The HENLEY College

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Jayne Davis, Principal; Accounting Officer
Simon Cuthbert, Deputy Principal and Acting Principal
Kulbir Sethi, Director of Finance and Resources
Beryl Richardson, Director of HR and Professional Development / Acting Assistant Principal
Julian Brinsford, Head of Faculty / Acting Assistant Principal
Triston Arnison, Head of Faculty
Kathryn Caulfield, Head of Student Services

Satwant Deol was appointed Principal from 28 November 2016

Claire Harris acted as Clerk to the Corporation until 3 December 2015. Jacky Geary acted as Clerk to the Corporation from 23 November 2015.

Professional Advisers

Financial statement, regularity accountants and internal auditor:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers:
Lloyds TSB Bank PLC
25 Gresham Street
London
EC2V 7HN

Solicitors:
SGH Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

LEGAL STATUS

The Corporation, also referred to as the Governing Body, was established under The Further and Higher Education Act 1992 for the purpose of conducting The Henley College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

OUR VISION

An outstanding sixth form college for all.

OUR MISSION

Supporting our students to achieve their best by providing the highest quality of academic and vocational teaching and learning. An unrelenting focus on continuous quality improvement. Promoting high expectations, providing excellent pastoral care, welcoming individuality and developing independence.

PUBLIC BENEFIT

The Henley College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Education. The members of the Governing Body, who are Trustees of the charity, are disclosed on pages 15 to 18.

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

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; and
- Links with employers, industry and commerce.

Further information on the delivery of public benefit is provided throughout the Operating and Financial Review.

Operating and Financial Review (continued)

IMPLEMENTATION OF THE STRATEGIC PLAN

The College prepares mission and vision statements allied with a three year strategic plan which it updates on an annual basis. The priorities for this plan are set by Governors through an annual away day which focuses on strategic planning and the educational character of the College. This strategic plan forms the basis of plans made to the funding bodies to secure capital funding and also enables the College to negotiate targets with the funding bodies for student enrolments.

In a response to the strategic planning and educational character statement approved by Governors, the College successfully applied to re-designate as a sixth form college from September 2010. Whilst not involving significant curriculum changes this nevertheless was a clear statement of the College's aspiration to be a very high performing college and also was in keeping with the natural ethos of the College.

The Corporation monitors the performance of the College against the strategic plan. The College's key strategic objectives are:

- The College will deliver appropriate and relevant education which enables all learners to succeed and make significant progress relative to their starting points and learning goals. Students will progress from the College with the skills, knowledge and qualifications which enable them to have positive choices and be able to access further and higher education or progress into high quality employment;
- It is the long-term mission of the College that all teaching should be consistently outstanding. All learning programmes will be designed to meet the needs of individual students, and will be backed by frequent, relevant and accurate feedback on student progress;
- Achieve a balanced budget in each of the next three years and maintain our outstanding financial status;
- Maximise levels of remuneration within the limits of budgetary constraints and immediate College priorities; and
- Develop and implement agreed strategies that recruit and retain an effective, highly motivated and efficient workforce.

The College is making good progress towards achieving these objectives.

Progress made towards achieving the College's strategic objectives via the operational objectives for 2015/16 is as follows:

- The College recruited 1,752 16-18 students against a target of 1,860;
- Success rates improved in almost all Extended Diplomas;

Operating and Financial Review (continued)

IMPLEMENTATION OF THE STRATEGIC PLAN (continued)

- 520 students (approximately 90% of those applying) progressed to Higher Education by 1 September 2016 with some still going through clearing; and
- The College recorded a deficit of £654,000 for 2015/16. The College has developed a plan to address how to reduce the deficit going forward and is now implementing it.

FINANCIAL OBJECTIVES

The College's financial objectives are:

- To maintain a sound financial base (solvency and liquidity);
- To demonstrate good financial management;
- To improve the College's building stock and equipment; and
- To maintain the confidence of funding bodies, suppliers, bankers and professional advisers.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

PERFORMANCE INDICATORS

The College measures itself against the following performance indicators:

- Outcomes for learners, including success rates and value added;
- Delivery against funding targets;
- Financial health;
- Minimum standards;
- Quality of teaching, learning and assessment;
- Sixth Form College and all College averages; and
- Progression data.

The College is committed to observing the importance of sector measures and indicators and uses the Ofsted Data Dashboard website, which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education Funding Agency ("EFA"). The EFA's current rating of the College's financial health is Outstanding.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

The College reported a deficit for the year of £654,000 before the recognition of the actuarial loss on the Local Government Pension Scheme (2014/15 – surplus of £520,000).

At 31 July 2016 the College had accumulated reserves of £10,207,000 and cash balances of £5,059,000.

Tangible fixed asset additions amounted to £564,000. This was split between building improvements of £214,000 and equipment purchases of £350,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the Education Funding Agency (EFA) and the Skills Funding Agency (SFA) provided 90.78% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes would need to be authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the Education Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

At £254,000 (2014/15- £341,000), operating cash inflow remained relatively strong.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2015/16 the College has delivered activity that has produced £9,480,000 in funding body main allocation funding (2014/15 - £10,561,000). The College had approximately 2,431 funded students.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Student Achievements

2015/16 saw improvements in the headline pass rates for student achievements. Almost 98% of A level students achieved a pass grade with over 73% of students achieving A-C grades. At AS level, the achievement rate improved again, with nearly 90% of students passing. The high grades and A-C rates also improved, with students taking the new, more difficult AS examinations. Most students successfully progressed to year 2 of their courses.

Initial value added scores for the College indicate that while BTEC is overall good to better, A2 has improved on last year. Most of our vocational courses at level 3 continue to be well above the national averages for success rates and the percentage of triple distinctions*/distinctions was again very high. Timely success rates on apprenticeships have risen compared with last year however childcare qualifications are still slightly below the national average due to ICT level 2 being part of the frameworks.

Curriculum Developments

The College has a broad academic provision (38 A level subjects and over 20 vocational courses at level 3). The continued success of for example, the BTECs in Business, Forensics, Travel and Tourism, Child Care and IT were particularly pleasing and the College continues to see very good progression to Higher Education. BTEC Sports Science had significantly improved results this year with a 20% improvement in success rates for the Extended Diploma. Henley College Training (HCT) continues to recruit effectively for 16-18 and 19+ apprenticeships, however, there has been a drop in 19+ level 3 Child Care due to the introduction of GCSE Maths and English as part of the frameworks.

We continued to see a small increase in our part time evening provision in 2015/16 and a continuing target for the College is to increase the variety and flexibility of our part time evening provision for adults. The transfer of the management of this area to the Henley College Training continues to be successful and better links with marketing has improved the quality of communications. Online applications are available for part time courses and it is hoped this will make it an easier process for applicants and facilitate growth.

A College-wide student progress review, whereby subject and course teachers assess students' academic progress against their Minimum Grades (MG's), is now fully embedded and all review grades are sent electronically to parents. Targets are discussed and agreed within curriculum areas and also as part of the student's tutorial programme. Courses aimed at developing careers and employability skills have continued to be developed and now form part of all second year student's learning programmes. The careers advisor has also reviewed and enhanced the work experience programmes and all vocational programmes will offer an enhanced programme in the forthcoming year.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum Developments (continued)

All teachers, students, parents, support staff and their managers have access to student information through an online system created by Compass, called ProMonitor. This gives essential data on retention, support needs, relevant health alerts and even student photographs. The register system is also fully embedded as a web based system and allows notification to parents if there are problems with student attendance or progress. We have a swipe-based attendance system partially in place and hope to fully replace the web-based system with this for next year.

Absence letters are e-mailed to parents on a daily basis and parents can view real time register marks so that they can stay fully informed of their son or daughter's attendance at College. Parents and students can view their formal examination results online and ProMonitor now allows teachers to show live homework and vocational assessment marks to parents to ensure that they are fully informed of their son or daughter's progress.

Future Developments

The College is continuing to adapt its course structures to the new full time study programme framework. We already have a comprehensive enrichment programme and offer detailed and independent careers information and guidance, all of which can now count as non-qualification hours. We have also been able to secure Sport England Active College funds and this has enabled us to widen the enrichment offer and provide tasters for students (e.g. in Rock Climbing, Fencing, etc.).

It is likely that enhanced apprenticeship and other vocational programmes will form a key part of new business in the medium term especially as the A level focus nationally has been on having a smaller but more focussed programme of facilitating subjects. Recent (2015/16) enrolments show a higher proportion of full time vocational students with approximately 50% now taking these courses (this compares with less than 40% previously).

The College has continued to use its improved sports facilities over the past twelve months to run advanced coaching courses in Rugby, Football, Netball, Rowing and Basketball (often directly linked with high performing professional teams, e.g., Wasps, Leander and Reading Rockets). Recently the College invested in a full time Rugby development coach with the objectives of developing the links with Wasps and attracting elite Sports students to the College.

RESOURCES

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

Financial
The College has £10.2 million of net assets (after deducting a £5.3 million pension liability).

Operating and Financial Review (continued)

RESOURCES (continued)

People
The College employs 175 people (expressed as full time equivalents), of whom 93 are teaching staff.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

A risk register is maintained at the College which is reviewed termly by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk 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 (90.75% in 2015/16) on continued government funding through the funding bodies. The squeeze on public expenditure means that there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same level.

The College is aware of several issues that will impact on future funding:

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

1. Government Funding (continued)

- A new funding methodology came into force on 1 August 2013. This has caused a decrease in funding levels for the College. The College had to reorganise the curriculum as a result of the removal of the protection funding in 2014/15;
- The full-time programme framework for 16-18 year olds stipulates a minimum of 540 guided learning hours (glhs) for a student to qualify as a full-time student and receive full funding;
- A 17% cut in funding for students who are 18 years was introduced in 2014/15;
- Students are now required to continue to study towards a Maths and English qualification if they have not previously achieved an A-C grade in either subject. The students' total programme funding will be withdrawn if they fail to do so;
- 19+ Adult Skills funding is being cut year on year;
- Funding for Level 3 courses for 24+ students has been withdrawn and replaced by a student loan system. Initial take-up has not been high;
- 19+ funding is clawed back if recruitment targets are not met; and
- Formula protection funding (introduced in 2013 to temporarily protect some institutions from the impact of the funding cut introduced in that year) was withdrawn at the end of the 2015/16 academic year.

The College is mitigating the effect of reductions in funding through:

- The implementation of efficiency gains;
- Maximising room utilisation;
- Maximising other sources of funding;
- Reviewing the efficiency of the curriculum offer for both full-time and part-time students;
- Maintaining firm control over expenditure;
- The review of alternative curriculum strategies in order to minimise any funding shortfall;
- Increasing apprenticeship recruitment and full-cost provision;
- Consideration of external consultancy on efficiency; and
- Investigation into shared services.

2. Student Enrolments

The College wishes to maintain and grow its current student numbers in order to avoid a further reduction in income levels.

The College is aware of several issues that may impact on student numbers:

- Increased competition in the local area through the introduction of University Technical Colleges;
- Local Sixth Form reorganisation and rebuilding;
- Increases in the cost of home to college transport and public transport services; and
- Potential impact of Ofsted judgements.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

2. Student Enrolments (continued)

The College is mitigating the effect of reductions in funding through:

- Ensuring the College is rigorous in delivering high quality education and training;
- Strengthening the curriculum offer to ensure it meets student demand;
- Working closely with partner schools;
- Extending College bus routes;
- Funding transport subsidies and offering grants for transport costs wherever possible;
- Increased marketing and related marketing activities; and
- Improving the part-time course offer.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Sixth form commissioner;
- Staff;
- Local and regional employers (with specific links);
- Local authorities;
- Government offices/regional development agencies/LEPs;
- The community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

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

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The Henley College is committed to achieving an educational environment and vocational training environment which actively promotes equality of opportunity and freedom from discrimination on grounds of age, class, course, subject or training area, cultural or ethnic origin, disability, gender, marital status, nationality, religion, belief and sexual orientation in every aspect of College life and associated training activities. The College will seek to treat all those for whom it has responsibility, with respect and dignity and seek to provide a positive working and learning environment, free from discrimination, harassment or victimisation. The College will respect and seek to fully

Operating and Financial Review (continued)

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS (continued)

utilise and develop the diverse skills, talents and experiences of all its staff and students.

The College's Single Equality Scheme including all equality and diversity policies is published on the College's Internet site. The Scheme is reviewed and updated each year. It is monitored by the Equality, Diversity and Inclusion Group, Managers, Senior Leadership Team and Governors.

DISABILITY STATEMENT

The College affirms that individuals with disabilities are entitled to the same equal rights, responsibilities and opportunities as individuals without disabilities and will fulfil its requirements under the Disability Discrimination Act. The College is committed to making any reasonable adjustments that will promote equal access and opportunities for students, staff and members of the public with disabilities/or learning disabilities using College facilities.

There will be no discrimination against staff on grounds of disability in access to employment, training, working conditions, terms of employment, treatment at work, promotion or dismissal.

The College undertakes to fulfil its duty to make reasonable adjustments to enable staff to do their work, and not to treat staff with a disability less favourably than those without.

- Admission arrangements for students are outlined in the College's policy on student admission, guidance and induction. For full-time applicants, when the application form indicates a need for support this is established before interview and appropriate action is taken. On entry or on course any needs are identified to the Personal Tutor and support is implemented in line with the Policy for students with learning difficulties and/or disabilities.

- The College has in place a SenCo, who provides information and guidance. Should a need for support be established, appropriate action is taken and the Upgrade Study Support Manager is present at interview to provide specialist advice.

- The College has appointed specialist teachers and tutors to support students with learning difficulties and/or disabilities.

- Counselling and welfare services are provided at the College. Information concerning this function is published in the College Brochures, Handbooks and Student Newsletters.

- Information on College facilities is contained in the full and part-time brochures and full and part-time student handbooks. Particular needs are addressed and implemented.

Operating and Financial Review (continued)

DISABILITY STATEMENT (continued)

- The College endeavours to provide the technology and equipment appropriate to student and staff needs. The College holds a register of equipment for additional needs.

- Physical access audits have informed the basis of funding which has been provided to improve access in and around the twelve College buildings.

- The College Health, Safety and Security Manager carries out access arrangement meetings with staff, students or other stake holders to ensure that they are able to access the College buildings with regard to their requirement to do so.

GOING CONCERN

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

The members of the Corporation 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 of the Corporation 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 5 December 2016 and signed on its behalf by:

Jasminder Love
Chair

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in August 2012.

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

The Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	**Date of appointment**	**Term of office**	**Date of resignation**	**Status of appointment**	**Committees served**	**Attendance at full Corporation Meetings ***
Ms Louise Adams	16 Oct 2007; Re-appointed 1 Sept 2010 as Ext/Business; Re-appointed 1 Sept 2013	3 years	28 April 2016	Parent then re-appointed as Independent Member	Vice Chair of Corporation from 1 July 2013; Accom-modation Strategy (Chair from 1 May 2013); Remuneration	83%

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at full Corporation Meetings *
Mr John Aspinall	14 December 2015	4 years		Independent Member	Finance; Governance & Search	100%
Mrs Caroline Atkinson	28 Jan 2016	2 years		Parent Governor	Governance & Search	100%
Mr Tony Bellis	28 Jan 2016	2 years		Parent Governor	Governance & Search	75%
Mrs Nikki Bulteel	8 Feb 2016	4 years		Independent Member resigned and reappointed as Co-opted member	Quality Standards and Planning	0%
Mr Simon Cuthbert	17 Mar 2016			Acting Principal	Ex officio member: Employment Policy; Finance; Governance & Search; Quality Standards and Planning Stakeholder Engagement By invitation may attend: Audit; Remuneration	100%
Mrs Jayne Davis	1 Jan 2015		16 March 2016	Principal	Ex officio member: Employment Policy; Finance; Governance & Search; Quality Standards and Planning By invitation may attend: Audit; Remuneration	66%
Mr Stephen Forward	1 Nov 2013; Re-appointed 1 Nov 2015	4 years		Parent then re-appointed as Independent Member	Audit; Community Relations now Stakeholder Engagement (Chair);	100%
Mr Tom Godfrey	8 Oct 2015	4 years	28 February 2016	Independent Member resigned and reappointed as Co-opted member	Finance	33%
Miss Nieema Hassan	29 Jun 2015	1 year	28 January 2016	Student Governor	Stakeholder Engagement	100%
Mr Keith Heron	3 Oct 2013	4 years	10 July 2016	Co-opted Member then re-appointed as Independent Member	Quality Standards and Planning	67%

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at full Corporation Meetings *
Mr Rick Holroyd	1 Sept 2013	4 years		Independent Member/ Partner School Head	Quality Standards and Planning	67%
Mr Sam Juthani	12 Dec 2013	4 years		Independent Member	Community Relations now Stakeholder Engagement; Finance; Governance & Search	100%
Mr Mohammed Khaliel	10 Oct 2014	4 years		Independent Member	Quality Standards and Planning; Stakeholder Engagement	83%
Mr Peter Le Conte	2 Jan 2013	4 years		Independent Member	Vice Chair of Corporation 29 April 2016; Finance; Governance & Search; Quality Standards and Planning	83%
Mrs Jasminder Love	8 Dec 2010; Re-appointed 3 Oct 2013.	4 years		Parent Governor then reappointed as Independent Member	Chair of Corporation from 1 August 2013; Finance; Governance & Search (Chair from 10 Mar 2014); Remuneration (Chair from 1 Aug 2013); Quality Standards and Planning (Chair)	100%
Mr Ian McGaw	10 Dec 2009; Re-appointed 13 Dec 2012	3 years	10 December 2015	External/ Business	Audit (Chair until 25 Jan 2013 and from 13 Feb 2014); Community Relations (Chair from 13 Feb 2014); Employment Policy (Chair); Remuneration; Quality Standards and Planning	100%
Mr Norbert Nemcsik	29 June 2015	1 year	28 January 2016	Student Governor	Stakeholder Engagement	50%
Mrs Eva Rickett	16 Dec 2015	2 years		Parent Governor	Governance & Search	50%

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at full Corporation Meetings *
Mr Tony Sanderson	8 Dec 2005; Re-appointed 2 Dec 2007; Re-appointed 8 Dec 2010. Co-opted member from 12 Dec 2013	3 years	7 Dec 2013 (full member) 10 Dec 2015 (co-opt member)	Independent Member Co-opted Member	Finance (Chair); Co-opted member Finance from 7 Dec 2013 (Chair).	75%
Mrs Mia Tritton	27 Feb 2013	4 years		Independent Member	Employment Policy (Chair); Governance and Search; Remuneration; Stakeholder Engagement;	83%
Mr Martin Unsworth	8 Oct 2015	4 years		Staff Member	Employment Policy	83%
Mrs Robyn Vitty	11 Dec 2014	4 years		Staff Member	Community Relations now Stakeholder Engagement; Employment Policy	50%
Mr Simon White	27 Mar 2014	4 years		Independent Member	Audit (Chair); Employment Policy; Governance & Search	83%
Mrs Jeni Wood	10 Oct 2014	4 years		Independent Member	Community Relations now Stakeholder Engagement; Audit; Employment Policy	100%
Corporation Secretary: Mrs Jacky Gearey						

NB. The Instruments & Articles were revised and amended in March 2016 wherein the term of office for a member is now four years and not three as previously stated.

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

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

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; quality standards and planning; remuneration; governance and search; employment policy; accommodation strategy; stakeholder engagement and audit. Full minutes of the Corporation, except those deemed to be confidential by the Corporation, are available on the College's website

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

www.henleycol.ac.uk. Full minutes of all committee meetings are available from the Corporation Secretary at:

The Henley College
Deanfield Avenue
Henley-on-Thames
Oxon
RG9 1UH

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

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Corporation Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with.

The appointment, evaluation and removal of the Secretary are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management, and free from any business or other relationships 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 are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation has a Governance and Search Committee 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 four year term of office, other than the student member.

Corporation performance

Over the past academic year 2015/16 the Governing Board has put in a phenomenal amount of time and effort on behalf of the College, all of which has been aimed at securing its future success. The College was in Phase 2 of the Area Review which was initiated in December 2015 and finished in May 2016. The Area Review process culminated in the conclusion that the College would remain as an independent sixth form

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

college. Apart from all the additional work associated with this review, during this time the Principal also resigned in March 2016 and the Deputy Principal stepped in as an interim measure

pending the successful recruitment of a new Principal. Finally an Ofsted inspection was announced in early May resulting in a rating of "Good".

Remuneration Committee

Throughout the year ended 31 July 2016, the College's Remuneration Committee comprised three members of the Corporation (excluding the Accounting Officer and the Chair). The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders and the Corporation Secretary.

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

Internal Control

Scope of Responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the

achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between The Henley
Scope of Responsibility (continued)

College and the funding bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going 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 The Henley College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body;
- Regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

- The adoption of formal project management disciplines, where appropriate.

The Henley College has engaged its financial statements auditors to provide an internal audit plan, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The internal audit plan is informed by an analysis of the risks to which the College is exposed. The analysis of risks and the internal audit plans

The risk and control framework (continued)

are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the internal audit provider issues the Governing Body, via the Audit Committee, with a report on internal audit activity in the College. The report includes the internal audit provider's independent assurance on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The senior leadership 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 leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports therein from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior leadership team and the internal audit providers, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going Concern

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

Approved by order of the members of the Corporation on 5 December 2016 and signed on their behalf by:

Jasminder Love
Chair

S. Deol

Satwant Deol
Accounting Officer

Governing Body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education Funding Agency.

Jasminder Love
Chair

Satwant Deol
Accounting Officer

Date: 5 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 Education Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it 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 Education Funding Agency are used only in accordance with the Financial Agreement with the Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and 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 Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 5 December 2016 and signed on its behalf by:

Jasminder Love
Chair

Date: 5 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE HENLEY COLLEGE

We have audited the financial statements of The Henley College for the year ended 31 July 2016, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective Responsibilities of the Corporation of The Henley College and Auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2016 and of the College's deficit for the year then ended.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- all the information and explanations required for the audit were not received.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants and Registered Auditor
130 Wood Street
London
EC2V 6DL

14 December 2016

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE HENLEY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 28 April 2016 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The Henley 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 The Henley 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 The Henley 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 The Henley College and Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Henley College and the reporting accountant

The corporation of The Henley 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.

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF THE HENLEY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION FUNDING AGENCY (continued)

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

- Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and

- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

14 December 2016

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 £000	2015 Restated £000
Income			
Funding body grants	2	9,480	10,561
Tuition fees and education contracts	3	186	162
Other income	4	743	980
Investment income	5	34	31
Total income		**10,443**	**11,734**
Expenditure			
Staff costs	6	7,193	7,134
Fundamental restructuring costs	6	-	11
Other operating expenses	8	2,802	4,251
Depreciation	12	987	1,003
Interest payable	9	122	124
Total expenditure		**11,104**	**12,523**
(Deficit) before other gains and losses		**(661)**	**(789)**
Gains on disposal of assets	12	7	1,309
(Deficit) surplus before tax		**(654)**	**520**
Taxation	10	-	-
(Deficit) surplus for the year	11	**(654)**	**520**
Actuarial (loss) gain in respect of pension schemes		(1,687)	96
Total Comprehensive Income for the year		**(2,341)**	**616**
Represented by:			
Restricted comprehensive income		87	1,376
Unrestricted comprehensive income		(2,428)	(760)
		(2,341)	**616**

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure account £'000	Re-valuation reserve £'000	Total £'000	Restricted reserve £'000
Balance at 1 August 2014	**4,857**	**7,158**	**12,015**	**-**
Transfer non-government deferred capital grant to income and expenditure reserve	4	-	4	-
Restated balance at 1 August 2014	**4,861**	**7,158**	**12,019**	**-**
(Deficit) surplus from the income and expenditure account	(797)	-	(797)	1,318
Other comprehensive income	96	-	96	-
Transfers between revaluation and income and expenditure reserves	178	(178)	-	-
Reduction due to sale of land	-	(58)	(58)	58
Reversal of non-government deferred capital grant amortisation	(1)	-	(1)	-
	(524)	(236)	(760)	1,376
Balance at 31 July 2015	**4,337**	**6,922**	**11,259**	**1,376**
Balance at 31 July 2015 including restricted reserve				**12,635**
(Deficit) surplus from the income and expenditure account	(741)	-	(741)	-
Transfer between restricted reserve and income and expenditure reserve	87	-	87	(87)
Other comprehensive income	(1,687)	-	(1,687)	-
Transfers between revaluation and income and expenditure reserves	178	(178)	-	-
Total comprehensive income for the year	**(2,163)**	**(178)**	**(2,341)**	**(87)**
Balance at 31 July 2016	**2,174**	**6,744**	**8,918**	**1,289**
Balance at 31 July 2016 including restricted reserve				**10,207**

BALANCE SHEET AS AT 31 July	Notes	2016 £000	2015 Restated £000
Fixed assets			
Tangible assets	12	13,806	14,231
		13,806	**14,231**
Current assets			
Debtors	13	200	328
Cash at bank and in hand	19	5,059	5,413
		5,259	5,741
Less: Creditors: amounts falling due within one year	14	(1,023)	(1,341)
Less: Provisions for liabilities	16	(1)	(4)
Net current assets		**4,235**	**4,396**
Less: creditors: amounts falling due after more than one year	15	(2,495)	(2,640)
Net assets excluding defined benefit obligations		15,546	15,987
Defined benefit obligations	20	(5,339)	(3,352)
TOTAL NET ASSETS		**10,207**	**12,635**
Reserves			
Income and expenditure account excluding pension reserve	18	7,513	7,689
Pension reserve	20	(5,339)	(3,352)
Income and expenditure account including pension reserve	18	2,174	4,337
Revaluation reserve	17	6,744	6,922
Restricted reserve		1,289	1,376
Total reserves		**10,207**	**12,635**

The financial statements on pages 31 to 56 were approved by the Corporation on 5 December 2016 and were signed on its behalf on that date by:

Jasminder Love
Chair of Corporation

S. Deol

Satwant Deol
Accounting Officer

CASH FLOW STATEMENT

	2016 £000	Restated 2015 £000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(654)	520
Adjustment for non cash items		
Depreciation	987	1,003
Decrease in debtors	128	(194)
Decrease in creditors due within one year	(318)	(6)
Decrease in creditors due after one year	(145)	(21)
Decrease in provisions	(3)	(171)
Pensions costs less contributions payable	300	550
Adjustments for investing or financing activities		
Investment income	(34)	(31)
Gain on sale of fixed assets	(7)	(1,309)
Net cash flow from operating activities	**254**	**341**
Cash flows from investing activities		
Proceeds from sale of fixed assets	9	1,376
Investment income	34	31
Payments made to acquire fixed assets	(564)	(426)
Capital expenditure from restricted reserve	(87)	-
	(608)	**981**
(Decrease) increase in cash and cash equivalents in the year	**(354)**	**1,322**
Cash and cash equivalents at beginning of the year	5,413	4,091
Cash and cash equivalents at end of the year	**5,059**	**5,413**

Notes to the Financial Statements

1. ACCOUNTING POLICIES

Statement of accounting policies

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

Basis of preparation

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

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

Transition to the 2015 FE HE SORP

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

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 27.

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

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. This is revaluation as deemed cost – at 1 August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Recognition of income

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

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.

Post retirement 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.

Tangible fixed assets

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

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) 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. Buildings 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 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

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

Assets held under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs;
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Building fixtures and fittings	10 years
Motor vehicles	7 years
Equipment including IT equipment	4 to 10 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

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.

Taxation

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

The College is not registered for Value Added Tax, so it cannot recover any VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff on a part-time basis to administer Discretionary Learner Support Fund applications and payments.

2. FUNDING BODY GRANTS

	2016 £000	2015 £000
EFA/SFA recurrent grant	8,883	9,488
EFA/SFA non recurrent grants	14	453
Other non-recurrent grants	403	453
Release of deferred capital grants	180	167
Total	**9,480**	**10,561**

3. TUITION FEES AND EDUCATION CONTRACTS

	2016 £000	2015 £000
Tuition fees	186	162
Total	**186**	**162**

4. OTHER INCOME

	2016 £000	2015 £000
Income-generating activities	54	82
Home to College transport	337	366
Other income	352	532
Total	**743**	**980**

5. INVESTMENT INCOME

	2016 £000	2015 £000
Interest receivable	34	31
	34	**31**

6. STAFF COSTS

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

	2016 Number	2015 Number
Teaching staff	93	98
Non-teaching staff	82	88
	175	**186**

Staff costs for the above persons	2016 £000	2015 £000
Wages and salaries	5,694	5,535
Social security costs	430	381
Other pension costs (including FRS 102 (28) adjustment of £178,000 - 2015 £426,000)	1,033	1,171
Payroll sub total	**7,157**	**7,087**
Contracted out staffing services	36	47
	7,193	**7,134**
Exceptional restructuring costs	-	11
	7,193	**7,145**

The number of senior post-holders who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Senior post-holders 2016 Number	Senior post-holders 2015 Number
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	1
	2	**3**

No other staff received over £60,000 (2015 – none).

7. EMOLUMENTS OF KEY MANAGEMENT PERSONNEL, ACCOUNTING OFFICERS AND OTHER HIGHER PAID STAFF

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. They are represented by the Accounting Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2016 Number	2015 Number
The number of key management personnel including the Accounting Officer was:	8	8

	2016 £000	2015 £000
Salaries	474	456
Benefits in kind	-	1
Pension contributions	76	56
Total emoluments	544	521

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

	2016 £000	2015 £000
Salary	98	90
Benefits in kind	-	-
	98	90
Pension contributions	16	13

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees.

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

Key management personnel, including the Accounting Officer, received the pay increase of 1% in line with the general pay award. No bonuses or other salary enhancements were awarded to key management personnel.

8. OTHER OPERATING EXPENSES

	2016 £000	2015 £000
Teaching costs	1,445	1,886
Non-teaching costs	817	874
Premises costs	540	1,491
Total	**2,802**	**4,251**

	2016 £000	2015 £000
Other operating expenses include:		
Auditor's remuneration - financial statements audit (including regularity audit)	18	17
- internal audit	6	9
Hire of plant and machinery - operating leases	34	27
Hire of other assets - operating leases	5	20

9. INTEREST PAYABLE

	2016 £000	2015 £000
Pension finance costs (note 20)	**122**	**124**

10. TAXATION

The members do not believe the College is liable for any Corporation tax arising out of its activities.

11. (DEFICIT) SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The (deficit) surplus on continuing operations for the year is made up as follows.

	2016 £000	2015 £000
College's (deficit) surplus for the year	**(654)**	**520**

12. TANGIBLE FIXED ASSETS

	Freehold land & buildings £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2015	19,529	5,453	24,982
Additions	214	350	564
Disposals	-	(197)	(197)
At 31 July 2016	**19,743**	**5,606**	**25,349**
Depreciation			
At 1 August 2015	6,405	4,346	10,751
Charge for period	473	514	987
Eliminated in respect of disposals	-	(195)	(195)
At 31 July 2016	**6,878**	**4,665**	**11,543**
Net book value at 31 July 2016	**12,865**	**941**	**13,806**
Net book value at 31 July 2015	13,124	1,107	14,231

Land and buildings were valued in 1993 at depreciated replacement cost for the majority of buildings by a firm of independent surveyors. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis.

13. DEBTORS

	2016 £000	2015 £000
Amounts falling due within one year		
Trade debtors	20	14
Prepayments and accrued income	180	314
Total	**200**	**328**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Payments received in advance	224	245
Trade creditors	26	16
Taxation and social security	257	228
Accruals	186	655
Amounts owed to the Skills Funding Agency	150	30
Deferred income – government capital grants	180	167
Total	**1,023**	**1,341**

15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £000	2015 £000
Deferred income – government capital grants	2,495	2,640
Total	**2,495**	**2,640**

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring £000	Total £000
At 1 August 2015	4	4
Payments in the period	(3)	(3)
At 31 July 2016	**1**	**1**

The restructuring provision relates to exceptional restructuring costs that were agreed in July 2014.

17. REVALUATION RESERVE

	2016 £000	2015 £000
At 1 August	6,922	7,158
Transfer from revaluation reserve to income and expenditure account	(178)	(178)
Reduction in revaluation reserve due to sale of land	-	(58)
At 31 July	**6,744**	**6,922**

The transfer from the revaluation reserve to the income and expenditure account represents the difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount.

18. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Changes during the year		
At 1 August 2015	5,413	4,091
Net cash (outflow) inflow	(354)	1,322
At 31 July 2016	**5,059**	**5,413**

Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	2016 £000	2015 £000	Change in year £000
Cash at bank and in hand	709	2,413	(1,704)
Short-term deposits	4,350	3,000	1,350
	5,059	**5,413**	**(354)**

19. MANAGEMENT OF LIQUID RESOURCES

	2016 £000	2015 £000
Withdrawals from deposits	(1,350)	(1,500)
Net cash (outflow) / inflow from management of liquid resources	**(1,350)**	**(1,500)**

20. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Oxfordshire County Council. Both are defined-benefit schemes.

Total pension cost for the year		**2016** **£000**		**2015** **£000**
Teachers Pension Scheme: contributions payable		540		456
Local Government Pension Scheme:				
Contributions payable	314		289	
FRS 102 (28) adjustment	178		426	
Charge to the Income and Expenditure Account (staff costs)		492		715
Total Pension Cost for Year (note 6)		**1,033**		**1,171**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was at 31 March 2012, and of the LGPS 31 March 2013. Contributions amounting to £110,000 (2015 £99,000) were payable to the schemes at 31 July 2016 and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are 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 in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. 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.

20. PENSION AND SIMILAR OBLIGATIONS (continued)

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

The new employer contribution rate for the TPS 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.

20. PENSION AND SIMILAR OBLIGATIONS (continued)

Scheme changes (continued)

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

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

The pension costs paid to TPS, including employee's contributions, in the year amounted to £832,000 (2015: £749,000).

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Oxfordshire County Council. The total contribution made for the year ended 31 July 2016 was £426,000 of which employer's contributions totalled £314,000 and employees' contributions totalled £112,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2016	At 31 July 2015
Inflation assumption (RPI)	**3.0%**	3.5%
Inflation assumption (CPI)	**2.1%**	2.6%
Rate of increase in salaries	**3.9%**	4.4%
Rate of increase for pensions	**2.1%**	2.6%
Discount rate for liabilities	**2.5%**	3.8%
Commutation of pensions to lump sums	**50.0%**	50.0%
Take up of 50% contribution/50% benefits option	**10.0%**	10.0%

20. PENSION AND SIMILAR OBLIGATIONS (continued)

Principal Actuarial Assumptions (continued)

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

	At 31 July 2016	At 31 July 2015
Retiring today		
Males	**23.3**	23.3
Females	**25.8**	25.7
Retiring in 20 years		
Males	**25.6**	25.5
Females	**28.1**	28.0

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

		Fair Value at 31 July 2016 £'000		**Fair Value at 31 July 2015 £'000**
Equities		5,665		5,271
Bonds		1,464		1,256
Property		646		549
Cash		299		254
Other		672		647
Total market value of assets		**8,746**		**7,977**
Weighted average expected long term rate of return	**8.00%**		**10.00%**	
Actual return on plan assets		**301**		**429**

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	8,746	7,977
Present value of plan liabilities	(14,085)	(11,329)
Net pensions liability	**(5,339)**	**(3,352)**

20. PENSION AND SIMILAR OBLIGATIONS (continued)

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

	2016 £000	2015 £000
Amounts included in staff costs		
Current service cost	485	418
Administrative expense	7	8
Total	**492**	**426**

Amounts recognised in Other Comprehensive Income

	2016 £000	2015 £000
Return on pension plan assets	301	429
Experience losses arising on defined benefit obligations		
Changes in assumptions underlying the present value of plan liabilities	(1,988)	(623)
Amount recognised in Other Comprehensive Income	**(1,687)**	**(194)**

Movement in net defined benefit liability during the year

	2016 £000	2015 £000
Deficit in scheme at 1 August	(3,352)	(2,898)
Movement in year:		
Current service cost	(485)	(418)
Administration expense	(7)	(8)
Employer contributions	314	290
Net interest on the defined (liability)/asset	(122)	(124)
Actuarial gain or loss	(1,687)	(194)
Net defined benefit liability at 31 July	**(5,339)**	**(3,352)**

20. PENSION AND SIMILAR OBLIGATIONS (continued)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2016 £000	2015 £000
Defined benefit obligations at 1 August	11,329	9,967
Current service cost	485	418
Interest cost	428	425
Contributions by Scheme participants	122	101
Change in financial assumptions	1,988	623
Estimated benefits paid	(267)	(205)
Defined benefit obligations at 31 July	**14,085**	**11,329**

Reconciliation of Assets

	2016 £000	2015 £000
Fair value of plan assets at 1 August	7,977	7,069
Interest on plan assets	306	301
Return on plan assets	301	429
Administration expense	(7)	(8)
Employer contributions	314	290
Contributions by Scheme participants	122	101
Estimated benefits paid	(267)	(205)
Assets at 31 July	**8,746**	**7,977**

21. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

22. CAPITAL COMMITMENTS

The College had capital commitments totalling £500,000 contracted for (or authorised but not contracted for) at 31 July 2016 (2015 - £266,000). This relates largely to the IT replacement plan to introduce tablets across the College.

23. FINANCIAL COMMITMENTS

At 31 July 2016 the College had minimum lease payments under non-cancellable operating leases for plant and machinery and other assets as follows:

	2016 £000	2015 £000
Not later than one year	32	13
Later than one year and not later than five years	76	17
	108	**30**

24. CONTINGENT LIABILITY

There are no contingent liabilities at 31 July 2016 (2015 - £nil).

25. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102 (33) – Related Party Disclosures.

26. LEARNER SUPPORT FUNDS

	2016 £000	2015 £000
Funding body grants – hardship support	123	143
Funding body grants – childcare	-	-
	123	143
Disbursed to Students	(116)	(107)
Administration costs	(6)	(6)
Balance unspent at 31 July	**1**	**30**

The above Funding Body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances the grants and related disbursements are therefore excluded from the income and expenditure account.

27. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP

The year ended 31 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 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

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

	1 August 2014 £'000	1 August 2015 £'000
Financial position		
Total reserves under previous SORP	12,015	12,632
Release of non-government capital grants	4	3
Total effect of transition to FRS 102 and 2015 FE HE SORP	4	3
Total reserves under 2015 FE HE SORP	**12,019**	**12,635**

	Year ended 31 July 2015 £'000
Financial performance	
Surplus for the year after tax under previous SORP	954
Reversal of capital grants amortisation	(1)
Pensions provision – actuarial loss	96
Changes to measurement of net finance cost on defined benefit plans	(433)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(338)
Total comprehensive income for the year ended 31 July 2015 under 2015 FE HE SORP	**616**

27. TRANSITION TO FRS 102 AND THE 2015 FE HE SORP (continued)

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 31 August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 457 days unused leave for teaching staff and non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. Since the cost at 31 July 2015 and 31 July 2016 does not materially affect the accounts, no provision has been made.

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.

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 31 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.