Strode College

Governors' report and financial statements

For the year ended 31 July 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Executive Management Team which comprised the following in 2016:

James Staniforth - Principal, CEO and Accounting officer
Shirley Theedom - Deputy Principal
Becky Edwards - Finance Director (until 3 May 2016)
David Healey - Finance Director (from 3 May 2016)

Board of Governors

Kate Lovell - Chair
Rob Bennett - Vice Chair

A full list of Governors is given on pages 18 and 19 of this Governors' report and financial statements.

Clerk to the Corporation

Sue Snell (until 14 April 2016)
Tessa Miller (from 14 April 2016)

Professional advisers

Financial statements auditors and reporting accountants:
KPMG LLP
66 Queen Square
Bristol
BS1 4BE

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

Governors' report and financial statements

Contents

Report of the Board of Governors

Nature, Objectives and Strategies

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

Legal status

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

The Corporation is a distinct legal body that comprises all of the members appointed in accordance Corporation's instrument of governance.

Members' principal role, other than to act as members of the corporation, is to provide governance over the College and they are referred to as governors and collectively the Board of Governors in this Governors' report and financial statements.

Mission and vision

The College's mission, during the year, as approved by the Board of Governors was 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.

Since the year end the Board of Governors has approved a new vision and mission for the College as follows:

Vision

- Strode College, where every student will maximise their potential

Mission

- Provide outstanding education for all 16-19 students
- Offer outstanding further education and training to adults
- Be a local centre of excellence for higher education

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 Education as Principal Regulator for all Further Education (FE) Corporations in England.

In setting and reviewing the College's strategic objectives, the Board of Governors 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.

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. We contribute to the development of a dynamic local, regional and national economy by enhancing the employability of our 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 our 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 March 2013, the Board of Governors approved the College's strategic plan for the financial years 2014 to 2016. This strategic plan includes an accommodation strategy and financial forecasts. The Board of Governors monitors the performance of the College against these plans. The plans are reviewed and updated each year.

Objective	**Outcome**
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	College graded as Outstanding by Ofsted in November 2014.
To maintain our distinctive tertiary offer of 16 – 18, adult and services to business provision	Curriculum and business offer maintained.
To provide a curriculum that allows students to progress to university or employment with training	In 2014-15 93% destinations known, with 98% positive destinations (i.e. employment, higher education, apprenticeship etc.). 380 students progressed to higher education September 2016.
To provide outstanding support for students through specialist services and tutorial provision	College graded as Outstanding by Ofsted in November 2014.
To provide outstanding enrichment opportunities for all students	Enrichment considered to be a key strength by Ofsted in November 2014. The proportion of full-time students engaged in sport has also increased over the period.
To work in partnership with schools to provide vocational opportunities for 14-16 year olds within the existing secondary/tertiary education model	Funding for 14-16 year olds studying in colleges was eliminated during the period and it was not possible to pursue this objective.
To grow full-time 16-18 numbers as a proportion of the Year 11 cohort	Increased from 32% in 2013 to 35 % in 2016.

Objective	Outcome
To grow adult skills provision to meet the local and regional needs of employers, those Not in Education, Employment or Training and the unemployed	Adult Skills budget increased from £1.3m allocation for 2013-14 to £1.6m allocation total for 2015-16.
To grow apprenticeship provision to meet the needs of students who wish to develop skills through work-based learning	Apprenticeship delivery has grown from £463k in 2013-14 to £497k in 2015-16.
To expand the range and level of higher education courses to offer high quality, affordable, local, niche provision	Higher Education (HE) students increased from 80 to 150 and courses on offer from 3 to 7.
To provide the physical and human resources to ensure outstanding teaching and learning	During the period the college has built a new Higher Education and Skills building, undergone a significant IT refresh, implemented a new MIS system, increased investment in staff development and, based on lesson observations, improved good and outstanding teaching from 88% to 92%.
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	Equality and diversity was identified as a cross-college strength in the November 2014 Ofsted report. Since the Ofsted inspection there has been a focus on promoting equality and diversity in lessons.
To maintain the existing high standards of health, safety and safeguarding	Safeguarding regarded as a strength in the November 2014 Ofsted report.
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.	In 2015/16 Strode theatre sold 52,000 tickets and opened and new theatre studio screen. In addition a broad range of community users including sports clubs, dance groups, schools, music groups, used both the sports facilities and theatre. The College also received a 91% favourable recommendation from employers for training.

Financial objectives

The College's financial objectives are:

Objective	Outcome
Maintain a Skills Funding Agency Financial Health Score of at least "Satisfactory" until July 2016	Achieved
Generate an operating position in excess of £100k deficit in each of the three years (excluding the impact of FRS 102 and 2015 FE HE SORP)	Achieved
Return to a current ratio of 1.0 or above by July 2016	Not achieved
Maintain Borrowing to Income ratio below 45%	Achieved
Generate sufficient additional income to maintain investment in IT infrastructure of £50k per annum.	Achieved

Following a significant investment in fixed assets in 2014-15 using College funds, the current ratio reduced below 1.0. and is has taken longer than expect to meet the target. The Board is satisfied that this does not present a risk to the College finances and is comfortable with extending the time taken to reach a current ratio of 1 under the new financial objectives noted below. During 2015-16 operating cash generated was broadly the same as cash used in acquiring fixed assets and the net reduction in financial obligations resulting in little change in the current ratio by 31 July 2016.

Overall the Board of Governors are pleased with the level of achievement against the 2014-16 strategic plan and the financial objectives.

Since the year end the Board of Governors has approved a new vision, mission and 3 year Strategic Plan covering the years 2016/17 to 2018/19. The vision and mission are:

Strode College, where every student will maximise their potential

Strode College's Mission is to:

- Provide outstanding education for all 16-19 students
- Offer outstanding further education and training to adults
- Be a local centre of excellence for higher education

The Strategic Plan contains the following strategic and financial objectives:

New Strategic Objectives

A Outstanding for all our students

A1 To stretch and challenge our students so that they make outstanding progress
A2 To provide a curriculum and enrichment that provides opportunities for all
A3 To provide outstanding teaching, tutorial and support for students
A4 To ensure that all our students progress to university or employment
A5 To provide high quality facilities and resources

B Outstanding for all our staff

B1 To provide a supportive, rewarding and challenging environment that motivates all staff
B2 To provide opportunities for training, development, expansion of role or promotion
B3 To encourage staff to innovate and take risks for the benefit of our students

C An outstanding partner for our community

C1 To support the educational, social and cultural needs of the local community
C2 To respond pro-actively to the training and skills needs of employers and the Local Enterprise Partnership (LEP) and to meet national government priorities

D Inclusive, healthy and safe

D1 To provide an inclusive environment which values individuals, promotes equality and diversity and ensures mutual respect
D2 To provide a healthy and safe environment for all staff and students

New Financial Objectives

1. Maintain a secure financial health grade of "Satisfactory" with the Skills Funding Agency (A secure satisfactory grade would be in the top half of the range for the satisfactory grade)
2. Generate a minimum Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of 5%.
3. Deliver and maintain a current ratio above 1.0
4. Maintain Borrowing to Income ratio below 40%

5. Generate sufficient additional income to ensure adequate funding is available to:
    5.1. Recruit and retain staff
    5.2. Fund premises maintenance and repairs at a sustainable level
    5.3. Fund IT support and maintenance at a sustainable level
    5.4. Replace / renew capital assets on a reasonable timescale
6. Use existing reserves to fund capital expenditure
7. Comply with banking covenants

Financial Position

Financial Reporting Standard 102 (FRS102)

During the year the College adopted FRS102, the financial reporting standard applicable in the UK and Republic of Ireland; this financial year ending 31 July 2016 being our first financial year reporting under FRS102.

The key areas of reporting and accounting recognition changes impacting the College under FRS102 relate to the following areas:

- Pensions
- Holiday pay accrual
- Deferred capital grants

Pension changes under FRS102 requires the recognition in the statement of comprehensive income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). Under the previous UK GAAP, the net pension finance cost was the net of the expected return on pension plan assets and the interest on pension liabilities.

Holiday pay accruals are recognised in the statement of comprehensive income as a result of an employee's outstanding holiday entitlement being recognised as a liability to the College at the Balance Sheet date. Under UK GAAP there was no requirement to recognise holiday pay accruals

Deferred capital grants are recognised in the statement of comprehensive income immediately once the performance conditions had been met and the grant vests with the College. Under the previous UK GAAP these grants were capitalised and amortised over the remaining useful economic life of the relevant fixed assets.

A detailed reconciliation of the movements from UK GAAP to FRS102 is shown in note 23 to the report and accounts. Throughout this report and accounts comparisons will be against the restated prior year.

Financial results

The table below shows the results for the College presented in the format used internally by all levels of management and governance. These results do not include FRS102 adjustments for defined benefit pension obligations or accrued holiday pay.

	2016	2015
Income	**£11,517k**	£11,405k
Expenditure	**£10,998k**	£10,819k
Cash Operating Surplus	**£519k**	£586k
Cash Operating Surplus %	**4.5%**	5.1%
Pay to income ratio	**66.2%**	64.71%
Fixed Asset Additions	**£210k**	£910k
Cash	**£812k**	£825k

Current Ratio	**0.91**	0.93
Borrowing v Net Assets	**37.2%**	38.4%
Skills Funding Agency Financial Health Rating	**Satisfactory**	Satisfactory

Note: From 2016/17 EBITDA, which is a generally accepted measure of financial performance, will be used to measure the operating surplus instead of the previously used cash operating surplus. The difference between the two measures is that EBITDA excludes interest payable.

Including FRS102 adjustments for defined benefit pension obligations or accrued holiday pay the financial results for the year were as follows:

	2016	2015
	£'000	£'000
Income	**11,517**	11,405
Capital grants received	**78**	94
Total income	**11,595**	11,499
Operating expenditure	**10,998**	10,819
Depreciation	**811**	829
FRS102 - Defined benefit pension obligations adjustment	**615**	434
FRS102 – Holiday pay accrual	**(17)**	-
Total Expenditure	**12,407**	12,082
(Deficit) on continuing operations	**(812)**	(583)
Actuarial loss in respect of pensions schemes	**(2,834)**	(550)
Total comprehensive Income for the year	**(3,646)**	(1,133)

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016 the FE funding bodies provided 74% (2015 - 76%) of the College's total income.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, 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 Board of Governors and shall comply with the requirements of the Financial Memorandum, which sets out the College's terms of funding with the Skills Funding Agency.

Cash flows and liquidity

Operating cash flow was £660,000 (2015 - £1,139,000). There was a small net cash outflow for the year after loan repayments and fixed asset investments of £13,000, (2015 - £211,000).

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

Reserves policy

The College has adopted a policy of targeting a 5% EBITDA surplus each year. Achievement of this target will contribute to a satisfactory financial health rating with the Skills Funding Agency and satisfies the College's loan covenants.

In respect of accumulated reserves the College is required to retain £3,000,000 of general reserves, excluding any defined benefit pension obligations, in order to satisfy our loan covenants. The College will seek to utilise additional reserves, as cash levels permit, for the benefit of students.

Events after the end of the reporting period

As disclosed in note 15, on the 10th October 2016 the College entered into a fixed interest rate agreement in respect of the amount owed to Lloyds Bank, at that date, of £4,276,000 for a period of 4.75 years at an interest rate to 2.69%.

Current and Future Development and Performance

Student numbers

	2016	2015
	Number	Number
Government Agency funded students	**2,586**	2,856
Fee paying Students	**1,110**	1,055

Student achievements

Advanced Level students continue to make excellent progress at the College. The College uses Alps, a widely used system for tracking and measuring student progress on post 16 courses. The single year Alps grade for A Level, AS Level and BTEC of grade 3 places the college within the top 25% nationally (2015 - A Level and BTEC grade 3, AS Level Grade 2, within the top 10% nationally).

GCSE resit performance was excellent again as measured by the percentage of starters who passed with a grade C or better against a backdrop nationally of a significantly decline in performance.

	A Levels		Level 3 Vocational		GCSE resit	
	2016	2015	2016	2015	2016	2015
Pass Rate	99.3%	99.6%	99%	98%		
Achieved Minimum Target Grade	79%	79%	88%	87%		
Grades at A*- B	56%	57%				
Extended Diplomas - Triple Distinction			62%	53%		
Grades at A*- C / High Grades	83%	82%	78%	79%	54%	55%

There were 100% pass rates for both Level 1 and Entry Level vocational courses.

Curriculum development

The College continues to review its curriculum offer to meet local need and to ensure maximum efficiency. We introduced new FE programmes in 2015-16, in AS Economics and a combined Level 2 course of Public Services with Sport. We also added AS/A Level Philosophy and BTEC Extended Diploma Applied Science to our offer for 2016/17. At the same time, the College did not recruit a new cohort in AS Design and Technology and removed AS Accounting, AS Communication and Culture and AS German from the future offer.

The College has also introduced a new higher education course in HND Computing, replacing the Foundation Degree in E-Business Technologies, as a response to employer demand. The college gained approval from the University of Plymouth to offer new foundation degrees in Psychology and Business Management from September 2016.

Teacher qualifications

Teaching staff are required to hold, or to be working towards, a teaching qualification relevant to their role. During 2016, 99% of full time staff held a full teaching qualification i.e. PGCE, Cert Ed or equivalent (2015 – 99%). 90% of part time staff held a relevant teaching qualification appropriate for their role (2015 – 90%).

Future Developments

The College is exploring two new higher education courses for September 2018, an MA in Medieval History and Heritage and a foundation degree in Science.

We have also appointed a new Director of Employer Engagement to lead on the College's response to the changes in Apprenticeship standards and funding, with a focus on five sector areas.

The college's medium term strategy is to generate cash for co-investment in new facilities to support catering and hospitality apprenticeships and to develop the sports facilities.

We are also a member of the Hinkley Point Training Agency and remain focused on meeting the training needs of companies in the Hinkley supply chain at the lower tiers, as well as focusing on replacement strategy for local employers.

Going concern

The financial statements have been prepared on a Going Concern basis not withstanding net current liabilities of £545,000.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Board of Governors. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £4,404,000 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.

Resources

The College has various resources that we can deploy in pursuit of our strategic objectives.

Tangible resources include:

Financial

The College has net assets of £29,000 (after deducting £11,894,000 defined benefit pension obligations) (2015 - £3,675,000 after deducting £8,844,000 defined benefit pension obligations) and long term debt of £4,404,000 (2015 - £4,638,000).

Estates

The College has a well-managed campus and we have renewed a significant portion of our building stock since 2001. In September 2014, we 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 have grown. Students and employers report that it is a valuable resource for the area.

People

The College employs 351 people (226 Full Time Equivalents (FTE)), (2015 – 350 (223 FTE)), of whom 225 (141 FTE) (2015 – 221 (141 FTE)) are teaching staff or teaching and student support staff.

Reputation

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

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

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 preventative 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 regularly 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.

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

- **Government funding**
  The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2016, 74% of the College's revenue was funded by these bodies and this level of requirement is expected to continue. There are can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

  The College is aware of three specific issues which may impact on future income of the College:

  - Apprenticeship funding will change in April 2017, when funding will be routed directly through employers, rather than being paid directly to the College. Employers will be free to choose any

provider for apprenticeship training provision, which could result in reduced income for the College.
- The College delivers 60% of its Adult Skills Budget funded training outside of the local area. When this budget is devolved to local control , starting from April 2017, there is a risk that the College will not secure the same level of income
- Current government funding is set at a flat cash level, with no allowance for increasing costs. There is a risk that the College will be unable to continue to find efficiencies and/or additional sources of income to meet the reduction in real terms funding.

These specific risks are mitigated by the following:

- ensuring the College is rigorous in delivering high quality education and training;
- focusing on maintaining and managing key relationships with the various employers, local authorities and funding bodies; and
- continually reviewing costs and seeking alternative sources of income.

- **Maintain adequate funding of pension liabilities**
  The College has a significant deficit on its Local Government Pension Scheme (LGPS). The LGPS currently treats the College as a government backed organisation and as a consequence accepts a long term deficit reduction plan from the College and does not require any security.

  There is a risk that changes proposed by the government to the insolvency regime for colleges or the levels of funding the government directs towards colleges could result in a change to the LGPS's approach to college pension scheme deficits. If this happens the College may struggle to either afford increased deficit reduction contributions or provide any security.

  To mitigate this risk the College will continue to lobby key stakeholders and support the efforts of other groups lobbying to ensure college funding is prioritised and any changes to the insolvency regime or college funding generally do not have an adverse impact on current LGPS deficit funding plans.

- **Area reviews**
  The government has started a programme of Area-based Reviews to examine all post-16 college provision by region. 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 College has been taking part in these reviews since November 2016 with the expectation that the review will be completed by March 2017.

  There is a risk that the Area review recommendations are not aligned with the Board of Governors strategy for the College.
  To mitigate this risk the College will continue to promote its mission and strategy with the Area review team and other key stakeholders.

- **Student numbers**
  The local demography over the next three years is very likely to result in a steady decrease in the number of 16 and 17 year olds moving into further education. This is likely to be the case until 2019/20. There is a risk that the College recruits fewer students and suffers a loss of income as a result.

  To mitigate this risk the College will use its excellent reputation to target an increased market share over this period. We will also continue to develop our curriculum to strengthen the competitive advantage of the quality and variety of curriculum that we offer. Early indications are that both the overall number of students recruited and the proportion of students recruited from eleven key schools locally has increased in September 2016.

- **Building Repairs**
  Two of the College's seven main buildings were built in the 1960s and 1970s. These buildings are in a reasonable state of repair; however, given their age, there is a risk that substantial repairs or refurbishment

will be required. If this risk materialises in the short term the College may not have sufficient funds to undertake the works.

In the long term the College aims to mitigate this risk by bidding for capital funding to replace these building as and when opportunities arise.

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
- Local schools, particularly partner schools
- Local authorities
- Government offices/ Local Enterprise Partnerships
- Local community
- Other colleges and universities
- Trade unions
- Professional bodies

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

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work with us. The College respects and values differences and strives to remove barriers which place people at a disadvantage. The College will challenge bigotry, discrimination, bullying, harassment and victimisation.

The College has an Equality Scheme which 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 an action plan to comply with the Equality Act 2010. The College undertakes equality impact assessments on all new and existing policies and procedures and records 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 Diversity 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 2015.

As part of our accommodation strategy the College has endured that all our buildings are accessible.

The College has a Head of Equality and Diversity who performs the role of Access Co-ordinator providing information, advice and arranging support for students with learning difficulties and/or physical disabilities. Support is provided prior to coming to the College, during their time at the College and when making the transition to the next stage of education, training or employment.
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 with the additional support team.

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.

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.

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

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.

Disclosure of Information to Auditors

The Governors 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 governor 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 Board of Governors on 14 December 2016 and signed on its behalf by:

Kate Lovell
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of this Board of Governors' report and financial statements for the College to obtain a better understanding of the College's governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the Board of Governor's report and financial statements.

The College endeavours to conduct its business:

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College and Board of Governors has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have established 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.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Board of Governors 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 Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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.

Board of Governors

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

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board of Governors considers that each of its non-executive Governors 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 Board of Governors 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 Board of Governors

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.
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 Board of Governors as a whole.

Full approved minutes of all meetings, except those deemed to be confidential by the Board of Governors, 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.

Appointments to the Board of Governors

Under the College's Instrument of Governance the Board of Governors can comprise:

- up to sixteen independent governors;
- not more than two governors, who are parents of students under the age of 19 years;
- the Principal;
- at least one and not more than three governors who College staff; and
- at least two and not more than three governors who are students at the College.

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors 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 Board of Governor's consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Governors of the College are appointed for a term of office not exceeding 4 years.

Board of Governors performance

At its annual self-assessment in July 2016, 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.

Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised five Governors including the Chair and Vice Chair, but excluding the Principal. The Committee's responsibilities are to determine the remuneration and benefits of the Principal (Accounting Officer), the Deputy Principal and the Clerk and to report their decisions to the Board.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four Governors (excluding the Accounting Officer and Chair) and one external member. The Committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors 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 and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations.

The Audit Committee also advises the Board of Governors 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 Board of Governors.

Governors

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

Name	**Date of appointment**	**End of Term of office**	**Date of resignation**	**Status of appointment**	**Committees served**
Rob Bennett (Vice Chair)	11 December 2002 Re-Appointed 28 September 2016	31 August 2018		Independent	Audit (Chair) Community Education Advisory Remuneration Search & Governance
Emily Bowhill	1 February 2014	31 January 2018		Staff	Audit Academic Standards & Quality
Richard Clark	8 December 1999 Re-Appointed 1 April 2014	31 March 2018		Independent	Finance & Personnel Remuneration Theatre Board
Lesley Gagg	1 September 2004 Re-Appointed 1 September 2014	31 August 2018		Independent	Academic Standards & Quality Community Education Advisory (Chair) Finance & Personnel Remuneration Search & Governance
Geoff Hepworth	8 December 1999 Re-Appointed 1 April 2016	31 March 2017		Independent	Finance & Personnel Remuneration Search & Governance
Lloyd Hughes	22 December 2010 Re-Appointed 1 January 2013	31 December 2016		Independent	Community Education Advisory
India Jenkins	1 September 2015	2 July 2016	2 July 2016	Student	Academic Standards & Quality
Anthony King	1 October 2014 Re-Appointed 28 September 2016	30 September 2020		Independent	Audit

Name	Date of appointment	End of Term of office	Date of resignation	Status of appointment	Committees served
Kate Lovell (Chair)	8 December 1999 Re-Appointed 1 April 2014	31 March 2018		Independent	Academic Standards & Quality Finance & Personnel (Chair) Search & Governance Remuneration (Chair)
Mark Moran	1 September 2001 Re-Appointed 1 September 2015	31 August 2019		Independent	Finance & Personnel, Theatre Board of Management (Chair)
David Mozley	1 October 2010 Re-Appointed 28 September 2016	30 September 2020		Independent	Audit Academic Standards & Quality (Chair) Theatre Board of Management
Patrick Olliffe	9 October 2015	2 July 2016	2 July 2016	Student	Academic Standards & Quality
Kevin Sherrard	30 November 2005 Re-Appointed 1 January 2016	31 December 2019		Independent	Finance & Personnel
Gary Smith	1 September 2015	31 August 2017		Staff	Theatre Board of Management
James Staniforth	1 September 2010	Ongoing		Principal	Finance & Personnel Search & Governance

Sue Snell acted as the Clerk to the Corporation until 14th April 2016, when she stood down and was replaced by Tessa Miller.

Attendance at Board and committee meetings

Overall attendance at Full Board meetings in 2016 was 79% (2015 – 85%). Overall attendance at Board and committee meetings taken together was 70% (2015 – 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 table below details the attendance by Governors at full Board meetings and committees.

Name	Full Board	Finance & Personnel	Academic Standards & Quality	Search & Governance	Community Education Advisory	Remuneration	Audit	Theatre Board
Number or Meetings	*5*	*6*	*3*	*3*	*3*	*1*	*3*	*3*
Rob Bennett	5			3	3		3	
Emily Bowhill	3		1				0	
Richard Clark	4	4						3
Lesley Gagg	3	4	1	2	3			
Geoff Hepworth	3	3		3				
Lloyd Hughes	3				1			
India Jenkins	3/4		1					

Name	Full Board	Finance & Personnel	Academic Standards & Quality	Search & Governance	Community Education Advisory	Remuneration	Audit	Theatre Board
Anthony King	4				1/2		2	
Kate Lovell	5	6	3	3				
Mark Moran	5	6						3
David Mozley	4		3				2	3
Patrick Olliffe	3/3		1					
Kevin Sherrard	2	3						
Gary Smith	5							1
James Staniforth	5	4		3				

Internal Control

Scope of responsibility

The Board of Governors 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 Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control. The system supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which the Principal is personally responsible. All of this is undertaken in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. The Principal is also responsible for reporting to the Board of Governors 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. It evaluates the likelihood of those risks being realised, the impact should they be realised, and endeavours 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 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board of Governors 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 Board of Governors is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

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 Board of Governors
- Regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against budgets
- 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 uses 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 Board of Governors 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 and regularity auditors, and the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and 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 Board of Governors' 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 Board of Governors 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 Board of Governors 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 Board of Governors on 14 December 2016 and signed on its behalf by:

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

Board of Governor's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Board of Governors 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 Board of Governors, 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.

Kate Lovell **Chair**	**James Staniforth** **Accounting Officer**
14 December 2016	**14 December 2016**

Statement of the responsibilities of the Governors of the Corporation

The Governors 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 Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction for 2015 to 2016* issued jointly by the Skills Funding Agency and the Education Funding Agency , and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Board of Governors 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 Board of Governors is also required to prepare a Governor's Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Board of Governors 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 Board of Governors 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.

Governors 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. Governors 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, Governors 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 Board of Governors on 14 December 2016 and signed on its behalf by:

Kate Lovell
Chair

KPMG LLP
66 Queen Square
Bristol
BS1 4BE

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 2016 set out on pages 28 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Responsibilities of the Governors of the Corporation set out on page 23, 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 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 Governors' Report 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 2016 and of the College's income and expenditure, gains and losses and changes in reserves and the College's cash flows for the year then ended; and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice (June 2016) issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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

Jonathan Brown
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

16 December 2016

KPMG LLP
66 Queen Square
Bristol
BS1 4BE

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

Reporting Accountant's Report on Regularity to the Corporation of Strode College and the Secretary of State for Education acting through 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 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 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which 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 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 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 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw 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 limited assurance 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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Jonathan Brown
For and on behalf of KPMG LLP, Reporting Accountant
66 Queen Square
Bristol
BS1 4BE

16 December 2016

Statement of comprehensive income
for the year ended 31 July 2016

	Note	**2016**	2015
		£'000	£'000
Income			
Funding body grants	2	**8,759**	8,825
Tuition fees and education contracts	3	**1,366**	1,322
Other income	4	**1,464**	1,345
Investment income	5	**6**	7
Total income		**11,595**	11,499
Expenditure			
Staff costs	6.2	**7,899**	7,572
Other operating expenses	7	**3,219**	3,215
Depreciation	10	**811**	829
Interest and other finance costs	8	**478**	466
Total expenditure		**12,407**	12,082
(Deficit) on continuing operations before tax		**(812)**	(583)
Taxation	9	-	-
(Deficit) on continuing operations after tax		**(812)**	(583)
Actuarial loss in respect of pensions schemes	20.3.5	**(2,834)**	(550)
Total comprehensive income for the year		**(3,646)**	(1,133)

The notes to the accounts form an integral part of these financial statements

Statement of changes in reserves

	General reserve £'000	Pension reserve £'000	Revaluation reserve £'000	**Total** **£'000**
Balance as at 1 August 2014	11,359	(7,459)	908	**4,808**
(Deficit) on continuing operations after tax	(148)	(435)	-	**(583)**
Other comprehensive income	-	(550)	-	**(550)**
Transfers between revaluation and income and expenditure reserves	17	-	(17)	**-**
	(131)	(985)	(17)	**(1,133)**
Balance at 31 July 2015	11,228	(8,444)	891	**3,675**
(Deficit) on continuing operations after tax	(196)	(616)	-	**(812)**
Other comprehensive income	-	(2,834)	-	**(2,834)**
Transfers between revaluation and income and expenditure reserves	16	-	(16)	**-**
	(180)	(3,450)	(16)	**(3,646)**
Balance at 31 July 2016	11,048	(11,894)	875	**29**

Balance sheet as at 31 July

	Note	2016 £'000	2015 £'000
Non-current assets			
Tangible assets	10	**16,738**	17,339
Current assets			
Inventory		**22**	24
Trade and other receivables	11	**331**	407
Cash and cash equivalents	12	**812**	825
		1,165	1,256
Less: Creditors - amounts falling due within one year	13	**(1,710)**	(1,823)
Net current (liabilities)		**(545)**	(567)
Total assets less current liabilities		**16,193**	16,772
Creditors - amounts falling due after more than one year	14	**(4,270)**	(4,572)
Provisions for liabilities and charges	16	**-**	(81)
Net assets excluding defined benefit pension obligations		**11,923**	12,119
Defined benefit pension obligations	20.3.6	**(11,894)**	(8,444)
Total net assets		**29**	3,675
Unrestricted reserves			
Revaluation reserve		**875**	891
General reserve excluding defined benefit pension obligations		**11,048**	11,228
Defined benefit pension obligations reserve		**(11,894)**	(8,444)
Total unrestricted reserves		**29**	3,675

The financial statements on pages 28 to 53 were approved by the Board of Governors on 14 December 2016 and were signed on its behalf by:

Kate Lovell
Chair

James Staniforth
Accounting officer

The notes to the accounts form an integral part of these financial statements

Statement of cash flows

	Notes	2016	2015
		£'000	**£'000**
Cash flow from operating activities			
(Deficit) for the year		(812)	(583)
Adjustment for non-cash items			
Depreciation		811	829
Decrease/(increase) in inventory		2	(2)
Decrease in debtors		76	308
(Decrease) in creditors due within one year		(53)	(61)
(Decrease) in creditors due after one year		(28)	(86)
(Decrease)/increase in provisions		(81)	81
Pensions costs less contributions payable		616	435
Adjustment for investing or financing activities			
Investment income		(6)	(7)
Interest payable		153	139
Net cash flow from operating activities		678	1,139
Cash flows from investing activities			
Investment income		6	7
Payments made to acquire fixed assets		(298)	(1,189)
		(292)	(1,182)
Cash flows from financing activities			
Interest paid		(144)	(131)
Interest element of finance lease rental payments		(9)	(8)
New Finance Leases		57	247
Repayments of amounts borrowed		(234)	(229)
Capital element of finance lease rental payments		(69)	(47)
		(399)	(168)
Increase / (decrease) in cash and cash equivalents in the year		**(13)**	**(211)**
Cash and cash equivalents at beginning of the year	12	**825**	1,036
Cash and cash equivalents at the end of the year	12	**812**	825

Notes to the accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2015 to 2016 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Transition to FRS 102 and the 2015 Further and Higher Education Statement of Recommended Practice

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 23.

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

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

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

Throughout this report and accounts comparisons will be against the restated prior year.

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

Going concern

The financial statements have been prepared on a Going Concern basis not withstanding net current liabilities of £545,000

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Board of Governors. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £4,404,000 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.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grants from both government and non-government sources are recognised as income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees, grants, contracts and other services rendered is recognised to the extent the conditions of the funding have been met or to 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 on a receivable basis.

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 / Education Funding Agency (see note 22).

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and until 1 April 2016 were contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to statement of comprehensive income are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the statement of comprehensive income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Further details of the pension schemes are given in note 20.

Short term Employment benefits

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

Non-current assets

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

The College applies the following depreciation policy to land and buildings:

- 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.

Finance costs
Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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, 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 £1,000 per individual item is treated as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight line basis over its remaining useful economic life as follows:

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

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 finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Inventory

Inventory is stated at the lower of cost or net realisable value being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Cash and cash equivalents

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

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

Financial liabilities
Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

The loan held by the College is classified as a basic financial instrument in accordance with FRS 102. This instrument is initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost; however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost.

Loans and investments that are payable or receivable within one year are not discounted.

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 of the 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 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax (VAT), meaning it can only recover a small proportion of VAT charged on goods and services we purchase. Irrecoverable VAT is included in expenditure or added to the cost of tangible fixed assets as appropriate.

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, bursary funds, grants for free school meals. Related payments received from the main funding body and subsequent disbursements to students are excluded from the statement of comprehensive income and are shown separately in note 22 except for 5 per cent of the grants received which is available to the College to cover administration costs. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Accounting Officer has made the following judgements:

- Determining whether leases entered into by the College as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determining whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial

performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding body grants

	2016	2015
	£'000	£'000
Skills Funding Agency grant	**2,132**	2,375
Education Funding Agency grant	**6,471**	6,328
Somerset County Council grant	**76**	37
Government capital grants received	**-**	11
Higher Education Grant	**80**	74
	8,759	8,825

3. Tuition fees and education contracts

	2016	2015
	£'000	£'000
Enrichment course fees	**95**	116
Apprenticeship fees	**21**	23
Further Education Fees	**732**	749
Higher Education Fees	**484**	393
Education contracts	**34**	41
	1,366	1,322

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £45,000 (2015 - £44,000).

4. Other income

	2016	2015
	£'000	£'000
Catering	**452**	421
Other income generating activities	**463**	472
Other grant income	**13**	13
Non-government capital grants received	**78**	94
Other income	**458**	345
	1,464	1,345

5. Investment income

	2016	2015
	£'000	£'000
Other interest receivable	**6**	7

6. Staff numbers and costs

6.1. Staff numbers

The average number and the full time equivalent of persons employed by the College (including key management personnel) during the year, was as follows:

	Average Number		**Full Time Equivalent**	
	2016	2015	**2016**	2015
Teaching staff	**156**	157	**106**	**107**
Teaching and student support services	**69**	64	**35**	**34**
Administration and central services	**97**	98	**70**	**66**
Premises	**29**	31	**15**	**16**
	351	350	**226**	**223**

6.2. Staff costs

Staff costs for the above persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**6,253**	6,234
Social security costs	**442**	399
Other pension costs	**1,204**	925
Restructuring costs	**-**	14
Total staff costs	**7,899**	7,572

6.3. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. At the College this comprises the Executive Management Team which includes the Principal (who also holds the role of Accounting Officer), the Deputy Principal and the Finance Director.

	2016	2015
	Number	Number
The number of key management personnel including the Accounting Officer was:	**4***	3

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

	2016	**2015**
	Number	Number
£60,000 to £70,000	1*	**-**
£70,001 to £80,000	2	**2**
£80,001 to £90,000	-	**-**
£90,001 to £100,000	-	**-**
£100,001 to £110,000	-	**1**
£110,001 to £120,000	1	**-**

* Becky Edwards the College's Finance Director left the College in May 2016 and was replaced by David Healey.

No other staff had emoluments excluding pension contributions but including benefits in kind in excess of £60,000.

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	**257**	251
Employers national insurance	**30**	28
Benefits in kind	**-**	-
Total excluding pension contributions	**287**	279
Pension contributions	**39**	35
Total key management personnel compensation	**326**	314

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2016	2015
James Staniforth	**£'000**	£'000
Salaries	**111**	110
Benefits in kind	**-**	-
	111	110
Pension contributions	18	16

No Governors, other than the Principal and the staff Governors, received any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties (2015 - £nil).

7. Other operating expenses

	2016	2015
	£'000	£'000
Premises costs	**389**	424
Subcontracted provision	**843**	877
Direct and other costs	**1534**	1445
Other staff related costs	**83**	87
Overheads	**370**	382
	3,219	3,215
Other operating expenses include:		
External Auditors remuneration: Financial statements audit	**21**	21
Internal auditors remuneration: Internal audit	**7**	8

8. Interest and other finance costs

	2016	2015
	£'000	£'000
On bank loans and overdrafts	**144**	130
On finance leases	**9**	9
Pension finance costs	**325**	327
	478	466

9. Taxation

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

10. Tangible fixed assets

	Land and Buildings			
	Freehold	**WIP**	**Equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2015	25,321	133	1,750	27,204
Additions	3	63	144	210
Disposals	-	-	(215)	(215)
Transfers	70	(196)	126	-
At 31 July 2016	25,394	-	1,805	27,199
Accumulated depreciation				
At 1 August 2015	9,049	-	816	9,865
Charge for year	449	-	362	811
Eliminated in respect of disposals	-	-	(215)	(215)
At 31 July 2016	9,498	-	963	10,461
Net book value				
At 31 July 2016	**15,896**	**-**	**842**	**16,738**
At 31 July 2015	16,272	133	934	17,339

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 College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £5,297,000 (2015 - £5,354,000) 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 £305,000 (2015 - £247,000) in respect of assets held under finance leases.

11. Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**128**	167
Prepayments and accrued income	**129**	113
Amounts owed by the Skills Funding Agency	**38**	67
Amounts owed by non-Agency funders	**36**	60
	331	407

12. Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	**825**	**(13)**	812

13. Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans and overdrafts	**241**	234
Obligations under finance leases	**82**	59
Payments received on account	**280**	252
Trade payables	**9**	81
Other taxation and social security	**130**	118
Accruals and deferred income	**379**	358
Staff holiday pay accrual (FRS102 adjustment)	**435**	452
Provision for clawback of recurrent funding	**-**	73
Lennartz Vat claim	**15**	70
Other creditors	**139**	126
	1,710	1,823

14. Creditors: Amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loans	**4,163**	4,404
Obligations under finance leases	**107**	140
Lennartz Vat claim	**-**	28
	4,270	4,572

15. Analysis of borrowings

Bank loans and overdrafts

	2016	2015
	£'000	£'000
Bank loans and overdrafts are repayable as follows:		
Within one year	**241**	234
Between one and two years	**248**	241
Between two and five years	**770**	757
In five years or more	**3,145**	3,406
	4,404	4,638

The borrowing of the College has been used to fund its capital investment programme. The borrowing comprises a variable rate loan of £4,404,000 repayable in quarterly instalments until 2031. Interest charged at 1.85% over LIBOR.

On the 10th October 2016 the College entered into a fixed interest rate agreement in respect of the amount owed to Lloyds Bank, at that date, of £4,276,000 for a period of 4.75 years at an interest rate to 2.69%. The final repayment date of 2031 remains unchanged.

The loan is secured only via a negative pledge.

Finance leases

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

	2016	2015
	£'000	£'000
In the next year	**81**	59
Between one and five years	**107**	140
	188	199

Finance lease obligations are secured on the assets to which they relate and are all repayable within 5 years.

16. Provisions for liabilities and charges

	2016	2015
	£'000	£'000
Accumulated Access funds 16-18 funding	**-**	81

The provision represented unused 16-18 Bursary funding (including free school meals funding) as at the end of 2015. This funding was used in 2016.

17. Capital commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	**23**	72

18. Lease Obligations

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

	2016 £'000	2015 £'000
Land and buildings		
Not later than one year	5	5
Later than one year and not later than five years	6	11
	11	16
Other		
Not later than one year	6	6
Later than one year and not later than five years	11	17
	17	23

The minimum term of all operating leases end within 5 years.

19. Events after the reporting period

As disclosed in note 15, on the 10th October 2016 the College entered into a fixed interest rate agreement in respect of the amount owed to Lloyds Bank, at that date, of £4,276,000 for a period of 4.75 years at an interest rate to 2.69%.

20. Defined benefit pension obligations

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

20.1. Total pension cost for the year

		2016		2015
		£'000		£'000
Teachers' Pension Scheme contributions paid		**560**		489
Local Government Pension Scheme:				
Contributions paid	357		335	
FRS 102 (28) charge	325		108	
Charged to the statement of comprehensive income		**682**		443
Total pension cost for the year within staff costs		**1,242**		932

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

Contributions amounting to £36,000 (2015 - £33,000) were payable to the scheme at 31st July and are included within creditors.

20.2. Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and by the Teachers' Pension Scheme Regulations 2015. 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 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was 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/2015/06/publication-of-the-valuation-report.aspx**

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £871,000 (2015 - £815,000)

FRS 102 (28)

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

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

20.3. 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 2016 was £422,000 (2015 - £396,000) of which employers contributions totalled £137,000 (2015 – £129,000) and employees' contributions totalled £285,000 (2015 – £268,000). The agreed contribution rate for future years is 13%.

20.3.1. 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 2016 by a qualified independent actuary.

	2016	2015
Inflation assumption (CPI)	**2.2**	2.7
Rate of increase in salaries	**3.1**	3.6
Rate of increase in pensions	**2.2**	2.7
Discount rate for scheme liabilities	**2.6**	3.8
Commutation of pensions to lump sums	**50%**	50%

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.

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

	At 31 July 2016	At 31 July 2015
Retiring today		
Males	**23.8**	23.7
Females	**26.2**	26.1
Retiring in 20 years		
Males	**26.1**	26.0
Females	**28.5**	28.4

20.3.2. LGPS assets and liabilities

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

	Value at 31 July 2016 £'000	Value at 31 July 2015 £'000
Equity instruments	**7,501**	7,057
Debt instruments	**1,163**	1,038
Property	**1,236**	1,014
Cash	**176**	198
Gilts	**734**	657
Total fair value of plan assets	**10,810**	9,964
Actual return on plan assets	**809**	979
Expected rate of return	2.6%	3.8%

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets	**10,810**	9,964
Present value of plan liabilities	**(22,704)**	(18,408)
Net pensions (liability)	**(11,894)**	(8,444)

20.3.3. Amounts included in staff costs

Amounts recognised in the Statement of comprehensive income in respect of the plan are as follows:

	2016	2015
	£'000	£'000
Current service cost	**648**	443

20.3.4. Amounts included in investment income

	2016	2015
	£'000	£'000
Net interest income	**(325)**	(327)

20.3.5. Amounts recognised in other comprehensive income

	2016	2015
	£'000	£'000
Return on pension plan assets	**429**	604
Changes in assumptions underlying the present value of the fund liabilities	**(3,263)**	(1,154)
Amount recognised in other comprehensive income	**(2,834)**	(550)

20.3.6. Movement in defined benefit (liability) during year

	2016 £'000	2015 £'000
Net defined benefit (liability) in scheme at 1 August	**(8,444)**	(7,459)
Movement in year:		
Current service cost	**(648)**	(443)
Employer contributions	**357**	335
Net interest on defined benefit (liability)	**(314)**	(321)
Administration expenses	**(11)**	(6)
Actuarial gain or loss	**(2,834)**	(550)
Net defined benefit (liability) in scheme at 31 July	**(11,894)**	(8,444)

20.3.7. Asset and liability reconciliation

Changes in the present value of defined benefit obligations	**2016 £'000**	2015 £'000
Defined benefit obligations at start of period	**18,408**	16,120
Service cost	**648**	522
Interest cost	**694**	702
Contributions by scheme participants	**137**	129
Experience gains and losses on defined benefit obligations	**-**	-
Changes in financial assumptions	**3,263**	1,154
Estimated benefits paid	**(446)**	(219)
Past Service cost	**-**	-
Curtailments and settlements	**-**	-
Defined benefit obligations at end of period	**22,704**	18,408

Changes in fair value of plan assets	**2016 £'000**	2015 £'000
Fair value of plan assets at start of period	**9,964**	8,661
Interest on plan assets	**380**	381
Return on plan assets	**429**	604
Employer contributions	**357**	335
Contributions by scheme participants	**137**	129
Estimated benefits paid	**(446)**	(219)
Settlement prices received / paid	**-**	79
Administration expenses	**(11)**	(6)
Fair value of plan assets at end of period	**10,810**	9,964

20.3.8. Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions. Contributions started at £43,000 per annum in 2011-12, and have risen annually. 2015-16 contributions were £66,500. This is in addition to normal funding levels. At the next full valuation the situation will be reviewed again.

21. 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 £nil (2015 - £186; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

22. Amounts Disbursed as Agent

Learner support funds including 16-19 Bursary funds

Access Funds	**2016**	2015
	£'000	£'000
Funding body grants – bursary support	**256**	318
Disbursed to students	**(241)**	(205)
Administration costs	**(10)**	(12)
Balance unspent at 31 July, included in creditors	**(5)**	101

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 statement of comprehensive income, other than when the College has directly incurred expenditure itself.

23. Transition to FRS 102 and the 2015 FE HE SORP

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

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

Financial Position

	Note	1st August 2014	31st July 2015 £'000
Total reserves under previous SORP		**(2,935)**	(3,866)
Employee leave accrual	(a)	**(452)**	(452)
Release of deferred capital grants	(b)	**8,195**	7,995
Changes to measurement of net finance cost on defined benefit pension plans	(c)	**-**	(133)
Defined benefit pension liability - actuarial loss	(d)		133
Change to accounting treatment - operating lease to finance lease		**-**	(2)
Total effect of transition to FRS 102 and 2015 FE HE SORP		7,743	7,541
Total reserves under 2015 FE HE SORP		4,808	3,675

Financial performance

	Note	2015 £'000
Surplus for the year after tax under previous SORP		(248)
Employee leave accrual	(a)	-
Release of capital grants received	(b)	105
Reversal of capital grants amortisation	(b)	(305)
Changes to measurement of net finance cost on defined benefit pension plans	(c)	(133)
Defined benefit pension liability - actuarial loss	(d)	(550)
Change to accounting treatment - operating lease to finance lease		(2)
Total effect of transition to FRS 102 and 2015 FE HE SORP		(885)
Total comprehensive income for the year under 2015 FE HE SORP		(1,133)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense.

The annual leave year runs in line with the academic year to 31st August each year for both teaching and non-teaching staff. At the reporting date for teaching staff, as no teaching is delivered in August, salaries for August have been accrued in full. For non-teaching staff there was an average of 8 days unused leave which has also been accrued.

An accrual of £452,000 was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2016, the movement on this provision of £17,000 has been credited to the statement of comprehensive income in the year ended 31 July 2016.

b) Capital grants accounted for under performance model

The College has previously been in receipt of certain capital grants from both government and non-government sources. Under the previous UK GAAP and the 2007 FE HE SORP, these grants were capitalised and amortised over the remaining useful economic life of the relevant fixed assets.

The College has elected, under FRS 102 and the 2015 FE HE SORP, to apply the performance model to all grants, which means they are treated as if they had been credited to the statement of comprehensive income immediately once the performance conditions had been met.

A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the statement of comprehensive income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied).

The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within other comprehensive income.

d) Presentation of actuarial gains and losses within the statement of comprehensive income

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