The HENLEY College

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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 2016/17:

Satwant Deol was appointed Principal and Accounting Officer on 28 November 2016
Simon Cuthbert, Deputy Principal/ Acting Principal from February 2016 to November 2016
Kulbir Sethi, Director of Finance and Resources until July 2017
Eva Dixon, Interim Director of Finance and Operations from July 2017
Beryl Richardson, Director of HR and Professional Development/ Acting Assistant Principal from February 2016 to November 2016
Julian Brinsford, Head of Faculty/ Acting Assistant Principal from February 2016 to November 2016
Triston Arnison, Head of Faculty
Kathryn Caulfield, Head of Student Services
Lynn Jenkins, Head of Faculty

Jacky Geary acted as Clerk to the Corporation.

Professional Advisers

Financial statements auditor and reporting accountants
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 2017.

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 following the Machinery of Government changes in July 2016, 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 16 to 20.

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.
- Links with Local Enterprise Partnerships (LEPs)

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 2016/17 is as follows:

- The College recruited 1,836 16-18 students against a target of 1,745

- Success rates improved in almost all Extended Diplomas

- A Level Value Added improved from 6 to 4 points

Operating and Financial Review (continued)

IMPLEMENTATION OF THE STRATEGIC PLAN (continued)

- The College recorded a deficit of £2,031,000 for 2016/17. 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

Financial Objective	Budget	Forecast	Outturn
Liquidity: Adjusted Current Ratio	4.8	4.2	4.2
Expenditure: Pay Costs as a % Income	68%	75%	77%
Margin: Operating Result on continuing operations (exclusive of the effects of pension adjustments)	(£0.36m)	(£1.1m)	(£1.1m)
Margin: EBITDA / EBITDA Ratio	£0.2m / 2%	£0.5m / (5%)	£0.45m / (5%)
Gearing: Long Term Debt as a % of Income	0%	0%	0%
Cash: Net Cash Inflow from Operating Activities	£0.2m	(£0.3m)	(£0.7m)
Financial Health Grade	Good	Satisfactory	Satisfactory

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 and Skills Funding Agency ("ESFA"). The ESFA's current rating of the College's financial health has been moderated to Satisfactory as a result of scoring 0 points in the EBIDTA ratio. The other financial indicators of liquidity and gearing remain strong and well above sector average.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial results

The College reported a deficit for the year of £2,031,000 before the recognition of the actuarial gain on the Local Government Pension Scheme (2015/16 – deficit of £654,000).

At 31 July 2017 the College had accumulated reserves of £8,661,000 (2015/16 – 10,207,000) and cash balances of £3,664,000 (2015/16 – £5,059,000).

Tangible fixed asset additions amounted to £601,000, which related mainly to equipment purchases.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the Education Skills and Funding Agency (ESFA) provided 90.33% (2015/16 – 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 and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and Liquidity

At an outflow of £693,000 (2015/16 – inflow of £254,000), operating cash inflow remained relatively strong. The net cashflow resulted from an increase in staff costs mainly in curriculum areas and one off restructuring costs. The college also incurred extra costs due an increase in learner numbers, the lagged funding for these learners is included in 2017/18 financial year.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £1,174,000 held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £921,000 (2016 – £2,174,000). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2016/17 the College has delivered activity that has produced £9,164,000 in funding body main allocation funding (2015/16 - £9,480,000). The College had approximately 2,359 funded students.

2016/17 saw improvements in the headline pass rates for student achievements. Over 98% of A level students achieved a pass grade with over 75% of students achieving A-C grades. At AS level, the achievement rate improved again, with over 92% of students passing. The high grades and A-C rates also improved, the results being the best achieved at the college. Most students successfully progressed to year 2 of their courses.

Initial A Level Performance System (ALPS) value added scores for the College indicate that our A level performance is very good while our BTEC performance is excellent. Most of our Extended Diploma 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.

Curriculum Developments

The College has a broad academic provision (37 A level subjects and over 20 vocational courses at level 3). The continued success of for example, the Extended Diplomas in Engineering, Business, Forensics, Travel and Tourism, Health and Social Care and IT were particularly pleasing (as was the University Arts of London Diploma for Creative and Media) and the College continues to see very good progression to Higher Education. Henley College Training (HCT) is being completely reviewed as we look to focus on STEM subjects and professional business qualifications and a new Director of Business Development has been appointed. This is in response to the new apprenticeship levy and the employer skills needs as outlined by the three local enterprise partnerships (Oxfordshire, Berkshire and Buckinghamshire) with which we work.

Our part time evening provision in 2016/17 had relatively few enrolments 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 now available for part time courses as well as full time courses and this will make it an easier process for applicants and is intended to 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, employability skills have continued to be developed, and now form part of all student's learning programmes. The careers advisor continues to review and enhance the work experience programmes and all vocational programmes will offer integrated work placements 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, 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. Parents can also use the system to communicate directly with tutors and teachers.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2016 to 31 July 2017, the College paid virtually all of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Future Developments

Things are changing rapidly at The Henley College and there is every reason to believe that it has a positive financial future ahead with significant opportunities for growth and an ever-strengthening role in developing the futures of young people in the local and wider community. We aim to be "Leaders in Learning" with Henley on Thames as well known worldwide as a place with a culture of learning as it is now for rowing. Our young graduates will be as highly sought after by industry as they are by universities.

The new Principal and Chief Executive, supported by the Board of Governors under a new Chair, has led a restructure of the Senior Leadership team; the development of an ambitious three-stage Estates Strategy aimed at future proofing the College's infrastructure and creating a world class learning environment and the creation of a new 3 year Strategic Plan to be adopted from the start of 2018. This incorporates the continuation of a forensic review of all College activities and a clear action plan to take The Henley College to Outstanding within the life of the Plan. We will be working closely with all stakeholders, including the Unions, to ensure success.

The target for the College is to achieve and Outstanding financial status by 2021. To achieve this, the College will be combining growth, particularly in Higher Level Apprenticeships and student numbers, with a focus on a curriculum offer that sets it apart

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Future Developments (continued)

from local competitors and an emphasis on operating efficiency at every level. This will be supported by a comprehensive review of all business systems. Reporting tools that will allow more effective monitoring are being developed and a structured regime of business planning implemented. A new recruitment approvals mechanism is already in place. This will be followed by devolved budgets and greater accountability within cost centres, all supported by training.

A new Director of Business Development is about to take up her post with the remit of developing Higher Level apprenticeships specifically in the STEM and Creative areas that are key LEP priorities, growing adult learning, particularly professional and technical programmes, and building a commercially attractive international offer. A restructure of the Henley Training Company is under way. This will position the organisation to take advantage of commercial opportunities locally and nationally more effectively. Links with Levy paying employers are being strengthened, a business relationship with Volvo has been established and we are in discussions with the BBC and other media organisations about co-located learning opportunities. We have also forged strong links with the Town Council and other stakeholders within our catchment area.

Co-location and partnership working are a key part of our existing and future learning strategy; Our Sports Academy is thriving with strong links in place with Wasps for Rugby, the Leander Club for Rowing and Reading Rockets for Basketball and there is a proposed delivery partnership with a school in High Wycombe, which would allow The Henley College to provide learning in an area that is currently at the very edge of the catchment. We are developing international business with links in Spain to English language tuition and a planned summer school in Henley in July 2018.

We will continue to explore ways to grow our core student numbers, continuing the trend of growth in 16-18 numbers against a declining demographic. We are extending our range of higher-level offers, working with universities such as Reading, Brunel, Oxford Brookes and Buckinghamshire to create effective pathways to degree level. Our range of Level Two offers is also being widened. This will allow students to study engaging vocational programmes alongside English and Maths GCSEs and provide them with a solid foundation for their next step in learning. We will also be expanding digital learning and communications, creating a resource base to support 21st century learning and ensuring that all of our stakeholders are fully aware of the developing college offer and how to access it.

RESOURCES

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

Financial
The College has £8.7 million of net assets (after deducting a £5.2 million pension liability).

People
The College employs 185 people (expressed as full time equivalents), of whom 97 are teaching staff.

Operating and Financial Review (continued)

RESOURCES (continued)

Reputation
The College has an excellent 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 (90.3% in 2016/17) 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 which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeship levy will significantly affect that marketplace though the full implications are not yet known as government policy continues to develop.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

1. Government Funding (continued)

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.

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
- Close monitoring of the demand for courses as prices change.

3. Maintain adequate funding of pension liabilities

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

This risk is mitigated by an agreed deficit recovery plan with the Oxfordshire County Council Pension Scheme.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Satisfactory". This is largely the consequence of high staff cost especially in curriculum areas, restructuring costs and reduction in income associated with high needs provision and apprenticeships. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Staff;
- The community;
- Education sector funding bodies;
- Benchmarking groups;
- Local and regional employers (with specific links);
- Local authorities;
- Government offices/regional development agencies/LEPs;
- 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.

Operating and Financial Review (continued)

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS (continued)

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 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.

Operating and Financial Review (continued)

DISABILITY STATEMENT (continued)

- 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.

- 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 4 December 2017 and signed on its behalf by:

Peter Le Conte
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 2017. 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-07; Re-appointed; 01-Sep-10 as Ext/Business; Re-appointed 01-Sep-13	3 years	01-Jan-17	Parent then re-appointed as Independent Member	Estates Strategy (Chair from 1 May 2013)	n/a
Mr John Aspinall	14-Dec-15	4 years	Resigned Nov 17, then came back Feb 2017. Resigned 26-Jul-17	Independent Member	Finance; Remuneration; Estates Strategy (Chair)	100%

Mrs Caroline Atkinson	28-Jan-16	2 years	resigned Jan 17; work	Parent Governor	Governance & Search	67%
Mr Tony Bellis	28-Jan-16	2 years	14-Jul-17	Parent Governor	Governance & Search	83%
Mrs Nikki Bulteel	08-Feb-16. Reappointed 03-Apr-17	4 years		Independent Member resigned and reappointed as Co-opted member then reappointed as Co-opted 03-Apr -17	Quality and Standards	50%
Mr Simon Cuthbert	17-Mar-16	n/a	28-Nov-16	Acting Principal	Ex officio member: Employment Policy; Finance; Governance & Search; Quality Standards and Planning; By invitation may attend: Audit; Remuneration	100%
Mrs Catherine Darnton	03-Apr-17	4 years		Independent/ Partner School Head	Quality and Planning	100%
Mrs Satwant Deol	28-Nov-16			Principal	Ex officio member: Employment Policy; Finance; Governance & Search; Quality Standards and Planning; By invitation may attend: Audit; Remuneration	100%
Mr Stephen Forward	01-Nov-13; Re-appointed 01-Nov-15	4 years		Parent then re-appointed as Independent Member	Audit (Chair wef Mar 17); Remuneration; Stakeholder Engagement (Chair)	100%
Mr Tom Godfrey	08-Oct-15 reappointed as Co-opted member 28-Feb-16	4 years		Independent Member resigned and reappointed as Co-opted member	Finance	n/a
Mr Rick Holroyd	01-Sep-13	4 years		Independent Member/ Partner School Head	Quality Standards and Planning	0%
Mr Sam Juthani	12-Dec-13	4 years		Independent Member	Stakeholder Engagement; Finance (Chair); Governance & Search	83%
Mr Mohammed Khaliel	10-Oct-14	4 years		Independent Member	Quality Standards and Planning; Stakeholder Engagement	67%

Mr Peter Le Conte	02-Jan-13	4 years		Independent Member	Chair of Corporation from Jan 2017; Finance; Governance & Search; Quality Standards and Planning	100%
Mrs Jasminder Love	08-Dec-10; Re-appointed 03-Oct-13	4 years	Jan-17	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%
Mrs Eva Rickett	16-Dec-15	2 years		Parent Governor	Governance & Search; Quality Standards and Planning; Stakeholder Engagement	83%
Mrs Sarah Rush	27-Jun-16			Staff Member	Employment Policy	80%
Mrs Mia Tritton	27-Feb-13	4 years (now in 2nd term)		Independent Member	Employment Policy (Chair); Governance and Search; Remuneration; Stakeholder Engagement;	100%
Mr Martin Unsworth	08-Oct-15	4 years		Staff Member	Employment Policy; Finance	100%
Mrs Robyn Vitty	11-Dec-14	4 years		Staff Member	Community Relations now Stakeholder Engagement; Employment Policy	100%
Dr Trevor Watkins	03-Apr-17	4 years		Independent Member	Quality and Standard	50%

Mr David Welch	03-Apr-17	4 years		Independent Member	Audit	100%
Mr Simon White	27-Mar-14	4 years		Independent Member	Audit (Chair upto Mar 17); Employment Policy; Governance & Search; Remuneration	83%
Mrs Jeni Wood	10-Oct-14	4 years		Independent Member	Community Relations now Stakeholder Engagement; Audit; Employment Policy	83%
Mr Charles Wiggin	05-Mar-07	n/a		Co-opted	Audit	n/a

Clerk to the Corporation: Jacky Geary

Please note that with effect from April 2017 the following committees were dissolved or renamed:
1. Quality, Standards & Planning renamed Quality and Standards
2. Finance renamed Finance & Resources
3. Employment Policy dissolved and incorporated into the Finance & Resources committee
4. Stakeholder engagement dissolved
5. Prevent Duty dissolved
6. Chairs of Committees dissolved.

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; Estates 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 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 2016/17 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.

Remuneration Committee

Throughout the year ended 31 July 2017, 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 2017 are set out in note 7 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 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

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,

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

effectively and economically. The system of internal control has been in place in The Henley College for the year ended 31 July 2017 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 2017 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
- The adoption of formal project management disciplines, where appropriate.

The Henley College has an internal audit service, which operates in accordance with the requirements of the ESFA's post 16 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 are endorsed by the Corporation on the recommendation of the Audit Committee.

Review of effectiveness

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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.

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

Going Concern

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

Approved by order of the members of the Corporation on 4 December 2017 and signed on their behalf by:

Peter Le Conte	Satwant Deol
Chair	Accounting Officer

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

The Corporation has considered its responsibility to notify the Education Skills and Funding Agency (ESFA), of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the financial memorandum in place. 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 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 ESFA.

Peter Le Conte
Chair

Satwant Deol
Accounting Officer

Date: 4 December 2017

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 College's Funding Agreement with the ESFA, 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 2016 to 2017 issued by ESFA, 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 ESFA are not put at risk.

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION (continued)

Approved by order of the members of the Corporation on 4 December 2017 and signed on its behalf by:

Peter Le Conte
Chair

Date: 4 December 2017

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

Opinion

We have audited the financial statements of The Henley College (the 'college') for the year ended 31 July 2017 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 notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2017 and of its deficit of income under expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE HENLEY COLLEGE (continued)

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the college or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE HENLEY COLLEGE (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

8 December 2017

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

In accordance with the terms of our engagement letter dated 28 April 2016 and further to the requirements of the funding agreement with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by The Henley College during the period 1 August 2016 to 31 July 2017 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 Post 16 Audit Code of Practice issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of The Henley College and the Department 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 the Department 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 the Department 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 Code.

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 2016 to 31 July 2017 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 Code issued jointly by the Department. 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 DEPARTMENT FOR EDUCATION ("the Department") (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 2016 to 31 July 2017 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

8 December 2017

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 £000	2016 £000
Income			
Funding body grants	2	9,164	9,480
Tuition fees and education contracts	3	178	186
Other income	4	788	743
Investment income	5	14	34
Total income		**10,144**	**10,443**
Expenditure			
Staff costs	6	8,039	7,193
Fundamental restructuring costs	6	131	-
Other operating expenses	8	2,896	2,802
Depreciation	11	980	987
Interest payable	9	129	122
Total expenditure		**12,175**	**11,104**
Deficit before other gains and losses		**(2,031)**	**(661)**
Gains on disposal of assets		-	7
Deficit before tax		**(2,031)**	**(654)**
Taxation	10	-	-
Deficit for the year		**(2,031)**	**(654)**
Actuarial gain/ (loss) in respect of pension schemes		600	(1,687)
Total Comprehensive Income for the year		**(1,431)**	**(2,341)**
Represented by:			
Restricted comprehensive income		115	87
Unrestricted comprehensive income		(1,546)	(2,428)
		(1,431)	**(2,341)**

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure account £'000	Revaluation reserve £'000	Restricted Reserve	Total £'000
Balance at 1st August 2015	4,337	6,922	1,376	12,635
Deficit from the income and expenditure account	(741)	-	-	(741)
Transfers between restricted reserves and income and expenditure reserves	87		(87)	-
Deficit for the year	(654)	-	(87)	(741)
Other comprehensive income	(1,687)	-		(1,687)
Transfers between revaluation and income and expenditure reserves	178	(178)		-
Balance at 31st July 2016	**2,174**	**6,744**	**1,289**	**10,207**
Deficit from the income and expenditure account	(2,146)	-	-	(2,146)
Transfers between restricted reserves and income and expenditure reserves	115	-	(115)	-
Deficit for the year	(2,031)	-	(115)	(2,146)
Other comprehensive income	600	-	-	600
Transfers between revaluation and income and expenditure reserves	178	(178)	-	-
Total unrestricted comprehensive income for the year	(1,253)	(178)	(115)	(1,546)
Balance at 31st July 2017	**921**	**6,566**	**1,174**	**8,661**

BALANCE SHEET AS AT 31 July

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible Fixed Assets	11	13,427	13,806
		13,427	**13,806**
Current assets			
Trade and other receivables	12	143	200
Cash and cash equivalents	17	3,664	5,059
		3,807	5,259
Less: Creditors: amounts falling due within one year	13	(1,012)	(1,023)
Net current assets		**2,795**	**4,236**
Total Assets less Current Liabilities		**16,222**	**18,042**
Less: creditors: amounts falling due after more than one year	14	(2,372)	(2,495)
Provisions			
Defined benefit obligations	18	(5,188)	(5,339)
Other Provisions	15	(1)	(1)
TOTAL NET ASSETS		**8,661**	**10,207**
Reserves			
Income and expenditure account		921	2,174
Revaluation reserve	16	6,566	6,744
Restricted reserve		1,174	1,289
Total reserves		**8,661**	**10,207**

The amounts in the restricted reserves relate to a sale of land in 2015, and are used to reinvest in college's estate subject to prior approval by the Corporation.

The financial statements on pages 32 to 55 were approved by the Corporation on 4 December 2017 and were signed on its behalf on that date by:

Peter Le Conte
Chair of Corporation

S. Deol

Satwant Deol
Accounting Officer

STATEMENT OF CASH FLOWS

	2017 £000	2016 £000
Cash inflow from operating activities		
Deficit for the year	(2,031)	(654)
Adjustment for non cash items		
Depreciation	980	987
Decrease in debtors	57	128
Decrease in creditors due within one year	(11)	(318)
Decrease in creditors due after one year	(123)	(145)
Decrease in provisions	-	(3)
Pensions costs less contributions payable	449	300
Adjustments for investing or financing activities		
Investment income	(14)	(34)
Gain on sale of fixed assets	-	(7)
Net cash flow from operating activities	**(693)**	**254**
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	9
Investment income	14	34
Payments made to acquire fixed assets	(601)	(564)
Capital expenditure from restricted reserve	(115)	(87)
	(702)	**(608)**
Decrease in cash and cash equivalents in the year	**(1,395)**	**(354)**
Cash and cash equivalents at beginning of the year	5,059	5,413
Cash and cash equivalents at end of the year	**3,664**	**5,059**

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 2016 to 2017 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.

These financial statements are presented in sterling and are rounded to the nearest thousand pounds.

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 Education 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 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 conditions are 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 there is insufficient information available to use defined benefit accounting. 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 interest and other finance costs.

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 as it is considered to have an infinite useful life. 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.

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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty.

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

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

- Local Government Pension Scheme: The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

	2017 £000	2016 £000
ESFA recurrent grant	8,636	8,883
ESFA non recurrent grants	8	14
Other non-recurrent grants	345	403
Release of deferred capital grants	175	180
Total	**9,164**	**9,480**

3. TUITION FEES AND EDUCATION CONTRACTS

	2017 £000	2016 £000
Tuition fees	178	186
Total	**178**	**186**

4. OTHER INCOME

	2017 £000	2016 £000
Income-generating activities	51	54
Home to College transport	365	337
Other income	372	352
Total	**788**	**743**

5. INVESTMENT INCOME

	2017 £000	2016 £000
Interest receivable	14	34
	14	**34**

6. STAFF COSTS

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

	2017 Number	2016 Number
Teaching staff	97	93
Non-teaching staff	88	82
	185	**175**

Staff costs for the above persons	**2017 £000**	**2016 £000**
Wages and salaries	6,119	5,694
Social security costs	553	430
Other pension costs (including FRS 102 (28) adjustment of £320,000 - 2016 £178,000)	1,234	1,033
Payroll sub total	**7,906**	**7,157**
Contracted out staffing services	133	36
	8,039	**7,193**
Exceptional restructuring costs - contractual	131	-
	8,170	**7,193**

The number of senior post-holders who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Senior Post-holders 2017 Number	Senior Post-holders 2016 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
	2	2

No other staff received over £60,000 (2016 – 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 and are represented by the College Leadership Team which comprises the Principal, Deputy Principal, Director of HR & Professional Development, Director of Finance and Operations, Head of Student Services and Faculty Heads. Staff costs include compensation paid to key management personnel for loss of office.

	2017 Number	2016 Number
The number of key management personnel including the Accounting Officer was:	8	8

Key management personnel compensation is made up as follows:

	2017 £000	2016 £000
Salaries - gross of salary sacrifice and waived	454	474
Employers National Insurance	55	45
Benefits in kind	-	-
Pension contributions	74	76
Total emoluments	583	595

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

The above emoluments include amounts payable to the Accounting Officer of:

	2017 £000	2016 £000
Salary	67	98
Benefits in kind	-	-
	67	98
Pension contributions	10	16

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Local Government 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

	2017 £000	2016 £000
Teaching costs	1,417	1,445
Non-teaching costs	970	817
Premises costs	509	540
Total	**2,896**	**2,802**

	2017 £000	2016 £000
Other operating expenses include:		
Auditor's remuneration - financial statements audit (including regularity audit)	14	18
- internal audit	2	6
Hire of plant and machinery - operating leases	33	34
Hire of other assets - operating leases	5	5

9. INTEREST PAYABLE

	2017 £000	2016 £000
Pension finance costs (note 18)	**129**	**122**

10. TAXATION

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

11. TANGIBLE FIXED ASSETS

	Freehold land & buildings £000	Equipment £000	Total £000
Cost or valuation			
At 1 August 2016	19,743	5,606	25,349
Additions	-	601	601
Disposals	-	(316)	(316)
At 31 July 2017	**19,743**	**5,891**	**25,634**
Depreciation			
At 1 August 2016	6,878	4,665	11,543
Charge for period	469	511	980
Eliminated in respect of disposals	-	(316)	(316)
At 31 July 2017	**7,347**	**4,860**	**12,207**
Net book value at 31 July 2017	**12,396**	**1,031**	**13,427**
Net book value at 31 July 2016	12,865	941	13,806

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.

12. TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Amounts falling due within one year		
Trade debtors	10	20
Prepayments and accrued income	133	180
Total	**143**	**200**

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Payments received in advance	175	224
Trade creditors	13	26
Taxation and social security	279	257
Accruals	165	186
Amounts owed to the Education Skills Funding Agency	205	150
Deferred income – government capital grants	175	180
Total	**1,012**	**1,023**

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £000	2016 £000
Deferred income – government capital grants	2,372	2,495
Total	**2,372**	**2,495**

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring £000	Total £000
At 1 August 2016 and 31 July 2017	1	1

The restructuring provision relates to exceptional restructuring costs that were agreed for future periods.

16. REVALUATION RESERVE

	2017 £000	2016 £000
At 1 August	6,744	6,922
Transfer from revaluation reserve to income and expenditure account	(178)	(178)
At 31 July	**6,566**	**6,744**

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.

17. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Changes during the year		
At 1 August 2016	5,059	5,413
Net cash (outflow) inflow	(1,395)	(354)
At 31 July 2017	**3,664**	**5,059**

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

	2017 £000	2016 £000	Change in year £000
Cash at bank and in hand	614	709	(95)
Short-term deposits	3,050	4,350	(1300)
	3,664	**5,059**	**(1,395)**

18. 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		**2017 £000**		**2016 £000**
Teachers Pension Scheme: contributions payable		566		540
Local Government Pension Scheme:				
Contributions payable	348		314	
FRS 102 (28) adjustment	320		178	
Charge to the Income and Expenditure Account (staff costs)		668		492
Total Pension Cost for Year (note 6)		**1,234**		**1,032**

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £112,000 (2016 – £110,000) were payable to the scheme at 31st July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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.

18. PENSION AND SIMILAR OBLIGATIONS (continued)

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:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme changes

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

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

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

18. PENSION AND SIMILAR OBLIGATIONS (continued)

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

The pension costs paid to TPS, including employee's contributions, in the year amounted to £861,000 (2016 – £832,000).

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 2017 was £471,000 of which employer's contributions totalled £346,000 and employees' contributions totalled £125,000. The agreed contribution rates for future years are 17.1% 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 2016 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Inflation assumption (RPI)	**3.6%**	3.0%
Inflation assumption (CPI)	**2.7%**	2.1%
Rate of increase in salaries	**4.2%**	3.9%
Rate of increase for pensions	**2.7%**	2.1%
Discount rate for liabilities	**2.7%**	2.5%
Commutation of pensions to lump sums	**50.0%**	50.0%
Take up of 50% contribution/50% benefits option	**10.0%**	10.0%

18. PENSION AND SIMILAR OBLIGATIONS (continued)

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

	At 31 July 2017	At 31 July 2016
Retiring today		
Males	**23.4**	23.3
Females	**25.5**	25.8
Retiring in 20 years		
Males	**25.6**	25.6
Females	**27.8**	28.1

Sensitivity analysis	**At 31 July 2017**	**At 31 July 2016**
	£'000	£'000
Discount rate +0.1%	**(319)**	585
Discount rate -0.1%	**325**	613
Mortality assumption – 1 year increase	**564**	614
Mortality assumption – 1 year decrease	**(544)**	(584)
CPI rate +0.1%	**44**	613
CPI rate -0.1%	**(44)**	(586)

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

		Fair Value at 31 July 2017 £'000		**Fair Value at 31 July 2016 £'000**
Equities		6,499		5,665
Bonds		2,077		1,464
Property		685		646
Cash		406		299
Other		869		672
Total market value of assets		**10,536**		**8,746**
Weighted average expected long term rate of return	**17.00%**		**8.00%**	
Actual return on plan assets		**1,471**		**301**

18. PENSION AND SIMILAR OBLIGATIONS (continued)

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

	2017 £000	2016 £000
Fair value of plan assets	10,536	8,746
Present value of plan liabilities	(15,724)	(14,085)
Net pensions liability	**(5,188)**	**(5,339)**

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

	2017 £000	2016 £000
Amounts included in staff costs		
Current service cost	665	485
Administrative expense	1	7
Total	**666**	**492**
Amounts included in interest costs	**129**	**122**

Amounts recognised in Other Comprehensive Income

	2017 £000	2016 £000
Return on pension plan assets	1,249	301
Other actuarial gains on assets	56	-
Experience gains arising on defined benefit obligations	328	-
Changes in demographic assumptions	(14)	-
Changes in assumptions underlying the present value of plan liabilities	(1,019)	(1,988)
Amount recognised in Other Comprehensive Income	**600**	**(1,687)**

18. PENSION AND SIMILAR OBLIGATIONS (continued)

Movement in net defined benefit liability during the year

	2017 £000	2016 £000
Deficit in scheme at 1 August	(5,339)	(3,352)
Movement in year:		
Current service cost	(665)	(485)
Administration expense	(1)	(7)
Employer contributions	346	314
Net interest on the defined (liability)/asset	(129)	(122)
Actuarial gain or loss	600	(1,687)
Net defined benefit liability at 31 July	**(5,188)**	**(5,339)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2017 £000	2016 £000
Defined benefit obligations at 1 August	14,085	11,329
Current service cost	665	485
Interest cost	351	428
Contributions by Scheme participants	125	122
Change in financial assumptions	705	1,988
Estimated benefits paid	(207)	(267)
Defined benefit obligations at 31 July	**15,724**	**14,085**

Reconciliation of Assets

	2017 £000	2016 £000
Fair value of plan assets at 1 August	8,746	7,977
Interest on plan assets	222	306
Return on plan assets	1,249	301
Other actuarial gains	56	-
Administration expense	(1)	(7)
Employer contributions	346	314
Contributions by Scheme participants	125	122
Estimated benefits paid	(207)	(267)
Assets at 31 July	**10,536**	**8,746**

19. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

20. CAPITAL COMMITMENTS

The College had capital commitments totalling £200,000 authorised but not contracted for at 31 July 2017 (2016 – £500,000). This relates largely to safeguarding of the college by erecting security fencing along the perimeter.

21. FINANCIAL COMMITMENTS

At 31 July 2017 the College had minimum lease payments under non-cancellable operating leases for plant and machinery and other assets as follows:

	2017 £000	2016 £000
Not later than one year	28	32
Later than one year and not later than five years	44	76
	72	**108**

22. CONTINGENT LIABILITY

There are no contingent liabilities at 31 July 2017 (2016 – £nil).

23. 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.

24. LEARNER SUPPORT FUNDS

	2017 £000	2016 £000
Funding body grants – hardship support	105	123
	105	123
Disbursed to Students	(99)	(116)
Administration costs	(5)	(6)
Balance unspent at 31 July	**1**	**1**

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.