants – hardship support	**318**	285
Interest earned	**-**	-
Disbursed to students	**(205)**	(249)
Administration costs	**(12)**	(11)
Balance unspent at 31 July, included in creditors	**101**	25

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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.

The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.