Hereford
SIXTH FORM COLLEGE

Financial Report and Accounts

For the year ended 31st July 2016

Index

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel
Key management personnel are defined as the following:
Principal (Accounting Officer)
Deputy Principal
Clerk to the Governing Body

Board of Governors
A full list of Governors is given on page 12 of these financial statements.

Mr R Gorman acted as Clerk to the Corporation throughout the period.

Professional Advisers
Financial Statement auditors and reporting accountants:
Thorne Widgery Accountancy Limited, 2 Wyevale Business Park, Wyevale Way, King's Acre, Hereford. HR4 7BS

Internal Auditors:
TIAA Ltd, 53-55 Gosport Business Centre, Aerodrome Road, Gosport. PO13 0FQ

Bankers:
Lloyds Bank plc, 8, High Town, Hereford. HR1 1AE

Bank of Scotland plc, 55, Temple Row, Birmingham. B2 5LS

Yorkshire (Clydesdale) Bank plc, 5 Northgate Street, Gloucester. GL1 2AH

Barclays Bank plc, 1-3 Broad St, Hereford. HR4 9BA

Nationwide Building Society, Northampton. NN3 6NW

Report of the Corporation

Nature, Objectives and Strategies

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

Legal Status

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

Background

The College was first opened in 1973 as part of the reorganisation of secondary education, and provides level II and level III general education for students aged 16-19 from schools within Herefordshire and its surrounds. It is located approximately one mile north of the city centre, and shares the campus with Herefordshire and Ludlow College and Herefordshire College of Arts.

Mission

Hereford Sixth Form College:

- will provide a high quality education to GCE Advanced level standard or equivalent for full-time students.
- will provide a high level of pastoral care to support and guide individual students.
- will support and promote a programme of recreational and social activities for its students.
- will involve parents in the academic and personal progress of students and in their decisions regarding higher education and / or employment.
- will enhance the education provided through student and staff links with business and the local, national and international communities and local business.

Public Benefit

Hereford Sixth Form College is an exempt charity under part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education for Sixth Form Colleges. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13.

In setting and reviewing the College's strategic objectives, the Corporation 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.

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

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

Report of the Corporation

Implementation of Strategic Plan

The College Strategic Development Plan has regard to Government policy, and is updated annually. The plan includes property and financial plans. The Corporation's priorities include:

- meeting the education needs of young people post-16 in a way that responds to their higher education or career aspirations.
- raising participation and achievement.
- contributing to a coherent 14-19 provision in Herefordshire.
- providing support and guidance, both on course and to assist progression.
- ensuring equal opportunities for all.

The Corporation monitors this plan on a continuing basis.

The College's other principal strategic objectives were as follows:-

- to maintain high levels of academic achievement and provision of student support.
- to maintain and improve the accommodation and facilities available to students and staff.

The achievement of these objectives is addressed below:-

- academic achievements included:
  - **98.8%** pass rate at A2 (2014/15 - 98.9%),
  - A2 passes at A* - B of **54.3%** (2014/15 – 58.5%)
  - A2 passes at A* of **5.3%** (2014/15 – 8%)
  - GCSE overall pass rate increasing to **99.3%** (2014/15 – 98.9%)
  - GCSE passes at A* - C of **61%** (2014/15 – 55.1%)

- work on the new Reception was completed in August 2015 and was within budget. This scheme was partially funded by a grant from the Building Condition Improvement Fund (EFA).

- a number of other minor programmed estates improvements were carried out.

Performance Indicators

The College operates a Strategic Development Plan, which is reviewed each year, and an annual operational plan which incorporates the outcome of the annual self-assessment. This development plan focuses on four headline targets

- Learner number growth and achievement of funding targets
- Learner achievement – raw and value-added
- Learner retention and attendance
- Financial Health indicators

Additionally, the College monitors key performance measures for Colleges (derived from FE choices, formerly "Framework for Excellence"):

- Success Rates
- Learner Destinations
- Satisfaction Survey - Learner Views

The College is committed to observing the importance of the sector measures and indicators, and uses the FE Choice website which looks at measures such as success rate.

The College is required to complete the annual Finance Record for the EFA. The Finance Record produces a financial health grading. The rating for 2015/16 using the revised method of assessment based on the new SORP is 'Outstanding'.

Financial Performance

Performance Indicators

The following table illustrates the College's performance against financial targets set in order to achieve 'Good' or 'Outstanding' financial status as defined by the EFA:

Objective	Target		Out-turn
Cash Days in Hand	65		**97**
Net Working Capital as % of income	12.7%		**18.7%**
Current Ratio (current assets/current liabilities)	3.3		**3.00**
Cashflow from Operations	£310k		**£614k**
Cash-Based Operating Surplus / (Deficit) as % of income	1.7%		**3.9%**
General Reserves (inc FRS 17) as % of income	**62.5%**		**45%**

Financial Results

The College anticipated a difficult year financially following the cessation of Transitional Relief in 2013/14; increases to both employer National Insurance and pension contributions; and the potential consequences of the Area Review process.

Tight control has been exercised over costs and some staff restructuring has taken place. Reserves have been used to partially fund the new Reception. The College ended the year with closing bank balances and cash of **£2.5m** (2014/15 £2.371m) divided between five financial institutions, and general reserves of **£4.44m** (including adjustment for the pension deficit) (2014/15 £5.24m). The Governors consider an ongoing bank balance at a minimum of £1.5m to be a reasonable level of cash for normal purposes, and to cushion the potential effects of any demographic downturn, but will continue where possible to build reserves for future capital works.

With the introduction of the revised education SORP and the adoption of FRS 102, Earnings before interest, tax, depreciation and amortisation (EBITDA) has been introduced as a measure of financial performance. For 2015/16, the College ended the year with an EBITDA of **£484k** (2014/15 -£68k)

The College is funded separately by the EFA for 16-19 year olds, continuing learners over 19 years old and high cost learners, and the SFA for students aged over 19 at the start of their course. A breakdown of the funding is shown at note 2.

The College was funded in accordance with the funding methodology. As before, the allocation for the year was set in advance, with an auditable Individualised Learner Record (ILR) being generated during the year, to give an out-turn value for the year's activity. Under these arrangements, additional value generated by 16-19 year olds in excess of the planned target is not funded. Conversely, with the exception of high cost learners, under-achievement of EFA funded students is not clawed back, but underperformance could mean future reductions.

Treasury Management

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

The College has a separate Treasury Management policy in place.

Short term borrowing for temporary purposes is authorised by the Accounting Officer (Principal). Such

arrangements, together with all other borrowing, are restricted by limits in the Funding Agreement with the Funding Bodies. All other borrowings also require the authorisation of the Corporation.

Cash Flows

Cashflow has improved this year with an inflow of **£161k** compared with an outflow of £689k in 2014/15.

No loan commitments were taken out in 2015/16 or since the year end. The Corporation has been averse to loan commitments that may put the future cash position of the College at serious risk.

Reserves Policy

Colleges are expected to create reserves from their annual funding. This is becoming increasingly difficult with the cuts in funding and increasing cost pressures. The Corporation has ended the year with general reserves of **£4.44m** (including adjustment for the pension deficit) (2014/15 £5m). Our reserves will be required for future capital projects and to notionally cover the deficit on the Local Government Pension Scheme, currently **£2.47m** (2014/15 £1.6m). Colleges are becoming increasingly concerned about the impact of pension deficits on reserves. The Corporation will continue to meet regularly with the pension administrator to review the situation.

Current and Future Development and Performance

Student numbers

Retention rates are calculated from November 2015 when there were **2,172** students. The year ended with **2,101** students giving an overall retention rate of **96.7%** (2014/15 96.7%).

Curriculum developments

The majority of students are expected to commence year one with a programme of 3 "AS" levels, 'Education for Life' and an enrichment programme. 'Education for Life' is part of the enrichment programme which is aimed at improving students' life skills.

In year two, the majority continue with a course of 3 "A2" levels and "A" level general studies. The maximum programme undertaken by the most able students would typically include 4 A2's, plus 'Education for Life', general studies and critical thinking. A number of more able students will also do an extended project as part of their enrichment. From September 2015, exam boards moved towards two year "A" level courses.

Nationally and within the context of the Herefordshire Post 16 sector, the College has a well established reputation for academic excellence and extra curricular activities. Methods of teaching and learning are subject to continuous review and development in order to ensure that the curriculum meets the needs of the local students.

Management

The Management Team comprised the Accounting Officer (Principal), Deputy, Finance Director, Estates Manager, MIS Manager and three Directors of Studies. This group is also the formal risk management group.

The College maintains formal procedures of quality assurance and self assessment, which are reviewed annually, culminating in the production of a Self Assessment Report each November.

Staffing

The College considers good communication with its staff and students to be very important, and publishes bulletins and regular newsletters. Weekly staff briefings and termly staff meetings are held. Staff and student involvement is encouraged through membership of formal committees, and electronically via email and the Virtual Learning Environment (VLE).

Premises

In August 2015, the new Reception building was completed and provides a stunning gateway to the campus; centralise administrative services; and has allowed for further space to be made available to students within other buildings. The budget for the scheme was £1.5m with £774k of grant funding provided by the EFA through the Building Condition Improvement Fund.

A number of minor works and maintenance items were completed during the year.

Maintenance Programme

The College operates a rolling programme of planned maintenance, which is reviewed each year and monitored on an ongoing basis. The costs are charged to the income and expenditure account in the year in which they are incurred. Minor Capital Works that add value to the estate are capitalised at the year end.

Future Prospects

Over a period of five years, the College has lost in excess of **£1m** in funding arising from Government cuts. Transitional Relief (2013/14 £205k per annum) ceased at the end of 2013/14. Formula Protection Funding was due to cease at the end of 2015/16 but was reinstated in the Spending Review of Autumn 2015.

The College remains concerned that further austerity plans will continue to impact on the 16-19 sector which is the only unprotected part of the DFE budgets. The cuts in funding will put sixth forms and other colleges under even more pressure to remain viable. Government policy to maintain the goal of full participation in education or training for all 16-18 years olds will also have implications.

The College faces a number of challenges:

- Maintaining student numbers in the face of falling rolls and increased competition.
- Developing the curriculum to meet the needs of students as A Levels are reformed as two year courses.
- Meeting the challenge of cuts in funding which are severe.
- Maintaining the quality of outcome and experience for students despite these cuts.
- Maintaining the current high reputation of the College.
- Continuing to collaborate with other schools and colleges in the best interests of students.

Following the Area Review process that concluded in summer 2015, the Corporation are considering becoming a standalone academy to take advantage of the opportunity to reclaim VAT, where appropriate. This could offer savings in the region of £200k per annum whilst having little impact upon the culture or operation of the Corporation.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target

set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The College has applied to the Department for Education to become a Single Academy Trust from 1 January 2017.

Resources

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

- Its freehold estate, with a net balance sheet value of **£11.704m** (2014/15 £11.56m)
- net current assets of **£1.759m** (2014/15 £1.533m)
- established staff of **161 people** (2014/15 165) (expressed as full time equivalents), of which 100 are teaching staff
- its reputation, both locally and nationally as a College that achieves excellent results, together with high quality pastoral support.

Principal Risks and Uncertainties

The system of internal control maintained by the College includes financial, operational and risk management which is designed to protect the College's assets and reputation.

A Risk Register is maintained at the College, which is reviewed at each meeting of the Audit Committee, and on a regular basis by the Senior Management Team. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being undertaken to reduce and mitigate the risk. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risks throughout the College. Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government funding

The College has considerable reliance on continued Government funding through the EFA and the SFA. In 2015/16, 92.5% of the College's revenue was ultimately publicly funded (2014/15 91%), and this level of requirement is expected to continue. There can be no assurance that Government policy and practise will remain the same, or that public funding will continue at the same level or on the same terms.

The College is aware of the following issues that may impact on future funding;

- Future potential changes in the funding methodology which may result in a further reduction in funding to Sixth Form Colleges.
- The risk of demographic decline.
- Stronger competition from other local providers.
- Changes in emphasis to more vocational education arising from Government policy.

The risk is mitigated in a number of ways:

- The College has a robust marketing strategy that seeks to ensure that student numbers are maintained in the face of demographic decline.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus is placed on maintaining and managing key relationships with the Funding Bodies.
- Ensuring the College is focussed on those priorities which will continue to benefit from public

funding.
- Regular dialogue with the Funding Bodies and the Local Authority.

2 Bank Risk

The College is aware of the risk to its investments arising from the possibility of bank failure due to the recent economic situation, or from catastrophic investment decisions by a bank. The existence of this risk is recognised in the College's risk management strategy, and it is mitigated by the requirement to spread investments across a minimum of three financial institutions with long term ratings of A3/A- as assessed by at least two rating agencies, and by limiting the value that can be invested in any one organisation or instrument. For full details see the College's Treasury Management Policy.

3 Maintenance of adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Stakeholder Relationships

In line with other Colleges and with universities, Hereford Sixth Form College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- The Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Government Offices / Regional Development Agencies / Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat discrimination. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's website. The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes 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 committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy, the College updated its access audit and the results of this formed the basis of funding capital projects aimed at improving access.

b) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available.

c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

d) The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and / or disabilities 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.

e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published.

f) 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.

Taxation

As an educational establishment, the College is not liable to corporation tax on its educational activities. With regard to VAT, from which the College is not exempt, the College is not registered for VAT since its trading income is significantly less than the current HM Revenue & Customs limit, and it would be unable to recover VAT incurred.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

Kenneth Hopkins .....

Dr. K. Hopkins
Chairman of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the Annual Report and Accounts to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2016 and up to the date of approval of the Annual Report and Accounts.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2016. The Corporation 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.

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

The Corporation

The composition of the Corporation is set out on pages 12 and 13. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Corporation conducts its business through a number of Committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance & Premises, Staff & Students, Remuneration, Curriculum, Search and Audit. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College website (www.hereford.ac.uk), or from the Clerk to the Corporation at:

Hereford Sixth Form College,
Folly Lane,
Hereford.
HR1 1LU.

Statement of Corporate Governance and Internal Control

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

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

Formal agendas and reports are supplied to Governors in a timely manner, prior to Board meetings, and ad-hoc briefings are also provided.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Accounting Officer (Principal) are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a **Search Committee** comprising the Accounting Officer (Principal), the Chairman of the Corporation and two other members, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term not exceeding four years, upon which they may be re-elected.

Corporation performance

Governance is self-assessed using the appropriate sections of the Ofsted Common Inspection Framework. Against these criteria, governance continues to be 'Outstanding' which was the grade awarded in the last Ofsted inspection.

Remuneration Committee

Throughout the year ended 31st July 2016, the Remuneration Committee comprised the Chairman and two independent members. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer (Principal) and other senior post-holders. Details of remuneration of these post-holders for the year ended 31st July 2016 are set out in note 6 of the financial statements.

Audit Committee

The Audit Committee comprises at least five members of the Corporation (excluding the Accounting Officer (Principal) and Chair). It operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets four times per year, and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and

Statement of Corporate Governance and Internal Control

considers reports from the Funding Bodies as they affect the College's business.

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

Management are responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow-up reviews to ensure that recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors, and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Finance & Premises Committee

This Committee reviews the financial position of the College, including revenue, capital and cashflow and investments, on a half termly basis, and receives regular reports on capital schemes and other premises issues. It advises the Corporation on all financial matters.

Staff and Students Committee

The Staff and Students Committee's responsibilities are to recommend a framework for pay and conditions of staff, together with other matters pertaining to staffing, together with student services and issues. Details of staffing and remuneration for the year are set out in note 6.

Membership of the Corporation

See over page.

Statement of Corporate Governance and Internal Control

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

Name	Date of First Appointment	Current Term of Office	End of Current Term	Status	Committees Served during the year ended 31st July 2016	Attendance
Mr Vernon Amor	13/10/2016	4 years	12/10/2020	Independent	Finance & Premises	N/A
Ms Michelle Balcombe	14/07/2005	4 years	12/07/2017	Independent	Audit (Chair) Search Staff & Students	5 out of 6
Mr Martin Churchward	06/10/2011	4 years	05/10/2019	Independent	Staff & Students	5 out of 6
Mrs Carol Clapham	14/10/1992	4 years	11/10/2016 **(R)**	Independent	Curriculum Staff & Students	5 out of 6
Mr Charles Davies	21/01/2005	4 years	20/01/2017	Independent	Audit	2 out of 6
Mr Robert Doran	21/01/2005	4 years	08/10/2016 **(R)**	Independent	Curriculum Remuneration (Chair) Staff & Students ** Search	5 out of 6
Miss Hannah Drury	13/10/2016	*	*	Student	TBC	N/A
Mrs Diane Evans	09/10/2012	4 years *	31/08/2016	Staff (2012/13)	Staff & Students	4 out of 6
Dr Jonathan Godfrey	01/09/1997	-	On leaving	**Accounting Officer (Principal)**	All except Audit & Remuneration	6 out of 6
Dr Marion Hawkins	05/02/2015	4 years	04/02/2019	Independent	Audit Curriculum	6 out of 6
Mr Clive Hodgeman	23/05/2013	4 years	22/05/2017	Parent	Audit	6 out of 6
Mr Chris Hodson	09/10/2012	4 years	31/07/2016 **(R)**	Independent	Audit	5 out of 6
Dr Ken Hopkins	04/10/2007	4 years	03/10/2019	Independent	**Chair of Corporation** All excluding Audit & Curriculum	6 out of 6
Mr Shubham Kulkarni	15/10/2015	*	*	Student	Staff & Students	4 out of 4
Mrs Heidi Macdougall	20/03/2006	4 years	21/05/2018	Independent	**Vice Chair of Corporation** Finance & Premises Remuneration Search (Chair)	4 out of 6

Statement of Corporate Governance and Internal Control

Name	Date of First Appointment	Current Term of Office	End of Current Term	Status	Committees Served during the year ended 31st July 2016	Attendance
Miss Ella Mapes	13/10/2016	*	*	Student	TBC	N/A
Mr James Miller	19/03/2009	4 years	17/03/2017	Independent	Curriculum (Chair) Finance & Premises	6 out of 6
Mr Rob Newton	11/12/2014	*	15/07/2016	Student	Finance & Premises	4 out of 4
Mr Andrew Parsons	13/10/2016	4 years	12/10/2020	Independent	Audit	N/A
Dr Amber Tahir	23/05/2013	4 years	22/05/2017	Parent	Staff & Students	4 out of 6
Mrs Shirley Tully	11/12/2014	4 years	11/12/2018	Independent	Finance & Premises (Chair)	6 out of 5
Mr Ravi Tandon	16/07/2004	4 years	31/07/2016 **(R)**	Independent	Finance and Premises	5 out of 6
Mr Philip Tranter	09/10/2012	4 years *	12/10/2020	Staff (2016/17)	Staff & Students (Chair) Curriculum	4 out of 6
Dr Helen Underhill	13/10/2016	4 years	12/10/2020	Independent	Staff & Students	N/A
Mrs Andrea Webb	13/10/2016	4 years *	12/10/2020	Staff (2016/17)	To be confirmed	
Miss Christine Wright	11/12/2008	4 years	15/10/2015 **(R)**	*Resigned*	Staff & Students Audit	0 out of 1
Independent Clerk						
Mr Robert Gorman	09/09/2013	n/a	On leaving		Clerk to the Corporation (current)	N/A

KEY:
'R' - resignation prior to expiry of term of office.
'E' – End of term of office without re-election.
'T' – Termination of office by resolution of Corporation
'*' – The terms of office of staff and students automatically end when they leave the College
''** – co-opted to attend where Safeguarding reports are received

Statement of Corporate Governance and Internal Control

Internal Control

Scope of Responsibility

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

The Corporation has delegated day to day responsibility to the Accounting Officer (Principal), for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Hereford Sixth Form College and the Funding Bodies. He is also responsible for reporting to the Corporation any significant weaknesses or breakdowns in internal financial control.

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Hereford Sixth Form College for the year ended 31st July 2016 and up to the date of approval of the Annual Report and Accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31st July 2016 and up to the date of approval of the Annual Report and Accounts.

The process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation, including an appropriate risk analysis
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines

Statement of Corporate Governance and Internal Control

- the adoption of formal project management disciplines, where appropriate

Hereford Sixth Form College has an internal audit service, which operates in accordance with the requirements of the EFA's and SFA's *Joint Audit Code of Practice.* The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College.

Review of effectiveness

As Accounting Officer (Principal), the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the system of internal control is informed by:

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

The Accounting Officer (Principal) 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 systems in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2016 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31st July 2016.

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

Statement of Corporate Governance and Internal Control

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

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:

Signed..... **Dr. J. Godfrey**
Accounting Officer (Principal)

Signed.....**Dr. K. Hopkins**
Chairman of the Corporation

The Corporation's statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

The Corporation has considered its responsibility to notify the Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the Funding Agreement in place between the College and Education Funding Agency. As part of its consideration, the Corporation has due regard to the requirements of the Funding Agreement.

We confirm, on behalf of the Corporation, that after due enquiry, and ***to the best of its knowledge***, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the college's Funding Agreement.

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 Education Funding Agency.

Dr. J. Godfrey
Accounting Officer (Principal)

15th December 2016

Dr. K. Hopkins
Chair of the Corporation

15th December 2016

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Funding Agreement between the EFA and the Corporation of the College, the Corporation, through its Accounting Officer (Principal), 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 *College* Accounts *Direction for 2015 to 2016 financial statements* issued jointly by the SFA and EFA, and which give a true and fair view of the state of affairs of the College and the result for the year.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the EFA are used only in accordance with the Funding Agreement with the EFA and any conditions that may be prescribed from time to time. Members of the Corporations must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the EFA are not put at risk.

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:

Dr. K. Hopkins
Chair of the Corporation

Independent auditor's report to the Corporation of Hereford Sixth Form College

We have audited the financial statements of Hereford Sixth Form College for the year ended 31 July 2016 set out on pages 23 to 48. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2015 to 2016 issued by the Education Funding Agency (EFA).

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the EFA and our engagement letter. 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 auditors' 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 Hereford Sixth Form College and Auditors
As explained more fully in the Statement of Corporation's Responsibilities, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, Joint Audit Code of Practice issued by the SFA and EFA 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 College; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Corporation 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 its incoming resources and application of resources, including its income and expenditure, for the year then ended;
  have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Independent auditor's report to the Corporation of Hereford Sixth Form College

Matters on which we are required to report by exception

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

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

Mr Kevin Tong FCCA ACA (Senior Statutory Auditor)
for and on behalf of Thorne Widgery Accountancy Ltd
Chartered Accountants
Statutory Auditors
2 Wyevale Business Park
Kings Acre
Hereford
Herefordshire
HR4 7BS

Date 15/12/16

Reporting Accountant's Assurance Report on Regularity

To: The Corporation of Hereford Sixth Form College and Secretary of State for Education acting through the Education Funding Agency

In accordance with the terms of our engagement letter, dated July 2015 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Hereford Sixth Form College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Hereford Sixth Form College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 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.

Reporting Accountant's Assurance Report on Regularity

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

The work undertaken to draw to our conclusion includes:

- a review of the colleges response to the self-assessment questionnaire on regularity,
- a review of the current policies and procedures of the college to ensure that the college is compliant with the funding agreement with the EFA,
- a review of transactions that are required to be brought to the attention of the accounting officer.

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.

Thorne Widgery Accountancy Limited,
2 Wyevale Business Park,
Wyevale Way,
King's Acre,
Hereford.
HR4 7BS

Date: 15/12/16

Statement of Comprehensive Income

	Notes	2016 £'000	2015 Restated £'000
INCOME			
Funding body grants	2	8,720	8,370
Tuition fees and education contracts	3	42	32
Other income	4	652	750
Investment income	5	14	17
Total Income		**9,428**	**9,169**
EXPENDITURE			
Staff costs	6	6,500	6,672
Fundamental restructuring costs	6	86	10
Other operating expenses	7	2,267	2,477
Depreciation	10	400	506
Interest and other finance cost	8	56	51
Total Expenditure		**9,309**	**9,716**
Surplus / (Deficit) before other gains and losses		**119**	**(547)**
Loss on disposal of assets		0	(65)
Surplus / (Deficit) before tax		**119**	**(612)**
Taxation	9	-	-
Surplus / (Deficit) for the year		**119**	**(612)**
Actuarial loss in respect of pension scheme	24	(758)	(236)
Total Comprehensive Income for the year		**(639)**	**(848)**

	2016 £'000	2015 Restated £'000
Represented by:		
Restricted comprehensive income	0	0
Unrestricted comprehensive income	(639)	(848)
	(639)	**(848)**

Statement of Changes in Reserves

	Income & Expenditure Account £'000	Revaluation Reserve £'000	Total £'000
Restated Balance at 1st August 2014 (Restated)	**5,833**	**2,534**	**8,367**
(Deficit) from the Income & Expenditure account	(612)	-	(612)
Other comprehensive income	(236)	-	(236)
Transfers between Revaluation and Income & Expenditure reserves	46	(46)	0
Total comprehensive income for the year	(802)	(46)	(848)
Balance at 31st July 2015 (Restated)	**5,031**	**2,488**	**7,519**
Surplus from the Income & Expenditure account	119		119
Other comprehensive income	(758)	-	(758)
Transfers between Revaluation and Income & Expenditure reserves	46	(46)	0
Total comprehensive income for the year	(593)	(46)	(639)
Balance at 31st July 2016	**4,438**	**2,442**	**6,880**

Balance Sheet as at 31 July 2016

	Notes	2016 £'000	2015 Restated £'000
Non Current assets			
Tangible fixed assets	10	11,562	11,497
		11,562	**11,497**
Current assets			
Stocks	12	2	2
Debtors	13	105	49
Cash at bank and in hand	17	2,532	2,371
Total Income		**2,639**	**2,422**
Less: Creditors			
- amounts falling due within one year	14	(880)	(889)
Net current assets		**1,759**	**1,533**
Total assets less current liabilities		**13,321**	**13,030**
Creditors			
- amounts falling due after more than one year	15	(3,975)	(3,903)
Provisions			
Defined benefit obligation	16 / 24	(2,466)	(1,608)
Total Net Assets		**6,880**	**7,519**
Unrestricted Reserves			
Income & expenditure account		4,438	5,031
Revaluation reserve		2,442	2,488
Total Unrestricted Reserves		**6,880**	**7,519**

The financial statements on pages 23 to 48 were approved and authorised by the Corporation on 15th December 2016 and were signed on its behalf on that date by:

Dr. K. Hopkins .....
Chairman

Dr. J. Godfrey .....
Accounting Officer (Principal)

Statement of Cashflows

	Notes	2016 £'000	2015 Restated £'000
Cashflow from operating activities:			
Surplus / (Deficit) for the year		119	(612)
Adjustment for non-cash items:			
Depreciation		400	506
(increase) / decrease in stocks		0	0
(increase) / decrease in debtors		(55)	9
Increase / (decrease) in creditors due within one year		(8)	(59)
Increase / (decrease) in creditors due after one year		72	435
Increase / (decrease) in provisions		0	0
Pension costs less contributions payable		44	39
Taxation		0	0
Adjustment for investing or financing activities:			
Investment income		(14)	(17)
interest payable		56	51
Taxation paid		0	0
Loss on sale of fixed assets		0	65
Net cashflow from operating activities		**614**	**417**
Cashflows from investing activities			
Investment income		14	17
Payments made to acquire fixed assets		(467)	(1,123)
		(453)	**(1,106)**
Cashflows from financing activities			
Interest paid		0	0
Interest element of finance lease rental payments		0	0
		0	**0**
Increase / (Decrease) in cash and cash equivalents		**161**	**(689)**

	2016 £'000	2015 £'000
Cash and cash equivalents at the beginning of the year	2,371	3,060
Cash and cash equivalents at the end of the year	2,532	2,371
	161	**(689)**

Notes to the Financial Statements for the year ended 31 July 2016

1. STATEMENT OF ACCOUNTING POLICIES:

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

Basis of Preparation

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

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

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation, 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 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 cashflows of the results of the College is provided in note 25.

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.

Basis of Accounting

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

Going Concern

The activities of the College, together with factors likely to affect its future development and performance are set out in the Report of the Corporation. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College has no loans or overdrafts.

The College has applied to the Department for Education to become a Single Academy Trust from 1 January 2017. The College does not believe that the change will adversely affect the opinion on going concern.

Notes to the Financial Statements for the year ended 31 July 2016

Recognition of Income

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

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

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

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

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

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of 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. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability / asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at

the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

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

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

Existing Land & 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. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since Incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between the creditors due within one year and those due after more than one year.

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

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

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets after initial purchase, it is charged to the income and expenditure account in the period in which it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

The College has no buildings owned by third parties.

Notes to the Financial Statements for the year ended 31 July 2016

Equipment
Equipment costing **£1,999** or less or with an expected life of twelve months or less is recognised as expenditure in the period of acquisition. Equipment costing **£2,000** or more is capitalised at cost.

All equipment is generally depreciated on a straight line basis over its remaining useful economic life as follows:-

- **Computers** — **25% per year**
- **Motor Vehicles** — **14% per year**
- **Other Equipment** — **10-20% per year**
- **Fixtures & Fittings** — **10% per year**

Although the policy for vehicle depreciation is currently 14% (7 years), second-hand vehicles may be depreciated at 20% (5 years).

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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.

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.

It is College policy to invest surplus funds in at least three different recognised financial institutions, the maximum fixed investment being £500k capital (excluding accrued interest) in institutions outside the current account holding bank. In 2015/16, funds were spread across five financial institutions in order to spread the risk to College reserves following the recent economic crisis.

Stocks
The only stocks held at the end of 2015/16 were stocks from the Learning Resources Centre shop. Stocks are stated at the low of their cost and net realisable value.

Notes to the Financial Statements for the year ended 31 July 2016

Foreign Currency Transactions

Foreign currency transactions relate to field courses. They are recorded using the exchange rate of exchange ruling at the date of the transaction. In 2015/16, foreign currency transactions amounting to a total of **£28k** took place (2014/15 £56k). There were no outstanding foreign currency transactions at the year end.

Provisions and contingent liabilities

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

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

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

The College currently has no provisions except for the obligations with regard to the Local Government Pension Scheme and no contingent liabilities.

Taxation

The College is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010, and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College receives no major exemption in respect of value added tax, with only a few items being exempt by virtue of its charitable status. For this reason the College is unable to recover the VAT it suffers on the bulk of goods or services purchased. Capital costs and non-pay expenditure is therefore shown inclusive of VAT.

Additionally, since the College's trading income is significantly below the VAT limit, the College is not registered for VAT.

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds and Welsh Educational Maintenance Allowance (which is paid direct to students with qualifying residence in Wales). Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Notes to the Financial Statements for the year ended 31 July 2016

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability

Notes to the Financial Statements for the year ended 31 July 2016

2. Funding Body Grants

	2016 £'000	2015 Restated £'000
Recurrent grants		
EFA	8,587	8,185
SFA	10	49
Specific grants		
Local Authority non-recurrent grant	2	36
Release of deferred capital grant	121	100
	8,720	**8,370**

3. Tuition Fees and Education Contracts

	2016 £'000	2015 £'000
European Union / fee paying students	13	13
Education contracts	29	19
	42	**32**

4. Other Income

	2016 £'000	2015 £'000
Teaching departments	395	501
Student support	119	110
Central services	17	17
General education	55	47
Estates income	66	75
	652	**750**

5. Investment Income and Interest

	2016 £'000	2015 Restated £'000
Bank interest receivable	14	17
	14	**17**

Notes to the Financial Statements for the year ended 31 July 2016

6. Staff Costs

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

	2016 fte's	2015 fte's
Teaching staff	100	103
Non teaching staff	61	62
	161	**165**

Staff costs for the above persons:	2016 £'000	2015 Restated £'000
Wages & salaries	5,222	5,461
Social security costs	411	392
Pension costs	822	771
Pension FRS 102 cost	44	39
	6,499	**6,663**
External employees	1	9
	6,500	**6,672**
Fundamental restructuring costs – contractual	86	10
Total staff costs	**6,586**	**6,682**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the college and are represented by the Accounting Officer (Principal) and holders of other senior posts whom the Corporation have selected for the purposes of the Articles of Government of the College. Decisions relating to such appointments are made by the Governors.

No compensation has been paid to key management personnel for loss of office.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2016	2015
The number of key management personnel including the Accounting Officer (Principal) was	3	3

Notes to the Financial Statements for the year ended 31 July 2016

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

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£0 - £10,000	1	1	N/A	N/A
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	1	1	0	0
£80,001 - £90,000	0	0	0	0
£90,001 - £100,000	0	1	0	0
£100,001 - £110,001	1	0	0	0
	3	**3**	**0**	**0**

Key management personnel emoluments are made up as follows:	2016 £'000	2015 £'000
Salary	191	184
Employers' National Insurance contributions	21	20
Employers' Pension contributions (Teachers' Pension Scheme)	31	26
Total emoluments	**243**	**230**

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

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

	2016 £'000	2015 £'000
Salary	103	98
Employers' Pension contributions (Teachers' Pension Scheme)	17	14
Total emoluments	**120**	**112**

Employer pension contributions in respect of the Accounting Officer (Principal) and key management personnel are paid at the same rate as for other employees.

No compensation for loss of office was paid to key management personnel.

With the exception of the Accounting Officer (Principal) and two Staff Governors, the members of the Corporation do not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. There were no benefits in kind given to any staff, and no overseas expenses were incurred.

Notes to the Financial Statements for the year ended 31 July 2016

7. Other Operating Expenses

	2016 £'000	2015 £'000
Teaching costs	1,102	1,238
Non teaching costs	860	861
Premises costs	378	455
Internal recharges	(73)	(77)
	2,267	**2,477**

Other operating expenses include:		
Auditors' remuneration included above -		
Financial Statement Audit	13	12
Internal Audit	8	10
Operating lease costs	82	43
Loss on disposal of fixed assets	0	65

8. Interest and other finance costs

	2016 £'000	2015 £'000
Pension finance costs (note 24)	56	51
	56	**51**

9. Taxation

The College was not liable for any corporation tax arising out of its activities during the year on the grounds referred to in Note 1 Statement of Accounting Policies - Taxation.

Notes to the Financial Statements for the year ended 31 July 2016

10. Tangible Fixed Assets

	Freehold Land £000	Freehold Buildings £000	Fixtures & Fittings £000	Equipment & Vehicles £000	Total £000
Costs or valuation					
At 1st August 2015	**1,008**	**12,952**	**95**	**839**	**14,894**
Additions	0	381	22	64	467
Disposals	0	0	0	-33	-33
At 31st July 2016	**1,008**	**13,333**	**117**	**870**	**15,328**
Depreciation					
At 1st August 2015	**0**	**2,819**	**14**	**565**	**3,398**
Charge for year	0	276	10	114	400
Elimination - disposals	0	0	0	-33	-33
At 31st July 2016	**0**	**3,095**	**24**	**646**	**3,766**
Net Book Value at 31st July 2016	**1,008**	**10,238**	**93**	**224**	**11,562**
Net Book Value at 31st July 2015	**1,008**	**10,133**	**81**	**274**	**11,497**

Within buildings additions above, are **£NIL** expenditure relating to assets under construction at 31st July 2016 (2014/15 £1,017k).

Inherited land and buildings were valued for the 1994 financial statements at depreciated replacement cost by Hereford and Worcester County Council. No revaluation has taken place since then. If inherited land and buildings had not been valued on Incorporation, they would have been included in the accounts at a historic value of zero.

During the year, an exercise was conducted to identify obsolete equipment assets and write them out of the accounts, together with related depreciation.

Notes to the Financial Statements for the year ended 31 July 2016

11. Investments

Cash was held in five different banks. There were no investments in other institutions during the year.

12. Stocks

	2016 £'000	2015 £'000
Library – resource centre stock	2	2
	2	**2**

13. Debtors: amounts falling due with one year

	2016 £'000	2015 £'000
Trade debtors	14	3
Prepayments and accrued income	91	46
	105	**49**

14. Creditors: amounts falling due within one year

	2016 £'000	2015 Restated £'000
Trade creditors	0	0
Capital project creditor	19	30
Other taxation, social security and pensions	221	210
Accruals and other creditors	433	256
Accruals – employee annual leave	25	25
Deferred income – government capital grants	122	123
Amounts owed to the EFA	60	245
	880	**889**

15. Creditors: amounts falling due after one year

	2016 £'000	2015 Restated £'000
Deferred income – government capital grants	3,975	3,903
	3,975	**3,903**

Notes to the Financial Statements for the year ended 31 July 2016

16. Provisions

	Defined Benefit Obligation £'000	Total £'000
At 1 August 2015	**(1,608)**	**(1,608)**
Expenditure in the period	(276)	(276)
Additions in the period	(582)	(582)
At 31 July 2016	**(2,466)**	**(2,466)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 24.

17. Cash and cash equivalents

	At 1 August 2015 £'000	Cashflows £'000	At 31 July 2016 £'000
Cash and cash equivalents	2,371	161	2,532
	2,371	**161**	**2,532**

18. Capital and other commitment

	2016 £'000	2015 £'000
Commitment contracted for at 31 July	0	291
	0	**291**

Work on the new Reception building was completed in August 2015.

In the recent EFA capital funding round, the College's bid was unsuccessful therefore there are no plans for future capital development.

Notes to the Financial Statements for the year ended 31 July 2016

19. Lease obligations

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

	2016 £'000	2015 £'000
Land and building		
Expiring within one year	0	0
Expiring within two and five years	0	0
Expiring in over five years	0	0
	0	**0**
Other		
Expiring within one year	47	40
Expiring within two and five years	51	23
Expiring in over five years	0	0
	98	**63**

The leases are for photocopiers and printers.

20. Contingent liabilities

The College is not aware of any issues that could give rise to a contingent liability.

21. 16-19 Student Bursary / Discretionary Support Funds

	2016 £'000	2015 £'000
16-19 Student Bursary Grant	214	199
19-24 Discretionary Learner Support	2	7
Bursary / DLS brought forward	5	4
College Fund subsidy	0	5
	221	**215**
Disbursements to Students	(206)	(200)
Admin / Audit Fees	(10)	(10)
Balance clawed back by SFA	(5)	0
	(221)	**(210)**
Balance Carried Forward	**0**	**5**

Funding body grants are available only for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income (SOCI).

Notes to the Financial Statements for the year ended 31 July 2016

22. Related Party Transactions

Due to the nature of the College's operations, and the composition of the Corporation (being drawn from 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 such transactions are conducted at arms' length, in accordance with the College's Financial Regulations and normal procurement procedures.

The total travel expenses paid to or on behalf of the Governors during the year were less than £1k (2014/15 less than £1k). This represents travel and subsistence expenses in relation to attending training courses and conferences.

No Governor has received any remuneration or waived payments from the College during the year (2014/15 nil).

Transactions with the Funding Agencies are detailed in notes 2, 13 and 14.

P Hudson and Sons – a company in which Mrs Hudson, the Reprographics Technician, is Company Secretary.
Transactions totalling £17k (2014/15 £40k), relating to the provision of electrical services took place. There were no amounts outstanding at the year end (2014/15 nil).

23. Events after the reporting period

There have been no events since the balance sheet date that would materially affect the results for the year.

The College has applied to the Department for Education to become a Single Academy Trust from 1 January 2017 however this would not affect the results for the year.

Notes to the Financial Statements for the year ended 31 July 2016

24. Pension Obligations

The College's employees belong to two principal pension schemes, the Teachers Pension Scheme (TPS) for academic staff, and the Local Government Pension Scheme (LGPS) for non teaching staff, which is administered by Worcestershire County Council. Both are multi-employer defined-benefit plans.

Total Pension Cost for the year		**2016 £'000**		**2015 £'000**
Teachers' Pension Scheme:				
- Employers' contributions		575		523
Local Government Pension Scheme:				
- Employer's contributions	200		192	
- Employer's additional contribution	76		44	
- FRS 102 (28) net service cost	100		90	
Charge to the Statement of Comprehensive Income		376		326
Total Pension Cost for the Year within staff cost		**951**		**849**

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

Total outstanding contributions amounting to **£98k** (2014/15 £93k) were payable to the schemes at 31st July 2016, and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Notes to the Financial Statements for the year ended 31 July 2016

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 were:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS 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/2014/06/publication-of-the-valuation-report.aspx

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

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

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

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

The pension costs (Employers and Employees) paid to TPS in the year amounted to **£911k** (2014/15: £877k)

FRS 102 (28)
Under the definitions set out in Financial Reporting Standard 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 scheme and the implications for the College in terms of the anticipated contribution rates.

Notes to the Financial Statements for the year ended 31 July 2016

Local Government Pension Scheme
The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Worcestershire County Council.

The total contribution made for the year ended 31st July 2016 was **£352k**, of which employer's contributions were **£276k** (£200k normal employer contributions and £76k lump sum contributions toward deficit financing) and employees' contributions were **£76k**. The agreed contribution rates for future years are **16.3%** for employers and **5.5% to 8.5%** for employees, depending on salary.

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

	2016 %	2015 %
Rate of Future Salary increases	3.2	3.7
Rate of Future Pension increases	1.8	2.2
Discount rate for Scheme Liabilities at 31st July	2.5	3.8
Rate of inflation (CPI)	1.7	2.2
Commutation of pensions to lump sums (max)	50	50

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

	31st July 2016	31st July 2015
Retiring today		
Males	23.5	23.4
Females	25.9	25.8
Retiring in 20 years		
Males	25.8	25.6
Females	28.2	28.1

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair Value at 31 July 2016 £'000	Fair Value at 31 July 2015 £'000
Equities	4,234	3,859
Bonds	320	268
Cash	117	43
Property	229	-
Other	178	151
Total fair value of plan Assets	**5,078**	**4,321**
Actual return on plan Assets	**509**	**344**

Notes to the Financial Statements for the year ended 31 July 2016

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

	2016 £'000	2015 £'000
Fair value of plan assets	5,078	4,321
Present value of plan liabilities	(7,544)	(5,929)
Net pensions (liability) / asset	**(2,466)**	**(1,608)**

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

Amounts included in staff costs	2016 £'000	2015 £'000
Current service cost	315	270
Administration fee	5	5
Total	**320**	**275**

Amounts included in investment income	2016 £'000	2015 £'000
Net Interest (income)	0	0
Total	**0**	**0**

Amounts included in Interest and other finance costs	2016 £'000	2015 £'000
Net Interest	56	51
Total	**56**	**51**

Amounts recognised in Other Comprehensive Income	2016 £'000	2015 £'000
Remeasurement of assets	340	177
Experience losses arising on defined benefit obligations	0	0
Changes in assumptions underlying the present value of plan liabilities	(1,098)	(413)
Amount recognised in Other Comprehensive Income	**(758)**	**(236)**

Notes to the Financial Statements for the year ended 31 July 2016

Movement in net defined benefit (liability) / asset during the year:	2016 £'000	2015 £'000
Net defined benefit (liability)/asset in scheme at 1 August	**(1,608)**	**(1,282)**
Movement in year:		
Current service cost	(315)	(270)
Employer contributions	276	236
Past service cost	0	0
Net interest on defined (liability) / asset	(56)	(51)
Administration fee	(5)	(5)
Actuarial gain / (loss)	(758)	(236)
Net defined benefit (liability) / asset in scheme at 31 July	**(2,466)**	**(1,608)**

Asset and Liability Reconciliation Changes in the present value of defined benefit obligations:	2016 £'000	2015 £'000
Defined benefit obligations at start of period	**5,929**	**5,062**
Current service cost	315	270
Interest cost	225	218
Contributions by scheme participants	76	73
Actuarial loss	1,098	413
Estimated benefits paid	(99)	(107)
Defined benefit obligations at end of period	**7,544**	**5,929**

Changes in the fair value of plan assets:	2016 £'000	2015 £'000
Fair value of plan assets at start of period	**4,321**	**3,780**
Interest on plan assets	169	167
Actuarial gain / (loss)	340	177
Employer contributions	276	236
Contributions by scheme participants	76	73
Administration fee	(5)	(5)
Estimated benefits paid	(99)	(107)
Fair value of plan assets at end of period	**5,078**	**4,321**

LGPS pension deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of **£45k** in the 2015/16 tax year and **£47k** in 2016/17 in addition to normal funding levels until the next full valuation at which point the situation will be reviewed.

Notes to the Financial Statements for the year ended 31 July 2016

25. 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 2013 FE HE SORP was therefore 1st August 2014. As a consequence if adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

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

		1st August 2014 £'000	31st July 2015 £'000
Financial Position			
Total reserves under previous SORP		8,173	7,544
Employee leave accrual	(a)	(25)	(25)
Release of non-government capital grants	(b)	219	208
Accelerated depreciation	(b)	0	(208)
Total effect of transition to FRS 102 and 2015 FE HE SORP		194	(25)
Total reserves under 2015 FE HE SORP		**8,367**	**7,519**

		Year ended 31st July 2015 £'000
Financial Performance		
(Deficit) / Surplus for the year after tax under previous SORP		(309)
Reversal of capital grants amortisation	(b)	(11)
Accelerated depreciation	(b)	(208)
Pensions provision – actuarial loss	(c)	(236)
Changes to measurement of net finance cost on defined benefit plans Changes to measurement of net finance	(c)	(84)
Total effect of transition to FRS 102 and 2015 FE HE		(539)
Total comprehensive income for the year under 2015 FE HE SORP		**(848)**

Notes to the Financial Statements for the year ended 31 July 2016

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 to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 0 days unused leave for teaching staff and 203 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £25k was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £NIL has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

The college has taken the opportunity to accelerate the depreciation on these projects in the restated 2014/15 accounts in line with the amortisation of the grants.

c) Change in recognition of defined benefit plan finance costs

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

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

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